



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP LOCAL
SCHOOL DISTRICT
PERFORMANCE AUDIT

JUNE 10, 2008



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Auditor of State

To the Residents and Board of Education of the Jefferson Township Local School District:

On May 9, 2003, Jefferson Township Local School District (Jefferson Twp LSD) was placed in fiscal caution due to the possibility of ending the 2003 fiscal year in a deficit and incurring additional deficits in future years. The fiscal oversight declaration was elevated to fiscal watch on February 9, 2004. Pursuant to ORC § 3316.031 and ORC § 3316.042, a performance audit was initiated in Jefferson Twp LSD and report was released on May 4, 2004. However, many of the recommendations were not implemented and Jefferson Twp LSD remained in fiscal watch. Subsequently, a follow-up performance audit was initiated in Jefferson Twp LSD in September, 2007. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declaration of fiscal watch.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Jefferson Twp LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit. During the course of the audit Jefferson Twp LSD submitted an updated financial recovery plan to the Ohio Department of Education.

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

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

Sincerely,

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

Mary Taylor, CPA
Auditor of State

June 10, 2008

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) § 3316.031, the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC § 3316.03 further stipulates that the State superintendent may declare a school district in fiscal watch or emergency based upon a review of a school district's five-year forecast. According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch, or fiscal emergency, and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness, and accountability of services can be achieved.

Jefferson Township Local School District (JTLSD or the District) was placed in fiscal caution by the Ohio Department of Education (ODE) on May 9, 2003, based on an anticipated deficit of \$347,335 in the General Fund for FY 2002-03. As a result JTLSD was required to submit a financial recovery plan in accordance with ORC § 3316.031(C) that would address the anticipated deficit. However, when it was unable to provide an acceptable financial recovery plan to address its placement into fiscal caution, ODE placed the District in fiscal watch in February 2004. At the request of ODE and pursuant to ORC § 3316.031 and ORC § 3316.042, AOS initiated a performance audit in 2004 which identified \$481,000 in estimated cumulative cost savings and \$433,000 in estimated annual cost savings subject to contract negotiations.

Ongoing difficulties in developing acceptable recovery plans, along with recent projected deficits, prompted ODE to request that AOS initiate a second performance audit in September 2007. Based on a review of the District's information and discussions with the Superintendent and Treasurer, AOS found only a limited number of the prior performance audit recommendations had been implemented. Thus, the same functional areas were reviewed in the second performance audit, including:

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

In addition, AOS reviewed JTLSD's Food Service Fund revenues and expenditures. It was determined that JTLSD's Food Service Fund is self-supporting and maintains a sizable fund

balance. However, certain expenditures being charged to JTLSD's General Fund could be paid from the Food Service Fund.

District Overview

JTLSD is located in Jefferson Township in west-central Montgomery County, just west of Dayton, Ohio. Jefferson Township comprises six square miles and is served by four public school districts, JTLSD, Dayton CSD, Trotwood-Madison CSD and New Lebanon LSD. JTLSD is classified as a rural/suburban district and encompasses an area of approximately 35 square miles with limited commercial or industrial activity. According to the 2000 U.S. Census, the District had a population of approximately 6,570 residents. The median household income was \$38,069, while 12.2 percent of the households were below the poverty level.

JTLSD is a small district with fewer than 700 students who are educated in two buildings (grades K-6 and 7-12). It is governed by a five member Board of Education with several members that have served multiple terms. The schools have small class sizes and low student-to-teacher ratios. This District also has excess building capacity which results in under-utilization of its facilities. In general, the educational buildings in the District need substantial work. JTLSD reports a staff of 120 employees with approximately 49 percent being educational staff. JTLSD's regular student-to-regular teacher ratio of 12-to-1 is 34.8 percent lower than the peer average of 18-to-1. Notably, enrollment has declined by nearly 27 percent (246 pupils) since FY 1996-97, a fact attributable to open enrollment and students attending non-public and community schools in the area. The District is working with the Ohio School Facilities Commission (OSFC) to develop a viable District master plan which may include renovating existing buildings or consolidating into one new building.

Although JTLSD has been in fiscal watch since February 2004, the General Fund has not experienced a fund balance deficit since FY 2002-03. However, expenditures exceeded revenues in several years, contributing to a declining fund balance that will likely result in a deficit by FY 2009-10. The District has passed renewal levies. However, in November, 2007 voters rejected a 6.5 mill operating levy that would have generated approximately \$557,400 annually in additional revenue.

Although JTLSD has eliminated staff positions and closed Radcliff Heights Middle School, the savings have been negated by increased spending, primarily for purchased services. Despite a declining fund balance, increased spending, and monthly monitoring by ODE, the Board of Education did not develop an acceptable financial recovery plan until December 2007. The Board of Education has also failed to implement an audit committee to address years of repeated financial audit noncompliance citations and management recommendations. Furthermore, the financial audit for FY 2005-06 has not been completed due to unexplained variances in the District's bank reconciliation.

The District hired its seventh treasurer in four years in October 2006. As indicated in previous financial audits, sustained turnover of the accounting department (i.e., Treasurer's Office) has negatively impacted the District's financial condition and internal controls for reporting. This has led to the loss of historical data and perspective.

Given the turnover, lack of written policies and procedures, lack of oversight by an audit/finance committee, lost and misplaced documentation, and repeated citations and recommendations in the financial audit, JTLSD's internal management controls range from weak to nonexistent. In testing, AOS identified significant miscoding and misreporting in various reports to oversight agencies, including the 4502 Annual Financial Report, Education Management Information System (EMIS) reports, and transportation-related T-1 (ridership) and T-2 (costs) reports. As a result, AOS obtained, reconciled, and when appropriate, corrected data to ensure the information could be used for comparative purposes to draw accurate conclusions. However, in some instances the data was determined to be unreliable and could not be reconstructed in a useable manner. Finally, the Board still does not establish or document goals, use performance measures other than the State Report Card, or use other tools or methods to evaluate the District's performance. Therefore, many of the recommendations from the 2004 performance audit are repeated in this audit. If the District is unable to implement appropriate corrective actions, particularly in the area of expenditure controls, its financial well-being will continue to decline.

Subsequent Events

- According to District administrators, JTLSD plans to place an operating levy on the November 2008 ballot and may also place a bond issue and permanent improvement levy on the ballot to fund new construction in the District.
- In its April 21, 2008 Board meeting, the JTLSD Board approved plans to make reductions to District staff. These included eliminating the following positions for FY 2008-09:
 - Dean of Students;
 - Five regular education teachers;
 - Three ESP positions;
- In its April 21 Board meeting, the JTLSD Board also approved a plan to eliminate most of its supplemental contracts resulting in an estimated savings of \$51,300.
- During the course of the audit, JTLSD developed a plan to eliminate 1.5 administrative support FTEs 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.

This performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that JTLSD can consider in its continuing effort to improve financial and management conditions. The audit assessed the key operations of the District in the areas of financial systems, human resources, facilities, and transportation. See each section for a list of related audit objectives.

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between September 2007 and January 2008. To complete this report, the auditors gathered and assessed data from various sources pertaining to key operations. Auditors also conducted interviews with District personnel and reviewed and assessed information from JTLSD and other school districts.

AOS developed a composite of 10 selected districts, which was used for peer comparisons. The selected districts were Bethel-Tate LSD (Clermont County), Bluffton EVSD (Allen County), Botkins LSD (Shelby County), Clear Fork Valley LSD (Richland County), Coldwater EVSD (Mercer County), Fort Recovery LSD (Mercer County), Marion LSD (Mercer County), North Central LSD (Wayne County), St. Henry Consolidated LSD (Mercer County), and Versailles EVSD (Darke County). These districts are classified as rural or agricultural with small student populations and low to moderate median incomes, low per pupil costs, and academic designations of excellent. The data obtained from peer districts was not tested for reliability, although it was reviewed for reasonableness.

External organizations and sources were also used to provide comparative information and benchmarks. They included ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related leading practices. Information used as criteria (benchmarks or leading practices) was also not tested for reliability.

The performance audit process involved significant information sharing with JTLSD, 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 the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and where warranted, resulted in report modifications.

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

Noteworthy Accomplishments

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

- **Fringe Benefits:** JTLSD spends 11.5 percent less per average daily membership (ADM) for employee benefits compared to the peer average. This can be attributed, in part, to the District's participation in a health insurance consortium administered by the Southwestern Ohio Educational Purchasing Council (EPC), as well as a negotiated 20 percent employee contribution to offset the cost of insurance premiums.
- **Fuel Costs:** JTLSD continues to operate a central fuel tank with adequate loss-prevention controls to prevent inappropriate use of fuel. This has allowed the District to minimize its costs through bulk purchasing so that it spends 57.7 percent less on fuel compared to the peer average in FY 2006-07.

Key Recommendations

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

In the area of financial systems, JTLSD should:

- Update its multi-year strategic plan to include academic, operational, and financial performance measures, and incorporate the five-year financial forecast and facilities master plan.
- Develop and/or update its policies and procedures for the budgeting process, accounting policies and procedures for the Treasurer's Office, and the methodology for projecting major line items in the five-year financial forecast and accompanying assumptions.

- Identify opportunities to reduce or freeze discretionary expenditures and actively participate in the Southwest Ohio Educational Purchasing Council (EPC) purchasing consortium for purchases other than fuel and health insurance. Total estimated savings could reach approximately \$897,000.

In the area of human resources, JTLS D should:

- Develop a formal staffing plan to address current and future staffing needs for the District. A staffing plan helps ensure District administrators follow formal processes to review staffing levels, changes in enrollment, academic needs, financial requirements, and other relevant factors.
- Conduct Board evaluations of administrators; and administrators, in turn, should conduct evaluations of staff.
- Consider making staffing reductions in the following areas:
 - One administrative position to achieve staffing ratios closer to the peers (annual savings of \$57,700)
 - Regular education staff by 14 FTEs (annual savings of \$497,000)
 - Educational service personnel staff by 3 FTEs to achieve staffing ratios closer to the peers (annual savings of \$144,300)
 - Office/clerical staff by 3 FTEs to achieve staffing ratios closer to the peers (annual savings of \$108,600)

*During the course of the audit, the Board made several staffing reductions (see **subsequent events**).*

- Eliminate or reduce the employees' portion of the pension benefit paid on behalf of all administrators, except the Superintendent and Treasurer. Annual savings would be about \$18,200.
- Attempt to renegotiate provisions within its collective bargaining agreements that exceed industry standards and State minimums. These provisions are costly and renegotiations, if successful, would allow JTLS D to redirect its resources into other critical operations. Similar recommendations were issued in the 2004 Performance Audit.
- Limit the number of special meetings and Board attendance at conferences and training seminars to help reduce costs.

During the course of the audit, the Board reduced the number of attendees at conferences and limited the number of special meetings it held.

- Work with ODE's Office for Exceptional Children to develop and implement performance measures to monitor and review the cost effectiveness of special education services, ensuring appropriate program design to maximize resources. If JTLSD met peer per-student program costs, it would save approximately \$270,000 annually.
- Annually review and assess its agreement with Montgomery County ESC and better monitor the effectiveness of services. In addition, the Board should ensure that a cost-benefit analysis is performed prior to signing the annual ESC SF-3 Deduct Memorandum to ensure the District is not paying for services that could be provided from other sources at a lower cost.

In the area of facilities, JTLSD should:

- Consider consolidating its student population in one building by reconfiguring Jefferson High School and closing Blairwood Elementary. It should also develop and maintain its own enrollment projections and apply these to its existing facilities. Total estimated savings would be approximately \$242,700.
- Reorganize its facilities-related reporting structure using the Maintenance Coordinator to supervise all custodial, maintenance, and grounds keeping personnel. It should also provide annual training to custodial and maintenance staff and maintain training records. A similar recommendation on implementing and tracking training was made in the 2004 Performance Audit.
- Adopt a custodial and maintenance staff handbook which contains formal standard operating procedures, as well as expected performance benchmarks and standards. A similar recommendation was made in the 2004 Performance Audit.
- Implement a formal work order system and a formal preventive maintenance program. Similar recommendations were made during the 2004 Performance Audit.
- Implement comprehensive energy management and conservation practices to establish and reinforce energy efficient behavior for both staff and students. A similar recommendation was made in the 2004 Performance Audit. By implementing an aggressive energy management policy, educating staff and students, and adopting competitive procurement procedures, the District could potentially save \$48,000 annually.
- Ensure all food service-related expenses, including utilities, are charged to the Food Service Fund. Assuming the District charged 3 percent of its FY 2006-07 utilities expenditures to the Food Service Fund, it could reduce General Fund expenditures by about \$6,000.

During the course of the audit, the District began to assess a portion of its utility costs to the Food Service Fund.

In the area of transportation, JTLSD should:

- Develop standard operating procedures for completing, reconciling, and submitting T-forms and motor fuel tax refund claims to ODE and the Ohio Department of Taxation.
- Negotiate to eliminate or reduce contractually-stipulated, guaranteed paid hours to bus drivers. At a minimum, the District should amend its collective bargaining agreement to require that bus drivers perform work during the entire period for which they are guaranteed payment. If JTLSD can negotiate to reduce guaranteed minimum payments to only 4 hours, it can save approximately \$60,200 annually.
- Document fleet maintenance and repair activities, as well as the frequency and level of vehicle inspections within a preventive maintenance plan. JTLSD should also formally document its process for soliciting competitive bids and issuing requests for proposals (RFPs) to contracted vendors that perform regular fleet maintenance and repairs. Assuming JTLSD can reduce expenditures per active bus to the average of the two highest-cost peers through preventive maintenance and outsourcing, the District can save approximately \$14,600 annually.

During the course of the audit, the District stated it was making preparations to track maintenance costs.

- Develop a formal bus replacement plan. Assuming the District replaces four older buses during the five-year forecast period, it will incur an average annual implementation cost of approximately \$56,000.
- Include transportation personnel (the Transportation Coordinator or his designee) when discussing transportation-related services for special needs students to ensure that all available options are evaluated.

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 issue:

- **Potential to Enhance Efficiency and Effectiveness through consolidating administrative functions in the District:**

Since the release of the 2004 Performance Audit, the District has not addressed the following issues:

- Enrollment declines;
- High rates of attrition and turnover;
- Weak internal controls;
- Data/information mismanagement;
- Poor employee/management relations;
- Comparably high per pupil spending; and
- Low academic performance.

JTLSD has failed to implement financial and performance audit recommendations, and only recently submitted an acceptable financial recovery plan to ODE. The District has been unable to pass an operating levy and a higher than average number of students have sought educational alternatives from regional non-public and community schools. Significant staff turnover has negatively impacted internal controls, inhibiting the District's ability to effectively manage its financial and human resource information.

Table 1-1 compares JTLSD's academic and financial indicators to the peer average, as well as to the average of districts in Montgomery County.

Table 1-1: FY 2006-07 Academic and Financial Indicator Comparison

Indicator	JTLSD	Peer Average	Montgomery County Average
Average Revenue per Pupil	\$13,454	\$8,095	\$10,071
Average Expenditures per Pupil	\$13,123	\$7,951	\$9,890
Percentage of State Indicators Met	13.3%	97.7%	73.6%
Performance Index Score	72.3	102.9	94.9
Adequate Yearly Progress (AYP)	Not Met		
Academic Designation	Academic Watch		
Attendance Rate	93.9%	96.5%	94.8%
Graduation Rate	93.7%	98.1%	92.0%

Source: ODE

As a result of the above-mentioned challenges, the District struggles to efficiently and effectively educate its students. In comparison to its peers and other Montgomery County districts, JTLSD spends substantially more per pupil (between 33 and 66 percent more), but has lower attendance and graduation rates and substantially lower success rates based on State indicators (13 percent met versus 74 and 98 percent for the Montgomery County and peer districts, respectively). Although the District exceeds the Montgomery County

graduation rate and has maintained a 94 percent graduation rate in the past three fiscal years, the achievement level of the peers indicates that there may be additional room for improvement.

In consideration of these indicators and unresolved management challenges, the Board should examine opportunities to consolidate instructional programs, non-instruction-related operations (e.g., athletics and transportation), and/or administrative services (e.g., superintendent and treasurer) with one or more local school districts in an effort to improve efficiency and effectiveness.

AOS recognizes, however, that any decision to consolidate school district services requires careful planning and input from all stakeholders at the State and local level. The District should solicit feedback from employees, parents, students, community leaders, and neighboring school district administrators to ensure that all costs (economic and opportunity) are considered and that all decisions reflect the best interests of the community.

Summary of Financial Implications

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

Table 1-2: Summary of Performance Audit Recommendations

	Estimated Annual Savings	Estimated Annual Costs
Recommendations Not Subject To Negotiations		
R2.8 Reduce discretionary spending to level of peers	\$897,000	
R3.3 Reduce 1.0 FTE administrative position	\$57,700	
R3.4 Reduce 14.0 FTE regular education teachers	\$497,000	
R3.5 Reduce 3.0 FTE ESP teachers	\$144,300	
R3.6 Reduce 3.0 FTE office/clerical positions	\$108,600	
R3.8 Eliminate the additional pension benefit for all positions except the Superintendent and Treasurer	\$18,200	
R3.10 Reduce workers' compensation premiums by implementing BWC programs	\$6,200	
R3.15 Limit Board attendance at conferences and training seminars	\$44,000	
R3.16 Reduce special education costs per pupil	\$270,000	
R4.1 Consolidate the student population into Jefferson High School, close Blairwood Elementary, and reduce staffing	\$242,700	
R4.5 Develop an up-to-date energy management and conservation policy	\$48,000	
R4.6 Charge appropriate utilities costs to the Food Service Fund ¹	\$6,000	
R5.3 Solicit competitive bids or issue formal RFPs to reduce maintenance and repair expenditures	\$14,600	
R5.5 Replace four buses		\$56,000
Total Recommendations Not Subject to Negotiation ²	\$2,354,300	\$56,000
Recommendations Subject to Negotiations		
R3.12 Reduce certified contract provisions that include planning period bonus and sick leave paid out at retirement and reduce classified contract provisions that include sick leave paid out of retirement, longevity pay incentive, holidays, and add a sick leave incentive to the classified contract	\$19,200	
R3.13 Implement and enforce detailed sick leave policies	\$6,800	
R5.2 Reduce guaranteed minimum payment for bus drivers to four hours	\$60,200	
Total Recommendations Subject to Negotiation	\$86,200	
Total Financial Implications	\$2,440,500	\$56,000

Source: AOS recommendations

Note: Totals may vary due to rounding.

¹ Identified savings only positively impact the General Fund.

² Does not include one time savings of \$450 for collecting motor fuel tax refund (R5.1).

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

Financial Systems

Background

This section focuses on the financial systems at Jefferson Township Local School District (JTLSD or the District). Throughout this section, the current and future condition of JTLSD was analyzed for the purpose of developing recommendations to improve financial processes and identify opportunities to increase efficiency. The District's October 2007 five-year financial forecast was also analyzed to ensure that the projections reasonably represent future operational and financial conditions. Operations were evaluated and compared to best practices, industry benchmarks, operational standards, benchmarks based on the average of ten peer districts,¹ other Montgomery County school districts' performance, and the Ohio Department of Education (ODE) similar districts for the purpose of developing recommendations to improve efficiency and business practices.

Financial History

On May 9, 2003, ODE declared JTLSD in fiscal caution in accordance with ORC § 3316.031. The declaration was based on anticipated deficits for the fiscal years ending June 30, 2003 and 2004. ORC § 3316.031 (C) requires the board of education of a district in fiscal caution to provide a written proposal to ODE for correcting the budgetary conditions that prompted the declaration and for preventing the district from experiencing further financial difficulties. If ODE determines the proposal is not acceptable, with the concurrence of the Auditor of State (AOS), the District is declared to be in fiscal watch. JTLSD has been in fiscal watch since February, 2004. In May 2004, ODE approved JTLSD's fiscal watch recovery plan, but did not approve the Board's request to be released from fiscal watch in September 2005.

Pursuant to ORC § 3316.042, the Auditor of State (AOS) may conduct a performance audit of a school district that is in fiscal caution, fiscal watch, or fiscal emergency. On May 4, 2004 AOS published the results of a Performance Audit of the District. However, JTLSD did not implement many of these audit recommendations and remained in fiscal watch. Since the 2004 performance audit, the District's financial condition has not improved and has, in some respects, worsened. Subsequently, ODE asked AOS to conduct a follow-up performance audit. During the course of the audit, JTLSD submitted an updated financial recovery plan that was disapproved by ODE in December 2007. On February 5, 2008 ODE granted JTLSD a thirty day extension for the submission of its revised fiscal watch recovery plan.

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

Treasurer's Office Staffing

The Treasurer's Office consists of four full-time equivalent (FTE) employees - the Treasurer and three account clerks: Accounts Payable, Payroll, and Records/Grants. The Treasurer is primarily responsible for managing and tracking JTLSD's revenues and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the five-year financial forecast. The Accounts Payable Clerk is primarily responsible for preparing, processing, and monitoring the District's purchasing process. The Payroll Clerk is primarily responsible for maintaining accurate personnel information and for processing payroll for all JTLSD employees. The Records/Grants Clerk handles grants reporting, inventory, and Workers' Compensation.

The District has experienced significant turnover in the Treasurer's Office. During the last four years, JTLSD has had seven interim and full-time treasurers and has also experienced periods without a treasurer. The current Treasurer was hired October 23, 2006. In addition, several of the clerks have been out of the office for significant periods of time, so temporary services were used. The high level of turnover in the treasurer's position and the high absenteeism among permanent employees has led to a loss of historical data and perspective. The District's internal management controls are extremely weak or nonexistent for several reasons: the turnover in the office; the lack of a strategic plan (see **R2.6**), written policies and procedures (see **R2.2** and **R2.3**), or an audit/finance committee; and repeated citations and recommendations in financial audits which have gone unaddressed (see **R2.1**). However, during the course of this audit the Treasurer issued specific procedures to his staff for the documentation of purchases. As a result of the weak controls, many documents have been not available for AOS review (also see **human resources** and **transportation**) and many transactions have been posted incorrectly (see **R2.7**).

Financial Forecast

The five-year financial forecast presented in **Table 2-1** represents the Treasurer's projections of the District's present and future financial condition as of October, 2007. JTLSD operates with a total tax rate of 61.90 mills.² The District's November 2007 request for a new 6.5 mill operating levy failed. In December 2007, the Board voted to place a 5.5 mill renewal levy on the March 2008 ballot and it was subsequently approved by voters. . According to District administrators, JTLSD plans to place an operating levy on the November 2008 ballot and may also place a bond issue and permanent improvement levy on the ballot to fund new construction in the District.

² JTLSD's millage consists of 6.6 mills inside (un-voted), 53.3 mills current expense, and a permanent improvement levy of 2.0 mills (\$125,000/yr.).

Table 2-1: JTLSLSD Five-Year financial forecast (in 000's)

	Actual			Forecast				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenues:								
General Property (Real Estate)	\$2,275	\$2,517	\$2,495	\$2,547	\$2,605	\$2,655	\$2,681	\$2,739
Tangible Personal Property Tax	\$696	\$494	\$526	\$458	\$396	\$330	\$31	\$31
Unrestricted Grants-in-Aid	\$3,240	\$3,300	\$3,367	\$3,167	\$3,262	\$3,261	\$3,259	\$3,258
Restricted Grants-in-Aid	\$414	\$455	\$660	\$898	\$865	\$865	\$864	\$864
Property Tax Allocation	\$336	\$373	\$344	\$391	\$512	\$619	\$639	\$256
All Other Operating Revenue	\$851	\$435	\$923	\$835	\$865	\$870	\$875	\$881
Total Operating Revenue	\$7,812	\$7,574	\$8,315	\$8,296	\$8,505	\$8,600	\$8,349	\$8,029
Total Other Financing Sources	\$229	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$8,041	\$7,576	\$8,315	\$8,296	\$8,505	\$8,600	\$8,349	\$8,029
Expenditures:								
Personal Service	\$3,526	\$3,067	\$3,605	\$3,559	\$3,596	\$3,633	\$3,671	\$3,709
Employees' Retirement/Insurance Benefits	\$806	\$763	\$1,137	\$1,156	\$1,202	\$1,251	\$1,303	\$1,358
Purchased Services	\$2,118	\$2,490	\$2,214	\$2,486	\$2,548	\$2,599	\$2,651	\$2,704
Supplies and Materials	\$200	\$310	\$348	\$363	\$374	\$385	\$396	\$408
Capital Outlay	\$134	\$62	\$50	\$23	\$23	\$24	\$25	\$25
Debt Service			\$50	\$50	\$51	\$51	\$50	\$51
Other Objects	\$837	\$684	\$1,004	\$1,070	\$1,092	\$1,114	\$1,136	\$1,159
Total Operating Expenditures	\$7,621	\$7,376	\$8,408	\$8,707	\$8,886	\$9,057	\$9,232	\$9,414
Total Other Financing Uses	\$271	\$74	\$8	\$0	\$0	\$0	\$0	\$0
Total Expenditure & Other Financing Uses	\$7,892	\$7,450	\$8,416	\$8,707	\$8,886	\$9,057	\$9,232	\$9,414
Results of Operations (Loss)	\$150	\$126	(\$101)	(\$411)	(\$381)	(\$457)	(\$883)	(\$1,385)
Beginning Cash Balance	\$308	\$458	\$584	\$483	\$72	(\$310)	(\$767)	(\$1,650)
Ending Cash Balance	\$458	\$584	\$483	\$72	(\$310)	(\$767)	(\$1,650)	(\$3,035)
Fund Balance June 30 for Certification of Appropriations								
Property Tax-New	\$0	\$0	\$0	\$305	\$886	\$1,465	\$2,050	\$2,640
Cumulative Balance of New Levies	\$0	\$0	\$0	\$305	\$1,191	\$2,656	\$4,706	\$7,346
Unreserved Fund Balance June 30	\$458	\$584	\$483	\$377	\$882	\$1,890	\$3,057	\$4,312

Source: JTLSLSD October 2007 forecast

Note: Totals may vary due to rounding.

JTLSLSD's financial forecast in **Table 2-1** presents projected revenues, expenditures, and ending fund balances for the General Fund and all other forecast funds for each of the fiscal years (FYs) ending June 30, 2008 through June 30, 2012. According to the forecast, JTLSLSD's FY 2008-09 projected deficit as a percentage of the prior year's total operating revenue is 3.7 percent, and rises to 36 percent by FY 2011-12. This is caused by an accelerating projected operating loss of

approximately \$411,000 in FY 2007-08, \$381,000 in FY 2008-09, \$457,000 in FY 2009-10, \$883,000 in FY 2010-11, and almost \$1.4 million in FY 2011-12.

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

AOS analyzed historical forecast amounts and determined that JTLSD's historical expenditure and revenue data for FY 2004-05 through FY 2006-07 was unreliable. The District failed to implement recommendations from the 2004 Performance Audit to improve its financial operations, particularly surrounding the development of policies and procedures to standardize operations. As a result, each treasurer has interpreted financial data differently, producing inconsistency (and errors) in the financial records and statements.

In addition, AOS analyzed significant line items within the forecast (general property tax, unrestricted grants-in-aid, restricted grants-in-aid, other revenues, personal services, retirement and insurance benefits, purchased services, and other expenditures) and found that many of the assumptions, methodologies, and projections for these line items presented an unlikely estimate of JTLSD's future financial condition. In areas warranting reconsideration, projections were revised and applied to the adjusted forecast presented in **Table 2-8**. For detailed analyses of these line items see **R2.9** and **R2.10**.

Financial Operations

Revenues and Expenditures per Pupil³

The allocation of resources between the District's various functions is an important aspect of its budgeting and management processes. Given the limited resources available, functions must be continually evaluated and prioritized. With the exception of its forecast, the JTLSD Board of Education has not engaged in recommended strategic management practices (see **R2.6**).

Table 2-2 compares JTLSD's revenues and expenditures per pupil to the peer average for FY 2006-07. It also compares JTLSD's General Fund revenues and expenditures as a percent of totals to the peer average. While **Table 2-2** is an analysis of JTLSD's General Fund only, the District indicated it attempts to maximize program resources through grants.

³ Per pupil is based on JTLSD's formula average daily membership (ADM) as calculated by ODE and published in the District's FY 2006-07 final SF-3 report. ADM is calculated using JTLSD's October headcount information as submitted to ODE.

Table 2-2: Revenues and Expenditures per Pupil - FY 2006-07

	JTLSD	Peer Average	Difference	% Difference	JTLSD % of Total	Peer % of Total
Property & Income Tax	\$4,225	\$2,358	\$1,867	79.2%	38.5%	28.9%
Intergovernmental Revenues	\$5,462	\$5,173	\$289	5.6%	49.7%	63.3%
Other Revenues	\$1,298	\$635	\$662	104.2%	11.8%	7.8%
Total Revenue	\$10,985	\$8,167	\$2,818	34.5%	100.0%	100.0%
Salaries & Wages	\$4,457	\$4,638	(\$181)	(3.9%)	40.2%	58.3%
Fringe Benefits	\$1,468	\$1,658	(\$191)	(11.5%)	13.3%	20.8%
Purchased Services	\$3,096	\$849	\$2,246	264.9%	27.9%	10.7%
Supplies & Textbooks	\$486	\$288	\$199	69.0%	4.4%	3.6%
Capital Outlays	\$70	\$156	(\$87)	(55.4%)	0.7%	2.0%
Debt Service	\$0	\$12	(\$12)	(100.0%)	0.0%	0.2%
Miscellaneous	\$1,419	\$210	\$1,209	574.3%	12.8%	2.6%
Other Financing Uses	\$82	\$150	(\$68)	(45.6%)	0.7%	1.8%
Total Expenditures	\$11,077	\$7,962	\$3,115	39.1%	100.0%	100.0%

Source: FY 2006-07 District and peer 4502s

Note: Totals may vary due to rounding.

As shown in **Table 2-2**, JTLSD's total revenue and total expenditures per pupil substantially exceed the peer average. Unlike the peers, JTLSD's expenditures exceed revenues, indicating that it is not adequately monitoring and controlling its expenditures with respect to available funding. JTLSD spends 53.5 percent of its resources for salaries and benefits which is below the peer average (78.9 percent). However, JTLSD's expenditures were significantly higher than the peer average for purchased services, supplies and textbooks, and miscellaneous expenditures (see **R2.8**). The District attributed these high costs to special needs (see **R3.16**) and the high concentration of community schools within or adjacent to its boundaries.

Governmental Expenditures

Table 2-3 compares JTLSD's governmental fund expenditures per pupil by function to the peer average. Governmental funds include local, State, and federal revenue, and restricted grants-in-aid. Since expenditures are partially dependent upon the number of students served, presenting expenditures on a per pupil basis eliminates variances attributable to the size of the peer districts.

Table 2-3: Governmental Fund Expenditure Comparison - FY 2006-07

	JTLSD		Peer Average		Difference	
Pupils	715		1,191		(476)	
Expenditure Categories	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Variance	% Variance
Instructional Expenditures:	\$7,120	53.3%	\$5,308	62.1%	\$1,812	34.1%
Regular Instruction	\$3,699	27.7%	\$4,030	47.1%	(\$331)	(8.2%)
Special Instruction	\$1,313	9.8%	\$935	11.0%	\$378	40.4%
Vocational Education	\$95	0.7%	\$207	2.4%	(\$112)	(54.1%)
Other Instruction	\$2,013	15.1%	\$136	1.6%	\$1,877	1380.1%
Support Service Expenditures:	\$6,055	45.3%	\$2,891	33.8%	\$3,164	109.4%
Pupil Support Services	\$282	2.1%	\$343	4.0%	(\$61)	(17.8%)
Instructional Support Services	\$425	3.2%	\$386	4.5%	\$39	10.10%
Board of Education	\$87	0.7%	\$26	0.3%	\$61	234.6%
Administration	\$1,119	8.4%	\$690	8.0%	\$429	62.2%
Fiscal Services	\$1,954	14.6%	\$225	2.6%	\$1,729	768.4%
Plant Operation & Maintenance	\$1,110	8.3%	\$790	9.2%	\$320	40.5%
Pupil Transportation	\$846	6.3%	\$404	4.8%	\$442	109.4%
Central Support Services	\$232	1.7%	\$27	0.3%	\$205	759.3%
Non-Instructional Services Expenditures	\$14	0.1%	\$7	0.1%	\$7	100%
Extracurricular Activities Expenditures	\$178	1.3%	\$353	4.1%	(\$175)	(49.6%)
Total Governmental Fund Operational Expenditures	\$13,367	100.0%	\$8,559	100.0%	\$4,808	56.2%

Source: FY 2006-07 District and peer 4502s

Note: Dollars and percentages may vary due to rounding.

As shown in **Table 2-3**, JTLSD's governmental fund expenditures exceeded the peer average in every major category except extracurricular activities. Within instructional expenditures, JTLSD was significantly higher than the peer average for special instruction, due to its contract with the Montgomery County Education Service Center (ESC) and the higher number of students with special needs (see **human resources**). It was also significantly higher in other instruction. The other instruction line item comprised various expenditures, including over \$620,000 miscoded as dues and fees (see **R2.8**). Within support service expenditures, JTLSD spent 21.6 percent less than the peer average for pupil support services.

Table 2-3 shows the greatest variances occurred in the Board of Education (due to higher training costs); administration; fiscal services; and central support services, which can be attributed to higher staffing costs (see **human resources**); and pupil transportation provided by the Montgomery County ESC transportation contract (see **transportation**). On both a percentage and dollar allocation basis, JTLSD dedicates a much higher level of resources to support services that are unrelated to direct instruction and do not support its primary mission of educating students.

This skewed allocation of resources results, in part, from the lack of an updated District-wide strategic plan (see **R2.6**) and lax budget monitoring and oversight (see **R2.4**). Targeted spending based on a District-wide strategic plan with performance measures would help JTLSD focus on core services, i.e., regular instruction and other academically oriented programs, and help to bring expenditures more closely in line with the peer average.

Discretionary Expenditures

Discretionary expenditures are not governed by negotiated agreements or contracts and a district can control these expenditures to some degree in the short term. Discretionary expenditures accounted for about 24.3 percent of the District's general operating expenditures in FY 2006-07, substantially above the peer average of 12.6 percent. The 2004 performance audit contained a recommendation to reduce discretionary spending; however, spending in this area has increased about 2 percent since the prior audit. The District noted that some of these costs are driven by pupil transportation requirements and the high number of district students who attend community schools. See **R2.8**

Performance Audit Follow-Up

In 2004, AOS completed a performance audit of JTLSD. As a follow-up, this section of the performance audit reviewed the previous report and current District operations to determine the implementation status of the previous recommendations. The results of this analysis can be found in **Appendix 2-A**, with references throughout this section.

JTLSD has not implemented many of the recommendations from the 2004 Performance Audit. These recommendations were intended to increase accountability and efficiency through improved planning and formal policies and procedures. Of the 16 recommendations contained in the 2004 Performance Audit, JTLSD fully implemented 4, partially implemented 4, and did not implement 6. Two were no longer applicable. Ten recommendations from the 2004 audit were re-issued in this performance audit.

Audit Objectives for Financial Systems

The following is a list of questions used to evaluate the financial systems function at JTLSD:

- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Does the District have adequate internal controls?
- Does the District have a budgeting process that meets recommended practices?

- Does the District effectively communicate with, and respond to, stakeholders?
- Is the District's long-term planning process adequate?
- What is the status of previous performance audit recommendations?

Recommendations

Internal Control

R2.1 The Board should establish an audit committee to ensure financial audit recommendations and noncompliance citations are addressed in a timely manner. The audit committee should provide an independent review and oversight of the District's financial accounting and reporting processes and internal management controls. Members of the committee should possess a basic understanding of financial operations and reporting. In addition, the committee should periodically provide the Board and the public with written reports and supporting documentation concerning how it fulfilled its duties and responsibilities. The committee's responsibilities, structure, work processes, and membership requirements should be established by Board policy. A similar recommendation was made in the 2004 Performance Audit.

The 2004 Performance Audit recommended the District form an audit committee to address the high number of noncompliance citations and internal control recommendations that resulted from the FY 1998-99 through FY 2001-02 financial audits. Management letters from financial audits for FY 2002-03 through 2005-06 each contained between 12 and 15 noncompliance citations and recommendations, many of which were repeated from previous audits. The financial audit for FY 2005-06 has not been completed due to unexplained variances in funds and expenditures, although the FY 2006-07 financial audit has commenced.

In the absence of an audit committee, the Board and the Treasurer are primarily responsible for monitoring internal controls and ensuring financial audit recommendations and noncompliance citations are considered and addressed. The Board has informally designated two members as financial liaisons to review financial statements and question the Treasurer on financial practices. These Board members have not met with the Treasurer outside of Board meetings; however, one member contacts the Treasurer by phone on a bi-weekly basis. In addition, the Treasurer provides financial updates during Board retreats..

According to the GFOA's *Recommended Practice: Audit Committees*, three main groups are responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors. Of these three, the governing body must be seen as primarily responsible because of its unique oversight position. An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum,

separate from management, in which auditors and other interested parties may candidly discuss concerns about the entity's financial practices. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own reviews, objectively assess the government's financial reporting practices.

GFOA also recommends the audit committee be formally established through a board resolution or charter that details the scope of the committee's responsibilities, structure, work processes, and membership requirements. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) recommends that audit committees be composed entirely of members who are independent from the Board. In addition, all committee members should possess a basic understanding of governmental financial reporting and auditing. However, if necessary, the committee should be authorized by the Board to attain guidance from outside financial specialists. The committee should also be authorized to obtain legal counsel or any other appropriate specialist deemed necessary to accomplish the responsibilities outlined in the charter or resolution.

Considering the high turnover in the Treasurer position, an audit committee would help bring stability and consistency to the District's financial operations. If turnover occurs, the audit committee can provide guidance to interim and permanent staff in the Treasurer's Office and ensure the District is making progress in addressing noncompliance citations and recommendations, as well as adhering to documented policies and procedures (see **R2.2** and **R2.3**). Finally, an audit committee will help to ensure that an appropriate internal control system is developed to prevent turnover from further impacting operations.

R2.2 The District should develop and implement additional GFOA-recommended financial policies to ensure effective financial and resource management is applied in the District. It should also strengthen existing policies and procedures and ensure their consistent application. Once a comprehensive set of financial policies has been developed and adopted, the Board should periodically review them to ensure staff is complying with policies and the policies assist staff in responding to financial issues in a timely manner.

The Board Policy Manual includes financial policies addressing the following activities:

- Investments;
- Borrowing;
- Fiscal Planning;
- Tax Budgeting;

- Appropriations;
- Financial Reporting; and
- Payroll.

JTLSD hired an outside consultant to continuously review and update its Board Policy Manual. The consultant reviews the policies and updates them in accordance with current laws and regulations. Periodically, the consultant sends the District policy notices and updates regarding new regulations and provides sample language for the District to review and adopt. The notices are discussed by the Board, Superintendent, and Treasurer. If JTLSD decides to update a policy, it notifies the consultant regarding the language preferred and the consultant subsequently finalizes the language. The policy is then reviewed by the Board and voted on for approval and insertion into the Board Policy Manual. However, the District was unable to identify the time frame for the last review of its financial policies.

JTLSD's policies cover a number of critical financial processes, but are missing some recommended elements. For example, JTLSD's policy regarding open enrollment establishes limits on the total number of students accepted into the District. However, the policy should outline and predetermine annually the number of students it would accept based on openings for each grade level, programs offered, District staffing levels, and space availability. In addition to those policies already in place, *Best Practices in Public Budgeting* (GFOA, 2000) recommends the following policies be included in a set of comprehensive best practice financial policies and procedures.⁴

- Fund stabilization;
- Debt management;
- Use of one-time revenues
- Diversity of revenue sources; and
- Contingency planning.

According to GFOA, fiscal policies, plans, programs, and strategies should be adjusted as needed. Changing conditions or programs and services that are not producing the desired results or efficiently utilizing resources may require adjustment in order to continue to meet the needs of stakeholders and achieve the District's goals. Therefore, a comprehensive review of fiscal management policies is a necessary task.

By not consistently maintaining up-to-date policies, JTLSD runs the risk of operating on a day-to-day manner which is inconsistent with the Board's vision, directives, or policies. Without up-to-date policies the District cannot ensure consistency between and among goals and performance, budgeting, forecasting, long-range planning, resource

⁴ For a detailed description and example of GFOA recommended policies, see <http://www.gfoa.org/services/nacslb/>

distribution, and assessment. Policies and procedures should be an integral part of the development and implementation of services, operations, capital management, financial planning, and the budget. Effective fiscal policies serve as a starting point for financial decisions, improve the District's ability to take timely action, and aid in the overall management of its resources.

R2.3 The Board should adopt a formal accounting policy and procedures manual which meets recommended practice standards. In addition, the Treasurer (or a designee) should periodically update this manual. This will strengthen internal controls by improving the reliability of information produced by the Treasurer's Office. This manual can also be used to facilitate cross-training for Treasurer's Office personnel to minimize the negative impact of employee turnover and absenteeism.

A similar recommendation was made in the 2004 Performance Audit.

The District has written procedures for purchase orders and fixed asset accounting. The District also has a payroll policy and procedures manual; however, this handbook is intended for use by employees with questions about payroll rather than the Treasurer's Office staff. The handbook was updated in 2007, but it does not provide guidance on how to conduct and properly document payroll transactions. In addition, the District uses other procedural manuals issued by regulatory State agencies. However, it has not consolidated its procedural documents into a single manual specific to the District which can be used to support operations or supplement training materials.

According to *Documentation of Accounting Policies and Procedures* (GFOA, 2007), governments should document accounting policies and procedures in the following manner:

- Accounting policies and procedures should be disseminated by an appropriate level of management to emphasize their importance and authority.
- Accounting policies and procedures should be updated periodically (no less than once every three years) according to a predetermined schedule.
- Changes in policies and procedures that occur between these reviews should be updated in the documentation as promptly as they occur. A specific employee should be assigned to this process with management being responsible for ensuring that this duty is consistently performed.
- Documentation should be readily available to all employees who need it. It should delineate the authority and responsibilities of all employees and detail which employees are to perform which tasks.
- Documentation should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

- Procedures should be described as they are actually intended to be performed, rather than in an idealized form.

It was noted during the District's last financial audit that sustained turnover in the Treasurer's Office has led to conflicting procedures and priorities, a backlog of transactions to be processed, lost and misplaced documentation, and a general lack of coordination. A formal accounting procedures manual based on Board policies will provide guidance to staff and can be used as a tool to train employees to better perform their own duties, as well as the duties of others in the Treasurer's Office. Using documented and appropriate accounting and financial management policies and procedures may help JTLSD resolve several of its audit citations and continued fiscal management issues.

R2.4 JTLSD should develop formal procedures to guide the budgeting process, including a budget calendar which specifies timelines, individual responsibilities, and completion dates for tasks. Furthermore, the District should prepare and publish a formal budget on its website that includes the elements suggested by GFOA, such as important goals, key performance measures, and a budget summary (see R2.5). Also, JTLSD should develop a mechanism to identify stakeholders' concerns, needs, and priorities during the planning and budgeting process. By doing so, the District would promote stakeholders' understanding, participation, and confidence in the budget and its relationship to the strategic plan goals (see R2.6) and the five-year financial forecast (see R2.9).

According to the Treasurer, the District follows an informal budgeting process driven primarily by collaboration between the Treasurer and Superintendent. The District does not have a formal budget calendar for staff involved in the process. Formal input is not solicited from principals and department heads. However, the Treasurer indicated the Superintendent meets with department supervisors and principals on an ongoing basis to discuss the needs of their respective departments and buildings. Based on feedback obtained throughout the year, the Superintendent then meets with the Treasurer to prepare a formal budget proposal. The budget proposal is not tied to performance measures or planning documents such as strategic or capital plans.

The District does not actively pursue stakeholder input as a component of the budgeting process; however, stakeholders are allowed to participate in the budget process through District Board meetings. The District does not develop or publish a detailed budget document or other monthly financial reports for public review.

JTLSD's Treasurer relied on his experience, District staff, and prior years' Board minutes and agendas to determine when budget documents needed to be submitted and how the

process was to be conducted at JTLS. At the time of budget preparation, the Treasurer had been with the District less than one year.

According to *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1998), governments should establish an administrative structure that facilitates the preparation and approval of the budget in a timely manner. More specifically, GFOA recommends the following elements be included in the budget process:

- Develop a budget calendar that specifies when budget tasks are to be completed and that identifies timelines for those tasks.
- Prepare general policy guidelines and budget preparation instructions for each budget cycle to help ensure that the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body. Instructions are necessary so that all participants know what is expected, thereby minimizing misunderstanding and extra work.
- Develop mechanisms for coordinating budget preparation and review, and assign responsibilities.
- Develop procedures to facilitate budget review, discussion, modification, and adoption.
- Identify opportunities for stakeholder input.

GFOA further recommends that performance measures be presented in basic budget materials, including the operating budget document, and be available to stakeholders. These measures should document progress toward the achievement of previously developed goals and objectives. In addition, the Board should take an active role in directing actions to be taken, especially when budget variances are identified.

GFOA further recommends that governments develop mechanisms to identify stakeholder concerns, needs, and priorities. Among the mechanisms to consider are public hearings, opinion surveys, meetings of leading citizens and citizen interest groups, advisory committees, neighborhood meetings, and meetings with District employees.

Olentangy Local School District (Delaware County) has formal procedures that govern the budget process. These procedures stipulate that prior to submitting the budget to the Board of Education for approval, each building principal and manager is responsible for preparing a building-level budget.

A detailed budget process and timeline ensures the District involves stakeholders, coordinates the budget, and the parties involved have adequate time to prepare the necessary forms. By having budget policies and procedures in place, the District can

make certain budget priorities are identified and considered in the budgeting process and that stakeholders have an opportunity to comment on District financial priorities.

Communication with Stakeholders

R2.5 JTLSD should update its website to include budget documents and financial statement information that could be useful to local citizens and other interested parties. By making financial information available on the website, the District would demonstrate a higher level of financial accountability without incurring additional costs.

The District does not report financial information to the public on its website. Financial information such as the budget, five-year financial forecast, monthly and annual financial statements, audit reports, strategic plan (see **R2.6**), and Comprehensive Continuous Improvement Plan (CCIP) is not available on the website.

GFOA recommends that every government publish budgetary information and financial reports on its website. The electronic version of information published on the website should be identical to the printed versions of these documents. Additional information regarding GFOA recommended practices can be found at <http://www.gfoa.org>.

School districts like Wayne Trace Local School District (Paulding County) and Westerville City School District (Franklin County) provide a range of financial information on their websites, including 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 salary, benefits, purchased services, capital outlay, maintenance, transportation, and extracurricular expenditures.
- **Budget Appropriations** – Current Five-Year Forecast, Understanding the Five-Year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year-end Analysis.
- **Taxes/Millages/Valuations** – County Area Effective Tax Rates (Historical Information), Tax Rate History, and Q&A on Taxes and Millage.
- **Annual Reports** – Historical information, CAFRs, and PAFRs.
- **Miscellaneous** – Audit findings, School Finance Terms, State Financial Designations, ODE Local District Report Cards, reports on enrollment, and finance or audit committee information.

Providing the budget/appropriations and annual financial reports on the government's website increases awareness of the existence of these documents, and can aid the user in understanding the financial condition of that particular government. Posting the information on the website also reduces the time needed to respond to public document requests and eliminates any cost associated with providing the information. In addition, the electronic format also provides users with a computerized tool to find, extract, and analyze the data contained in these often lengthy documents.

By expanding its website to include the five-year financial forecast along with the detailed assumptions and budget information, JTLSD will demonstrate greater financial accountability and enhanced communication with its stakeholders. This will provide the public with a better understanding of JTLSD's financial challenges. Inclusion of additional details concerning historical events and future expectations would also assist the reader in interpreting the forecast and drawing well-informed conclusions.

Strategic Planning

R2.6 JTLSD should update its strategic plan to include multi-year academic, operational, and financial performance measures. The plan should address the State and District education goals captured in the District's Comprehensive Continuous Improvement Plan (CCIP), as well as operational goals in the five-year financial forecast and facilities master plan (see facilities). The strategic plan should clearly delineate the following:

- **The District's goals and objectives and the strategies for achieving them;**
- **Priorities assigned by the Board to its goals to guide its strategies and major financial, capital, and program decisions;**
- **Performance measures and standards the District will use to monitor and judge progress toward meeting its goals; and**
- **The individuals responsible for implementing the strategies in the plan as well as the time frames for implementation.**

A formal, updated strategic plan would allow the District to maintain and monitor program and operational effectiveness over an extended period of time. A detailed strategic plan would also increase the accuracy of JTLSD's forecasts, as the District could rely more heavily on long-term plans to project proposed spending.

As required by ODE, the District has created a CCIP to outline its goals for academic achievement. The CCIP sets academic goals for future years, identifies funding for the various academic goals and programs, and tracks the District's academic performance from year-to-year. Within the CCIP, the District is required to monitor the status of each goal and the implementation plan. The CCIP does not include a component for business

or capital operations and does not correlate with the five year financial forecast or the capital improvement planning.

While JTLSD has a mission statement, the Superintendent indicated that its strategic plan was last updated in 2002. JTLSD does not have an updated multi-year strategic plan that establishes goals and objectives and identifies expected results for non-academic services and activities. Furthermore, the District's operations are not supported by a comprehensive performance measurement system. The use of performance measures would enable the Board and administrators to assess progress in achieving operational goals and objectives.

According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), entities should develop a multi-year strategic plan that provides a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs and projected enrollment and revenues. According to GFOA, a sound strategic planning process will include the following steps:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess local, regional, national, and global environmental factors affecting the community;
- Identify critical issues that reflect stakeholder concerns, need, and priorities;
- Develop a small number of broad goals that address the most critical factors;
- Create an action plan that describes strategies to be implemented, activities and services to be performed, associated costs, designation of responsibilities, priority order, and time frame;
- Develop specific, measurable objectives and incorporate performance measures;
- Approve, implement and monitor the plan. Moreover, the strategic plan should drive the operating budget, the capital plan, and other financial planning efforts; and
- Reassess the strategic plan annually to the extent that external events have long-range impacts.

A clearly written, multi-year strategic plan will provide vision and direction for the District as it attempts to improve academic performance and financial operations. It will allow the District to identify specific priorities for each function and guide its major financial and program decisions. Furthermore, the plan will communicate to staff how these priorities should be considered in making program and budget decisions. A fully-integrated, District-wide strategic plan will help JTLSD link resources to stated goals and objectives, and communicate these goals and objectives to stakeholders.

Purchasing

R2.7 The District should review and update its policies and procedures governing purchasing. In addition, the Board should periodically review purchases to ensure policies and procedures are being followed. The District should also ensure that it maintains appropriate documentation, such as the bids/quotes received for purchases over the established price threshold, as well as documentation that the goods or services have been received. In addition to keeping the appropriate documentation, the District should ensure that invoices are paid in a timely manner and purchase orders are coded correctly.

AOS requested a sample of purchases from the Treasurer's Office to verify that management internal controls noted within the District's purchasing policies and procedures were being followed and that appropriate documentation was retained. Of 42 requested purchases totaling \$467,867, documentation for seven purchases totaling \$102,733 could not be located, and four purchases totaling \$174,701 had been voided, leaving documentation for purchases of \$190,433 to be tested.

The vouchers that the District was unable to locate at the time of the test included:

- Earhart Petroleum, Inc. in the amount of \$26,962.34, dated 11/30/06;
- Lacomedia Dinner Theatre in the amount of \$1,000.00, dated 4/19/07;
- Lighthouse Digital Communications in the amount of \$14,384.10, dated 8/31/05;
- ECE Special Education in the amount of \$2,907.65, dated 8/31/05;
- Applebee's Restaurant in the amount of \$500.00, dated 8/31/05;
- Homewood Suites in the amount of \$4,680.64, dated 12/31/05; and
- Jefferson MOD in the amount of \$52,298.23, dated 5/30/06.

The District later provided copies of invoices or receipts for the expenditures for ECE Special Education, Applebees Restaurant, Homewood Suites, and Jefferson MOD, thought the information did not necessarily fully resolve auditors' questions about the payments. Of the remaining 31 purchases that were tested, an exception was noted for purchases that were not consistent with the District's documented policies and procedures. **Table 2-4** illustrates the results of the 14 purchases tested from FY 2006-07 and 17 purchases tested from FY 2005-06.

Table 2-4: Purchasing Testing Summary Results

Procedures Tested	FY 2005-06			FY 2006-07		
	Number of Applicable Purchases	Non-Compliant Purchases	% Non-Compliant	Number of Applicable Purchases	Non-Compliant Purchases	% Non-Compliant
Treasurer's Office packets have appropriate bidding/quote documentation	1	1	100.0%	4	4	100.0%
Requisition provides adequate description and is signed by submitter and approved by supervisor/principal	14	2	14.3%	17	1	5.9%
Treasurer reviews requisition for approval, coding, and adequate allocation and approves. (Coded correctly)	14	11	78.6%	17	5	29.4%
A/P clerk assigns vendor number and purchase order (PO) number. Requisition is entered as a PO	14	11	78.6%	17	5	29.4%
PO is approved by Superintendent and/or Treasurer	14	0	0.0%	17	1	5.9%
PO copy filed in treasurer's office (pink)	14	0	0.0%	17	1	5.9%
Receiving report (gold) is received in treasurer's office and matched to the purchase order and invoice	14	14	100.0%	17	16	94.1%
Invoice received in treasurers office (marked as received or paid)	14	14	100.0%	16	14	87.5%
Treasurer verifies goods/service and price of invoice and approves (Invoice amount and check amount match)	14	7	50.0%	16	4	25.0%
Timely payment of invoices (30 days)	14	8	57.1%	17	10	58.8%

Source: JTLSD FY 2005-06 and 2006-07 check registers, purchase orders, and requisitions

As shown in **Table 2-4**, the District is not following its own internal control policies, increasing the risk of fraud, abuse and inaccurate financial reporting. According to the Treasurer's Office, this is attributed to the use of temporary staff during the period from April to October 2006. Some of the exceptions were explained by the following:

- Receiving reports and verification of goods or services are kept at the building or department in which the good or service was requested and provided.

Also, goods or services obtained by the Administrative Building do not have to be signed for by a principal/supervisor since it is for the Administration Building. Further, a receiving report is not included for Administrative goods or services because they oversee that the purchase was received.

- In these cases, the Treasurer’s Office may not be aware of variances prior to making payment. Written documentation that the goods or services were received should be provided to the Treasurer’s Office prior to payment.
- Quotes and/or bids are also kept at the building or department level for purchases above the threshold.
 - Documentation should be reviewed by the Treasurer’s Office to ensure compliance prior to authorizing the purchase.

Although the District has purchasing procedures and a purchasing policy in its Board Policy Manual, many of the internal controls in the policy are not being followed. Without appropriate internal controls, funding could potentially be used for inappropriate, unnecessary, or overpriced purchases. By requiring appropriate documentation at the Treasurer’s Office, the Treasurer and Superintendent can review requisitions and purchase orders to determine if the expense is appropriate and necessary. Furthermore, the Treasurer can then determine if funds are available for the purchase and make the appropriate encumbrances. This will enable the District to control its expenses through improved monitoring and oversight.

R2.8 JTLSD should examine historical expenditures and identify opportunities to reduce future spending to levels more commensurate with the peers. Specifically, the District should consider freezing non-essential discretionary expenditures and delaying major purchases to relieve operating deficits. In addition, JTLSD should actively participate in the Southwestern Ohio Educational Purchasing Council (EPC) for purchases in addition to fuel and health insurance.

Similar recommendations were made in the 2004 Performance Audit.

Discretionary expenditures comprise those costs which are not required of the District by contract or statute. As most expenditures related to school operations are governed by collective bargaining agreements and other contracts, the District is able to exercise the greatest control over expenditures designated as “discretionary.” These expenditures can be found in the line items of purchased services, supplies and materials, capital outlay, and other expenditures. The 2004 Performance Audit recommended the District examine discretionary spending and reduce expenditures in high cost areas to levels more commensurate with the peers in order to improve the District’s overall financial condition.

JTLSD is a member of the EPC, through which it purchases fuel, utility services, and health insurance. However, JTLSD may be bypassing significant savings by not

purchasing other goods and services, such as the EPC's workers' compensation group rating premium program (see **human resources**), supplies for the maintenance and custodial programs and transportation functions, office supplies, and utilities. According to the Florida Office of Program Policy Analysis and Government Accountability's (OPPAGA) *Performance Accountability Systems*, all districts should develop procedures to take maximum advantage of all purchasing functions and periodically evaluate their purchasing practices to maximize use of personnel assigned to the purchasing function by observing the following practices:

- Effective quotation procedures are used for purchases that are significant amounts but less than dollar limits requiring competitive bidding;
- Competitive bidding processes are used for purchases above competitive bidding thresholds; and
- State contract bids, bids of other school districts, and other innovative purchasing processes are considered where appropriate.

In FY 2002-03, discretionary spending accounted for 22.4 percent of all General Fund expenditures. The District did not implement the 2004 Performance Audit recommendation to control discretionary expenditures, as discretionary spending accounted for 23.3 and 24.3 percent of General Fund expenditures in FY 2005-06 and FY 2006-07, respectively, as shown in **Table 2-5**. Discretionary expenditures totaled \$1,731,460 in FY 2005-06 and \$1,928,005 in FY 2006-07. Even though JTLSD's capital outlay expenditures increased from FY 2005-06 to FY 2006-07, per pupil spending was below the peer average. On a per student basis, JTLSD's FY 2006-07 discretionary expenditures totaled \$2,697, 168.7 percent higher than the peer average of \$1,003 per student.

Table 2-5 compares JTLSD's discretionary expenditures per pupil, and as a percentage of General Fund expenditures, to the peer average.

Table 2-5: Discretionary Spending Comparison

	JTLSD FY 2005-06		JTLSD FY 2006-07		Peer Average FY 2006-07		FY2006-07 District/Peer Variance	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% Variance
Purchased Services								
Professional and Technical Service	\$187	1.9%	\$321	2.9%	\$159	1.9%	\$161	101.3%
Property Services	\$588	5.9%	\$251	2.3%	\$139	1.7%	\$112	81.1%
Mileage/Meeting Expense	\$18	0.2%	\$16	0.1%	\$21	0.3%	(\$5)	(25.3%)
Communications	\$20	0.2%	(\$3)	0.0%	\$19	0.2%	(\$22)	(117.9%)
Pupil Transportations	\$136	1.4%	\$136	1.2%	\$5	0.1%	\$131	2742.8%
Other Purchased Service	\$4	0.0%	\$6	0.1%	\$4	0.1%	\$2	44.3%
Materials and Supplies								
General Supplies	\$186	1.9%	\$158	1.4%	\$127	1.6%	\$31	24.3%
Textbooks/Reference Materials	\$53	0.5%	\$79	0.7%	\$43	0.5%	\$36	85.6%
Plant Maintenance and Repair	\$24	0.2%	\$67	0.6%	\$43	0.5%	\$24	56.7%
Fleet Maintenance and Repair	\$199	2.0%	\$175	1.6%	\$70	0.9%	\$105	149.3%
Other Supplies & Materials	\$0	0.0%	\$8	0.1%	\$2	0.0%	\$6	252.9%
Capital Outlay								
Land, Building & Improvements	\$0	0.0%	\$5	0.0%	\$41	0.5%	(\$36)	(88.0%)
Equipment	\$38	0.4%	\$60	0.5%	\$78	1.0%	(\$18)	(23.3%)
Buses/Vehicles	\$0	0.0%	\$5	0.0%	\$33	0.4%	(\$29)	(86.1%)
Other Capital Outlay	\$0	0.0%	\$0	0.0%	\$3	0.0%	(\$3)	(100.0%)
Other Expenditures								
Dues and Fees	\$843	8.5%	\$1,376	12.4%	\$196	2.5%	\$1,180	602.0%
Insurance	\$0	0.0%	\$5	0.0%	\$12	0.1%	(\$7)	(59.0%)
Miscellaneous	\$32	0.3%	\$33	0.3%	\$2	0.0%	\$31	1520.9%
Total	\$2,327	23.3%	\$2,697	24.3%	\$1,003	12.6%	\$1,693	168.7%

Source: FY 2005-06 and FY 2006-07 District and peer 4502s

Note: Totals and percentages may vary due to rounding.

As shown in **Table 2-2**, purchased services represent 27.9 percent of total expenditures for JTLSD but just 10.7 percent for the peer average. However, JTLSD purchased services include non-discretionary tuition to other districts due to open enrollment (see **R2.1**). These tuition payments total about \$1.5 million, or 67.7 percent of total purchased services expenditures, compared to the peer average of \$379,450, or 37.1 percent of total purchased services. When tuition expenditures are excluded, JTLSD remains 46.9 percent higher than the peer average in discretionary purchased services expenditures.

Table 2-5 illustrates that JTLSD spent \$55,806, or \$79 per pupil, on textbooks, in comparison to the peer average of \$49,009, or \$43 per pupil, even though JTLSD's academic performance does not reflect increased per pupil expenditures in this area. The District also spent \$112,760, or \$158 per pupil, on general supplies while the peer average was \$146,720, or \$127 per pupil. The District spent \$124,970, or \$175 per pupil, on operation, maintenance, and repair of buses and motor vehicles, compared to the peer average of \$84,100, or \$70 per pupil (see **transportation**).

Other expenditures are attributed, in large part, to dues and fees in the amount of \$983,692, or \$1,376 per pupil, compared to the peer average of \$236,016, or \$196 per pupil. The remaining miscellaneous charges of \$30,872 (\$33 per pupil) represent insurance, taxes and assessments, and miscellaneous expenditures. JTLSD significantly exceeded the peer average in the categories of professional and technical services, property services, pupil transportation, fleet maintenance, and dues and fees.

The high level of discretionary spending indicates that the District may not be adequately monitoring or controlling these expenditures and as a result, it may be purchasing a number of goods and services not related to direct student instruction. In January 2008, ODE reported on the District's progress toward implementing its financial recovery plan. In its monitoring report, ODE identified actual spending in excess of the spending levels proposed in the financial recovery plan, primarily in discretionary line items. In order to ensure the District is able to follow the approved recovery plan, ODE suggested that all staff development and professional meeting expenses from the General Fund be eliminated, starting with the Board of Education and including all other staff. ODE also suggested that these spending cuts be supported by a Board resolution.

Because of the District's financial condition, as well as coding inconsistencies and errors, JTLSD should closely examine discretionary purchases and reduce expenditures in the above mentioned categories to levels at least commensurate with the peers.

Financial Implication: If the District were to reduce discretionary spending from approximately \$1,928,000 in FY2006-07 to a level comparable to the peer average of \$1,031,000, the resulting savings would be approximately \$897,000 annually.

Forecast Assumptions

R2.9 JTLSD should revise its methodology for projecting the major line items in its five-year financial forecast. The District's forecast methodology should consider historical trends (once data issues have been resolved) and include the impact of any known changes in the economy, legislation, educational programs, and District operations. More importantly, the District's assumptions should support and explain the basis for projections and should accurately reflect the calculations used in the forecast. Sufficiently detailed supporting documentation for assumptions will also allow JTLSD to explain forecast adjustments when circumstances or expectations change, provide more accurate and timely projections, and better plan educational programs and operations to meet specific District goals.

Similar recommendations were issued in the 2004 Performance Audit.

As a component of this audit, major line items in JTLSD's October 2007 five-year financial forecast were evaluated. These line items included:

- General property taxes,
- State funding,
- Property tax allocations (Homestead and rollback)⁵;
- Other revenue,
- Salaries and wages,
- Employee retirement and insurance benefits,
- Purchased services, and
- Other expenditures.

Adjustments to the District's projections were made based on historical trends and other information available at the time of the audit. The impact of these forecast adjustments is shown in **Table 2-7**. The paragraphs that follow explain the forecast line items assessed and details of the methodologies used to develop revised projections.

General Property Taxes

The Treasurer's assumption for general property tax revenue is driven by projected increases in property valuation. In years of reappraisal or update, the District projects a 10 percent increase in the value of residential and agricultural property and a 5 percent increase in the value of commercial, industrial, and public utility property.

⁵ Due to the limited amount of data available concerning the expansion of the homestead exemption program, no changes will be made to the District's forecast.

The last update of property values by the Montgomery County Auditor took place in 2005. At that time, residential and agricultural property values increased by 18.8 percent, while the value of commercial, industrial, and public utility property increased by 6.7 percent. According to the County Auditor, a significant increase in property values was necessary to ensure that values were within a range acceptable to the Ohio Department of Taxation. As a result, increases to property values in the District were larger than those experienced in most other taxing districts in Montgomery County. The County Auditor anticipates the 2008 reappraisal will result in increases similar to 2005, with minimal impact from the current mortgage crisis. However, to ensure the District's forecast is appropriately conservative, the 10 percent increase projected by the Treasurer will be considered reasonable.

State Funding (Unrestricted Grants-in-Aid)

The unrestricted grants-in-aid line item is revenue received from the State through the State Foundation Program. The formula used to calculate State funding considers several variable factors, most notably Average Daily Membership (ADM) and the District's property valuation. The Treasurer's assumption states that property valuations used in the formula to calculate State foundation are projected to remain flat or decrease. However, this assumption is not consistent with the actual calculations used in the forecast. The calculations present steadily increasing property valuations. It should be noted that the valuations used for these calculations are not consistent with those used to forecast general property tax revenues.

JTLSD should consider developing updated projections for State Funding based on a methodology with detailed assumptions similar to what is described below.

- **Average Daily Membership (ADM):** ADM was projected for the forecasted period using historical trends from FY 2003-04 through FY 2007-08.⁶ It was assumed that ADM would decrease at a rate of approximately 0.6 percent per year during the forecast period.
- **State Foundation:** The State Foundation amounts per ADM for FY 2007-08 and FY 2008-09 are based upon Amended Substitute House Bill (HB) 119, which increased the amount 3 percent per year over the prior year. The remaining forecasted years also include 3 percent annual increases based on historical trends.

⁶ As projected by ODE.

- **Adjusted Recognized Valuation:** The valuations used to forecast this line item were brought in line with those used to forecast general property taxes. In addition, valuation losses caused by HB 66 were considered in the revised projections.
- **Special Educational Weighted Amounts:** From FY 2002-03 through FY 2006-07, special educational weighted amounts increased by an average of 2.4 percent annually. However, for 2007-08, ODE projects an increase of 17.0 percent. This increase would raise the historical average increase to 5.3 percent per year. However, to account for this increase and maintain a conservative projection, an annual increase of 2.4 percent was assumed for the forecast period.
- **Other Categorical Items:** The remaining line items associated with unrestricted grants-in-aid were projected based on historical trends from FY 2002-03 through FY 2006-07 and any known factors or changes caused by the last two State budget bills (HB 66 and HB 119).

State Funding (Restricted Grants-in-Aid)

Poverty-Based Assistance provides additional funding for school districts that have a certain percentage of students whose families receive funds from the State's Ohio Works First (OWF) program. While these funds are included in the calculation of State funding, their use is restricted. Subsequently, these funds are included in the restricted grants-in-aid line item of the five-year financial forecast.

While not stated in the forecast assumptions, the forecast calculations reflect \$495,000 per year for Poverty-Based Assistance in each year of the forecast after 2007-08. This forecast is not consistent with historical trends or ODE's projections for 2008-09 revenues. Since 2004-05,⁷ PBA revenues have increased by 16.6 percent annually. The revised forecast projects future revenues consistent with this trend.

Other Revenue

Other revenue consists of items such as tuition and other payments from other school districts for education provided by the District, transportation fees, earnings on investments, fees for classroom materials, miscellaneous receipts from local sources, and any other revenue sources. The District's forecast assumes other revenue will decrease by 0.9 percent in FY 2007-08, increase by 3.6 percent in 2008-09, and increase by 0.6 percent each year thereafter. The forecast assumes that all line items except open enrollment will remain constant. Therefore, the increases in FY 2008-09 through FY

⁷ 2004-05 was the first year PBA funds were available.

2011-12 are driven by estimated open enrollment revenues. The forecast assumes no increase in the number of students entering the District through open enrollment. Assuming a student entering the District through open enrollment stays in the District for the entire school year, the amount of tuition received would be equal to the amount of basic aid the home district would have received on that student’s behalf. Consistent with the District’s assumption, the revised projection does not change the number of students entering the District through open enrollment. However, in contrast to the District’s assumption, open enrollment revenues should be projected to increase by 3.0 percent annually, consistent with the future increases in State Foundation payments outlined in HB 119.

Personal Services (Salaries and Wages)

Personal services consist of employee wages, substitute costs, supplemental contracts, severance pay, and overtime costs. While the District’s personal services assumptions state that step increases cost the District \$43,300 for teachers and less than \$10,000 for non-teaching staff annually, the forecast does not reflect these factors. The assumptions also include a 3.0 percent increase used for calculating the cost of steps on the total salary budget. Furthermore, the assumptions note a 2.0 percent negotiated wage increase in FY 2007-08 and no increases thereafter. Finally, the assumptions state that during the fall of 2007, the administration would be conducting a review of staffing needs based on enrollment. The results of the study were not provided and may result in additional staff reductions. However; the forecast does not anticipate those staff reductions nor any associated cost savings.

The calculations used in the forecast are not consistent with the assumptions described above, as total salaries are projected to decrease by 1.28 percent in FY 2007-08 and increase by 1.04 percent each year thereafter. The revised projections for personal services include a 2 percent annual negotiated wage increase for all employees, as well as projected step increases based on current negotiated agreements. Step increases were projected based on a sample of teaching and classified staff. Future annual step increases were identified as follows:

Table 2-6: Estimation of Five-Year Financial Forecast Step Increases

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Certificated	2.7%	2.4%	2.2%	1.9%	2.0%
Classified	1.1%	1.1%	1.1%	1.1%	1.1%

Source: AOS

On average, certificated salaries have accounted for 68.8 percent of the District’s total general fund salary expenditures. Therefore, future step increases were projected based

on a weighted average. As a result, increases for future steps ranged from 1.7 percent to 2.0 percent annually through the forecast period.

Employees' Retirement / Insurance Benefits (ERIB)

ERIB includes the cost of employee health, dental, vision, and life insurance; retirement contributions; Medicare costs; and workers' compensation premiums. The forecast assumptions state that employee retirement costs will be calculated at 14.0 percent of gross earning for all wages earned. The forecast notes state that Medicare taxes will be calculated at 1.45 percent of gross wages. However, the forecast calculations themselves include Medicare with other salary driven-fringe benefits, rather than projecting Medicare individually. The actual forecast calculations assume salary driven fringe benefits⁸ will equal 16.45 percent of the District's gross salary expenditures. In FY 2006-07 retirement and other benefits will equal 15.55 percent of gross salaries. Therefore, the District's assumption is deemed reasonable and no adjustments will be recommended.

The forecast assumptions include separate calculations for health, dental, and life insurance.

- Health insurance is projected to increase by 12 percent each year of the forecast.
- Dental and life insurance are projected to increase by 7 and 1 percent, respectively.

It should be noted that these assumptions are not consistent with the calculations used in the actual forecast, which presents a 7 percent increase for all insurance costs. Though the District's forecast assumptions do not support the calculations, the calculations are consistent with District and national trends and therefore, were considered reasonable. In the future, the District should ensure that the forecast assumptions are consistent with the calculations used in the forecast.

Purchased Services

The Purchased Services category accounts for items such as utilities (electricity, gas, water, and telephone), property insurance, tuition payments, leases, repairs and maintenance, postage, legal fees, and staff development. For all expenditures within this category except tuition, utilities, and building and maintenance materials, the forecast includes a 2 percent annual increase for inflation. The assumptions provide a detailed definition of tuition expenditures but do not provide specific projected increases or decreases. A 3 percent annual inflationary increase is projected for utilities. Beginning in 2008, building and maintenance expenditures are projected to be paid from the

⁸ Retirement, Medicare, and workers' compensation

Permanent Improvement Fund. As a result, General Fund expenditures should decrease significantly; however, no specific decrease is outlined in the assumptions.

The calculations used in the forecast are not consistent with these assumptions. The forecast includes a 2 percent annual increase for all expenditures except tuition. Also, no specific adjustments are made to account for utilities or building and maintenance expenditures. The revised projections apply a 4.3 percent inflationary increase for all purchased services except utilities, tuition, and building repair and maintenance expenditures. This inflationary increase is consistent with the Consumer Price Index for Urban Consumers (CPI) as reported by the United States Department of Labor. For utilities, the revised forecast includes a 21.4 percent annual increase consistent with the CPI for energy expenditures. The revised assumptions also reflect the District's intention to limit General Fund building and maintenance expenditures.

The forecast calculations for tuition payments include annual adjustments based on anticipated changes in open enrollment. While the Treasurer's assumptions for tuition do not accurately detail the calculation performed, the calculations are considered reasonable and do not warrant a recommendation. However, in the future the District should ensure that the forecast assumptions are consistent with the calculations used in the forecast.

Other Expenditures

Other expenditures consist of miscellaneous items that are not classified into any other category. Items within this category include the District's payments to the County Board of Education, County Auditor fees, and dues and fees payable to other organizations. The forecast assumptions include a 3 percent inflationary increase; however, the actual forecast only shows a 2 percent increase.

Due to the extensive amount of miscoding identified during the audit, historical trends do not provide a sound basis for projecting future expenditures. Therefore, projections must be based on inflationary increases. However, the District's projected inflationary increases are not explained. The revised forecast includes a 4.3 percent inflationary increase⁹.

⁹ Consistent with the CPI

Revised Forecast Assumptions

Table 2-7 shows the net impact of the revised projections for each line item, as well as the revised ending fund balance compared to the District's October 2007 projections.

Table 2-7 Net Impact of Revised Five-Year Forecast Projections

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenue					
Unrestricted Grants-In-Aid	\$66,619	\$103,436	\$219,057	\$216,666	\$216,061
Restricted Grants-In-Aid	(\$31,614)	\$30,297	\$60,342	\$91,889	\$124,920
Other Revenue	\$4,248	\$1,003	\$23,820	\$47,513	\$72,113
Sub-Total Net Impact Revenues	\$39,253	\$134,736	\$303,219	\$356,068	\$413,094
Expenditures					
Personal Services	\$0	\$106,761	\$460,642	\$574,466	\$695,675
Purchased Services	(\$306,783)	(\$286,618)	(\$256,068)	(\$212,571)	(\$153,306)
Other Expenditures	(\$40,306)	(\$45,394)	(\$50,208)	(\$54,726)	(\$58,926)
Sub-Total Net Impact Expenditures	(\$347,089)	(\$225,251)	\$154,366	\$307,169	\$483,443
Total Net Impact	\$386,342	\$359,987	\$148,853	\$48,899	(\$70,349)

Source: JTLSD Five-Year forecast and AOS analysis

¹ Changes in revenue plus changes in expenditures equals net impact on fund balance.

Table 2-7 shows that the revised projections would have a positive impact on the forecasted ending fund balance in each of the forecasted years, except FY 2011-12. The cumulative effect would be approximately \$874,000.

R2.10 JTLSD 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.

Table 2-8 demonstrates the effect on the five-year financial forecast line items and the ending fund balances, assuming the recommended forecast adjustments are made (see **R2.9**) and all recommendations contained in this audit are implemented. **Table 2-8** has also been updated to show FY 2006-07 actual revenue and expenditures. By revising its assumptions and implementing the performance audit recommendations, including those subject to negotiation, JTLSD could maintain a positive fund balance through FY 2011-12.

Table 2-8 JTJLSD Revised Five-Year Financial Forecast (in 000's)

	Actual			Forecast				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenues:								
General Property (Real Estate)	\$2,275	\$2,517	\$2,495	\$2,547	\$2,605	\$2,655	\$2,680	\$2,739
Tangible Personal Property Tax	\$696	\$494	\$526	\$458	\$396	\$330	\$31	\$31
Unrestricted Grants-in-Aid	\$3,240	\$3,300	\$3,367	\$3,233	\$3,365	\$3,479	\$3,476	\$3,474
Restricted Grants-in-Aid	\$414	\$455	\$660	\$577	\$605	\$635	\$666	\$699
Property Tax Allocation	\$336	\$373	\$344	\$391	\$512	\$619	\$639	\$256
All Other Operating Revenue	\$851	\$435	\$923	\$839	\$866	\$894	\$923	\$953
Total Operating Revenue	\$7,812	\$7,574	\$8,315	\$8,045	\$8,349	\$8,612	\$8,415	\$8,152
Total Other Financing Sources	\$229	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$8,041	\$7,576	\$8,315	\$8,045	\$8,349	\$8,612	\$8,415	\$8,152
Expenditures:								
Personal Services	\$3,526	\$3,067	\$3,605	\$3,559	\$3,702	\$4,094	\$4,245	\$4,405
Employees' Retirement/Insurance Benefits	\$806	\$763	\$1,137	\$1,156	\$1,202	\$1,251	\$1,303	\$1,358
Purchased Services	\$2,118	\$2,490	\$2,214	\$2,179	\$2,261	\$2,343	\$2,439	\$2,551
Supplies and Materials	\$200	\$310	\$348	\$363	\$374	\$385	\$396	\$408
Capital Outlay	\$134	\$62	\$50	\$23	\$24	\$24	\$25	\$25
Debt Service			\$50	\$50	\$51	\$51	\$51	\$51
Other Objects	\$837	\$684	\$1,004	\$1,030	\$1,047	\$1,064	\$1,081	\$1,100
AOS Implementation Costs					\$58	\$61	\$64	\$66
AOS Recommendations				0	(\$2,467)	(\$2,553)	(\$2,644)	(\$2,742)
Total Operating Expenditures	\$7,621	\$7,376	\$8,408	\$8,360	\$6,252	\$6,720	\$6,960	\$7,222
Total Other Financing Uses	\$271	\$74	\$8	0	0	0	0	0
Total Expenditure & Other Financing Uses	\$7,892	\$7,450	\$8,416	\$8,360	\$6,252	\$6,720	\$6,960	\$7,222
Results of Operations (Loss)	\$150	\$126	(\$101)	(\$315)	\$2,097	\$1,892	\$1,455	\$930
Beginning Cash Balance	\$308	\$458	\$584	\$483	\$168	\$2,265	\$4,157	\$5,612
Ending Cash Balance	\$458	\$584	\$483	\$168	\$2,265	\$4,157	\$5,612	\$6,542
Fund Balance June 30 for Certification of Appropriations	\$458	\$584	\$483	\$168	\$2,265	\$4,157	\$5,612	\$6,542
Property Tax-New	\$0	\$0	\$0	0	0	0	0	0
Cumulative Balance of New Levies	\$0	\$0	\$0	0	0	0	0	0
Unreserved Fund Balance June 30	\$458	\$584	\$483	\$168	\$2,265	\$4,157	\$5,612	\$6,542

Source: JTJLSD five-year forecast, AOS revised assumptions, and AOS analysis

Note: Numbers may vary due to rounding.

Table 2-9 summarizes the performance audit recommendations reflected in the revised five-year financial forecast presented in Table 2-8. Recommendations are divided into

two categories, those not subject to negotiation and those that are. Recommendations resulting in implementation costs are shown in parentheses to indicate negative amounts.

Table 2-9: Summary of Performance Audit Recommendations (in 000s)

	FY 2007-08 ¹	FY 2008- 09	FY 2009- 10	FY 2010- 11	FY 2011- 12
Not Subject to Negotiation					
R2.8 Reduce discretionary spending to level of peers	\$897	\$935	\$975	\$1,017	\$1,061
R3.3 Reduce 1.0 FTE administrative position	\$58	\$59	\$60	\$61	\$62
R3.4 Reduce 14.0 FTE regular education teachers	\$497	\$517	\$537	\$557	\$578
R3.5 Reduce 3.0 FTE ESP teachers	\$144	\$150	\$156	\$162	\$168
R3.6 Reduce 3.0 FTE office/clerical positions	\$109	\$111	\$113	\$115	\$118
R3.8 Eliminate the additional pension benefit for all positions except the Superintendent and Treasurer	\$18	\$18	\$19	\$19	\$20
R3.10 Reduce workers' compensation premiums by implementing BWC programs	\$6	\$6	\$6	\$6	\$6
R3.15 Limit Board attendance at conferences and training seminars	\$44	\$46	\$48	\$50	\$52
R3.16 Reduce special education costs per pupil	\$270	\$270	\$270	\$270	\$270
R4.1 Consolidate the student population into Jefferson High School, close Blairwood Elementary, and reduce staffing	\$243	\$243	\$243	\$243	\$243
R4.5 Develop an up-to-date energy management and conservation policy	\$48	\$58	\$71	\$86	\$104
R4.6 Charge utility costs to the Food Service Fund ²	\$6	\$7	\$9	\$10	\$13
R5.1 Collect motor fuel tax refund claim for FY 2006-07	<\$1	\$0	\$0	\$0	\$0
R5.3 Solicit competitive bids or issue formal RFPs to reduce maintenance and repair expenditures	\$15	\$15	\$16	\$17	\$17
R5.5 Replace four buses over forecast period	(\$56)	(\$58)	(\$61)	(\$64)	(\$66)
Subtotal Cost Savings from Performance Audit Not Subject to Negotiation	\$2,299	\$2,379	\$2,462	\$2,550	\$2,646
Subject to Negotiation					
R3.12 Reduce certified contract provisions that include planning period bonus and sick leave paid out at retirement, and reduce classified contract provisions that include sick leave paid out of retirement, longevity pay incentive, holidays, and add a sick leave incentive to the classified contract	\$19	\$19	\$19	\$19	\$19
R3.13 Implement and enforce detailed sick leave policies	\$7	\$6	\$6	\$6	\$6
R5.2 Reduce guaranteed minimum payment for bus drivers to four hours	\$60	\$63	\$65	\$67	\$70
Subtotal Cost Savings from Performance Audit Subject to Negotiation	\$86	\$89	\$91	\$93	\$96
Total Cost savings from Performance Audit Recommendations	\$2,385	\$2,467	\$2,553	\$2,644	\$2,742

Source: Performance audit recommendations

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

¹ FY 2007-08 amounts are not included in the revised forecast, as full implementation would not be feasible in that fiscal year

² Identified savings impact only the General Fund.

Appendix 2-A: 2004 Performance Audit Recommendations and Implementation Status

Table 2-10 shows a summarized version of each 2004 Performance Audit recommendation, as well as the status of that recommendation: implemented, partially implemented, not implemented, or no longer applicable.

Table 2-10: 2004 Performance Audit Recommendation Status

Recommendation	Implementation Status
R2.1 In future forecasts, the treasurer should use a more detailed methodology to estimate unrestricted grants-in-aid to ensure the forecast reflects the most accurate and up-to-date information. Similarly, the District should ensure that parity aid and appropriate inflationary amounts are included.	This recommendation has been partially implemented by the current Treasurer. A similar recommendation was reissued (see R2.9).
R2.2 Jefferson Township LSD should adjust the forecast assumptions for restricted grants-in-aid to more accurately reflect current funding and historical increases. In future forecasts, the treasurer should use a more detailed methodology to estimate restricted grants-in-aid to ensure the forecast reflects the most accurate and up-to-date information.	This recommendation has been partially implemented by the current Treasurer. A similar recommendation was reissued (see R2.9).
R2.3 The District should adjust the forecast assumptions for other revenues to more accurately reflect historical trends. In future forecasts, the treasurer should use a more detailed methodology to ensure the forecast reflects the most accurate and up-to-date information.	This recommendation has been partially implemented by the current Treasurer. A similar recommendation was re-issued (see R2.9).
R2.4 Jefferson Township LSD should ensure that all applicable personal services and benefit expenditures are charged to the appropriate restricted funds. Charging these costs to eligible restricted funds diminishes the impact of these expenditures on the General Fund. Also, using restricted funds for applicable charges ensures that Jefferson Township LSD is using all its available resources in the most efficient manner	This recommendation is no longer applicable.
R2.5 Jefferson Township LSD should reduce expenditures in the purchased services, supplies and materials, and capital outlay line items. By eliminating the excess costs, the District can minimize the impact of non-educational expenditures on its finances. Detailed historical expenditure reports should be reviewed by the	This recommendation has not been implemented. A similar recommendation was reissued (see R2.8).

Recommendation	Implementation Status
<p>Treasurer, Superintendent, and Board prior to developing the annual appropriation measure to identify areas of overspending.</p>	
<p>R2.6 Jefferson Township LSD should adjust its assumptions for the Other Objects line item. As large fluctuations have been noted in prior years, the Treasurer should use an average of the three year history as the base amount and apply an appropriate inflationary factor. This amount should then be adjusted based on any additional information that might impact Other Objects.</p>	<p>This recommendation is no longer applicable.</p>
<p>R2.7 Jefferson Township LSD should closely examine its discretionary expenditures and reduce expenditures in high cost areas to levels closer to the peer average. The District should concentrate on areas such as professional and technical services, meeting expenses, communications, general supplies, and dues and fees.</p>	<p>This recommendation has not been implemented. A similar recommendation was reissued (see R2.8).</p>
<p>R2.8 As Jefferson Township LSD adjusts its discretionary and non-essential expenditures, it should closely monitor the spending patterns and ensure the reallocation of monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the students' education and proficiency test results.</p>	<p>This recommendation has not been implemented. A similar recommendation was reissued (see R2.8).</p>
<p>R2.9 Jefferson Township LSD should review its policy regarding open enrollment and establish limits on the number of students accepted into the District. The policy should outline and predetermine annually the number of students it would accept based on openings for each grade level, programs offered, District staffing levels and space availability. The policy should be applied in conjunction with careful planning by District management. In addition, the District should review the overall cost-effectiveness of open enrollment. The development of the open enrollment plan should include a detailed analysis of the marginal cost and revenue gains for each open enrollment student. Planning should be conducted at the classroom level to ensure that current resources can support the additional students. <i>During the course of the audit, the District began taking steps to implement this recommendation.</i></p>	<p>This recommendation has not been implemented. A similar recommendation was reissued (see R2.1).</p>
<p>R2.10 Jefferson Township LSD should re-establish its participation in Federal grants programs. Because Federal funding is an important revenue component for the District, the Treasurer should assume these duties within his or her office and</p>	<p>This recommendation has been implemented.</p>

Recommendation	Implementation Status
<p>should ensure that grant record keeping procedures are established to maintain adequate control and reporting of grant expenditures. In addition, the Superintendent should direct building principals to assist in identifying and assessing potential funding sources, advising appropriate personnel of available funding opportunities, developing proposals, and evaluating program effectiveness. <i>During the course of the audit, the District worked with ODE to spend down its grant accounts.</i></p>	
<p>R2.11 The District should seek to establish an audit committee. The audit committee should play an advisory role in the District’s financial accounting, reporting, internal controls, and compliance with laws and regulations. The audit committee should be engaged in the preparation of the District’s financial statements and should lend assistance in resolving audit findings. <i>During the course of this audit, the Superintendent indicated that he had contacted community members to form such a committee, and the first meeting would be held in the spring of 2004.</i></p>	<p>This recommendation has not been implemented. A similar recommendation was reissued (see R2.1).</p>
<p>R2.12 The District should redevelop and fully implement an accounting policy and procedures manual. The manual should be a well-designed and properly maintained system for documenting accounting policies and procedures that enhances both accountability and consistency.</p>	<p>This recommendation has not been implemented. A similar recommendation was reissued (see R2.3).</p>
<p>R2.13 The District should work closely with the Board to develop a policy on the use of District owned cellular phones. Cellular phone statements should be reviewed by the Treasurer’s Office on a monthly basis and personnel should be held accountable for deviations from the policy. <i>The Superintendent indicated that the District has begun implementing this recommendation by terminating the cellular phone contract for teaching personnel.</i></p>	<p>This recommendation has been implemented. The use and number of cell phones has been limited to Board members.</p>
<p>R2.14 Jefferson Township LSD should work to establish stability in its administrative and financial functions. The District should hire a permanent treasurer on a one or two-year contract and strive to maintain a sufficient and consistent level of staffing in the Treasurer’s Office.</p>	<p>This recommendation has been implemented. The current Treasurer has a two-year contract.</p>
<p>R2.15 Jefferson Township LSD should develop a formal orientation and training program for Board members that includes a brief description of rights, responsibilities, and public expectations for elected office holders. The Board should seek training emphasizing financial management, planning, and</p>	<p>This recommendation has been implemented. The Board has attended training.</p>

Recommendation	Implementation Status
governance specifically tailored to their duties as outlined in Ohio statutes and rules.	
<p>R2.16 The assumptions that accompany Jefferson Township LSD’s five-year financial forecast should be expanded to present more detail on personnel reductions and expected cost savings, as well as to consistently present more historic and projected information and explanatory comments. The District should develop a financial recovery plan that is specific, practical, and provides details on the actions that will be taken to remove itself from fiscal oversight status. The financial recovery plan should include strategies and timelines for the effective resolution of the financial crisis as well as any staffing reductions, realignments, or building closures.</p>	<p>This recommendation has been partially implemented. A similar recommendation was reissued (see R2.9).</p>

Source: AOS 2004 Performance Audit Report

Human Resources

Background

This section of the performance audit focuses on the human resource (HR) functions of the Jefferson Township Local School District (JTLSD or the District). Operations were evaluated against best practices, industry benchmarks, operational standards, and peer districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiency and business practices, as well as to identify potential cost savings. Recommended practices and industry standards were drawn from various sources, such as the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the Ohio Bureau of Workers' Compensation (BWC), the State Employment Relations Board (SERB), the Kaiser Foundation (Kaiser), the National Education Association (NEA), the Ohio School Boards Association (OSBA).

Organizational Structure and Function

JTLSD does not have a dedicated HR department. The Superintendent, building principals, and the Treasurer's Office perform the majority of HR functions. The Superintendent's responsibilities include, but are not limited to, making staffing recommendations, maintaining personnel files, reporting to the Board of Education on evaluations of all employees (see **R3.2**), supervising the formulation of salary schedules, encouraging continuance of professional growth of all employees through training, evaluating Board and administrative policies, and advising and directing collective bargaining negotiations with Board approval. Building principals manage HR responsibilities at each school, which include directing and coordinating support staff, recording and reporting employees' leave, securing substitute teachers, supervising custodians in cooperation with the Maintenance Coordinator (see **R4.2** in facilities section) and scheduling in-service days.

The Treasurer's Office processes payroll, maintains staffing data and leave records, manages workers' compensation, and administers the District's insurance and benefits program. The District uses State software provided through the Metropolitan Dayton Educational Cooperative Association (MDECA) to track HR information, such as personnel and benefits. The State software appears adequate to meet the District's HR-related technology needs.

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

Staffing

Table 3-1 compares JTLSD's full-time equivalent employees (FTEs) per 100 students to the peer average for FY 2006-07, as reported through the Education Management Information System (EMIS). JTLSD's staffing data has been adjusted to reflect FTEs confirmed by the District during FY 2006-07 and two FTEs added in FY 2007-08. Comparing staffing levels on a per 100 basis helps offset variances attributable to differences in enrollment among the peer districts.

Table 3-1: Staff Comparison (FTEs per 100 Students)

Category	JTLSD (Adjusted)	Peer Average	% Variance
Students Educated FTE ¹	590	1,208	(51.1%)
Administrative Staff	1.2	0.6	82.5%
Educational Staff	9.5	6.8	39.8%
Professional Staff	0.5	0.1	410.0%
Technical Staff	1.1	0.3	251.7%
Office/Clerical Staff	1.2	1.0	15.3%
Maintenance Staff	0.3	0.1	240.0%
Custodial/Grounds Staff	0.9	0.6	39.3%
Transportation Staff	1.7	0.8	101.2%
Food Service Staff	1.4	0.7	83.8%
All Other Staff	0.5	0.1	325.0%
Total FTE Staff	18.1	11.3	60.9%

Source: JTLSD EMIS reports and interviews and peer EMIS reports

Note: Totals may vary due to rounding.

¹ Students educated FTE equals students receiving educational services from the districts and excludes the percent of time students are receiving educational services outside the district.

JTLSD's overall staffing is 60 percent higher than the peer average on a FTE per 100 student basis. **Table 3-1** shows that when compared to the peer average, JTLSD staffing levels per 100 students are above the peer average in all categories. When excluding the two grant-funded paraprofessional positions, JTLSD's technical staff is similar to the peer average, and a review of food service shows the operations to be self-supporting. However, JTLSD staffing per 100 students was significantly higher than the peer average in the following areas:

- Administrative (see **R3.3**);
- Educational (see **R3.4**);
- Professional (see **R3.5**);
- Office/Clerical (see **R3.6**);
- Maintenance and custodial/grounds (see **facilities**); and
- Transportation (see **transportation**).

Each of these categories presents an opportunity for the District to reduce staffing to levels similar to the peer average.

Compensation

JTLSD is 14.7 percent lower than the total peer average average salary.. The District is lower than the peers for administrator and certificated salaries, but is higher for some classified categories (maintenance workers, bus drivers, and office/clerical) due to longevity. JTLSD implemented the 2004 Performance Audit recommendation to limit cost of living allowances (COLA) for both certificated and classified staff. Certificated staff received no increase in FY 2004-05, and 2 percent increases in both FYs 2005-06 and 2006-07. Classified staff received no increase in FY 2004-05, a 2 percent increase in FY 2005-06, and no increase in FY 2006-07.

Benefits

In the 2004 Performance Audit, the Auditor of State (AOS) did not issue a recommendation to reduce health care costs because the District participated in a health insurance consortium and required a 20 percent employee contribution to pay for health insurance premiums. This remains true today. The District provides medical, dental, and prescription drug benefits to eligible employees through a health insurance consortium administered by the Southwestern Ohio Educational Purchasing Council (EPC) and has negotiated a 20 percent employee contribution to offset insurance premiums. To illustrate, the District pays \$455 and \$1,062 per month for single and family insurance premiums, respectively. This slightly exceeds the average monthly single (\$412) and family (\$1,029) premiums respectively, identified by SERB for school districts with less than 1,000 students. However, the District's negotiated 20 percent employee contribution rate significantly exceeds SERB benchmarks, which helps offset premium costs. JTLSD's health insurance benefits were more generous than other districts in the EPC and the Kaiser Foundation 2006 Annual Survey (see **R3.9**).

Negotiated Agreements

The District's certificated and classified personnel are covered under collective bargaining agreements:

- **Master Agreement between the Jefferson Township Education Association and the Jefferson Township Board of Education.** The negotiated agreement is effective from July 1, 2006 through June 30, 2008. Members include certificated instructional staff limited to classroom teachers, special teachers (art, music, physical education, etc.), school nurses, librarians, speech therapists, and guidance counselors who, at a minimum, provide half-time service to the Board.

- **Agreement between the Jefferson Township LSD and the Ohio Association of Public School Employees (AFSCME/AFL-CIO) Local 674:** The negotiated agreement is effective from July 1, 2003 through June 30, 2006 (see **R3.11**), and thereafter for successive periods of 12 months, unless either the Board or Association notifies the other of its desire to terminate, modify, or amend the Agreement at least 90 days prior to the expiration of any such period. Members include: bus drivers, aides, custodians and custodial maintenance assistants, mechanics, and secretaries.

As part of the performance audit, certain contractual and employment issues were assessed and compared to Ohio law and benchmarks. Areas of analysis included common contractual provisions such as maximum sick leave accrual and payout at retirement, number of paid holidays, longevity, and planning period provisions (see **R3.11** and **R3.12**).

Performance Audit Follow-Up

In 2004, AOS completed a performance audit of JTLSD. As a follow-up, this section of the performance audit reviewed the previous report and current District operations to determine the implementation status of the previous recommendations. The results of this analysis can be found in **Appendix 3-A** with references, where pertinent, to recommendations throughout this section.

Although JTLSD has implemented the 2004 Performance Audit recommendation to limit COLA increases, it has not fully implemented other recommendations from the 2004 Performance Audit. These recommendations included developing procedures for EMIS reporting; reducing and analyzing job responsibilities of clerical staff; negotiating to remove or reduce from the negotiated agreements longevity pay increases, the maximum number of sick leave days accrued, the allowable number of sick leave days paid out at retirement, and the early retirement incentive; as well as reducing the salaries of bus drivers. Of the nine HR recommendations contained in the 2004 Performance Audit, JTLSD fully implemented one, partially implemented two, and did not implement the remaining six. Eight recommendations from the 2004 audit were re-issued in this performance audit.

Audit Objectives for the Human Resources Section

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

- Is the District's allocation of personnel efficient and effective?
- Is the District's compensation package in line with State averages and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?

- Are the District's negotiated agreements in line with peers and recommended practices?
- Does the Board operate in an effective manner?
- Does the District provide special education programs for students with disabilities that maximize resources and are compliant with state and federal regulations?
- Does the District provide effective and efficient programs to meet the needs of at-risk students (includes English as a Second Language (ESL), Title 1, and alternative education)?
- What is the status of previous performance audit recommendations?

Recommendations

Staffing

- R3.1 JTLSD should develop a formal staffing plan to address current and future staffing needs. JTLSD should consider establishing staffing allocations for administrative, certificated, and classified personnel to proactively address its diminishing staffing needs. By developing a formal staffing plan, JTLSD will be aware of the impact current and future staffing levels have on its budget and financial stability. A staffing plan helps to ensure District administrators follow formal processes to review staffing levels, changes in enrollment, academic needs, financial requirements and other relevant factors.**

JTLSD does not use a formal staffing plan when planning for future employment levels and does not use benchmarks, such as workload measures, to make decisions on staffing needs. Instead, the Superintendent reviews staffing in relation to enrollment to ensure it is appropriate, and provides an update to the Board every year on the staffing needs of the District, including open positions that may need to be filled. During the course of the audit the Superintendent wrote to acknowledge a staffing plan will be developed in March 2008, but no supporting documentation was provided.

The 2004 Performance Audit showed the District had 101.2 FTEs in FY 2002-03. According to JTLSD, the District reduced 19 staff positions in FY 2003-04 and an additional 3 teaching positions at Blairwood Elementary between FY 2005-06 and 2006-07. However, the District has not reduced total staffing levels since closing Radcliff Heights Middle School at the end of FY 2004-05.

Total staffing increased from 105 FTEs in FY 2006-07 to 107 FTEs in FY 2007-08, even though enrollment has decreased an average of 18.4 percent annually since FY 1997-98, for an average decrease of 17 students per year.

Although the Superintendent is sensitive to enrollment changes and seeks to ensure that new positions are funded through grants, salaries and benefits comprised 53.5 percent of JTLSD's General Fund expenditures. While this is below the peer average of 79 percent, the small size of JTLSD's student population causes staffing changes to be magnified and have a greater effect on the District's financial circumstances. Minimum staffing levels for classroom teachers, educational service personnel (ESP), principals, as well as instructors and aides involved in the delivery of services for students with special needs are governed by Ohio Administrative Code (OAC) 3301-35-05 and 3301-51-09.

Strategic Staffing Plans (SHRM, 2002) recommends 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. Furthermore, *Staffing Strategy Over the Business Cycle* (SHRM, 2005), notes that staffing reductions do not result in financial savings for 6 to 12 months, and in some cases, over 18 months. As a result, staffing plans that are tied to strategic plans and organizational needs can help organizations better meet the constraints of their operating environments.

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

Without a formal staffing plan that incorporates staffing requirements, financial implications and District benchmarks, JTLSD cannot effectively planning for future staffing needs. The absence of a formal staffing plan has resulted in the District not making reductions that match declining enrollment trends, and creating overstaffing in many areas (see **R3.3** through **R3.6**).

R3.2 The Board should ensure it evaluates its administrators and that they, in turn, conduct evaluations of staff in accordance with Board Policies 1530 and 4220. The evaluations should be conducted annually and linked to job descriptions.

In preparation for conducting evaluations, the District should also review and update all job descriptions to ensure that qualifications, responsibilities, and required skills are accurate and current.

A recommendation was made in the 2004 Performance Audit for JTLSD to conduct a detailed analysis of the duties and responsibilities of its staff in the clerical classification.

Although JTLSLD was not able to provide recent evaluations for most administrative or classified staff during the audit, it provided copies of evaluations for the Maintenance and Transportation supervisors subsequent to the post audit dated April 10, 2008 and April 25, 2008 respectively. The Superintendent received an evaluation in December 2006, but a recent evaluation was not available for current Treasurer. The Treasurer's Office staff had not been evaluated as of November 26, 2007. Evaluations dated in 2005 for the previous Treasurer and a few bus drivers were provided, but the District has not provided evaluations for custodians.

Board Policy 1530, *Evaluation of Administrators*, stipulates that the Superintendent is responsible for implementing a program of regular annual evaluations for all administrative personnel (including supervisors and managers). Board Policy 4220, *Evaluation of Classified Staff*, requires the Superintendent to prepare administrative guidelines for the conduct of classified staff evaluations. Finally, Board policy 1400, *Job Descriptions*, requires the Superintendent to maintain an up-to-date, comprehensive, coordinated set of job descriptions for professional and classified positions.

If performance evaluations are not conducted regularly, the District cannot effectively identify deficiencies in performance and provide feedback on areas that need improvement. Furthermore, JTLSLD has not conducted a detailed review of all job descriptions and responsibilities to determine if resources are being used efficiently and effectively in relation to the needs of the District. New job descriptions were created as positions were added. Also, new job descriptions for the Treasurer's staff were sent to the Board in December 2006 and January 2007 and have been approved. The Treasurer submitted his own job description at the same time, but the Board has not approved it or discussed it with him. Generally, job descriptions do not match actual duties for other staff.

A job description is a written statement that specifies the requirements, responsibilities, and working conditions of a particular job. Job descriptions should clarify responsibilities within the district, define relationships among individuals/departments, and facilitate communication. According to *Job Descriptions: A Resource Guide for School Management* (OSBA, 1998), job descriptions should include job qualifications, responsibilities, essential functions, exempt or non-exempt status, and working conditions. Job descriptions should be updated annually to reflect the changing conditions or requirements of positions within the organization.

JTLSLD should consider revising its job descriptions for classified staff based on the National Education Association's (NEA) *Results-Oriented Job Description Process*, which involves the following components: list of tasks, essential responsibilities, job purpose and title, and identification of the job category.

Reviewing job responsibilities ensures actual duties match job descriptions, and through the job description update process, inefficiencies in staffing and the overall organization may be identified. Using up-to-date job descriptions as a component of the evaluation process will help JTLSD better communicate what is required for job performance and ensure more effective human resource deployment within the organization.

R3.3 JTLSD should consider eliminating one administrative position to bring staffing ratios closer to the peers. This will reduce costs to the General Fund and help JTLSD avoid future deficits.

In its April 21, 2008 Board meeting, the JTLSD Board approved plans to eliminate the Dean of Students position for FY 2008-09.

JTLSD's administrative staff is 82.5 percent higher on a per 100 student basis than the peers. However, building principal staffing per 100 students ratio is similar to the peer average, while the District's central administrators per 100 students ratio is almost 150 percent higher than the peer average.

The District employs 6.8 administrative FTEs or 1.2 FTEs per 100 students. Although it would need to eliminate 3 FTEs to achieve a ratio similar to the peers, 2 positions are funded through grants or enterprise funds. Moreover, the Superintendent and Treasurer are required administrative positions at a school district.

The job description for the Dean of Students was approved by the Board in July 2006 and the position was filled in FY 2006-07. According to the job description, the Dean of Students reports to the Superintendent and is responsible for assisting school principals in the coordination of programs and services supplementary to the instructional program, school safety, and discipline. The Superintendent indicated the Dean of Students is considered a necessary position because of discipline problems associated with JTLSD's high-risk student population. However, the inclusion of this position raises the administrative personnel level at JTLSD and draws funding away from instructional activities. As most other administrative positions are required by Ohio law or are grant-funded, the District should consider eliminating the Dean of Students position and reallocating responsibility for discipline and building safety to the building principals and their staffs.

Financial Implication: If the District eliminated the Dean of Students position, it would save approximately \$57,700 annually in salaries and benefits .

R3.4 JTLSD should consider reducing its regular education staff by 14 FTEs. This reduction would help the District improve its financial position while still exceeding the State minimum requirement. JTLSD should weigh decisions to reduce regular teacher staffing against the impact the reductions may have on student achievement.

During the April 21 Board meeting, the JTLSD Board approved plans to eliminate five regular instruction positions for FY 2008-09.

During the course of the audit the Superintendent provided written correspondence indicating staffing reductions will be made, and the Treasurer's financial recovery plan provided in February 2008 includes staff reductions for FY 2008-09.

JTLSD's FY 2007-08 regular teaching staffing level is 41.2 FTEs, or 7.0 FTEs per 100 students. Eight teachers are grant-funded.

Table 3-2 compares JTLSD's regular classroom teacher staffing to the peer average and State minimum standards.

Table 3-2: Regular Teaching Staffing Comparison

	JTLSD	Peer Average	% Variance
Regular Classroom Teachers (FTE)	41.2	57.3	(28.0%)
Regular Student Population	496	1,054	(53.0%)
Regular Students to Regular Teacher Ratio	12.0	18.4	(34.8%)
Regular Teachers Above (Below) Peer Average			14.2
Total Students to Regular Teacher Ratio	14.3	21.1	(32.2%)
Performance Indicators Met (out of 25) FY 2005-06	7.0	24.5	(71.4%)
Performance Index (out of 120) FY 2005-06	75.7	103.9	(27.1%)
Performance Indicators Met (out of 30) FY 2006-07	4.0	29.3	(86.3%)
Performance Index (out of 120) FY 2006-07	72.3	102.9	(29.7%)
Comparison to State Minimum Requirements			FTE Teachers
Regular Classroom Teaching Positions			41.2
State Minimum Required Classroom Teachers			19.8
Teachers Above (Below) State Minimum Requirements			21.4

Source: JTLSD EMIS staffing reports and interviews and peer EMIS reports

Table 3-2 shows JTLSD's regular student to regular teacher ratio of 12-to-1 is 34.8 percent lower than the peer average of 18.4-to-1. The District would have to reduce 14.2 FTE regular education teachers to achieve a student to teacher ratio similar to the peer average. This may be feasible if JTLSD consolidates its student population within one building (see **R4.1**).

OAC 3301-35-05 states the minimum district-wide ratio of teachers to students is 1 FTE classroom teacher for every 25 students in the regular student population. Based on JTLSD's student enrollment, the District needs only 19.8 FTEs to meet the OAC requirement, which translates to a possible reduction of 21.4 FTE regular education teachers.

The District earned a commendation from the State Board of Education when it advanced to continuous improvement on the FY 2005-06 Report Card. However, the FY 2006-07 Report Card indicated the District dropped to academic watch, meeting only 4 of 25 performance indicators.

Although JTLSD's student population has been declining, the District has only eliminated 3.0 FTEs at Blairwood Elementary. Eliminating additional regular education positions would help the District address its operating deficits. However, given its report card results for the past two school years, the District should weigh any reductions in regular teaching staffing against the potential impact on its educational programming and student achievement.

Financial Implication: If the District eliminated 14 regular teaching FTEs, it would save approximately \$497,000 annually in salaries and benefits.

- R3.5 JTLSD should consider reducing its Education Service Personnel (ESP) staff by 3 FTEs to bring staffing levels more in line with the peer average. The elimination of 3 FTEs would keep JTLSD above the State minimum requirements of 5.0 FTEs per 1,000 regular students and staffing in at least five of the eight ESP areas.**

During the April 21 Board meeting, the JTLSD Board approved a plan to eliminate 3 ESP positions for FY 2008-09.

The Superintendent indicated ESP staffing will be reviewed in his written comments to the audit, but no supporting documentation was provided.

Table 3-3 compares JTLSD's ESP staffing levels to the peer average.

Table 3-3: ESP Staffing Comparison

	JTLSD	Peer Average	% Variance
ESP Teachers	4.0	5.5	(1.5)
Counselors	2.0	2.0	0.0
Librarian / Media Specialist	1.0	1.4	(0.4)
School Nurses	1.0	0.8	0.2
Social Workers	1.0	0.0	1.0
Total Education Service Personnel (FTE)	9.0	8.6	0.4
Regular Student Population	496	1,054	(558)
Total ESP per 100 Regular Students	1.8	0.9	0.9
Total Students	590	1,208	(618)
Total ESP per 100 Total Students	1.5	0.8	0.7
Comparison to State Minimum Requirements			FTE Teachers
Total ESP Teachers			9.0
State Minimum Required ESP Teachers (based on enrollment)			2.5
ESP Teachers Above (Below) State Minimum Requirements			6.5

Source: JTLSD EMIS staffing reports and interviews and peer EMIS reports

Although JTLSD has a total of 9 ESP FTEs and is 6.5 FTEs higher than the OAC requirement, the District can eliminate only 4.0 FTEs. OAC 3301-35-05 (A) (4) requires districts to employ a minimum of 5.0 FTE ESP staff for every 1,000 students in the regular student population. Districts are also required to have ESP assigned to at least five of the following eight areas: counselor, library/media specialist, school nurse, visiting teacher, social worker and elementary art, music and physical education. However, the social worker (1.0 FTE) is paid with poverty-based assistance funding.

Financial Implication: If the District eliminated 3 FTEs from the ESP classification, it would save approximately \$144,300 annually, including salary and benefits.

R3.6 JTLSD should consider reducing its office/clerical staff by 3 FTEs and re-allocating current job functions to create an equitable workload among the clerical staff. Reducing office/clerical staffing would bring District staffing levels to the peer average.

A similar recommendation for reducing clerical positions and reviewing responsibilities of clerical staff was made in the 2004 Performance Audit.

During the course of the audit, JTLSD developed a plan to eliminate 1.5 administrative support FTEs for FY 2008-09.

The District did not implement the 2004 Performance Audit recommendation to reduce clerical positions or review job responsibilities of clerical staff (see **R3.2**). Instead, it hired an additional person in FY 2006-07 in the Treasurer’s Office. The District’s

office/clerical staffing level of 7.0 FTEs includes 3.0 FTE secretarial positions (one for Superintendent and one for each of the school buildings), 1.0 FTE EMIS Coordinator, and 1.0 FTE Payroll Clerk and 2.0 FTE Accounting Clerks in the Treasurer’s Office.

Table 3-4 compares JTLSD’s office/clerical staffing to the peer average.

Table 3-4: JTLSD and Peer Office/Clerical Staffing

	JTLSD	Peer Average	% Variance
Total Clerical Staff	7.0	6.9	0.1
Number of Students	590	1,208	(618)
Clerical Staff per 100 Students	1.2	0.6	0.6
School Buildings	2.0	3.2	(1.20)
Clerical Staff per School Building	3.5	2.2	1.3
Total FTE Employees (Excluding Clerical)	100.0	128.1	(28.1)
Employees per Clerical Staff	14.3	19.6	(5.3)

Source: JTLSD EMIS staffing reports and interviews and peer EMIS reports

As shown in **Table 3-4**, JTLSD’s FY 2007-08, office/clerical staffing per 100 students is double the peer average. Furthermore, the District’s ratio of employees to clerical staff is 14.3-to-1, which is 27 percent lower than the peer average. To reach a clerical staffing level similar to the peers, the District would have to eliminate approximately 3.0 FTEs.

Financial Implications: If JTLSD eliminated 3 FTEs in office/clerical classification, it would save approximately \$108,600 annually, including salaries and benefits.

R3.7 JTLSD should improve the accuracy of its EMIS reports by documenting current submission practices and developing policies and procedures for EMIS report preparation and review. Furthermore, the Payroll Clerk and Treasurer should attend EMIS training to ensure they have a basic knowledge of EMIS and how this information affects District funding.

A similar recommendation was made in the 2004 Performance Audit.

The District partially implemented the 2004 Performance Audit recommendation by using ODE resources and procedures to report EMIS data, but this performance audit identified staff coding errors in EMIS reporting. Two District employees are responsible for EMIS data; the EMIS Coordinator and the Payroll Clerk in the Treasurer’s Office. The EMIS Coordinator enters and verifies student data, while the Payroll Clerk enters staffing and salary data.

For staffing and salary data, the Payroll Clerk inputs data, along with the required EMIS codes, into the Uniform Staff Payroll System (USPS), which is aggregated by MDECA

for EMIS reporting. The EMIS Coordinator corrects errors in EMIS staffing and salary data identified in the EMIS error reports. However, no one at JTLSD thoroughly reviews the EMIS staffing data entered by the Payroll Clerk to ensure accuracy. The Payroll Clerk has received training on USPS at MDECA, but the Treasurer has not received EMIS training. Also, in 2006, the EMIS Coordinator missed 6 months of work, the Payroll Clerk missed 5 months, and the current Treasurer was hired in October 2006. During these absences, the District hired temporary staff to complete these duties.

ODE developed and implemented EMIS to help school districts effectively and efficiently manage student and personnel information. All districts are required to provide specific student, staff, and financial data to ODE for processing. The primary functions of EMIS are to meet State and federal reporting requirements, provide a streamlined system for districts to report the information necessary to receive state funding and determine eligibility for federal funding, establish an academic accountability system, and generate Statewide and district reports for stakeholders.

The Treasurer should review data entered into the USPS to ensure it is accurate and coded correctly. Additionally, the EMIS Coordinator should review staffing and salary data entered into EMIS by the Payroll Clerk to ensure it is accurate and coded correctly. The EMIS Coordinator has attended numerous EMIS trainings, including a seminar on staff reporting and EMIS 2008 changes, and passed the Certificate of EMIS Professional assessment test sponsored by the Ohio Association of EMIS Professionals.

The lack of documented practices and procedures governing compilation, review, and submission processes for EMIS data, coupled with high staff absence and turnover, increases the risk of submitting inaccurate data which could adversely impact State funding.

Compensation

R3.8 JTLSD should reduce or eliminate the employees' portion of the pension benefit paid on behalf of all administrators except the Superintendent and Treasurer. Paying the employees' share of retirement contributions increases costs to the District and further inflates the salaries of administrative personnel. Considering the District's current financial situation, a reduction of this benefit could provide necessary financial relief.

JTLSD provides a pension benefit that pays the employees' portion of retirement for six administrators. The District pays 100 percent of the employees' portion of retirement for the Superintendent, Treasurer, and two principals, and 50 percent for the Dean of Students and Food Services Director. Ohio Revised Code (ORC) § 145.48 requires that each employer must pay into the public employees' retirement a specified amount for

each of its employees. The State Teachers Retirement System (STRS) and State Employees Retirement System (SERS) require employees to contribute 10 percent of their gross salaries. The benefit provided to JTLSD administrators inflates the annual income of the recipients, and since the employer must make retirement payments on all income, the District pays an additional percentage based on the income gained as a result of picking up the original employees' share.

It is reasonable for a school district the size of JTLSD to offer additional pension benefits to only the Superintendent or Treasurer. JTLSD average administrators' salary of \$64,742 is 2.7 percent lower than the peer average of \$66,566 for administrators. However, with the addition of the employees' share of retirement (on average, \$33,642), JTLSD's average administrator salary is \$68,371, or 2.7 percent higher than the peer average. Considering its declining General Fund balance the District should decrease the number of employees that receive this benefit or decrease the percentage paid.

Financial Implication: If the District only provided the pension benefit to the Treasurer and Superintendent, the projected annual cost savings would be approximately \$18,200.

Benefits

R3.9 The District should review the design of its health care plans to determine if cost savings can be achieved by renegotiating the more generous provisions. In addition the District should negotiate with its collective bargaining units to increase in-network deductibles and co-pays to be more consistent with the SERB and Southwestern Ohio Educational Purchasing Council (EPC) benchmarks. Specifically, the District should negotiate to increase employee co-pays for physician visits, generic retail prescription drugs, the annual deductible, cost sharing for hospital visits, and annual out-of-pocket maximums. This will help to offset annual increases in the cost of health insurance and could encourage more responsible use of these benefits by employees.

JTLSD employees do not pay an in-network annual deductible.² This is more generous than SERB-identified benchmarks for Ohio school districts, which report an average in-network annual deductible of \$533 for family coverage. In addition, the 2006 Kaiser Family Foundation Survey notes the average annual in-network deductibles are \$1,034 and \$473 for a family and single plan, respectively, and only 30 percent of employees covered under preferred provider organizations (PPO) have no annual deductible.

² Deductibles are out-of-pocket expenses the employee pays before insurance starts to pay a portion of the incurred costs.

Moreover, JTLSD employees have a \$10 co-pay for physician office visits and a \$50 co-pay for emergency room visits. These co-pays fall below other Montgomery County districts that participate in the EPC. For physician office visits, Brookville LSD, Oakwood CSD, and Northridge LSD employees have \$20 co-pays, and Mad River LSD, Northmont CSD, and Valley View LSD have \$15 co-pays. Brookville LSD, Oakwood CSD, and Valley View LSD employees pay a \$75 co-pay for emergency room visits, and Northridge LSD employees have a \$100 co-pay. The Kaiser Survey shows that 87 percent of employees covered by a PPO plan pay more than \$10 per office visit.

With regard to prescription drugs, JTLSD employees pay a \$5 minimum co-pay for generics and those medications on the Preferred Drug List. Other Montgomery County districts have higher minimums, generally in the \$10 range. According to SERB, school districts have a \$9 average co-pay for generic retail prescription drugs. Respondents in the Kaiser Survey pay \$11 for generic drugs, \$24 for preferred drugs and \$38 for non-preferred drugs.

Hospital visits are covered 100 percent in-network with 80 percent of eligible expenses covered if out-of-network. The Kaiser Survey notes that the average hospital deductible or co-pay is \$238 for PPOs and \$241 for the average of all plan types, and the average hospital co-insurance is 17 percent.

Annual out-of-pocket maximums are \$650 and \$1,300 for in-network single and family coverage, respectively, while non-network maximums are \$850 and \$1,700 for single and family coverage respectively. By comparison, Kaiser reports that only 10 percent of employees have out-of-pocket maximums below \$1,000 for single coverage and only 14 percent have out-of-pocket maximums below \$2,000 for family coverage.

Many of JTLSD's health insurance provisions are more generous than the SERB benchmarks, the Kaiser Foundation 2006 Annual Survey provisions, and other Montgomery County districts that participate in the EPC. Although the District's premium costs are close to industry benchmarks, selecting a plan with more generous benefits, such as no network deductible and lower co-pays, could potentially increase premium rates and utilization. Modifying the design of its healthcare plan could help control and reduce costs, provide fair benefits to staff, and allow the District to redirect funds to other priorities.

R3.10 JTLSD should implement Ohio Bureau of Workers' Compensation (BWC) programs for workplace safety to reduce workers' compensation claims and costs. JTLSD should also adopt and implement on-the-job training to improve safety awareness and reduce the risk of job-related injuries. The Superintendent and Treasurer should attend BWC training on managing workers' compensation to identify additional strategies to reduce workers' compensation costs.

In addition, the Treasurer should record workers' compensation expenditures in object code 260, in accordance with Uniform School Accounting System (USAS) requirements.

The District's workers' compensation insurance premiums decreased more than \$25,000 in FY 2005-06, as a result of reductions in staffing levels and payroll expenditures. However, JTLSD does not proactively manage the risk associated with workplace injuries or seek to mitigate workers' compensation premium penalty costs. Furthermore, it does not seek to modify employee behavior through continuous training.

The District has a high number of job-related injuries and workers' compensation claims. To illustrate, between January 2003 and June 2007, JTLSD reported 17 employee injuries to BWC, resulting in 14 allowed claims. As a result, the District is "penalty-rated" and its employer modification rate (EMR)³ has remained above 1.2 since 2003, and was as high as 1.51 in 2004. JTLSD is not currently in a group rating program because of its high number of claims and penalty rating. A third-party administrator was paid \$1,025 to represent the District and resolve employee workers compensation claims. Approximately 64 percent of BWC-allowed claims were filed by teachers and principals; an indication that the District should focus job-safety awareness training efforts on certificated personnel.

JTLSD has not recorded workers' compensation-related expenditures in the correct object code (object code 260) for the past two fiscal years. This can be attributed to significant miscoding errors, resulting from turnover and a general lack of monitoring and accountability in the Treasurer's Office (see **financial systems**). The Treasurer coded workers' compensation in object code 843, the code for audit examination charges.

BWC offers several programs that can help public employers improve workplace safety. These include:

- Premium Discount Program (PDP) - an incentive program designed to assist employers with a 0.9+ EMR establish safer, more cost-effective workplaces. Eligible employers can receive a 10 percent discount on workers' compensation insurance premiums the first year and 5 percent discount in the second year if they participate.
- Drug Free Workplace Program (DFWP) - designed to help employers deter, detect, and eliminate substance abuse.

³ BWC reviews actual claims costs incurred as a result of injuries that happen at work. Actual claims costs are compared to BWC estimates for each Ohio employer; then BWC calculates EMR based on a four-year claims history. The EMR is then used to determine if the employer is above or below a base percentage. An EMR of 1 or above is generally considered negative and can result in premium increases.

- \$5,000 Medical Only Program (\$5K Program) - allows employers to pay up to the first \$5,000 of medical costs for injured workers in order to reduce premiums. This program is similar to deductibles common in other insurance plans.
- Transitional Work Program - enables injured employees to return to work more quickly and safely, either in their original job or in a temporary work assignment until they are ready to resume their original job. The District received a one-time grant for a transitional return to work program in 2006, but it no longer receives funding for this program. The Superintendent indicated that JTLSD has benefited from staff attending the training associated with the grant, and applied processes learned as a result of the program to return employees to work quickly.

BWC grants are available to employers to help offset the cost of implementing these programs. These programs are designed to decrease EMR, improve workplace safety, minimize the risk of injury, and reduce premium costs. BWC programs include analysis of employee responsibilities, labor-management collaboration, policy development, and onsite therapy that is individually tailored to an injured employee's needs.

The primary means by which employers can prevent injury is through training and programs that limit the factors contributing to accidents. The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) recommends that districts implement safety inspection programs to determine necessary corrective actions for reducing injuries, using past workers' compensation claims to proactively assess and identify those positions and responsibilities that pose a significant risk of injury.

Financial Implication: If the District takes advantage of the BWC programs offered, it could reduce workers' compensation insurance premiums up to 10 percent which would result in a savings of approximately \$6,200 annually. If the programs helped improve its EMR, JTLSD may be able to generate additional workers compensation premium savings.

Negotiated Agreements

R3.11 JTLSD should adopt and document written qualifications, responsibilities, and training requirements for its negotiating team members. The District should also ensure assigned staff members receive appropriate training prior to the next negotiations to enhance their knowledge of the negotiating process, issues, and legislative mandates.

JTLSD does not have formal, documented qualifications and training requirements for negotiating team members. It uses the same collective bargaining process for certificated and classified negotiations. The management team is comprised of the Superintendent,

Treasurer, one Board Member, and a mediator. The Superintendent indicated he and the Board member attended the training on interest based bargaining and that bargaining unit members negotiating the certificated contract received training on interest based bargaining during negotiations for the contract approved for FY 2005-06. However, classified bargaining unit members did not attend this training.

The District's certificated and classified agreements are effective from July 1, 2006, through June 30, 2008. However, at the start of the performance audit, the classified employees had been operating under an extended agreement since June 30, 2006. According to the Superintendent, the District has not historically had problems negotiating the classified agreement, but the current process has been very difficult due to multiple issues, including illness of negotiating team members, the time-consuming process to revise language in the contract, and lack of training on interest based bargaining.

Collective Bargaining and Labor Relations (Carrell, Third Edition, 1991) states that most changes in wages, benefits, and cost of living adjustments lead to direct – and usually substantial – cost increases. Both sides need to estimate the cost of contract provisions accurately so they can be intelligently discussed and bargained for. If a provision is given up by one side in exchange for another provision, the relative weight is best estimated by knowing the cost of each provision.

Collective Bargaining and Labor Relations (Herman, Fourth Edition, 1998) states the effectiveness of a bargaining team is determined by its ability, knowledge, and experience. A team well-versed in tactics, strategy, and timing will be in a better position to avoid impasses and strikes, and will end up with a better agreement than a team composed of inexperienced members.

Several organizations provide training in negotiations. SERB will provide organizations with training on the rules and techniques of collective bargaining. In addition to providing mediation services, SERB's Bureau of Mediation offers training on the establishment of effective labor-management committees and on interest-based or modified traditional bargaining. The Ohio School Boards Association (OSBA) also offers different types of training for school boards, including collective bargaining and issues related to collective bargaining. OSBA also released *Collective Bargaining Outlook for 2006* which examines current trends in the collective bargaining process.

The lack of formally documented qualifications and training requirements for negotiating team members may result in team members acquiring only limited knowledge of negotiating skills and techniques used to effectively implement interest-based bargaining and other negotiating strategies. Formally defining roles and responsibilities for the team designated to represent the District during negotiations, and providing relevant and

regular training would help JTLSD avoid costly or problematic provisions in future negotiated agreements and may help to facilitate the ongoing contract finalization process.

R3.12 JTLSD should attempt to renegotiate provisions in its collective bargaining agreements that exceed typical provisions (in relation to other Ohio school districts) and State minimums. These provisions are costly and renegotiations, if successful, would allow the District to redirect its resources into other critical operations. Similar recommendations were issued in the 2004 Performance Audit (see Appendix 3-A).

As a component of the performance audit, certain provisions in the certificated and classified agreements were compared to State minimum standards and best practices. The following areas in JTLSD's certificated and classified contracts exceeded benchmark provisions.

- **Maximum number of sick leave days accrued:** The maximum number of sick leave days accrued is 300 for certificated staff, and 245 for classified staff, both of which exceed the minimum of 120 days stated in ORC § 3319.141. Provisions allowing employees to accrue sick days in excess of State minimums represents an increased financial liability for the District.
- **Maximum sick leave pay out:** The maximum sick leave paid out at retirement for certificated and classified contract staff is 59 days, nearly double the 30 day minimum stated in ORC § 124.39. The excess days represent an increased financial responsibility the District will incur as its employees retire. Assuming that one certified and one classified employee retire annually, sick leave payouts at the ORC minimum of 30 days, rather than 59, could save the District approximately \$8,600 per year.

The following two provisions are unique to JTLSD's certificated agreement and were identified as exceeding best practices.

- **Early Retirement Incentive:** JTLSD offers an early retirement incentive to employees, but has not conducted a cost-benefit analysis to determine if the provision saves the District money. JTLSD's early retirement incentive provides a one-time retirement bonus of \$15,000 to any teacher who first becomes eligible for retirement under the State Teachers Retirement System during the term of the Agreement and who retires-in-fact under the provisions of the article. The bonus is payable in the calendar year following the date the teacher retires. According to the Oregon School Board Association, before a district decides to offer an early retirement program, it should conduct a cost-benefit analysis to ensure that

it benefits the district. In FY 2006-07, one employee took advantage of the early retirement incentive.

- **Planning Period:** The negotiated agreement effective from 2006 through 2008 includes a provision from the previous negotiated agreement providing high school teachers with either a \$500 bonus or an additional class preparation period if they must prepare for more than three classes each day of the semester. On February 13, 2006, the Board approved \$3,500 in class preparation stipends for 7 teachers. According to OAC 3301-35-05, teachers shall be provided sufficient time for designing their work, evaluating student progress, conferencing, and team planning. The schedule of full-time equivalent classroom teachers assigned to a school with a teacher day of six hours or longer, excluding the lunch period, shall include two hundred minutes per week for these purposes. However, there is no requirement that the District offer a planning period bonus. Eliminating this provision in the certificated contract should save the District approximately \$3,500 annually.

The following provision is unique to JTLSD's classified agreement and was identified as exceeding State minimum requirements.

- **Holidays:** JTLSD's employees working 11 to 12 months receive 10 holidays, and those working less than 11 months receive 7 holidays. According to ORC § 3319.087, all 11 or 12 month regular non-teaching school employees are entitled to the following 7 holidays: New Year's Day, Martin Luther King Jr. Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. All 9 to 10 month employees, according to the ORC, are allowed the same holidays as 11 to 12 month employees, excluding Independence Day, for a total of 6 holidays. Allowing employees to receive holiday above ORC minimum standards reduces productivity which could, in turn, affect classified staff workload (i.e., reduced cleanliness of buildings). Also, if JTLSD's classified 11 to 12 month employees followed the ORC minimum of 7 holidays instead of 10, the District would recover 45 days of lost work and save approximately \$4,500; and if JTLSD's employees who work less than 11 months followed the ORC minimum of 6 holidays instead of 7, the District would save approximately \$3,000.

Financial Implications: If the District successfully renegotiates the above provisions in its collective bargaining agreements, it could save approximately \$19,200 annually.

R3.13 During future negotiations, the District should structure and implement sick leave policies in the classified agreement to reflect the certificated agreement provisions. Provisions should address appropriate leave use, disciplinary measures for abuse,

monitoring to identify potential abuse, and a signed physician statement confirming the need for sick leave after three consecutive days of absence when an employee has established a pattern of absenteeism. In addition to strengthening its policies, JTLSD should consider following the American Society for Public Administration's (ASPA) guidelines for effectively managing sick leave. During the course of the audit, the attendance policy in the classified agreement (signed February 2008) was updated to include progressive discipline for absenteeism.

During FY 2006-07, sick leave use by classified staff averaged 8.60 days per employee, which was 23 percent higher than the DAS average of 7.02 days. 12 classified employees have sick leave use exceeding 10 days, with 3 out of the 12 employees having sick leave use exceeding 20 days, and another 3 employees exceeding 35 days.

High sick leave use is found in five classifications: paraprofessional, maintenance/custodial, bus driver, secretarial, and food service. As a result of high sick leave use, JTLSD spends a substantial sum on substitute employees -- custodial substitute costs were \$50,413 in FY 2006-07, which was approximately 20 percent of total salary costs. In contrast, JTLSD's FY 2006-07 sick leave usage for certificated staff averaged 4.06 days per employee, which was approximately 40 percent lower than the DAS average of 6.71 days.

JTLSD sick leave policies are included in the certificated and classified agreements. According to the certificated contract, unauthorized absences and abuse of sick leave benefits may be considered grounds for disciplinary action. The classified contract stipulates that if an employee is absent more than three consecutive days, a statement from a licensed physician may be required. In addition, both the 2005-2006 certificated agreement and 2003-2006 classified agreement include an attendance policy stipulating that "after missing 7 days for sick leave, a meeting with the Superintendent or designee is required." The 2006-08 certified agreement replaced this statement with a requirement for written documentation of sick leave use and a physician's statement when a pattern of absenteeism has been established. A pattern of absenteeism was defined as utilizing sick leave during the first two or last two weeks of the school year, utilizing sick leave to extend weekends or holidays, or other patterns of sick usage which, in the reasonable judgment of the Superintendent, constitute an established pattern of absenteeism. Abuse of sick leave may result in disciplinary action from among five disciplinary steps: verbal reprimand, written reprimand, one day suspension without pay, three to five day suspension without pay, and termination.

According to *Sick Leave Abuse: A Chronic Workplace Ill?* (American Society for Public Administration (ASPA Times), 2002), organizations should have clearly written sick leave policies that specify the standards, employee requirements, and disciplinary

measures for abuse. Additionally, managers should keep employees informed of sick leave policies and how to use them. According to the American Society for Public Administration (ASPA), some tips for managing sick leave cases include the following:

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.
- Find out why the employee is abusing leave. Talk to the employee who is abusing leave and see if the behavior stems from a personal problem. If you find that it does, recommend counseling or refer the employee to the organization's Employee Assistance Program.
- Learn to say "no." You should not let employees get away with abusing sick leave policies.
- Use procedures, regulations, practices, and knowledge to benefit management as well as the employee. Supervisors and managers must work with employees. Their job is to make sure all employees are aware of leave policies and know how to use them.
- Document everything.
- Learn from past mistakes.

The District could enhance current sick leave policies by considering the following approaches suggested by *Managing Absenteeism Legally: The News Isn't All Bad* (SHRM, 2006) and *How to Improve Employee Attendance* (Business and Legal Reports (BLR), 1999):

- Implementing a sick leave incentive;
- Scheduling shifts creatively;
- Cross-training;
- Training managers for proper record keeping; and
- Analyzing absences on a regular basis to control sick leave usage.

Financial Implication: If the District strengthens its policies and procedures and reduces the number of sick leave days used by classified staff to the DAS average, the District could save approximately \$6,800 annually.

Board Governance

R3.14 JTLS D should follow its existing policy on evaluating Board performance along with a formal process for documenting and assessing District goals. The Board should follow the National School Board Association’s (NSBA) guidelines to help ensure an accurate measurement of Board performance. In addition, the Board should conduct annual surveys of employees and the community to determine areas of satisfaction and areas in need of improvement. Implementing these policies and procedures should assist the Board in formally identifying and documenting strengths and weaknesses and allow it to assess the goal of serving the community and students more effectively.

Board Policy 1110 *Assessment of District Goals* stipulates that one of the major functions of the Board of Education is to work with the administration to establish the goals by which the District can accomplish its mission and provide the resources necessary for their accomplishment. It also provides the time frame for both the Board and the administration to assess the District’s progress during the previous year and toward the achievement of current goals. Furthermore, the policy states the Board should use this assessment/evaluation time period to assess the effectiveness of the Board as a whole as well as each Board member. Board members have used retreats to discuss the assessment of District goals and self-evaluation.

Board members indicate there are no formal, written processes for documenting and assessing District goals or evaluating Board performance. Moreover, the District has not developed a formal strategic plan to establish goals or assessed program and operational effectiveness over an extended period of time (see **financial systems**). Furthermore, Board Bylaw 0118 *Philosophy of the Board* declares the Board’s intent to maintain two-way communications with citizens of the District to keep them informed of the progress and problems of the District. Board members indicate that community surveys administered in 2005, regarding uniform changes and the closing of Radcliff Heights Middle School, were effective. Since then, Board meetings have been the exclusive forums for community input.

Becoming a Better Board Member (NSBA, 2006), states that many school boards attempt to evaluate themselves by assessing public opinion. If there are few complaints from members of the community and staff, school boards believe they are performing their responsibilities effectively. Some board members view reelection as an affirmation that they are doing a good job. However, the public can provide only informal evaluation of a board: it cannot provide the kind of formal evaluation a school board really needs. Instead, board members should engage in regular self-evaluations to ensure they continue to exercise the most effective leadership possible. Essential evaluation elements and outcomes include the following:

- An evaluation should be constructive;
- Board members should develop the standards against which they will evaluate themselves;
- Evaluation should be based on goals the board sets for itself, rather than goals it sets for the entire school system;
- The evaluation process should include board establishment of goals and strategies for improving board performance;
- The board should not limit itself to those items that appear on the evaluation form;
- Formal evaluation should occur at least once a year and at a scheduled time and place;
- A composite picture of board strengths and weaknesses is best;
- The board should be evaluated as a whole, not as individuals; and
- The board should have an orientation and in-service program for its members.

In addition, NSBA suggests that an annual attitude survey of community members is a tool school boards can use to obtain feedback from its constituents. According to *Key Work of School Boards Guidebook* (NSBA, 2000), some school districts have developed satisfaction surveys modeled after surveys used in business. Questions are designed to seek information about attitudes, perceptions, and personal opinions. The district can then compare these perceptions to student achievement results and determine their correlation with success. Just as districts examine attitudes of parents and students, they should survey staff members to find out what they think and feel about their work and their work environment. Gathering and analyzing survey data can give district leaders a sense of the “state of the organization” as well as direction for change.

Without regular self-evaluations and community surveys, school boards cannot exercise the most effective leadership and have no systematic processes for board members to assess their performances, improve decision-making, and obtain feedback from the community. The Board must establish and document its goals or there will be no basis for the self-evaluation.

The lack of regular self-evaluations and performance measures identified in this performance audit (see **financial systems**) detracts from the Board’s ability to effectively promote its vision or identify and achieve its goals.

R3.15 The Board should limit the number of special meetings as well as attendance at conferences and training seminars to help reduce costs. The Board should seek low cost training opportunities, including free, online training programs offered by the Ohio School Boards Association (OSBA).

JTLSD's Board expenditures per Average Daily Membership (ADM) in FY 2006-07 were \$87.13, which is 237 percent higher than the peer average of \$25.85. JTLSD's total FY 2006-07 Board expenditures were \$62,297, of which about \$25,000, or 40 percent, was for Board training. Examples of training attended by Board members include OSBA and NSBA conferences in Columbus and Chicago, respectively. Board members indicate they regularly attend training and that it has been beneficial. However, some of the Board expenditures listed in the financial report appear excessive, including a \$4,681 purchase order for hotel reimbursement in March 2006 and combined luncheon and conference registration expenditures of \$1,920 in August 2007.

Board members are compensated \$125 for attending training and meetings. A review of Board minutes indicates that citizens and some Board members have expressed concerns about Board compensation for attending training and the number of training events attended. The Board's annual organizational meeting establishes a schedule of regular meetings for the year, as well as a business meeting each month. A review of Board minutes shows the Board held a high number of special meetings, 7 in 2006 and 13 in 2007, in addition to the regular and business meetings. At the special meetings, normal business issues were discussed and Board members were paid to attend.

ORC § 3313.12 addresses compensation and mileage Board members may receive and provides that such compensation shall not exceed \$125 per member for meetings attended. Additionally, Board members may receive compensation not to exceed \$60 a day for attendance at a training program three hours or fewer in length, or \$125 a day for attendance at a training program longer than three hours in length.

Although the Board is allowed compensation for attending training per ORC § 3313.12, the practice of holding two meetings a month, as well as special meetings to discuss normal business, unduly increases Board compensation at the expense of the District.

As the fiduciary and legislative authority of the District, it is the responsibility of the Board to control spending by establishing internal and management controls, and provide an example for the spending principles and philosophies of the District. Although Board members frequently attend trainings that increase their compensation and cost to the District, these trainings have not resulted in the implementation of several recommended operating practices or improved academic performance.

Financial Implication: If JTLSD reduced total Board expenditures to the peer average, it could save approximately \$44,000 annually.

Special Education

R3.16 JTLSD should continually work with ODE’s Office for Exceptional Children to develop and implement performance measures to monitor and review the cost effectiveness of special education services, ensuring appropriate program design to maximize resources. Developing special education performance measures will help ensure appropriate staffing and expenditure levels for special education while providing effective service to the affected students.

In FY 2006-07, JTLSD’s reported special education expenditures of approximately \$938,920, but received \$1,052,195 in funding from ODE for special education. The EMIS Coordinator indicated the District has a high percentage of special education students, especially multi-handicapped (MH, also referred to as multiple disability) and emotionally disturbed (ED) children, who are the most costly to serve. The EMIS 2007 December Count showed 8 MH students and 10 ED students. According to the District’s school report cards, the percentage of students with disabilities was 18.4 percent in FY 2006-07, compared to the State average of 14.3 percent.

Approximately 15 special education students attend through open enrollment, but JTLSD does not bill excess costs for these students. The District reviews its current classroom space, staffing, individualized education programs (IEPs), and staffing expertise to determine if it can accommodate open enrollment students. JTLSD also serves foster children from outside the District. Most of these students are educated at the Montgomery County Educational Service Center (ESC) and JTLSD receives funding from their home districts through SF-3 deductions. The District has a MH unit at the elementary school, with one intervention teacher and two health aides, which served eight students in FY 2006-07.

Table 3-5 illustrates a comparison between JTLSD and the peer average instructional expenditures, expenditures per student, and special education staffing.

Table 3-5: FY 2006-07 Special Education Costs Comparison

Category	JTLSD	Peer Average	% Variance
Special Instructional Expenditures	\$938,920	\$1,076,203	(12.8%)
• Per Pupil	\$1,313	\$935	40.4%
Special Education FTEs	8.0	8.3	(3.6%)
• Students per FTE	10.5 ¹	16.7	(37.1%)

Source: District and peer 4502s are used for financial information. EMIS and interviews are used for JTLSD special education staffing. EMIS reports are used for peer staffing

¹ JTLSD reported 84 special education students for FY 2006-07 in EMIS, excluding speech and language.

As illustrated in **Table 3-5**, JTLSD’s cost per pupil for special instruction was 40 percent higher than the peer average. The special education student-to-teacher ratio is 10.5 to 1,

which is significantly lower than the peer average ratio of 16.7 to 1. However, the size of the District, composition of the program, OAC 3301-51-09, and the students' IEPs dictate the staffing needed to serve children with special needs. As a result, JTLSD should ensure it is meeting these needs before it considers reducing staffing levels. However, continually reviewing IEPs for appropriateness and working to increase operational efficiency may allow JTLSD to reduce staffing and bring costs per pupil more in line with peer averages.

In June 2006, the District participated in an ODE focused monitoring review of its special education services. The review provided recommendations on how the District could improve student performance on achievement tests and how to ensure compliance with State laws and regulations, but did not include recommendations on how the District could control special education costs or performance measures to identify and establish appropriate costs of services and required staffing levels.

The *Special Report of the 2003 Joint Annual Conference* (Illinois Association of School Boards, 2004) provides examples of means by which schools can attempt to increase efficiency and control special education costs, including the following:

- Monitoring student progress frequently;
- Using interventions in the regular education classrooms for at-risk students;
- Providing the least restrictive environment;
- Increasing curricular flexibility;
- Hiring flexible teachers;
- Complying with state and federal regulations;
- Looking for prevention interventions; and
- Providing high quality early education programs.

Developing internal performance measures and criteria for special education is critical for determining appropriate costs of services, required staffing levels, and controls for monitoring compliance with State regulations, IEPs, and the needs of the students. Internal performance measures used to monitor costs, staffing, and organization could include the following:

- Student per staff ratios based on special education area (e.g., emotionally disturbed, special learning disability, etc.);
- Cost per student for special education services, in conjunction with ensuring adherence to IEPs and meeting the needs of the students;
- Staffing compliance with ORC and OAC regulations;

- Cost-benefit analyses of options to provide special education services, such as using the educational service center or partnering with neighboring school districts; and
- Staffing, organization, and costs in relation to other program performance measures, such as academic achievement of students.

By using performance measures to determine the efficiency and effectiveness of its special education program, JTLSD could ensure that it is providing appropriate services to its special education students while effectively managing the associated costs.

Financial Implication: If JTLSD reduced its special instruction expenditures per pupil to a level comparable to the peer average, it could save approximately \$270,000 annually.

R3.17 The Board should develop policies and procedures to ensure that a cost-benefit analysis is performed prior to signing the annual ESC SF-3 Deduct Memorandum. This will help ensure the District is not paying for services that could be provided at a lower cost by other sources. In addition, the Superintendent should work with the Treasurer to annually review and assess its agreement with Montgomery County ESC and include performance measurements to monitor the effectiveness of services. The Treasurer should be formally assigned the responsibility of monitoring the contract, with input from the Superintendent to determine program needs and service levels. By reviewing and monitoring its agreement, the District could effectively ensure that contracted services meet District needs. The Superintendent should work with the Treasurer to ensure all contracted services are necessary and in line with existing needs, goals, and objectives of the District.

The District has an ongoing contract with the Montgomery County ESC, which includes special education program services and related services for students with disabilities or special needs. However, the contract does not include performance measures or a monitoring mechanism. The Superintendent indicated he oversees the ESC contract and meets with the ESC every year to discuss costs and services, although a formal cost-benefit analysis is not conducted. In FY 2006-07, actual ESC costs exceeded the SF-3 Deduct by \$208,121, due to increases in ED and MH services. The ESC Treasurer indicated that cost overruns happen in some years because actual services provided are more than anticipated (i.e., more students are provided service by the ESC). However, this would also be true if costs were shared based on fewer students. The ESC indicated not all districts in Montgomery County send their ED students to the ESC, but smaller districts such as JTLSD generally do. JTLSD has considered other options to serve its special education students but has not identified what it considers a viable alternative.

Table 3-6 shows services provided by the ESC, and SF-3 funding that goes to the ESC to pay for services provided to JTLSD students, called the SF-3 Deduct.

Table 3-6: JTJLSD ESC Contract SF-3 Deduct

Program	FY 2005-06	FY 2006-07	% of Change FY 2005-06 to FY 2006-07	Estimated FY 2007-08
Assessment	\$1,791	\$1,945	8.6%	\$2,012
DH/SLD	\$14,518	\$14,833	2.2%	\$18,198
Speech	\$2,585	\$2,662	3.0%	\$2,807
Work-Study	\$17,840	\$21,020	17.8%	\$21,861
Emotionally Disabled	\$274,554	\$411,466	49.9%	\$596,958
Mentally Disabled/Multi-Handicapped	\$85,466	\$31,758	(62.8%)	\$83,208
Mental Health	\$47,461	\$64,271	35.4%	\$99,453
Occupational Therapy	\$23,326	\$38,366	64.5%	\$38,261
Physical Therapy	\$12,198	\$16,883	38.4%	\$21,219
Home Instruction	\$5,068	\$0	(100.0%)	\$0
Transportation	\$0	\$0	0.0%	\$0
Total	\$484,807	\$603,203	24.4%	\$883,977

Source: JTJLSD

The total ESC Deduct funding increased by 24 percent from FY 2005-06 to FY 2006-07, and is estimated to increase approximately 47 percent in FY 2007-08. The category accounting for most of the increase is ED, which increased by approximately 50 percent (\$137,000) between FY 2005-06 and FY 2006-07, and another 45 percent in FY 2007-08. The District sends approximately 13 more students to the ESC for ED in FY 2007-08 than it did in FY 2006-07, which helps explain the increase in cost. In FY 2007-08, JTJLSD is sending approximately 27 students to the ESC: 23 ED, 2 MH, 1 specific learning disability (SLD), and 1 hearing impaired.

According to the National State Auditors Association's (NSAA) *Contracting for Services* (2003), monitoring is an essential part of the contracting process. This process should ensure that outsourced suppliers comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, a contracting agency, such as a school district, cannot effectively ensure that it is getting what it pays for. To properly monitor a contract, an agency should do the following:

- 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 suppliers until deliverables are received; and
- Retain documentation supporting charges against the contract.

When deciding on whether or not to outsource, NSAA further suggests that an agency complete the following activities:

- Analyze its business needs, goals, objectives, and services and determine whether or not the service is necessary;
- Conduct a cost-benefit analysis and evaluate options, such as whether contracting is more or less expensive than using agency staff; and
- Determine whether state law either prohibits contracting for services or requires the agency to demonstrate its need to contract.

After the decision to outsource has been made, the agency should develop performance requirements that hold suppliers accountable for the delivery of quality services. Specifically, the contract should formally and clearly do the following:

- Stipulate services that are expected;
- Define performance standards and measurable outcomes;
- Identify how supplier performance will be evaluated;
- Include positive or negative performance incentives;
- Identify staff that will be responsible for monitoring the contract; and
- Define the procedures to follow should there need to be modifications to the contract.

The turnover in the Treasurer's Office has negatively impacted the District's ability to effectively perform fiduciary responsibilities, such as contract monitoring. Alternatives to sending special education students to locations other than the ESC are limited, so revising the contract to include more stringent monitoring and more favorable terms for the District may be difficult. However, the District can negotiate performance standards and measurable outcomes and conduct a cost-benefit analysis to evaluate its options. In FY 2007-08, JTLSJSD terminated its transportation contract with the ESC for special needs students after it was determined to be more cost efficient to provide the transportation in-house (see **transportation**).

In the absence of an effective contract management process, JTLSJSD cannot effectively communicate that outsourcing is the optimal choice, nor can it effectively manage its contractors with performance measures that are not clearly stipulated. By implementing an effective contract management process, the District can better document and support its decisions to outsource and, when outsourcing proves more costly or less effective, make adjustments to the contract or services.

Financial Implications Summary

The following table presents a summary of the estimated annual cost savings identified in recommendations presented in this section of the report. Recommendations are separated based on whether or not they require negotiation. Implementation of those recommendations requiring negotiation would depend on agreement with the affected bargaining units. Only recommendations with quantifiable implications are listed.

Recommendations Not Subject to Negotiation

Recommendation	Estimated Annual Cost Savings
R3.3 Reduce 1.0 FTE administrative position	\$57,700
R3.4 Reduce 14.0 FTE regular education teachers	\$497,000
R3.5 Reduce 3.0 FTE ESP teachers	\$144,300
R3.6 Reduce 3.0 FTE office/clerical positions	\$108,600
R3.8 Eliminate the additional pension benefit for all positions except the Superintendent and Treasurer	\$18,200
R3.10 Reduce workers' compensation premiums by implementing BWC programs	\$6,200
R3.15 Limit Board attendance at conferences and training seminars	\$44,000
R3.16 Reduce special education costs per pupil	\$270,000
Total	\$1,146,000

Source: AOS recommendations

Recommendations Subject to Negotiation

Recommendation	Estimated Annual Cost Savings
R3.12 Reduce certified contract provisions that include planning period bonus and sick leave paid out at retirement and reduce classified contract provisions that include sick leave paid out of retirement, longevity pay incentive, holidays, and add a sick leave incentive to the classified contract	\$19,200
R3.13 Implement and enforce detailed sick leave policies	\$6,800
Total	\$26,000

Source: AOS recommendations

Appendix 3-A: 2004 Performance Audit Recommendations and Implementation Status

Table 3-A summarizes the 2004 Performance Audit recommendations and the status of each recommendation.

Table 3-A: 2004 Performance Audit Recommendation Status

Recommendation	Implementation Status
R3.1 Jefferson Township LSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the Educational Management Information System (EMIS) managed by the Ohio Department of Education (ODE).	This recommendation has been partially implemented and a similar recommendation was issued in this audit (see R3.7).
R3.2 Jefferson Township LSD should reduce staff in the clerical classification by 1.0 FTE bookkeeping and 2.0 clerical positions. Considering Jefferson Township LSD's current and projected financial situation, Jefferson Township LSD needs to seek savings in non-instructional areas in order to reallocate resources to the direct instruction of students.	This recommendation was not implemented and a similar recommendation to reduce clerical personnel was reissued (see R3.6).
R3.3 Jefferson Township LSD should conduct a detailed analysis of the duties and responsibilities of its staff in the clerical classification and determine if resources are being used efficiently and effectively in relation to the needs of the District. Based on comparisons with peers, the District should be able to increase its efficiency by consolidating the duties of the EMIS coordinator and Administrative Assistant with those of other clerical positions.	This recommendation has not been implemented and a similar recommendation to review all descriptions and reduce clerical staff was issued (see R3.2 and R3.6).
R3.4 During future contract negotiations for classified staff, Jefferson Township LSD should seek to remove its longevity pay incentive for all new employees. For employees who receive the benefit (as of June 30, 2006), Jefferson Township LSD should seek to maintain the longevity pay incentive without any increases or revisions of the current schedule.	This recommendation has not been implemented. A similar recommendation was made in this audit (see R3.12).
R3.5 During future contract negotiations, Jefferson Township LSD should seek to negotiate a reduction in the maximum number of sick days certificated and classified staff may accrue. The District should seek to reduce the maximum number of sick days certificated staff may accrue from 300 days to 220 days. Similarly, the Districts should seek to reduce the number of sick days classified staff may accrue from 245 days to 220 days.	This recommendation has not been implemented and a similar recommendation was reissued (see R3.12).
R3.6 Jefferson Township LSD should seek to decrease the maximum number of sick days paid out at retirement to its certificated and classified employees from 59 days to 55 days.	This recommendation has not been implemented and a similar recommendation was reissued (see R3.12).
R3.7 During future negotiations the District should seek to eliminate or reduce the retirement incentive offered in the certificated negotiated agreement.	This recommendation has not been implemented and a similar recommendation was reissued (see R3.12).

Recommendation	Implementation Status
<p>R3.8 The District should attempt to reduce salary expenditures for bus driver positions. During future contract negotiations, the District should attempt to negotiate a revised pay scale for bus drivers who begin their employment after June 30, 2004. The new pay scale should reduce current hourly rates by \$2.00 per hour. In addition, the District should attempt to negotiate a reduction in the minimum number of hours paid (per day) to all bus drivers from six hours to four hours. If this is not feasible, the decrease in hours should be negotiated for new employees starting employment with the District after June 30, 2004. Finally, Jefferson Township LSD should also seek to negotiate a 0 percent cost of living salary increase for bus drivers in FY 2004-05 and hold increases to no more than 2 percent in each year from FY 2005-06 through 2007-08.</p>	<p>This recommendation has been partially implemented and a similar recommendation was re-issued in the transportation section.</p>
<p>R3.9 Jefferson Township LSD should seek negotiations with the collective bargaining units for both certificated and classified staff in order to specify cost of living salary increases for each remaining year of the current negotiated agreements. During these negotiations, Jefferson Township LSD should consider limiting salary increases beyond the scheduled step increases through the forecast period. All cost of living allowances should be limited to a 1, 1, 2, 2 percent increases for FY 2004-05 through FY 2007-08 in order to assist the District in reaching financial stability. Also, during future negotiations, the District should negotiate specific cost of living increases for each year of the negotiated agreement at the time the agreement is negotiated. In order to protect itself from the impact of unforeseen changes to revenues or expenditures, the District should also seek to keep in place a clause allowing wage negotiations to be reopened at the request of the Board if the District continues to experience financial hardship.</p>	<p>This recommendation has been implemented.</p>

Source: 2004 Performance Audit and interviews with JTLSD personnel

Facilities

Background

The facilities section focuses on custodial, maintenance, and grounds keeping staffing; operations; expenditures; and building utilization in the Jefferson Township Local School District (JTLSD or the District). Throughout this section, JTLSD's operations are evaluated against peer school districts,¹ best practices, and operational standards including the American Schools and University (AS&U), the National Center for Education Statistics (NCES), the Ohio Revised Code (ORC), and the International Sanitary Supply Association (ISSA).

Organizational Structure and Function

In FY 2006-07, JTLSD operated two school buildings, Blairwood Elementary (grades K through 6) and Jefferson High School (grades 7 through 12), an administrative office building, and a transportation facility. The average age of JTLSD's two school buildings is 43 years. JTLSD closed Radcliff Heights Middle School at the end of FY 2004-05 as recommended in the 2004 Performance Audit. It reconfigured Blairwood Elementary to include grades 5 and 6 and Jefferson High School to include grades 7 and 8. However, the capacity utilization rate of the two buildings remains significantly below the industry benchmark of 85 percent (see **R4.1**).

JTLSD has equitably distributed maintenance and custodial staffing across District buildings. The District employs two day shift custodians/maintenance employees, one for each school building, and three night shift custodians. Day shift custodians report directly to building principals who are responsible for the day-to-day supervision of the custodial staff in their respective buildings. According to the Maintenance Coordinator, the two day shift custodians spend approximately 50 percent of their day on routine maintenance, resulting in 1 full time equivalent (FTE) allocated to custodial work and 1 FTE allocated to maintenance functions. However, this is an estimate of the time allocation because staff may not perform maintenance tasks every day. The day shift custodians spend the remaining portion of their day performing light cleaning tasks at their assigned buildings. The night shift custodians (3 FTEs) are responsible for more thoroughly cleaning the two schools and the administration building. JTLSD also employs a Maintenance Coordinator whose duties include:

- Tracking facilities-related purchasing and supplies;
- Supervising custodial and maintenance staff (see **R4.2**);
- Training maintenance personnel;

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

- Maintaining maintenance records and reports; and
- Performing maintenance and grounds keeping tasks.

The Maintenance Coordinator also performs limited preventive maintenance activities and, when needed, fills in as a substitute bus driver and mechanic.

Key Statistics

Table 4-1 presents key statistics related to JTLSD's FY 2006-07 maintenance and operations (M&O). Also included in **Table 4-1**, and throughout the report, are the results of the *36th Maintenance & Operations Cost Study* (AS&U, 2007). The study was the result of a detailed survey of business officials at school districts across the nation that collected information on staffing levels, workloads, facility expenditures, and salaries. The report provides industry standards on a national level, identifying M&O expenditures on a per-student and per-square foot basis. In addition, **Table 4-1** includes recommended efficiency levels from the *Planning Guide for Maintaining School Facilities* (NCES, 2003).

Table 4-1: Key Statistics and Indicators

Number of School Buildings	2
Elementary School	1
High School	1
Total Square Feet Cleaned	117,071
Elementary School	38,500
High School (includes Administrative Building)	78,571
Square Feet Cleaned per Custodial FTE (4.00 FTEs)	29,268
Day Shift (1.00 FTE) ¹	109,900
Night Shift (3.00 FTEs)	39,024
NCES National Average Square Footage ²	29,500
Square Feet per Maintenance FTE (1.50 FTE) ³	81,447
AS&U 36th Annual Cost Survey National Median Square Footage	86,194
Acres per Grounds Keeper FTE (1.23 FTE) ⁴	31
AS&U 36th Annual Cost Survey National Median Acreage	44

Source: JTLSD, NCES, and AS&U

Note: Totals may vary due to rounding.

¹Day shift custodians do not clean the Administration building so this square footage was omitted from the calculation.

² According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), 28,000 to 31,000 square feet per FTE custodian is the benchmark range for most school facilities. Therefore, an average of 29,500 square feet per FTE custodian is applied in the analysis. This benchmark is acceptable to most stakeholders and does not pose any health issues.

³ The total square feet used for this analysis is 122,171 and includes the bus garage and other sites that are maintained.

⁴ FTE calculations are based on estimates provided by the District.

Table 4-1 shows that, overall, JTLSD's custodial and maintenance staff maintains a slightly lower square footage than the industry benchmarks. However, at each site, custodians clean more than the benchmark as a result of the custodial/maintenance staffing allocation employed by the District. Two custodial staff and the Maintenance Coordinator (1.50 FTEs) perform maintenance

duties, devoting 50 percent of their time to these tasks. The grounds keeping duties (1.23 FTEs) are performed by District staff, using a percentage of their regular work hours as needed.²

Financial Data

Table 4-2 presents a three year history of JTLSD’s M&O General Fund expenditures.

Table 4-2: JTLSD Three Year M&O Expenditure History

Category	FY 2004-05	FY 2005-06	Percentage Change	FY 2006-07	Three-Year Percentage Change
Salaries and Wages	\$267,322	\$243,520	(8.9%)	\$256,748	(4.0%)
Benefits	\$82,989	\$84,882	2.3%	\$88,831	7.0%
Purchased Services	\$275,810	\$442,265	60.4%	\$145,542	(47.2%)
Utilities	\$185,494	\$74,328	(59.9%)	\$194,069	4.6%
Supplies/Materials	\$45,616	\$47,323	3.7%	\$70,759	55.1%
Capital Outlay	\$34,302	\$0	(100.0%)	\$7,702	(77.5%)
Other	\$1,300	\$3,200	146.2%	\$0	(100.0%)
Total General Fund	\$892,833	\$895,518	0.3%	\$763,651	(14.5%)

Source: JTLSD

Note: Excludes expenditures (e.g., heating oil spill repair) paid out of the Permanent Improvement Fund, which receives approximately \$91,000 in revenues annually.

Table 4-2 shows a significant decrease in overall M&O related expenditures. However, salaries and wages increased in FY 2006-07 due to increased overtime for custodians and the high cost of substitute custodians. In FY 2006-07, almost 20 percent of salaries and wages are attributed to substitute costs. Also, some historical expenditure variances cannot be explained by the District because of coding errors and significant turnover in the Treasurer’s Office (see **financial systems**). However, significant increases in purchased services and supplies and materials can be attributed, in part, to unregulated purchasing practices, coding errors, and lack of management oversight of M&O personnel as noted in the 2004 Performance Audit. In addition, limited planning for facilities expenditures resulted in spending to remodel office space while the quality of educational facilities has declined (see **R4.4**).

Coding errors in purchased services account for the large variances from year to year and are illustrated in **Table 4-2**. For example, a review of the District’s repairs and maintenance services (object code 423) shows it includes expenditures for utilities, office equipment, lawn care, and other items or services that are not related to repairs or maintenance services and should not be recorded in this object code (see **financial systems**). Additionally, utilities costs have fluctuated widely, due in part to the District changing from heating oil to propane after a leak was

² These additional duties were allocated to the custodians based on the 2004 performance audit recommendation to assign grounds keeping to custodians and discontinue hiring part-time employees for the grounds keeping function. This reduced facilities-related costs by \$1,400 or 1.4 percent.

discovered in its oil storage tank in 2004. Furthermore, the District does not have an energy conservation education program and does not take advantage of pooled utilities purchasing options (see **R4.5**). **Table 4-3** compares JTLSD's M&O expenditures per square foot to the national median and peer averages.

Table 4-3: M&O Expenditures per Square Foot Comparison

Cost Area	JTLSD FY 2006-07	Peer Average FY 2006-07	JTLSD Percent Variance to Peer Average	AS&U National Median 2006-07
District Square Feet	117,071	205,174	(42.9%)	N/A
Salaries/Benefits	\$345,579	\$403,479	(14.4%)	N/A
Per Square Foot	\$2.95	\$1.91	54.5%	\$2.56
Purchased Services	\$145,542	\$104,522	39.2%	N/A
Per Square Foot	\$1.24	\$0.51	143.1%	\$0.01
Utilities	\$194,069	\$262,824	(26.2%)	N/A
Per Square Foot	\$1.66	\$1.25	32.8%	\$1.71
Supplies/Materials	\$70,759	\$53,581	32.1%	N/A
Per Square Foot	\$0.60	\$0.25	140.0%	\$0.32
Total General Fund Expenditures	\$763,651	\$837,168	(8.8%)	N/A
Per Square Foot	\$6.52	\$3.98	63.8%	\$5.09

Source: JTLSD and AS&U

Note: JTLSD FY 2006-07 year-end financial data was used to be consistent with data in the AS&U cost study. In addition, the AS&U does not include capital outlay; therefore, capital outlay was not included in JTLSD's or peer expenditures. This table also excludes "other" expenditures, which are immaterial.

JTLSD does not use benchmarking or performance measurement to assist in planning, budgeting, or improving overall efficiency (see **R4.3**). Although JTLSD has reduced total facilities-related expenditures since FY 2004-05 (see **Table 4-2**), its M&O costs per square foot exceed the peer average or AS&U benchmarks in all areas. As shown in **Table 4-3**, the District was almost 64 percent higher than the peer average. It should be noted that the peer average square footage maintained is almost 50 percent greater than JTLSD, although total costs were similar. The higher cost per square foot is partially due to low utilization rates in the District's facilities (see **R4.1**) and could be mitigated through better planning and energy management education (see **R4.6**).

Performance Audit Follow-Up

In 2004, the Auditor of State (AOS) completed a performance audit of JTLSD. As a follow-up, this section of the performance audit reviewed the 2004 report and current District operations to determine the implementation status of the previous recommendations. The results of this analysis can be found in **Appendix 4-A**, with references, where pertinent, to recommendations throughout this section.

Although JTLSD has reduced M&O related expenditures (see **Table 4-2**) and closed Radcliff Heights (see **R4.1**), it has not fully implemented many of the recommendations from the 2004 Performance Audit. These recommendations were intended to increase accountability and efficiency through improved planning, formal prioritization of key custodial and maintenance activities, and enhanced professional development. Of the 12 recommendations contained in the 2004 Performance Audit, JTLSD fully implemented 1, partially implemented 6, and did not implement the remaining 5. Eleven recommendations from the 2004 audit were re-issued in this performance audit.

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 do facility maintenance operations performance and cost-efficiency measures compare to national benchmarks and does JTLSD use these in management decision making?
- Are the District's facility management and planning practices comparable to leading practices?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Does the Maintenance and Operations Department have a system for prioritizing maintenance needs uniformly throughout the District?
- Does the District provide a staff development program that includes appropriate training for maintenance and operations staff to enhance worker job satisfaction, efficiency, and safety?
- Are District energy management practices comparable to recommended practices?
- What is the status of previous performance audit recommendations?

Recommendations

Facilities Planning

R4.1 In consideration of continued enrollment declines and under-utilization of its building capacity, the District should consolidate its student population in one building by reconfiguring Jefferson High School and closing Blairwood Elementary. This could be accomplished at little cost to the District and would promote a more efficient use of its facilities, resulting in substantial long-term savings.

To ensure future optimal utilization, JTLSD should develop and maintain its own enrollment projections and apply these to its existing facilities. It should address long-term configuration and building maintenance issues through an up-to-date facilities master plan of its own design.

A similar recommendation to improve facility utilization rates through a building closure was made in the 2004 Performance Audit. A recommendation on calculating capacity and developing a master plan was also included.

JTLSD implemented the 2004 Performance Audit recommendation to close Radcliff Heights Middle School, which has reduced facilities-related expenditures by about 15 percent since FY 2004-05 (see **Table 4-2**). However, the District has experienced a considerable decline in its student population since the 2004 audit was released and, as a result, continues to experience under-utilization in its facilities. It relies on facilities plans developed by the Ohio School Facilities Commission (OSFC) in 2001 (updated in 2003 and 2007) rather than developing its own facilities master plan, enrollment projections, capacity analyses, or capital improvement plans for use with its existing facilities. Furthermore, JTLSD has not formally linked the OSFC facilities plans to a District-wide strategic plan, a capital improvement plan, or to the five-year financial forecast.

OSFC has approved funding for the District to participate in the Classroom Facilities Assistance Program (CFAP) and has proposed several options, with cost estimates for the District to consider. **Table 4-4** summarizes the OSFC project cost estimates.

Table 4-4: OSFC Project Cost Estimates, 2007 Updates

Building	Square Footage	Demolish & Build New K-12 Facility Option 1¹	Cost per Square Foot Option 1	Renovate All Buildings Option 2¹	Cost per Square Foot Option 2
Blairwood Elementary School	38,500	\$267,340	\$6.94	\$5,404,313	\$140.37
Jefferson High School	71,400	\$494,828	\$6.93	\$8,980,252	\$125.77
New K-12 Facility	102,855	\$15,628,245	\$151.94	--	--
Total Estimate Cost	--	\$16,390,413	\$77.04	\$14,384,565	\$130.89
Estimated Local Share (48%)			\$7.9 million		\$6.9 million

Source: AOS and OSFC

Note: OSFC Option 1 and Option 2 cost per square foot and local share estimates include Radcliff Heights Middle School, although it is no longer used to educate JTLSD students and is not presented here. The District plans to sell Radcliff Heights to a local charter school that rents the facility for \$1,200 per month.

¹ OSFC 2003 master plan cost estimates.

In Option 1 – demolish existing facilities and build a new K-12 building – OSFC estimates that it would cost about \$762,000 to demolish Blairwood and the High School plus \$15.6 million to construct a new K-12 facility. In Option 2 – renovate existing buildings – OSFC estimates that it would cost approximately \$5.4 million and \$8.9 million, respectively to fully renovate the elementary and high school, for a total of \$14.4 million.

However, OSFC-related construction/renovation projects require a local contribution, about 48 percent for JTLSD, which would require that the Board place a levy on the ballot. The local share for Option 1 and Option 2 would be approximately \$7.9 million and \$6.9 million, respectively. Currently, the District cannot afford to directly fund either option proposed by the OSFC, and declining enrollment trends (see **Table 4-5**) may not support the need for a new facility.

An important factor to consider is the District's steadily declining enrollment, attributable primarily to open enrollment, as well as its financial and academic performance. From FY 1997-98 to 2006-07, the District's enrollment has declined 18.4 percent. After closing Radcliff Heights and based on current enrollment, JTLSD's utilization rates are 58.2 percent and 62.5 percent for Blairwood Elementary and Jefferson High School, respectively. The average building utilization rate of 60.5 percent is well below the standard utilization benchmark of 85 percent. Based on the cohort survival methodology, within seven years, the District's declining enrollment could drop from 672 to approximately 300 students by 2015, which would further affect utilization rates.

Based on the capacity of Jefferson High School, the District's entire student population could be accommodated there by FY 2008-09. Although optimal utilization in the High School is 510 students, it could accommodate the FY 2008-09 projected enrollment of 565 students. Given the District's ongoing financial distress, consolidating the student

population into Jefferson High School would be the most economically feasible option to increase District utilization rates and would result in substantial long-term savings. Jefferson High School's utilization rate would increase to 94 percent and then level off as enrollment continues to decline. By FY 2009-10, the utilization rate is projected to drop to 84 percent. It should be noted that under this alternative, District voters would not be required to contribute a local share, and the costs to the District would be minimal, but would require planning and building modifications.

Financial Implication: By consolidating the student population into Jefferson High School, JTLSD can reduce up to 1.5 custodial FTEs for an annual savings of approximately \$56,800. By closing Blairwood Elementary, the District would reduce the overall utilities costs by approximately \$68,000. Additionally, the District could potentially reduce the Blairwood building principal³ and secretary for total savings of about \$117,900 in salary and benefits costs. Actual cost savings could vary from estimated savings depending on building modification costs. Total estimated savings would be approximately \$242,700.

Professional Development and Supervision

R4.2 JTLSD should reorganize its facilities-related reporting structure using the Maintenance Coordinator to supervise all custodial, maintenance, and grounds keeping personnel. The District should also update the Maintenance Coordinator's job description to reflect these supervisory duties. This will increase accountability by creating one centralized position that is responsible for ensuring custodial and maintenance tasks are performed properly, consistently, and efficiently.

In addition, JTLSD should provide annual training to custodial and maintenance staff and maintain training records. By offering and tracking annual training, the District can improve productivity, minimize overtime, and minimize purchased service costs through reduced outsourcing. A similar recommendation on implementing and tracking training was made in the 2004 Performance Audit.

Subsequent to the audit exit conference, JTLSD revised the Maintenance Coordinator job description to show the Maintenance Coordinator supervising all custodians. At the time of post audit, the revisions to the job description were still underway. Also, the Superintendent noted that he periodically completes building walkthroughs to assist in supervising the custodians.

Supervision of the District's maintenance and operations functions is divided among several individuals including the Superintendent, who oversees the Maintenance

³ This may require the remaining principal to obtain additional certifications or licenses.

Coordinator, and two building principals, who oversee day shift custodial/maintenance staff within their respective buildings. There is little direct supervision for night shift custodians.

The Maintenance Coordinator was removed from the bargaining unit in 2003 and is considered a supervisor. His job description responsibilities include assisting with scheduling, training, and other supervisory duties as assigned by the Superintendent, but it does not include direct supervisory responsibilities. This reporting structure promotes inefficiency by requiring day shift custodians to report to multiple supervisors who may have competing cleaning and maintenance priorities and different expectations for cleanliness. Furthermore, the Superintendent and building principals are primarily responsible for implementing the District's educational mission and are not specifically trained as custodial or maintenance supervisors.

The *Planning Guide for Maintaining Facilities* (NCES, 2003) states that all employees should know to whom they report and who has the authority to direct their efforts. This clear channel of authority starts with an accurate and unambiguous organizational chart. By centralizing supervision of its maintenance and operations functions under the Maintenance Coordinator and expanding the responsibilities of the job, the District can increase productivity and better ensure consistency in custodial and maintenance efforts.

All maintenance and custodial personnel receive first aid training, and a local company provides free training on chemical use and safety. Custodians also receive instruction on proper cleaning procedures, which are enumerated on daily duty lists and in the job descriptions (see **human resources**). However, custodians do not receive safety training, and training records for facilities-related personnel have not been maintained. The Maintenance Coordinator attributed the limited training to the high degree of experience of custodial personnel; however, only two custodians have more than two years of service with the District.

Although the District has reduced its facilities-related purchased service expenditures by more than \$130,000 since FY 2004-05 (see **Table 4-2**); it still spends \$1.24 (143.1 percent) more per square foot than the peer average of \$0.51 (see **Table 4-3**). JTLSD contracts for several services District personnel are not trained to perform, even though the Maintenance Coordinator's job description includes similar repair and maintenance responsibilities. Furthermore, contracting for more specialized services that could potentially be completed in-house by more thoroughly trained employees requires the District to expend its limited resources on additional non-instructional activities.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends staff training and development include learning opportunities designed specifically to help an employee do his or her job better, as well as opportunities to expand participants'

knowledge and awareness to areas outside specific job duties. Such topics for staff training and development might include asbestos awareness, energy systems, building knowledge, first aid, emergency response, biohazard disposal, technology use, universal precautions, and Right-to-Know laws. JTLSD could expand its staff training to include more efficient and effective cleaning procedures, as well as common repairs that are currently outsourced.

By improving the level of supervision and employees' understanding of their job tasks, the District can improve the efficiency level of custodial workers and potentially further reduce overtime expenditures. Furthermore, JTLSD could use facilities-related training to improve the effectiveness and level of ability of existing employees. This would allow the District to redirect its financial resources to instructional activities.

R4.3 The District should adopt a custodial and maintenance staff handbook which contains standard operating procedures, as well as expected performance benchmarks and standards. This handbook should include, not be limited to, the following:

- **An outline of step-by-step processes for completing routine tasks;**
- **Established criteria for what the District expects and will accept as a completed work order (see R4.4);**
- **A list of any equipment, materials, and supplies that workers routinely use during the performance of their duties; and**
- **All relevant sections of Board policy, as well as any applicable State and federal laws and regulations, disaster-related procedures, work-related injury procedures, etc.**

Furthermore, the District should review this handbook annually to ensure it is current and update it as needed. A formal handbook could serve as a training tool to help ensure operational continuity and consistency in the absence of staff with extensive institutional knowledge. Formal procedures and expectations can also aid in evaluating staff performance.

A similar recommendation was made in the 2004 Performance Audit.

JTLSD partially implemented the 2004 Performance Audit recommendation to formalize custodial and maintenance procedures by developing basic cleaning duty lists for custodians. JTLSD facilities-related job descriptions also enumerate day-to-day tasks, but these procedures and job descriptions (see **human resources**) are not up to date, are not contained in a comprehensive manual, and do not specify the supplies to be used and the frequency of tasks, as was recommended.

Pursuant to Board Policy 7410, the Superintendent is responsible for promulgating rules for custodial and maintenance staff to ensure “ongoing maintenance and good order of the physical plant, and for the expeditious repair of those conditions which may threaten the safety of the occupants or the integrity of the plant.” Nonetheless, JTLSD does not have standard operating procedures for maintenance or custodial functions. Instead, these responsibilities are assigned informally through undocumented practices that are communicated verbally to personnel by their respective supervisors during the course of day-to-day operations.

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 via the District’s Intranet or Internet), and written at a level consistent with the reading ability of department members. NCES suggests that at a minimum, the manual should include:

- Mission statement;
- Personnel policies;
- Purchasing regulations;
- Accountability measures;
- Asbestos procedures;
- Repair standards;
- Vehicle use guidelines;
- Security standards; and
- Work order procedures.

The *Custodial Methods and Procedures Manual* (Association of School Business Officials International (ASBO, 2000)) can serve as a guideline for developing standard operating procedures. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, cleaning procedures, and work methods for various job tasks. Finally, the International Sanitary Supply Association (ISSA) has developed a handbook designed to help train and guide custodians. The handbook details the correct cleaning methods as well as the proper use of custodial equipment and offers guidelines and tips on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;

- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Without a formal handbook, maintenance and operations personnel may not have the resources or direction to effectively, efficiently, and consistently perform their duties. Work performance may also be negatively impacted in the event that experienced employees are absent or otherwise unavailable. Finally, without a formal handbook, the District cannot effectively communicate management expectations about the quality of work or establish goals to evaluate the performance of its maintenance and custodial employees.

Work Order System and Preventive Maintenance

R4.4 JTLSD should implement a formal work order system. The Maintenance Coordinator could establish such a system using paper work order forms and maintaining records on a basic spreadsheet at minimal cost to the District. This system would improve accountability by allowing the District to formally prioritize, assign, and monitor work order requests in accordance with recommended practices. Moreover, a formal work order system can help provide the information needed to develop a formal preventive maintenance program. This will also help improve accountability, better monitor supply and material costs, and ultimately, improve building conditions.

Once a work order system has been established, JTLSD should also implement a formal preventive maintenance (PM) program. Using manufacturer-recommended maintenance cycles, the Maintenance Coordinator could develop a calendar of PM activities. These activities could be tracked in conjunction with repair work orders.

Similar recommendations were made during the 2004 Performance Audit.

According to the Maintenance Coordinator, all work requests are submitted verbally or through hand-written notes from staff. The Maintenance Coordinator prioritizes work requests informally based on his experience, taking into consideration life and safety needs first. Lower priority work requests (e.g., hanging bulletin boards) are assigned and completed on a first come-first served basis. Once a work request is received, the Maintenance Coordinator assigns the task to an available custodian or performs the work

himself. If additional supplies and materials are required to complete the work request, the Maintenance Coordinator submits a purchase order to the Treasurer's Office. The District has not developed standard work order request forms, or any kind of a system that could be used to prioritize and assign tasks and monitor performance. JTLSD does not maintain work order requests after they are completed.

Pursuant to Board Policy 7410, the Board "recognizes that the fixed assets of this District represent a significant investment of this community and their maintenance is of prime concern." This policy further "directs the conduct of a continuous program of inspection, maintenance, and rehabilitation for the preservation of all school buildings and equipment. Wherever possible and feasible, maintenance shall be preventive." However, JTLSD does not maintain any documentation of preventive maintenance activities performed. In written correspondence, the Superintendent noted the District conducts formal building inspections, and has implemented a formal work order system. However, the results of the inspections were not maintained, and no documentation was provided to support the implementation of a formal work order system. The documentation that does exist demonstrates that work order requests are reactive, rather than preventive.

Limited maintenance has had a negative effect on the condition of JTLSD's facilities. OSFC assessed District buildings using a point-system to evaluate the following areas: school site, structural and mechanical features, plant maintainability, safety and security, educational adequacy, and environment. Out of 1,000 possible points, Blairwood Elementary received 593 (less than 60 percent) and Jefferson High School received 610 (or 61 percent). The poor quality of education facilities stands in contrast to relatively new and well-maintained administrative space within the District.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. Furthermore, NCES states that staff from every building should have the ability to initiate a work request and determine its status. However, it is a good policy to limit "official" requesting authority to a single person so that better internal oversight is maintained.

Formally prioritizing work orders can help districts manage their work load in a more efficient manner and help establish expectations for all staff. According to the Public Schools Facility Authority in New Mexico, work should be prioritized using the following criteria:

- **Emergency:** eminent life safety threat or operational disruption that could cause the closure of the schools;
- **School/Health/Safety/ADA:** identified problem that could result in injury if not corrected in a timely manner;

- **Preventive Maintenance:** scheduled inspection or routine maintenance tasks that if not completed, could result in premature failure of a facility system or equipment item;
- **Unscheduled Repairs:** action required in repairing a facility system, equipment item, or building component that is not functioning properly or was damaged; and
- **Support Services:** upon request, the maintenance department can assist schools with special events and programs. As much advanced notice as possible is requested so that this support will not conflict with other work requirements.

In addition, the *Planning Guide for Maintaining School Facilities* (NCES, 2003), notes all school districts should have a formal preventive maintenance program. Many school districts, like JTLSD, practice “breakdown maintenance” or reactive maintenance, whereby maintenance problems are addressed when equipment or systems fail. This method often defers major repairs but allows damage to compound over time. Preventive maintenance, on the other hand, focuses on regularly scheduled equipment maintenance to prevent sudden unexpected equipment failure. A well-designed facility management system generally encompasses four categories of maintenance, including: emergency (or response), routine, preventive, and predictive.

The District’s ad hoc work order and preventive maintenance processes result in increased spending for supplies and materials (see **Table 4-2**), and emergency or more catastrophic repairs. A formal work order system would help the District better manage its limited time and financial resources by helping the Maintenance Coordinator prioritize critical and optional repairs. Likewise, a formal PM program would ensure that the District’s assets are protected and emergency repairs are minimized. Finally, prioritizing work orders and PM activities would ensure that resources are directed toward maintaining existing educational facilities, and that expenditures are appropriately directed.

Energy Management

- R4.5 JTLSD should update its policies and procedures to include comprehensive energy management and conservation practices to establish and reinforce energy efficient behavior for both staff and students. JTLSD should develop an energy conservation education program based on the updated policy and communicate the rationale behind energy conservation techniques to staff and students. This program could be modeled on those described by the Texas School Performance Review (TSPR) and identified in other Ohio Districts. Finally, the District should formalize its process for procuring energy to ensure it receives the best price available from local vendors through competitive bidding, requests for proposal (RFPs), or cooperative purchasing, and assign an administrator to monitor District-wide and building-level**

energy consumption. The implementation of such policies and procedures will help generate cost savings through improved conservation practices and monitoring.

A similar recommendation was made in the 2004 Performance Audit.

Board Policy 7460, *Conservation of Natural and Material Resources* states, “The increasing costs of natural energy resources coupled with the growing need to inhibit pollution mandate the District implement strategies which will conserve all forms of energy used and/or ensure proper recycling of reusable materials.” Policy 7460 further directs the Superintendent “to develop and implement both immediate and long range plans to meet these concerns.”

The Maintenance Coordinator indicates that although there are no formal energy management plans, JTLSD has taken the following steps to reduce energy consumption:

- Installed new thermostats and boiler compressors;
- Replaced light ballasts and urinals;
- Replaced and insulated roofs; and
- Replaced the doors at Jefferson High School.

The District also reported that it contracted with an energy management company to review its facilities in FY 2005-06. At the time, the company indicated that JTLSD had followed its energy management plan and had netted most of the available savings. The review did not include an examination of energy conservation educational programs or other behavior modification efforts.

JTLSD spends approximately 33 percent more per square foot for utilities than the peer average. Since FY 2004-05, District utilities expenditures increased 4.6 percent (about \$8,600), attributable to a significant increase (more than \$37,700) in expenditures for heating oil. It should be noted, however, that after the District identified a heating oil leak in 2004, it began procuring natural gas (Blairwood Elementary) and propane (Jefferson High) from local vendors through informal bidding. The District purchases natural gas through the Southwestern Ohio Educational Purchasing Council’s (EPC) Natural Gas Program.

Coding errors (see **financial systems**) partially contribute to the District’s inability to enact an effective energy conservation program. Absent accurate expenditure reporting and detailed policies to educate staff and students, JTLSD cannot evaluate its energy use or communicate its expectations. To illustrate, classroom thermostats are set at 68 and 72 degrees, yet District personnel are permitted to bring their own window air conditioning units, space heaters, and refrigerators to use in their classrooms. This drives up energy

costs, as these items consume high volumes of electricity relative to their impact on building temperature.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), the cost of energy is a major item in any school budget and planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a school district to accomplish more efficient energy management:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the district's energy management program, and give this energy manager access to top-level administrators; and
- Monitor each building's energy use.

In addition, *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (DOE, 2004) suggests that there are several areas in which districts can reduce energy consumption. These areas include:

- Lighting strategies;
- Computers and office equipment;
- The building envelope;
- Heating, ventilation, and air conditioning (HVAC);
- Water heating;
- Kitchen equipment; and
- Vending machines.

Moreover, *Energy-Efficient Education* (TSPR, 2001), indicates the bottom line for most energy management programs is getting the people who control the energy-using equipment to understand how they are involved in the overall conservation of energy. Mansfield CSD (Richland County) distributes energy conservation reminders to principals and administrative staff. One such memo states that due to increases in fuel costs, Mansfield CSD was facing a budget shortfall. This shortfall was the impetus for the promotion of the following energy conservation practices:

- Remove all books and materials from the top of classroom air vents;
- Close windows during heating season and when AC is in use;
- Turn off computers, printers, and lighting at the end of each school day;
- Close curtains and blinds at the end of each day;
- Close the inside set of entry doors and do not leave them propped open;
- Do not use space heaters in the buildings;
- Maintain thermostats at approved temperatures;
- Clean air vents more often during the year;

- Set back boilers earlier in the evening; and
- Conserve air conditioning in buildings to offset heating costs.

In Texas over 2,000 schools participate in the State Energy Conservation Office's (SECO) Watt Watchers and WATTEAM Programs (TSPR, 2001). Student teams patrol assigned areas of their school, checking for lights left on in unoccupied rooms. "Tickets" or thank you notes are left for the occupants to remind them to turn off lights when they are not needed. Startup kits and training for the patrols are free. This popular hands-on energy education program for students can save up to 30 percent on utility costs. The TSPR also says that student councils, science and environmental clubs and any school organization with an adult sponsor can do their part to educate schoolmates, teachers, and the general public about ways to save energy in their schools, homes, and communities.

Another example of a cost saving energy conservation education program in Ohio is an information and reminder program in place at Lakota LSD's (Butler County) Union Elementary School. Union Elementary has an energy conservation education program which consists of lists of energy conservation reminders being placed on or near all office equipment and energy consuming items. In addition, Union Elementary reiterates these reminders to students, parents, and community members through their continued inclusion in the building's community newsletters. These energy conservation education measures were credited with producing savings for Union Elementary of approximately 21 percent relative to Lakota LSD's average elementary building.

In addition, procuring energy through pooled utility cooperatives could also assist the District in reducing costs. JTLSD is a member of the Southwestern Ohio Educational Purchasing Council (EPC), which offers pooled electricity purchasing, but the District uses a local vendor instead. Another option for JTLSD to consider is the Ohio Schools Council's (OSC) Energy for Education Program.⁵ This program serves 60 school districts, and since 1997, the program has saved those 60 participating school districts over \$27 million in electric energy costs. Participating schools saved an average of 18 percent on electricity expenditures since 1997.

Financial Implication: JTLSD should strive to reduce its utilities expenditures per square foot from \$1.66 to the peer average of \$1.25 (see **Table 4-3**). By implementing an aggressive energy management policy, along with competitive procurement procedures and educating staff and students, the District could potentially save \$48,000 annually.

⁵ In order to allow districts to pre-pay for electricity, the Energy Acquisition Corporation sold \$119 million in bonds; the proceeds were then used to pay for electric services. Each month, instead of paying the power company directly, the districts make payments to a trustee. At the end of each fiscal year, a reconciliation process takes place wherein the actual kilowatt hours (kWh) used per district is compared to the estimated kWh. Districts that use more than their estimate are charged for the difference; districts that use less receive a refund.

This figure does not include the potential savings that could be achieved by consolidating classrooms into one building as recommended in **R4.1**.

Food Service Facility Costs

R4.6 The District should establish policies and procedures to ensure all food service-related expenses, including utilities, are charged to the Food Service Fund, per ORC § 3313.81. By capturing and recording all food service expenses, JTLSD can foster more comprehensive financial reporting in its Food Service Fund. Similarly, it can relieve the General Fund of expenditures that would be more appropriately charged to the Food Service Fund.

The District's food service operation (kitchens and cafeterias) comprises approximately 3,600 square feet; or about 3 percent of the District's total square footage based on the current configuration. JTLSD pays for food service-related utilities from the General Fund, although the Food Service Fund is an enterprise operation, which relies on charges for services and other income to support the costs of operations. A review of the District's Food Service Fund shows it has not required advances or transfers in recent years and it appears to be self-supporting. The only utilities-related expenditure paid from the Food Service Fund in the past three fiscal years was \$305.12 for water and sewer in FY 2004-05.

Pursuant to ORC § 3313.81:

All receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes shall be paid directly into and disbursed from the food service fund which shall be kept in a legally designated depository of the board. Revenues for the operation, maintenance, improvement, and purchase of equipment shall be provided by the food service fund, appropriations transferred from the general fund, federal funds, and from other proper sources.

Board Policy 8500 further stipulates that "the food service program shall comply with federal and State regulations pertaining to...the fiscal management of the program." The District's practice of paying utility costs from the General Fund increases General Fund expenditures, even though these charges could be paid from the Food Service Fund. In addition, food service-related operating expenses, including utilities, can be reimbursed by State and/or federal grants in accordance with the Code of Federal Regulations, Volume 7, Chapter II, Section 225.2 (2007).

Financial Implication: Assuming the District charged 3 percent of its FY 2006-07 utilities expenditures to the Food Service Fund it could reduce General Fund expenditures

by about \$6,000. This will have a minimal impact on the Food Service Fund, which is self-sustaining and requires no General Fund subsidies to remain solvent.

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
R4.1 Consolidate the student population into Jefferson High School, close Blairwood Elementary, and reduce staffing	\$242,700
R4.5 Develop an up-to-date energy management and conservation policy	\$48,000
R4.6 Charge appropriate utilities costs to the Food Service Fund	\$6,000 ¹
Total	\$296,700

Source: AOS recommendations

Appendix 4-A: 2004 Performance Audit Recommendations and Implementation Status

Table 4-A summarizes the 2004 Performance Audit recommendations and the status of each recommendation.

Table 4-A: 2004 Performance Audit Recommendations

Recommendation	Implementation Status
<p>R4.1 JTLSLD should work to reduce expenditures for purchased services, specifically focusing on telephone and copy-machine expenditures. To reduce copier expenditures, the District should consider renegotiating the lease for copiers to obtain a lower price. The District should also develop policies that place limits on phone and copier usage.</p>	<p>This recommendation was partially implemented; however, purchased services remain high and the recommendation will be re-issued in financial systems.</p>
<p>R4.2 The District should ensure transportation expenditures and purchased service expenditures for copy machines and telephone usage are not coded in the facilities 2700 code, resulting in an inaccurate record of facility expenditures.</p>	<p>This recommendation was partially implemented; however, coding errors will be addressed in financial systems.</p>
<p>R4.3 JTLSLD should consider using purchasing consortiums and pursuing bulk discounts for maintenance and custodial purchases. The District should regularly review these purchases to ensure they are receiving competitive pricing. Using a purchasing consortium results in cost savings because a consortium combines the purchasing power of many districts and saves district personnel time in researching products and prices. The Superintendent has expressed his commitment to using a consortium and indicated that he plans to review all purchasing procedures at the District.</p>	<p>This recommendation was not implemented and will be re-issued in financial systems.</p>
<p>R4.4 JTLSLD should perform grounds keeping work with current custodial staff, eliminating the need for part-time laborers to perform this function. Using current custodial staff to perform the grounds keeping function could reduce maintenance and operations costs.</p>	<p>This recommendation was implemented.</p>
<p>R4.5 JTLSLD should use a computerized maintenance management system (CMMS) or computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. The Superintendent should review a summary of work orders periodically to monitor productivity and maintenance expenditures. The Superintendent may choose to conduct random inspections of maintenance work to ensure work is performed effectively and in a timely fashion.</p>	<p>This recommendation was not implemented and a similar recommendation was issued (see R4.4).</p>

Recommendation	Implementation Status
<p>R4.6 JTLSD should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure all District facilities are sufficiently and consistently cleaned.</p>	<p>The District partially implemented this recommendation. A similar recommendation was issued in this audit (see R4.3).</p>
<p>R4.7 JTLSD should maintain custodial and maintenance training records and ensure that all staff receive instruction and updates on processes and procedures. The District should periodically review the records and procedures to ensure all custodians are receiving training, and are following consistent guidelines for cleaning and maintaining school facilities. JTLSD should ensure facilities staff receive training on products, equipment, and cleaning and repair methods on an annual basis, especially on any new equipment or procedures.</p>	<p>This recommendation was not implemented and a similar recommendation was issued (see R4.2).</p>
<p>R4.8 JTLSD should develop and implement a formal planned preventive maintenance program. Preventive maintenance ensures equipment reliability, reduces operating costs, and increases the life expectancy of equipment. The Superintendent should monitor the preventive maintenance program to ensure that work is being completed in a timely manner. Additionally, a CMMS should aid in tracking preventive maintenance.</p>	<p>This recommendation was not implemented and a similar recommendation was issued (see R4.4).</p>
<p>R4.9 JTLSD should implement an energy management and conservation program. Implementing an energy conservation program should result in cost savings and improved performance of facilities equipment. The District should develop comprehensive long-term goals and objectives to address replacing windows and doors, and upgrading facility equipment.</p>	<p>This recommendation was not implemented and a similar recommendation was issued (see R4.5).</p>
<p>R4.10 JTLSD should develop a formal facilities master plan that incorporates a 10-year enrollment history, enrollment projections and the methodology used for those calculations, a list of cost estimates needed for capital improvements, and a description of the District’s educational plan. The District should develop a schedule for equipment replacement and capital renewal, outlining when major equipment should be replaced, as well as the sources of funding.</p>	<p>The District partially implemented this recommendation and a similar recommendation was re-issued (see R4.1).</p>

Recommendation	Implementation Status
<p>R4.11 JTLSD should develop and formally adopt a building capacity calculation methodology, which takes into consideration the District’s needs and educational philosophy. The building capacity and utilization should be reviewed periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations.</p>	<p>The District partially implemented this recommendation and a similar recommendation was re-issued (see R4.1).</p>
<p>R4.12 JTLSD should develop options to achieve optimal utilization rates in all buildings. In considering future facility use in the District, the District should consider closing Radcliff Middle School (estimated financial implication: \$224,000) or securing capital funds to construct a single school facility. When deciding on either option, the District should determine and review enrollment projections, building capacity, grade structuring, and educational program needs.</p>	<p>The District partially implemented this recommendation and a similar recommendation was re-issued (see R4.1).</p>

Source: AOS 2004 Performance Audit

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Transportation

Background

This section of the performance audit focuses on Jefferson Township Local School District's (JTLSD or the District) transportation operations. The operations were evaluated against leading practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiency and/or business practices and, where appropriate, reduce costs. Throughout this section, leading practices and operational standards were drawn from various sources including, but not limited to, the Ohio Department of Education (ODE), the Ohio Department of Taxation (ODT), the American Association of School Administrators (AASA), the Government Finance Officers Association (GFOA), and the American Public Works Association (APWA).

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

Transportation Policy

JTLSD's *Transportation Policy 8600* exceeds State minimum requirements, stipulating that "children in grades K through 12 living beyond the established mile walking limits shall be entitled to bus transportation." As indicated in the 2004 Performance Audit, JTLSD's policy exceeds State minimum requirements but is reasonable given the lack of sidewalks in the District. In September 2007, a Jefferson High School student was struck and killed by a motorist who disregarded the red lights and stop sign on a school bus. The student was struck while crossing the street, and the oncoming car was traveling in excess of 75 miles per hour. This accident and another that followed shortly thereafter has reinforced JTLSD's commitment to providing transportation to all students who live more than one mile from their assigned schools.

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

Operating Environment

Turnover in the Treasurer’s Office (see **financial systems**), as well as in the Education Management Information Systems (EMIS) Coordinator and bus driver positions (see **R5.2**), combined with persistent declines in its financial condition, have negatively impacted JTLSD’s internal controls for reporting its transportation operations. The Transportation Coordinator – who is responsible for overseeing transportation operations, supervising bus drivers, and managing data – has assumed additional responsibilities as mechanic and substitute bus driver. This has resulted in minimal accountability for the accuracy, quality, and timeliness of transportation-related data.

JTLSD has historically misreported data on its T-forms. These errors are attributable to an overall lack of internal controls and standard operating procedures (see **R5.1**). T-forms are essential transportation-related forms necessary for reporting ridership (T-1) and cost (T-2) information to ODE and other stakeholders. JTLSD has misreported the number of spare buses, riders, non-routine miles, and its square mileage. In addition, certain supporting information, such as up-to-date route sheets for all active buses, was not provided and hindered the review of the District’s transportation operations. Because the T-form data submitted to ODE was found to be generally unreliable, the Auditor of State (AOS), when appropriate, made corrections to the data to present a more reliable comparison with identified benchmarks. Furthermore, JTLSD does not effectively track and monitor special needs-related transportation costs, and transportation personnel are not involved in the development of IEPs (see **R5.6**).

Operating Statistics

JTLSD provided transportation to 948 Type I regular and special needs riders² during FY 2006-07 and reported 33 Type IV or “payment in lieu” students at a cost of \$5,643 (\$171 per student). JTLSD also spent \$176,000 (nearly \$5,900 per rider) transporting 30 special needs riders under a contract with the Montgomery County Educational Service Center (ESC). This transportation contract was terminated as of FY 2007-08, after JTLSD received an unexpected billing at the end of FY 2006-07 and it was determined to be more cost efficient to provide the services in-house (see **R5.6**).

Table 5-1 compares the District’s transportation statistics to the peer average.

² 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 utilities 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).

Table 5-1: FY 2006-07 Pupil Transportation Operating Statistics

	JTLSD	Peer Average	Percent Above (Below)
Average Daily Membership (ADM)	715	1,191	(40.0%)
District Square Miles	35	61	(42.6%)
Population Density	221	104	112.5%
Transportation Expenditures as a Percentage of General Fund	8.1%	4.5%	3.6%
Total Yellow Bus Riders	978	731	33.8%
Type I Riders	948	731	29.7%
• Public (Regular Needs)	673	718	(6.3%)
• Non-Public/Community (Regular Needs)	245	12 ¹	1,941.7%
• Special Needs – District	30	14 ²	114.3%
Special Needs – ESC ³	30	0	100.0%
Type IV Payment in Lieu Students	33	14 ⁴	135.7%
Total Expenditures	\$638,053	\$447,975	42.4%
• Type I	\$456,410	\$442,932	3.0%
• Special Needs – ESC	\$176,000 ³	\$0	100.0%
• Type IV	\$5,643	\$2,193 ³	157.3%
Total Expenditures per Rider/Student	\$631	\$586	7.7%
• Type I	\$481	\$588	(18.2%)
• Special Needs – ESC	\$5,867	\$0	100.0%
• Type IV	\$171	\$168	1.8%
Fleet	14	15	(6.7%)
• Active (includes regular and special needs)	11	12	(8.3%)
• Spare	3	3	0.0%
• Spares as a % of Fleet	21.4%	20.0%	1.4%
• Average Riders per Active Bus	88.9	58.3	52.5%
Annual Routine Miles⁴	144,360	146,988	(1.8%)
• Per Active Bus	13,124	11,585	13.3%

Source: JTLSD and ODE

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

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 These riders are claimed by the Montgomery County ESC and, per ODE instructions, neither costs nor riders are reported on the District's T-1 and T-2. These are included here to capture the full extent of services paid for by JTLSD.

⁴ Excludes peers that reported zero Type IV riders and expenditures.

⁵ Trips necessary for the daily attendance of children in their educational program, whereas "non-routine miles" typically refer to field trips and related trips for which expenditures are not reimbursed by ODE.

Compared to the peer average, JTLSD's Average Daily Membership (ADM) is 40 percent lower and the District is nearly 43 percent smaller geographically, yet its transportation expenditures comprise 8.1 percent of the total General Fund compared to the peer average of 4.5 percent. JTLSD transports more yellow bus riders – at a higher total cost per rider – who are located in a predominately rural/agricultural setting that is 112.5 percent more densely populated than the peer average. This can be attributed, in part, to the urban setting surrounding the District and to a high percentage of non-public/community school riders, which the District is required to

transport. According to the National Center for Education Statistics, Montgomery County has 37 community and 48 private schools. Nonetheless, JTLSD has a similar-sized fleet that, per active bus, travels more annual routine miles and therefore costs 38.3 percent more to operate and maintain than the peers (see **Tables 5-1** and **5-2**).

Although the District does not use routing software, it relies on multi-tiered routing, staggered bell schedules (see **R5.4**), and some cluster stops to increase ridership efficiency. However, due to its rural geography and lack of sidewalks, the District provides door-to-door service for many of its students. JTLSD also transports a significantly higher percentage of non-public/community school riders, which helps explain why total ridership (978 students) is nearly 46 percent higher than District enrollment (672 students).

As reported in the 2004 Performance Audit, JTLSD transported 981 total riders, including 848 public and 133 non-public/community school students, on 13 active buses in FY 2002-03. In FY 2006-07, the District transported 978 riders, including 733 public and 245 non-public/community school riders, on 11 active buses. In summary, non-public/community school ridership increased by 112 riders (more than 80 percent), while public ridership dropped by 115 riders (13.6 percent). Nonetheless, JTLSD has reduced its active fleet by 2 buses since FY 2002-03.

Operating Expenditures

In FY 2006-07, JTLSD spent approximately \$456,400 to provide Type I pupil transportation services. Of this, the District received nearly \$280,270 (about 61 percent) in State reimbursement from ODE, significantly below the peer average of almost 95 percent, primarily due to reporting errors. **Table 5-2** compares JTLSD's Type I transportation expenditure and reimbursement ratios to the peer average.

Table 5-2: FY 2006-07 Type I Pupil Transportation Expenditure Comparison

Expenditure Category	JTLSD	Peer Average	Percent Above (Below)
Personnel ¹	\$348,246	\$303,904	14.6%
• Per Active Bus	\$34,825	\$22,058	57.9%
• Per Type I Rider	\$367	\$387	(5.2%)
• Per Annual Routine Mile	\$2.41	\$1.89	27.5%
Fuel	\$24,547	\$58,045	(57.7%)
• Per Active Bus	\$2,455	\$4,706	(47.8%)
• Per Type I Rider	\$26	\$86	(69.8%)
• Per Annual Routine Mile	\$0.17	\$0.41	(58.5%)
Maintenance and Repairs ²	\$78,074	\$52,509	48.7%
• Per Active Bus	\$7,807	\$4,172	87.1%
• Per Type I Rider	\$82	\$77	6.5%
• Per Annual Routine Mile	\$0.54	\$0.35	54.3%
Bus Insurance	\$5,543	\$11,570	(52.1%)
• Per Active Bus	\$554	\$1,059	(47.7%)
• Per Type I Rider	\$6	\$19	(68.4%)
• Per Annual Routine Mile	\$0.04	\$0.10	(60.0%)
Total Type I Expenditures ³	\$456,410 ⁴	\$442,932 ⁴	3.0%
• Per Active Bus	\$45,641	\$33,012	38.3%
• Per Type I Rider	\$481	\$588	(18.2%)
• Per Annual Routine Mile	\$3.16	\$2.84	11.3%
• % ODE Reimbursement	61.4%	94.9%	(33.5%)

Source: JTLSD and ODE

Note: Excludes Type II service data.

¹ Includes salaries, wages, retirement, workers' compensation, employee insurance, driver exams and drug tests, certification and licensing, and training.

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

³ Includes additional miscellaneous expenditures (e.g., facility rent, utilities, bus lease, and other).

⁴ These figures exclude non-reimbursable General Fund (2800 Function Code) expenditures for capital outlay and non-routine transportation, per ODE instruction.

JTLSD slightly exceeds the peer average in total Type I transportation expenditures yet spends 38.3 percent more per active bus and 11.3 percent more per annual routine mile. As in 2004, the District still operates a central fuel tank with a maximum capacity of approximately 10,000 gallons for diesel and 6,000 for gasoline, which helps to minimize fuel costs through bulk purchasing. In addition, the Treasurer indicated that when he solicited bids from other bus insurance providers, the current provider reduced its premiums. JTLSD's bus insurance policies confirm that premium costs decreased 54.5 percent between FYs 2006-07 and 2007-08. The District exceeds peer average expenditure ratios for personnel (see **R5.2**) and maintenance and repairs (see **R5.3**).

Performance Audit Follow-Up

In 2004, AOS completed a performance audit of JTLSD. As a follow-up, this section of the performance audit reviewed the previous report and current District operations to determine the implementation status of all previous recommendations. The results of this analysis can be found in **Appendix 5-A**, with references, where pertinent, throughout the section.

JTLSD still has not developed formal procedures for completing, reconciling, and submitting T-forms (see **R5.1**), as recommended in the 2004 Performance Audit. This has resulted in late and inaccurate reporting and, by extension, a loss of motor fuel tax refund revenue. The District has also failed to reduce or eliminate generous provisions within its collective bargaining agreement (see **R5.2**) and failed to document the process for contracting out maintenance and repair activities (see **R5.3**). In addition, JTLSD has not developed formal preventive maintenance and bus replacement plans (see **R5.3** and **R5.5**). This has resulted in high maintenance and repair cost ratios, as well as bus replacements which cost the District nearly \$80,000. Of the four recommendations contained in the 2004 Performance Audit, JTLSD has not fully implemented any and all were re-issued in this performance audit.

Audit Objectives for the Transportation Section

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

- How does the District ensure the accuracy and reliability of its transportation data?
- How does the District's "yellow bus" (Type I & II) transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing specialized transportation service in an effective and efficient manner?
- What is the status of the previous performance audit recommendations?

Recommendations

Standard Operating Procedures

R5.1 JTLSD should develop standard operating procedures for completing, reconciling, and submitting T-forms and motor fuel tax refund claims to ODE and the Ohio Department of Taxation (ODT), respectively. The Transportation Coordinator should also formalize procedures for updating bus routing sheets and assessing non-routine transportation fees. Formal operating procedures should document, in detail, the activities of all positions responsible for providing, collecting, reconciling, and reporting this information. This will help strengthen internal controls by improving the consistency, accuracy, and reliability of transportation reporting when complying with State requirements, and help to ensure continued service delivery in the absence of employees with institutional knowledge. Moreover, this will help to ensure the District collects all revenue to which it is entitled.

A similar recommendation was issued in the 2004 Performance Audit.

In his written comments concerning the audit, the Superintendent noted he would immediately write protocols for transportation reports however, no supporting documentation was provided. Also, during the course of the audit, ODE's Pupil Transportation Office reviewed JTLSD's FY 2007-08 T-1 and found that it accurately reflected services levels for that year. In the 2004 Performance Audit, AOS recommended that JTLSD establish a formal policy and accompanying procedures for filling out all T-forms, including the T-1S. The District now submits a T-1S form, which is necessary to receive State reimbursement for transporting non-public/community riders on days when public schools are closed. However, the District did not establish policies and procedures for completing the T-forms or assessing fees to offset the actual cost of providing non-routine transportation, including co-curricular, athletic, and extra-curricular trips. The Transportation Coordinator indicated that he charges fees to outside organizations (e.g., community clubs and organizations) that use District buses, based on fuel-use estimates and the driver's hourly wage, but the process for determining these fees is informal and undocumented.

Since the 2004 Performance Audit, the District assigned the EMIS Coordinator to assist the Transportation Coordinator with completing T-forms. The EMIS Coordinator is responsible for reviewing T-1 (ridership) reports, attendance sheets and student counts, processing IEPs for special education, reviewing community school data and State foundation reports, and performing other responsibilities related to EMIS (uploading data to ODE, etc.). The EMIS Coordinator, however, indicates that she did not work for

JTLSD between July and December 2006 and therefore did not have sole responsibility for T1 information during that period. Although ODE has developed an online T-form system to ensure that T-forms are submitted in a timely manner, there is little ownership or accountability for the accuracy, quality, and timeliness of this data at JTLSD.

The Treasurer, EMIS Coordinator, and Transportation Coordinator are jointly responsible for ensuring the timely and accurate reporting of transportation-related information, yet the process itself remains informal and ad hoc. There are no documented procedures describing who is responsible for gathering, inputting, verifying, reconciling, and submitting T-form data to ODE. Specifically, the Transportation Coordinator suggests that his day-to-day responsibilities and workload prevent him from developing formal standard operating procedures and planning.

In a review of JTLSD's T-forms for FY 2006-07, AOS noted the following exceptions:

T-1 Exceptions

- Submitted its FY 2006-07 T-1 form late, nine days past ODE's deadline, and after being reminded by ODE;
- Miscalculated Type I ridership counts by using only one day's ridership, rather than taking the average of riders transported during the first week of October, per ODE instruction;
- Under-reported the number of non-public/community school riders;
- Misreported the number of Type IV (payment in lieu) students; and
- Over-reported the number of spare buses.

T-2 Exceptions

- Under-reported payment in lieu expenditures on the FY 2006-07 T-2 form;
- Misreported non-routine miles as zero, but the Transportation Coordinator estimates that it was about 10,800 miles in FY 2006-07; and
- Under-reported District square mileage as 30, rather than 35.

In addition, JTLSD provided comprehensive route sheets for only 3 of its 11 buses and failed to submit claims for a motor fuel tax refund (MVF 31 forms) worth about \$450 (\$0.04 per gallon) to ODT.

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 for 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 rather than in an idealized form. 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 weakens internal controls, especially in the event of employee turnover or absence. According to ODT, motor fuel tax refunds may be filed for any length of time as long as the refund is for at least 100 gallons and is within 365 days from the date fuel was purchased. Without standard operating procedures for completing, reconciling, and submitting motor fuel tax refund claims and T-forms, JTLSD is not receiving all reimbursement revenue for which it is eligible.

Financial Implication: In FY 2006-07, JTLSD reported that expenditures of \$24,547 for fuel at a cost of approximately \$2.20 per gallon; the equivalent of nearly 11,200 gallons. At ODT's reimbursement rate of \$0.04 per gallon, the District is eligible to receive a fuel tax reimbursement of approximately \$450 for fuel purchased this fiscal year. In future years, JTLSD should file its fuel tax reimbursement to ensure it does not forego its fuel tax refund.

Personnel

R5.2 JTLSD should negotiate to eliminate or reduce contractually-stipulated, guaranteed paid hours to bus drivers. At a minimum, the District should amend its collective bargaining agreement to require that bus drivers perform work during the entire period for which they are guaranteed payment. This will help the District effectively control personnel costs, ensure employee productivity, and bring transportation personnel costs more in line with the peer average.

A similar recommendation was issued in the 2004 Performance Audit.

In the 2004 Performance Audit, AOS recommended that the District negotiate a reduction in the pay scale and minimum number of hours paid (per day) to all bus drivers from six to four hours (see **human resources**). In his written comments, the Superintendent noted that the District has negotiated to reduce guaranteed hours for the last four years. The

District calculated a cost savings of approximately \$45,000 based on actual hours worked. However, the District continues to operate under the expired collective bargaining agreement that guarantees a minimum payment to bus drivers of two three hour split shifts for no less than 6 hours per day (30 hours per week), which is considered full-time. The Transportation Coordinator indicates that drivers are expected to work the entire six hours performing routine duties, such as inspections, washing buses, cleaning the garage, or other light duties in accordance with the negotiated contract. However, without complete and up-to-date route sheets for all buses (see **R5.1**), the District cannot sufficiently document whether drivers work all hours for which they are paid.

JTLSD’s personnel costs (i.e., salaries and benefits) comprise 76.3 percent of its total Type I transportation expenditures (see **Table 5-2**), and exceed the peer average of 65.4 percent. Compared to the peer average, JTLSD also spends 57.9 percent more per active bus and 27.5 percent more per annual routine mile for personnel costs. According to EMIS, JTLSD’s bus drivers earn an average annual salary of approximately \$16,400, which is slightly higher than the peer average of nearly \$15,000. This can be attributed, in part, to the fact that JTLSD competes for employees with other Montgomery County districts.

To illustrate, **Table 5-3** compares JTLSD’s hourly wages for bus drivers to other school districts in Montgomery County.

Table 5-3: Bus Driver Hourly Wage Comparison

District	Hourly Wage (Year 0)	Hourly Wage (Year 5)	Hourly Wage (Maximum)
JTLSD	\$12.58	\$15.48	\$15.48
Dayton CSD	\$12.63	\$15.15	\$17.59
Brookville LSD	\$11.72	\$14.66	\$18.85
Miamisburg CSD	\$14.28	\$15.80	\$16.37
New Lebanon LSD	\$12.07	\$13.44	\$14.26
Northmont CSD	\$14.36	\$15.23	\$18.52
Trotwood-Madison CSD	\$13.18	\$15.17	\$17.57
Vandalia-Butler CSD	\$14.85	\$17.70	\$19.29
West Carrollton CSD	\$14.05	\$16.70	\$18.49
Montgomery County Average	\$13.39	\$15.48	\$17.62
• JTLSD Percent Above (Below) County Average	(6.0%)	0.0%	(12.1%)

Source: JTLSD, ODE, and the State Employment Relations Board (SERB)

Note: Of five districts in Montgomery County designated as “Excellent” by ODE in FY 2006-07, AOS selected a random sample of three. AOS also included Dayton CSD, Miamisburg CSD, New Lebanon LSD, Trotwood-Madison CSD, and West Carrollton CSD because these are JTLSD’s nearest neighbors.

Compared to the average of select districts in Montgomery County, JTLSD pays bus drivers a lower hourly wage at nearly all steps. JTLSD indicates that the contracted

minimum hours provision helps to recruit drivers and remain competitive with other area districts. However, because personnel costs comprise such a high percentage of expenditures, JTLSD should prioritize transportation-related reductions in this category. Eliminating or reducing guaranteed hours and requiring drivers to work all hours for which they are paid will help in this regard.

Significant driver turnover occurred between the end of FY 2006-07 and beginning of FY 2007-08, with 5 regular drivers and 1 substitute driver resigning or retiring. The Transportation Coordinator was required to assume part-time bus driver responsibilities, which increased his overtime. As of December 2007, the District has hired 3 regular drivers, bringing the total to 11; one driver for each active bus. According to the Transportation Coordinator, this will allow him to focus more on supervisory and mechanic-related duties. JTLSD has not employed bus mechanics since these positions were eliminated during the 2004 Performance Audit, so this function comprises an estimated 35 percent of the Transportation Coordinator's workload.

Of the peers, Bluffton Exempted Village School District (Allen County) operates 11 active buses, similar to JTLSD, yet spends only \$22,962 per active bus and \$1.55 per annual routine mile for personnel, compared to JTLSD's \$45,641 per active bus and \$2.41 per annual routine mile. This difference can be attributed, in part, to the fact that Bluffton's collective bargaining agreement for classified staff does not contain a provision that guarantees payment to bus drivers for a minimum number of hours worked. Additionally, Cuyahoga Falls City School District (Summit County) specifically stipulates in its collective bargaining agreement that employees may be required to work the entire two-hour minimum for which they are paid.

Financial Implication: As of FY 2007-08, JTLSD employs 11 full-time regular bus drivers who are contractually guaranteed payment for 6 hours. Assuming an average annual salary of \$16,400, the District's contractually-guaranteed financial liability is approximately \$180,500. If JTLSD can negotiate to reduce guaranteed minimum payments to only 4 hours, it can reduce its financial liability to about \$120,300, for annual savings of approximately \$60,200.

Maintenance and Repairs

R5.3 The Transportation Coordinator should formally document fleet maintenance and repair activities, as well as the frequency and level of vehicle inspections within a preventive maintenance plan. The Transportation Coordinator should use this plan to track such data as bus mileage and maintenance cost per bus. A formal plan will improve efficiency, accountability, and productivity through prioritized scheduling

of routine maintenance and non-routine (i.e., emergency) repairs. This will also help to ensure that District buses pass State inspections.

The Transportation Coordinator should also formally document his process for soliciting competitive bids and issuing requests for proposals (RFPs) to contracted vendors that perform regular fleet maintenance and repairs. This will improve accountability by documenting that JTLSD receives the best price for contracted services, which may help bring District expenditure ratios more in line with peer and industry benchmarks.

A similar recommendation was issued in the 2004 Performance Audit. At the conclusion of the audit, the District indicated that it was making preparations to track maintenance and repair costs.

In the 2004 Performance Audit, AOS recommended the District solicit competitive bids or issue RFPs to select an outside vendor to perform regular fleet maintenance and repairs, assuming it did not hire additional bus mechanics. The Transportation Coordinator indicates that he performs routine preventive maintenance (e.g., changing oil and replacing filters) and bus drivers are responsible for performing daily, pre-trip bus inspections (e.g., checking lights, hoses, and fluid levels). For significant repairs (engine, brakes, transmission, etc.), the Transportation Coordinator solicits competitive bids from local vendors.

An AOS review of transportation-related invoices and purchased services reports confirms that the District contracts out maintenance and repair activities with at least three Ohio vendors. It should be noted, however, that JTLSD did not provide bid or RFP-related documentation to support that its vendor selection process occurs and results in obtaining the lowest possible price for these services. *The Public Works Practices Management Manual* (APWA, 4th Edition) suggests that preventive maintenance activities include a “definition of work to be performed; diagnosis of work to be performed prior to scheduling; estimate of labor hours, materials, shop space, and time; and *documentation to support maintenance action.*” The APWA further suggests that well-planned preventive maintenance “will result in a dependable fleet and extended equipment life with lower operation, maintenance, and repair costs.”

Compared to the peer average, JTLSD spends approximately \$3,600 (nearly 90 percent) more per active bus and \$0.19 (54.3 percent) more per annual routine mile on maintenance and repairs. JTLSD’s maintenance-related expenditure ratios also significantly exceed the industry benchmark of \$0.25 per mile, established by *Hidden Savings in Your Bus Budget* (AASA, 2005). This can be partially attributed to the absence of formal preventive maintenance and bus replacement plans (see **R5.5**). According to

The Public Works Practices Management Manual (APWA, 4th Edition), effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum amount of downtime.

In FY 2006-07, the Ohio State Highway Patrol inspected the fleet, finding that 75 percent of JTLSD buses contained “out of service” violations and removing 4 buses from service in March 2007. Consequently, JTLSD was required to spend about \$10,000 to buy 2 used buses on an emergency basis, and incurred an additional cost of \$70,000 in FY 2007-08 to lease (with the option to buy) a new bus.

Financial Implication: In the 2004 Performance Audit, AOS reported that former peers Covington Exempted Village School District (Miami County) and East Guernsey Local School District (Guernsey County) contract out for maintenance and repairs services. This remains true today – in FY 2006-07, these districts spent an average of \$5,773 per active bus on outsourced maintenance and repairs services.

Assuming JTLSD can reduce expenditures per active bus to the average of Covington EVSD and East Guernsey LSD through preventive maintenance and outsourcing, the District can save approximately \$14,600 annually. These savings may be used to offset expenditures for future bus purchases (see **R5.5**).

Bell Scheduling

R5.4 In the event JTLSD does not consolidate grades K-12 into one building, as recommended in the facilities section of this report, it should change the bell schedules for grades 7-8 to be the same as grades 9-12. Then, the Transportation Coordinator should evaluate all routes. Through coordinated bell schedules and an evaluation of all routes and ridership using formally documented procedures (R5.1), JTLSD can improve its service delivery. These changes would minimize daily trips to Jefferson High School, reduce wear and tear on District buses, and maximize ridership capacity per tier.

During the course of the audit, the Superintendent noted in his written comments that the District would go to one bell schedule for grades 7-12 in FY 2008-09, although no supporting documentation was provided. Since the 2004 Performance Audit, JTLSD closed Radcliff Heights Middle School and consolidated all students in grades 7 through 12 into Jefferson High School. Currently, junior high classes (grades 7-8) start at 8:22 a.m. and end at 3:20 p.m., and high school classes (grades 9-12) begin at 7:25 a.m. and end at 2:25 p.m. Elementary classes are held in a separate building that operates on another bell schedule, resulting in a “three-tiered” bus routing schedule for two buildings. As of FY 2007-08, 3 active buses (local bus numbers 5, 8, and 10) each make 4 daily trips to Jefferson High School – 2 in the morning and 2 in the afternoon – for a combined total of 12 daily fleet trips to a single building.

The Transportation Coordinator indicates that this is intended to prevent trouble that may occur when younger students ride with older high school students. However, under the current bell schedule, it is possible for two students – an eighth grader and a ninth grader – who reside at the same address to be picked up by different buses at different times and brought to the same building. This is an inefficient use of resources, especially considering JTLSD’s declining enrollment (see **facilities**) and relatively high expenditures per active bus (see **Table 5-2**).

The Texas School Performance Review found that the coordination of bell times greatly improves the productivity of each bus route and reduces service costs. In its audit of the Socorro Independent School District, the Texas School Performance Review found that while staggered bell times allow buses to make multiple trips, coordinated bell times allow buses to serve one school and have time to return to another school.

By coordinating bell schedules within Jefferson High School, the District may be able to reduce the total number of daily fleet trips by at least 50 percent. The District could then consider eliminating buses, routes, and drivers as enrollment declines. However, this will

be contingent on having complete and up-to-date route sheets for all buses that contain accurate ridership information (see **R5.1**).

Bus Replacement Planning

R5.5 JTLSD should develop a formal bus replacement plan. This plan should account for enrollment and ridership trends, ODE-recommended age and mileage replacement criteria, and maintenance costs per active bus. Furthermore, this plan should be linked to the District's budget and developed in conjunction with a formal preventive maintenance plan (see R5.3). This will help to ensure that District buses pass inspection and that necessary replacement funds are properly accounted for in the budget.

A similar recommendation was issued in the 2004 Performance Audit.

JTLSD did not implement the recommendation in the 2004 Performance Audit that the Transportation Coordinator work with the Treasurer to develop a formal bus replacement plan. The District still replaces buses on an as-needed basis, and therefore does not formally link bus replacements to its budget. As a result, the District does not effectively budget the funds necessary to purchase new buses. To illustrate, the District's May 2007 five-year financial forecast assumptions simply stipulate that capital outlay expenditures "can vary significantly from year-to-year." This is overly broad as it does not project the number (and cost) of buses to be replaced during the forecast period.

This can be attributed, in part, to significant turnover in the Treasurer's Office, which reduces the effectiveness of the Treasurer's Office in providing data for planning, and staffing turnover in the Transportation Department (see **R5.2**), which negatively impacts the time available to the Transportation Coordinator for planning. In addition, the District's transportation reimbursement from ODE (an amount over which JTLSD District has minimal control) also decreased by more than \$2,800 (31.1 percent), since FY 2004-05.

According to ODE, school buses should be considered for replacement either after 250,000 miles or between 12-15 years of service. Furthermore, *The Public Works Practices Management Manual* (APWA, 4th Edition) suggests that, "Replacement policies should consider the total (and per bus) costs of maintenance/depreciation, operating environment (e.g., roads and weather), fuel costs, and replacement funding sources." As of December 2007, no District bus meets ODE's mileage-based replacement criteria, yet 4 active buses will meet or exceed ODE's age-based replacement criteria by FY 2008-09. It is for these older active buses (local bus numbers 3, 5, 9, and 38) that the District should formally prioritize replacements to ensure uninterrupted service delivery

to students; especially if these buses cost more to maintain and repair. (See **R5.3**). Because it is difficult to predict when the District may choose to replace these buses, JTLSD should set-aside approximately \$56,000 annually³ to fully fund replacement of four buses over the five-year forecast period.

Financial Implication: To account for the estimated cost of replacing four buses, the District will need to set aside about \$56,000 annually.

Special Needs Transportation

R5.6 JTLSD should include transportation personnel (the Transportation Coordinator or his designee) when discussing transportation-related services for special needs students to ensure that all available options are evaluated. The Transportation Coordinator (or his designee) should work cooperatively with District administrators to ensure that all special needs-related transportation services are feasible and affordable. If it is determined that Type I (i.e., yellow bus) special needs services are not feasible or affordable, then JTLSD should evaluate and formally document the costs and benefits of providing alternative services.⁴ Regardless of the mutually agreed-upon service method, the Transportation Coordinator should establish benchmarks to monitor the efficiency and effectiveness (e.g., cost per rider, riders per bus, etc.) of transportation services selected for special needs.

During the course of the performance audit, the District terminated its service contract with Montgomery County ESC, bringing all special needs transportation services in-house.

The Transportation Coordinator indicates that he is not involved in the development of IEPs, including the establishment of transportation services for special needs riders. This practice conflicts with Ohio Administrative Code (OAC) section 3301-51-10 (C) (2) which 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.” In contrast to JTLSD, Cuyahoga Falls CSD’s (Summit County) procedures formally stipulate that if “transportation is a concern by the parents or a member of the IEP team, a representative from transportation is included in the IEP meeting.” In addition, “at any time during the duration of the

³ This assumes the District can obtain replacement buses at a cost of about \$70,000 per bus.

⁴ Special needs transportation alternatives include: cooperating with other school districts (Type IA), outsourcing buses (Type II), using taxis (Type III), using District-owned vans (Type V), or establishing parent guardian contracts (Type VI).

child's IEP, if transportation needs become a concern, the IEP team is reconvened, including a representative from transportation.”

It is difficult for the District to evaluate the advantages and disadvantages of in-house and alternative service delivery because the Transportation Coordinator, a key internal stakeholder, is not included in the IEP development process. In order to best ascertain the costs and benefits of providing certain transportation alternatives, the District needs to measure the effectiveness and costs of providing different types of transportation. Including the Transportation Coordinator in determining costs and benefits will ensure that all alternatives are considered. *Performance Management: Using Performance Measurement for Decision Making* (GFOA, 2007) provides guidance in how to best measure the performance of governmental functions. JTLSD could use this as a resource in determining how best to include the Transportation Coordinator in the IEP process.

By providing only Type I transportation service to special needs riders, JTLSD will offset the \$176,000 (\$5,900 per rider) paid to the ESC and help to bring its total cost per rider more in line with the peer average (see **Table 5-1**). None of the peers transport special needs riders using Type IA, II, and III services. Fort Recovery LSD and North Central LSD provide Type V service at an average cost of about \$2,750 per special needs rider, while Clear Fork Valley LSD provides Type VI services at a cost of approximately \$1,380 per special needs rider.

Although Type I transportation services may be appropriate to address current needs, the District should, in the future, compile data necessary for comparative analysis. More fundamentally, the District should correct its T-forms and route sheets for all buses (see **R5.1**), as these are necessary to capture and evaluate all aspects of transportation. If these steps were accomplished, the District could more effectively use benchmarks (e.g., cost/ridership ratios) to monitor the efficiency and effectiveness of regular and special needs transportation over time.

Financial Implications Summary

The following table summarizes the estimated cost savings, revenue enhancements, and implementation costs identified in recommendations presented in this section of the report.

Table 5-4: Summary of Financial Implications for Transportation

Recommendation	Annual Cost Savings	One-Time Revenue Enhancement	Annual Implementation Cost
R5.1 Collect motor fuel tax refund claim for FY 2006-07		\$450	
R5.2 Reduce guaranteed minimum payment for bus drivers to four hours	\$60,200		
R5.3 Solicit competitive bids or issue formal RFPs to reduce maintenance and repair expenditures	\$14,600		
R5.5 Replace four buses			\$56,000
Total	\$74,800	\$450	\$56,000

Source: AOS recommendations

Appendix 5-A: 2004 Performance Audit Recommendations and Implementation Status

Table 5-A summarizes the 2004 Performance Audit recommendations and status of each recommendation.

Table 5-A: 2004 Performance Audit Recommendations

Recommendation	Implementation Status
<p>R5.1 JTLSD should establish a formal policy and accompanying procedures for filling out all T-forms, including the T-1S. In addition, those staff members who are required to fill out and submit these forms to ODE should consider obtaining training. This will help to ensure that reports are accurate and complete, reconciled with 4502 forms, and are submitted in a timely manner. Moreover, this will help the District to obtain all available reimbursements from ODE.</p>	<p>This recommendation was not implemented and similar recommendation was re-issued (see R5.1).</p>
<p>R5.2 Assuming JTLSD does not hire additional bus mechanics, the District should solicit competitive bids or issue RFPs to select an outside vendor to perform regular fleet maintenance and repairs. AOS estimated that the District could save approximately \$5,800 annually by outsourcing fleet maintenance and repairs.</p>	<p>This recommendation was not implemented and similar recommendation was re-issued (see R5.3).</p>
<p>R5.3 JTLSD should consider assessing fees to offset the actual cost of providing non-routine transportation, including co-curricular, athletic, and extra-curricular trips. AOS estimated that JTLSD could save approximately \$75,700 annually by assessing such fees.</p>	<p>This recommendation was not implemented and similar recommendation was re-issued (see R5.1).</p>
<p>R5.4 The Transportation Coordinator should work with the Treasurer to develop a formal bus replacement plan to maximize fleet effectiveness, reduce maintenance and repairs costs, and ensure JTLSD is properly budgeting for funds necessary to purchase new buses. AOS estimated that it would cost about \$61,100 annually to plan for bus replacements.</p>	<p>This recommendation was not implemented and similar recommendation was re-issued (see R5.5).</p>

Source: AOS

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District Response

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

While JTLSD does not agree with every conclusion drawn in the audit report, a review of the District's response, the audit report, and supporting documentation revealed no unresolved factual matters. Throughout the audit, AOS personnel met frequently with JTLSD administrators to clarify portions of the report and obtain additional information. Changes requested and accompanied by adequate documentation were made prior to the final report being issued. When changes were not made, the District either did not provide documentation or, in the auditor's judgment, the information provided did not warrant changes to the report.

In its response, JTLSD noted that it would be difficult to reduce its costs to the peer levels because of the high number of special education students it serves. Throughout the audit, numerous areas of cost savings were identified that, if implemented and consistently monitored, would allow the District to substantially reduce non-instructional expenditures. It targeted selected discretionary expenditures and raised concerns about the District's ability to reduce certain costs for textbooks, transportation and building repairs. However, the response overlooks findings that these expenditures increased 2 percent since the 2004 audit and does not address the unusually high expenditures for professional and property services or the incrementally higher per pupil expenditures in most discretionary categories. These expenditures could not be adequately explained by the District. The Treasurer noted he is using the School Business Solutions software, a forecasting method encouraged by the auditors.

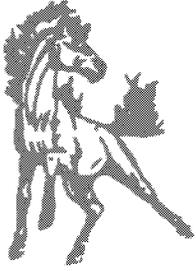
JTLSD also requested three areas be reviewed for accuracy in its response letter. First, it noted that it provided a fiscal watch recovery plan after receiving an extension from ODE in 2004. The paragraph in the executive summary explains that JTLSD was placed into *fiscal watch* because it could not provide a recovery plan to resolve its *fiscal caution* condition. No comment was made on its initial fiscal watch recovery plan or any of its subsequent plans filed with ODE. The **executive summary** does contain information provided by the ODE Fiscal Monitor on the difficulty JTLSD has had in developing recent recovery plans.

Second, JTLSD notes that it exceeds the State and Montgomery county graduation rates. This information was added to the executive summary but the audit notes there may be additional room for improvement in relation to its achievement rates compared the peers. The letter also notes District concerns about the peers selected. Peers were discussed and reviewed with the

District at the outset of the audit and their commentary invited. At the time, the Superintendent indicated that there were no “peers” for JTLSD because of its unique nature. The audit recognizes that no two districts are identical but, based on the demographic factors use to select the peers, the 10 peer comparison group represents an appropriate target benchmark for certain comparisons. In areas where the 10 peer benchmark was not appropriate because of distinctive factors effecting JTLSD, other types of benchmarks or comparisons were used.

Third, the Treasurer noted that he disagrees with the adjustments to the forecast revenues and purchased services expenditures. Because of the limited information available and concerns about the reliability of historical information, auditors developed projections based on known factors and recommended methodologies. These were compared to the Treasurer’s projections and, where warranted, adjustments were made to the District’s projections in the financial recovery plan illustrated in **Table 2-8**. For example, State revenues were projected on a line-by-line basis, based on past trends and known District factors, ODE simulations and projected increases in per pupil Basic Aid, and Poverty Based Assistance. Purchased services were also adjusted to reflect the high number of community school students who do not attend JTLSD, as well as known coding issues which affected the total line item and should not have been included in future projections.

Although the District noted that many of the recommendations are being implemented, District administrators and Board members are encouraged to monitor implementation as several of the recommendations were initially issued in 2004 and were not implemented by the District. These included important recommendations that would assist JTLSD in controlling its expenditures and directing its resources to instructional activities.



Jefferson Township Local Schools

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SUPERINTENDENT OF SCHOOLS
Norris Brown, Ph. D

BOARD OF
EDUCATION
Dr. Vilma Helms
Mrs. Johnnie Kimberlin
Mrs. Robin Mobley
Mrs. Rose Slaughter
Mr. Damon Woods

April 30, 2008

Mary Taylor, CPA
Auditor of State
Lausche Building, 12th Floor
615 W. Superior Avenue
Cleveland, Ohio 44113

Re: Performance Audit of Jefferson Township Local School District

Dear Auditor Taylor:

The Jefferson Township Local School District is grateful for the time and efforts that your staff has dedicated to the performance audit of the Jefferson Township School District. The report will pay significant dividends in our efforts to reduce spending. Our students will be the beneficiaries of any cost savings that can be gained from the audit. The district appreciates the professional manner in which the post audit was conducted and will make every effort to implement those recommendations that are feasible to the Jefferson Township Local School District.

The district did take action on key recommendations that were made in the 2004 Performance Audit. They are as follows:

1. The middle school building was closed.
2. Seventeen coaches and advisors positions were reduced.
3. The cell phone contract for all employees was cancelled with the exception of essential personnel.
4. The district copier contract was renegotiated.
5. A new attendance agreement was reached with the teachers union.

The district is committed to implementing as many of the recommendations that are feasible to the district. The following recommendations have already been implemented:

1. On April 21, 2008, the Board of Education approved the reduction of (14.5) positions. (R3.3, R3.4, R3.5, R3.6)

Educating Students for Success

2. All students at Jefferson Junior/Senior High School will be on the same schedule beginning 2008-09. (R5.4)
3. Evaluations of supervisors have been conducted for 2007-08. The Maintenance Coordinator's job description has been revised to clearly reflect that this employee supervises and evaluates the custodial staff annually. (R4.2)
4. The superintendent, treasurer and other staff members are working together to monitor the effectiveness of services and cost. A recent review of cost and services were conducted. (R3.17) To reduce spending to peer districts level will not be easy because of the significant number of students above the peer district numbers per the audit report.
5. The district is committed to using the work order system that has been in place for many years. The maintenance supervisor will be held accountable for the work order system. (R4.4)
6. The finance department has taken action to charge appropriate utilities costs to the Food Service Fund. (R4.6)

The following recommendations are in the process of being implemented:

1. R4.1 – Facilities Master Plan – the district is working with the Ohio School Facilities Commission.
2. R3.1 – Staffing Plan – A formal staffing plan will be implemented to reflect the reductions, attrition and reorganization of the district.
3. R.3.2 – The evaluation of all staff will be completed this school year. The evaluation of supervisors has been completed for 2007-08.
4. R3.9 -- Health care will be one of the board's items to negotiate with the unions.
5. R3.13 – Sick leave issues are being addressed
6. R3.16 – ODE worked with the district to conduct a Focus Monitoring Review (the district percentage of students with disabilities exceeds the State average).
7. R4.3 – Staff handbook
8. R5.1 – Standard operating procedures will be implemented by June 1, 2008 to complete the T-forms
9. R5.2 -- The district has negotiated to reduce the guaranteed hours paid to bus drivers, however, without success. A third attempt will be made during the upcoming contract negotiation.
10. R2.6 – The district is committed to updating the district Strategic Plan. The process has been reviewed with the Board of Education.
11. R5.1 – Bus routing sheets – all buses will have bus routes updated on a regular basis.
12. R2.1 - The board of education is considering an audit committee. The committee will look similar to the committee recommended by the audit is some framework
13. R2.3 - The district has begun developing a formal accounting policy and procedural manual. As sections are developed they will be put into operations.
14. R2.4 - The district is planning to implement some form of formal budgeting process. With less than 184 account codes (Non payroll) to populate with budgetary information this will be a very streamlined process. The

- recommendation will most likely occur with the 2010 budget process. It will take some time to complete a strategic plan.
15. R2.5 - The treasurer's office has begun compiling financial information to post on the district web site. Plans to move forward with providing public access to financial information are underway.
 16. R2.7 - Purchasing procedures within the district have undergone several revisions. The district is continuing to make improvements to its policy and procedures as well as educate staff, administrators and board of the district practices. The district is committed to reviewing its purchasing procedures and strengthen enforcement of those procedures
 17. R2.8 - The district feels it is important to evaluate all of its expenditures. The district however feels the "discretionary" label applied to this area is erroneous. Textbooks, pupil transportation, and building repairs among others are not discretionary spending items. The administration takes great care in evaluating each request for its appropriateness and cost effectiveness. The district will continue to do this.
 18. R2.9 - The Treasurer's office spends a considerable amount of time preparing the five year forecast. The district forecast uses the highly acclaimed School Business Solutions format used by half of the school districts in the State of Ohio. The methodology and documentation are substantial and follow the format used though out the state. The district will expand it five year forecast development to include several of the suggestions recommended in this report.

We do request that a few areas be reviewed for their accuracy.

1. Page 1-1 - States that the district did not submit an acceptable financial recovery plan. However, the district received in writing from ODE an extension in 2004. The district did submit a recovery plan that was approved by ODE. 2-1 In May 2004, ODE approved JTLSD'S fiscal watch recovery plan, but did not approve the Board's request to be released from fiscal watch in September 2005.

2. Table 1-1 Jefferson's Graduation Rate exceeds the State indicator and the Montgomery County schools average. However, it is less than the peer districts average. Also, Jefferson's Graduation and Attendance Rates far exceeds the national averages. These indicators are significant due to the fact Jefferson Township is more rural/urban than rural/suburban.

I would like to express our concern again about the selection of the "peer districts" and would request that the district has some input in the selection process in the future. Jefferson Township Local School District is a very unique school district. The number of special needs students is above the state average and far exceeds the average of any peer district. In addition, the last new operating levy was passed in 1998. We are asking that these differences and others be taken into consideration will "peer districts" are being selected.

3. Table 2-6 the district does feel the recommendations for R2.10 are in part flawed. The district is on the funding guarantee. There is no anticipation of the district receiving additional funding from the state through the SF3 funding model. The district on average loses 20 students per year. This year the district lost almost 90 students. Within the 90 students 35 students were the result of Ohio Educational Choice (OEC). The number of OEC students currently filed for next school year is 54. Additional income from the state in excess of \$200,000 annually, based on the report, is not reasonable. Also the net saving in purchased services is in error. The district believes this number has not been adjusted for the state deductions as a result of charter schools, OEC, and open enrollment. The result of these two is not a net saving but in fact a net loss.

Again, thanks for the report and the professional manner in which the work was conducted. The district appreciates the time and attention given when issues did arise and the Auditor of State's efforts in resolving those issues.

Sincerely,



Norris Brown, Ph.D.
Superintendent of Schools



Mr. David B. Robinson
Treasurer