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Auditor of State

MIDDLETOWN CITY SCHOOL DISTRICT
HUMAN RESOURCES MANAGEMENT
PERFORMANCE AUDIT

NOVEMBER 20, 2008



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To the Residents and Board of Education of the Middletown City School District:

In December, 2007, the Middletown City School District (Middletown CSD or the District) engaged the Auditor of State (AOS) to conduct a performance audit of specific aspects of District operations. Consistent with the District's commitment to its residents, the Board requested this performance audit to ensure that staffing, compensation, and benefit levels were comparable to similar districts and that its human resources functions were efficient and effective. The Board also asked AOS to conduct follow-up work on human resource management-related recommendations made in the District's 1999 performance audit.

The performance audit contains comparisons, analyses, and recommendations which have the potential for cost savings and efficiency improvements. It also highlights noteworthy practices and identifies several areas in which the District performs at benchmark levels. The follow up work concluded that Middletown CSD implemented 66 percent of the 1999 audit recommendations and 18 percent were no longer applicable because of changes made to business practices.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Middletown CSD, 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 to further improve its overall operations, service delivery, and financial stability.

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

Sincerely,

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

Mary Taylor, CPA
Auditor of State

November 20, 2008

Executive Summary

Project History

In December 2007, the Middletown City School District (MCSD or the District) engaged the Auditor of State's Office (AOS) to conduct a performance audit. The District had made significant staffing reductions and contracted for this independent assessment to help it identify additional cost saving opportunities and emphasize its accountability to its community. Consistent with the District's commitment to its residents, the administration requested this performance audit to ensure that District staffing and benefit levels are comparable to similar districts and that its human resource functions are efficient and effective. In February 2008, the District contracted with AOS for an expansion in scope in order to assess transportation efficiency and facility staffing against national benchmarks.

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

- Staffing levels,
- Compensation;
- Benefits;
- Collective bargaining agreements; and
- Transportation efficiency as it relates to staffing levels.

The performance audit is designed to develop recommendations that provide cost savings and efficiency improvements, and to identify noteworthy accomplishments by recognizing efficient and effective practices currently in place at MCSD. The District is encouraged to continue to monitor and assess its operations to identify additional recommendations for future improvements.

District Overview

The boundaries of MCSD encompass 25 square miles within the City of Middletown in Butler County. The District's FY 2007-08 enrollment was 6,567 students, which represents a 4.8 percent decrease from the prior year, consistent with trends from the past several years. The District operates eight elementary schools, two middle schools, and one high school. It is in the final stages of an Ohio School Facilities Commission (OSFC) project, which will replace or renovate all of its elementary schools by FY 2008-09.

During FY 2007-08, the District employed 716 full-time equivalent (FTE) employees, including approximately 281 FTE regular classroom teachers. The overall student-to-teacher ratio for regular classroom teachers was approximately 17 to 1. According to the Ohio Department of Education's (ODE) FY 2006-07 Local Report Card, MCSD met 6 of 30 academic performance indicators, which resulted in a continuous improvement rating. The District earned the same rating in FY 2005-06, but achieved 7 of 30 academic performance indicators.

In November 2007, District residents approved the renewal of a 4.42 mill operating levy but rejected a 1.66 mill new operating levy. The last time new operating revenue was approved was May 2005, when a renewal of 6.35 mills plus an increase of 7.05 mills was passed.

Subsequent Events

During the course of the audit, MCSD successfully negotiated an increase in the employee share for single person health insurance from 5 to 10 percent for both certificated and classified employees. This increase established a consistent employee contribution for all full-time employees receiving health insurance benefits.

Objectives

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

The overall objective of the performance audit was to assist MCSD in identifying opportunities to improve efficiency and reduce salary and benefit costs based on objective assessments.

The following questions were used to evaluate the performance of the human resource functions and transportation efficiency within MCSD:

- How do District staffing levels and salary costs compare with ODE similar districts?
- Is the District's compensation package in line with ODE similar districts, State average, 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 best practices?
- What is the implementation status of the Human Resources recommendations from the 1999 Performance Audit?
- How do custodial, maintenance, and groundskeeper staffing levels compare to industry benchmarks?
- Can the District reduce bus driver staffing by routing buses more efficiently?

The conclusions and recommendations comprise options that the District can consider in its continuing efforts to stabilize its financial condition.

Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

Audit work was conducted between January and July 2008 and data was drawn from the most recent fiscal year available. The District elected to contract with AOS to complete specific audit objectives in lieu of a comprehensive performance audit funded by the State. To complete this report, the auditors gathered a significant amount of data pertaining to MCSD, conducted interviews with key administrators, then reviewed and assessed the available information. Significant delays encountered in obtaining sufficiently reliable data resulted in delays in the completion of this audit.

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

Throughout this report, comparisons are made to the ODE 20 similar district grouping. These school districts were selected because they are most similar demographically. The data obtained

from the comparison school districts was not tested for reliability, although it was reviewed in detail for reasonableness. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- Ohio Department of Education (ODE)
- Ohio Revised Code (ORC)
- Ohio Administrative Code (OAC)
- The Department of Administrative Services (DAS)
- State Employment Relations Board (SERB)
- American School and University Magazine (AS&U)
- National Center for Education Statistics (NCES)

Information used as criteria (benchmarks or leading practices) was also not tested for reliability.

The Auditor of State and staff express appreciation to the Middletown City School District administrators and support staff for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

- MCSD took the initiative to reduce its workers' compensation insurance costs by collaborating with its third party administrator to assess potential hazards and develop and implement detailed policies, procedures, and training for its employees. Due to the District's proactive approach in addressing increasing workers compensation claims, it has managed to reverse the trend in its claim experience rating. Because a district's experience rating directly affects its workers' compensation insurance rates, it is financially beneficial for MCSD to minimize this rating and, by extension, the financial impact of workers' compensation claims.
- MCSD's Treasurer conducts annual cost-benefit analyses to identify potential cost savings associated with providing an early retirement incentive (ERI). As a result, MCSD only offers a retirement incentive when it is financially beneficial for the District.

Key Recommendations

The performance audit contains several recommendations pertaining to staffing, salaries and benefits, and transportation efficiency. The following are the key recommendations from the report:

In the area of staffing, MCSD should consider:

- Eliminating 2 to 5 FTE Central Administrator positions to bring the District in line with the peer district averages for a savings of \$75,000 to \$297,000.
- Eliminating 1 FTE Building Administrator position to bring the District in line with the peer district averages for a savings of \$86,000.
- Eliminating 11 to 15 FTE Classroom Teacher positions to bring the District in line with the peer district averages for a savings of \$409,000 to \$591,000.
- Eliminating 4 FTE Teaching Aide positions to bring the District in line with the peer district average for a savings of \$70,000.
- Eliminating 1 FTE Library Aide position to bring the District in line with the peer district average for a savings of \$17,000.
- Adding 7 FTE custodian positions to bring the District in line with the NCES benchmark at a cost of \$239,000.
- Adding 5 FTE Maintenance staff positions to bring the District in line with the AS&U benchmark at a cost of \$214,000.

In the area of salaries and benefits, MCSD should consider:

- Adjusting its salary schedules for teachers and bus drivers through negotiation to better reflect the average increases of neighboring districts.
- Negotiating an increase in employee health insurance contributions to at least 10 percent for savings of \$46,000.
- Negotiating lower dental premiums for family coverage to become in line with the SERB averages for a savings of \$14,000 to \$47,000.

In the area of transportation efficiency, MCSD should consider:

- Eliminating 1 active bus which would increase the average operating efficiency of its remaining active buses to 80 percent of capacity and save an estimated \$48,000.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that MCSD should consider. More specific information concerning the financial implications, including assumptions, is contained within the assessment section of the performance audit.

Summary of Financial Implications

Recommendation	Estimated Annual Savings	Estimated Annual Costs
R.1 Eliminate 2 to 5 FTE Central Administrator positions	\$75,000 to \$297,000	
R.2 Eliminate 1 to 2 FTE Building Administrator positions	\$86,000	
R.3 Eliminate 11 to 15 FTE Classroom Teacher positions	\$409,000 to \$591,000	
R.4 Eliminate 4 FTE Instructional Paraprofessional positions	\$70,000	
R.5 Eliminate 1 Library Aide position	\$17,000	
R.6 Add 7 Custodial and 5 Maintenance positions		\$453,000
R.7 Eliminate 1 active bus	\$48,000	
R.9 Increase employee health insurance contribution rate from 5 to 10 percent	\$46,000	
R.10 Decrease family dental insurance premiums to SERB average	\$14,000 to \$47,000	
Total	\$765,000 to \$1,202,000	\$453,000

Source: AOS recommendations

Human Resources

Background

This section encompasses analyses and comparisons pertaining to (a) staffing, (b) transportation efficiency, as it relates to staffing, (c) salaries, (d) benefits, (e) the District's collective bargaining agreements, and (f) 1999 performance audit follow-up. These areas were evaluated against leading practices, industry benchmarks, State averages, and the Ohio Department of Education (ODE) twenty similar district grouping¹ (peers) for the purpose of developing recommendations to improve efficiency and reduce costs. This report presents the recommendations (**R.1 – R.12**) and conclusions (**C.1 – C.10**) resulting from the performance audit assessments.

A. Staffing

Central Administrators

R.1 MCSD should eliminate 2 to 5 full time equivalent (FTE) central administrator positions to bring staffing levels more in line with the peer averages.

The central administrator category includes higher level administrative positions such as the superintendent, assistant superintendents, coordinators, directors, and other administrative staff. Central administrators direct and manage the educational and operational aspects of the District in accordance with Board policies. **Table 1** compares the District's FY 2007-08 central administration staffing levels per 1,000 students to the peers.

¹ Peers: Barberton City School District (Summit Co.), Elyria City School District (Lorain Co.), Euclid City School District (Cuyahoga Co.), Garfield Heights City School District (Cuyahoga Co.), Groveport Madison Local School District (Franklin Co.), Hamilton City School District (Butler Co.), Lima City School District (Allen Co.), Mansfield City School District (Richland Co.), Maple Heights City School District (Cuyahoga Co.), Marion City School District (Marion), Massillon City School District (Stark Co.), Newark City School District (Licking Co.), Norwood City School District (Hamilton Co.), Painesville City Local School District (Lake Co.), Sandusky City School District (Erie Co.), South-Western City School District (Franklin Co.), Springfield City School District (Clark Co.), Warren City School District (Trumbull Co.), Washington City School District (Lucas Co.), and Whitehall City School District (Franklin Co.).

Table 1: Central Administrators per 1,000 Students

	MCS D ¹	Peer Average	Difference from Peer Average
Central Administrators (FTE)	20.0	16.1	3.9
Students Educated (FTE) ²	5,951.9	5,814.0	137.9
Staff per 1,000 Students	3.4	3.0	0.4
Total FTE Central Administrator Adjustment Needed to Equal Peer Average			(2.4)

Source: FY 2007-08 staffing data reported by MCS D as of April 2008, and peer FY 2007-08 staffing data as reported to ODE.

Note: Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through the Education Management Information System (EMIS).

² Students Educated equals FTE students receiving educational services from the District and excludes the percent of time students are receiving educational services outside the District.

As illustrated in **Table 1**, MCS D reported 20 FTE central administrators or 3.4 FTEs per 1,000 students, which is slightly higher than the peer average of 3.0 FTEs per 1,000 students. A reduction of 2.0 FTE central administrators would make the District more comparable to the peer average on a per student basis. For an additional perspective, AOS compared the ratio of employees to central administrators in **Table 2**.

Table 2: Central Administrators per District Employee

	MCS D ¹	Peer Average	Difference from Peer Average
Central Administrators (FTE)	20.0	16.1	3.9
All Other District Employees (FTE)	675.7	719.9	(44.2)
Employees per Central Administrator	33.8	44.7	(10.9)
Total FTE Central Administrator Adjustment Needed to Equal Peer Average			(4.9)

Source: FY 2007-08 staffing data reported by MCS D as of April 2008, and peer FY 2007-08 staffing data as reported to ODE.

Note: Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through EMIS.

Table 2 shows the District’s ratio of 33.8 employees per central administrator is below the peer average of 44.7. Based on this comparison, the District could reduce 5.0 central administrator FTEs, which would bring its ratio of employees to administrators in line with the peer average. Since some central administrators are funded through grants, MCS D should seek to reduce only positions paid from the General Fund. Additionally, it was observed that the District employs a Business Manager, Transportation Supervisor, and Assistant Transportation Supervisor. All three of these individuals have some responsibility for overseeing the transportation operation. Since the District has a Business Manager, the presence of two transportation supervisory positions may not be necessary.

Financial Implication: By eliminating as many as 5 FTE central administration positions, the District could save up to \$297,000 in salaries and benefits.

Building Administrators

R.2 MCSD should eliminate 1 FTE building administrator position to bring staffing levels more in line with the peer average.

MCSD reports 20.0 FTE building administrators, including principals and assistant principals. Principals oversee school building operations, hire and evaluate personnel, and provide educational direction to building staff. **Table 3** shows building administration staffing levels per 1,000 students in comparison to the peers.

Table 3: Building Administrators per 1,000 Students

	MCSD ¹	Peer Average	Difference from Peer Average
Building Administrators (FTE)	20.0	17.9	2.1
Students Educated (FTE) ²	5,951.9	5,814.0	137.9
Staff per 1,000 Students	3.4	3.2	0.2
Total FTE Building Administrator Adjustment Needed to Equal Peer Average			(1.1)

Source: FY 2007-08 staffing data reported by MCSD as of April 2008, and peer FY 2007-08 staffing data as reported to ODE.

Note: Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through EMIS.

² Students Educated equals FTE students receiving educational services from the District and excludes percent of time students are receiving educational services outside the District.

Table 3 shows the District reported 3.4 FTE building administrator positions per 1,000 students, which is slightly higher than the peer average of 3.2 FTEs per 1,000 students. A reduction of 1.0 FTE building administration position would bring the number of District staff more in line with the peer average on a per student basis.

Financial Implication: By eliminating 1 FTE building administration position, the District could save \$86,000 in salaries and benefits.

Classroom Teachers

R.3 MCSD should consider eliminating 11 to 15 FTE classroom teacher positions to bring staffing levels more in line with the peer average and reduce salary and benefit costs to help avoid future deficits.

The District provides instructional services to its students with 281.3 FTE regular teachers, 30.5 FTE education service personnel (ESP) teachers, and 60.0 FTE special

education teachers, for a total teaching staff of 371.8 FTEs. Unlike the peers, MCSD does not report staff in vocational or permanent substitute teacher positions. **Table 4** illustrates classroom teacher staffing levels per 1,000 students for the District in comparison to the peers. In this analysis, the number of students educated includes only those students who are actually educated in the District.

Table 4: Classroom Teacher Staffing Analysis

	MCSD ¹	Peer Average	Difference from Peer Average
Regular Teachers (FTE)	281.3	254.7	26.6
Vocational Teachers (FTE)	-	13.1	(13.1)
ESP Teachers (FTE) ³	30.5	29.4	1.1
Permanent Substitute Teachers (FTE)	-	0.6	(0.6)
Special Education Teachers (FTE)	60.0	48.9	11.1
Total FTE Classroom Teachers	371.8	346.6	25.2
Students Educated (FTE)	5,951.9	5,814.0	137.9
Regular Teachers per 1,000 Students	47.3	44.4	2.9
Vocational Teachers per 1,000 Students	-	2.3	(2.3)
ESP Teachers per 1,000 Students ³	5.1	5.3	(0.2)
Permanent Substitute Teachers per 1,000 Students	-	0.1	(0.1)
Special Education Teachers per 1,000 Students	10.1	8.5	1.6
Total Classroom Teachers per 1,000 Students	62.5	60.6	1.9
Total FTE Classroom Teacher Adjustment Needed to Equal Peer Average			11.1

Source: FY 2007-08 staffing data reported by MCSD as of April 2008, and peer FY 2007-08 staffing data as reported to ODE.

Note: Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through EMIS.

As shown in **Table 4**, the District employs 62.5 FTE classroom teachers per 1,000 students compared to the peer average of 60.6 FTEs per 1,000 students. The difference of 1.9 FTEs per 1,000 students translates to a reduction of 11.1 FTE classroom teacher positions, which would bring the District in line with the peer average.

An additional analysis was conducted to evaluate staffing levels of only regular classroom teachers. **Table 5** compares the ratio of regular students to regular teachers in MCSD and the peers. Additionally, **Table 5** compares the District’s regular teacher staffing levels to the state minimum staffing requirement of 1 regular teacher for every 25 regular students as defined by OAC § 3301-35-05(A)(3).

Table 5: Regular Student-to-Regular Teacher Ratios

	MCS D ¹	Peer Average	Difference from Peer Average
Comparison to Peers			FTE Teachers
Regular Teachers (FTE)	281.3	254.7	26.6
Regular Student Population ²	4,740.1	4,586.7	153.4
Regular Student-to-Teacher Ratio	16.9	17.8	(0.9)
Total FTE Regular Teacher Adjustment Needed to Equal Peer Average			15.0
Comparison to State Minimum Requirements			FTE Teachers
Regular Teachers Employed			281.3
State Minimum Required Regular Teachers ³			189.6
Regular Teachers Above State Minimum Requirement			91.7

Source: FY 2007-08 staffing data reported by MCS D as of April 2008, and peer FY 2007-08 staffing data as reported to ODE.

Note: Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through EMIS.

² Regular Student Population as defined by Ohio Revised Code § 3317.023(A)(4).

³ Regular teacher state minimum requirements as defined by Ohio Administrative Code § 3301-35-05(A)(3).

Based on the analysis shown in **Table 5**, the District educates 16.9 regular students per regular teacher compared to the peer average of 17.8. To raise the student to teacher ratio to the peer average, MCS D would need to eliminate about 15.0 regular teaching positions. **Table 5** also shows that MCS D operates with about 91.7 more regular teachers than the State minimum requirement.

Financial Implication: By eliminating as many as 15 FTE classroom teacher positions, the District could save up to \$591,000 in salaries and benefits.

Instructional Support

C.1 MCS D employs 3.9 FTE instructional support staff per 1,000 students, 5.0 FTE fewer than the peer average of 8.9 FTE. The instructional support staff category consists of certificated staff that provides additional instructional support aimed at correcting or improving specific student deficiencies in a one-on-one or small group environment.

Educational Service Personnel

C.2 MCS D operates with an identical number of educational service personnel (ESP) per 1,000 students (8.9) as the peer average. The ESP comparison includes ESP teachers (K-8 art, music, or physical education teaching assignments), counselors, library/media specialists, school nurses, visiting teachers, and social workers. Districts are required by Ohio Revised Code (ORC) § 3317.023 to employ a minimum of 5 FTE educational service personnel for each 1,000 students in the

regular student population. The District also operates with 29.6 FTE ESP above the State minimum requirement. Therefore, if faced with financial hardship, it could make reductions in these positions while remaining compliant with State minimum staffing requirements.

Special Education Teachers

- C.3 MCSD operates with 86.0 FTE special education teaching positions, or 1.2 FTE above the staffing guidelines defined in OAC § 3301-51-09. The staffing requirements are based on the specific disabilities of the District's special education student population in FY 2007-08. The peers report an average of 71.3 FTE special education teaching positions, or 8.1 FTEs above the OAC guidelines, based on the specific disabilities of their students. Furthermore, the District reports a special education student-to-special education teacher ratio of 13.3 to 1, which is higher than the peer average of 12.8 to 1.**

Teacher Support

- R.4 MCSD should consider eliminating 4 FTE teacher support positions to bring its staffing level more in line with the peer average. A reduction in teaching aides and/or instructional paraprofessionals would allow the District to reduce salary and benefit costs while maintaining a staffing level comparable to the peers.**

The District reports 2.0 FTE teaching aides and 60.3 FTE instructional paraprofessionals. According to the Educational Management Information System (EMIS) guidelines, the teaching aide assignment should include personnel that assist teachers with routine activities associated with teaching, such as monitoring, conducting rote exercises, operating equipment, and clerking. The instructional paraprofessional assignment should consist of staff that provides instructional assistance such as one-on-one tutoring, classroom management, instructional assistance in a computer laboratory, instructional support in a library or media center, or instructional support services under the direct supervision of a teacher.

Table 6 compares the District's teacher support staffing levels to the peers. To mitigate reporting differences (districts may code personnel that perform the same duties in either position), the teaching aide and instructional paraprofessional positions have been combined in this analysis.

Table 6: Teacher Support Staffing Comparison

	MCS D ¹	Peer Average	Difference from Peers
Teaching Aides (FTE)	2.0	30.1	(28.1)
Instructional Paraprofessional (FTE)	60.3	26.0	34.3
Total FTE Teacher Support Staff	62.3	56.1	6.2
Students Educated (FTE) ²	5,951.9	5,814.0	137.9
Teaching Aides per 1,000 Students	0.3	4.8	(4.5)
Instructional Paraprofessional Staff per 1,000 Students	10.1	5.0	5.1
Total Teacher Support Staff per 1,000 Students	10.4	9.8	0.6
Total FTE Teacher Support Staff Adjustment Needed to Equal Peer Average			3.6

Source: FY 2007-08 staffing data reported by MCS D as of April 2008, and peer average FY 2007-08 staffing data as reported to ODE. **Note:** Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through EMIS.

² Students Educated equals FTE students receiving educational services from the District and excludes percent of time students are receiving educational services outside the District.

As illustrated in **Table 6**, on a per 1,000 student basis, MCS D has 4.5 fewer teaching aides and 5.1 more instructional paraprofessionals than the peer average, for a net of 0.6 more FTEs per 1,000 students. At MCS D, the instructional paraprofessional positions are comprised of teacher attendants and teaching aides that work specifically with emotionally disturbed students. However, the peer districts may use their paraprofessional staff to serve regular students as well as those with special needs therefore, staffing levels were assessed based on the total number of students educated. A reduction of 3 to 4 FTE instructional paraprofessional positions would bring the District’s total teaching support staffing level more in line with the peer average.

Financial Implication: By eliminating 4.0 FTE instructional paraprofessional positions, the District could save approximately \$70,000 in salaries and benefits.

Office/Clerical Staff

C.4 MCS D employs fewer FTE office/clerical staff per 1,000 students when compared to the peer average. The District reports 38.8 FTE clerical staff, 2.0 FTE administrative assistants/interns, and 5.0 FTEs in the all other office staff category, for a total of 45.8 FTEs, or 7.7 FTEs per 1,000 students. In comparison, the peers reported an average of 48.2 FTEs or 8.4 FTEs per 1,000 students. Additionally, MCS D reports an employee-to-office/clerical staff ratio that is identical to the peer average.

Library Staff

R.5 MCSD should consider eliminating 1 FTE library aide position. A reduction of 1 FTE position would bring the District’s library staff more in line with the peer average.

Table 7 compares MCSD’s librarian and library aides, technicians, and audio-visual staffing levels to the peers.

Table 7: Library Staffing Comparison

	MCSD ¹	Peer Average	Difference from Peers
Librarians (FTE)	2.0	3.4	(1.4)
Library Aides, Technicians, and Audio-visual Staff (FTE)	10.5	6.7	3.8
Total FTE Library Staff	12.5	10.1	2.4
Students Educated (FTE) ²	5,951.9	5,814.0	137.9
Librarians per 1,000 Students	0.3	0.7	(0.4)
Library Aides, Technicians, and Audio-visual Staff per 1,000 Students	1.8	1.2	0.6
Library Staff per 1,000 Students	2.1	1.9	0.2
Total FTE Library Staff Adjustment Needed to Equal Peer Average			1.4

Source: FY 2007-08 staffing data reported by MCSD as of April 2008, and peer FY 2007-08 staffing data as reported to ODE. Peer data was not tested for reliability.

Note: Numbers may vary due to rounding.

¹ FTE employees have been updated and therefore may not match numbers reported to ODE through EMIS.

² Students Educated equals FTE students receiving educational services from the District and excludes percent of time students are receiving educational services outside the District.

Table 7 shows that MCSD maintains a staffing level of 10.5 FTE library aides, technicians, and audio-visual staff or 1.8 per 1,000 students. The District’s total library staffing level is 0.2 FTEs per 1,000 students higher than the peer average. Therefore, a reduction of 1 FTE library aide position would bring overall library staffing more in line with the peers.

Financial Implication: By eliminating 1 FTE library aide position, MCSD could save approximately \$17,000 in salaries and benefits.

Custodial/Maintenance Staff

R.6 Based on square footage benchmarks, MCSD may wish to consider increasing its custodial staff by up to 7 FTE positions and its maintenance staffing by up to 5 FTE positions. However, any additions to staffing should be based upon the condition of the buildings and the current staff’s ability to maintain MCSD’s new facilities. If

needed, the District should work towards increasing custodial and maintenance staffing to ensure its buildings are cleaned and maintained effectively.

The District employs a total of 44 FTE custodial and maintenance employees in the Building and Grounds Division. It employs 32 custodial positions, which include a custodial supervisor; 8 maintenance staff, including a coordinator with responsibilities comparable to a maintenance supervisor and a heating ventilation and air conditioning (HVAC) custodian position; 3 Utility Crew positions; and 1 Stadium Custodian groundskeeper position. The Building and Grounds Division also has 1 support staff person who spends about 20 percent of their time in the Transportation Department. A Business Manager oversees both transportation and facilities operations and reports to the Superintendent.

Table 8 shows MCSD’s custodial, maintenance, and grounds staffing compared to industry benchmarks.

Table 8: FY 2008-09 Key Statistics and Indicators

Number of School Buildings	11
Elementary Schools	8
Middle School	2
High School	1
Total Square Footage Cleaned	1,107,176
Elementary Schools	472,602
Middle School	296,468
High School	287,881
Other	50,225
MCSD Square Footage per FTE Custodian	34,067
NCES Square Footage per FTE Custodian ¹	28,000
Total Square Footage Maintained	1,123,771
MCSD Square Footage per Maintenance FTE (FTE)	160,539
AS&U Five Year Average National Median Square Footage per Maintenance FTE ²	92,000
Total Acres Maintained	100
MCSD Acres per Groundskeeper FTE ²	40.2
AS&U Five Year Average National Median Acres per Grounds Staff FTE	40

Source: MCSD, American Schools and University (AS&U) and National Center for Educational Statistics (NCES)

¹ The *Planning Guide for Maintaining School Facilities* (NCES, 2003) cleaning standard (the normal standard for most school facilities) is 28,000 to 31,000 square feet per FTE custodian.

² Five Year Average is from the annual reports published by AS&U from school year 2002-03 to 2006-07

The number of square feet cleaned per custodian surpasses the NCES benchmark of 28,000 square feet per custodian. MCSD has approximately seven fewer custodians than suggested by the benchmark. The number of square feet maintained per maintenance worker also surpasses the AS&U benchmark of 92,000 square feet per FTE worker. MCSD has between 5 and 6 fewer maintenance workers than suggested by this benchmark. MCSD groundskeeping staff is in line with the AS&U benchmark. The Building and Grounds Division supervisors have indicated that understaffing for custodians and maintenance staff has negatively impacted maintenance and cleanliness of buildings.

Financial Implication: If the District hires 7 custodians and 5 maintenance employees, the cost in salaries and benefits would be approximately \$453,000.

B. Transportation Efficiency

- R.7 MCSD should reduce its regular education bus routes by 1 to help it meet the targeted number of students per bus. Along with reducing an active bus, the District can improve routing efficiency by increasing the use of cluster stops, more effectively using routing software to manage routes, and monitoring ridership throughout the year.**

MCSD's Transportation Department has a supervisor, an assistant supervisor, and a secretary. The Transportation Supervisor reports to the Business Manager. The District currently employs 39 drivers and 1 substitute driver. It has 39 active buses in service, including 34 regular buses and 5 special education buses. 91 percent of the regular bus drivers run at least two routes, and 53 percent run three routes. Drivers also can be assigned mid-day routes on which they transport either kindergarten or pre-school students who are on different bell schedules, or students who, for various reasons, cannot complete a full day of school. Although the District mainstreams some special education riders on regular bus routes, the majority are transported on special education buses.

Based on the number of regular riders reported by MCSD, the District is transporting about 114.0 students per bus. MCSD could accommodate 117.1 riders per bus based on buses operating at 80 percent of capacity and the average number of tiers run by the buses. In order to meet the efficiency target, the District would have to eliminate one active bus.

Additionally, the District uses staggered bell schedules, so a regular bus route at MCSD could encompass three tiers: a high school route, a middle school route and an elementary route. A particular bus may run more than three routes if it runs a mid-day route or a route for non-public and/or community school students.

MCSD does not monitor routes or ridership throughout the year, but adjusts routes if buses become overcrowded. The District has taken proactive steps to improve the efficiency of its transportation operations, but has not developed procedures for actively monitoring ridership throughout the year. During the course of the audit, the District purchased routing software which should help it monitor ridership on a routine basis.

Financial Implication: By eliminating one active bus from the fleet and reducing staffing by one regular bus driver, the District would save approximately \$48,000 per year. This figure includes \$36,000 in annual salary and benefit costs per driver, as well as \$12,000 in bus-related costs such as maintenance and repairs, fuel, and insurance.

C. Salaries

Years of service, negotiated wage increases, step increases, and in some cases, the education level attained, all directly impact District salary costs. **Table 9** illustrates the District’s FY 2007-08 salary cost per student in comparison to the peer average.

Table 9: Salary Cost per Student

Classification	MCSD Salaries per Student	Peer Average Salaries per Student	Percent Difference
Students Educated (FTE) ¹	5,951.9	5,814.0	N/A
Administrators ²	\$547	\$478	14.4%
Classroom Teachers	\$2,889	\$2,774	4.1%
Instructional Support	\$231	\$397	(41.8%)
Educational Support Personnel (ESP)	\$503	\$496	1.4%
Special Education Teachers	\$724	\$631	14.7%
Teacher Support	\$184	\$171	7.6%
Office/Clerical	\$253	\$262	(3.4%)
Library Aides	\$36	\$29	24.1%
Bus Drivers	\$140	\$86	62.8%
Custodial Staff	\$176	\$220	(20.0%)
Maintenance Staff	\$42	\$52	(19.2%)
Total Salaries per Student	\$5,797	\$5,752	0.8%

Source: MCSD and peer FY 2007-08 EMIS reports.

Note 1: Numbers may vary due to rounding. Not all EMIS personnel categories are shown.

Note 2: Comparing salaries on a per student basis sometimes identifies categories where there may be fewer staff but higher than average salaries as compared to the peers.

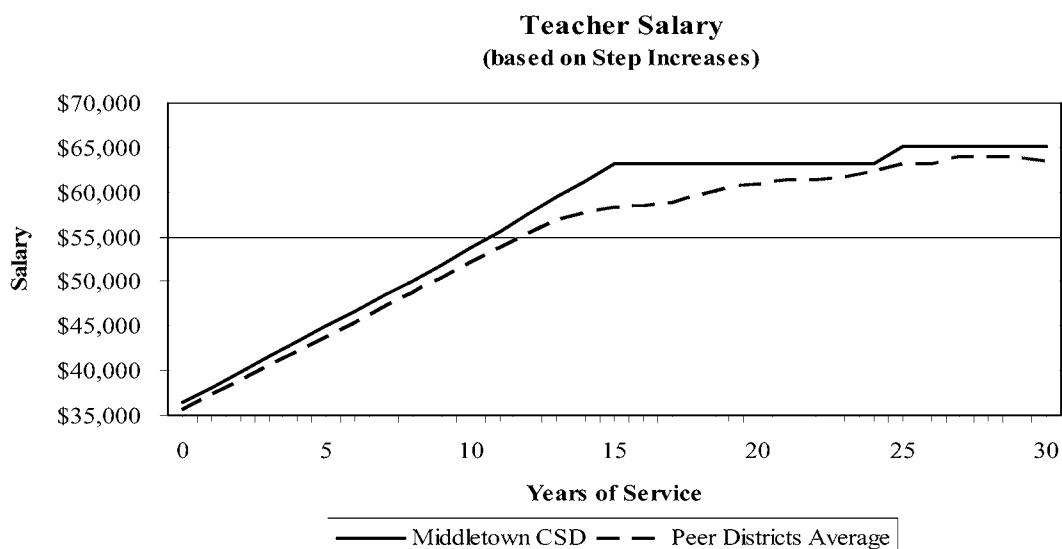
¹ Students Educated equals FTE students receiving educational services from the District and excludes the percent of time students are receiving educational services outside the District.

² Administrators include central and building administrators.

- C.5** MCSD reported salaries per student below the peer average in all categories, with the exception of administrator (see R.1 and R.2), classroom teacher (see R.3 and R.6), special education teacher (see R.6), teacher support (see R.4), library aide (see R.5), and bus driver (see R.6) categories.
- C.6** MCSD pays the employee share of retirement contributions for only the Superintendent and Treasurer, which meets recommended practices.
- R.8** MCSD should attempt to negotiate adjustments to its salary schedules for teachers and bus drivers to better reflect the average increases of peers².

The results in **Table 9** initiated a comparison of applicable salary schedules in the District’s negotiated agreements with those of the peers². Most salary schedules are not comparable due to variances in job duties in particular positions and the range at which districts choose to start new employees on the salary step. However, because there is a higher level of consistency among teacher salary schedules and bus driver wage schedules, these schedules were compared. **Chart 1** compares MCSD’s salary schedule for teachers with a master’s degree to the peer average.

Chart 1: Teacher Salary Comparison (Master’s Degree)



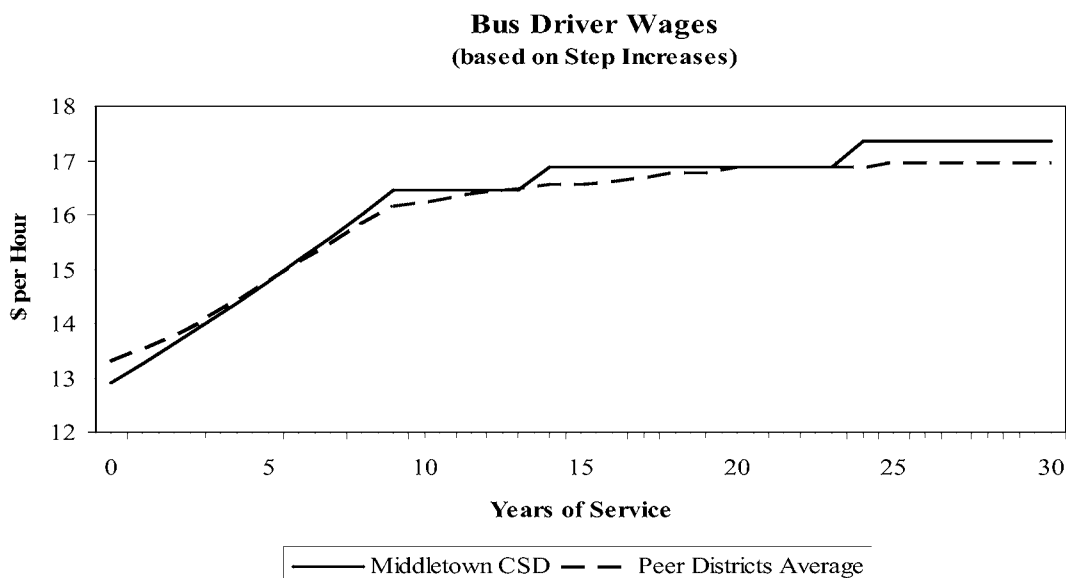
Source: MCSD and peer FY 2006-07 negotiated agreements.

² Peers: Hamilton City School District (Butler Co.), Lima City School District (Allen Co.), Newark City School District (Licking Co.), Norwood City School District (Hamilton Co.), and Springfield City School District (Clark Co.).

The District’s beginning salary for a teacher with a master’s degree is \$36,431 or 2.1 percent higher than the peer average salary. As shown in **Chart 1**, teacher salaries continue to rise at an average rate that is higher than the peer average. After 13 years of service the peer average step increases begin to level off; however, MCSD’s teachers continue receiving step increases. As a result, after 15 years of service, the District’s teacher salary is 8.5 percent higher than the peer average. MCSD teachers do not get another step increase for 10 years. Even though the peer average salary continues to increase slightly, the District’s teacher salary remains 2.7 percent above the peer average after 30 years of service.

Chart 2 compares MCSD’s wage schedule for bus drivers to the peer average.

Chart 2: Bus Driver Wage Schedule Comparison



Source: MCSD and peer FY 2006-07 negotiated agreements.

District bus driver wages start at \$12.91 per hour, which is 3.1 percent below the peer average of \$13.31 per hour. **Chart 2** shows that, after 5 years of service, MCSD bus driver wages rise over 14 percent and become more comparable to the peer average at around \$14.78 per hour. Then, however, the step increases cause its wages to surpass the peer average. The District’s bus driver wages gradually fall back in line with the peer average after 14 and 23 years of service. Providing a final step increase after 24 years of service causes bus driver wages to increase and remain above the peer average for the remainder of the schedule.

By renegotiating step increases, the District may be able to establish schedules that are more comparable with the peers. Because of the difficulty in adjusting present employee salaries, the District should consider implementing this recommendation only for new employees. The cost savings generated by this recommendation would be dependent on negotiated adjustments made to the step schedule and the number of people impacted.

D. Benefits

MCSD provides medical and dental benefits to eligible employees through the Butler Health Plan (BHP), and vision insurance through the Vision Service Plan (VSP). BHP is a self-funded plan for the exclusive benefit of participating Butler County school districts. The plan is designed to assist its participants in achieving lower healthcare costs by combining risk factors and obtaining a group rating. BHP offers three Preferred Provider Organization (PPO) medical plan options: BHP Classic, BHP Choice, and BHP Basic, which vary in cost. To ensure that MCSD has achieved cost effective premium and contribution rates, the insurance plans have been compared to the 16th *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employee Relations Board, 2007). The report provides average premiums and contribution rates by school district student population and regions of the State.

Health Insurance

C.7 MCSD's three health insurance plans have below average premiums rates when compared to the SERB average for school districts of similar size and for the region.

R.9 MCSD should attempt to negotiate an increase in the employee contribution toward health insurance premiums to at least 10 percent for both certificated and classified employees opting for single plan coverage. By negotiating a 10 percent employee contribution for single insurance coverage, the employee contributions for all District insurance plans (single, single plus one, and family) would be more consistent with State-wide averages and would more equitably distribute employee cost sharing among employees.

During the course of the audit, the District successfully negotiated a 10 percent employee contribution for certificated and classified employees with single coverage effective July 1, 2008.

The District's certificated and classified employees pay at least 10 percent of the premium cost for family and single plus one plans, but pay only 5 percent for single plan coverage. According to SERB, the employee portion of the premium cost for single medical coverage in school districts with 2,500 to 9,999 students averages 10.4 percent.

Table 10 shows the costs associated with employees paying 5 percent of the premium for single plan health insurance.

Table 10: Cost of Paying 95 Percent of Single Plan Health Insurance Premiums

	BHP Classic	BHP Choice	BHP Basic
Monthly Premium	\$423	\$359	\$283
Employees Enrolled	178	56	4
Total Health Insurance Cost	\$75,294	\$20,104	\$1,132
District Contribution	\$71,529	\$19,099	\$1,075
Total Monthly District Cost			\$91,704

Source: District FY 2007-08 healthcare cost and enrollment information.

As illustrated in **Table 10**, based on FY 2007-08 premium rates and the 238 employees enrolled in single plan coverage at the time this analysis was completed, the total cost to the District is \$91,704 per month or about \$1,100,000 per year.

Table 11 shows the cost to the District assuming a 10 percent employee share is negotiated.

Table 11: Cost of Paying 90 Percent of Single Plan Health Insurance Premiums

	BHP Classic	BHP Choice	BHP Basic
Monthly Premium	\$423	\$359	\$283
Employees Enrolled	178	56	4
Total Health Insurance Cost	\$75,294	\$20,104	\$1,132
District Contribution	\$67,765	\$18,094	\$1,019
Total Monthly District Cost			\$86,877

Source: District FY 2007-08 healthcare cost and enrollment information.

Table 11 illustrates that by increasing employee contribution rates for single plan coverage to a level comparable to the SERB average and its other plan options, the District would reduce its monthly health insurance cost to \$86,877 per month, or about \$1,040,000 per year.

Financial Implication: By increasing the premium contribution for single employees to 10 percent, which is more consistent with the SERB average for school districts with 2,500 to 9,999 students, the District could decrease its portion of the health insurance costs by approximately \$60,000 annually. However, the General Fund would only experience a total savings of about \$46,000 because about 21 percent of its employees are paid from other funding sources.

Dental Insurance

R.10 MCSD should seek to decrease its dental insurance premiums for family coverage for both certificated and classified employees so that the premiums are more in line with the SERB average for school districts with 2,500 to 9,999 students. The District should work with its consortium to determine why costs are high and how to modify its insurance plan to decrease dental premiums for family coverage or find a different provider.

Although the District purchases dental insurance through BHP, its premium for family coverage is high in comparison to the various benchmarks. However, the dental premium for single coverage is consistent with benchmarks. **Table 12** compares MCSD’s FY 2007-08 dental insurance premiums for family coverage to various SERB averages.

Table 12: Analysis of Dental Insurance Premiums for Family Coverage

	Family Premiums	Number of Employees	Total Monthly Cost	Annual Cost to General Fund ¹
MCSD	\$94.00	309	\$29,046.00	\$276,924.56
SERB Similar Size Districts	\$89.25	309	\$27,578.25	\$262,931.03
SERB Cincinnati Region	\$77.93	309	\$24,080.37	\$229,582.24
Similar Size School Districts Potential Annual Savings				\$13,993.53
Cincinnati Region Potential Annual Savings				\$47,342.32

Source: MCSD dental insurance cost information and SERB 2007 Healthcare Report.

Note: SERB 2007 Healthcare Report premiums were increased by 9.9 percent to reflect projected 2008 costs.

¹ Amounts assume 79.2 percent of employees are paid from the General Fund.

As shown in **Table 12**, by reducing the family dental insurance premium, the District could achieve estimated savings to the General Fund of \$14,000 to \$47,000 annually. In addition, District employees would benefit by paying a percentage of a lower overall premium amount.

Financial Implication: By lowering the family dental insurance premium to the SERB average for the Cincinnati Region³, it could attain General Fund savings of about \$47,000 annually.

Vision Insurance

C.8 MCSD’s vision insurance premiums of \$18.08 for family coverage and \$7.13 for single coverage are below the SERB averages. The District’s premium contribution percentage is below the SERB averages as well. Because MCSD has negotiated a flat

³ SERB include the following Counties in the Cincinnati Region: Adams County, Brown County, Butler County, Clermont County, Clinton County, Hamilton County, Highland County, and Warren County.

payment toward both family and single coverage premiums, the District’s contribution as a percent of costs will decrease as insurance costs increase. Establishing a fixed contribution has enabled the District to set a ceiling on the costs for its portion of vision insurance premiums.

Sick Leave

R.11 MCSD should strive to reduce sick leave use by developing a strong District-wide policy on sick leave abuse. Although the District tracks employee leave expenditures, it should also regularly monitor employee leave use to identify potential patterns of abuse. Additionally, MCSD should consider developing a sick leave incentive program to aid in the prevention of sick leave abuse. Once offered, the District should conduct a cost-benefit analysis to track the program’s effectiveness in reducing costs associated with sick leave abuse.

The District’s sick leave policy provides its employees with an accrual rate of 1.25 days per month for a total of 15 days of sick leave per year. Although the policy lists appropriate instances for the use of sick leave, it does not include essential elements aimed at documenting, monitoring, and reducing the potential for sick leave abuse. **Table 13** compares MCSD sick leave usage per employee to the State average.

Table 13: Sick Leave Use Comparison

	Total Leave Days Used	Number of Employees	Leave Days per Employee	State Average Leave Days Per Employee	Leave Days Above State Average
Certificated	4,284.5	535.0	8.0	6.8	1.2
Classified	2,182.5	230.0	9.5	6.8	2.7

Source: Middletown CSD FY 2006-07 sick leave usage report and Ohio Department of Administrative Services.

As shown in **Table 13**, the District’s certificated and classified employees used 1.2 and 2.7 more days of sick leave respectively than the State average in FY 2006-07. Neither the certificated nor classified negotiated agreements include elements to limit sick leave use or reduce the potential for abuse.

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

- Employers should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define

what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.

- Document employees' absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism among specific individual employees or whether absenteeism is a chronic problem throughout the organization.
- Hold supervisors accountable for good attendance. Managers should be aware of each employee's attendance patterns and be instructed to look for performance problems. Supervisors should document chronic absenteeism, and speak privately with repeatedly absent employees as soon as possible after their absence, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.
- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.

Furthermore, IPMA suggests that to develop an effective incentive program, a district should examine policies and management styles, and develop ideas for averting and prohibiting abuse.

MCSDD could examine absentee history and available data to better identify and manage problem areas. In addition, by diagnosing and applying strategies to change the organizational climate, the District may eliminate those factors contributing to higher rates of sick leave usage. If sick leave use for certificated and classified employees was in line with the State average in FY 2006-07, the District could have avoided \$164,000 in additional costs associated with sick leave. However, due to the nature of sick leave, the District could implement all the recommended practices and still have higher than average sick leave use.

E. Collective Bargaining Agreements

Two District employee groups, certificated and classified personnel, are covered under collective bargaining agreements:

- **Middletown Teachers Association Agreement:** Membership in this collective bargaining unit includes all teachers and other professional certificated personnel. This contract is in effect from July 1, 2007 through June 30, 2010.

- **Middletown Classified Employees Association/OEA/NEA Agreement:** Membership in this collective bargaining unit includes all non-certificated school support personnel such as maintenance workers, custodial staff, clerical staff, bus drivers, and paraprofessionals. This contract is in effect from July 1, 2008 through June 30, 2011.

As part of the performance audit, certain contractual and employment issues were assessed and compared to the five peers⁴ in closest geographical proximity, and to applicable Ohio laws. Areas of analysis included common contractual provisions as shown below that may restrict management or increase employer liability.

C9. The following areas of the certificated collective bargaining agreement were found to be consistent with leading practices and with other area school districts:

- **School Year/Instructional Time:** The number of days schools are open for instruction is in compliance with the Ohio Revised Code (ORC) requirements.
- **Planning and Lunch Periods:** Sufficient time is provided for designing work, evaluating student progress, conferencing, and team planning as required by the OAC. Teachers are provided a “duty free” lunch period as prescribed in the ORC.
- **Reduction in Force:** The District is permitted to reduce staff for financial reasons.
- **Professional Development/Sabbatical Leave:** The certificated agreement provides for sabbatical leave in accordance with ORC provisions. (see **R.12**)
- **Personal Leave:** Leave is provided in accordance with the ORC and is comparable to the peer average.
- **Maximum Sick Leave Accrual:** The certificated and classified agreements provide for a maximum sick leave accrual of 230 and 220 days respectively. These maximums are below the peer averages of 260 days for certificated and 236 days for classified agreements.
- **Maximum Sick Leave Payout:** The certificated agreement provides sick leave payout upon retirement in compliance with the ORC. The maximum sick leave payout is 2.0 days above the peer average. However, due to minimal financial liability to the District, it did not merit further investigation.

⁴ The five peers used for comparison purposes in the negotiated agreement analysis include Hamilton City School District (Butler Co.), Lima City School District (Allen Co.), Newark City School District (Licking Co.), Norwood City School District (Hamilton Co.), and Springfield City School District (Clark Co.).

C10. The following areas of the classified collective bargaining agreement were found to be consistent with leading practices and with other area school districts:

- **Workweek:** The standard workweek is 40 hours in accordance with the ORC.
- **Minimum Call-In Hours:** Call-in pay is set at two hours at the applicable rate.
- **Holidays:** Holidays are in line with the five geographically closest peers.
- **Vacation Accrual:** Accrual is in line with the five geographically closest peers.
- **Personal Leave:** Leave is consistent with provisions in the ORC.

F. 1999 Performance Audit Follow-up

R.12 MCSD should consider implementing the additional recommendations from the 1999 Performance Audit that have not been fully implemented or addressed in this section. These recommendations, while not key to the District's Human Resources function, could have a beneficial effect on overall operations.

Some operational items reviewed in the 1999 Performance Audit remain applicable to MCSD. While some of the following areas were not reviewed in depth in this performance audit, the recommendations were determined to be relevant and, if implemented, could result in improvements or enhanced HR management efficiency and effectiveness (see **Appendix A-1** for further information concerning the status of the 1999 performance recommendations).

- **1999 R3.3 EMIS Accuracy:** The HR Department and EMIS Coordinator should take ownership for EMIS data and staff demographic information to determine accuracy and completeness prior to submission to ODE and should also conduct periodic reviews and updates of District information.
- **1999 R3.6 Professional Leave:** The District should review the number of days of professional leave approved and weigh benefits and results of training programs. Professional leave days should be linked to certification requirements through the local professional development committee (LPDC) and additional monitoring implemented to address weaknesses associated with use of professional leave days.
- **1999 R3.8 Substitute Strategies:** To reduce the shortage of substitute teachers, the District should limit the number of teachers granted professional leave for any

given day/school/building and limit professional leave to training related to instruction improvement. The District should also increase the use of ODE approved paraprofessionals, propose a substitute teacher compensation increase, and establish a “guaranteed” substitute teacher pool.

- **1999 R3.14 Risk Coordinator:** To effectively control workers' compensation costs, accident prevention should be the highest priority. Consequently, the District should consider re-assigning existing staff or hiring a full-time employee to serve as risk coordinator to function in an oversight capacity for the effective administration of the District's workers' compensation. Because the District utilizes a risk management firm to perform this function, it should perform a cost comparison of implementing a risk coordinator position to ensure the District is performing these function with minimal financial burden to the District.
- **1999 R3.15 Monitor Employee Health and Safety:** The District should monitor employee health and safety as a tool for claim prevention. This type of analysis reveals patterns in types and causes of injuries and allows corrective action to be taken.
- **1999 R3.17 Safety Incentive Program:** The District could benefit from implementing a safety incentive program to encourage greater levels of awareness. Successful safety programs have issued benchmarked analyses of safety performance on a quarterly basis.
- **1999 R3.20 Tuition Reimbursement:** The District supports and encourages staff development through a tuition reimbursement program. The personnel office and LPDC should work closely to ensure the college credit courses are linked with the certificate/license renewal process administered by the LPDC.
- **1999 R3.23 Sabbatical Leave:** The District should consider restricting teachers on sabbatical leave from receiving compensation.
- **1999 R3.32 Staff Development Training Budget:** The District should initiate staff development training budget for classified employees and consider requiring employees whose evaluations indicate significant areas of weakness to enroll in courses to improve their skills and enhance overall employee performance.
- **1999 R3.33 Grievance Filing:** In order to resolve grievance issues in a timely manner, the District should consider requiring all grievances to be filed within five or ten days of the act or condition which is the basis of the grievance.

- **1999 R3.34 Job Descriptions:** Job descriptions for all District personnel should be reviewed and updated as needed either internally or by a professional management consulting firm. Additionally, the job descriptions should be updated to include elements suggested by the Americans with Disabilities Act (ADA).
- **1999 R3.35 Evaluations:** Evaluations for all employees, including certificated and classified, should be done a minimum of once a year.
- **1999 R3.36 Grievance Training:** The Human Resources Department (HRD) should establish mandatory training for grievance procedures. The department should create a procedure to track all grievances filed with the District.
- **1999 R3.37 Discipline Training:** The HRD should establish mandatory training for disciplinary policies. The department should create a procedure to track all disciplinary actions within the District.
- **1999 R3.38 Employee Turnover:** The District should track turnover and monitor the reasons why employees leave the District.

Financial Implications Summary

The following table summarizes estimated annual savings and costs associated with the implementation of recommendations in this section of the performance audit.

Summary of Financial Implications

Recommendation	Estimated Annual Savings	Estimated Annual Costs
R.1 Eliminate 2 to 5 FTE Central Administrator positions	\$297,000	
R.2 Eliminate 1 FTE Building Administrator position	\$86,000	
R.3 Eliminate 11 to 15 FTE Classroom Teacher positions	\$591,000	
R.4 Eliminate 4 FTE Instructional Paraprofessional positions	\$70,000	
R.5 Eliminate 1 Library Aide position	\$17,000	
R.6 Add 7 Custodial and 5 Maintenance positions		\$453,000
R.7 Eliminate 1 active bus	\$48,000	
R.9 Increase employee health insurance contribution rate from 5 to 10 percent	\$46,000	
R.10 Decrease family dental insurance premiums to SERB average	\$47,000	
Total	\$1,202,000	\$453,000

Source: AOS recommendations

Appendix A-1: 1999 Performance Audit Recommendations and Implementation Status

Table A-1 shows a summarized version of the 1999 Performance Audit recommendation as well as the status of that recommendation: implemented, partially implemented, not implemented, or no longer applicable.

Table: A-1 1999 Performance Audit Recommendation Status

Recommendation	Implementation Status
R3.1 District purchased a HRIS system that is not integrated with the payroll system, resulting in duplication of efforts between Human Resource Department (HRD) and Payroll Department. MCSD should consider working together with other school districts using state software and approach ODE, as a group, about the feasibility of creating an HRIS as part of the USPS.	This recommendation has been implemented.
R3.2 To align staffing levels consistent with a decline in student enrollment and the number of meals served, MCSD could reduce food service employees	This recommendation is no longer applicable. MCSD has discontinued its in-house food service and now contracts for this service.
R3.3 HRD and EMIS Coordinator need to take ownership for EMIS data and staff demographic information to determine accuracy and completeness prior to submission to ODE. Also have periodic reviews and updates.	This recommendation has been partially implemented. The District has developed a process that incorporates the HRD, Payroll Department, and EMIS Coordinator but it does not incorporate all of the previously recommended elements.
R3.4 MCSD should review the effectiveness of team building and block scheduling to determine if they are benefiting the intended students. Costs associated with these programs should be analyzed to assess if continuation is warranted.	This recommendation is no longer applicable because the District no longer utilizes this practice.
R3.5 District should evaluate effectiveness of 45-minute teacher collaboration period and determine if it is the most effective use of teacher resources and if it is being utilized as intended by District management.	This recommendation is no longer applicable.
R3.6 District should review number of days of professional leave and weigh benefits and results of training programs. Professional leave days should be linked to certification requirements through LPDC and additional monitoring implemented to address weaknesses associated with use of professional leave days.	This recommendation has been partially implemented. Although the District has begin monitoring professional leave day requests, the application forms do not show evidence of linking the professional leave to the employees' certificate/license requirements.
R3.7 Reduce amount of sick time used by all employees.	This recommendation has not been implemented (see R.11).

Recommendation	Implementation Status
<p>R3.8 To reduce the shortage of substitute teachers, the District should limit number of teachers granted professional leave for any given day/school/building and limit professional leave for training related to instruction improvement. District should increase use of ODE approved paraprofessionals, propose substitute teacher compensation increase, and establish a “guaranteed” substitute teacher pool.</p>	<p>This recommendation has been partially implemented. The District has included language in its certificated negotiated agreement that stipulates the number of teachers that may be granted leave on a per building basis.</p>
<p>R3.9 MCSD should initiate efforts to define requirements to select and implement an automated substitute teaching calling system which will meet the District's needs.</p>	<p>This recommendation has not been implemented.</p>
<p>R3.10 District should reduce amount of sick leave taken to eliminate additional administrative costs and interruptions to the flow of work and reduce overall substitute costs.</p>	<p>This recommendation has not been implemented (see R.11).</p>
<p>R3.11 Because of the higher amount of sick leave taken per employee and the costs associated with obtaining substitutes to cover for absences, MCSD may need to implement additional policies to assist with the reduction of sick leave. Sick leave information can be easily gathered through an effective HRIS or automated calling system.</p>	<p>This recommendation has been implemented.</p>
<p>R3.12 If MCSD would experience financial difficulties sometime in the future and would implement employee contribution increases for medical insurance, the overall insurance expenses would be reduced.</p>	<p>This recommendation has been implemented (see R.9).</p>
<p>R3.13 The District should design and implement a modified duty program which allows injured employees to return to work to perform less strenuous tasks rather than remaining on off-site disability leave.</p>	<p>This recommendation has been implemented.</p>
<p>R3.14 To effectively control workers' compensation costs, accident prevention should be the highest priority. Consequently, the District should consider re-assigning existing staff or hiring a full-time employee to the function as risk coordinator to function in an oversight capacity for the effective administration of the District's workers' compensation.</p>	<p>This recommendation has been partially implemented. The District feels they have satisfied the recommendation through the hiring of Hunter Consultants, a risk management firm.</p>
<p>R3.15 The District should monitor employee health and safety as a tool for claim prevention. This type of analysis reveals patterns in types and causes of injuries and allows corrective action to be taken.</p>	<p>This recommendation has been partially implemented. Although the District has taken steps to reduce workers' compensation costs, it has not yet begun actively monitoring employee health and safety on an ongoing basis.</p>

Recommendation	Implementation Status
R3.16 The District should establish a close, working relationship with the BWC business consultant in its region. All business consultant services are available upon request at no additional cost to the employer.	This recommendation has been implemented.
R3.17 The District could benefit from implementing a safety incentive program to encourage greater levels of awareness. Successful safety programs have issued benchmarked analyses of safety performance on a quarterly basis.	This recommendation has been partially implemented. The District has implemented safety programs but has not developed a safety incentive program.
R3.18 The District should emphasize an aggressive claim closure strategy to reduce claim costs and resultant case loads. An effective claims closure should include the District making initial contact with an employee within 48 hours of the filing of a claim and track performance against this goal.	This recommendation has been implemented.
R3.19 The District could benefit from each of the above techniques utilized in successful workers' compensation programs with little expense.	This recommendation is no longer applicable.
R3.20 The District supports and encourages staff development through tuition reimbursement program. Personnel office and LPDC should work closely to ensure the college credit courses are linked with the certificate/license renewal process administered by the LPDC.	This recommendation has been partially implemented. Although the District does review and follow LPDC requests more closely, the application form does not indicate that the requested courses are linked with necessary certificate/licenses.
R3.21 In an effort to simplify the time-consuming and cumbersome record keeping associated with maintaining a maximum 195 day accumulated balance of sick leave, the District should consider adding 15 days sick leave to each teacher with a balance of 195 days at the beginning of each school year.	This recommendation is no longer applicable.
R3.22 District should consider negotiating an additional reimbursement provision to provide for the cost of the president's salary and related payroll benefits during the release time of one period per day spent performing association duties.	This recommendation has been implemented.
R3.23 The District should consider restricting teachers on sabbatical leave from receiving compensation.	This recommendation has been partially implemented. The District has incorporated language into the certificated negotiated agreement that provides teachers on sabbatical leave with compensation equal to the difference of the teacher's salary less the cost of a substitute.
R3.24 District should establish a policy that requires employees to notify the District by March 1 st of their intentions to retire by the following school year. District may consider reducing severance pay if employee does not notify the District by March 1 st date.	This recommendation has been implemented.

Recommendation	Implementation Status
R3.25 The payout of severance has a significant effect on the District’s overall budget. District should renegotiate the severance payout policy to be more in line with the peers and to lessen the financial burden to District.	This recommendation is no longer applicable.
R3.26 The District should consider establishing a policy which can reduce costs associated with severance payout. One option might be to limit the use of transferred sick days to long-term sick leave only and to stipulate that the days are not eligible for payout at retirement.	This recommendation is no longer applicable.
R3.27 Although participation is voluntary, District should work with all concerned parties to ensure full implementation and continued District wide development of Building Leadership Teams (BLTs).	This recommendation has been implemented
R3.28 Evaluation issues should be included in board policy and not detailed in the MTA contract. Linking the evaluation process to board policy gives District some flexibility in the format and timeliness of evaluations.	This recommendation has not been implemented.
R3.29 In order to further optimize the District's efficiency, MCSD should consider renegotiating the contract so that, if an employee is called in and paid for two hours of work, the employee is required to work the entire two hours.	This recommendation has been implemented.
R3.30 The District should establish a policy which defines essential employees including administrators, maintenance, twelve-month, exempt employees and other personnel necessary to prepare the District for reopening following a calamity day. Essential employees should only receive straight pay for reporting to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use a day of leave from their own accumulated balance.	This recommendation has not been implemented.
R3.31 The District should be more aggressive in initiating disciplinary steps in absence of an occurrence policy.	This recommendation has not been implemented (see R.11).
R3.32 The District should initiate staff development training budget for classified employees and consider requiring employees whose evaluations indicate significant areas of weakness to enroll in courses to improve their skills and enhance overall employee performance.	This recommendation has been partially implemented. The District reviews accident reports and observes employee shortcomings to determine areas that may merit additional training.
R3.33 In order to resolve grievance issues in a timely manner, the District should consider requiring all grievances to be filed within five or ten days of the act or condition which is the basis of the grievance.	This recommendation has been partially implemented. Employees have up to 30 days to file a grievance with a principal or appropriate administrator.

Recommendation	Implementation Status
R3.34 Job descriptions for all District personnel should be reviewed and updated as needed either internally or by a professional management consulting firm.	This recommendation has been partially implemented. Job descriptions do not include all the previously recommended elements.
R3.35 Evaluations for all employees, including certificated and classified, should be done a minimum of once a year.	This recommendation has been partially implemented. Staff evaluations are completed annually for the first three years and then once every three years thereafter.
R3.36 The HRD should establish mandatory training for grievance procedures. The department should create a procedure to track all grievances filed with the District.	This recommendation has been partially implemented. The Human Resources Director is the only person responsible for managing employee grievances.
R3.37 The HRD should establish mandatory training for disciplinary policies. The department should create a procedure to track all disciplinary actions within the District.	This recommendation has been partially implemented. Disciplinary actions are handled by principals at each building unless termination of an employee is necessary.
R3.38 The District should track turnover and monitor the reasons why employees leave the District.	This recommendation has been partially implemented. The District conducts exit interviews pertaining to the benefit packages that are offered to its employees. MCSD is in the process of developing a satisfaction survey for departing employees.
R3.39 Because attracting and hiring new teachers at urban school districts appears to be difficult, the District should consider expanding recruiting methods.	This recommendation has been substantially implemented. The District uses several methods for recruiting such as posting available job positions online in order to reach the national employee market.

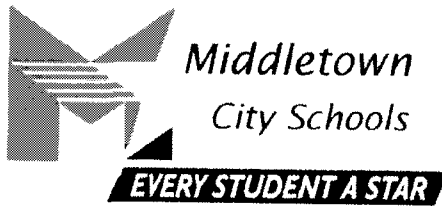
DISTRICT RESPONSE

District Response

The letter that follows is the Middletown City School District's (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.

The District's response indicates a correction to the "District Overview" on page 1-2. The Ohio Department of Education reported the May 2005 levy as a 13.4 mill renewal levy but in fact the levy generated new operating money for the District. This error was discussed during the exit conference with the Board of Education (Board) and District administrators and has been corrected in the final report.

The District's response also makes reference to a recommendation that it believed to be based on erroneous data. AOS uses staffing data report by school districts through the Education Management Information System (EMIS). Because staff reductions were made by the District at the beginning of the FY2007-08 year and some positions were reinstated after the passage of a renewal levy in November 2007, the EMIS data was not reliable. AOS worked with District administrators to update staff information which was the basis for the original recommendation (to reduce 1 to 2 building administrators). The data, analysis, and potential recommendation were then shared with the District. During the exit conference, District officials questioned the number of building administrators used in a part of the assessment. Between the time initial information was confirmed and the report was prepared, additional changes in staffing and building configuration had been made which rendered the recommendation invalid. As a result, the portion of the assessment dealing with assistant principals was removed from the final report and the recommendation (R2) was revised to eliminate only one building administrator position.



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October 28, 2008

Mary Taylor
Auditor of State
Columbus Regional Office
88 E. Broad Street, 4th Floor
Columbus, OH 43215

Dear Ms. Taylor,

A post conference was held on October 20, 2008 with the Board of Education. The audit team provided a thorough review of both the scope and the findings of the performance audit. They also explained the process for choosing the peer districts.

For the most part, the board accepts the findings of the audit. It was what they were looking for to enable them to evaluate staffing levels. The findings will be used to assist decisions in the near future involving the ongoing look at cost containment.

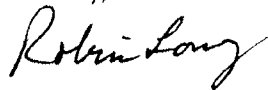
The board would like to make a correction in the section "District Overview" on page 1-2. The second paragraph lists levy information. It states the last time a new operating levy was approved was 1995. However, in May 2005, a renewal of 6.35 mills plus an increase of 7.05 mills was passed. This was done as a combined levy, not a new one, but included new money.

One recommendation seems to be based on erroneous data, and therefore the conclusions and/or recommendations are misleading. Table 4 speaks to building administrators at the middle and high school level. Table 3 shows 20 all building administrators, with 7 being removed for Table 4. However, we have eight elementary buildings, and one had an assistant principal beginning January 2008. Thus the total building administrators for Table 4 should be 11. The paragraph on the bottom of page 2-3 breaks this total down to 3 principals and 10 assistant principals. The correct number should be 3 principals and 8 assistant principals. That will completely change the results on this table.

The board recognizes that teacher/student ratios are low compared to the peer districts. However, the board made a commitment to the community to maintain neighborhood schools, which results in a

lower ratio. The district is also required by its poverty level to spend Poverty Based Assistance funds on classroom size reductions, which also accounts for a lower teacher/student ratio.

Sincerely,

A handwritten signature in black ink that reads "Robin Long". The signature is written in a cursive style with a large, prominent initial "R".

Robin Long
Interim Treasurer
Middletown City Schools