



Mary Taylor, CPA
Auditor of State

EAST CLINTON LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

FEBRUARY 24, 2009



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To the Residents and Board of Education of the East Clinton Local School District:

Pursuant to Amended Substitute House Bill 119, a performance audit of the East Clinton Local School District (ECLSD) was initiated beginning in July 2008. The four functional areas assessed in the performance audit were finance and strategic management, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its mission of educating children, and because improvements in these areas can assist the District in improving its financial situation.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of ECLSD's financial situation. While the recommendations contained in the audit report are resources intended to assist the District in maintaining its financial stability, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a 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 the District, and its contents discussed with the appropriate elected officials and administrators. 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

February 24, 2009

Executive Summary

Project History

As authorized under House Bill (HB) 119, the Auditor of State (AOS) conducted a performance audit of the East Clinton Local School District (ECLSD or the District). The performance audit began in July, 2008 and was initiated in response to the District's May, 2008 five-year forecast, which showed a deficit of \$175,289 beginning in FY 2008-09 and growing to \$3,109,868 at the end of the forecast period. The audit included a review of any programs or areas of operation in which the AOS believed greater operational efficiency, effectiveness, and accountability may be achieved.

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

- Finance and Strategic Management;
- Human Resources;
- Facilities; and
- Transportation.

Audit work concluded in December 2008. The goal of the performance audit process was to assist ECLSD administrators and the Board of Education by identifying cost savings opportunities and options for improving management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

ECLSD is located in Clinton County. In FY 2007-08, the District provided educational services to an average daily membership (ADM) of 1,379¹ preschool through twelfth grade students. In FY 2007-08, the District's per pupil governmental expenditures were \$8,100 and its revenues per pupil were \$7,875.

In FY 2007-08, the District employed approximately 191 full-time equivalent (FTE) staff consisting of 10 FTE administrators, 102 FTE educational personnel, 7 FTE professional/technical personnel, 14 FTE office/clerk staff, and 58 FTE operations and other

¹ The source for this formula average daily membership is the Final Version #2 enrollment data contained in the Ohio Department of Education (ODE) SF-3 report.

staff. The regular education student-to-teacher ratio in FY 2007-08 was approximately 18:1. Also, in FY 2006-07, the District met 21 out of 30 academic performance indicators established by ODE and was categorized as an effective district. ECLSD's FY 2007-08 report card showed that the District met 20 out of 30 performance indicators and continued in its status as an effective district.

ECLSD operates four schools: two elementary schools, one middle school and one high school. The District also operates an administration building and a bus garage. The District provided transportation services to 1,143 riders using 13 active buses in FY 2007-08. During FY 2008-09, the District developed strategies to reduce the number of bus routes and increase the efficiency of its transportation services.

At the time of this audit, ECLSD projected its FY 2008-09 expenditures would exceed revenues by approximately \$456,000, resulting in a year end deficit of approximately \$175,000. In response to this forecast, the District developed an expenditure reduction plan in an attempt to eliminate the projected deficit. This plan included personnel changes which became effective at the beginning of FY 2008-09. In addition, ECLSD and its bargaining unit agreed to a zero percent negotiated wage (base rate) increase for FY 2008-09. Based on this reduction plan, ECLSD anticipated savings of approximately \$479,000 in FY 2008-09.

Overall, ECLSD has demonstrated sound fiscal and operational decision-making in managing its projected General Fund deficit. Prior to this performance audit, the Board of Education and District administrators were proactive in making difficult decisions to reduce overall expenditures and lessen future operating deficits. Based on projections and assumptions contained in the District's October 2008 five-year forecast, coupled with the recommendations outlined in this report, the District can avoid future operating deficits and sustain positive fund balances through FY 2012-13. As noted in the report, ECLSD administrators have already implemented many of the recommendations and are considering others. With the closure of DHL operations in Clinton County, however, the District may encounter an operating environment that is drastically different than that presented in the October 2008 forecast. As result, the District will need to continually assess projections to determine if expenditure reductions beyond those presented in this report are needed.

Subsequent Events

During the course of the audit, ECLSD submitted its October 2008 five-year forecast which projected a \$1.2 million deficit at the close of FY 2012-13. The District also incorporated negotiated wage increases into the forecast which were not incorporated in the May 2008 forecast (see **R2.6**). This forecast was incorporated into the District's financial recovery recommendation (see **R2.11**), and the methodology and main assumptions analyzed in the District's May 2008 forecast were generally the same as those presented in the October 2008 forecast.

To increase the accuracy of its EMIS data, the District changed the responsibilities of the middle school secretary from half-time EMIS coordinator to full-time EMIS coordinator in January of 2009.

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.²

The overall objective of this performance audit is to assist the District in identifying strategies to improve its financial condition. The following presents the major assessments conducted in this performance audit:

- Expenditures, forecasting, budgeting, purchasing, and strategic planning were reviewed in the **finance and strategic management section**.
- District-wide staffing levels, collective bargaining agreements, salary levels, benefit costs and special education expenditures were assessed in the **human resources section**.
- Custodial and maintenance staffing, facility-related expenditures, building capacity, policies and procedures, preventative maintenance, energy management, and the work order system were examined in the **facilities section**.
- Transportation staffing and expenditures, reporting, and policies and procedures were reviewed in the **transportation section**.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations in the performance audit comprise options that ECLSD can consider in the continuing effort to stabilize its financial condition.

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

² As defined in *Government Auditing Standards* (U.S. Government Accountability Office, 2007).

a reasonable basis for the audit findings and conclusions based on the audit objectives. Transportation data³ gathered for the audit was found to have several errors and adjustments were made to the data to mitigate these errors. The adjusted data was used in the transportation analysis. In addition, it was found that some employees were erroneously recorded in the Education Management Information System (EMIS). Staffing data used for the analysis was adjusted to ensure the accuracy of the staffing comparison.

The performance audit process involved significant information sharing with ECLSD, 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 ECLSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the District's comments. In addition to the report, Auditors also communicated less significant issues separately to District administration.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from ECLSD and other school districts. AOS developed a composite of ten school districts that was used to provide benchmark comparisons for the areas assessed. The selected districts were Ridgewood LSD (Coshocton), Logan-Hocking LSD (Hocking), Garaway LSD (Tuscarawas), Leipsic LSD (Putnam), New London LSD (Huron), Springfield LSD (Mahoning), East Guernsey LSD (Guernsey), Celina CSD (Mercer), Southeast LSD (Wayne), and East Holmes LSD (Holmes).⁴ Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They included ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National Center for Education Statistics (NCES), the United States Government Accountability Office (GAO), and other related best practices. Information used as criteria (benchmarks or leading practices) was not tested for reliability although the information was reviewed for reasonableness.

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

³ Transportation data used in the audit was taken from the T-1 and T-2 forms submitted by ECLSD to ODE.

⁴ The ten selected peers are classified by ODE as Type 1 Districts. These Districts were selected because they are high performing, low cost rural/agricultural, high poverty, low median income school districts.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes ECLSD noteworthy accomplishments identified throughout the course of the audit. Additional detail pertaining to these accomplishments is presented in each section of the report.

- **Fleet Insurance:** During FY 2007-08, the District maintained its fleet insurance through a local insurance carrier. The insurance costs were reduced from \$17,255 to \$10,941 between FY 2006-07 to FY 2007-08. However, the new Treasurer sought quotes from insurance carriers for FY 2008-09. The District changed providers from the local carrier to the Southwestern Ohio Educational Purchasing Council. As a result fleet insurance costs were reduced another 58 percent to only \$4,487 a year.
- **Routing:** The Transportation Supervisor successfully changed the method of routing previously used by the District as the routes were not efficient and overlapped. The Transportation Supervisor worked with the drivers to recalibrate routes that begin at the driver's residence and end at the school. This has reduced driver's time and made routing more efficient and effective. Additionally, a route has been temporarily suspended due to a change in staff. Instead of assigning a substitute driver, the Transportation Director took the opportunity to redistribute the route and reduce transportation costs to the District.
- **Bus Driver Hours:** The Superintendent and Transportation Supervisor have taken steps to reduce drivers' hours to a level that is more reflective of its routing. Management has implemented additional controls over submitted hours using a two-week review process. Both the Transportation Supervisor and Superintendent have monitored a sample of routes to gauge the routing efficiency. They have calculated the time it takes to drive the routes to measure the accuracy of the hours reported by each driver. By doing so, ECLSD has increased the accountability for driving time and the efficiency of routes.
- **Survey Feedback:** ECLSD's has efficient methods in place to obtain feedback from staff, parents, and students. The *Staff Survey* helps the District get general information about teachers' perceptions concerning their employment, the availability of technology for teaching, and the effectiveness of the District's vision. The *Parent Survey* helps the District understand the parents' perspectives on student progress, treatment of students, and if the school is meeting students' needs. The *Student Survey* helps the District understand if students feel respected by other students, teachers, and principals, and if they believe teachers foster an atmosphere conducive to learning. The individual schools use the survey information to review operations and implement programmatic changes where needed.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the ECLSD with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report:

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

- Develop a District-wide strategic plan which outlines its strategic vision for all educational programs and operational areas.
- Ensure that the Treasurer updates the District's five-year forecast when events occur that could significantly influence future expenditures or revenues.

Revise its projections for personal services and Employees' Retirement/Insurance Benefits to incorporate negotiated wage increases. During the course of the performance audit, ECLSD released its FY 2008-09 October five-year forecast and negotiated wage increases were included.

- Seek to improve and enhance the assumptions to provide an increased level of detail and description in the supporting material when preparing its five-year financial forecast.

During the course of the audit, ECLSD released its FY 2008-09 October five-year forecast and assumptions which included more detail than those in the May 2008 forecast.

- Develop its annual budget in a manner that supports the goals and objectives identified in the strategic plan. Additionally, the District should expand its budgeting process to include individual budgets for the Transportation and Facility Departments and allow the Transportation Supervisor and Plant and Operations Manager to participate in the development of these budgets.
- Develop a District-wide purchasing manual to ensure adherence to Board policies and promote consistency in all purchasing applications.
- Implement the Miami Valley Educational Computer Association's Human Resources Kiosk application.

In the area of human resources, ECLSD should:

- Consider eliminating the following positions to bring District staffing more in line with the peers:
 - 1.0 FTE administrative position for a savings of \$66,000.
 - 2.0 FTE education service personnel (ESP) positions for a savings of \$92,000.
 - 3.0 FTE support staff positions for a savings of \$52,000.

These reductions will help ECLSD better tailor staffing to its programs and result in needed relief to the General Fund.

- Develop a formal staffing plan to address current and future staffing needs. Additionally, the development of a formal staffing plan will allow ECLSD to ensure that it is in compliance with State and federal requirements.
- Develop policies and procedures to ensure that EMIS reports are accurately prepared and reconciled prior to submission to ODE. Staff responsible for collecting and reporting EMIS data should work closely throughout the year to address any data discrepancies. Additionally, the District should require staff to attend formal EMIS training on a regular basis (e.g., annually) to account for changes in the EMIS reporting process.

In the area of facilities, ECLSD should:

- Develop a facility master plan that guides the District in its future facilities operational decisions.
- Expand its preventive maintenance program by adding recommended practice components to ensure equipment reliability, reduce operating costs, and increase the life expectancy of facilities and equipment. The District should also develop prioritization guidelines combined with an estimated time of completion for each of the priority levels.
- Consider reconfiguring the duties of its plant and operations staff to reflect established benchmarks. The District should consider eliminating 2.0 FTE positions in its custodial department while assigning additional duties to existing custodial staff which would result in an annual savings of \$69,500.
- Develop an energy conservation plan which would require the implementation of operating procedures that reduce energy consumption for an estimated annual savings of \$14,000.

In the area of transportation, ECLSD should:

- Eliminate two buses in order to bring its riders per bus ratio closer to the suggested benchmark of 100 students per bus for a two-tiered system. The District should also continually monitor bus capacity by periodically completing rider counts and recalibrating routes throughout the year. The annual savings are estimated to be \$103,000 along with possible implementation costs of \$12,100 to purchase new software. During FY 2008-09, ECLSD eliminated one bus route.
- Create formally documented T-form reporting procedures to ensure that reports are accurate, complete, and reconcile with the District's financial reports.

During the audit, the Transportation Supervisor improved the data collection process to better track transportation-related costs and is working with the Treasurer to develop a process to ensure that the District T-Form reporting is accurate.

- ECLSD should develop purchasing procedures to ensure the District receives the best prices for its maintenance materials and supplies. The District should periodically assess the cost benefit of consider joining an additional consortium or participating in the Ohio Department of Administrative Services' (ODAS) Cooperative Purchasing Program to lower the total cost of its transportation supplies and materials.

During the course of the audit, the District obtained optimal pricing from local transportation supply vendors as opposed to buying through a consortium.

Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. Those issues may not be directly related to the audit objectives or may be issues that were outside the scope of the audit. AOS has identified the following as an issue requiring further study.

Building capacity: ECLSD should continue to monitor its building capacity in conjunction with enrollment projections. Although a capacity analysis performed for this audit did identify significant excess capacity, grade configurations would prevent the closure of a school building. Monitoring capacity and enrollment projections on an annual basis, could enable ECLSD to make proactive facility management decisions, possibility resulting in significant savings.

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 ECLSD should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Performance Audit First-Year Financial Implications

Recommendation	Estimated FY 2009-10 Impact
Annual Cost Savings	
R3.1 Eliminate of 1 FTE administrator position	\$66,000
R3.2 Eliminate of 2 FTE Educational Service Personnel positions	\$92,000
R3.3 Eliminate 3 FTE support staff positions	\$52,000
R4.3 Eliminate 2 FTE custodial positions	\$69,500
R4.6 Implement a formal energy conservation plan	\$14,000
R5.1 Eliminate 2 buses	\$103,000
Total Cost Savings from Performance Audit Recommendations	\$396,500
Annual Cost	
R5.1 Purchase of Routing Software ¹	\$12,100
Total Cost Savings from Performance Audit Recommendations less Annual Costs	\$384,400

Source: AOS recommendations

¹ Includes a one-time implementation cost of \$10,000 for purchasing software in FY 2009-10

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Finance and Strategic Management

Background

This section of the performance audit focuses on the financial systems and strategic management functions within the East Clinton Local School District (ECLSD or the District). The purpose of this section is to analyze ECLSD's current and future financial condition and examine financial and strategic management policies and procedures in order to develop recommendations for improvements and identify opportunities to increase efficiency. ECLSD's financial management policies, procedures, and operations were evaluated against recommended practices, industry standards, State requirements, and a 10 district¹ peer average for the purpose of developing recommendations to improve efficiency and business practices. Recommended practices and industry standards were drawn from various sources including the Government Finance Officers Association (GFOA), the Ohio Department of Education (ODE), the Auditor of State (AOS), the Texas Education Agency (TEA), and the American Institute of Certified Public Accountants (AICPA).

Treasurer's Office Operations

ECLSD's Treasurer's Office consists of three employees: the Treasurer, who reports to the ECLSD Board of Education (the Board), and the Assistant to the Treasurer and a part time clerk, both of whom report directly to the Treasurer. The Treasurer has been with the District since 1999 and served as the Assistant to the Treasurer before accepting the Treasurer's position in FY 2007-08. Both the Assistant to the Treasurer and the clerk have worked for ECLSD in other departments (food service) prior to moving to the Treasurer's Office in FY 2006-07. The Treasurer's Office is responsible for processing payroll, administering accounts payable/receivable, overseeing employee benefits, and reporting District finances to the Board and general public.

Financial Condition

Table 2-1 presents ECLSD's historical and projected revenues and expenditures as approved by the Board on May 20, 2008 and submitted to ODE. ECLSD's FY 2007-08 May forecast and assumptions were reviewed for compliance with State requirements as well as for reasonableness in historical and projected revenues and expenditures.

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

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

	Actual			Forecasted				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
General Property (Real Estate)	\$2,178	\$2,015	\$2,108	\$2,052	\$2,122	\$2,169	\$2,256	\$2,346
Tangible Personal Property Tax	\$953	\$610	\$647	\$534	\$330	\$152	\$80	\$35
Unrestricted Grants-in-Aid	\$5,766	\$6,685	\$6,833	\$7,079	\$7,304	\$7,450	\$7,599	\$7,751
Restricted Grants-in-Aid	\$37	\$11	\$21	\$56	\$55	\$64	\$66	\$67
Property Tax Allocation	\$260	\$266	\$426	\$448	\$599	\$673	\$600	\$293
All Other Operating Revenue	\$238	\$196	\$319	\$714	\$720	\$756	\$771	\$786
Total Revenue	\$9,433	\$9,783	\$10,354	\$10,882	\$11,130	\$11,264	\$11,371	\$11,278
Advances-In	\$74	\$64	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financial Sources	\$25	\$19	\$3	\$3	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$99	\$84	\$3	\$3	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$9,532	\$9,867	\$10,357	\$10,885	\$11,130	\$11,264	\$11,371	\$11,278
Personal Services	\$6,425	\$6,345	\$6,533	\$6,844	\$7,009	\$7,275	\$7,493	\$7,643
Employees' Retirement/Insurance Benefits (ERIB)	\$2,011	\$1,995	\$1,993	\$2,118	\$2,351	\$2,472	\$2,532	\$2,576
Purchased Services	\$787	\$757	\$859	\$1,336	\$1,352	\$1,306	\$1,371	\$1,440
Supplies and Materials	\$624	\$502	\$528	\$650	\$600	\$625	\$644	\$663
Capital Outlay	\$184	\$33	\$58	\$67	\$45	\$36	\$40	\$0
Other Objects	\$251	\$231	\$239	\$220	\$228	\$251	\$264	\$269
Total Expenditures	\$10,281	\$9,863	\$10,211	\$11,235	\$11,586	\$11,965	\$12,343	\$12,591
Advances - Out	\$64	\$0	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financial Uses	\$0	\$1	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$64	\$1	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditure and Other Financing Uses	\$10,346	\$9,863	\$10,211	\$11,235	\$11,586	\$11,965	\$12,343	\$12,591
Result of Operations (Net)	(\$814)	\$4	\$146	(\$350)	(\$456)	(\$700)	(\$972)	(\$1,312)
Beginning Cash Balance	\$1,395	\$581	\$585	\$731	\$380	(\$75)	(\$776)	(\$1,748)
Ending Cash Balance	\$581	\$585	\$731	\$380	(\$75)	(\$776)	(\$1,748)	(\$3,060)
Outstanding Encumbrances	\$49	\$128	\$146	\$50	\$100	\$75	\$50	\$50
Fund Balance June 30 for Certification of Appropriations	\$532	\$457	\$585	\$330	(\$175)	(\$851)	(\$1,798)	(\$3,110)
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	\$532	\$457	\$585	\$330	(\$175)	(\$851)	(\$1,798)	(\$3,110)
Unreserved Fund Balance June 30	\$532	\$457	\$585	\$330	(\$175)	(\$851)	(\$1,798)	(\$3,110)

Source: ECLSD and ODE

Note: Totals may vary due to rounding.

As illustrated in **Table 2-1**, ECLSD's FY 2008-09 expenditures were projected to exceed revenues by approximately \$456,000, resulting in a year ending fund deficit of approximately \$175,000. As a result of this forecast, the District developed an expenditure reduction plan in an attempt to eliminate this deficit. This plan included a reduction in force, staffing adjustments through employee retire/rehires, and employee retirements as a result of a retirement incentive offered during FY 2007-08. These personnel changes became effective at the beginning of FY 2008-09. In addition, ECLSD and its bargaining units agreed to no negotiated wage (base rate) increase for FY 2008-09 (see **human resources** for further discussion of staff reductions,

retirement incentive, and employee salaries). From this reduction plan, ECLSD anticipated a savings of approximately \$479,000 in FY 2008-09.

During the course of the performance audit, the Board approved the FY 2008-09 October forecast. The updated forecast suggested an improved financial condition as FY 2008-09 revenues are projected to exceed expenditures by approximately \$293,000. Although ECLSD was able to address the deficit projected in FY 2008-09, stagnant revenue growth coupled with a steady increase in expenditures results in a projected year-end General Fund deficit in FY 2012-13 of approximately \$1.2 million.

ECLSD's May 2008 forecast was analyzed for reasonableness and AOS identified areas where ECLSD could improve its accuracy in forecasting revenues and expenditures (see **R2.3** through **R2.7**). The District's updated October 2008 forecast was used in the financial recovery plan to account for District reductions and illustrate additional savings from the implementation of performance audit recommendations (see **Table 2-6**).

Financial Operations – Revenue

ECLSD generates local tax revenues from a total millage of 34.80 mills.² The District's effective millage, however, is at the 20 mill floor. ORC § 319.301 prevents school levies from being reduced below 2 percent of taxable value, or 20 mills. Known as the "20 mill floor," this provision protects school districts from stagnating revenues while costs rise over time.

ECLSD underwent a property tax update in 2008 and will undergo its property tax reappraisal in 2011. The Clinton County Auditor indicated that 2008 property valuations decreased by approximately \$6.5 million which reduced revenue to the District by about \$200,000. This decrease was reflected in the District's October 2008 five-year forecast (see **Table 2-6**). A further decrease in property valuation resulting from the 2011 reappraisal would again decrease the projected local revenue.

Table 2-2 compares ECLSD's FY 2007-08 General Fund revenues per pupil³ to the peer average.

² ECLSD's outside millage consists of 25.30 mills for the purpose of current expenses, 1.80 mills for a bond retirement fund, a permanent improvement levy of 3.00 mills, and a classroom facilities levy of 0.50 mills. Additionally, ECLSD has 4.20 inside (un-voted) mills.

³ For this and subsequent comparisons within this section, per pupil amounts are based on formula average daily membership (ADM) as calculated by ODE and published on the FY 2007-08 final SF-3 report.

Table 2-2: FY 2007-08 General Fund Revenue Comparison

	ECLSD	Peer Average	Difference	% Difference
Pupils	1,379	1,635	(256)	(15.7%)
Property & Income Tax	\$1,925	\$3,257	(\$1,332)	(40.9%)
Intergovernmental Revenues	\$5,475	\$4,761	\$714	15.0%
Other Revenues	\$475	\$694	(\$219)	(31.6%)
Total Revenue	\$7,875	\$8,712	(\$837)	(9.6%)

Source: ECLSD and peers FY 2007-08 4502 reports

Note: Totals and differences may vary due to rounding.

As illustrated in **Table 2-2**, ECLSD's total revenue per pupil in FY 2007-08 was 9.6 percent below the peer average. While the District received more intergovernmental revenue per student, it received significantly less (40.9 percent) revenue from property and income tax. In fact, ECLSD received only 24.4 percent of its total revenue from property and income tax in FY 2007-08—12.7 percent less than the peer average.

ECLSD's generally lower property values and lower property tax revenues reflect it being at the 20 mill floor and having an overall lower total valuation within the District. In FY 2007-08, ECLSD's assessed property valuation was approximately \$136 million compared to the peer average of approximately \$218 million.

Financial Operations – Expenditures

Table 2-3 compares ECLSD's FY 2007-08 General Fund expenditures per pupil to the peer average.

Table 2-3: FY 2007-08 General Fund Expenditures Comparison

	ECLSD	Peer Average	Difference	% Difference
Pupils	1,379	1,635	(256)	(15.7%)
Personal Services	\$4,948	\$4,624	\$324	7.0%
Employees' Retirement/Insurance Benefits	\$1,509	\$1,853	(\$344)	(18.6%)
Purchased Service	\$950	\$1,002	(\$52)	(5.2%)
Supplies and Materials ¹	\$487	\$335	\$152	45.4%
Capital Outlays	\$60	\$121	(\$61)	(50.2%)
Miscellaneous	\$146	\$203	(\$57)	(28.1%)
Other Financing Uses	\$0	\$224	(\$224)	(100.0%)
Total Expenditures	\$8,100	\$8,366	(\$266)	(3.2%)

Source: ECLSD and peers FY 2007-08 4502 reports

Note: Totals and percentages may vary due to rounding.

¹ ECLSD identified errors in the classification of supply and material costs contained in its 4502 report; however, these errors were not material and did not change any conclusions in this audit report.

As shown in **Table 2-3**, ECLSD's FY 2007-08 General Fund expenditures-per-pupil of \$8,100 were \$266 (3.2 percent) lower than the peer average. Specific areas which were higher than the peer average included personal services and supplies and materials. Detailed reasons for the higher expenditures in these categories are as follows:

- **Personal Services:** ECLSD's personal service (employee wages) expenditures per pupil exceeded the peer average by 7.0 percent due to higher staffing levels and salaries. ECLSD employs approximately 135.2 FTE per 1,000 pupils compared to the peer average of 122.9 per 1,000 pupils (see **Table 3-1**). ECLSD salaries, compared to State and local school district averages, are higher in some areas. However, ECLSD's Employees' Retirement and Insurance Benefits (ERIB) expenditures per pupil were \$1,509 in FY 2007-08, 19 percent below the peer average of \$1,853 per pupil. The District indicated that its higher compensation levels are offset by an employee family health insurance contribution of 30 percent. When examining personal services and ERIB as a total, ECLSD's per pupil expenditures (\$6,457) were 0.3 percent lower than the peer average (\$6,477). For a detailed analysis of staffing levels, salaries, and employee benefits see **human resources**.
- **Supplies and Materials:** ECLSD's supply and material expenditures per pupil were \$487 compared to the peer average of \$335. Specifically, 45.4 percent of ECLSD's General Fund supply and material expenditures were dedicated to general supplies.⁴ The peer average allocation for general supplies was 29.3 percent. The most significant expenditure driving ECLSD's cost for this line item was \$173,000 for elementary school supplies.⁵ District purchasing practices were evaluated to ensure efficient procedures for requesting, approving and purchasing classroom supplies (see **R2.9**). In addition, 34.2 percent of ECLSD's General Fund supply and material expenditures were for the operation, maintenance, and repair of motor vehicles. For a detailed analysis of these expenditures see the **transportation** section.

Table 2-4 compares ECLSD's FY 2007-08 governmental expenditures per pupil and as a percentage of total expenditures to the peer average.

⁴ USAS defines general supplies as the expenditures for consumable non-food items such as pencils, paper, paper clips, staples, and so forth, which are made outright by the school board, as opposed to any purchase of supplies for resale.

⁵ The majority of the elementary supplies are attributed to ECLSD's *Success for All* reading program. According to the District, FY 2008-09 is the last year of the three year program and therefore these expenditures will decrease to a level more comparable to the peer average beginning FY 2009-10.

Table 2-4: FY 2007-08 Governmental Expenditures Comparison

	ECLSD		Peer Average		Difference	
	1,379		1,635		(256)	
Pupils						
USAS Function Classification	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	%¹ Difference
Instructional Expenditures	\$5,075	55.8%	\$5,535	59.4%	(\$460)	(8.3%)
Regular Instruction	\$3,737	41.1%	\$4,021	43.3%	(\$284)	(7.1%)
Special Instruction	\$901	9.9%	\$1,059	11.3%	(\$158)	(14.9%)
Vocational Education	\$81	0.9%	\$251	2.7%	(\$170)	(67.7%)
Other Instruction	\$356	3.9%	\$203	2.1%	\$153	75.4%
Support Service Expenditures	\$3,785	41.6%	\$3,437	37.0%	\$348	10.1%
Pupil Support Services	\$316	3.5%	\$406	4.3%	(\$90)	(22.2%)
Instructional Support Services	\$709	7.8%	\$459	5.0%	\$250	54.5%
Board of Education	\$35	0.4%	\$21	0.2%	\$14	66.7%
Administration	\$735	8.1%	\$800	8.6%	(\$65)	(8.1%)
Fiscal Services	\$222	2.5%	\$278	3.0%	(\$56)	(20.1%)
Business Services	\$6	0.1%	\$8	0.1%	(\$2)	(25.0%)
Plant Operation & Maintenance	\$1,080	11.9%	\$803	8.7%	\$277	34.5%
Pupil Transportation	\$647	7.1%	\$629	6.8%	\$18	2.9%
Central Support Services	\$34	0.4%	\$32	0.3%	\$2	6.3%
Non-Instructional Services Expenditures	\$5	0.1%	\$44	0.5%	(\$39)	(88.6%)
Extracurricular Activities Expenditures	\$225	2.5%	\$292	3.2%	(\$67)	(22.9%)
Total Governmental Fund Operational Expenditures	\$9,090	100.0%	\$9,307	100.0%	(\$217)	(2.3%)

Source: ECLSD and peer district FY 2007-08 4502 reports

Note: Totals and percentages may vary due to rounding.

¹ Illustrates the percent ECLSD spends per pupil above/below the peer average in each category.

As shown in **Table 2-4**, ECLSD's total instructional expenditures per pupil were \$460 below the peer average. However, the District spent \$153 more per pupil on other instruction than the peer average in FY 2007-08. Other instruction includes expenditures for services that are not defined in the previous instructional categories. For example, student invention services (tutoring, extended day, summer school, etc.) would be included in the other instruction category. ECLSD's total FY 2007-08 other instruction expenditures were approximately \$490,000, the majority of which was for tuition. Of this, approximately 63 percent was attributed to payments for open enrollment and 25 percent was payment for District students attending a community school.

ECLSD's total support service governmental expenditures were higher than the peer average by \$348 per pupil in FY 2007-08. Within support service expenditures, ECLSD was significantly higher than the peer average for instructional support services and plant operation and maintenance.

Specifically, ECLSD spent approximately \$250 more per pupil than the peer average for instructional support services. The District's total FY 2007-08 instructional support service expenditures were approximately \$978,000. While these expenditures include an array of activities associated with assisting instructional staff to provide learning experiences for pupils, a significant portion is attributed to the salaries and benefits of special education aides. The District spent approximately \$464,000 (47 percent) of total instructional support expenditures on special education aides in FY 2007-08. See **human resources** for a detailed analysis of District staffing and compensation levels; including special education support personnel.

ECLSD spent \$277, or 34.5 percent, more per pupil than the peer average for plant operation and maintenance. These expenditures are for activities concerned with keeping the grounds, buildings and equipment in an effective working condition and include maintaining safety in buildings, on the grounds, and in the vicinity of schools. ECLSD's \$1.5 million in expenditures coded for plant operation and maintenance consisted primarily of the following: personnel costs including wages, retirement, and benefits (41.1 percent); repair and maintenance services not provided by District personnel but through contract or agreements (16.2 percent); electricity costs (16.4 percent); and supplies and materials for maintenance (12.8 percent).⁶ For a further analysis of staffing and operations affecting the District's General Fund plant operation and maintenance see **facilities**.

Table 2-5 compares ECLSD's FY 2007-08 discretionary expenditures per pupil and as a percentage of total expenditures to the peer average. In this case, discretionary expenditures are defined as those expenditures that are not governed by negotiated agreements or contracts and that a district can control to some degree in the short term. The District is able to regulate and/or influence these expenditures through its practices or controls.

⁶ Approximately 15 percent of the plant operation and maintenance expenditures are covered by the District's Permanent Improvement Fund, specifically in the areas of contract services and supplies and materials.

Table 2-5: FY 2007-08 Discretionary Expenditures Comparison

Discretionary Expenditure	ECLSD		Peer Average		Difference	
	\$ Per Pupil	% of Total General Fund Exp	\$ Per Pupil	% of Total General Fund Exp	\$ Per Pupil	% ¹ Difference
Pupils	1,379		1,635		(256)	
Prof. and Technical Service	\$229.35	2.8%	\$152.85	1.8%	\$76.51	50.1%
Property Services	\$88.38	1.1%	\$139.67	1.7%	(\$51.29)	(36.7%)
Mileage/Meeting Expense	\$10.82	0.1%	\$21.89	0.3%	(\$11.07)	(50.6%)
Communications	\$24.48	0.3%	\$18.85	0.2%	\$5.64	29.9%
Pupil Transportations	\$17.23	0.2%	\$8.94	0.1%	\$8.29	92.8%
General Supplies	\$221.09	2.7%	\$106.88	1.3%	\$114.20	106.8%
Textbooks/Reference Materials	\$17.19	0.2%	\$41.18	0.5%	(\$23.99)	(58.3%)
Plant Maintenance and Repair	\$79.42	1.0%	\$51.82	0.6%	\$27.59	53.2%
Fleet Maintenance and Repair	\$166.84	2.1%	\$116.61	1.4%	\$50.22	43.1%
Equipment	\$38.99	0.5%	\$42.23	0.5%	(\$3.24)	(7.7%)
Buses/Vehicles	\$21.05	0.3%	\$33.16	0.4%	(\$12.10)	(36.5%)
Dues and Fees	\$139.87	1.7%	\$185.68	2.3%	(\$45.80)	(24.7%)
Insurance	\$4.62	0.1%	\$13.25	0.2%	(\$8.62)	(65.1%)
Total	\$1,064.76	13.1%	\$1,009.70	12.1%	\$55.07	5.5%

Source: ECLSD and peers FY 2007-08 4502 reports

Note: Totals and percentages may vary due to rounding. Discretionary line items that accounted for less than 0.1 percent of ECLSD's total General Fund expenditures were excluded from the peer comparison. These categories included Contract, Craft or Trade Service; Other Purchased Service; Supplies & Materials for Resale; Food & Related Supplies/Materials; Other Supplies & Materials; Land, Building & Improvements; Other Capital Outlay; Awards and Prizes; and Miscellaneous.

¹ Illustrates the percent ECLSD spends per pupil above/below the peer average in each category.

As shown in **Table 2-5**, ECLSD's discretionary expenditures accounted for 13.1 percent of the District's total General Fund expenditures, which is higher than the peer average of 12.1 percent. ECLSD's total discretionary expenditures per pupil were approximately \$1,065, or \$55 more per pupil than the peer average.

Discretionary expenditure categories where ECLSD significantly exceeded the peer average included: professional and technical services; general supplies, plant maintenance and repair, and fleet maintenance and repair. Reasons for these variances are as follows:

- **Professional and Technical Services:** This category includes expenditures for services which can be performed only by persons with specialized skills and knowledge such as doctors, nurses, lawyers, consultants, and teachers. ECLSD's total expenditures in this category were \$316,000. The majority (45 percent) of expenditures were instructional services for students with special needs. In addition, 25 percent were expenditures dedicated to gifted instruction and alternative schooling services obtained through the Educational Service Center (ESC).

- **General Supplies:** This category includes expenditures for consumable non-food items such as pencils, paper, paper clips, staples, and so forth. ECLSD spent approximately \$305,000 in this category on a variety of supplies, including those for the elementary program *Success for All* (see **Table 2-3**).
- **Plant Maintenance and Repair:** This expenditure category is for those consumable items used to operate, maintain, and/or repair District property, buildings, and equipment. ECLSD spent approximately \$28 more per pupil than the peer average on supplies (i.e. light bulbs, paint, cleaning supplies). AOS analyzed ECLSD's budgeting (see **R2.8**) and purchasing (see **R2.9**) and identified possible opportunities for controlling and/or reducing these expenditures. See **facilities** for a detailed analysis of this operational area.
- **Fleet Maintenance and Repair:** This category includes expenditures for those consumable items used to operate, maintain, and repair motor vehicles. Fuel was the main cost driver in this category, accounting for 73 percent of the \$230,000 reported. See **transportation** for a detailed analysis of this operational area.

Finance and Strategic Management Audit Objectives

The following is a list of the questions used to evaluate the financial and strategic management at ECLSD:

- What has been the District's financial history and does the District have policies and procedures to ensure effective and efficient financial management?
- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system of communicating its financial data and does the District actively involve parents and other stakeholders in the decision making process?
- Has the District developed a strategic plan that links educational and operational plans and incorporates recommended practices?
- How does the District's revenue and expenditure information compare with the peers?
- Does the District's purchasing practice follow best practices and do procedures ensure adequate internal control over purchases?
- Has the District developed effective internal controls over the payroll process?

Recommendations

R2.1 ECLSD should develop a District-wide strategic plan which outlines its strategic vision for all educational programs and operational areas. In preparing the plan, ECLSD should include detailed goals, objectives, benchmarks, timeframes, performance measures, cost estimates, and funding sources. In addition, ECLSD should link the strategic plan to the annual budget (see R2.8), the five-year forecast, the facilities master plan (see R4.1), the Comprehensive Continuous Improvement Plan (CCIP), and any other educational and operational plans.

This approach shifts focus from inputs (salaries and cost of purchased goods and services) and outputs (students educated, programs developed, meals served, riders transported) to the accomplishment of the goals and objectives stated in the District's strategic plan and the outcomes the District achieves. Once a comprehensive strategy is adopted and approved, ECLSD should assess all parts of the strategic plan on an annual basis and when appropriate, amend its priorities and strategies to reflect changes in internal and external conditions.

ECLSD does not have a strategic plan. However, the Superintendent indicated that action plans for capital improvement and goals for improving District communication, professional development, and parent support are discussed at the Board meetings. Educational goals are discussed at the building level during the development of the CCIP.

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

Without a comprehensive strategic plan to tie operational and program needs together, including budgetary and educational goals, ECLSD may not be able to directly tie important District actions with their impact on other District programs. As a result, the District might have a greater risk of under- or over-funding particular programs relative to other District needs. Similarly, without a plan and associated measurement processes,

the District may not be aware of the impact of its funding decisions on the outcomes of programs and operations.

A District-wide strategic plan will help ECLSD gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing finances with its educational mission. In addition, a strategic plan could help improve communication between the District and community, provide direction for the Board, and align the planning and budgeting processes with its strategic vision.

Policies and Procedures

R2.2 ECLSD should develop and maintain clear policies and procedures to govern all operational areas. Policies and procedures will ensure that District administrators, employees, and other stakeholders have a clear understanding of the District's processes in financial management, human resources management, and operations management. Furthermore, comprehensive procedures serve as a readily available resource for the District's accepted and approved approach to day-to-day operations.

During the course of the performance audit, several assessments identified areas where developing or improving policies and procedures could strengthen controls and enhance the District operations.

Effective Policy Formation: A New Challenge (Association of School Business Officials International (ASBO), 2005) recognizes that well-developed, well-articulated policies are indicators of the attitude and commitment of school boards toward following effective management practices. Clear policies provide school boards with a consistent plan for how it will operate, compelling it to stay focused on the critical challenge of providing vision and leadership for improving student achievement.

In addition to policies, formal written procedures can help ensure consistent practices and policy compliance by describing in detail the process or steps taken in order to accomplish a task. Procedures provide a more specific guide to action than policies. The Northeast Ohio Learning Associates (NEOLA) provides school districts with a complete service for developing and updating board bylaws and policies, administrative guidelines and procedures, and handbooks. According to NEOLA, each statement of policy delegates to the Superintendent the responsibility to develop administrative guidelines or procedures for proper policy implementation. Improving and developing effective operating procedures can increase overall productivity.

Areas identified in financial management include developing GFOA recommended financial policies (see **R2.3**), forecasting policy and procedures (see **R2.4**), budgeting

procedures (see **R2.8**), District-wide purchasing procedures (see **R2.9**), and payroll procedures (see **R2.10**). In addition, areas were identified in other sections within this performance audit and include: developing Education Management Information System (EMIS) procedures for human resources (see **R3.5**); custodial and maintenance policies and procedures (see **R4.7**); policies and procedures for the transportation of students (see **R5.2**); and formal procedures for T-Form reporting (see **R5.3**).

Developing and implementing additional policies may improve ECLSD internal controls and management functions. Descriptive procedures will also help guide the District and enable it to effectively carry out operations in all functional areas. While policies are approved by the Board, procedures can be developed by administrators or departments. Formally documenting procedures can provide the opportunity for enhancement in operations and help the District plan for improvement in services and operations.

R2.3 ECLSD should develop a comprehensive set of financial policies that are based on recommended practices. These policies should be tailored specifically to the District and its operations. After a comprehensive set of financial policies has been developed and adopted by the Board, the District should ensure that its financial and budgetary procedures are managed in a manner consistent with these policies.

ECLSD has adopted policies to help guide the District's financial decision making. The Board's *Fiscal Management Policies* were updated in July 2004. Despite having comprehensive policies for financial management, the District is lacking certain policies recommended by GFOA. For example, GFOA recommends developing financial policies for fees and charges, stabilization funds, debt issuance, unpredictable revenues, and contingency planning

According to GFOA, financial policies should be consistent with broad organizational goals and should be the outcome of sound analysis. To ensure that its financial management practices follow recommended guidelines, ECLSD should adopt and implement the GFOA-recommended policies⁷ that are not currently incorporated into the Board's *Fiscal Management Policies*.

Including the policies recommended by GFOA and tailoring those policies specifically to the District and its operations could help ensure better management of limited resources and consistency in financial practices. For example, such policies can help the District operate more smoothly in the event of employee absence or turnover, be used as a tool for financial decision making if reductions become necessary, and improve the ability of the District to take timely action as potential shortfalls occur. In addition, comprehensive

⁷ <http://www.gfoa.org/services/df/budget/RecommendedBudgetPractices.pdf>

financial policies could aid in the overall management and provide a sound framework upon which to establish practices of performance measurement, planning, and budgeting.

Five-Year Financial Forecast

R2.4 ECLSD should develop a policy and written procedures for the preparation of its five-year financial forecast. The policy should outline the development, review, and approval of the forecast. In addition, the forecasting procedure should include preparation timetables, forecast assumptions and methodology, the process for updating an existing forecast, and all participants involved in the forecasting process.

ECLSD's *Budget Planning Policy* states that the Treasurer, with input from the Superintendent, is responsible for preparing financial forecasts. ECLSD does not have a Board policy or written procedure specifically related to the preparation of the five-year forecast.

According to the *Guide for Prospective Financial Information* (AICPA, 2006), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare the financial forecast, monitor attained results relative to the forecast, and prepare revisions to, or otherwise update, the forecast. Financial forecasts may also be prepared through a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. AICPA's recommended guidelines for preparing and reviewing financial forecasts include the following:

- Key factors should be identified as a basis for assumptions. Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported and could include market surveys, general economic indicators, trends and patterns developed from the entity's operating history (historical trends), and internal data analysis (union contracts and labor rates).
- The process used to develop financial forecasts should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions. As a result of well supported documentation, users can trace forecasted results back to the support for the basic underlying assumptions.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible parties at the appropriate levels of authority.

The creation of a forecast policy that reflects the abovementioned items will help ensure the District develops reliable projections. This, in turn, would help ECLSD detect future problems and related solutions in a timely manner.

R2.5 ECLSD should ensure the Treasurer updates the District's five-year forecast when events occur that could significantly influence future expenditures or revenues. Updating the five-year forecast will provide the Board with a continuous planning tool, help the District effectively plan for future needs and goals, and respond to unexpected events. ECLSD should include the update process in its forecasting procedures (see R2.4) to ensure that those involved in forecast preparation understand the circumstances that require information be updated.

The Treasurer prepared ECLSD's May 2008 five-year forecast using a variety of methodologies, historical trends, and other information available. After its May 2008 forecast was submitted to ODE, the District offered a retirement incentive which nine employees accepted. The District also approved other staffing reductions and negotiated a wage freeze for FY 2008-09. These changes significantly affected the District's projected employee salaries and benefits. ECLSD was aware of the savings and documented anticipated changes; however, the Treasurer did not update the five-year forecast to illustrate the long-term cumulative effect of these actions to the Board. Instead the Treasurer waited until the submission of the October forecast to illustrate the projected savings from the reductions.

The auditing and accounting guide, *Prospective Financial Information* (AICPA, 2008), states that while it is not usually expected that forecasts be updated, there may be situations where updating would be appropriate. Specifically, if material events occur, the responsible party should consider whether it is appropriate to issue an updated financial forecast. ODE also encourages school districts to update their forecasts when events take place that will result in significant changes.

Circumstances and conditions which form the basis for the five-year forecast projections use information existing at the time the projections are prepared. Changes in District conditions after the submission of the forecast could significantly change the projected outcomes. The Treasurer should update the five-year forecast when significant events occur in order to illustrate to the Board and the community the positive and negative long-term effects of internal and external changes. Updating the forecast will ensure the Board is properly informed when significant adjustments affect the long-term financial outlook of the District.

R2.6 ECLSD should revise its projections for personal services and ERIB⁸ for FY 2009-10 through FY 2012-13 to incorporate negotiated wage increases (NWI). The District has forecasted personal services to reflect only step increases. By omitting NWIs during the forecast period, ECLSD is presenting an overly optimistic scenario which is not likely to account for all future personal services obligations.

During the course of the performance audit, ECLSD released its FY 2008-09 October five-year forecast. In addition to the step increases, the Treasurer included a 1 percent negotiated wage increase on the base salary each year of the forecast. The new forecast and assumptions were approved at the October 21, 2008 Board meeting.

The Treasurer determines employee step increases using a spreadsheet that illustrates all employees at their current step and the current pay. The spreadsheet calculates each employee's future salary based on the respective salary schedule and provides a total salary amount projected for the upcoming year. While step increases are accurately accounted for in the District's May 2008 five-year forecast, the Treasurer indicated that she did not include a NWI (a percentage increase applied on the base rate). According to the Treasurer, the District is not financially able to provide these increases in future years and therefore they are not included in forecasted expenditures.

While ECLSD was able to negotiate a freeze on the base rate for salaries for FY 2008-09, it has historically provided employees with both step increases and NWIs. Employees received NWIs of 2.5 percent in FY 2005-06, 3.5 in FY 2006-07, and 3.0 percent in FY 2007-08.

According to the auditing and accounting guide, *Prospective Financial Information* (AICPA, 2008), financial forecasts should be consistent with the expected economic effects of anticipated strategies, programs, and actions, including those being planned in response to expected future conditions. Financial projections may represent alternatives based on a special purpose contemplated in preparing the presentation. The alternatives should reflect the responsible party's expected actions. The entity should consider paying particular attention to those assumptions (a) to which the attainment of forecasted results is particularly sensitive (that is, those in which a small variation in the assumptions would have a large effect on forecasted results) and (b) for which the probability of variation is high.

⁸ Employees' Retirement/Insurance Benefits (ERIB) includes District expenditures for contributions to employee retirement and Medicare as governed by State regulations. District contributions to employee retirement and Medicare is calculated as a percentage of employee salary (14 percent and 1.45 percent, respectfully). Therefore, increasing forecasted personal services would require the District to increase forecasted ERIB.

Given that assumptions about future personal service expenditures is a sensitive issue and that even small variations in these assumptions would have large effects on the District's forecast, the District should include a conservative NWI when forecasting its personal services. Additionally, the District may want to develop alternative scenarios that show the impact of variations in projecting future personal service expenditures. These scenarios would help various stakeholders to understand the effect of different NWIs on the District's future financial picture.

- R2.7 When preparing its five-year financial forecast, ECLSD should seek to improve and enhance the assumptions to provide an increased level of detail and description in the supporting material. Forecast assumptions should explain the District's calculation methodology as well as material expectations made in those calculations. Sound and descriptive assumptions will help the Board and District residents better understand the forecast and make more informed decisions.**

During the course of the performance audit, ECLSD released its FY 2008-09 October five-year forecast and assumptions. The Treasurer's assumptions included more detail than those in the May 2008 forecast in all areas and provided a more descriptive methodology for forecasting general property taxes, unrestricted grants-in-aid, personal services, and ERIB. The new forecast and assumptions were approved at the October 21, 2008 Board meeting.

ECLSD's forecast assumptions contain line-by-line explanations of revenue and expenditure projections. Forecast assumptions are posted on the ODE web site in pdf format. However, the Treasurer does not include an explanation of the methodology used to project each line item. The assumptions also do not include scenario-type explanations to illustrate what may happen if conditions or future expectations are altered.

The auditing and accounting guide, *Prospective Financial Information* (AICPA, 2008), states the disclosure of significant assumptions is essential to the reader's understanding of the financial forecast. The basis or rationale for the assumptions should be disclosed to help the user of the financial forecast understand the presentation and make an informed judgment about it. Furthermore, the *Auditor of State's Best Practices* (AOS, Spring 2004) outlines some common problems and typical recommendations for the enhancement of five-year forecasts. One common problem identified by AOS is the lack of detailed assumptions. It recommends districts create more detailed assumptions to help the reader better understand the factors included in each line item of the forecast.⁹

The Treasurer uses acceptable methodologies and readily available information to develop her five-year forecast. However, the process is not clearly stated in some

⁹ For the full publication see:

www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol1Issue1_Spring%202004.pdf

material line items. Improving the formal written forecast assumptions by including more detailed calculations and a more clearly stated methodology will provide decision makers with useful and understandable information. The following are examples of areas in which forecast assumptions could be enhanced:

- **General Property (Real Estate):** ECLSD's assumptions note that projections are based on historical growth patterns, an estimated \$6.5 million loss in valuation, and other information received from the County Auditor. The Treasurer could enhance the assumptions by including an explanation of the growth patterns, dates of District updates and reappraisals, the direct affect of the decreased valuation, and the consideration of delinquent taxes. Although it was not a factor in the forecasted revenue, the Treasurer could include a statement regarding the potential impact local employers could have on this line item should they leave the area.
- **Unrestricted Grants-in-Aid:** ECLSD's assumptions explain that the forecasted revenue is based on the expected decline in student population and information from the Office of Budget and Management and ODE. However, the Treasurer's process for projecting this revenue is more detailed and consists of calculating the increase in revenue using the new per pupil foundation amount, examining the average increases in State foundation support, and using a 2 percent increase for the last three years of the forecast. If the Treasurer provided a more detailed explanation of her methodology for forecasting this line item, it would provide readers with a better understanding of this projected revenue.
- **Personal Services:** Although salaries and benefits make up the majority of total expenditures and often go hand in hand, they should have separate assumptions in order to provide detail about the direct factors pertaining to each item. The assumptions for salaries indicate that a step increase was included throughout the forecast. The Treasurer could include the methodology and outcome for calculating the step increases as well as the fact that a negotiated wage increase was not included and the potential impact on this line item if one is included (see **R2.6**).
- **ERIB:** ECLSD's assumptions provide anticipated percentage increases for medical insurance each year of the forecasted period. To enhance this assumption, the Treasurer could include the anticipated increases for all remaining expenditures within this category including, dental, life, employee retirement, and workers compensation. The Treasurer should also include the source of information, such as the Southwestern Ohio Educational Purchasing Council (EPC) for medical increases, to establish support for the projections. Lastly, a standalone assumption for ERIB will provide more detail in this category.

In its current state, the financial planning of the District can provide a vision of future financial outlays; however, without sufficient explanatory detail, the vision is short-term and cannot be carried into future years with confidence. More effectively communicating the methodology used to forecast anticipated revenue and expenditures by including greater levels of detail in the formal assumptions will provide ECLSD, the Board, and stakeholders with the information needed to accurately detect future financial fluctuations and devise appropriate solutions in a timely manner.

Budgeting

R2.8 ECLSD should develop its annual budget in a manner that supports the goals and objectives identified in the strategic plan (see R2.1). This would increase the focus on District priorities for the upcoming year and help maintain that focus once the budget has been adopted. Additionally, ECLSD should expand the budgeting process to include individual budgets for the transportation and facility departments and allow the Transportation Supervisor and Plant and Operations Manager to participate in the development of these budgets. Lastly, the District should consider establishing procedures to ensure the coordination of the budget process (see R2.2). Implementing this recommendation may require an earlier start to the budget development process.

The Superintendent works with the Treasurer to set building budgets for each principal at the beginning of the school year. This is accomplished using a formula which is based on a per student dollar amount and the number of students within each school building. These budgets are monitored throughout the year and discussed regularly with principals. ECLSD also examines trends and discusses spending within its operational departments. The District, however, does not prepare formal budgets for its Transportation Supervisor or its Plant and Operations Manager.

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

ECLSD has an effective process for setting and monitoring principals' budgets for individual buildings. However, the District does not have a budgeting process for its operational departments. The Superintendent indicated that his close working relationships with, and trust in, the Transportation Supervisor and Plant and Operations

Managers encourage ongoing communication regarding spending and decision making. However, the transportation and facilities departments may not have the necessary tools needed to monitor spending within the departments. The Treasurer indicated that budgeting for these departments is difficult because there are often unknown or unexpected expenses. Allowing the Transportation Supervisor and Plant and Operations Manager to participate in the budget development process may help the Treasurer better identify planned or anticipated spending such as bus replacement costs (see **R5.6**) or capital improvement and preventive maintenance costs for District buildings (see **R4.1**).

Developing budgets based on the goals and objectives outlined in the strategic plan will help ECLSD focus the allocation of limited resources, which subsequently should improve the efficient use of those resources. Individual budgets for the transportation and facilities departments will help the managers monitor spending throughout the year which will enhance control over their portion of District-wide spending.

Purchasing

R2.9 ECLSD should develop a District-wide purchasing manual to ensure adherence to Board policies and to promote consistency in all purchasing applications. The manual should include specific procedures for requisitioning, approving, and making purchases for the District.

Board authority for the purchase of materials, equipment, supplies and services is extended to the District administration through adoption of the annual appropriations resolution. Informal purchasing practices include a multi-copy paper requisition form and a multi-level approval process. Employees submit a requisition to their respective building principal or department supervisor who must approve it before sending it to the Central Office. The Superintendent then approves it and the Treasurer assigns it an account number before the order is placed by the Treasurer's Office staff. When emergencies occur (specifically in the operational departments) supervisors call the Central Office to obtain a purchase order number which allows them to order materials immediately. These purchases are reviewed and approved at a later date by the Superintendent.

ECLSD has recently introduced a web requisition process which allows buildings to send requisitions to the Central Office electronically, saving paper and time. Employees can also shop online for supplies through pre-approved vendor sites. These methods are currently not used by the operation departments. Lastly, the District has credit cards for specific suppliers that employees can use for purchases. In this case, employees sign out the credit card, complete a requisition form, make the purchase, and bring in the receipt. The Treasurer keeps a record of all credit card use and reconciles monthly statements.

While employees demonstrated consistent practices, procedures for purchasing are not formally documented.

While policies establish what an organization requires, procedures describe how policies will be carried out or implemented. According to *Introduction to Public Procurement* (The National Institute of Governmental Purchasing (NIGP) 2009), procedure manuals are written in detail, intended not just to provide guidance but also to set out the forms, process requirements, and steps for each procurement action. A procedure manual is best structured in exactly the same sequence as the procurement cycle, detailing each step in the process and showing the forms to be used, the information required, and the standard length of time necessary to complete any step in the process. This facilitates operational planning and provides benchmarks for monitoring the process. Procedure manuals should be tailored to meet agency requirements and, at a minimum, should include:

- Procurement goals, objectives, and responsibilities;
- Step-by-step outline of the procurement process, including the processing of requisitions, solicitations, bid evaluation and awards, preparation and issuance of purchase orders and contracts, follow-up, and contract administration;
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting vendor performance;
- Step-by-step outline of the property and supply management programs, including inventory control and management and the transfer or disposal of surplus property;
- Other special procedures, such as a description of a cooperative purchasing program, how to process invoices for payment and how to process call-ups against term contracts and blanket purchase orders; and
- Listing of the important forms used in the procurement process, instructions to bidders and general conditions governing contracting, and a glossary of procurement terms used in the manual.

The manual should be written for the guidance of both the procurement staff and those people in user departments who are charged with initiating requisitions. It is good practice to make direct reference to, and in some cases include a copy of, the enabling regulation or policy in a procedures manual. Procedure manuals sometimes include process flow charts to graphically portray the flow of forms and information through the procurement process.

Some Ohio school districts have developed procedure manuals to guide staff through the purchasing process and ensure regulations and district policies are adhered to. For example, Miami East Local School District in Miami County has a requisition and purchase order handbook that includes reference to ORC statutes for purchase order

authorization; detailed procedures for purchase orders, emergency purchases, and creating and managing online requisitions; USAS coding definitions; and sample forms.

While some of the items recommended by NIGP are present in existing policies, ECLSD does not have formal procedures in place to guide employees in requisitioning and purchasing. The development, approval, and distribution of a purchasing manual would help the Board, Treasurer, and Superintendent clarify the District's official position on all purchasing matters.

Formal procedures would help ensure that all purchases are completed in a manner consistent with Board policies and provide better control over funds dedicated to supplies and materials. A purchasing manual would ensure District personnel follow proper procedures for determining the optimal vendor, maximizing services from purchasing consortiums, and continually re-evaluating vendors and consortiums to ensure purchasing practices are in line with District goals (see also **R5.5**).

Payroll

R2.10 ECLSD should implement the Miami Valley Educational Computer Association's (MVECA)¹⁰ Human Resources Kiosk (HR Kiosk) application. Implementing the HR Kiosk would increase efficiency in a number of processes, most notably in the employee leave use and approval process. In addition, ECLSD should consider developing payroll procedures for requesting and approving employee leave and making them available to all employees (see R2.2). This would ensure employees understand the HR Kiosk system and provide a more effective transition from the current process.

ECLSD's payroll system is exception based where contracted daily hours for all employees are entered into the payroll system at the beginning of the school year. The Treasurer's Office manually adjusts for employee overtime and leave usage throughout the year. The District requires pre-approval of personal, professional and vacation leave for which employees submit leave request forms to appropriate building principals or department supervisors. A sick leave report is filled out upon returning to work to document the date(s) and reason(s) for absences. Once approved by the principal or supervisor, these forms are sent to the Superintendent for approval and then to the Treasurer's Office where adjustments to the payroll system are made.

The HR Kiosk is an online tool available through the State Information Technology Centers (ITC) and is free of charge to member school districts. MVECA is a participant in this new application and the software is currently available to ECLSD at no cost. HR

¹⁰ MVECA is the District's Information Technology Center.

Kiosk allows a number of payroll operations (both employee and administrative) to be carried out online.

HR Kiosk is in the development stage and at this point, the module available through MVECA includes posting and approving employee leave requests. The HR Kiosk will offer a number of applications when complete, including employee personnel information, employee profiles, job posting capabilities, job application tracking, Individual Professional Development Plans, district calendars, and job performance reviews. The HR Kiosk software is relatively new across the State and while ECLSD's Superintendent expressed awareness and interest in the application, the District has yet to inquire about implementing it. MVECA indicated that it would provide technical assistance to ECLSD in setting up the system and getting started.

Once implemented District-wide, leave requests could be reviewed and approved online so no paper forms would be needed. Approved exceptions would be automatically updated in the payroll system so employees would not need to fill out paper request forms and the Treasurer's Office could cease manually entering the leave adjustments.

While ECLSD has an effective process for requesting, approving, and tracking employee leave use, implementing the HR Kiosk system would help the District increase efficiency in its payroll process through reduction of data entry time and elimination of paper forms. Once fully implemented, the District would be able to more accurately assess and track the entire payroll process, as well as other HR functions such as professional development and employee performance reviews.

Communication

R2.11 ECLSD should expand its web site to provide relevant financial information to parents, the community, and other stakeholders. By making financial information available on its web site, The District would be using a relatively inexpensive method to help the public better understand its financial condition. Improved communications may help increase community support and garner the additional stakeholder feedback necessary for effective management.

ECLSD's web site contains a range of information about the District, including contact information, school calendars, individual school pages with newsletters and updates, current events and links to news events and other outside resources such as MVECA and ODE. The District also provides valuable information on its web site including Board policies, meeting dates, and meeting minutes. However, the web site does not contain financial information or links to the District's financial reports such as the five-year forecast and budget.

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

Several Ohio school districts use web sites to provide stakeholders with key information pertaining to district operations. For example, Westerville City School District's web site provides Board policies, meeting minutes and agendas, presentations, and goals; its FY 2008-09 tax budget and five-year forecast; historical financial reports; property tax, millage, and valuation information; historical costs per pupil; and a glossary of school financial terms. Wayne Trace Local School District's web site includes an annual financial report illustrating funding sources, and containing comparisons to neighboring school districts, as well as expenditures by object and function. Finally, Lebanon City School District publishes monthly financial reports on its web site including expenditures to date, its current budget, historical comparisons by object, historical revenues and expenditures charts, salaries and benefits as a percent of revenues, and bank reconciliations.

Although ECLSD's web site includes an assortment of useful information and resources, it has not been developed to include the financial information and documents recommended by GFOA and observed on other Ohio school district web sites. Expanding the web site to incorporate financial information such as the five-year forecast, tax budget, financial reports, and property tax data would help better educate the public about the District's financial situation and potentially increase public awareness and support for different program and funding strategies.

Financial Recovery Proposal

R2.12 ECLSD should implement the performance audit recommendations contained in this and other report sections. Implementing the performance audit recommendations would help offset projected deficits and assist in maintaining a positive year-end fund balance through FY 2012-13. Enhancing general operating revenue and/or identifying additional savings beyond those included in this performance audit would allow ECLSD to improve its overall financial condition in the future and assist the District in addressing changing circumstances.

In order to address the projected deficit, ECLSD must make reductions in its expenditures, generally through staffing and program reductions. **Table 2-6** illustrates the effect of the performance audit recommendations on the District's October five-year financial forecast and ending fund balances, assuming that all recommendations

contained in this audit are implemented. Full implementation of performance audit recommendations is projected to result in a positive fund balance in FY 2012-13 of approximately \$405,000.

Table 2-6: Revised FY 2008-09 October Five-Year Forecast (in 000s)

	Actual			Forecasted				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
General Property (Real Estate)	\$2,015	\$2,108	\$2,052	\$2,194	\$2,238	\$2,239	\$2,240	\$2,285
Tangible Personal Property Tax	\$610	\$647	\$534	\$330	\$91	\$45	\$0	\$0
Unrestricted Grants-in-Aid	\$6,685	\$6,833	\$7,052	\$7,573	\$7,769	\$8,034	\$8,239	\$8,512
Restricted Grants-in-Aid	\$11	\$21	\$62	\$75	\$61	\$68	\$71	\$75
Property Tax Allocation	\$266	\$426	\$450	\$403	\$362	\$224	\$224	\$228
All Other Operating Revenue	\$196	\$319	\$721	\$727	\$746	\$766	\$786	\$807
Total Revenue	\$9,783	\$10,354	\$10,871	\$11,303	\$11,267	\$11,376	\$11,560	\$11,907
Advances-In	\$64	\$0	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financial Sources	\$19	\$3	\$3	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$84	\$3	\$3	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$9,867	\$10,357	\$10,873	\$11,303	\$11,267	\$11,376	\$11,560	\$11,907
Personal Services	\$6,345	\$6,533	\$6,835	\$6,587	\$6,778	\$6,925	\$7,016	\$7,097
Employees' Retirement/Insurance Benefits (ERIB)	\$1,995	\$1,993	\$2,083	\$1,994	\$2,177	\$2,241	\$2,307	\$2,376
Purchased Services	\$757	\$859	\$1,311	\$1,429	\$1,477	\$1,537	\$1,601	\$1,664
Supplies and Materials	\$502	\$528	\$671	\$767	\$808	\$780	\$808	\$837
Capital Outlay	\$33	\$58	\$83	\$56	\$66	\$166	\$67	\$167
Other Objects	\$231	\$239	\$201	\$246	\$253	\$260	\$262	\$269
Total Expenditures	\$9,863	\$10,211	\$11,183	\$11,079	\$11,560	\$11,909	\$12,060	\$12,410
Advances – Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financial Uses	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditure and Other Financing Uses	\$9,863	\$10,211	\$11,183	\$11,079	\$11,560	\$11,909	\$12,060	\$12,410
<i>Performance Audit Recommendations</i>	NA	NA	NA	NA	\$384	\$403	\$410	\$415
Result of Operations (Net)	\$4	\$146	(\$310)	\$225	\$92	(\$130)	(\$90)	(\$89)
Beginning Cash Balance	\$581	\$585	\$731	\$421	\$646	\$738	\$608	\$518
Ending Cash Balance	\$585	\$731	\$421	\$646	\$738	\$608	\$518	\$430
Outstanding Encumbrances	\$128	\$146	\$24	\$25	\$25	\$25	\$25	\$25
Fund Balance June 30 for Certification of Appropriations	\$457	\$585	\$398	\$621	\$713	\$583	\$493	\$405
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	\$457	\$585	\$398	\$621	\$713	\$583	\$493	\$405
Unreserved Fund Balance June 30	\$457	\$585	\$398	\$621	\$713	\$583	\$493	\$405

Source: ECLSD and AOS

Note: Total may vary due to rounding

Table 2-7 summarizes the performance audit recommendations reflected in the revised five-year forecast. With the implementation of these recommendations, it is projected that ECLSD could maintain a positive fund balance through FY 2012-13.

Table 2-7: Summary of Performance Audit Recommendations (in 000s)

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Annual Cost Savings				
R3.1 Eliminate of 1 FTE administrator position	\$66,000	\$67,919	\$69,384	\$70,297
R3.2 Eliminate of 2 FTE ESP position	\$92,000	\$94,675	\$96,717	\$97,990
R3.3 Eliminate 3.0 FTE support staff positions	\$52,000	\$53,512	\$54,666	\$55,386
R4.3 Eliminate 2.0 FTE positions in its custodial department	\$69,500	\$71,520	\$73,063	\$74,025
R4.6 Implement a formal energy conservation plan	\$14,000	\$14,700	\$15,435	\$16,207
R5.1 Eliminate 2 buses	\$103,000	\$103,000	\$103,000	\$103,000
Total Cost Savings from Performance Audit Recommendations	\$396,500	\$405,325	\$412,265	\$416,906
Annual Cost				
R5.1 Purchase of Routing Software¹	\$12,100	\$2,186	\$2,276	\$2,369
Total Cost Savings from Performance Audit Recommendations less Annual Costs	\$384,400	\$403,139	\$409,989	\$414,537

Source: AOS Performance Audit Recommendations

¹ Includes one-time implementation cost of \$10,000 for purchasing software in FY 2009-10.

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Human Resources

Background

This section of the performance audit focuses on the human resource (HR) functions of the East Clinton Local School District (ECLSD or the District). Operations were evaluated against recommended practices, industry standards, and the average of 10 peer districts¹ for the purpose of developing recommendations to improve efficiency and business practices. These recommendations may assist the District in its efforts to address projected financial deficits. Recommended practices and industry standards were drawn from various sources including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the Kaiser Family Foundation (Kaiser), the State Employment Relations Board (SERB), the National School Boards Association (NSBA), Ohio Association of EMIS² Professionals (OAEP), and the Ohio Department of Administrative Services (DAS).

Organizational Structure

ECLSD does not have a position dedicated to human resources management functions. The Superintendent is responsible for supervising the District's overall operations and its certificated employees, including teachers, professional staff, principals, and assistant principals. The Treasurer's Office is responsible for budgeting for employee compensation and administering payroll and insurance benefits. Several other administrators and supervisors have management responsibilities for particular areas of District operations.

Staffing

In fiscal year (FY) 2007-08, ECLSD employed 191.3 full-time equivalent (FTEs) employees. The District reduced its staffing by 6 FTEs prior to the 2008-09 school year. This reduction was accomplished by eliminating positions and through attrition. **Table 3-1** illustrates the FTE staffing levels at ECLSD and the average of the peers as reported to ODE through EMIS. Staffing levels for ECLSD shown throughout this section have been adjusted to reflect the elimination of 6 FTE positions. The FTEs in **Table 3-1** have been presented on a per 1,000 student basis because staffing levels are partially dependent on the number of students served. Presenting staffing data in this manner allows comparisons between districts with different enrollments.

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

² Education Management Information System (EMIS)

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

	ECLSD FY 2007-08	Peer Average FY 2006-07	Difference
Students Educated²	1,371	1,682	(311)
Administrators	7.3	6.5	0.8
Educational Staff	71.0	71.1	(0.1)
Professional Staff	1.5	1.4	0.1
Technical Staff	3.7	6.5	(2.9)
Office/Clerical Staff	9.5	9.3	0.2
Maintenance Workers	2.2	1.9	0.3
Custodians/Groundskeepers	9.5	6.5	3.0
Bus Drivers	8.8	10.6	(1.8)
Food Service Workers	7.3	7.5	(0.2)
All Other Reported Personnel ³	14.6	1.7	12.9
Total FTE Reported	135.2	122.9	12.3

Source: ECLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE.

Note: Totals may vary due to rounding.

¹ According to ODE's 2008 EMIS instructions for reporting staff data, 1.00 FTE is equal to the number of hours in a regular working day for that position, as defined by the district (see **R3.5**).

² Reflects students receiving educational services from the district and excludes the percent of time students are receiving educational services outside of the district. This student count is used throughout the HR section of the performance audit unless otherwise noted.

³ This category includes the position of *attendants* (see **R3.3**).

As illustrated in **Table 3-1**, ECLSD staffing levels are 12.3 FTEs above the peer district average on a per 1,000 student basis, despite recent staff reductions. The District's FY 2007-08 staffing is higher on a per 1,000 student basis when compared to the peer average in the following categories:

Administrative Staff: ECLSD employs 0.8 more administrative staff FTE per 1,000 students than the peer average. Positions contributing to the higher staffing in this category are ECLSD's 3.0 coordinator FTEs (see **R3.1**).

- **Maintenance Workers:** ECLSD employs 0.3 more maintenance FTEs per 1,000 students than the peer average. See **facilities** for a detailed analysis of maintenance staffing.
- **Custodians/Groundskeepers:** ECLSD employs 3.0 more custodial and groundskeeping FTEs per 1,000 students than the peers. Groundskeeping duties are performed by the District's custodial and maintenance staff. See **facilities** for a detailed analysis of custodial and groundskeeper staffing.
- **All Other Reported Personnel:** ECLSD is 12.9 FTEs per 1,000 students higher than the peer average in the *all reported personnel* category. The District reported 19 attendant

FTEs in this category. These positions are included in the detailed analysis of ECLSD's support staff (see **R3.3**).

As illustrated in **Table 3-1**, ECLSD's total educational staff FTEs per 1,000 students is comparable to the peer average. The District's regular student to regular teacher ratio of 17.5:1 was similar to the peer average of 17.6:1 and therefore did not warrant a recommendation based on the District's current financial circumstances. However, if the District experiences a loss of revenues or an unanticipated increase in expenditures that it is unable to control, it could consider reductions in this area. As the District's mission is to educate children and regular education teachers have the greatest impact in this area, this classification should be considered when other options have been exhausted. ECLSD could reduce 18 regular education teachers and remain above State minimum requirements.³ This could generate a savings of up to \$900,000. Also, ECLSD's educational service personnel (ESP) staffing was 0.4 FTEs above the peer average on a per 1,000 student basis (see **R3.2**).

Total Compensation

When compared to the State averages, the District's average salaries were approximately 10 percent lower based on job assignment. However, ECLSD's base salaries were 7 percent higher than the peer average. Higher salaries were offset by the lower per pupil cost of benefits which was 18 percent below the peer average (see **financial systems**.) The District indicated higher salaries were provided to compensate employees for contributing a larger portion of benefit premiums. When comparing total compensation to the peers, the District's salaries and wages plus benefits were 0.3 percent lower on a per pupil basis.

Due to its financial condition, the District had an outside contractor complete a feasibility study to determine whether a retirement incentive, used to encourage senior staff to retire, would reduce the District's salary expenditures. As a result of this study, the District offered its certificated staff an Employee Severance Plan of \$45,000 to be paid over a three-year period. This amount was in lieu of the existing \$12,000 contractually guaranteed super-severance package.⁴ For classified staff, the District offered 100 percent of the employee's FY 2007-08 salary, not to exceed \$15,000. For this incentive to be profitable, at least eight employees needed

³ The ratio of teachers to students district wide shall be at least one full-time equivalent classroom teacher for each twenty-five students in the regular student population as defined in ORC § 3317.023.

⁴ The District also offers a super-severance package to its employees at the end of their first eligible work year through the State Teachers Retirement System (STRS). The employee will receive a \$12,000 lump sum in addition to the severance from accumulated sick leave. Those eligible must be at least 50 years old with 30 years of service, 55 years old with 25 years of service, or 60 years old with 5 years of service. The payment is made in two equal installments one of which is made 15 days after the Board receives written notification from STRS that the employee is receiving retirement benefits and the other payment is made the following January.

to participate. This incentive enticed five people to retire in FY 2007-08 (two were rehired⁵) and four teachers to retire during FY 2008-09. The study estimated that the District would save about \$71,000 in FY 2007-08 and the District’s actual savings were \$65,660.

ECLSD’s employees may choose either single or family coverage from United Healthcare Choice Plus Preferred Provider Organization (PPO), the District’s health care provider. The Board pays 90 percent of the single plan premium and 70 percent of the family plan premium. Employee payroll deductions account for the portions not covered by the Board. **Table 3-2** shows ECLSD’s total insurance premiums compared to industry benchmarks from Kaiser and SERB.

Table 3-2: FY 2007-08 ECLSD Insurance Premium Rate Comparison

	ECLSD	Kaiser PPO	Percent Difference	SERB PPO	Percent Difference	SERB (Based on # of Covered Employees ¹)	Percent Difference
Single Coverage	\$353.96	\$409.55	(13.6%)	\$449.05	(21.2%)	\$467.55	(24.3%)
Family Coverage	\$992.95	\$1,100.26	(9.8%)	\$1,167.95	(15.0%)	\$1,193.79	(16.8%)

Source: FY 2007-08 ECLSD actual premium rates and SERB and Kaiser for average monthly premiums.

Note: ECLSD’s premiums include medical and prescription drug premiums.

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

As illustrated in **Table 3-2**, ECLSD’s FY 2007-08 premium rates for single and family coverage were lower than both SERB and Kaiser. SERB also recorded an average employee premium contribution rate of 12.5 percent for single coverage and 14.2 percent for family coverage for 2007. ECLSD’s family contribution rate of 30 percent is higher than SERB’s industry standard, which better insulates the District from the impact of increases in the cost of health insurance. However, the District’s 10 percent contribution rate for single employees is slightly lower than the 12.5 percent SERB contribution rate.

ECLSD is one of over 120 school districts in Southwest Ohio that are members of the Southwestern Ohio Educational Purchasing Council (EPC).⁶ The EPC uses the purchasing power of its member districts to obtain competitive prices for products used by its members. In addition, the EPC saves districts the time and expense of implementing their own bidding processes. ECLSD obtains medical insurance through the EPC’s competitive bidding process. Additionally, ECLSD has an Insurance Committee made up of four District employees and the president of its bargaining unit.

⁵ Article 42 of ECLSD’s certificated bargaining agreement requires retired employees to be rehired at Step 5 in the salary schedule.

⁶ District members pay an annual membership fee of \$300 plus \$0.40 per enrolled student. The EPC is funded by membership fees, interest earnings on reserves and some special program fees.

Human Resource Management

The District has not historically experienced high turnover. However, exit interviews are completed by the Superintendent and the information gathered is used for process improvement purposes. ECLSD conducts staff surveys on a building level to provide feedback and suggestions for possible improvement (see *noteworthy accomplishments* in the **executive summary**). However, the survey does not ask staff to indicate their intent to return for the next school year (see **R3.4**). The District relies on a more informal method and expects teachers and other staff members to notify their building principal prior to the beginning of the school year if they will not be returning.

The collective bargaining agreement Master Contract (the Contract) between the East Clinton Education Association and East Clinton Local Board of Education includes all certificated employees and is a one year contract in effect through June 30, 2009. While the classified employees do not operate under a collective bargaining agreement, they operate under similar employment rules and receive the same level of increases in compensation and benefits. These employees include clerical, custodial, transportation, food service, maintenance, and educational aides. Classified staff employment provisions, including the grievance process, leave usage, vacation, holidays, time schedules, severance pay, medical insurance, and payroll deductions, are outlined in ECLSD's Non-Certified Handbook. Due to financial constraints, the District did not offer a negotiated wage increase in FY 2008-09 but did provide step increases. As part of the performance audit, certain contractual issues and the classified policies and provisions were assessed and compared to the ORC. Overall, ECLSD's contract and its employment rules are in line with the ORC minimum requirements.

Human Resources Audit Objectives

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

- Is the District's allocation of personnel efficient and effective?
- Is the District's compensation package in line with peers and State averages?
- Is the District's negotiated agreement consistent with ORC requirements?
- Does the District effectively address human resource management functions and has it created a working environment that enhances its workforce?
- Does the Board of Education operate in an effective manner?

Recommendations

Staffing

R3.1 ECLSD should consider eliminating 1.0 FTE administrative position to achieve a staffing level more comparable to the peer average. This can be accomplished by consolidating positions and reallocating administrative duties to the remaining positions. Reductions in personnel will reduce salary and benefit costs, help alleviate the projected General Fund deficit and align administrative staffing levels with the peers.

ECLSD has 10.0 administrative FTEs, which include a mixture of central and site based employees. The six central administrators include the Superintendent, Treasurer, Director of Transportation, Athletic Director, Testing Coordinator/Case Manager, Dean of Students, and the site based administrators consist of four principals. **Table 3-3** provides an administrative staffing comparison between ECLSD and the peers.

Table 3-3: Administrative Staffing Comparison

	ECLSD FY 2007-08	Peer Average FY 2006-07	FTE Difference
Central Administrators	6.0	5.8	0.2
Site Based Administrators	4.0	5.1	(1.1)
Total FTE Administrators	10.0	10.9	(0.9)
Site Based Administrators per Building	1.0	1.0	0.0
Employees per Administrator	17.6	18.3	(0.7)
Central Administrators per 1,000 Students	4.4	3.5	0.9
Site Based Administrators per 1,000 Students	2.9	3.0	(0.1)
Total Administrators per 1,000 Students	7.3	6.5	0.8
Total Administrators Above Peer Average ¹			1.1

Source: ECLSD and peer staffing data as reported to ODE.

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

As illustrated in **Table 3-3**, ECLSD employs more administrators per 1,000 students than the peer average. Reducing 1.0 FTE central administrator would better align the administrative staff with the peers. A total of 5.0 FTE central based administrators would provide ECLSD with 3.6 FTEs per 1,000 students, comparable to the peer average of 3.5. Smaller District's like ECLSD often have a part-time position dedicated to athletics. Having a position solely dedicated to the Athletic Department may result in underutilization of an administrative position. In addition, when evaluating the option of reducing central administrative staff (coordinators), ECLSD should also consider the

impact this may have on clerical staff to ensure that all responsibilities are appropriately reallocated.

With the reduction of an assistant principal prior to the start of FY 2007-08, ECLSD has the minimum number⁷ of site based administrators, based on the number of buildings. These positions are responsible for the daily supervision of students and building staff. By eliminating 1.0 administrative FTE and reallocating its job responsibilities, ECLSD can reduce its administrative costs while maintaining a staffing level similar to the peers. This reduction would allow ECLSD to redirect the salary and benefit cost of this position to direct instruction or efforts to reduce its deficit.

Although the Plant and Operations Manager and Food Service Director hold many of the responsibilities of administrators, ECLSD does not code these as administrative positions. If these positions were included as administrative staff, ECLSD would be 3 FTEs per 1,000 students above the peer average shown in **Table 3-3**. Should the District experience further deterioration of its financial condition, it should consider including these positions in the administrative staffing comparison and eliminating additional staff in this area.

Financial Implication: The elimination of 1.0 FTE administrator would save ECLSD approximately \$66,000 in salaries and benefits in FY 2009-10. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

R3.2 ECLSD should consider eliminating 2.0 FTE education service personnel (ESP) positions to assist the District in improving its overall financial condition. ECLSD could make this reduction and remain 46 percent above the State minimum requirements. While a greater number of reductions may be necessary to avoid projected deficits, ECLSD should evaluate the impact any reductions in ESP may have on educational services and student achievement.

The District's ESP staff includes 7.0 FTE ESP teachers (K-8 art, music, and physical education), 3.0 FTE counselors, and 0.6 FTE school nurse. In FY 2008-09, the District eliminated one library media specialist and moved a music teacher to a non-certificated library aide position. The District is not filling the music teacher vacancy. **Table 3-4**

⁷ OAC § 3301-33-05 requires every school to be provided the services of a principal. While it is possible to divide one principal between two schools, OAC also requires every school with 15 or more FTE classroom teachers to be assigned the services of a full-time principal. OAC does not stipulate the number of assistant principals for school districts.

compares ECLSD’s ESP staffing levels to the peer average and State minimum standards.

Table 3-4: ESP Staffing Comparison

	ECLSD FY 2007-08	Peer Average FY 2006-07	Difference
Education Service Personnel (FTE)	10.6	11.7	(1.1)
Regular Student Population (SF-3)	1,189.0	1,364.0	(175.0)
Total ESP per 1,000 Regular Student Population	8.9	8.6	0.3
ESP Above/(Below) Peer Districts ¹			0.4
Comparison to State Minimum Requirements			
Comparison to State Minimum Requirements			FTEs
Total Education Service Personnel (ESP)			10.6
State Minimum Required ESP			5.9
ESP Above State Minimum Requirement			4.7

Source: ECLSD and peer staffing data as reported to ODE.

¹ The difference is calculated by multiplying the difference per 1,000 regular students by the District's regular student population. This variance represents the number of FTEs that if eliminated would bring ECLSD in line with the peer average.

As illustrated in **Table 3-4**, ECLSD’s ESP staffing per 1,000 students is above the peer average (by 0.4 FTEs) and State minimum requirements (by 4.7 FTEs). OAC § 3301-35-05 requires that school districts employ a minimum of five ESP for every 1,000 students in the regular student population. Additionally, ESP staff must be assigned to at least five of the following eight areas: counselor, library media specialist, school nurse, visiting teacher, social worker, and elementary art, music and physical education.

As the forecasted operating deficit may require staffing reductions, ECLSD could eliminate 2.0 ESP FTEs, which would bring staffing to a level below the peer average. While this reduction would impact the District’s ESP-provided programs, it would provide needed financial savings. However, if financial circumstances continue to deteriorate, ECLSD may need to consider reducing its ESP staffing to State minimum standards.⁸

Financial Implication: If it eliminated 2.0 FTE ESP position, ECLSD could save approximately \$92,000 in salaries and benefits in FY 2009-10. This estimate of savings would increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

⁸ Based on an average salary and benefits cost of about \$41,000, a reduction to State minimum standards would result in additional cost savings of about \$110,700.

R3.3 ECLSD should consider eliminating 3.0 FTE support staff positions to achieve a staffing level closer to the peer average and assist in improving the overall financial condition. ECLSD should also continually review its need for support staff and consider implementing additional reductions through the consolidation of duties to alleviate General Fund deficits. If the District does not implement the performance audit recommendations and other strategies to reduce costs, it may need to consider further reductions in its classified support staff.

School districts use a range of support personnel to assist with education and care of students. Some support personnel are certificated employees who require specific degrees and qualifications and provide direct educational support to students. A district's support staff can also include classified employees responsible either for educational support in classrooms or non-educational support outside classrooms (e.g. bus drivers and lunchroom aides).

Because districts have unique needs and staffing requirements, ECLSD's support staff was compared to the peer average in three categories:

- Certificated support staff (remedial specialists and tutor/small group instructor);
- Classified educational support staff (teaching aide and instructional paraprofessionals); and
- Classified non-educational support staff (monitors and attendants).

ECLSD's remedial specialists and tutor/small group instructor staffing level is in line with the peers. A comparison of educational and non-educational support staff⁹ is illustrated in **Table 3-5**.

⁹ Teaching aides assist a teacher with routine activities, such as monitoring, conducting rote exercises, operating equipment, and clerking. Instructional Paraprofessional provide instructional assistance in one or more of the following ways: (1) one-on-one tutoring, (2) classroom management, (3) instructional assistance in a computer laboratory, (4) instructional support in a library or media center, or (5) instructional support services under the direct supervision of a teacher. The monitor position is responsible for tasks such as taking attendance and helping keep order on buses, playgrounds, and in the lunchrooms while the attendant position is responsible for assisting special needs children with personal health care needs within the confines of the educational setting.

Table 3-5: Support Staff Comparison

	ECLSD FY 2007-08		Peer Average FY 2006-07		Difference	
Students	1,371		1,682		(311)	
Classified Educational Support Staff						
	FTEs	Per 1,000 Students	FTEs	Per 1,000 Students	FTEs Above (Below)	Difference per 1,000 Students
Teaching Aides	3.0	2.2	4.6	2.2	(1.6)	0.0
Instructional Paraprofessionals	0.0	0.0	8.1	5.2	(8.1)	(5.2)
Classified Non-Educational Support Staff						
Monitors	0.0	0.0	2.3	1.2	(2.3)	(1.2)
Attendants	19.0	13.9	0.1	0.1	18.9	13.8
Total All Positions	22.0	16.1	15.1	8.7	6.9	7.4

Source: ECLSD and peer staffing data as reported to ODE.

Note: Totals may vary due to rounding.

Table 3-5 illustrates that ECLSD employs 7.4 more FTEs per 1,000 students than the peer average. If the District was staffed at the peer level of 8.7 FTES per 1,000 students, it would need only 12 FTEs for its student population, a reduction of 10 FTEs. ECLSD’s higher staffing is primarily attributable to the area of attendants. ECLSD codes all multi-handicapped aides in this category. Many multi-handicapped aides work directly with special education students as required by individualized education programs (IEPs). Because these positions are mandated by IEPs, the District should examine the need for these positions as it reviews IEPs and make an effort to reduce the number of staff in this category. It may also be beneficial for the District to review the duties of these positions to ensure that they are classified in the categories that most accurately represent their responsibilities.

Financial Implication: Based on an elimination of 3.0 FTE support staff positions, ECLSD could save approximately \$52,000 in salaries and benefits in FY 2009-10. This estimate of savings will increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

R3.4 ECLSD should develop a formal staffing plan to address current and future staffing needs. Establishing target staffing allocations for administrative, certificated, and classified personnel will assist the District in better planning for its future personnel needs. Additionally, identifying required positions in a formal staffing plan will help ensure compliance with State and federal requirements. Likewise, the plan should illustrate how staffing and related costs impact the District’s financial condition and

overall mission and goals. To help it plan its human resources complement from year to year, the District should have its staff complete an *intent questionnaire*.

ECLSD does not have a formal staffing plan to consult when determining future employment levels or evaluating its current workforce. Instead, certificated staffing is determined on an annual basis by ECLSD's administration based on enrollment, enrollment projections and student ability. Classified staffing levels are derived from the input of the Supervisor of Pupil Personnel Services and building level administrators. The District also lacks a formal procedure for its staff to report changes in their employment status for the upcoming school year.

Strategic Staffing Plans (SHRM, June, 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. SHRM elaborated on the effect of strategic staffing plans on organizations in *Staffing Strategy Over the Business Cycle* (SHRM, June, 2005). In detailing how organizations may react to changes in the business cycle, SHRM noted that reductions in staffing to meet declining labor needs often did not result in anticipated savings for 12 to 18 months. Therefore, strategic staffing plans, tied to strategic plans and organizational needs can help organizations be proactive and better address the constraints of their operating environments.

Leading practice organizations that use strategic staffing plans include Lakota Local School District (Butler County) and Cincinnati City School District (Hamilton County). In general, these staffing plans incorporate State and federal regulations, workload measures, and industry benchmarks, as well as staffing levels determined by district administrators. The plans outline the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff, using recommended practices and national workload measures. The plans use an assortment of variables and formulas to guide the individuals responsible for making staffing decisions.

Carlisle Local School District (CLSD) encourages employees to complete an Intent Questionnaire each year and return it to the Superintendent's Office to assist with short and long-term staff planning efforts. This form allows employees to notify CLSD administrators of any changes they anticipate in their employment status for the upcoming year, including retirement, resignations, and long-term leaves of absence (such as maternity leave). The form also allows employees to express interest in transferring within the CLSD, either building-to-building or moving to another position. This information not only provides CLSD with a tool for planning, but minimizes the effect of unexpected turnover in staff.

In FY 2007-08, ECLSD attributed 79.8 percent of its General Fund expenditures to employee salaries and benefits. Because the majority of expenditures are allocated to personnel services, the District should consistently monitor staffing levels. By using a formal staffing plan that incorporates established benchmarks, such as student-to-teacher ratios and enrollment projections, ECLSD will be better able to anticipate the need for future staffing adjustments to meet financial constraints. In addition, implementing a formal procedure for staff to notify District administrators of possible changes in their employment status for the coming year will improve ECLSD's ability to anticipate the need for replacement employees.

EMIS Reporting

R3.5 ECLSD should develop policies and procedures to ensure that EMIS reports are accurately prepared and reconciled prior to submission to ODE. Staff responsible for collecting and reporting EMIS data should work closely throughout the year to address any data discrepancies. Additionally, the District should require its EMIS staff to attend formal training on a regular basis to ensure they are up-to-date on changes in EMIS reporting procedures. The District should also consider creating an EMIS team to review its reports and ensure their accuracy before final reporting.

ECLSD's EMIS data was reviewed and determined to be reliable when corroborated against individual employee information provided by the Treasurer. During the review, however, AOS determined the District is not properly reporting full-time equivalents (FTEs) on its EMIS Classified Demographic Report. The District records all bus drivers as 1.0 FTE regardless of whether the bus driver works 4 or 7 hours. This is contradictory to EMIS procedures. The ODE EMIS manual shows that an FTE is the ratio between the time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. The number 1.00 represents one full-time assignment. One FTE is equal to the number of hours in a regular working day for that position, as defined by the district. ODE gives an example of how a district is to calculate the FTEs of eight cooks. If three cooks work three hours per day, two work four hours per day, and three work five hours per day the district would define each five-hour employee as one FTE and the remaining employees as a percentage FTE.¹⁰

In 2006, the Ohio Association of EMIS Professionals (OAEP) presented "EMIS in Perspective – Pertinent Issues for New EMIS Coordinators." This presentation discussed why accurate EMIS reporting is vital for every school district. Specifically, EMIS data is directly related to District funding and accountability, public relations and district image, and professional reputation. OAEP also provides tips and recommendations to help

¹⁰ For purposes of this audit, classified FTEs are converted to an 8-hour day to ensure consistency among districts and position codes.

ensure accurate EMIS data. It recommended EMIS staff periodically check the ODE/EMIS web site to see if the reporting guidelines (in the EMIS manual) have been updated or changed.¹¹ Another way to keep up-to-date with changes is to attend any training conducted by an Information Technology Center (ITC) or to attend conferences or training seminars offered by professional organizations. Lastly, OAEP recommends data reports be shared with district administrators before the close of the reporting period so that they can assist in identifying incorrect or missing data.

Additionally, OAEP states that if data maintenance and EMIS reporting are handled by different individuals and/or offices, the quality of the data depends upon how closely those individuals/offices work together and communicate. Staff must work together to identify and correct any problems that may arise, as data errors are increasingly under scrutiny by the State. A representative from the Stark Portage Area Regional Computer Consortium ITC, who also presented at the OAEP spring conference, recommended creating an EMIS team to work together throughout the year in the EMIS data process. This team would include the following district employees:

- EMIS professional;
- Superintendent;
- Treasurer;
- Curriculum director;
- Special education director;
- Vocational director;
- Technology coordinator;
- Building administrators; and
- Staff who are responsible for staff/payroll data.

Having an EMIS team such as this would provide support to the employees responsible for EMIS data collection and reporting, as information pertaining to specific departments and programs of the District would be more readily available. By using the tools and techniques recommended by OAEP, ECLSD can improve its controls over EMIS data submission and ensure a greater degree of accuracy in its reports. This, in turn, will help ensure that its data correctly depicts conditions at the District and that it is not penalized for incorrect data submissions.

¹¹ The EMIS manual is released annually, with periodic updates. ODE typically sends an *EMIS Newsflash* to communicate changes to the EMIS processes.

Board of Education

R3.6 To ensure the ongoing success of operations at ECLSD, Board members should continually seek training and professional development opportunities to improve and advance the execution of their duties. The Ohio School Board Association (OSBA) and the National School Board Association (NSBA) provide a range of options that board members may use to improve performance.

In addition to training, the Board should complete annual self-evaluations to identify potential areas of improvement. The Board should also examine parent, student, and teacher survey results in order to better understand and address priorities and concerns as they arise. This will help ensure the Board's goals and actions are in line with the goals and expectations of the District and its community.

In January 2008, ECLSD's voters elected two new Board members and Board members selected a new Board President. The Board does not have a formal training program for new or existing Board members. New member training is completed on the individual's own initiative. The Board members indicated that the Board's main goal is to ensure that District policies are in place. Board members also indicated that they had an informal District goal to achieve 'excellent' status; however, no formal plan exists to achieve this status (see **R2.1**). Although the Board has a self-evaluation questionnaire in its policies and its members have discussed completing a self-evaluation, none has been completed.

The Superintendent communicates weekly with the Board via email. This information includes specific information about District events. Board members do not receive the results of the survey sent to staff, parents and students (see *noteworthy accomplishments* in the **executive summary**).

OSBA offers training courses free of charge through its web site. These online training courses comprise of a range of topics including policies, collective bargaining and labor relations, levies, forecasts and funding, leadership, and school law. Additionally, OSBA trainings and conferences are available periodically in Columbus for \$35 to \$125 per session. *Becoming a Better Board Member* (NSBA, 2006) suggests that attending meetings of the state school boards association can provide the opportunity to spend informal time with other board members in a setting that is removed from the day-to-day pressures of one's district and can assist with improving the function of a board.

Becoming a Better Board Member (NSBA, 2006) also recommends that, in addition to evaluating operations by assessing public opinion, board members engage in regular self-evaluations to ensure that they continue to exercise the most effective leadership possible. While there is no one correct method of board evaluation, *Becoming a Better Board Member* provides standards that school board veterans see as essential evaluation

elements and outcomes. These standards recommend the evaluation cover the entire board (not individuals) and occur on an annual basis. Each board member should complete an evaluation form independently and then the board as a whole should compare and discuss results. The evaluation should assess both strengths and weaknesses, be based on board goals (not district goals though they may be related), and include establishing goals and strategies for improving board performance.

According to the publication *Benefits of Feedback* (ENTO,¹² 2008) sharing feedback is a vital component of the management and process improvement loop. It is important to know what an entity is trying to achieve and how this fits the needs of people – it is their views that will provide the best starting point and their views that will yield added value in knowing whether the entity is heading in the right direction. Not seeking feedback or ignoring what the results will hinder the organization’s ability to succeed. The benefits of sharing what was done with the feedback include:

- Helps close the gap between needs and expectations;
- Explains why someone’s wishes can’t be met, e.g. because of resource constraints;
- Shows commitment to being client-focused;
- Encourages further constructive feedback; and
- Provides an opportunity to publish your identified strengths and ways in which you will further develop.

The manner in which organizations have relayed these outcomes includes poster displays under the heading ‘You said, we did’; publication in newsletters, and through the use of web sites.

ECLSD’s Board could benefit from adopting leading practices in new member and ongoing Board training and Board evaluation. Engaging in training and professional development will help the Board more effectively work together to make decisions. Finally, using the information from the District’s survey will provide Board members with a composite depiction of the needs and expectations of District stakeholders.

¹² ENTO is a leading provider of continuous professional development events within the learning and development arena. ENTO was formed by a merger in September 1997 of the Employment Occupational Standards Council and the Occupational Health and Safety Lead Board in England. The organization has broad experience in working with government agendas and is currently involved in five major areas of government strategy.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

Summary of Financial Implications for Human Resources

Recommendation Not Subject to Negotiation	Annual Cost Savings
R3.1 Eliminate 1.0 site-based administrator FTEs	\$66,000
R3.2 Eliminate 2.0 education service personnel FTEs	\$92,000
R3.3 Eliminate 3.0 support staff FTEs	\$52,000
Total Financial Implication	\$210,000

Source: AOS Recommendations

Facilities

Background

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

Summary of Operations

ECLSD operates four schools: two elementary schools (grades kindergarten through 5), one middle school (grades 6 through 8), and one high school (grades 9 through 12). The elementary schools were built in Sabina and New Vienna in 1996 and 1997, respectively. The middle school was built in 1905 with an upgrade in 1958 and a renovation in 1999. The middle school and high school are connected and located on a 49 acre campus. The high school was constructed in 1998. In addition to the school buildings, the District owns a bus garage, athletic buildings, and three modular units that house the administration, gifted program, middle school technology labs, and ECLSD Board of Education (the Board) offices.

As of September 2008, ECLSD used approximately 74 percent of its total building capacity. Utilization for specific buildings ranged from 67 percent (Sabina Elementary) to 81 percent (high school). An enrollment report prepared by DeJong-Healy projects the District student population will decrease by 60 students by FY 2015-16, resulting in an estimated enrollment of 1,394 students. Based on this enrollment projection, ECLSD would be using about 72 percent of its capacity, which could merit a reduction in building space in the future (see *issues for further study* in the **executive summary**).

ECLSD has Board policies and procedures that address the health and safety conditions of the facilities, and has a District-wide security plan for all building principals to follow. These plans are posted on the District's website.

Staffing

The Plant and Operations Manager (P&O Manager) is responsible for supervision of the District's facilities. In addition, the District employs 2.0 FTE maintenance technicians and 10.6 FTE custodial staff. The two maintenance technicians are responsible for maintaining all District buildings, as well as groundskeeping for the high/middle school campus. Each elementary school is assigned one day and two night custodians. The day custodians are responsible for maintaining the grounds at the elementary buildings. One day and one night custodian are assigned to the middle school and one day and two night custodians are assigned to the high school.

Financial Data

Table 4-1 illustrates historical General Fund maintenance and operations (M&O) expenditures per square foot to maintain and operate District facilities.

Table 4-1: ECLSD Historical M&O Expenditures per Square Foot¹

	FY 2005-06	FY 2006-07	Variance	FY 2007-08	Variance
Salaries/Benefits	\$2.52	\$2.64	4.8%	\$2.86	8.3%
Purchased Services	\$0.44	\$0.46	4.5%	\$0.49	6.5%
Utilities	\$1.21	\$1.11	(8.3%)	\$1.35	21.6%
• Electricity & Gas	\$1.18	\$1.08	(8.5%)	\$1.30	20.4%
• Water & Sewerage	\$0.04	\$0.04	0.0%	\$0.06	50.0%
Supplies/Materials	\$0.47	\$0.49	4.3%	\$0.48	(2.0%)
Capital Outlay	\$0.00	\$0.00	0.0%	\$0.01	0.0%
Other	\$0.00	\$0.00	(100.0%)	\$0.00	0.0%
Total General Fund	\$4.62	\$4.70	1.7%	\$5.17	10.0%
Total All Funds	\$5.34	\$6.88	28.8%	\$6.33	(8.0%)

Source: ECLSD Financial Reports

¹ Based on 236,103 square feet.

As shown in **Table 4-1**, the General Fund facilities expenditures per square foot increased 10.0 percent from FY 2005-06 to FY 2007-08. In FY 2007-08, expenditures increased in every category except supplies and materials.

Table 4-2 illustrates FY 2007-08 General Fund expenditures for the maintenance and operation of District facilities on a per square foot basis in relation to the 37th *Annual Maintenance and Operations Cost Study* (AS&U, 2008).¹ AS&U data is drawn from a nationwide survey that contained information on staffing levels, workloads, facility expenditures, and salaries.

¹ The study methodology consisted of a detailed questionnaire mailed in October 2007 to chief business officials at the nation's public school districts. This questionnaire asked districts to document its institution's maintenance and operation expenditures per student and per square foot for FY 2007-08.

Table 4-2: 2007-08 M&O Expenditures per Square Foot¹

	ECLSD	AS&U	Difference
Salaries/Benefits	\$2.86	\$2.05	39.5%
Purchased Services	\$0.29	\$0.26	11.5%
Utilities ²	\$1.56	\$1.47	6.1%
• Electricity & Gas	\$1.30	\$1.25	4.0%
• Water & Sewerage	\$0.15	\$0.22	(31.8%)
• Other	\$0.15	\$0.40	(62.5%)
Supplies/Materials	\$0.48	\$0.38	26.3%
Capital Outlay	\$0.01	N/A	N/A
Total General Fund	\$5.17	\$4.56	13.4%
Total All Funds	\$6.33	N/A	N/A

Source: ECLSD FY 2007-08 maintenance and operations expenditures, OFSC square footage, and AS&U FY 2007-08 M&O Cost Study

Note: During the course of the audit, the District identified \$12,349 in expenditures that were erroneously recorded in supplies and materials. These adjustments did not alter the conclusions or recommendations associated with this analysis. After adjustments, expenditures per square foot were as follows: utilities - \$1.61 per square foot; water and sewage - \$0.17 per square foot; other - \$0.17 per square foot; and supplies and materials - \$0.42 per square foot.

¹Based on 236,103 square feet.

²Includes telephone expenditures.

Table 4-2 shows the District's costs on a per square foot basis compared to national average reported by the AS&U. The analysis indicates that overall costs for maintenance and operations were 13.4 percent higher than the national average. Significant variances to the benchmark are due to the following:

- Salaries and benefits were approximately 40 percent higher per square foot than the national average. Higher salaries are the result of the District employing 2.6 more custodial FTEs than the national benchmark (see **R4.3**). The District is, however, below the national average for maintenance staffing.
- Purchased services were 11.5 percent above the AS&U benchmark of \$0.26 per square foot. During FY 2007-08, the District expended approximately \$56,000 in purchased services for maintenance repairs and required inspections. Asbestos and lead complications caused the District to contract for removal and improvements. In addition, the District has its own water system that requires water and sewer testing and inspections which contribute to an increased need for contracted services.
- Utilities expenditures were 6.1 percent higher than the national benchmark. Specifically, electricity and gas were 4.0 percent higher. The lack of a formal energy conservation plan in addition to limited cooperative purchasing opportunities has resulted in higher energy expenditures (see **R4.6**).

- Supply and material expenses can be attributed to general operations and upgrades to the District’s softball field, playgrounds, water system, and compliance with Jarod’s Law. Eye wash stations, additional signage, and “right to know” bulletins were purchased as part of Jarod’s Law requirements. Lastly, the District purchases chemicals for purification and other materials to maintain the operation of its water system.

Facilities Audit Objectives

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

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

Recommendations

Facilities Planning

- R4.1 ECLSD should develop a facility master plan to guide future facility operation decisions. In developing the plan, the District should involve school personnel, parents, and the community. ECLSD should ensure that the plan includes up-to-date enrollment projections, building configurations, and student demographics, and includes a capital improvement plan and a formal preventive maintenance plan (See R4.2). The plan should be updated annually to reflect building improvements that have been made, changes in demographics, changes to its educational programs, and the results of annual building audits. Formal building evaluations should be completed annually to ensure that the master plan remains relevant and accurately reflects the facility needs of the District.**

ECLSD does not have a comprehensive facility master plan or a capital improvement plan. In place of a capital improvement plan, the District uses evaluations of building improvements needed for the year. There is limited planning beyond a one year period; however, a future projects list is compiled by the Plant and Operations Manager. According to the P&O Manager, the District uses a spreadsheet to track facility operations information. The spreadsheet consists of projects to be completed for the year and an estimate of associated costs. The District does not have any other software to track facility-related maintenance and operations.

ECLSD does not conduct formal annual inspections for capital planning. An annual building evaluation has been performed by the County Health Department. However, the objective of this inspection is to assess each building for Jarod's Law compliance. It does not cover other areas of facility maintenance.

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

In addition to a facilities master plan, *Best Practices in Public Budgeting* (GFOA, 2000) recommends that governments develop specific capital project options for addressing capital needs that are consistent with financial, programmatic, and capital policies. The rationale behind this type of capital planning is that it is necessary to give adequate consideration to longer-range needs and goals, evaluate funding requirements and options, and achieve consensus on the physical development of the government's facilities. An evaluation of alternative mechanisms to obtain and fund capital assets helps ensure that the best approach for providing use of a capital asset or facility is chosen based on the policies and goals of the government.

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

By developing a capital improvement plan using annual building audits, as well as a preventive maintenance program (see **R4.2**), the District could anticipate and identify needed facility and equipment repairs, prioritize projects and related funding, and communicate its facility needs to the public. Without a comprehensive facilities master plan, the District may not be able to accurately plan for long-term trends in District enrollment and financial conditions which may result in the investment of funds in a manner which is not conducive to effective facilities management. These documents and planning tools are essential for long-term facilities management and efficient District operations. Without them, ECLSD risks basing important facilities decisions on incomplete or inaccurate information.

- R4.2 ECLSD should expand its preventive maintenance program by adding the best practice components described by NCES to ensure equipment reliability, reduce operating costs and increase the life expectancy of facilities and equipment. Additionally, the formal preventive maintenance program should be integrated in a comprehensive facilities work order system across all buildings and linked to its capital planning tracking sheet. The improved record keeping associated with an**

automated work order system would help in estimating future costs and timeframes for potential projects.

ECLSD should also develop prioritization guidelines combined with an estimated time of completion for each of the priority levels. The maintenance priority list should rank health, safety and life threatening issues as top priority. Clear communication of this priority list will help those initiating the work order understand the amount of time a repair may take, as well as how it relates to other maintenance tasks.

The District has a preventive maintenance tracking schedule that specifies the task and time period to perform preventive maintenance tasks. However, this tracking schedule does not record the cost of repairs, parts, or labor. The District has implemented a work order system using a maintenance request form that is submitted by email or fax depending on the capabilities at each building.

The maintenance request form or work order is generally faxed or given directly to the maintenance technician or the plant and operations manager. The forms are used to prioritize the work schedule and inform the facilities department of the various maintenance work needed within in the District. Costs are not tracked, but are discussed on an annual basis with the building principals and day custodians. The general work order process is as follows:

- A request is made to the day custodian;
- Maintenance request form is completed by the day custodian;
- Maintenance request is submitted to the plant and operations manager; and
- Request is prioritized and work is scheduled by the P&O Manager.

The work order form has limited information for the maintenance requested, such as the date, building, request description, name of person requesting, and boxes to check indicating completion of the work.

The principals do not consistently use the work order system. One building principal directs requests to the custodian and the custodian fills out a work order. Another building principal completes a work order and sends it to the plant operations manager if the duties are outside the normal job description of the custodian. Once the work order is completed, the plant operations manager establishes its priority and works with the school to determine when the work order will be completed.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) states that maintenance entails much more than just fixing broken equipment. In fact, a well-designed facility management system generally encompasses four categories of

maintenance: emergency (or response) maintenance, routine maintenance, preventive maintenance, and predictive maintenance. NCES states that work order systems help district, register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor.

At a minimum, work order systems should account for the date the request was received, the date the request was approved, a job tracking number, job status (received, assigned, ongoing, or completed), job priority (emergency, routine, or preventive), job location, entry user (the person requesting the work), person assigned to the job, supply and labor costs for the job, and job completion date/time. Upon completion of work, the craftsman records all labor and parts needed to complete the job. The work order is then submitted to the maintenance office for close-out. The supervisor must determine that the quality of the work meets or exceeds departmental standards. Upon closing out a work order, all information about the request should be placed in a database for future historical and analytical use (i.e., determining the yearly cost of building maintenance).

According to *Preventive Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000), local jurisdictions should include preventive maintenance along with other maintenance projects in capital improvement plans. Guidelines included in the publication suggest the following seven best practices:

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

Lack of an effective, standardized work order system makes it difficult for ECLSD to efficiently complete emergency repairs and conduct preventive maintenance. In addition, the District may not be able to ensure the validity of warranty claims or determine whether or not issues have been resolved. By implementing a work order system, the District would benefit from improved record keeping and prioritization of service requests.

Custodial & Maintenance Staffing

R4.3 ECLSD should consider eliminating 2.0 FTE positions in its custodial department in order to bring staffing in line with industry standards. The District should regularly monitor custodial and maintenance staffing levels and align them with AS&U and industry standards. The District should also consider the long-term effects of lowering services while assigning custodial staff in order to help balance the budget.

Table 4-3 presents key statistics related to the maintenance and operations of ECLSD, compared to the results of the *Maintenance and Operations Cost Study* (AS&U). In this report, the AS&U provides industry standards in the form of national medians in broad categories based on student enrollment. In addition, **Table 4-3** compares ECLSD data to criteria set forth in the *Planning Guide for Maintaining School Facilities* (NCES, 2003).

Table 4-3: ECLSD FY 2007-08 Key Statistics and Indicators

School Buildings	4
Elementary Schools	2
Middle School	1
Administrative (Modular)	0
High School	1
Total Square Feet Maintained	236,103
Elementary School	101,274
Middle School (includes Administrative)	36,854
High School	97,975
Square Feet Per FTE Custodial Staff Member (10.6 FTEs)	22,274
Elementary School (5.6 FTEs ¹)	18,085
Middle School (2.0 FTEs)	18,427
High School (3.0 FTEs)	32,658
NCES National Average²	29,500
Square Feet Per FTE Maintenance Staff Member (1.7 FTEs³)	138,884
Five Year Average AS&U National Median for Maintenance⁴	95,000
Total Acres Maintained	49
Acres Per FTE Grounds Staff Member (0.75 FTE)	65
AS&U National Median for Acres per Groundskeeper 5-year Average⁴	42

Source: OSFC, AS&U Annual Cost Surveys, NCES's *Planning Guide for Maintaining School Facilities*, and District custodial roster

¹Custodial FTEs were adjusted to reflect groundskeeping duties.

² According to the NCES, 28,000 to 31,000 square feet per FTE custodian is the benchmark range for most school facilities. Therefore, a benchmark of 29,500 square feet per FTE custodian will be applied in the analysis.

³ Maintenance staff performs groundskeeping for the high and middle school buildings.

⁴ AS&U's 33rd, 34th, 35th and 36th Annual Cost Survey studies are included in these averages.

As indicated in **Table 4-3**, ECLSD custodians maintain approximately 7,200 fewer square feet per FTE than the national AS&U benchmark. The District employs three custodians at each elementary school, two custodians at the middle school, and three custodians at the high school. Custodians spend 18 hours per week to maintain the grounds at the two elementary buildings. Therefore, custodial staffing has been adjusted to 5.5 FTEs for these buildings to reflect work performed for custodial duties. Based on the total square footage of the District, it should employ a custodial staff of 8 FTEs to achieve the 29,500 square feet per FTE benchmark-- a reduction of 2.5 FTEs.

The District does not have a staffing plan or benchmark levels that are consulted when determining staffing levels (see **R3.4**). As a result, the District has employed more custodial staff than needed, directing scarce resources away from direct instruction.

Financial Implication: Although the District is above the benchmark by 2.5 FTEs, if it eliminated 2.0 FTE custodial positions during FY 2009-10, it would save approximately \$69,500 annually in salaries and benefits.

Performance Standards and Training

R4.4 ECLSD should develop and implement formal performance standards that are used to consistently to evaluate the efficiency and effectiveness of maintenance and custodial operations and help to ensure that all buildings are maintained equitably. The District should include a facilities user survey in its annual survey of students and staff in order to gauge the overall performance of facilities maintenance and operations. ECLSD administrators should use the performance standards and information obtained from the surveys to communicate job expectations and to assess staff performance.

The District uses a maintenance tracking document to track the timing of preventative maintenance work. This document is a bulleted list of equipment maintenance and building inspection tasks required to be performed and the period in which the maintenance should occur. This document does not refer to any internal or external benchmarks and is not building specific. Further, it does not indicate daily tasks performed by custodians or include staff performance measures. Ongoing inspections of each building are performed to determine any needed repairs or improvements. While the District's job descriptions for custodial and maintenance staff list activities required for each position, these provide only an overall view of tasks and do not include specific performance expectations.

According to the *Planning Guide for Maintaining School Facilities* (NCES, February 2003), a district must establish performance standards and evaluation criteria to assess staff productivity and ensure that all schools are maintained equitably. When evaluating

staff, a district must collect and maintain accurate, timely, and comprehensive data. Good decision making requires good data and documentation. Collecting the data requires effort, but it is a necessary task. Such data could include: annual snapshots (for example, the number of square feet cleaned and/or maintained), work order completion, maintenance of grounds and facilities, removal of snow and ice from sidewalks and driveways, cleaning of windows, boards, and completing regular physical inspections of buildings with a checklist to ensure routine custodial and maintenance duties are performed.

The lack of established standards for maintenance activities leaves ECLSD without comprehensive guidelines for building maintenance which may result in differing standards. In addition, without consistent custodial and maintenance standards, the District cannot ensure that all schools are comparably maintained. Lastly, performance standards are used to communicate job expectations and to assess staff performance. Without written performance standards, employees could interpret standards inconsistently and performance assessments may not be objective.

R4.5 ECLSD should create a formal training program for new and existing employees. In addition, the District should provide routine training when cleaning or maintenance standards are changed due to the introduction of new equipment, technology, or procedures. To reduce training costs, the District should, whenever possible, use manufacturer training programs to acquaint employees with new processes and equipment. ECLSD should ensure that the completion of training is documented for all employees. Formally documenting the completion of these programs will provide evidence that all employees have received the most up-to-date training available and ensure their overall effectiveness and efficiency.

In conjunction with the development of a training program, the District should consider cross-training custodians to perform maintenance duties. Moreover, in an effort to reduce the need for contracted services, the training program could include classes on equipment maintenance, particularly those aspects that can be performed in-house.

ECLSD does not have a formal staff development program that provides ongoing or new employee training procedures for maintenance and operations employees. Staff members receive training if there is new equipment or procedures; however, there has not been recurring training beyond on-the-job training. When a new employee is hired, an online safety test is administered. When a new substitute is hired, the employee works with a custodian for the day.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) suggests that because a person has been taught how to perform a specialized task does not mean that he

or she will be able to perform the task in the future, especially if the task is not a regular part of his or her routine. While there is a trade-off between the benefits of staff training and the costs of lost work time during training, preparing staff to perform their work properly, efficiently, and safely is generally cost-effective. Documenting ongoing training programs would help the District report training events that were conducted and who completed the events. This would serve as a monitoring system to ensure that all custodial and maintenance staff members complete the required training.

The District does not currently offer formal routine training nor does it maintain documentation that staff members are trained when new equipment, technology, or procedures are implemented. Implementing a training program helps the District ensure that all maintenance and operations staff is familiar with latest equipment, technology, and procedures. Employees that are properly trained should be able to meet performance standards that result in clean, well-maintained facilities at a reasonable cost.

R4.6 ECLSD should develop an energy conservation plan that includes procedures to reduce energy costs. In addition, the District should conduct periodic energy/building audits, track energy use, and teach employees and students about energy conservation methods. Behavior that supports energy conservation should also be encouraged as a component of the educational program.

ECLSD does not have formal energy conservation policy and procedures or an education program for students and teachers that focus on energy conservation. The District compares its utility costs for each building to the prior year in order to monitor energy usage. As shown in **Table 4-2**, ECLSD's utilities cost were approximately 6.1 percent higher than the AS&U average.

The District purchases natural gas through a cooperative purchasing agreement for Sabina Elementary. There are, however, no energy purchasing cooperatives available for the other school buildings. The District has its own water system and conducts required water testing and inspections of the system. Competitive bidding is done for all other utilities. HVAC units for each building are controlled through the central office. Maintenance technicians have access to these controls for each school building. The temperature of the buildings is set to reflect temperatures based on times of occupancy and the season in order to conserve energy. Each building has nine zones except the middle school which has three. These zones are set at 15 minute intervals depending on the class schedule until the entire system is running. At the end of the school day, the controls revert to the night setback. Target temperatures are between 69 degrees in the winter and 75 degrees in the summer.

The *Planning Guide for Maintaining School Facilities* (NCES) recognizes the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas

that can lead to reduced energy costs. The following guidelines can help a school district 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.

The Lakota Local School District (Butler County) has established an energy conservation program at its Union Elementary School to determine the impact of energy waste. This program consists of placing energy conservation reminders on or near all office equipment and energy consuming items and reiterating the importance of energy conservation to students, parents, and community members through community newsletters. As a result of these measures, the utility costs at Union Elementary were approximately 21 percent lower than the District-wide average for elementary buildings.

Additionally, *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004) remarks that a successful maintenance and operations program will typically achieve savings of between \$0.06 and \$0.30 per square foot in annual utility costs, depending on the program type, aggressiveness of changes, the state of current maintenance and operations practices, and the conditions of plants. First year costs may be somewhat higher if the district purchases software or program equipment or contracts for initial consulting assistance. Costs will be less if substantial assistance is provided by utilities or other parties.

Without a formal energy conservation plan, ECLSD runs the risk of expending a larger than necessary portion of its total budget on energy and utilities. Particularly in periods of volatile energy prices, districts that effectively educate students and staff on energy saving ideas can, to some degree, offset potential increases in utility rates.

Financial Implication: Implementing a formal energy conservation plan and achieving energy expenditure savings at the bottom of the range estimated by the U.S. Department of Energy (\$0.06 per square foot) would result in savings of \$14,000.

R4.7 ECLSD should develop and implement a custodial and maintenance policy and procedures manual. The manual should include specific cleaning procedures and should be accessible to all custodians and maintenance personnel. It should be reviewed regularly and updated as needed. Performance evaluations, based on standards contained in the manual, should be conducted annually.

The District has Board adopted policies that serve as a general guide for services provided by plant and operations staff. According to the P&O Manager, the District does

not have staff performance procedures and national performance standards are not employed.

The *Custodial Methods and Procedures Manual* (Association of School Business Officials International, 2000) states that a manual can serve as a guideline for developing procedures for custodial and maintenance personnel. It should outline staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks.

In addition, the International Sanitary Supply Association has developed a training program manual designed to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers on the following:

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

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

Financial Implications Summary

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

Summary of Financial Implications for the Facilities Section

Recommendation	Annual Cost Savings
R4.3 Eliminate 2.0 FTE custodial positions	\$69,500
R4.6 Implement an energy conservation program	\$14,000
Total	\$83,500

Source: AOS recommendations

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Transportation

Background

This section of the performance audit focuses on East Clinton Local School District's (ECLSD or the District) transportation operations. Its transportation 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 business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), the Ohio Revised Code (ORC), the American Association of School Administrators (AASA), the North Carolina Department of Public Instruction, and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

ORC § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their own students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance.

During fiscal year (FY) 2007-08, ECLSD used 13 active buses and 3 spare buses to transport 1,143 riders. ECLSD's service exceeds State minimum requirements as it transports all students who request the service, including high school students, due to the lack of sidewalks and the District's rural geography. As a result, 81 students living within 1 mile of their respective school buildings were provided transportation in FY 2007-08. ECLSD uses a two-tiered routing system to transport students to its four school buildings. The Transportation Supervisor determines the bus routes and he recalibrated the routes for FY 2008-09 to maximize efficiency. Routes are developed manually and no routing software is used (see **R5.1**).

Organizational Structure and Responsibilities

The Transportation Supervisor, who reports to the Superintendent, manages the Transportation Department and supervises the staff. In FY 2007-08, ECLSD had 13 bus drivers, 2 van drivers, and 1 mechanic. Submission of transportation data to ODE is completed by the Transportation Supervisor and approved by the Treasurer and Superintendent. It should be noted that errors were found in the District's reporting of riders and costs for its transportation service (see **R5.3**

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

for recommendation to improve transportation data reporting). The following errors were noted on the FY 2007-08 T-1 and T-2 reports and adjustments were made as follows:

- The District reported five special needs students who were transported by District vans as Type I students. These students should have been recorded as Type V students. For this analysis, student counts were adjusted to reflect proper typology.
- Employee retirement costs in the amount of \$18,248 were not correct as the District reported the employee's share of these cost instead of the employer-paid retirement expenditures. An adjustment was made to reflect the employer retirement cost in the amount of \$56,052.
- Fuel expenditures included fuel used for non-routine miles. This amount was reduced by 9 percent to account for the proportion of non-routine miles driven.
- Salaries and benefits for Type I drivers included the expenditures for van drivers which should have been reported under Type V. A total of \$31,816 in salaries and benefits was moved to Type V expenditures.

The cost of gasoline used by the Plant and Operations Department was also included in total fuel expenditures charged to the Transportation Department. In addition, expenditures for maintenance supplies and repairs included expenditures for non-transportation related vehicles and equipment (see **R5.4**). In FY 2007-08, the Transportation Supervisor began to maintain fuel usage and repair costs for plant operations vehicles; however, the District does not have a process to adjust T-form data to exclude these costs.

Operational Statistics

School districts in Ohio are required to submit transportation forms (T-forms), which report ridership and cost data to ODE. **Table 5-1** shows a two year comparison of ECLSD's results from FY 2006-07 to FY 2007-08.

Table 5-1: ECLSD Key Transportation Statistics

	FY 2006-07	FY 2007-08	Percent Increase (Decrease)
ODE Enrollment	1,554	1,542	(0.8%)
Ridership			
Total Yellow Bus Riders	1,092	1,143	4.7%
Buses			
Active Buses	13	13	0.0%
Total Routine Miles	260,280	288,900	11.0%
Operational Ratios			
Routine Miles per Active Bus	20,022	22,223	11.0%
Yellow Bus Riders per Active Bus	84.0	87.9	4.7%

Source: ECLSD Transportation (T1) and Education Management Information System (EMIS) reports

Table 5-1 shows ECLSD was able to increase its bus utilization by approximately 4 students per bus in FY 2007-08. The efficiency of a district's transportation function is primarily measured by its bus utilization—the ability to achieve an optimal number of students per bus. ECLSD accomplished this by rerouting its buses to accommodate the 4.7 percent (51 additional riders) increase in the number of students that required transportation service. ECLSD was able to accommodate a higher number of students without adding an additional bus by increasing the number of daily miles each bus traveled. In FY 2007-08, ECLSD increased the daily miles per bus by 11 percent. Although this resulted in longer ride times for some students, the District was able to avoid a significant cost increase that would have been necessary if it had added an additional route(s). **Table 5-2** compares FY 2007-08 key statistics for ECLSD to the peer district average.

Table 5-2: FY 2007-08 Key Statistics Comparison

	ECLSD	Peer Average	Percent Difference
Square Miles	129	141	(8.5%)
ODE Enrollment	1,542	1,789	(13.8%)
Total Students Transported (All Types)	1,149	1,205	(4.6%)
Yellow Bus Riders (Type I)			
Total Yellow Bus Riders	1,146	1,185	(3.3%)
Buses and Miles			
Active Buses	13	19	(31.6%)
Spare Buses	3	6	(50.0%)
Annual Routine Miles	288,900	306,018	(5.6%)
Operating Ratios			
Riders per Square Mile	8.9	10.3	(14.0%)
Yellow Bus Riders per Active Bus	88.2	62.5	41.0%
Routine Miles per Active Bus	22,223	15,247	45.7%

Source: ECLSD and peer transportation (T1 reports) and EMIS data as reported to ODE

As shown in **Table 5-2**, despite having 14 percent fewer riders per square mile, ECLSD was able to transport 41 percent more riders per bus than the peers. ECLSD was able to accomplish this by running longer routes. In FY 2007-08, the average ECLSD bus traveled in excess of 22,000. By comparison, the average peer district bus traveled 15,427 miles—45.7 percent fewer miles.

Expenditure Ratios

Table 5-3 shows a comparison of overall transportation costs per rider, per bus, and per routine mile for ECLSD and the peers.

Table 5-3: FY 2007-08 Cost Comparison

	ECLSD	Peer Average	Percent Difference
Total Yellow Bus Expenditures	\$728,746.53	\$894,096.20	(18.5%)
Per Yellow Bus Rider	\$635.90	\$735.21	(13.5%)
Per Active Bus	\$56,057.35	\$45,216.06	24.0%
Per Routine Mile	\$2.52	\$3.01	(16.2%)

Source: ECLSD and peer district Transportation (T1 and T2) reports

As shown in **Table 5-3**, ECLSD’s cost per yellow bus rider and cost per routine mile were both significantly lower than the peer average. The low cost per rider is indicative of operating with high ridership levels. Although the cost per active bus was high in comparison to the peers, this statistic may be misleading due to ECLSD’s ability to operate with fewer buses (88 riders per bus versus 63). For all cost categories on the T-2 form, ECLSD’s costs were lower on a per rider and per mile ratio than the peer district average in FY 2007-08.

In FY 2007-08, ECLSD experienced higher per bus expenditures for salaries, maintenance and repairs and fuel. As a result, driver salary schedules and driver time reporting were examined. Salary schedules were comparable to area districts and drivers were not contractually guaranteed hours as was common in other districts. It was determined that the main cause of the District’s high salary expenditures per bus was the long routes used to maximize the number of riders per bus. Longer routes result from the large geographic area and rural nature of the District, which increases route times. Some drivers were paid for more than eight hours per day in FY 2007-08. However, the Superintendent and Transportation Supervisor eliminated overtime attributed to regular routes during FY 2007-08.

The primary cause of ECLSD’s high fuel cost was determined to be an 11 percent increase in the number of miles driven, which was a result of the District’s efforts to improve its route efficiency. Rising fuel prices were a factor in ECLSD’s total fuel costs; however, the rise in ECLSD’s fuel cost (39 percent) mirrored that of the peer district average (37 percent). See **R5.4** for an analysis of maintenance and repair costs.

Table 5-4 displays ECLSD’s historical transportation expenditures from FY 2005-06 through FY 2007-08, as well as the percentage of total amount the District allocated to its transportation function for each year displayed.

Table 5-4: ECLSD Historical Transportation Expenditures

	FY 2005-06	FY 2006-07	Percent Change	FY 2007-08	Percent Change
Salaries	\$299,959	\$319,000	6.3%	\$315,210	(1.2%)
Benefits	\$137,018	\$149,812	9.3%	\$156,282	4.3%
Maintenance & Repairs	\$92,548	\$104,345	12.7%	\$106,557	2.1%
Fuel	\$104,073	\$83,700	(19.6%)	\$127,791	52.7%
Bus Insurance	\$17,255	\$17,002	(1.5%)	\$10,941	(35.6%)
All Other Costs	\$12,820	\$5,448	(57.5%)	\$11,964	119.6%
Total Type I Expenditures	\$663,673	\$679,307	2.4%	\$728,746	7.3%
Type III Expenditures	\$0	\$0	N/A	\$469	100.0%
Type V Expenditures	\$64,619	\$42,282	(34.6%)	\$36,594	(13.5%)
Type VI Expenditures	\$0	\$0	N/A	\$13,656	100.0%
Total Transportation Expenditures	\$728,292	\$721,589	(0.9%)	\$779,465	8.0%
Transportation Expenditures as a % of Total Governmental Expenditures	6.3%	6.0%	(0.3%)	6.1%	0.01%

Source: ECLSD 4502 report

Table 5-4 shows that ECLSD’s total transportation expenditures increased by 8 percent in FY 2007-08, due primarily to a significant increase in fuel expenditures.² This increase in fuel costs was caused by two factors: the District operating longer routes that resulted in a greater number of daily miles in FY 2007-08, and a 38.7 percent increase in the average price per gallon of diesel fuel. Excluding fuel purchases, District transportation expenditures increased approximately 1 percent in FY 2007-08.

In response to the rising cost of fuel and the amount of fuel purchased, the District enhanced its internal controls over fuel purchasing. Historically, the District did not have a system to document the amount of fuel used by each department or staff member. Drivers are required to complete a fuel ticket indicating the amount of fuel obtained and the purpose for its use. These fuel tickets are then used by the Transportation Supervisor, Plant and Operations Manager, and Treasurer to track fuel costs by department. The fuel tickets also serve as an internal control over the use of fuel and establish employee accountability for fuel consumption.

Table 5-4 also displays the District’s allocation of transportation expenditures as a percentage of total governmental expenditures. For all years displayed, this percentage ranged between 6.0 and 6.3 percent. Although ECLSD was significantly lower than the peers in all cost categories (per mile and per rider), it may better gauge its cost efficiency by comparing total expenditures to a

² In FY 2007-08 the District reported increased expenditures in supplies and materials to replace tools and inventory. In addition, the District completed several major repairs that contributed to increased cost.

national benchmark. In its 37th *Annual Maintenance and Operations Cost Study* (American School & University (AS&U), 2008) the AS&U found that the average school district allocated 4.9 percent of total expenditures to transportation. ECLSD is allocating 1.2 percent more of its total expenditures for transportation than the nationwide average. However, this may be a reflection of the geography of the District and its population density rather than inefficiency.

In the future, ECLSD could measure the efficiency of its transportation operations by developing and tracking operating ratios such as average daily miles and riders per bus. In addition, ODE has established an efficiency ratio for each district within the State based on riders per bus in relation to population density. These ratios are compiled in its Pupil Transportation Efficiency Targets report. For FY 2007-08, ODE determined that ECLSD's transportation function was efficient, based on the District's efficiency ratio of 1.75; a significantly higher ratio than the State-wide target benchmark of 1.00. ECLSD may be able to incorporate the ODE measure into its performance measures and use it to gauge efficiency over time.

Transportation Audit Objectives

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

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

Recommendations

R5.1 ECLSD should eliminate two buses to bring its riders per bus ratio closer to the suggested benchmark of 100 students per bus for a two-tiered system. In order to maintain these ridership levels, ECLSD should continually track bus capacity by periodically completing rider counts and recalibrating routes throughout the year. The District may need to consider adjusting bell schedules to allow additional time for the reduced number of routes. In addition, the District should consider purchasing routing software help continue the high bus utilization and reduce student ride times.

During FY 2008-09, ECLSD eliminated one bus route. In addition, the District eliminated a bus that shuttled students to the joint vocational school by entering into an agreement with Washington Courthouse City School District to transport these students.

According to *Hidden Savings in Your Bus Budget* (AASA, 2005) an effective riders-per-bus ratio should average at least 100 riders on a two-tier bus system. In FY 2007-08, ECLSD was slightly below this benchmark, operating buses with an average of 88 riders per bus. By eliminating one bus, ECLSD would boost its ridership to approximately 95 riders per bus, close to the national benchmark. A reduction of two buses would raise ridership to approximately 104 riders per bus.

According to ODE's Director of Pupil Transportation all routes should be reviewed on a regular basis to ensure optimal route efficiency. There are several methods by which a district can review its routes, including verifying ridership, checking the accuracy of the route itself, and including directions and various timing points. Some tools available for measurement are driver reports, testing the validity of timing points and using onboard monitoring equipment.

While achieving a riders-per-bus ratio above 100 should be the District's ultimate goal, it may not be able to achieve this without further extending student ride times. One routing method that ECLSD could use to avoid extending routes further would be to use computer software designed to route buses in the most effective manner. In *A Methodology for Evaluating of School Bus Routing - A Case Study of Riverdale, New Jersey* (Transportation Research Board (TRB), 2001) the efficiency and effectiveness of three routing methods are compared. TRB compares the sweep method (a method similar to the approach used by ECLSD), the heuristic method (mathematical calculations), and router method (computer software). From this comparison, TRB concluded that efficiencies were greatest when using the router and heuristic methods. As the heuristic method requires complex mathematical calculations that can be very time consuming,

TRB ultimately found computerized routing to be the most effective solution to routing issues.

Given the financial status of the District, the Transportation Supervisor could recalibrate routes to enhance ridership and utilization rates to reduce transportation costs for the District. Also, monitoring and recalibrating routes on an ongoing basis will help better manage fleet capacity. The Transportation Supervisor can use this information to make management decisions regarding fleet size of and service level adjustments for operational effectiveness.

Financial Implication: Increasing the utilization rate to a level above 100 riders per bus would require the District to eliminate two buses and result in annual savings of approximately \$103,000. The estimated one-time cost for purchasing routing software is approximately \$10,000. Annual maintenance fees are approximately \$2,100.

R5.2 The Board of Education (Board) should annually review and update its transportation policies to ensure that they specifically outline the services to be provided. In addition, Transportation policies should identify who has authority to grant exceptions and describe the general process for determining if an exception should be granted. Provisions pertaining to special needs transportation should also be included in the policy and should require consultation with Transportation Department personnel when determining the most effective mode of transportation to fulfill a student's Individualized Education Program (IEP). Finally, to ensure that all policies are easily accessible for employees and the community, the District should develop a page on its web site that communicates its transportation policies, plans, and guidelines.

The Board created a section in the Board Policy Manual that addresses transportation services. Board Policy stipulates that the Board will furnish school bus transportation to all elementary and secondary school pupils to the extent determined by the administration and approved by the Board. The current practice is to transport all students in the District; however, this is not formally documented.

ECLSD has not developed a policy that outlines the provision of special needs transportation. The District has a population of 17 special needs students who require specialized transportation. For FY 2008-09, these students are transported in District-owned vans. The District's IEP process does not include written procedures for determining the transportation needs of the child and the Transportation Supervisor is not included in the IEP process to assist in determining the most appropriate mode of transportation.

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

Cincinnati City School District (Hamilton County) has a written policy to serve as a guide for determining transportation needs. The policy has procedures that help the IEP team identify students for modified and specific transportation services. According to this policy, the IEP contains a review of the child's individual needs and a determination of what specific transportation services will be required. Springboro Community City School District (Warren County) has implemented a process for students with IEPs by which the Special Needs Department determines whether or not a student needs modified transportation. The language in the IEPs is brief and states that the student needs modified transportation. Then the Transportation Department receives a copy of the IEP and determines the mode of transportation that best meets the needs of the particular student. Based on the disability, the Transportation Department may meet with parents to educate them about special needs transportation options and to determine the appropriate transportation for their child. This process uses the expertise of Transportation Department employees to select the best transportation option for the student and District.

By enhancing its policies and establishing procedures for determining the provision of specialized transportation services, the District would formalize existing practices and enable the Transportation Supervisor to plan transportation services more effectively. Procedures for determining specialized transportation would allow the Transportation Supervisor to provide input on the availability and cost of transportation in order to ensure that the most appropriate transportation is provided.

R5.3 ECLSD should create formal T-form reporting procedures. These procedures should establish internal controls for completing T-forms to ensure that reports are accurate, complete, and reconcile with the District's financial reports. The District should be cognizant of the T-form instructions and create procedures to ensure operational data is reported to ODE as required.

During the audit, the Transportation Supervisor improved the data collection process to better track transportation related costs and is working with the Treasurer to develop a process to ensure that the District T-Form reporting is accurate.

The District does not have written procedures to ensure the accuracy of the T-forms submitted to ODE. In order to complete the required October 2008 District T-1 report,

District drivers took morning attendance on their routes and submitted the attendance sheets to the Transportation Supervisor for review during count week. Once reviewed, the forms were finalized and approved by the Superintendent and Treasurer and submitted through ODE's online reporting system.

The T-2 form is completed by the Transportation Supervisor by tracking costs and obtaining financial reports from the Treasurer's Office. Transportation costs are reconciled to the financial reports. After adjustments are made to resolve discrepancies, the T-2 form is completed online and submitted to the Superintendent and Treasurer for approval. A review of the data found several minor errors in the District's FY 2007-08 T-forms. These errors are listed in the **background portion** of this section. The Transportation Supervisor is new to the District and has limited experience in completing the ODE transportation forms. In addition, the lack of a formal process also contributed to the errors.

Developing a formal process for the completion, review, and approval of T-reports improves the District's internal controls. According to *Best Practices* (Ohio Office of the Auditor of State, Winter 2006), a well-designed internal control structure helps to reduce improper activities. Designing and implementing internal controls is a continuous process which requires risk evaluation, the design, testing and revision of procedures, and formal monitoring.

Establishing written procedures that outline the process used to complete District T-forms will help ensure that the process used by the Transportation Supervisor and Treasurer results in accurate reporting of transportation data to ODE. Also, these procedures will help guide District staff in completing the T-forms, particularly when staff turnover occurs.

R5.4 ECLSD should create and maintain a formal preventive maintenance plan for all District vehicles. A preventive maintenance plan will help ensure that all buses receive the periodic maintenance needed to extend their useful life.

Preventive maintenance and repair of ECLSD's buses and other District-owned vehicles is completed by a full-time mechanic employed by the District. ECLSD does not have a formal preventive maintenance plan; however, the District uses a fuel records database to track fuel economy and preventive maintenance needs to ensure that maintenance is provided on regular intervals. In addition, the District uses a spreadsheet to track completed maintenance work and related costs. The **Table 5-5** shows the FY 2007-08 maintenance and repair expenditures for ECLSD and the peers.

Table 5-5: Comparison of Maintenance and Repair Expenditures

	ECLSD	Peer Average	% Difference
Total Maintenance & Repairs ¹	\$106,557	\$115,367	(7.6%)
Per Yellow Bus Rider	\$92.98	\$96.92	(4.1%)
Per Active Bus	\$8,196.69	\$5,962.47	37.5%
Per Routine Mile	\$0.37	\$0.41	(9.0%)

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

¹ This line includes the following costs reported by the Districts: mechanic salary and benefits, maintenance and repair costs, tires and tubes, and maintenance supplies.

Table 5-5 shows that while ECLSD’s maintenance and repair expenditures per rider and per mile were 4.1 percent and 9.0 percent lower than the peer average, however; the cost per active bus was significantly higher. The high mileage driven by ECLSD buses requires more frequent routine maintenance throughout the year, increasing the maintenance and repair cost per active bus.

The *Public Works Management Practices Manual, Forth Edition*, (American Public Works Association, 2001) states that well-planned preventive maintenance programs, which follow manufacturers’ recommendations and schedules will result in a dependable fleet and extended equipment life with lower maintenance and repair costs. One program that ECLSD may elect to emulate is the *NC Fleet Manual: School Transportation Fleet Manual* (The North Carolina Department of Public Instruction’s, May, 2005). This manual presents preventive maintenance requirements for school districts in North Carolina based on mileage and requirements of mandated inspections.

In order to ensure that higher mileage buses continue to operate efficiently, preventive maintenance must be performed. This is especially important at ECLSD because its buses travel a far greater distance than the peer average. Higher mileage results in higher maintenance and repair costs, especially as buses begin to age. Without a formal preventive maintenance plan, the chance exists that ECLSD could unknowingly delay or omit some routine maintenance procedures. This could result in shorter vehicle life spans and increased replacement costs.

R5.5 ECLSD should develop purchasing procedures to ensure the District receives the best prices for its maintenance materials and supplies. The District should periodically assess the costs and benefits of joining other consortia or participating in the Ohio Department of Administrative Services’ (ODAS) Cooperative Purchasing Program to lower the total cost of its transportation supplies and materials. Purchasing supplies from a consortium and would help the District improve its buying power and obtain goods at the lowest available cost.

During the course of the audit, the District obtained optimal pricing from local transportation supply vendors as opposed to buying through a consortium.

In FY 2007-08, ECLSD's maintenance and repair cost per active bus was \$8,200, which was 37 percent higher than the peer average of \$6,000 (see **Table 5-5**). While the District belongs to the Southwestern Ohio Educational Purchasing Council (EPC), the District's purchasing process for transportation supplies and materials has not historically been conducted through cooperative agreements. According to the July 14, 2008 Board meeting minutes, the Superintendent's motion to participate in the State purchasing contracts through ODAS's Office of Cooperative Purchasing was denied. In an effort to streamline the purchasing process, the Transportation Supervisor began evaluating vendors that were used and compared prices for needed parts and supplies in FY 2007-08. As a part of this effort, the Transportation Supervisor developed a policy that requires vendors to supply price lists and to credit accounts within 30 days for returned parts. If the vendor does not comply with the vendor policy, it is eliminated from the vendor pool.

ODAS allows entities such as school districts to participate in its cooperative purchasing program. There are three requirements to become a participant in the purchasing program: a Board resolution to become a participant, payment of a nominal fee of \$100, and an issuance of a quarterly usage report. The purchasing program enables districts to maximize savings through greater purchasing power.

While the EPC does include transportation supplies and materials, evaluating products and pricing through additional consortiums may provide the District with other options for lowering these costs. Joining other cooperative purchasing programs could help the District lower its cost for maintenance supplies and materials and help improve its overall financial condition. Using a purchasing cooperative will help the District ensure it obtains supplies and materials at the lowest price available.

- R5.6 The Transportation Supervisor, in cooperation with the Treasurer's Office, should create and maintain a bus replacement plan to ensure the District is properly planning and budgeting for the purchase of new buses. The replacement plan should be updated annually with all maintenance and repair costs for each bus included to enable the District to complete a repair versus replace assessment. In addition, the replacement plan should report the age and mileage of every bus in the fleet and estimates of these statistics at the projected replacement date. The replacement plan should be incorporated in the District's budget and financial forecast to more accurately anticipate related expenditures.**

In FY 2007-08, the District purchased two new buses, lowering the average age of its relatively new bus fleet to 4 years. According to ODE's Associate Director of Pupil Transportation Office, the ODE vehicle database of school buses reports an average age

of 8.5 years for route buses used in Ohio (excluding substitute and spare buses). When analyzing the District's bus fleet, bus mileage may be a more important indicator than age due to the size of the District and the fact that buses must travel a significant number of miles each year. This higher mileage is illustrated in the average mileage per bus of approximately 92,000 miles. The District has not created a bus replacement plan to prepare and budget for new bus purchases. Although ECLSD does not have a bus replacement plan in place, the Transportation Supervisor does track the make, model, and year of buses and vans as well as their mileage.

There are no State guidelines for bus replacement beyond the requirement that buses must be able to pass annual Ohio State Highway Patrol inspections. As long as the bus passes the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) does offer some suggested replacement guidelines. According to the NASDPTS, buses should be replaced after 250,000 miles and/or 12 to 15 years of service. ODE indicates that typically, districts are matching the reimbursement provided by the State with an equal amount of local funding. This has resulted in an average replacement age of 17 years for buses in Ohio.

By creating and updating a replacement plan that includes factors such as age, mileage, and maintenance costs per bus, ECLSD could better ensure it is prepared for future capital expenditures. Although the District's bus fleet is seemingly in good condition based on age and mileage, it may be unprepared or unable to identify future bus replacement needs without a formal bus replacement plan. A replacement plan can also help the District determine which vehicle to sell or place into spare status if a route is eliminated (see **R5.1**).

Financial Implications Summary

The following table summarizes the estimated financial implications identified in this section of the report.

Summary of Financial Implications for the Transportation Section

Recommendation	Annual Cost Savings	One-Time Implementation Costs	Annual Costs
R5.1 Eliminate two buses	\$103,000		
R5.1 Purchase routing software		\$10,000	\$2,100
Total	\$103,000	\$10,000	\$2,100

Source: AOS recommendations

EAST CLINTON LOCAL SCHOOLS

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Deborah L. Lawwell
Treasurer

February 5, 2009

Ms. Betsy Bashore
Assistant Chief Auditor
One Government Center Room 1420
Toledo, Ohio 43604

Dear Ms. Bashore:

The Administration and the Board of Education of the East Clinton Local School District would like to thank the audit team for the time and effort put into the performance audit that was conducted over the course of last year.

We have reviewed the report and would like you to know that we have implemented or are in the process of implementing many of the recommendations listed throughout our response.

Audit response: Noteworthy accomplishments

The district appreciates the acknowledgement noted in the performance audit report:

- ECLSD has demonstrated sound fiscal and operational decision-making in managing its projected General Fund deficit.
- Reduction of fleet insurance from \$17,255 to \$4,478 over a two year period of time.
- Routing changes to improve efficiency for transportation.
- Monitoring and implementing controls over driver hours.
- Surveying parents, staff and students to review operations and program changes.

Audit response: Recommendations

2.1- Develop a district wide strategic plan for educational programs and operational areas.

2.4- Update the District's five-year forecast as events occur during the year to influence changes.

2.10- Implement Kiosk application in the Human Resource department.

3.4 - Consider eliminating positions in the district to align to meet the district needs based on enrollment and of peers compared in the performance audit report.

4.1 - The district will be implementing a 10 year forecast on the buildings and equipment in the near future to help in the budgeting and planning for system replacement.

4.2 - In the publication Planning Guide for Maintaining School Facilities, it states that level one cleaning is considered spotless cleaning and each custodian cleans approx. 10 to 11 thousand square feet per 8 hour shift. Level 2 cleaning in which this district closely resembles is considered uppermost standard for most school cleaning and each custodian cleans 18,000 to 20,000 square feet per shift. Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues. A custodian can clean approximately 28,000 to 31,000 per 8 hour shift. Level 3 is the standard you suggest this district drop to. On page 5 of the same manual it mentions that research shows:

EAST CLINTON LOCAL SCHOOLS

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Treasurer

1. A positive relationship exists between school conditions and student achievement and behavior.
2. Facility condition may have a stronger effect on student performance than the influences of family background, socioeconomic status, school attendance, and behavior combined.
3. Students are more likely to prosper when their environment is conducive to learning. Well-designed facilities send a powerful message to kids about the importance a community places on education.

It has been a choice of this district to this point to be above average and the management of this district believes when the time comes economically that we need to reduce the staffing levels of custodians, we are able to do so with a common sense approach.

4.2 - Training to improve efficiency and job satisfaction has been increased for the maintenance and custodial departments.

4.1 - Energy usage has been monitored and tracked for the past 6 years. Different approaches have been used to alleviate costs such as HVAC schedule changes, temperature set point changes, outside contractor inspections of energy usage, the addition of energy saving equipment, staff awareness, etc...

4.7 - This district may not have used AS&U standards as a benchmark in the past but programs are in place that have and will work. Expenses have reflected to some degree the accountability and attitude of the past. It has taken time and effort to catch up and to step up to new laws and guidelines. Training in the future to enhance maintenance related programs and AS&U standards along with other programs will be used for a benchmark.

4.7 - A process for maintenance request forms are utilized in the district. All requisitions are forwarded to the maintenance supervisor's desk to be prioritized.

5.1 - Bus capacities and mileages are monitored on an on-going basis.

5.2 - The school's website is utilized for Transportation policies, procedures, and safety recommendations.

5.5 - The district has a purchasing process and procedure in place in order to utilize best purchasing practice from vendors.

5.5 - The district has implemented a process to back out fuel costs for Maintenance and non-routine trips.

The audit team has given us much information to look at as we continue to work diligently to contain costs while at the same time, provide our students with an education that will allow them to be successful in a global economy. We are working hard to maintain, while at the same time improve our academic performance of the students in the ECLSD. We also are aware certain tools are needed, from a financial standpoint, to operate responsibly to the constituents of our district. It is our duty as the leadership of ECLSD to adjust to the recommendations for improvement this audit has provided. Thank you for the analysis. We will use it as a guide as we continue to operate ECLSD efficiently and effectively.

Sincerely,



Gary R. West
Superintendent