



Dave Yost • Auditor of State



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To the Residents and elected officials of the London City School District:

Enclosed is the performance audit of the London City School District. The audit was requested by the Ohio Department of Education in response to the District's deteriorating financial condition.

The Auditor of State Ohio Performance Team chose to focus on four functional areas that represent the majority of school district operating costs: (1) Financial Systems, (2) Human Resources, (3) Facilities, and (4) Transportation.

Among the primary conclusions of this audit are:

- (1) London CSD could generate more than \$1.3 million in potential annual savings by enacting certain management decisions. This is approximately 7 percent of the District's General Fund expenditures.
- (2) The District would benefit from improved forecasting and planning, as well as changes in management and staffing levels and pay and employee benefit practices. These items are among 27 recommendations included in the performance audit.
- (3) The District has made significant cost reductions in an effort to stabilize its financial condition. Its current Board of Education and administration have made changes to operations to ensure the future viability of the educational programs London CSD operates.

The Auditor of State commends the Board and administration of the London City School District for their commitment to correcting the District's financial difficulties and improving its operations.

Sincerely,

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

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Executive Summary

Background

In accordance with Ohio Revised Code (ORC) § 3316.042, the Auditor of State (AOS) is conducting this performance audit of the operational activities within the London City School District (London CSD or the District) based on the fiscal caution declaration that was effective February 21, 2011. According to ORC § 3316.042, AOS may review any programs or areas of operation in which the Auditor believes that greater operational efficiency, effectiveness or accountability of services can be achieved. As such, AOS will review financial and strategic planning, human resource management, facilities management, and transportation. The overall objective of this project is to identify opportunities for savings and process improvements, as well as noteworthy accomplishments, by comparing current processes to leading practices, statutory requirements, or other similar school districts. Where appropriate, recommendations will be made that could reduce costs, improve efficiency, or enhance management effectiveness.

The resulting recommendations provide options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition. This information should be helpful to the District as it makes decisions about future programs and operations in the context of its limited financial resources.

District Overview

London CSD is located in Madison County and encompasses 57 square miles. In FY 2009-10, the District reported an enrollment of 2,037 students. During FY 2011-12, enrollment rose to 2,110. It operates three schools including; a high school, a middle school, and an elementary schools. In FY 2010-11, the District employed about 245.8 full-time equivalent (FTE) staff, including 122.1 FTE teachers, 14.0 education service personnel (ESP), 13.0 FTE office/clerical staff, and 15.3 FTE administrative/supervisory personnel. Its regular education student-to-teacher ratio was 19.6 to 1.

The Ohio Department of Education (ODE) reported that London CSD received about 53.4 percent of its revenue from local sources, 36.1 percent from the State, and 10.4 percent from federal and other sources in FY 2009-10. The last time a levy was passed that generated new general operating revenue was February 2005 when residents initially approved a 1 percent income tax levy. In FY 2009-10, which was the latest year for which data was available at the time of the audit, the District's expenditures per pupil were \$11,344, which was above the State average of \$10,512. In FY 2010-11 the District's general operating budget was approximately \$21.6 million. For FY 2010-11, London CSD was categorized as *effective*, having met 16 of 26 academic performance indicators established by ODE but failed to meet the federally required adequate yearly progress goals.

Subsequent Events

In July 2001, London CSD submitted an updated five-year forecast that projects positive fund balances through FY 2012-13 but expenditures that exceeded revenues each year leading to a deficits of about \$2.1 million in FY 2013-14 and \$4.8 million by FY 2014-15. This forecast includes recent spending reductions implemented by the Board of Education and does not include the revenues and expenditures associated with the London Academy, an internet community school sponsored by the London CSD Board of Education. The District's October 2011 forecast, submitted on October 25, 2011, shows deficits beginning in FY 2013-14 of \$478,496, rising to \$2.5 million in FY 2015-16.

During FY 2010-11, London CSD reduced 33.5 FTEs including 19.5 certificated FTEs, 13 classified FTEs and 1 administrator FTE. The District was also able to negotiate a 3 percent reduction in salaries and wages with certificated and classified staff and a freeze in step increases for FY 2011-12. Furthermore, it eliminated several supplemental positions, generating a savings of about \$54,000 and reduced the supplemental salaries by 7 percent for FY 2011-12. Finally, London CSD eliminated high school busing and made other changes in its transportation practices to reduce costs by approximately \$200,000.

Audit Methodology and Scope

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations 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.

AOS conducted the performance audit of London City School District 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 findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

To complete this report, auditors gathered and assessed data from London CSD; conducted interviews with District personnel; identified applicable benchmarks and leading practices; and developed a composite of ten "peer" districts from across the State. The peer districts include: Batavia Local SD (Clermont County), Lake Local SD (Wood County), Wellington Exempted Village SD (Lorain County), Tiffin City SD (Seneca County), Marlinton Local SD (Stark County), Hubbard Exempted Village SD (Trumbull County), Coventry Local SD (Summit County), Bath Local SD (Allen County), Orrville City SD (Wayne County) and Van Wert City SD (Van Wert County).

In addition to peer data, AOS used external organizations to identify leading and recommended practices for comparisons. Key external sources included the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), the Society for Human Resource Management (SHRM), the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), and other industry organizations. Data from peer districts and external sources used as criteria were not tested for reliability.

The performance audit process involved significant information sharing with London CSD, 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 confirm preliminary findings. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, London CSD provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the final report based on the District's comments.

The Auditor of State and staff express their appreciation to London CSD for its cooperation and assistance throughout this audit.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the District 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.

Financial Systems

- Develop a comprehensive, District-wide, multi-year strategic plan that provides vision and direction for its Board, administrators, and staff.
- Develop a comprehensive purchasing manual that includes enhanced credit card policies and procedures, and a policy on timely vendor payments.
- Publish a popular annual financial report (PAFR) and enhance District financial information available on website.
- Reduce net School & Public Service Co-Curricular oriented extracurricular activities expenditures to the peer average through enhancement of revenue or decreases in expenditures.

During the course of the audit, London CSD eliminated several supplemental positions and reduced supplemental salaries by 7 percent.

- Create an accurate five-year forecast with detailed assumptions and supporting documentation.

London CSD's Treasurer submitted an updated forecast to ODE on October 25, 2011.

- Charge a portion of utility or refuse expenditures to the Food Service Fund.
- Reduce up to 2.5 labor hours from its daily food service operations.

Human Resources

- Develop a comprehensive staffing plan.
- Eliminate 2.0 FTE administrative staff positions.

During the course of the audit, London CSD eliminated 1 administrator FTE.

- Eliminate teacher and ESP positions to State minimum staffing levels in order to avoid projected deficits.

London CSD eliminated 19.5 FTE certificated staff for FY 2011-12.

- Eliminate 1.0 FTE library staff positions.
- Negotiate further reductions in salary schedules for classified staff and/or implement a freeze on step increases.

Facilities

- Reduce purchased services for facilities by linking budget to the most effective practices and products in order to bring facility costs more in line with peer average.
- Develop a formal Maintenance & Operations (M&O) Department handbook.
- Develop and implement formal performance measures.
- Provide appropriate training for maintenance and operations staff.
- Implement best practice energy conservation policies and programs.
- Identify ways to reduce purchased services and utilities costs for facilities in order to bring facility costs more in line with peer average and the AS&U National Median.

Transportation

- Complete, reconcile, and submit accurate transportation reports as required by Ohio

Law and other regulations.

- Include Transportation Department personnel in the IEP process when determining the most appropriate mode of special needs student transportation.
- Review and update the Board's transportation policies and administrative guidelines to provide more administrative flexibility and better reflect the Board's expectations.
- Establish a formal bus replacement plan and track maintenance costs by bus.
- Improve the economy of transportation operations by using a competitive bidding process to lower price on fuel supplies, reporting insurance coverage for only bus fleet, and submitting motor fuel tax refund claims to the Ohio Department of Taxation (ODT).
- Develop written internal control policies and procedures for fuel use and regularly reconcile the fuel sheets with remaining inventory.
- Implement best practice routing methods to increase efficiency and eliminate buses.

During the course of the audit, London CSD eliminated high school busing.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	Impact
1.4 Decrease School & Public Service oriented extracurricular activities expenditures or enhance revenues to bring the net cost in line with the peer average.	\$177,000
2.2 Eliminate 2.0 FTE administrative positions.	\$189,000
2.4 Eliminate 1.0 FTE library staff.	\$63,000
2.5 Review the special needs program to determine appropriate staffing.	\$284,000
2.7 Reduce health insurance costs.	\$262,000
2.8 Renegotiate contract provisions for leave	\$86,000
3.1 Link purchased service budget for facilities to performance measures and track expenditures.	\$135,000
3.5 Establish written energy management policies and procedures.	\$68,000
4.5 Purchase fuel from a consortium.	\$7,100
4.7 Review bus routes and eliminate three active buses.	\$81,000
Total Cost Savings from Performance Audit Recommendations:	\$1,352,100

Note: The table omits recommendation 1.7 as this recommendation impacts only the Food Service Fund in the amount of \$9,900. Recommendation 2.3 “To avoid projected deficits, eliminate teacher and ESP positions” is also not included in the table. These savings would be dependent on the number of reductions the District decided to make. If the District needed to reduce staffing to State minimums, it would save \$990,000. However, reductions of this magnitude would impact programs.

Note 2: London CSD eliminated high school busing for FY 2011-12. The savings in **R4.7** would be affected by this change in operations.

Audit Objectives

The following detailed audit objectives were used to conduct the performance audit of the London City School District. The objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. In some instances, objectives were modified based on actions taken by the School to address its deficit or high risk environments identified by the auditors during the course of their work.

Financial Systems

- Does the District's financial data appear to be valid and reliable?
- What has been the District's recent financial history?
- How does key financial data compare with peer districts?
- What is the District's projected financial condition?
- Does the District have comprehensive financial policies and procedures that generally meet recommended practices?
- Do the District's forecasting and budgeting processes meet leading practices?
- Does the District report appropriate financial information to the Board, key administrators, and the community?
- Has the District developed a strategic plan and performance measures which meet recommended practices?
- Does the District effectively manage payroll operations?
- What can the District do to improve the financial status of the Food Service Fund?

Human Resources

- What is the Organizational Structure and Function of the Human Resource operations at the District?
- Does the District have a staffing plan and process that is consistent with its educational goals, its available resources, State requirements, and best practices?
- Is District's compensation package in line with selected peer districts, state averages, and industry practices?
- How do the insurance benefits offered by the District compare with state averages and industry benchmarks?
- Are there contractual issues within the collective bargaining agreements that could be costly for the District?

Facilities

- How has spending on facilities changed recently and how does it compare with benchmarks?

- How do facility staffing allocations and workloads compare with industry standards?
- How do operational procedures, employee training, and performance standards compare with recommended practices?
- Does the District have a formal energy conservation program that is comparable to leading practices?
- Does the District meet leading practices for planning and maintaining its facilities?

Transportation

- How does the District's transportation policy and procedures compare with leading practices and impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How have ridership levels changed over the past three years?
- How have transportation expenditures changed over the past three years?
- How does the District's "yellow bus" (Type I & II) transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Does the District have sufficient controls in place to ensure the security of its buses, equipment, supplies, and fuel?
- Is the District effectively managing fuel costs?
- Is the District providing specialized transportation services in an effective and efficient manner?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?

Financial Systems

Background

This section focuses on the strategic and financial management systems in the London City School District (London CSD or the District). It analyzes strategic planning, financial policies and procedures, historical revenue and expenditures, and the forecast processes of the District. Plans, procedures, and operations were evaluated and compared to leading practices, industry benchmarks, operational standards, and selected peer districts (see **executive summary** for list of peer districts). Leading practices and industry standards were drawn from various sources, including the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), the National Institute on Governmental Purchasing (NIGP), and the Ohio Ethics Commission (OEC).

Treasurer's Office Operations

The Treasurer's Office is responsible for budgeting and forecasting, payroll, benefits administration, accounts payable, accounts receivable, and accounting for the District's grants. The Treasurer's Office consists of three full-time staff including the Treasurer, a payroll/benefits specialist, and an accounts payable specialist. The Treasurer serves as the backup for both the payroll/benefits specialist and the accounts payable specialist. In March 2011, the Treasurer resigned and an interim treasurer was hired under contract on an hourly basis.

Financial Condition

Ohio Revised Code (ORC) 5705.391 and Ohio Administrative Code (OAC) 3301-92-04 requires all city, local, exempted village, and joint vocational school districts to submit a five-year forecast of general operating revenues and expenditures to Ohio Department of Education (ODE) prior to October 31 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. The forecast format consists of three years of historical data, projections for the current and four ensuing years, and a summary of key assumptions.

The October 2010 five-year forecast submitted by the previous Treasurer projected a deficit of \$56,000 for FY 2010-11 and \$3,507,663 for FY 2011-12. This deficit was expected to grow to \$14,500,868 by FY 2014-15 without spending reductions or additional revenue. The Interim Treasurer and the ODE Fiscal Consultant concluded that the October 2010 five-year forecast, and its historical data, was incorrect because funds for the London CSD and the London Academy were inter-mingled. The interim treasurer created an updated five-year forecast in May 2011 that was consistent with a two-year financial analysis completed by ODE. Both the ODE analysis and updated forecast took into account the removal of the London Academy revenue and expenditures, as well as the planned reductions for FY 2011-12 approved by the London City School District Board of Education (the Board). The updated May 2010 five-year forecast developed by the Interim Treasurer shows a positive fund balance of about

\$2,253,000 in FY 2010-11, however the District is relying on a \$2.7 million dollar advance from the County Auditor on its FY 2011-12 property taxes. The May updated forecast shows a deficit beginning in FY 2012-13 that would grow to about \$4.8 million by FY 2014-15 without securing additional revenue and/or making further spending reductions.

Local Tax Effort

Table 1-1 compares London CSD's local tax effort index and other indicators with the peer average for FY 2009-10.

Table 1-1: Local Tax Effort Analysis

District	County	ODE Local Effort Index	Property and Income Tax per Pupil	Class 1 Effective Millage	Median Income	Assessed Valuation per Pupil	ADM
London CSD	Madison	1.13	\$4,177	21.32	\$31,772	\$131,949	2,265
Batavia LSD	Clermont	0.66	\$3,419	26.10	\$32,996	\$109,990	1,984
Bath LSD	Allen	0.92	\$4,017	32.55	\$32,328	\$123,423	1,883
Coventry LSD	Summit	1.04	\$6,363	31.94	\$32,234	\$190,019	1,675
Hubbard EVSD	Trumbull	0.87	\$3,572	32.21	\$29,339	\$106,268	2,008
Lake LSD	Wood	0.81	\$4,382	28.93	\$33,125	\$140,819	1,699
Marlington LSD	Stark	0.92	\$3,418	25.25	\$30,748	\$124,082	2,615
Orrville CSD	Wayne	0.92	\$3,977	28.80	\$30,152	\$123,317	1,746
Tiffin CSD	Seneca	0.91	\$3,550	26.08	\$27,265	\$118,296	2,970
Van Wert CSD	Van Wert	1.17	\$3,702	23.72	\$27,668	\$98,855	2,222
Wellington EVSD	Lorain	1.30	\$3,931	23.03	\$32,573	\$124,892	1,523
Peer Avg.		0.95	\$4,033	27.86	\$30,843	\$125,996	2,033
Difference vs. Peers		0.18	\$144	-6.54	\$929	\$5,953	232
Percent Difference		18.7%	3.6%	-23.5%	3.0%	4.7%	11.4%

Source: FY 2009-10 ODE District Profile Report

Note: The ADM in **Table 1-1** reflects the October Student Count that ODE uses for funding purposes.

Table 1-1 shows that London CSD's local effort index was 18.7 percent higher than the peer average while the District's property and income tax collections per pupil and median income were only slightly higher. AOS was unable to determine to what degree the local effort index was affected by the manner in which revenue for the London Academy was accounted.¹ The District's Class 1 effective millage is 23.5 percent lower than the peer average however, revenue from the District's 1.0 percent five-year income tax² is not included in the millage rate.

ODE designed the local tax effort index to reflect the level of financial support by local residents for their schools. According to ODE, this index, one of many possible measures for evaluating local effort, is calculated in the context of residents' ability to pay by determining the relative position of each school district in the State in terms of the portion of residents' income devoted

¹ According to the interim treasurer and ODE, at least during FY 2009-10, the funds of London CSD and the London Academy were inter-mingled and did not reflect actual revenues and expenditures.

² Expires in 2015.

to supporting public education.³

The District's most recent successful levy attempt was in May 2010, when residents approved the extension of a 1 percent income tax levy. This levy generates approximately \$2,500,000 per year. The last time a levy was passed that generated new general operating revenue was February 2005 when residents initially approved the 1 percent income tax levy.

Expenditure Comparisons

Table 1-2 compares London CSD's FY 2009-10 expenditures on a per pupil basis to the peer average. FY 2009-10 was the most recent financial information available at the time of the audit.

Table 1-2: Expenditure per Pupil (EPP) - Peer Comparison

	London CSD EPP	Peer Average EPP	EPP Difference	Percent Difference
Administrative	\$1,599	\$1,033	565	54.7%
Building Operations	\$2,108	\$1,671	436	26.1%
Staff Support	\$296	\$168	128	76.0%
Pupil Support	\$1,263	\$893	370	41.4%
Instructional	\$6,079	\$4,952	1,127	22.8%
Total Expenditure per Pupil (EPP)	\$11,344	\$8,718	2,626	30.1%
FTE Students	1,964	2,056.1	(92)	(4.5%)

Source: Ohio Department of Education

Note: The FTE students in **Table 1-2** reflect the "full-time equivalent students" that ODE uses to calculate expenditures per pupil in the expenditure flow model.

Table 1-2 shows that London CSD's total expenditure per pupil was \$2,626 (or 30.1 percent) higher than the peer average. The District's per pupil spending on in all functional areas was higher than the peer average. Because of the former Treasurer's method for accounting for expenses related to the London Academy, ODE determined that FY 2009-10 expenditures likely do not reflect the costs to educate only the students attending London CSD.

Table 1-3 compares London CSD's extracurricular activity expenditures with the peers.

³ For this calculation a four-step process is utilized. In the first step the ratio of any school income tax and class 1 property taxes charged, to federal adjusted gross income is calculated at the district and the state level. In the second step the median income of districts' residents is divided by the statewide median income to get a ratio of district to state median income. In the third step the district ratio calculated in step one is divided by the ratio calculated in step two to measure the effort in the context of ability to pay. In the fourth step the ratio calculated in the third step above is divided by the statewide ratio calculated in the first step above to determine the relative effort index in the context of the state as a whole. This effort measure, like others we have experimented with suffers from shortcomings resulting from inherent complexities in data collection, manipulation and availability.

Table 1-3: Extra Curricular Activities (EPP) - Peer Comparison

	London CSD EPP	Peer Average EPP	EPP Difference	Percent Difference
Academic Oriented Activities	\$22	\$26	(4)	(15.6%)
Occupation Oriented Activities	\$0	\$0	\$0	0.0%
Sports Oriented Activates	\$170	\$151	18	12.1%
School & Public Service Co-Curricular	\$108	\$18	90	491.3%
Total Expenditure per Pupil (EPP)	\$300	\$195	104	53.4%
FTE Students	1,964	2,056	(92)	(4.5%)

Source: Ohio Department of Education

Note: The FTE students in **Table 1-2** reflect the “full-time equivalent students” that ODE uses to calculate expenditures per pupil in the expenditure flow model.

Table 1-3 shows that London CSD's extracurricular expenditures per pupil was \$104 (or 53.4 percent) higher than the peer average. The District's per pupil spending on academic oriented activities was lower than the peer average by 15.6 percent while sports oriented and school and service co-curricular activities were higher than the peer average by 12.1 percent and 491.3 percent, respectively.

Payroll

All London CSD employees, including certificated, classified and administrative personnel, are paid on the fifth and twentieth of each month, unless those days fall on a weekend. Having just 24 pay periods per year gives the payroll specialist enough time to reconcile payrolls. The payroll specialist uses a worksheet and appropriate supporting documentation to process, document, and reconcile each payroll. Employees are paid according to their contracts with leave requests entered into the AESOP online system. This system allows supervisors to approve timesheets and leave request electronically, and the payroll specialist and employees to receive e-mail notifications. Finally, the District and the collective bargaining agreements require that all regular employees have direct deposit. The District also has an informal policy that all employees receive electronic pay stubs via email.

Recommendations

1.1 Develop a comprehensive district-wide strategic plan that identifies priorities and establishes performance measures.

The District should create and formally implement a long-range strategic plan (e.g. five years). The plan should include a mission statement, an environmental assessment, a small number of broad goals, a strategy to achieve broad goals, and a policy to review and reassess the plan every one to three years. The District should link the plan to the budget and incorporate any potential constraints presented by the five-year forecast when creating the goals. This will ensure that the mission and goals created are realistic and fiscally attainable.

London CSD does not have a comprehensive strategic plan that meets leading practice criteria for guiding operations and making program decisions. Instead, the District uses its Ohio Improvement Plan (OIP) as its strategic plan. However the OIP only addresses academic improvement goals and does not link building and operations budgets to strategic goals.

According to OAC 3301-35-03(A), a strategic plan guides school districts and key stakeholders in the ongoing measurement of performance to assure adequate progress is being made toward strategic goals and objectives. *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), states that every government entity should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment, and revenues. Accordingly, London CSD should take the following actions when developing its strategic plan:

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

Both the North Union Local School District (Union County) and the Westerville City School District (Franklin County) have successfully developed strategic plans that embrace leading practice criteria and could serve as models for the District to use.

By developing and maintaining a District-wide strategic plan, the District can gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational mission. In addition, a strategic plan can serve as a tool to improve communication between the District and the community, provide direction for the Board, and help align the planning and budgeting processes.

1.2 Develop a purchasing manual that details all purchasing policies, procedures, and internal controls.

To enhance its existing purchasing policies and procedures and bring them in line with recommended practices, London CSD should develop a comprehensive purchasing manual, which incorporates all of its existing purchasing policies and procedures, and the internal controls it uses during the purchasing process. While implementing this recommendation, the District should ensure that its purchasing policies and procedures are in line with recommended practices. Specifically, the District should develop complete policies and procedures governing the use of credit cards that are consistent with GFOA recommended practices. In addition, the District should augment its purchasing policies to ensure that they address the District's expectation for timely payment of vendor obligations. Finally, the purchasing manual should periodically be reviewed to determine if the procedures it contains have changed and whether they are still relevant to the District's operations.

The District has Board policies that govern purchasing. It also has no financial audit citations or management letter recommendations which suggest purchasing issues exist. However, London CSD does not have a purchasing manual to guide purchasing at the building or department-level. Also, the District's credit card policy and supporting procedures do not address all GFOA recommended elements. Finally, the District's purchasing policies do not specifically communicate expectations on the timeliness of vendor payments.

According to *Introduction to Public Procurement* (The National Institute of Governmental Purchasing (NIGP), 2009), procedures manuals are written in detail and intended not just to provide guidance but also to set out the forms, process requirements, and steps for each procurement action. A procedures 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. Procedures 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 procedures, and contract administration;
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting supplier 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 other 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. Procedures manuals sometimes include process flow charts to graphically portray the flow of forms and information through the procurement process. Elyria City School District (Lorain County), Miami East Local School District (Miami County), and Stow-Munroe Falls City School District (Summit County) have developed procedures manuals to guide staff through the purchasing process and ensure regulations and district policies are followed.

In addition, according to *Purchasing Card Programs* (GFOA, 2008), if not properly monitored, the issuance of purchasing cards or credit cards to employees could result in internal control issues or abuse. Best practice guidelines for the use of purchasing/credit cards include the following:

- Written policies and procedures for internal staff;
- Written acknowledgment of employee responsibility;
- Spending and transaction limits;
- Written requests for higher spending levels;
- Recordkeeping requirements;
- Clear guidelines on the appropriate uses of purchasing cards;
- Guidelines for making purchases by telephone, fax, or Internet;
- Periodic audits of card activity;
- Procedures for handling disputes and unauthorized purchases;
- Procedures for card issuances and cancellation, lost or stolen cards, and employee termination; and
- Segregation of duties for payment approvals, accounting, and reconciliation.

Finally, *Extension of Federal Prompt-Pay Requirements to State and Local Governments* (GFOA, 1989) notes that the timely payment of bills is an important financial management practice that can save governments money. By carefully timing payments so that they are neither late nor too early, the District could take advantage of vendor discounts, avoid penalties, and maximize its return on short-term investments. Furthermore, prompt bill payment reduces vendor costs, which in turn, could reduce government procurement costs.

The development, approval, and distribution of a purchasing manual that includes credit card policies and procedures, as well as a policy on timely payments among other things, would help the Board, Treasurer, and Superintendent clarify the District's official position on purchasing practices and improve the consistency in applying of those practices.

1.3 Publish a Popular Annual Financial Report (PAFR) and provide additional financial information on the District's web site.

The District should consider publishing PAFR-like material on its web site and, if finances permit, producing a printed PAFR for its constituents.

London CSD publishes some financial information on its web site including five-year forecast projections and assumptions; and comprehensive annual financial reports (CAFRs). However, the District does not publish a popular annual financial report (PAFR) and other recommended types of financial information.

According to *Preparing Popular Reports* (GFOA, 2006), government entities should supplement their CAFRs with simpler, "popular" reports designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant.
- The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information.
- The popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format, and be written in a concise and clear style.
- The popular report should avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics. Narratives should be used, as appropriate, to highlight and explain items of particular importance.
- The popular report should use comparative data constructively to help identify trends useful in the interpretation of financial data.
- Most importantly, the popular report should establish credibility with its intended readers by presenting information in a balanced and objective manner.

Hilliard and Worthington City School Districts in Franklin County develop both a CAFR and PAFR and have them available on their respective web sites. The web sites make this information easily accessible for use by community members, Board members, staff, and local businesses to gain insight into the financial operations of the districts.

According to *Website Presentation of Official Financial Documents* (GFOA, 2009), the benefits of using a government agency's web site to communicate financial information include:

- Heightened awareness: Many potential users of a government's financial information may only discover that it is available because they find it on the website;
- Universal accessibility: Information furnished on a website is readily available to a wide range of potential users (e.g., citizens, rating agencies, regulatory agencies, other governments, and the press) without charge;
- Increased potential for interaction with users: A website can offer two-way, multi-conversational, or interactive formats. This capacity may be especially helpful for proposed documents or for citizen surveys;
- Enhanced diversity: A website may offer the possibility of providing the same financial information in a variety of languages, which may be needed pursuant to the policies of a particular governmental entity;

- Facilitated analysis: Computerized tools can be used to find, extract, and analyze data presented in electronic form;
- Increased efficiency: Presenting all financial information in a single location can help to avoid calls for redundant specialized reports (e.g., reproducing data already presented in the comprehensive annual financial report or the budget document);
- Lowered costs: Electronic publication can be accomplished relatively quickly and can reduce or eliminate many of the costs associated with producing a hard copy report, including those associated with handling and mailing the reports;
- Contribution to sustainability: Using a web site to disseminate financial information may reduce paper consumption, thereby contributing to the core value of sustainability; and
- Broadened potential scope: The use of hyperlinks allows for easy referencing of relevant information from other sites.

Several other districts use their web sites to make useful financial information more accessible to the public; including:

- Hilliard City School District (Franklin County), Lakota Local School District (Butler County), and Westerville City School District (Franklin County) all publish annual budget documents on their web sites;
- Lebanon City School District (Warren County) makes its monthly Board financial report available on the web site; and
- Stow-Munroe Falls City School District (Summit County) makes monthly financial reports available on their web site.

Previous treasurers have not found the time or need to develop a PAFR, believing that a CAFR was sufficient. In addition, previous Boards have not made publishing additional information on the District's website a priority for its treasurers.

Publishing a PAFR in addition to other financial information such as the annual budget document and monthly financial reports, and making them available through its web site, will help the District promote transparency and accountability while maximizing access to its financial information.

1.4 Decrease School & Public Service oriented extracurricular activities expenditures or enhance revenues to bring the net cost in line with the peer average.

London CSD should review general fund expenditures that are used to support extracurricular activities. Bringing extra-curricular expenditures on a per pupil basis in line with the peer average would save the District money and help reduce projected deficits.

In FY 2009-10 London CSD spent approximately \$589,000, or \$300 per pupil, on extracurricular activities. The District's FY 2009-10 expenditures were higher than the peer average for sports oriented activities (\$18 per pupil higher) and school and public service co-curricular activities (\$90 per pupil higher). However, the District's expenditures were lower than the peer average for academic oriented activities (\$4 per pupil lower) and comparable to the peer average for

occupation-oriented activities.

Table 1-3 illustrated London CSD's FY 2009-10 extracurricular activities expenditures as compared to the peer average. The analysis revealed that spending in the area of "school and public service co-curricular" activities was approximately \$108 per pupil, significantly higher than the peer average of \$19 per pupil.

The District incurs an additional financial burden because of its high extracurricular activity costs, and this primarily impacts the General Fund. If the District were able to decrease expenditures to bring the net costs of school and public service co-curricular oriented activities in line with the peer average, it would be able to target those funds toward supporting the long-term educational goals of the District or towards helping address projected deficits.

Financial Implication: If London CSD were able to enhance revenues or decrease expenditures to bring the net cost of school and public service co-curricular activities in line with the peer average, it would be able to save approximately \$177,000 per year based on its FY 2009-10 expenditures.

1.5 Create an accurate five-year forecast with detailed assumptions and supporting documentation.

London CSD should revise its methodology for projecting major line items in the five-year forecast to include more detailed assumptions and supporting documentation. The District's assumptions should document historical trends and any known changes in legislation, educational programs, or District operations. The basis for assumptions should be fully explained in the forecast notes and should include the impact of general economic conditions as well as the District's specific financial situation. Projections should be supported by detailed calculations, historical information, and appropriate documents. Sufficiently detailed assumptions and supporting documentation will allow London CSD to more easily explain forecast adjustments when circumstances and assumptions change, to quickly and accurately update projections, and to more easily prepare multiple forecasts under different scenarios.

During the course of the audit, the Interim Treasurer and ODE Consultant prepared an updated forecast that more accurately reflects the financial position of the District.

It is the Treasurer's responsibility to lead the District through a detailed annual budget and appropriation process that includes appropriate department and building administrators. The tax budget, annual appropriation, and five-year forecast are reviewed and approved by the Board as required. The Treasurer monitors current year revenue and expenditures throughout the year and provides updates to the Board, Superintendent, and other appropriate administrators. Due to the resignation of the former Treasurer prior to the start of audit work, the October 2010 five-year forecast documentation and assumptions could not be reviewed in detail.

The interim Treasurer and the ODE Fiscal Consultant informed the AOS that the October 2010 five-year forecast was incorrect. Furthermore, they concluded that, at least during the FY 2009-

10, the funds of London CSD and the London Academy⁴ were inter-mingled and did not reflect actual expenditures. The interim Treasurer developed an updated five-year forecast for May 2011 for London CSD and London Academy.

The auditing and accounting *Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2008) identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- Forecasts should be prepared in good faith, using the best information available at the time to develop appropriate assumptions.
- Forecasts should be prepared with care by qualified personnel using appropriate accounting principles. Procedures should be established to facilitate the prevention, detection, and correction of errors.
- The process used to develop financial forecasts should allow users to identify the best information that is available at that time.
- Key factors should be identified as a basis for assumptions. Assumptions used in preparing the financial forecasts should be appropriate, reasonable and well-supported, and could include the following components: 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 both the financial forecast and the process used to develop them. Documentation should also include recording the underlying assumptions as well as 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 develop financial forecasts should include, where appropriate, the regular comparison of the financial forecasts with the attained results. Comparing prospective financial results with actual fiscal numbers provides a historical measure of success and can be an indicator of the reliability of future forecasts.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at appropriate levels of authority. The responsible party should have access to the financial forecasts and supporting documentation in order to adequately review and approve the financial forecasts.

The detailed assumptions of the previous Treasurer could not be reviewed or tested for reliability. After the Board hires a new Treasurer, it should clarify its expectations and involvement with the five-year forecast.

⁴ A community school sponsored by the London CSD.

Without an accurate five-year forecast, the District will not be able to adequately plan its future expenditures. With detailed assumptions and calculations accompanied by supporting documentation, the District will be better able to understand differences between actual and forecasted expenditures, thereby improving the accuracy of its forecast.

1.6 Charge a portion of utility or refuse expenditures to the Food Service Fund.

London CSD should ensure that all food service related expenses are charged to the Food Service Fund, regardless of any future need for transfers from the General Fund. Specifically, a portion of utilities and refuse removal expenses should be allocated to the Food Service Fund. By correctly allocating all food service expenses, a more accurate financial picture will be available and allow for improved decision-making.

A review of the District's Food Service Fund shows that the District has not charged a portion of utility or refuse expenditures to the Food Service Fund. *Measuring the Cost of Government Services* (GFOA, 2002), suggests governments should measure the full cost of their services. For the food service operation, ORC § 3313.81 emphasizes the need for this practice by stating:

“All receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes shall be paid directly into and disbursed from the food service fund which shall be kept in a legally designated depository of the board.”

By not including all of the costs associated with the Food Service Fund, the District is understating the operation's cost. Capturing all costs in the Food Service Fund will allow London CSD to evaluate the efficiency and performance of its food service operation and make more informed decisions. This in turn, will provide the District with a more accurate cost of the food service operation and aid in the planning and development of a forecast and strategic plan. In general, those costs which would be incurred regardless of the operation of a food service program should be paid out of the General Fund, while those directly incurred as a result of the food service operation should be appropriately charged to the Food Service Fund.

1.7 Reduce up to 2.5 labor hours from daily food service operations.

In order to reduce operational expenses and increase the efficiency of the food service operation, London CSD should eliminate up to 2.5 labor hours from its daily food service operations. Such a reduction in labor hours would bring the District in line with industry standards for kitchen efficiency and reduce the percentage of expenses spent on labor costs.

Meals per Labor Hour (MPLH) is an industry standard used to measure a food service operation's productivity and efficiency. The measurement is calculated by dividing the total labor hours worked by the total average meal equivalents (breakfast, lunch, and a la carte meals) served per day at each building.

Per meal equivalents were based on definitions from the National Food Service Management Institute. The conversion for meal equivalents used is as follows:

- 1 lunch = 1 meal equivalent;
- 3 breakfasts = 2 meal equivalents; and
- A la carte meal equivalents = a la carte sales divided by free lunch reimbursements plus commodity value per meal.

Table 1-4 shows the efficiency of London CSD’s food service operations in comparison to the peers.

Table 1-4 Meals per labor Hour

Building	Meal Equivalents Served per Day	Daily Labor Hours	MPLH	Industry Benchmark	Over / (Under) Industry Benchmark	Total Labor Hours Required	Equivalent Labor Hours Over/(Under) Industry Standard
London Elementary School	747	34.8	21.5	22.0	(0.5)	34.0	0.8
London Middle School	319	15.8	20.3	18.0	2.3	17.7	(2.0)
London High School	297	22.3	13.4	16.0	(2.6)	18.6	3.7
Total	1364	72.8			(0.9)	70.3	2.5

Source: District and peers.

Note: Industry standard is based on convenience system with high productivity.

Table 1-4 indicates that while one of the District’s schools operates at a level more efficient than the industry standard, the other two operate at a level below the standard. District-wide, the food service operation is 2.5 hours less efficient than suggested by the industry standard. This indicates that the District could eliminate up to 2.5 labor hours each day by improving the efficiency of its operations.

School Foodservice Management for the 21st Century notes several factors which affect MPLH and the number of hours required to staff the operation. These factors include the type and size of the food service operation; menu design and type of food used; number of lunch periods and serving lines; equipment and kitchen design; and the experience and training of staff.

Operating at a level which is less efficient than established industry standards is costly to the food service operation. Reducing staff levels at inefficient buildings will help lower salary and benefit expenditures and promote the long-term sustainability of the food service operation. The District should reduce labor hours to ensure that each building is meeting MPLH efficiency standards.

Financial Implication: London CSD data shows that the lowest wage rate for food service employees is \$13.25 per hour and these employees work 184 days per year. In addition, fringe benefits account for 63 percent of total salaries. Based on these figures, a reduction of 2.5 daily labor hours would yield savings of approximately \$9,900 in salaries and benefits.

Human Resources

Background

This section of the performance audit focuses on the London City School District (London CSD or the District) human resource (HR) functions, including staffing levels, compensation, employee benefits, negotiated agreements, human resource management, and special programs. The District's human resource functions were evaluated and compared to leading practices, industry benchmarks, operational standards, the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), and selected peer districts (see the **executive summary** for list of peer districts). Leading practices and industry standards were drawn from the State Employment Relations Board (SERB), the Society for Human Resource Management (SHRM), the Ohio Department of Education (ODE), and the Ohio Department of Administrative Services (DAS).

Organizational Structure and Function

London CSD's Superintendent reports directly to the Board of Education (the Board) and is responsible for the overall management of the District, including program and staff decisions. Building administrators, as well as directors of student services, special education, technology, communications, human resources, and a program and accountability officer, all report directly to the Superintendent. The Superintendent is responsible for maintaining Board policies and oversees the Educational Management Information System (EMIS) Coordinator. The Treasurer is responsible for District finances while the EMIS Coordinator is responsible for reporting staff and student data. During the course of the audit, the Treasurer was placed on administrative leave and an interim Treasurer performed the duties. The Human Resource functions are led by the Superintendent who is responsible for negotiations, labor relations, employee discipline, maintaining personnel files, teacher licensure, recruitment, and assisting in determining staffing levels at the District. The Treasurer's office handles the benefit administration function.

The Board regularly reviews and updates District-wide policies, which include policies governing personnel and management. Board policies also include a description of the roles and responsibilities of the Board, Superintendent, and Treasurer, as well as the process for communication among the Board, District staff, and the community.

Staffing

Table 2-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at London CSD and the average of the peer districts. Staffing data for both the District and the peers is FY 2010-11 data as reported to ODE through EMIS. While staffing data obtained through EMIS represents staffing as of October 2010, staff levels for London CSD were reviewed and updated to reflect any changes in staffing. EMIS position codes are grouped into categories that represent broad functional areas and may not match the subtotals shown on EMIS reports. The staff levels shown in **Table 2-1** have been presented on a per 1,000 student basis because staffing levels are

partially dependent on the number of students served. In addition, presenting data in this manner decreases variances attributable to the size of the peers.

Table 2-1: Staffing Comparison Summary (In FTEs)¹

	London CSD			Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		
Administrative¹	15.27	6.21%	7.53	6.41	1.12
Office/Clerical²	13.00	5.29%	6.42	7.25	(0.83)
General Education Teachers³	91.02	37.02%	44.99	46.89	(1.90)
All Other Teachers⁴	31.05	12.63%	15.35	11.67	3.68
Education Service Personnel (ESP)⁵	14.00	5.69%	6.91	8.27	(1.36)
Educational Support⁶	11.00	4.47%	5.44	4.19	1.25
Other Certificated⁷	2.00	0.81%	0.99	0.95	0.04
Non-Certificated Classroom Support⁸	15.50	6.30%	7.66	8.63	(0.97)
Sub-Total	192.84	78.42%	95.29	94.26	1.03
Operations	43.00	17.49%	21.25	25.31	(4.06)
All Other Staff^{9/5}	10.00	4.07%	4.94	3.47	1.47
Total Staff	245.84	100.00%	121.48	123.04	(1.56)

Source: London CSD and ODE

¹ Administrative includes central office and building level administrators, directors and coordinators, as well as personal responsible for the planning, management, evaluation, and operation of the District.

² Office/Clerical includes all 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).

³ Teachers include General Education teaching assignment. It does not include ESP Teachers.

⁴ All other teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, LEP teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.

⁵ Education Service Personnel include K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).

⁶ Educational Support includes Remedial Specialists and Tutors/Small Group Instructors.

⁷ Other Certificated includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.

⁸ Non-Certificated Classroom Support includes Teaching Aides, Paraprofessional Instructors, and Attendants.

⁹ All other staff include Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc. Library Aides, Computer Support Staff, and all other professional and technical staff.

As illustrated in **Table 2-1**, London CSD total staff was 1.56 FTE per 1,000 students below the peer average. This was due to operations staffing, which include custodial, maintenance, and food service personnel, being 4.06 FTE per 1,000 students below the peer average. Administrative, other teachers, and educational support staff were all above the peer average. The following provides a more detailed explanation of the staffing categories shown in **Table 2-1**.

- **Administrative:** London CSD employees included in this category are district and building level administrators, directors and coordinators, and other personnel responsible for the planning, management, evaluation, and operation of the District. A more in-depth review of this staffing area shows the District can eliminate an administrator based on

a comparison with the peer districts (see 2.2).

- **Office/Clerical:** This category includes administrative assistants, secretaries, clerks, bookkeepers, and other personnel responsible for clerical duties.
- **Teaching:** This category includes general, special, gifted, preschool, career technical, and limited English proficiency (LEP) teachers. A more in depth analysis shows the District can eliminate staff in general teaching (see 2.3). Additionally, a recommendation to review its special needs teaching staff and incorporate into a staffing plan was made (see 2.1).
- **Educational Service Personnel (ESP):** This category includes kindergarten through grade eight art, music, and physical education teachers, as well as counselors, librarians/media specialists, school nurses, visiting teachers, and social workers. The Ohio Administrative Code rule 3301-35-05(A)(4) prescribes a minimum of five full-time equivalent educational service personnel shall be employed district-wide for each one thousand students in the regular student population as defined in section 3317.023 of the Revised Code. Educational service personnel shall be assigned to at least five of the eight staffing areas. A more in depth review was performed using peer averages and the District reduce staffing to the peer levels by implementing staffing reductions in library and nursing staff (see 2.4).
- **Educational Support:** Personnel in this category are certificated or licensed employees who work directly with students but who are not the classroom teacher. Specifically, educational support staff includes the positions of remedial specialists and tutors/small group instructors who serve the regular student population. The category also includes supplemental service teachers who work with students with specialized needs. London CSD has a higher reliance on special needs teaching staff while the peers have less special needs teachers. Therefore, a recommendation was made for the District to perform an analysis of its special needs program to determine if its staff is employed efficiently in this category
- **Other Certificated:** This category represents the remaining certificated positions at the District and includes curriculum specialists and other education specialists that hold a certification. There were no recommendations to eliminate staff in this category as a result of a more in-depth review.
- **Non-Certificated Classroom Support:** This category represents support staff that assists in the classroom as teaching aides, instruction paraprofessionals, or attendants. There were no recommendations to eliminate staff in this category as a result of a more in-depth review.
- **Other Technical/Professional Staff:** This category represents other technical and professional staff including library aides and computer support staff. A recommendation was made to eliminate library aide staff as a result of a more in-depth review (see 2.4).
- **Other Student Services:** This category includes health specialists such as psychologists, physical therapists, and speech and language therapists. Many of these positions serve students with disabilities. There were no recommendations made to eliminate staff in this category.

Compensation

Table 2-2 shows the District's average salary and salary cost per student in comparison to the peer average for FY 2010-11. Average salaries are impacted by the beginning wage rates, years of service, negotiated salary schedules, education or skill level attained, and in some cases in consideration of personnel benefits. Both average salaries and the number of staff employed impact the salary cost per student. Therefore, a district can have higher average salaries but few employed, and thus a lower salary cost per student. Conversely, a district could have low average salaries but more staff than the peers, causing its salary cost per student to be higher than the peers.

Table 2-2: Salary Cost Comparison

	Average Salaries ¹			Salaries Per Student Educated ²		
	London CSD	Peer District Average	Percent Difference	London CSD	Peer Salaries per Student	Difference
Administrative ¹	\$68,599	\$72,649	(5.57%)	\$518	\$462	12.1%
Office/Clerical ²	\$36,619	\$29,904	22.46%	\$235	\$215	9.3%
General Education Teachers ³	\$52,358	\$53,013	(1.24%)	\$2,356	\$2,488	(5.3%)
All Other Teachers ⁴	\$55,087	\$50,918	8.19%	\$845	\$592	42.7%
Education Service Personnel (ESP) ⁵	\$55,445	\$55,490	(0.08%)	\$384	\$455	(15.6%)
Educational Support ⁶	\$59,866	\$42,925	39.47%	\$326	\$159	105.0%
Other Certificated ⁷	\$76,703	\$43,716	75.46%	\$76	\$53	43.4%
Non-Certificated Classroom Support ⁸	\$23,158	\$17,346	33.51%	\$177	\$143	23.8%
Operations	\$24,897	\$23,393	6.43%	\$529	\$584	(9.4%)
All Other Staff ⁹	\$48,580	\$33,528	44.89%	\$240	\$126	90.5%
Total Staff	\$46,791	\$42,961	8.92%	\$5,688	\$5,276	7.8%

Source: London CSD and peer data.

¹ Administrative includes central office and building level administrators, directors and coordinators, as well as personal responsible for the planning, management, evaluation, and operation of the District.

² Office/Clerical includes all 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).

³ Teachers include General Education teaching assignment. It does not include ESP Teachers.

⁴ All other teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, LEP teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.

⁵ Education Service Personnel include K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).

⁶ Educational Support includes Remedial Specialists and Tutors/Small Group Instructors.

⁷ Other Certificated includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.

⁸ Non-Certificated Classroom Support includes Teaching Aides, Paraprofessional Instructors, and Attendants.

⁹ All Other Staff include Library Aides, Computer Support Staff, all other professional and technical staff, Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc.

As shown in **Table 2-2**, the District's total staff salaries are higher than the peer average by 8.92 percent. Administrative salaries per student were higher than the peers primarily due to having

more staff per 1,000 students than the peers (see **2.2**). The certificated staff and classified staff salaries are negotiated with the respective collective bargaining units. The certificated and classified salary schedules were compared with salary schedules from similar districts in the area. London's certificated schedule was found to be in line the average of similar districts in the area. Several of the District's classified staff salary schedules, including bus drivers, maintenance, cooks, aides, secretaries and custodial staff, were higher than area districts (see **2.6**).

Recommendations

2.1 Develop a formal comprehensive staffing plan.

London CSD should develop a formal and comprehensive staffing plan at the District level that addresses staffing needs. Establishing staffing allocations for administrative, certificated, and support staff will assist the District in better planning for the future. Additionally, the development of a formal staffing plan will help London CSD ensure it is in compliance with State and federal requirements. The development of a staffing plan will also help formalize the extensive program and building level staffing data gathered by the District; identify and achieve staffing goals; and better communicate those goals to its building administrators and the public.

London CSD has not developed a formal process for analyzing staffing needs and has no formal staffing plan in place. While the District's leadership team discusses staffing needs and use available data to identify and eliminate costly programs and classes with low enrollment, a formal plan that meets recommended practices has not been implemented.

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. A strategic staffing plan forms an infrastructure to support effective decision-making in an organization. In addition, *Estimating Future Staffing Levels* (SHRM, 2006) notes that the most important question for any organization is what type of workforce it will need in order to successfully implement its strategic mission. Once this question is answered, the organization can focus on recruiting, developing, motivating, and retaining the number and mix of employees that will be required at each point in time.

Lakota Local School District (Butler County) has established a staffing plan, which incorporates staffing allocation factors such as State and federal regulations, workload measures, and other leading practices. In general, staffing benchmarks in this plan are calibrated to available General Fund revenues, which assist the district in ensuring a balanced budget. Staffing plans can not only be used as guides for determining staffing levels on an annual basis, but aid in determining mid-year staffing levels should changes be necessary. The Cincinnati City School District (Hamilton County) has developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals. In addition, the plan includes central and site-based administrators in the process and serves as a valuable planning tool for the district's leadership team.

Like most districts in Ohio, London CSD hires staff based on perceived staffing needs and available revenue and has not taken the time to develop a formal staffing plan. However, without a staffing plan, the District will continue to make staffing decisions based on short-term needs and immediate resources. By implementing a comprehensive and strategic staffing plan, the District can identify staffing needs and goals, and openly communicate staffing priorities. The staffing plan can include contingency plans should the District fail to secure sufficient revenue to avoid projected deficits. Furthermore, the District can explain or defend its decisions to hire or eliminate personnel based on the objective analysis and clear reasoning that a staffing

plan offers.

2.2 Eliminate 2.0 FTE administrative positions.

London CSD should consider eliminating 2.0 FTE administrative positions, which would reduce salary and benefit costs and bring its administrative staffing levels more in line with the peer average.

During the course of the audit, London CSD eliminated 1 FTE administrator.

The District employs 15.27 FTE administrators including the transportation, maintenance, and food service supervisors but excluding the administrators dedicated to the London Academy. **Table 2-3** shows the number of administrators per 1,000 students at London CSD in comparison to the peer district average.

Table 2-3: Administrative Staff Comparison

	London CSD		Peer Average Staff/1,000 Students	Difference/1,000 Students
	FTE Staff	Staff/1,000 Students		
Building Level Administrators	7.00	4.07	3.48	0.59
All Other Administrative/Supervisory Staff	8.27	3.46	2.94	0.52
Total FTE Administrative/Supervisory Staff	15.27	7.53	6.42	1.11

Source: Client and Ohio Department of Education, Education Management Information System

Note 1: Building Level Administrative Staff includes EMIS position codes 108 (Principals) and 104 (Assistant Principals). OAC 3301-35-05(A)(5) requires every school with 15 or more FTE classroom teachers be assigned a full-time principal.

Note 2: All Other Administrative/Supervisory Staff includes EMIS position codes 103, 109, 110, 112, 113, 114, 115, 116, 120, 199, 319, & 340.

FTE Staff per 1,000 Students is calculated to ensure each peer district has equal weight.

Note 3: FTE Adjustment Row represents the number of FTE employees that, when added or subtracted, would bring the client's number of employees per 1,000 students in line with the peer average. The formula takes the difference per 1,000 students times the client's students educated then divides by 1,000

As shown in **Table 2-3**, London CSD has slightly more building level and other administrative/supervisory staff per 1,000 students than the peer averages. In order to be more consistent with the peer average, the District would need to eliminate about 2.0 FTE administrative positions.

The District does not have a formal staffing plan that could serve as a guide to determine proper administrative staff levels and this may contribute to the overstaffing in this area. By reducing the number of administrators per 1,000 students to the peer average, London CSD could reduce salary and benefit costs.

Financial Implication: If the District eliminates 2 administrative staff FTEs, it can meet the peer average and save the District approximately \$189,000 in salaries and benefits based on average administrative salary of \$69,000.

2.3 To avoid projected deficits, the District should eliminate teacher and ESP position to reduce staffing to State minimum standards.

Should the District fail to secure additional revenue, it will have to consider eliminating additional teaching positions and bring its overall regular student-to-regular teacher ratio closer to the State minimum of 25:1. The District should examine its regular classroom teaching staff at each grade level to determine if student instruction is provided in the optimal manner for both its students and the District. Specifically, the District should determine if it has achieved the appropriate blend of teachers and support personnel in the classroom or if alternatives exist that would lower costs. In addition, the District should review how it has deployed its ESP staff. Finally, London CSD should consider the financial and academic impact potential staffing changes may have on the District.

During the course of the audit, the District eliminated 19.5 certificated FTE positions.

As shown in the **background** for this section (see **Table 2-1**), London CSD had fewer general education teachers per 1,000 students in FY 2010-11 than the average of the peer districts. However, London CSD employs more than the minimum number of teachers required by State law.

Ohio Administrative Code (OAC) section 3301-35-05 requires the ratio of teachers to students district-wide to be at least 1 FTE classroom teacher for each 25 students in its "regular student population". The administrative code also requires districts to employ five educational service personnel (or ESP) for every 1,000 students in its regular student population.

In FY 2010-11, London CSD employed about 91.0 FTE general education teachers resulting in a student teacher ratio of 19.671, 27.6 percent, above the State minimum. According to the District's staffing reduction plan, 11 general education teacher positions are scheduled to be eliminated in FY 2011-12. This reduction in teaching positions would leave the District with only about 8.7 FTE teachers above State minimum standards. In the ESP category, London CSD had about 5 more FTEs in FY 2010-11 than the minimum State requirement.

Though it has reduced staff, London CSD should examine the staffing level and composition of its certificated staff to determine if further reductions can be made without significantly affecting the level of education provided. Although the District is categorized as effective, its local report card indicated that it did not meet adequate yearly progress goals and met only 17 out of 26 indicators during FY 2009-10. These results were achieved when staffing level were 19.6 regular teachers and 5.1 ESP above the State minimum requirements.

If the District continues to face financial hardship, it will need to consider additional reductions in general education and ESP positions. For every teacher the District eliminates, the District could save (on average) approximately \$71,000 in salaries and benefits and about \$75,000 for every ESP position eliminated.

Financial Implication: Based on FY 2010-11 staff and the reductions planned for FY 2011-12, if London CSD further reduced teacher and ESP staff to the State minimum levels, it could saving

an additional \$990,000 per year in salary and benefit costs.

2.4 Eliminate 1.0 FTE library staff.

London CSD should consider eliminating 1.0 FTE library staff positions, which would reduce salary and benefit costs and bring its library staffing levels more in line with the peer average.

In a verbal response to the audit, the District noted it had made reductions in this classification for FY 2011-12. This is reflected in the staffing reductions noted in the District's response.

London CSD employs both librarians and library aides. According to OAC 3301-35-05, school librarians are considered education service personnel (ESP). Many districts also employ library aides who are not included in the ESP comparison. In London CSD, library aides are coded as paraprofessionals in the EMIS system. **Table 2-4** compares library staffing levels, including library aides, to the peer district average for FY 2010-11.

Table 2-4: Library Staff Comparison

	London CSD		Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Staff/1,000 Students		
Librarians	1.00	0.49	0.63	(0.14)
Library Aides	4.00	1.98	0.77	1.21
Total Library Staff	5.00	2.47	1.40	1.07

Source: London CSD and the Ohio Department of Education

As shown in **Table 2-4**, London CSD has more librarians and more library aides per 1,000 students than the peer average. In order to be in line with the peer average, the District would need to eliminate 2.0 FTE library staff positions. However, according to the District's FY 2011-12 staff reduction plan, there is one paraprofessional assigned to media center who's position is scheduled to be eliminated in FY 2011-12.

London CSD employs 5.3 FTE library staff and has 3 school buildings so each building has nearly two full-time library staff. This high level of staffing increases overall staffing costs. Because London CSD does not have a comprehensive staffing plan, it has not examined its library staffing or workload relative to internal benchmarks or external measures. A reduction in library positions would provide London LSD with additional General Fund resources to help offset future years' deficits.

Financial Implication: Eliminating 1.0 FTE library positions would save the District approximately \$63,000 in salary and benefits.

2.5 Review the special needs program to determine appropriate staffing.

To better balance its ratio of special education students to teachers, London CSD should examine its IEPs and the process used in IEP development. It should also incorporate its

estimated staffing into its staffing plan (see 2.1). Initially, it should seek to achieve ratios similar to the peers by eliminating up to 4 FTE special needs teachers.

In FY 2010-11, London CSD had nearly 8 percent fewer special needs students and about 4 more FTE special needs teachers than the peer district average. In addition, London CSD had more special needs teachers than suggested by the State's minimum staffing levels for the various disability categories while the peers were, on average, in line with the State minimums.

London CSD has a special needs student to special needs teacher ratio of 10.6:1 compared with the peer average of 14.1:1. The District would need to operate its special needs programs with about 5.8 fewer FTE special needs teachers to have the same student to teacher ratio as the peers. On average the peer districts did not significantly exceed the State's minimum special needs student staffing levels, while London CSD had about 4 more FTE special needs teachers than the minimum requirements.

The District's process for developing, reviewing and approving IEPs has resulted in needing more special needs teachers in comparison to the peer districts. The District also does not have a formal staffing plan that could help determine the appropriate staffing needs for its special education program.

If the District is able to develop a special needs staffing allocation that eliminates some special needs teacher positions, it could potentially save the District approximately \$71,000 in average salaries with benefits for each FTE position eliminated.

Financial Implication: Eliminating 4 FTE special needs teachers would result in salary and benefit savings of approximately \$284,000.

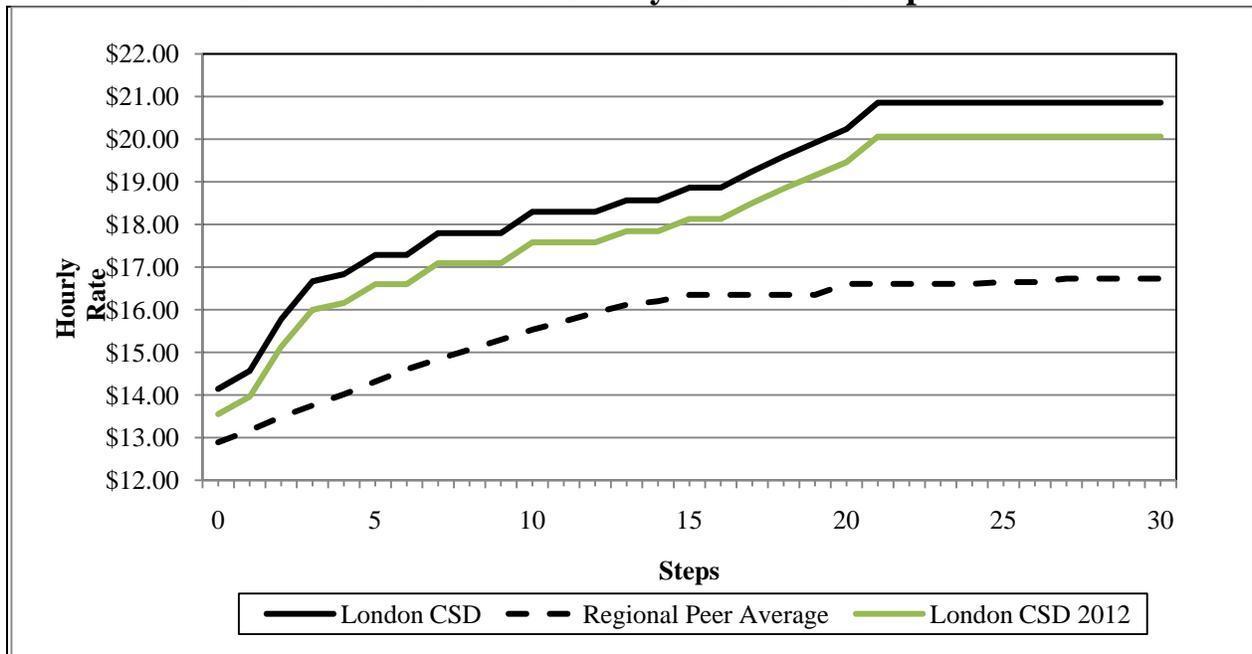
2.6 Reduce salary schedules for classified staff.

London CSD should take steps to further reduce its salary schedules for classified staff. Freezing or limiting negotiated wage increases will help bring classified staff wages more in line with similar districts in the area and help the District eliminate future year deficits.

During FY 2010-11, the District's classified staff salary schedules were generally higher than similar districts. The District negotiated a 3.0 percent decrease in the salary schedules for FY 2011-12 with both the certificated and classified bargaining units. The reduction, however, did not bring the District's classified salary schedules in line with similar districts in the area. Higher starting rates, more frequent and larger steps increases that range from approximately 2.0 percent to 8.9 percent, attribute the higher salary schedules. The following charts are examples that depict the impact on the District's negotiated salary schedules in comparison to similar districts.

Chart 2-1 shows the salaries for custodial staff for both FY 2010-11 compared to the peers and the FY 2011-12 reduced scale.

Chart 2-1: Custodial Salary Schedule Comparison

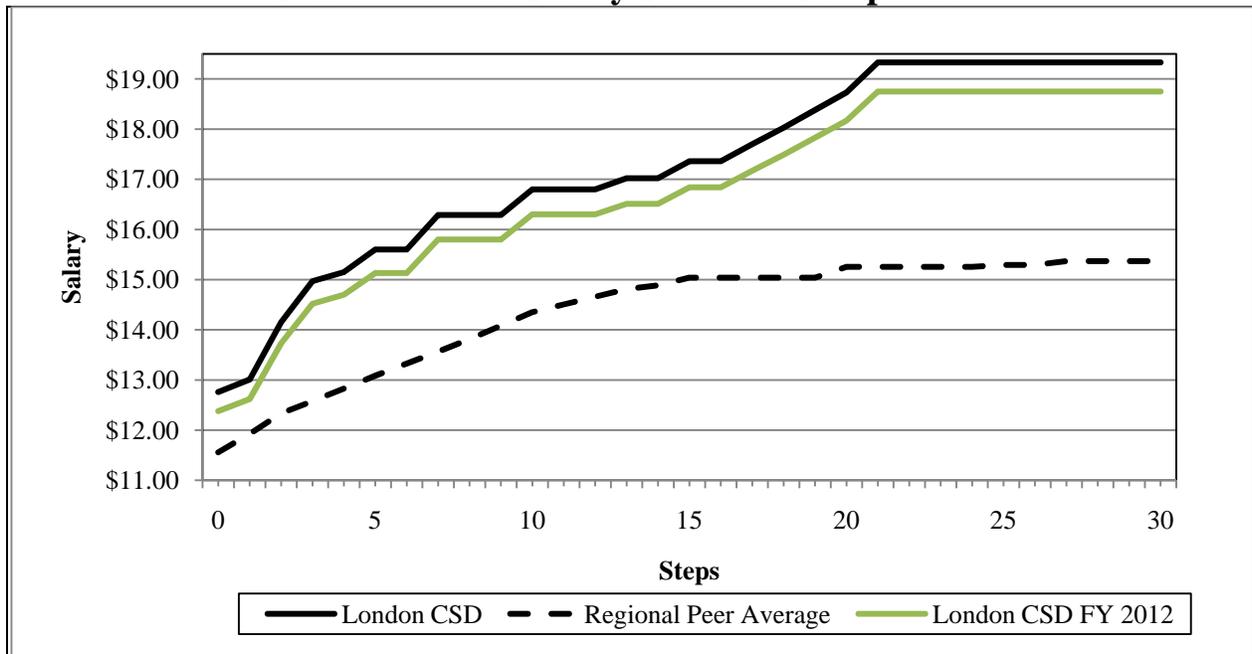


Source: District and regional peer salary schedules

As shown in **Chart 2-1**, the District's salary schedule for custodians was higher than the average of similar districts during FY 2010-11. Although the FY 2011-12 schedule was reduced, the salaries are still higher than regional peer districts. The beginning salary in the new schedule continues to be higher than the peers. London's salary schedule also includes incremental "step" increases of 8.4 percent and 5.8 percent from year 1 to year 2 and year 2 to year 3, respectively.

Similar to the custodial salaries, the salary schedule for aides were higher than the peers during FY 2010-11.

Chart 2-2: Aide Salary Schedule Comparison



Source: District and regional peer salary schedules

As depicted in **Chart 2-2**, the salary schedule for aides was higher than similar districts even after the 3.0 percent across the board reduction. The FY 2011-12 salary schedule for aides also has a higher beginning salary. The incremental "step" increases were 8.7 and 5.8 percent from year 1 to year 2 and year 2 to year 3.

Over time, negotiations have yield salary schedules that are higher than for its classified staff than other similar districts in the area. However, higher salary schedules result in larger salary expenses for the District. By reducing the salary schedules and/or implement pay freezes, the District will be able to bring its compensation more in line the peer average.

2.7 Reduce health insurance costs.

London CSD should take steps to further reduce its insurance costs to become more in line with regional average insurance costs. London CSD should implement cost reduction practices such as annual bidding and equalizing employee cost sharing for all insurance. These practices help lower the cost of insurance claims and reduce the price of insurance premiums.

London CSD's medical premiums are higher than the SERB regional average. The District recently changed its health plan design and lowered the cost of health insurance by increasing copayments and coinsurance provisions for services and prescriptions. However, the premiums are sill higher than the SERB average by 5 percent for single and 12.4 percent for family coverage. This may be attributed to continuing with the same insurance vendor. The District intends to submit requests for quotes once the contract year has ended in September in order to gain further savings. While the employee cost sharing for health insurance is 20 percent, dental and vision insurance premiums are paid by the District with no cost sharing with

the employees.

Table 2-5 shows the premium comparison to the SERB average for the Columbus region.

Table 2-5: Monthly Premium Comparison

	London CSD		SERB Regional Average ¹		Dollar Difference		Percent Difference	
	Single	Family	Single	Family	Single	Family	Single	Family
Medical	\$541.43	\$1,488.92	\$515.55	\$1,325.10	\$25.88	\$163.82	5.0%	12.4%
Dental	\$24.78	\$72.13	\$42.61	\$80.61	(\$17.83)	(\$8.48)	(41.8%)	(10.5%)
Vision	\$9.36	\$20.76	\$12.41	\$23.94	(\$3.05)	(\$3.18)	(24.6%)	(13.3%)

Source: London CSD and SERB annual report.

¹ SERB average premiums were increased by 5 percent to reflect average year-to--year inflation in health insurance costs.

As shown in **Table 2-5**, the District's premiums are higher than the SERB regional average for medical insurance. The dental and vision premiums are below the average. **Table 2-6** shows the cost sharing comparison to the SERB average.

Table 2-6: Monthly Cost Sharing Comparison

	London CSD		SERB Regional Average		Percentage Point Difference	
	Single	Family	Single	Family	Single	Family
Medical	20.0%	20.0%	13.3%	15.8%	6.7%	4.2%
Dental	0.0%	0.0%	14.3%	21.8%	(14.3%)	(21.8%)
Vision	0.0%	0.0%	30.1%	41.3%	(30.1%)	(41.3%)

Source: London CSD and SERB annual report.

As shown in **Table 2-6**, the District does not require employee contributions for dental or vision insurance which is not in line with the SERB averages.

The District has not fully implemented all best practice cost sharing methods to control the cost of insurance. This leads to higher costs to the District.

By requesting proposals for health insurance and requiring employee contributions for dental and vision insurance, the District would compare favorably to the SERB regional averages. An equalized cost sharing of 20 percent would be \$4.95/month and \$14.23/month for single and family dental insurance. The employee monthly out of pocket cost would be \$1.87 and \$4.15 for single and family vision insurance.

Financial Implication: If the District is able to negotiate lower cost premiums for its next insurance period beginning in October 2011, the District could save approximately \$218,000 annually. If the District is able to increase employee contribution to 20 percent, it could save approximately \$34,000 annually on dental insurance and \$10,000 annually on vision insurance.

2.8 Renegotiate contract provisions for leave.

London CSD should review its contract provisions and identify provisions in the contract that exceed state minimum requirements or what is in similar district contracts because such provision can be costly to the District. The District should renegotiate to eliminate provisions that are excessive or ineffective. Specifically, the District should revise its sick, personal, and holiday leave provisions to reduce costs and increase employee productivity. Lastly, the District should implement a leave abuse policy and closely monitor sick leave use as part of its efforts to reduce costs.

Both District bargaining agreements were reviewed and several provisions that appear costly or ineffective were identified. The following employee leave provisions exceed minimum standards and should be considered for revision or elimination.

- The sick leave accrual rate is higher than the peers and is up to 350 days.
- The sick leave incentive and personal leave incentive is set up on a quarterly basis and in way that enables a person to receive some incentive payment regardless of the leave taken in another quarter.
- An immediate family member is broadly defined in the contract. The contract states, "Immediate family for illness is interpreted as meaning spouse, children, parents, parents-in-law, grandparents, grandchildren, uncles, aunts, nieces and nephews and any other person residing in the bargaining unit member's household. Sick leave may also be used for the death of a relative of a bargaining unit member or for any emergency which warrants sick leave privileges as determined by the Superintendent. Sick leave may also be used for the death of a close friend provided all personal leave days have been used."
- Provisions for requiring a doctor's note for extended sick time are ineffective because they only say that at a doctor's note "may" be request if the employee missed more than 20 days of work in a two year period and after they take 7 days in the third year.
- Personal leave provisions allow certificated employees who work less than 120 days per year to earn person leave. Those who work to 60 days receive 1 personal day, and 2 personal days for up to 119 days employed, and 3 personal days for those employee 120 days or more.

When compared to the state average, the District's certificated and classified staff takes significantly more leave. During FY 2009-10, the certificated staff took an average of 93.1 hours of sick leave per employee, or 43.7 percent more than the state average of 64.8 hours. Classified staff took an average of 88.0 hours per employee, or 35.4 percent above the State average of 64.9 hours. Based on the amount of sick leave taken by London CSD employees, the leave incentive appears to be ineffective. Contract provisions such as providing leave incentives quarterly; the board definition of an "immediate family member" for which sick leave can be taken; and for not having provision that require a doctors' note for extended days off.

In the article “Sick Leave Abuse: A Chronic Workplace Ill?” (*American Society for Public Administration and Internal Personnel Management Association*), determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences.

Similar districts in the area do not have contract provisions regarding sick and personal leave as broad and generous as those in the London CSD collective bargaining agreements. The State of Ohio has collective bargaining agreements with the State Council of Professional Educators, Ohio Education Association (SCOPE) and the Ohio Civil Service Employees Association (OCSEA), Local 11. Both of these State employee collective bargaining agreements contain provisions for disciplining employees for sick leave abuse and provisions for patterns of abuse. The agreements provide examples of patterns of abuse. Additionally, the SCOPE agreement indicates that for absences exceeding seven consecutive calendar days, a physician’s statement is routinely required that specifies the employee’s inability to work and probable recovery date. The OCSEA agreement indicates that the employer may request a physician’s statement to be submitted within a reasonable period of time.

London CSD has negotiated leave provisions into its contracts that are more generous and less restrictive than the other public employee contracts reviewed. Provisions that extend beyond the minimum requirements and are ineffective are costly to the District.

Financial Implication: If the District revises its contract provisions and eliminates its sick and personal leave incentive, it could save up to \$41,000 from incentive payments. If the District implements a leave abuse policy and lower its sick leave use to the State average, it could save approximately \$45,000 in teacher substitute costs.

Facilities

Background

This section of the audit focuses on the maintenance and operations (M&O) of facilities in the London City School District (London CSD or the District), including assessments of staffing levels, planning, expenditures, policies, and operating procedures. The District's operations were evaluated against leading practices, operational standards, and selected peer districts (see **executive summary** for list of peer districts). Leading practices and operational standards were derived from the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), the International Sanitary Supply Association (ISSA), and DeJong and Associates, Inc.

Buildings

In FY 2010-11, London CSD operated and maintained a total of eight buildings including five school buildings, a bus garage, a boiler room, and an administration building. Of the eight buildings, only two (the elementary and high schools) were owned by the District. The other six buildings were leased from the City of London. The five school buildings include the following:

- An elementary school that houses kindergarten through grade 5 students that was built in 2004.
- A high school which was originally built in 1981 then expanded in 2004, and remodeled in 2010.
- Two middle school buildings; a sixth grade building which was built in 1963, and a seventh and eighth grade building that was originally built in 1914 then expanded in 1952.
- The London Academy is in a separate building that was built in 1952.

The London Academy is community school sponsored by the Board that is essentially an internet school run by *American Schools* headquartered in Illinois. Students enrolled in the London Academy study on their own; are required to take two tests per week to gage progress; and can receive assistance from London Academy staff.

Facility Planning

The District is in the final phase of an Ohio School Facilities Commission (OSFC) project to renovate the high school and build a new middle school. The new 75,000 square feet middle school building will replace the two middle schools in FY 2011-12, and house students in grades 6 through 8.

In general, London CSD's facility planning approach, preventive maintenance processes, and work order system meet industry recommended practices. The District has a fairly steady student

population but it is expected to decline slightly from 2,110 students in FY 2010-11 to 1,911 by FY 2016-17. In the past, London CSD used an outside consultant who employed standard industry methodologies to project enrollment.

On a regular basis, the District's maintenance staff inspects each building and gathers requests for needed improvements and replacements. All items identified are reported to the Maintenance Director who enters them into the District's computerized work order system (*schooldude*) which has been in use at the District since FY 1999-00. Preventive maintenance items are also captured in the *schooldude* system. This system tracks work requests from the date of submission to date of completion, the employee assigned to the work, the costs associated with the work, and whether overtime was used.

Furthermore, the M&O Department actively monitors the HVAC and energy management systems as part of a preventive maintenance program. All maintenance staff are required to monitor their assigned building's HVAC system regularly. Additionally, one of the maintenance workers along with the Maintenance Director are assigned to monitor all the buildings and have remote access to the system. These individuals are able to monitor the facilities from home to make sure that all doors are locked and that the automatic heating and cooling systems in the elementary and high school buildings are working properly.

Staffing

The Maintenance Director, who reports directly to the Superintendent, is responsible for the maintenance and upkeep of all District buildings. A head maintenance worker and three head custodians report to the Maintenance Director. Maintenance staff report to the head maintenance worker and each building has a head custodian who is in charge of the other custodians at that site.

Custodial staff are responsible for monitoring normal building conditions during assigned working hours; perform inspections and cleaning tasks, and inventories housekeeping supplies, as well as other duties in the job descriptions or as assigned.

Maintenance staff are responsible for performing building security checks; performing activities to preserve and protect the District's property; install and service equipment and repair structures, equipment and furnishings, among other duties. They also perform preventive maintenance activities and HVAC inspections and maintenance.

Table 3-1 shows a breakdown of M&O Department staffing for FY 2010-11.

Table 3-1: M&O Department Staffing

Classification	Positions	FTEs
Maintenance Director ¹	1.00	0.50
Total Administration & Support	1.00	0.50
Maintenance Workers ²	3.00	2.75
Maintenance Director ¹	0.00	0.50
Total Maintenance	3.00	3.25
Head Custodians	3.00	3.00
Custodians ²	8.00	8.25
Part-time Custodians	1.00	0.40
Substitute Custodians	1.00	1.00
Total Custodial	13.00	12.65
Total M&O Department Staff	17.00	16.40

Source: London CSD staffing list and London CSD.

¹ The Maintenance Director estimates that he spends half his time on maintenance activities.

² One maintenance worker spends about 25 percent of his time cleaning.

As shown in **Table 3-1**, London CSD has three head custodians, eight custodians, a part-time custodian, and a substitute custodian. One of the maintenance workers spends 25 percent of the time cleaning, therefore there are only 2.75 FTE maintenance workers dedicated to the maintenance function. For custodians, the District assigns staff to a particular building and reportedly requires each worker to clean 34,250 square feet (see **Table 3-2**). In some instances, the custodian is required to clean additional spaces in other buildings to meet the square footage threshold. The District has ongoing contract with a local vendor for ground keeping operations such as grass mowing, shrub/tree trimming, and chemical application for weeds, as well as snow removal and salt spreading in the parking lots.

Table 3-2 provides a summary of M&O staffing workloads in comparison to selected benchmarks. Because most grounds keeping functions are contracted out, grounds keeping benchmarks were not used in the analysis shown in **Table 3-2**.

Table 3-2: M&O Staffing Workload Comparison

District Statistics	
Number of Buildings	8
Square Footage Maintained	376,670
Square Footage Cleaned	363,477
Facilities Staffing (FTEs)	
Maintenance Staffing	3.25
Custodian Staffing	12.65
Total FY 2009-10 Staffing	15.90
Maintenance Staffing Benchmark	
AS&U Five Year Avg. Sq. Ft. per FTE	95,000
Calculated FTE Maintenance Need	3.96
Custodian Staffing Benchmark	
NCES Level 3 Cleaning Median Square Footage per FTE	29,500
Calculated FTE Custodians Need	12.32
Total FY 2009-10 Maintenance & Custodial FTE Staffing	15.90
Total Calculated M&O Department Staffing Need	16.28
Difference	(0.38)

Source: London CSD staffing list, building floor plans, AS&U Maintenance and Operations Cost Annual Study, and National Center for Education Statistics.

As shown in **Table 3-2**, the overall M&O staffing is slightly below the calculated staffing need based on the national benchmarks. The District's 3.25 FTE maintenance staff maintains 376,670 square feet, or about 115,900 per FTE workers, which is above the AS&U benchmark of 95,000 square feet per FTE employee. On average, the District's 12.65 FTE custodial staff each clean about 28,700 square feet lower than the NCES benchmark of 29,500 per FTE employee. When the new middle school opens it will have about 25,000 less square feet than the two buildings currently used for grades 6-8. After the new middle school is open, each custodian is projected to clean about 26,800 sq. ft. and each maintenance worker is projected to maintain about 108,200 square feet.

Overtime

Table 3-3 shows M&O Department overtime as a percent of regular salaries for the past three fiscal years.

Table 3-3: Historical Overtime Costs

	FY 2007-08	FY 2008-09	FY 2009-10	Three-Year Average
Overtime Costs	\$32,917.27	\$23,668.90	\$15,023.46	\$23,870
Regular Salaries	\$546,776.56	\$557,643.40	\$584,701.67	\$563,041
Overtime as % of Regular Salaries	6.0%	4.2%	2.6%	4.27%

Source: ODE Expenditure Flow Model.

As **Table 3-3** shows, facility overtime has decreased significantly in recent years. According to the Maintenance Director, most overtime is tied to an event, such as school activity, that takes place at the high school during the weekends. Additionally, there is some scheduled overtime on weekends for building checks.

Table 3-4 shows M&O Department overtime for FY 2009-10 as a percent of regular salaries in comparison to the peer district average.

Table 3-4: Facilities Overtime Comparison

	London CSD	Peer Average	Difference	Percent Difference
Regular Salaries & Wages	\$584,701.67	\$563,418.89	\$21,282.78	3.8%
Overtime	\$15,023.46	\$18,082.21	(\$3,058.75)	(16.9%)
Overtime As % of Salaries and Wages	2.6%	3.2%	(0.6%)	(19.9%)

Source: ODE Expenditure Flow Model.

As **Table 3-4** shows, M&O Department overtime as percent of salaries was below the peer average in FY 2009-10.

Facility Expenditures

Table 3-5 shows London CSD facilities expenditures from FY 2007-08 to FY 2009-10 as reported in year-end financial records. Users of this report should be aware that these costs may include co-mingled costs from the London Academy.

Table 3-5: Historical Facilities (M&O) Expenditures

Object of Expenditure	FY 2007-08	FY 2008-09	Percent Change	FY 2009-10	Percent Change	Average Percent Change
Personnel Service	\$621,618	\$675,168	8.6%	\$746,360	10.5%	9.6%
Retirement & Insurance Benefits	\$220,066	\$249,255	13.3%	\$269,112	8.0%	10.6%
Purchased Services (Excl. Utilities)	\$404,534	\$322,580	(20.3%)	\$491,572	52.4%	16.1%
Utilities	\$727,854	\$845,815	16.2%	\$710,869	(16.0%)	(2.3%)
- Electric	\$402,832	\$451,627	12.1%	\$333,741	(26.1%)	(7.0%)
- Water & Sewage	\$70,934	\$75,765	6.8%	\$83,990	10.9%	8.8%
- Gas	\$254,089	\$318,423	25.3%	\$293,138	(7.9%)	8.7%
Supplies and Materials	\$112,658	\$109,853	(2.5%)	\$140,242	27.7%	12.6%
Capital Outlay	\$41,433	\$46,470	12.2%	\$66,963	44.1%	28.1%
Other Objects	\$643	\$1,390	116.3%	\$1,248	(10.2%)	53.0%
Total	\$2,128,806	\$2,250,533	5.7%	\$2,426,365	7.8%	6.8%

Source: ODE Expenditure Flow Model.

As shown in **Table 3-5**, London CSD overall facilities expenditures increased by 5.7 percent in FY 2008-09, then by 7.8 percent in FY 2009-10, for an average increase of 6.8 percent over the two years. This increase was driven by increase personnel services, and retirement and insurance benefit costs, which increased an average of 9.6 percent and 10.6 percent respectively. Utilities costs increased significantly between FY 2007-08 and FY 2008-09, but dropped to below the FY 2007-08 level in FY 2009-10. After decreasing in FY 2008-09, purchased services and supplies and materials increased insignificantly in FY 2009-10.

Recommendations

3.1 Link the purchased service budget for facilities to performance measures and track expenditures.

London CSD should establish benchmarks and performance measures to track expenditures related to purchase services in order to reduce costs. The District should use the annual appropriation process to tie its resource allocation to effective practices and products, thereby ensuring it receives the best value for its limited funds. Linking performance measures to planned expenditures will help the District allocate resources among high priority areas and can help bring the purchase services spending more in line with peer districts.

Table 3-6 shows how London CSD's FY 2009-10 expenditures compare with the peer district average on a per square foot basis.

Table 3-6: FY 2009-10 Expenditures Per Square Foot

	London CSD Expenditures per Sq. Ft.	Peer Average Expenditures per Sq. Ft.	Difference per Sq. Ft.	Percent Difference
Salaries and Wages	\$1.98	\$2.14	(\$0.16)	(7.6%)
Employee Benefits	\$0.71	\$0.94	(\$0.22)	(23.7%)
Utilities	\$1.89	\$1.36	\$0.53	39.2%
Electric	\$0.89	\$0.74	\$0.14	19.6%
Gas	\$0.78	\$0.50	\$0.28	56.6%
Other Energy Sources	\$0.00	\$0.00	(\$0.00)	(100.0%)
Sub-Total Energy	\$1.66	\$1.24	\$0.42	33.9%
Water & Sewer	\$0.22	\$0.11	\$0.11	97.5%
Purchased Services (Excluding Utilities)	\$1.31	\$0.57	\$0.74	129.5%
Supplies and Materials	\$0.37	\$0.43	(\$0.05)	(12.4%)
Capital Outlay	\$0.18	\$0.26	(\$0.08)	(31.0%)
Other Objects	\$0.00	\$0.03	(\$0.03)	(90.4%)
Total Expenditures per Square Foot	\$6.44	\$5.72	\$0.72	12.6%
Square Feet Maintained	376,670	314,873	61,797	19.6%

Source: Ohio Department of Education.

As shown in Table 3-6, London CSD overall facilities costs per square foot in FY 2009-10 were \$6.44, higher than the peer average by 12.6 percent. The AS&U national median for facility costs in FY 2009-10 was \$4.42 per square foot. In particular, purchased services, excluding utilities, were \$0.74 per square foot higher than the peer average. The District purchases most grounds care, landscaping, and snow and ice removal services. Therefore, its personnel services and benefits are lower than the peer average because some of the peers employ additional staff to perform most of the grounds keeping functions. Even after offsetting the District's higher purchased services with its lower personnel and benefits costs, it remains approximately \$0.36 per square foot higher than the peer average. By better controlling purchased service expenses through the budget and appropriation process, and by establishing

benchmarks to track costs related to purchase service, London CSD should be able to reduce expenditures in this area.

Financial Implication: After offsetting London CSD higher purchased services costs for facilities with its lower salary and benefit costs, the District was still about \$.36 per square foot higher than the peer average. Based on 376,670 square feet of facility space, London CSD could saving approximately \$135,000 per year if it reduced its purchased services for facilities by \$0.36 per square foot.

3.2 Develop and implement written procedures for maintenance and custodial operations.

London CSD should develop and implement a procedures handbook for maintenance and custodial operations similar to what it has developed for transportation operations. The manual should contain specific instructions on the performance of routine and non-routine tasks and directions on any equipment to be used in completing the tasks. A handbook for maintenance and custodians should address topics such as the mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, vehicle use guidelines, security standards, and work order procedures. Furthermore, custodial manuals should detail time standards for accomplishing tasks and a clear list of assignments. A procedure manual will help effectively communicate management expectations as to the quality of work and performance.

The District does not have a District handbook for maintenance or custodial activities. London CSD's M&O Department uses assignment calendars for custodian staff at each of the three schools; the high school, the main campus, and the elementary school. The maintenance staff signs onto the work order system, *schooldude*, to convey each worker's responsibilities. The District also uses the job descriptions as a basis for guiding staff responsibilities and functions. The job descriptions also clearly state reporting relationships and list tasks that must be completed. However, these types of documents do not include specific procedures for performing custodial or maintenance tasks or guidance on the use of equipment as recommended by leading practices.

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

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

- Work order procedures.

The International Sanitary Supply Association (ISSA) has developed a handbook designed to help train and guide custodians. The handbook details the correct cleaning methods as well as the proper use of custodial equipment and offers guidelines and tips on the following:

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

Brevard County School District in Florida has a custodial procedures manual which is considered to be an industry standard. The custodial procedures manual includes specific cleaning procedures that cover all areas recommended by the ISSA. These areas include:

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

As a small District with experienced staff, London CSD has not traditionally seen the need to create written manuals. Procedures for job responsibilities have been conveyed through informal methods. Without a formal handbook for the M&O Department, however, the District cannot effectively communicate management expectations as to the quality of work and performance. Maintenance and custodial employees may be unable to effectively and efficiently prioritize and perform their duties. Work performance may also be negatively impacted in the event that experienced employees are absent or otherwise unavailable.

3.3 Develop and implement formal performance measures.

London CSD should develop and implement formal performance measures for its M&O functions. These measures can be used to clarify staff expectations, evaluate individual performance, and assess the overall operational effectiveness. The performance measures should be based upon and consistent with the procedures identified through an operating handbook or written guidelines (see 3.3). By developing formal performance measures, the District can consistently evaluate the efficiency and effectiveness of maintenance operations.

Furthermore, the District should periodically survey facility users to gather information on facility needs and maintenance and custodial performance. By collecting this type of information and sharing the results with staff, the District can improve communications, identify areas for improvement, and assess the performance of the Maintenance Department.

As a practice, the District does not use performance standards for its staffing decisions in order to provide some consistency in measuring Maintenance Department efficiency. For custodians at London CSD, there is no established target square feet benchmark. However, the District provided rough estimates of the square footage each custodian in the M&O Department is responsible for cleaning.

According to the Maintenance Director, each custodian at the high school is responsible for cleaning approximately 35,234 square feet, those at the elementary school are responsible for cleaning approximately 38,996 square feet each, and each custodian at the main campus is responsible for cleaning approximately 28,520 square feet. Therefore, a calculated benchmark average of 34,250 square feet is assigned per custodian worker. This means that the custodian is held responsible for the cleanliness of that assigned space. For maintenance, workers have designated specialties (i.e., electrical, plumbing, or HVAC) and are assigned to work throughout the district.

Although the District does not have a formal written performance standards for its M&O Department, it appears that it uses performance standards for some staffing decisions but not as a consistent measure. Staff members are evaluated against their adherence to District policies, and the quality of their work. The head custodian and the Maintenance Director jointly complete the evaluation for the custodian workers, while the Maintenance Director completes the evaluation for maintenance workers on an annual basis. London CSD does not conduct regular facility user survey to request input on facility needs or maintenance and custodial performance.

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

Planning Guide for Maintaining School Facilities (NCES) recommends that management:

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

Twin Valley LSD has a custodial plan that meets leading practices. The plan lists specific job expectations and corresponding times required to complete each task. The times listed are based on ISSA cleaning standards. Likewise, Brevard County School District in Florida has a custodial standards manual which is considered to represent an industry benchmark.

The District does not have a consistent standard and uses informal means to analyze staffing. As a small organization, London CSD has assigned staff to certain buildings and therefore has created a level of accountability through these assignments. However, without a formal set of performance standards, the District cannot evaluate the efficiency or effectiveness of M&O functions. The District has no consistent baseline performance measure and thus cannot reliably determine whether changes are affecting operational performance in a positive manner.

3.4 Establish an orientation program for custodial and maintenance staff.

London CSD should establish an orientation program for custodial and maintenance staff and conduct annual retraining based on specific staff needs. By more effectively training personnel and creating clear expectations, the District can improve productivity and potentially reduce costs.

As a practice, all new staff of the M&O Department receive training on how to use the electronic order system, the *SchoolDude*. Then, experienced staff guide and train them on how to properly carry out their other daily duties. Naturally, the new maintenance staff usually have the required skills set to do their work before being hired. A new custodian staff does not require such skills set to be hired. Otherwise, London CSD uses training for Maintenance Department staff when required to comply with health and safety guidelines or when vendor-sponsored as part of a new equipment package. Therefore, additional trainings are provided, but these are not scheduled on a regular basis and do not meet recommended practices. Since many staff has been at the District for years, there is no focus on development of training for new or existing staff.

According to *21st Century Staffing* (FacilitiesNet, 2002), training is one of the most important ingredients for developing and maintaining an effective housekeeping work force.

Maintenance Planning (AS&U, 2008) suggests that “[t]raining is critically important for maintenance staff to thoroughly understand how to maintain and operate the building systems.”

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), preparing

staff to get their work done properly, efficiently, and safely is cost-effective in the long run. Training should encompass the following areas:

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

NCES identifies the parties who should provide the training:

- Other staff who have demonstrated expertise with the equipment or performing the task;
- Managers who will supervise and evaluate the work;
- District trainers (in large organizations);
- Product vendors and equipment manufacturers; and
- Vocational education staff.

Although the District offers some training programs, it has not established a regular schedule of classes and a documented program. To ensure that all maintenance and custodial staff are using the most current procedures for equipment and facilities, the District should develop a formal training program. This will provide staff with an opportunity to discuss leading practices, standardize routines, and share more efficient cleaning methods.

3.5 Establish written energy management policies and procedures.

London CSD should establish written energy management policies and procedures to reflect and recognize all the activities used to control energy costs. The District should also implement a leading practice energy conservation education program for faculty, staff, and students. Having a formal energy conservation policy and educational program would help the District further reduce energy costs.

The District uses technology extensively to control and monitor energy use in its buildings. The District has installed motion sensor lights at its elementary school building and high school building to reduce utility costs. It has also recently installed more energy efficient equipments to help improve HVAC efficiency including the *Novar* heating and cooling control system at the elementary school building, and *Honeywell* heating and cooling controls system at the high school building. In addition, the District plans to install a *Dunbar* heating and cooling control system at the new middle school building when the construction is complete. The equipment was installed to reduce and control the heat and air conditioner usage and lower the costs of utilities for the District.

The District currently purchases its natural gas through a consortium known as the Metropolitan Education Commission (MEC). It does not purchase its electricity and water through a consortium at the present time. Rather, London CSD purchases its electricity through *Ohio Edison*, and its water supply comes from the *London City*. Furthermore, it purchases its

insurance services through another consortium known as the School of Ohio Risk Sharing Authority (SORSA). However, the District does not track the monthly use and cost of utilities by building to identify problem areas. The District is unable to determine separately the amount of energy used at a particular building because it uses one common meter for all its buildings. Some of London CSD's activities adhere to industry practices, but they are not formally documented in policies, procedures, or guidelines.

Table 3-7 shows how London CSD's FY 2009-10 utilities expenditures compare with the peer average on a per square foot basis.

Table 3-7: FY 2009-10 Utilities Expenditures Per Square Foot

	London CSD Expenditures per Sq. Ft.	Peer Average Expenditures per Sq. Ft.	Difference per Sq. Ft.	Percent Difference
Utilities				
Electric	\$0.89	\$0.74	\$0.14	19.6%
Gas	\$0.78	\$0.50	\$0.28	56.6%
Other Energy Sources	\$0.00	\$0.00	\$0.00	00.0%
Sub-Total Energy	\$1.66	\$1.24	\$0.42	33.9%
Water & Sewer	\$0.22	\$0.11	\$0.11	97.5%
Total Expenditures per Square Foot	\$1.89	\$1.36	\$0.53	39.2%
Square Feet Maintained	376,670	314,873	61,797	19.6%

Source: Ohio Department of Education

As shown in **Table 3-7**, London CSD overall utilities costs per square foot in FY 2009-10 were approximately \$1.89, higher than the peer average by \$0.53, or 39.2 percent. As **Table 3-7** also shows, the electricity, gas, and water and sewer costs for London CSD exceeded the peer average by 19.6 percent, 56.6 percent, and 97.5 percent respectively.

According to the Planning Guide for Maintaining School Facilities (NCES, 2003), 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 will help a school district to accomplish more efficient energy management:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the district's energy management program, and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment, including power factor correction units, electronic ballasts, high-efficiency lamps, right setbacks and variable-speed drives for large motors and pumps; and
- Install motion detectors that turn lights on when a room is occupied.

According to School Operations and Maintenance: Best Practices for Controlling Energy Costs (U.S. Department of Energy, 2004), 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.

Mansfield City School District implemented an aggressive energy conservation program. It developed energy conservation policies which were distributed to all employees. All employees were required to participate in the program. Administrators and support personnel (particularly custodians) were invested in the process and enlisted to help ensure its success. The policy not only contained recommended practices outlined in NCES and U.S. Department of Energy publications, but also included several other leading practices. Some of the stipulations of the policy that exceed recommended practices include the following:

- Controlling temperatures within the range of 74-78 degrees during summer and 68-72 during winter;
- Turning off the lights when areas are unoccupied, including the gym, auditorium, and cafeteria;
- Turning off exterior lights during the day;
- Eliminating personal electric devices (space heaters, microwaves, hot plates, personal refrigerators, etc.) from all buildings;
- Turning off all computers, monitors, printers, etc., when not in use; and
- Closing blinds and doors to conserve heat.

The steps outlined in the policy save energy dollars while eliminating energy waste in the District's buildings. The policy also educates students and staff to contribute to energy efficiency in the District.

The energy conservation program at Westerville CSD resulted in a \$1.1 million cost avoidance for FY 2007-08 through the use of HVAC technology to decrease costs for unoccupied building times. Fifth grade students from Amherst elementary also hosted an energy awareness fair for students and parents. The District de-lamped many of the vending machines, instituted transitional lighting whereby custodians only turn on lights in the area they are working, and limited heating and cooling during the night, holidays, and summer months.

By establishing energy management policies and administrative guidelines, and formalizing its practices, London CSD can ensure the policies and administrative guidelines reflect all of the practices in place that promote energy conservation and attempt to control costs.

Financial Implication: If London CSD achieved energy conservation program savings similar to that achieved by leading practice districts, it could save approximately \$68,000 per year in energy costs

Transportation

Background

This section of the performance audit focuses on the London City School District (London CSD or the District) transportation operations. Transportation operations were evaluated against leading practices, operational standards, and selected peer school districts. Comparisons were made for the purpose of developing recommendations to improve the efficiency and effectiveness of operations and, where appropriate, to reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), Association of School Business Officials International (ASBOI), Legislative Office of Education Oversight (LOEO), American Association of School Administrators (AASA), Government Finance Officers Association (GFOA), and National Association of State Directors of Pupil Transportation Services (NASDPTS).

Ridership

London CSD provides “Type I” yellow bus transportation, using Board-owned and operated buses, to regular, special needs, and non-public students residing within the District’s boundaries. Students are transported to the District’s three school buildings, as well as the Tolles Technical Center, Jonathan Adler Schools, St. Patrick’s Catholic School, the Ohio State School for the Blind, and Ohio State School for the Deaf. London CSD reported using 13 active and 4 spare buses to provide transportation services during FY 2010-11. **Table 4-1** summarizes London CSD reported ridership levels for the past four fiscal years.

Table 4-1: London CSD Ridership

Pupils (Type I)	FY 2007-08	FY 2008-09	Percent Change	FY 2009-10	Percent Change	FY 2010-11	Percent Change
Public	1,293	1,196	(7.5%)	1,000	(16.4%)	1,208	20.8%
Non-Public	75	N/A	(100.0%)	52	N/A	66	26.9%
Community School	N/A	N/A	NA	N/A	N/A	N/A	N/A
Sub-total Regular Riders	1,368	1,196	(12.6%)	1,052	(12.0%)	1,274	21.1%
Special Educ.	8	2	(75.0%)	2	0.0%	3	50.0%
Total Yellow Bus Riders	1,376	1,198	(12.9%)	1,054	(12.0%)	1,277	21.2%

Source: London CSD T-1 reports.

Table 4-1 shows that ridership for the London CSD declined in FY 2008-09 and FY2009-10 then increased by 21.2 percent in FY 2010-11. The number of yellow bus riders reported in FY 2010-11 was still 7.2 percent less than it was in FY 2007-08, despite the District’s enrollment being relatively steady during this time period. It should be noted that the District does not have documented procedures for reporting transportation data, and auditors discovered consistency and reliability issues with the data (see **R4.1**). For example, in at least FY 2009-10 and FY 2010-11, the District reported eligible riders instead of the average number of actual riders. Also, as

shown in **Table 4-1**, the District did not report transporting any non-public students in FY 2008-09.

Operating Statistics

Table 4-2 compares FY 2009-10 key transportation statistics and ratios to the peer averages. For London CSD, FY 2010-11 data is also shown in **Table 4-2**. The table shows that London CSD is similar in geographic size to the peers but on average, has about 9 percent fewer students enrolled, transports about 20 percent fewer students, and travels about 39 percent fewer miles. London CSD also has significantly fewer students requiring specialized transportation. Overall, London CSD has a smaller transportation operation than the peers, yet its buses reportedly travel more non-routine miles.

Table 4-2: Key Statistics and Operating Ratios

	London CSD FY 2010-11	London CSD FY 2009-10	FY 2009-10 Peer Average	FY 2009-10 Difference vs. Peers	Percent Difference vs. Peers
Key Statistics:					
Square Miles	57	57	58.17	(1.17)	(2.01%)
Enrollment	2,110.0	2,091.0	2,308.17	(217.17)	(9.41%)
Regular Riders	1,274	1,052	1,318.67	(266.67)	(20.22%)
Special Needs Riders	3	2	48.67	(46.67)	(95.89%)
Total Yellow Bus Riders (Type I)	1,277	1,054	1,367.33	(313.33)	(22.92%)
Regular Buses	13	13	17.00	(4.00)	(23.53%)
Special Need Buses	-	-	2.33	(2.33)	(100.00%)
Spare Buses	5	5	7.00	(2.00)	(28.57%)
Annual Routine Miles	183,240	187,740	307,440.00	(119,700.00)	(38.93%)
Annual Non-routine Miles	34,800	31,635	23,278.83	8,356.17	35.90%
Operating Ratios:					
Riders per Square Mile	22.40	18.49	23.22	(4.73)	(20.37%)
Public Riders as % of Enrollment	57.25%	47.82%	60.11%	(12.29%)	(20.44%)
Regular Riders per Regular Bus	98.00	80.92	78.31	2.62	3.34%
ODE Efficiency Ratio	-	1.57	1.24	0.33	26.78%
Routine Miles per Active Bus	14,095.38	14,441.54	15,887.00	(1,445.46)	(9.10%)
Non-routine to Routine Ratio	0.19	0.17	0.08	0.09	108.70%
Non-routine Miles per Enrollment	16.49	15.13	10.55	4.58	43.42%
Spare Bus Ratio	27.78%	27.78%	26.37%	1.41%	5.35%
Percent Public Riders	94.60%	94.88%	92.49%	2.39%	2.58%
Trans. Expenses as % of General Fund	NA	3.43%	5.00%	(1.57%)	(31.42%)

Source: Ohio Department of Education transportation reports.

Table 4-2 shows that the number of regular riders per bus and the ODE efficiency ratio⁵ is higher for London CSD when compared to the peers, however the District's reporting of riders is not in compliance with ODE requirements (see **4.1**).

Bus routes are compiled manually by the Transportation Supervisor. The District uses multi-tiered routing, along with staggered bell schedules and cluster stops in neighborhoods to operate efficiently while safely transporting students to their school on time. Staggered bell schedules and multi-tiered routing are generally used in tandem to allow the District to run separate routes for different grade levels (e.g., one elementary school route and one middle/high school route). Cluster stops, in contrast to door-to-door pickups, allow buses to improve efficiency by making fewer stops and minimizing travel time. In addition, rather than having several non-public routes, the District places non-public students on its elementary routes when possible then shuttles students to the non-public school. In the past, the District has used payment in lieu of transportation and vans on a limited basis when appropriate to control transportation costs.

Staffing

In FY 2009-10, the Transportation Department consisted of a total of 17 employees, including 13 bus drivers, 1 substitute bus driver, 2 mechanics, and a transportation supervisor. The entire transportation office consists of one individual, the Transportation Supervisor who supervises and manages the transportation operation. According to the Transportation Supervisor, the District uses its substitute bus drivers on as needed basis but has had a high turnover rate with this position. The current Transportation Supervisor has been in the District since August, 2010.

The District did not eliminate or add any bus routes in FY 2010-11 therefore its transportation staffing level remained the same. According to the transportation staff, the number of transportation personnel in the District has not changed in several years.

Transportation Costs

Table 4-3 shows London CSD reported transportation expenditures for FY 2009-09 and FY 2009-10 by major operational categories.

⁵ ODE efficiency ratio is measured by the number of regular education students that are transported per school bus in a school district. The model establishes a target student per bus value for each district in the State. Districts that exceed the target are defined as being efficient relative to other districts in the State. The formula is dynamic, using actual reported data from T-1 reports submitted in October of each school year. The calculation is updated annually to reflect the current year data.

Table 4-3: Historical Transportation Cost Ratios (FY 2009-10)

	FY 2008-09	Change vs. Prior Year	FY 2009-10	Change vs. Prior Year	Change vs. Two Years Ago
Salaries	\$303,488	(3.5%)	\$315,705	4.0%	0.3%
Maintenance & Repairs¹	\$138,282	14.9%	\$132,514	8.9%	25.2%
Fuel	\$86,231	(12.6%)	\$76,398	(11.4%)	(22.6%)
Bus Insurance	\$12,000	(0.6%)	\$6,026	(49.8%)	(50.1%)
All Other Costs	\$42,463	(9.1%)	\$26,680	(37.2%)	(42.9%)
Total Expenditures	\$773,227	(2.3%)	\$763,282	(1.3%)	(3.6%)

Source: London CSD's T-2 reports

¹Includes mechanic and mechanic helper salaries.

As shown in **Table 4-3**, total transportation expenditures decreased by approximately 3.6 percent from FY 2007-08 to FY 2009-10. However, ridership declined by 23.4 percent over the same period causing transportation costs per rider to increase by 25.9 percent. It is important to note that the District's transportation reporting exhibited data reliability issues therefore the District's transportation data may not be completely reliable (see **R4.1**).

In FY 2009-10, London CSD spent approximately \$763,282 to provide "Type I" yellow bus transportation services. **Table 4-4** compares London CSD's yellow bus transportation expenditures per rider to the peer average.

Table 4-4: FY 2009-10 Transportation Cost per Rider

	London CSD	Peer Average	Difference vs. Peers
Salaries	\$299.53	\$334.67	(10.5%)
Benefits	\$195.41	\$166.99	17.0%
Maintenance & Repairs ¹	\$125.72	\$87.17	44.2%
Fuel	\$72.48	\$82.78	(12.4%)
Bus Insurance	\$5.72	\$12.02	(52.4%)
All Other Costs	\$25.31	\$20.37	24.2%
Total Transportation Expenditures	\$724.18	\$704.00	2.9%

Source: Ohio Department of Education transportation reports.

¹Mechanic salaries are included in maintenance and repair costs.

As shown in **Table 4-4**, the overall operational costs of transportation for London CSD in FY 2009-10 were 2.9 percent higher than the peer average on a per rider basis. The benefits, maintenance and repairs, and other costs categories were all higher than the peer averages, while salaries, fuel, and bus insurance costs were lower.

Employee health insurance costs for London CSD were found to be high compared to regional benchmarks (see **2.7** in human resources). The District's high maintenance and repair costs is attributed to it having two full-time mechanics. Most of the peer districts have only one full-time mechanic servicing more buses than London CSD. Accordingly, the District has decided to eliminate 1.0 FTE mechanic position effective for FY 2011-12.

Recommendations

4.1 Implement procedures to ensure accurate reporting of transportation data to ODE.

London CSD should comply with State laws and ODE instructions for reporting pupil transportation data. The Transportation Supervisor, Treasurer, and Superintendent should attend available training sessions and review instructional materials so that they have a thorough working knowledge of the State's transportation reporting requirements and expectations. The District should also develop a formal process, with documented methodologies, written procedures, and standard forms, to ensure it is submitting accurate transportation data to ODE.

In addition, the Transportation Office should maintain appropriate documentation to support the number of students transported and miles traveled for each active bus. Documentation of how the District tracks and allocates transportation expenses should also be maintained. Specifically, the District should develop and document its methodology for allocating expenses for the routine and non-routine use of buses, and between regular and specialized transportation service. Last, the Superintendent should develop and implement a means to help ensure that the Treasurer and Transportation Supervisor are following procedures and meeting expectations for accurate and appropriately supported transportation data.

Each school district in Ohio is required to report on an annual basis detailed information to ODE about the district's transportation operations and costs. The T-1 form is used to report the average number of students transported, the number of buses used, and the total daily miles traveled. The T-2 form is used to report the actual expenses incurred in the transportation of students to and from their assigned school. Although the District reported that the Transportation Supervisor, Treasurer, and Superintendent review the data, it is not fully complying with the reporting requirements as prescribed in ODE instructions. For example, while the count sheets recorded the number of actual riders each day and the average number of students that rode the bus during the count week, the District entered the number of eligible students on its T-1 report. This practice is not compliant with State law which requires districts to report the average student ridership during the first full week in October, not eligible students. The count sheets also did not contain the actual distance each bus traveled. Last, student count sheets were inconsistent in format, and in some cases handwritten on a plain piece of paper.

The following are additional errors found on London CSD transportation reports:

- Reported one student receiving payments in lieu of transportation in FY 2007-08 and two students under the same program in FY 2008-09 and FY 2009-10, yet reported a cost of \$344 on T-2 report for all three fiscal years;
- Reported bus insurance costs of \$12,076 and \$12,000 on T-2 report in 2007-08 and FY 2008-09 respectively, but only \$6,026 in FY 2009-10 then could not explain why insurance costs decreased;
- Reported four spare buses on its T-1 reports in FY 2007-08 through 2010-11 instead of the five spares the District actual has;

- Reported transporting no non-public riders in FY 2008-09; and
- Reported total premium cost of vehicle insurance for all school vehicles on the T-2 reports instead of premium cost for just the buses.

School Districts are required to submit transportation data pursuant to OAC 3301-83-01(E):

“Each school district shall file annual reports of all pupils transported, miles traveled, actual costs, and other necessary information for the purposes of calculation and adjustments in amount due. Pupils transported and miles traveled shall be reported by vehicle as the average daily number of eligible pupils actually transported and miles traveled during the first full week of October that school is in session. Actual cost shall be reported by vehicle on or before the first day of August following the close of the fiscal year.

ODE’s Office of Pupil Transportation, in conjunction with the Ohio Association of School Business Officials (OASBO) and the Ohio Association of Pupil Transportation (OAPT), has developed a series of trainings that school district administrators and employees can attend at a low cost. The trainings are held several times each year, and include a “Back to the Basics” training session. Information about the transportation trainings can be found on OASBO’s website; www.oasbo-ohio.org. In addition, ODE’s Office of Pupil Transportation posts statewide emails on its webpage which can contain important pupil transportation information.

At the time of the audit, the District’s Transportation Supervisor had worked for the District for less than a year and had no prior experience in school transportation. The former supervisor trained the new supervisor, so institutional knowledge was shared, but no formal documentation exists to ensure transportation data is accurately reported or that the new supervisor was being properly trained. While the Superintendent and former Treasurer approved the transportation data, without documented procedures and methodologies for collecting and reviewing transportation data, they do not have an effective means to ensure the data is accurate.

By reporting the number of eligible students and not following State requirements to report the average ridership during the October count week, the District has inflated the number of students it actually transported for at least the past two fiscal years. Without written procedures and supporting documentation, the District may have also been incorrectly reporting miles traveled and expenditures to ODE. By incorrectly reporting pupil transportation data, the District could be at risk of losing State funding. In addition, AOS had to estimate the District’s routing efficiency and bus utilization due to inaccurate records.

4.2 Create a formal process that requires the involvement of transportation personnel when a student’s individual education program (IEP) requires transportation as a related service.

London CSD should create a formal policy that requires the involvement of transportation personnel in the development of IEP for students with transportation as a related service. At a minimum, transportation staff should be consulted once the IEP is developed to help determine how to transport the student. Involving the transportation staff will help ensure that London CSD is complying with Ohio law and that each special needs student is being

transported in the most appropriate and cost-effective manner possible.

According to the Transportation Supervisor, the District has historically mainstreamed most of its special needs riders by transporting them together with regular needs students on regular bus routes whenever possible. The District determines a student's need for specialized transportation based on the child's disability level, a decision that is normally made by the Special Education Coordinator. Prior to this decision, there are usually no meetings between the transportation staff and the Special Education Coordinator regarding how to best transport these students.

Special needs transportation is governed by State law and refers to vehicle transportation service directly related to the child's disability as required by the IEP. OAC 3301-51-10 (C)(2) stipulates that "school district transportation personnel shall be consulted in the preparation of IEPs when transportation is required as a related service and when the child's needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation." It also states that when required by the IEP, specialized and door-to-door transportation will be provided based upon the unique needs of an individual child.

The District has not involved transportation staff in the IEP process when specialized transportation is required. According to the Transportation Supervisor, the Special Needs Coordinator simply informs him that a special needs student requires transportation to an assigned school.

Every district should strive to provide specialized transportation services that meet the needs of the student as safely and efficiently as possible. By not involving the transportation staff in the IEP process, London CSD runs the risk of not providing the most appropriate and cost effective form of transportation to its special needs students.

4.3 Update the transportation policy to provide the Board more flexibility and better reflect its expectations regarding operations.

London CSD should update its transportation policies and corresponding administrative guidelines. When updating its policy, the Board should only commit to providing the State minimum service level requirements and specifically grant the Superintendent the authority to provide service above State minimums on a yearly basis depending on available of resources. Before a decision is made to reduce service levels, London CSD should ensure that reductions in operating expenditures are greater than the lost reimbursement revenue from the State. Furthermore, London CSD should update and modify its administrative guidelines to outline how transportation policies will be implemented and how any exceptions to the policies will be granted.

London CSD's transportation policy requires the District to provide transportation for resident students in kindergarten through 12th grade who live one mile or more from their school of attendance which is above State minimum standards. Consistent with State law, the policy clarifies that the District will transport disabled students who are unable to walk to school, but specifies that it will not be responsible for transporting students who are temporarily disabled. The policy also states that the Board may require that students to walk up to one half

mile to their assigned bus stop which is the maximum allowed under State law. Finally, the policy acknowledges that nonpublic school students are also entitled to transportation on the same basis as public school students. According to the Transportation Supervisor, the District follows its written policy and transports every student (K through 12) who qualifies and requests transportation. A review of the District's T-1 reports showed that the District only reported transporting students who live one mile or more from their school which is consistent with its policy. While the transportation policy authorizes the Superintendent to change bus routes, it does not specify how exceptions to Board policy will be handled in the event that such exceptions are necessary.

The Board's transportation policies and administrative guidelines do not clearly and consistently indicate when they were first adopted or last revised, and appear to be old and out-of-date. Most policies seem to be adopted in 1990 with some revisions in 2003. There is no indication as to when administrative guidelines were first adopted and the latest revision date appears to be in 2001.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their students. Although the level of transportation provided by the District matches stipulations in its Board policy, it is above and beyond the required State minimum standard in two specific areas including,

- Transporting students in grades kindergarten through 12 instead of kindergarten through eighth grade; and
- Transporting students who live one or more mile from school instead of two or more miles.

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

The Board has not reviewed its transportation policies and administrative guidelines in several years causing them to be out-of-date. For example, the administrative guidelines give responsibility to the assistant superintendent, a position that no longer exists. Because the Board has traditionally provided transportation service above the State minimum, its transportation policy is specific in the level of service that will be provided to students. Having a transportation policy that specifically outlines service levels, requires the Board to adopt a different policy if it implements any changes to service levels. Policies and guidelines that are not regularly reviewed may not accurately articulate the Board's intent; may not provide sufficient direction to administrators; and may be subject to misinterpretation or misunderstanding by staff and members of the community.

4.4 Develop a formal bus replacement plan.

London CSD should develop a formal bus replacement plan to help ensure that bus replacement needs are effectively evaluated and communicated. This plan should account for enrollment and ridership trends, and the maintenance and repair costs of each bus, which would allow the District to plan for the replacement of buses at the most advantageous points in their lifecycles. Furthermore, this plan should be linked to the District's budget so that bus replacement funds are available when needed. Without a replacement plan, the District may be unprepared for future capital obligations and risks devoting additional resources to maintaining buses that are progressively becoming more costly to maintain.

The District's transportation handbook outlines its fleet maintenance plan. Regular routine maintenance is performed according to vehicle specifications, and each bus is inspected by the bus mechanic every 5,000 miles. The bus mechanic also keeps records of the maintenance performed and its cost. However, the District does not formally track maintenance costs by bus and does not have a formal bus replacement plan. Instead, the District replaces buses with General Fund money when funds become available. The mechanic informally recommends to the Superintendent which buses should be replaced based on their age, condition, and maintenance costs.

GFOA recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. According to the *North Carolina School Transportation Fleet Manual (Adopted May, 2006)*, effective documentation and planning for preventive maintenance are essential components of an effective, safe, and cost-effective maintenance program. Moreover, this documentation serves as the basis for an organization to justify its budget needs and allocations. *School Bus Replacement Considerations* emphasizes that replacement of school buses should be a planned process (NASDPTS, 2002). A district's finances are certainly an important consideration in the replacement of buses, and may be an obstacle to replacing them on the schedule desired by the district. However, a bus replacement plan is still a very important resource for the district. The plan should incorporate the maintenance data into the decision making process about bus replacement. The plan allows a district to establish its priorities with regard to safety and emissions features. Ultimately, a bus replacement plan allows a district to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement, and any risks posed by the current state of the fleet.

Although London CSD follows a preventive maintenance plan and records the cost of maintenance activities, it does not systematically track maintenance cost by bus and does not have a bus replacement plan. Instead, the District replaces older buses when resources are available without the benefits of a formal replacement plan or established criteria for when its buses should be replaced.

Formal documentation of repairs would help the District more effectively plan future maintenance and more effectively consider maintenance costs when making bus replacement decision. Adopting a bus replacement plan, even without the resources to fund the plan, could

benefit the District because replacement planning sets priorities and establishes criteria for when funding becomes available, shows the public how available funds would be used, helps anticipate and avoid the need to replace a major portion of the fleet at the same time, and allows the District to demonstrate the impact insufficient funding for bus replacements.

4.5 Consider purchasing fuel from a consortium and track fuel costs in comparison to an industry benchmark.

London CSD should consider purchasing its motor vehicle fuel through a consortium or the State term contract available through the Ohio Department of Administrative Services (DAS) in order to reduce its fuel expenditures. At a minimum, the District should regularly solicit bids from multiple fuel suppliers. In addition, London CSD should track its fuel prices against an industry benchmark to ensure it is getting the best fuel prices available. Finally, the District should develop standard operating procedures for completing, reconciling, and submitting motor fuel tax refund claims to the Ohio Department of Taxation (ODOT).

London CSD does not obtain price quotes for fuel, and does not track its fuel prices or compare prices to any benchmark. According to the District, although it has used only one fuel vendor to obtain fuel for several years, its prices have been better than the other fuel supplier in the area. The District has had an arrangement with the current supplier for over 20 years and its two above ground fuel tanks are owned by the supplier. These tanks do not have locks, but they are located inside the fenced-in bus garage that is locked at end of each day.

Since London CSD does not have a formal written agreement (contract) with this fuel vendor, it purchases fuel at the market rate and does not receive any discounts. Based on FY 2009-10 cost data, London CSD fuel cost per routine mile was 10.8 percent higher than the peer average.

The District attempts to minimize its fuel-related costs by maintaining some centralized fuel tanks (2,000 gallons diesel and 300 gallons gasoline) onsite. However, London CSD's fuel expenditures per mile was higher than the peer average and could be attributable to not seeking competitive fuel pricing. The District is not a member of any fuel purchasing consortia such as that offered by the Ohio Department of Administrative Services (ODAS). Furthermore, it does not regularly solicit competitive bids or issue requests for proposal (RFPs) for fuel procurement. Rather, the District relies on a single local vendor to fill all fuel-related orders without a formal contract.

Table 4-5 compares London CSD's actual fuel costs for parts of FY 2009-10 to the Department of Administrative Services (DAS) cooperative fuel purchasing program prices for that same timeframe.

Table 4-5: Diesel Fuel Price Comparison

Invoice Date	Number of Gallons	London CSD Cost per gallon ²	DAS Cost per gallon ³	Difference
12/1/2009	1,020	\$2.71	\$2.48	(\$0.23)
12/16/2009	990	\$2.65	\$2.38	(\$.27)
1/13/2010	1,024	\$2.74	\$2.50	(\$.24)
2/22/2010	1,006	\$2.70	\$2.50	(\$.20)
3/4/2010	749	\$2.73	\$2.54	(\$.19)
3/31/2010	827	\$2.83	\$2.64	(\$.19)
4/21/2010	880	\$2.91	\$2.68	(\$.23)
5/5/2010	785	\$3.01	\$2.74	(\$.27)
5/26/2010	753	\$2.85	\$2.35	(\$.50)
Average	893	\$2.79	\$2.53	(\$.26)

Source: London CSD fuel invoices and DAS

¹ ULS Diesel Supreme

² Includes State Road Tax of \$.28 per gallon.

³ Includes State Road Tax of \$.28 per gallon plus .074 per gallon delivery charge.

As **Table 4-5** shows, London CSD had consistently higher fuel prices when compared to the State cooperative purchasing program, paying between \$0.19 and \$0.50 more per gallon for diesel fuel.

London CSD also does not submit motor fuel tax refund claims (MVF 31 and MVF 81) to the Ohio Department of Taxation. Although the Transportation Supervisor, Treasurer, and Superintendent are jointly responsible for ensuring the timely and accurate reporting of transportation-related information in the District, the process itself remains informal. When asked about the motor fuel tax refund, all three District's staff stated that they were unaware of such tax refund. According to the interim Treasurer, there was no record to show that the District ever registered to file such report.

London CSD's fuel expenditures are higher than the peer average and the DAS benchmark. This is due, in part, to lack of competition in selecting a fuel supplier. Because the District does not use a competitive process to select a fuel supplier and does not benefit from bulk purchase discount and discounted delivery costs of consortiums, it may be paying more than necessary for fuel. In addition, the District does not have any record of ever filing an application to receive the annual State fuel tax refund offered to school districts by Ohio Department of Taxation.

Financial Implication: In FY 2009-10, London CSD reported that it purchased \$80,988.61 of diesel fuel at a cost of approximately \$2.85 per gallon; the equivalent of approximately 28,417 gallons of diesel fuel. Using the lowest difference in fuel prices compared to DAS pricing (\$.19/gal.), the District could save about \$5,400 in fuel costs. Also, based on the State motor fuel tax reimbursement rate of \$0.06 per gallon, the District is eligible to receive reimbursement of about \$1,705 in State fuel tax credit for diesel fuel purchased in FY 2009-10.

4.6 Improve the internal controls over the District's fuel inventory.

London CSD should develop written internal control policies and procedures for fuel use and regularly reconcile the fuel sheets with remaining inventory. Such policies should also explicitly stipulate that fuel cannot be used for personal vehicles or equipment. In addition, all the bus drivers and other transportation staff should be required to sign an acknowledgement letter stating that they have read such policies. These should be included in the "drivers handbook" and include secondary oversight by an employee outside the Transportation Department.

The bus fleet is stored in the District's bus compound that is fenced in with a wire fence and locked at the end of each work day. The locking and unlocking of the bus compound is the responsibility of the mechanics. The District does not have other security systems such as monitoring cameras, surveillance cameras, electronic card readers, and others. It believes that its bus garage is secure, and indicated that there has not been vandalism or any other security issue within the facility in several years.

Fuel is stored on two centralized fuel tanks including a 2,000 gallons diesel tank, and a 300 gallon gasoline tank located inside the bus compound. Although there are no locks on these fuel tanks, the District considers them secure because they are located inside the bus compound. London CSD does not have fuel monitoring devices to record the amount of fuel remaining in both tanks to alert the Transportation Department when fuel volume has become low so that a refill can be ordered. There is no monitoring device such as electronic card reader, to record the amount of fuel taken by a driver or the exact time when fuel was taken. Instead, drivers complete fuel sheets showing the date and number of gallons taken, and turn them in to the Transportation Supervisor periodically to be kept in a file. The fuel sheets are not reconciled against an inventory tracking system that would provide the District with detailed information to adequately track the use of its fuel. Furthermore, the District does not have a policy stating that employees are not allowed to use fuel for personal purpose.

The District also does not maintain a parts and supplies inventory for the transportation operation. According to the head mechanic, who is also responsible for transportation procurement, the Transportation Department keeps a few frequently used parts and supplies items such as light bulbs, nuts and bolts, and others items on hand at all times for emergency use. The Department does not keep an inventory record of the items on hand, and does not purchase and store items that are not frequently used as such items are purchased only when needed. When the District is low on items that are frequently used for repairs, the head mechanic would call around for quotes, obtain the best deal available, and purchase more items. The few parts and supplies on hand are kept in the bus repair shop located inside the bus garage. According to London CSD's Transportation Department, all items in the vehicle repair shop are considered very safe and the District has never experienced problems of vandalism or loss at the repair shop.

According to *School Bus Yard Burglaries (Alliance for Schools for Cooperative Insurance Programs, September 2004)*, school districts should consider whether or not existing security measures are adequate to deter and prevent burglary and vandalism. Such security measures include perimeter security, yard lighting, security systems, and closed captioned cameras.

Similarly, Rural Crime Prevention, Fuel Tank Security (Washington State Department of Agriculture, 2006) recommends using the following measures to secure fuel:

- Close and lock valves on all tanks when not in use;
- Turn off power to the pumps;
- Keep track of fuel purchases and monitor usage;
- Keep a written record of fuel usage; and
- Enclose fuel tanks with a fence.

Public Works Management Practices Manual (APWA) recommends fuel inventory systems meet all applicable regulations and identify gallons of fuel received from vendors by location, date, and cost; and identify fuel issued by vehicle number, quantity, type, and location. Gallons of fuel on hand are identified by location, date, and type. Issuances, receipts, and current inventory levels are tracked to determine any variances from recorded inventory levels. Monitoring fuel usage assists in detecting fuel leaks; and fuel inventory is routinely reconciled.

Finally, most school districts have written policies stating that employees are not allowed to use district properties for personal purposes. For example, Edison LSD in Jefferson County states in its administrative guidelines that employees may not use any of the District's equipment or supplies for personal reasons. Although it does not contain specific instructions about using fuel, it covers all property and supplies including fuel.

Without a system for monitoring fuel usage at the bus level, the District is vulnerable to inefficient or inappropriate fuel usage.

4.7 Review and consolidate bus routes and eliminate three active buses.

London CSD should increase its operating efficiency by eliminating 3 active buses. This would bring its bus utilization close to 80 percent of capacity. The District should regularly review its bus utilization by routinely monitoring ridership levels and altering routes in a manner that coincides with changes in ridership. To increase the number of riders per bus, the District may need to revise its bell schedules to allow for more time between runs. To help achieve this level of efficiency, London CSD should implement the following recommended practices:

- **Conduct frequent ridership counts (as frequently as one per month) and recalibrate routes to achieve maximum ridership.**
- **Monitor active riders and discontinue service to those who may no longer be using the District's bus service.**
- **Require parents to confirm planned use of District transportation services annually.**

In addition, the District should explore the feasibility of purchasing routing software which would allow it to develop various routing scenarios and identify the most efficient routing combinations.

Due to the District's projected financial deficits, the District should consider going to State

minimum standards. However, prior to doing so, the District should review its transportation policy and determine whether a significant cost savings can actually be achieved by adopting State minimum transportation parameters. In doing so, the District should work with ODE to determine any potential reductions in future State reimbursements as a result of reductions in transportation services.

During the course of the audit, London CSD eliminated high school busing.

Although the District has implemented some best practices in the past, such as staggering bell schedules and using cluster stops, it has not significantly altered its bus routes for several years. According to the Transportation Supervisor, the number of bus routes and transportation employees in FY 2010-11 was the same as FY 2009-10. Based on the number of riders per bus and ODE target efficiency ratios shown in **Table 4-2** (see **background**) London CSD appears to have an efficient transportation operation compared to peer districts. However, the District's ratios are based on the number of students eligible to ride buses, and not the actual riders (see **R4.1**).

Based on a sample of student count sheets from FY 2010-11, about 73.5 percent of eligible riders were actually transported during the October 2010 count week. Based on this sample, AOS estimates the actual ridership in FY 2010-11 was about 938 students. If this is accurate, then the District used only about 60 percent of the capacity of its 13 active buses, assuming each bus makes one elementary school run and one middle or high school run.

According to *Hidden Savings in Your Bus Budget* (AASA, September 2006), operating buses more efficiently is one of the most effective ways to achieve savings in a school district's transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. AASA further states that effective pupil-to-bus ratios should average at least 100 pupils on a double route, two-tier bus system. AASA also recommends buses operate at 80 percent of rated capacity. *School Bus Seat Capacity* (NASDPTS, October 1999) recognizes that school buses transport students of all sizes, and calculates capacity based on three elementary students per seat and two middle or high school students per seat.

The ability to run multiple tiers allows a district to maximize bus capacity and reduce the number of buses it needs in its fleet. Cluster stops, in contrast to door-to-door pickups, allow buses to improve efficiency by making fewer stops and minimizing travel time. In addition, computer routing software enhances the efficiency of routing buses, identifying optimal routes and allowing rerouting without significant additional labor.

The lack of accurate records and the use of manual routing sheets has caused the District to employ more buses than it needs to operate at optimal efficiency. Although some recommended routing practices are used, the District has not significantly changed its routes in recent years. The District also does not reroute throughout the year to accommodate changes in its ridership based on extracurricular activities. In addition, the District encounters pressure from parents to keep route times short.

Because the District inaccurately reported its ridership, the number of students transported per bus has been overstated. As a result, the District is not fully utilizing the available capacity of its fleet.

Financial Implication: By revising its routes and more fully utilizing recommended routing practices, the District should be able to reduce approximately active 3 buses and achieve annual savings of approximately \$81,000 in salaries and benefits.

District Response

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



LONDON CITY SCHOOLS

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February 14, 2012

Dave Yost
Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506

Dear Auditor of State Yost,

On behalf of the London City School District's Board of Education and administrative team, we would like to thank you and your staff for the performance audit. Both Scott Bennington and Betsy Bayshore were highly professional and helpful.

A performance audit is defined as a systemic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. This goal of this performance audit was to provide an independent assessment of current District operations in an effort to improve service delivery and optimize operational efficiency. The audit was done using information from the 2010-2011 school year.

It is important for the users of this information to understand the report and recommendations contained therein. The data for the district was compared to peers, national benchmarks and state minimum requirements. There are many variables not taken into consideration when statistically analyzing comparing our schools to the peers, including building capacity and London specific programs. The London community values programs and operations beyond the state minimum, therefore some recommendations may not be what are right for our community.

Many of the recommendations contained in the report have already been acted upon. In particular, 33.5 staff positions were eliminated as well as salary reductions. Transportation costs were reduced by \$200,000 with the elimination of bussing for our high school students.

The review of our District has provided valuable information we can continue to use in our decision making process. We continue to discuss the possibilities of implementing more recommendations, as well as other cost reduction measures.

Sincerely,

Thomas Ben
Interim Superintendent
London City Schools

Kristine Blind
Treasurer/CFO
London City Schools

2010-2011 LCS Reductions

During the 2010-2011 school year, LCS reduced the amount of classified/certified staff members by the following numbers (positions that were not replaced):

- 19.5 Certified Staff
- 13 Classified Staff
- 1 Administrator

In addition to these positions, the following reductions also took place:

- 3% Salary reduction for Certified and Classified Staff with no Step increase for the 11-12 school year.
- Savings of over \$53,593 in Supplemental positions (extra curricular activities that were previously filled, but not filled for the 11-12 school year)
- In addition to the above Supplemental positions that were not filled, LCS also reduced the filled Supplemental salaries by over 7% beginning with the 11-12 school year.
- Savings of \$200,000 in Transportation cost for the 11-12 SY.