



Dave Yost • Auditor of State





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To the Residents, Board and Administration of the North Fork Local School District:

As requested by the Ohio Department of Education and in cooperation with the North Fork Local School District, the Auditor of State initiated a performance audit of certain areas within the District, due to the projected deficits in its five-year forecast. The functional areas assessed during the audit were financial systems, human resources, facilities and transportation. These areas were selected because they are important components of District operations that support its educational mission, and because improvements in these areas can assist the District in improving its financial condition.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. While the recommendations contained in the audit report are resources intended to assist in improvement efforts, the District is encouraged to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes, where relevant, background information; a District overview; financial outlook; the methodology and scope for the performance audit; key conclusions, recommendations and financial implications; and the audit objectives. The District has been encouraged to use the results of the performance audit as a resource for further improving overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 9, 2012

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# Executive Summary

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## Background

Ohio Revised Code (ORC) § 3316.042 permits the Auditor of State (AOS) to conduct performance audits of any school district in a state of fiscal caution, watch or emergency and review any programs in which it believes that greater operational efficiency, effectiveness and accountability can be achieved. On March 25, 2010, the Ohio Department of Education (ODE) declared the North Fork Local School District (NFLSD or the District) to be in a state of fiscal caution based on the potential for deficits. Based on the fiscal caution designation and discussions with ODE, AOS initiated a performance audit of NFLSD. Based on a review of relevant information and discussions with the District, the following functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities;
- Transportation; and
- Food Services

## District Overview

NFLSD operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms, and is responsible for providing public education to students. The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 135 square miles. It is located in Licking and Knox Counties, and includes all of the Villages of Utica and St. Louisville, a portion of the City of Newark, all of McKean, Newton and Washington Townships, and portions of Burlington, Eden, and Mary Ann Townships in Licking County. It also includes all of the Village of Martinsburg and parts of Morgan and Clay Townships.

In FY 2010-11, the District served 1,820 students (headcount) and employed approximately 204 full-time equivalent (FTE) employees. Based on the State Report Card for FY 2010-11, the District met 21 of 26 indicators and received an "Effective" designation from ODE.

NFLSD operates four school buildings for educational purposes: two elementary schools, a junior high school, and a high school. In FY 2010-11, the District provided transportation services to 1,081 students. Lastly, the District's May 2011 forecast projects negative ending fund balances from FY 2011-12 to FY 2014-15, assuming the renewal of the income tax levy and excluding the impact of new levies.

## Financial Outlook

**Table 1** presents three recommendation implementation scenarios with NFLSD's resulting financial condition.

**Table 1: Revised Five-Year Forecast (in 000s)**

	Forecast 2011-12	Forecast 2012-13	Forecast 2013-14	Forecast 2014-15	Forecast 2015-16
<b>Ending Unreserved Fund Balance from Table 1-1</b>	<b>\$251</b>	<b>(\$544)</b>	<b>(\$2,708)</b>	<b>(\$6,435)</b>	<b>(\$10,747)</b>
<b>33% Implementation of Recommendations in FY 2012-13</b>					
Cumulative Impact of Recommendations		\$363	\$1,090	\$2,180	\$3,270
<b>Revised Unreserved Fund Balance</b>	<b>\$251</b>	<b>(\$181)</b>	<b>(\$1,618)</b>	<b>(\$4,255)</b>	<b>(\$7,477)</b>
<b>50% Implementation of Recommendations in FY 2012-13</b>					
Cumulative Impact of Recommendations		\$545	\$1,635	\$2,725	\$3,815
<b>Revised Unreserved Fund Balance</b>	<b>\$251</b>	<b>\$1</b>	<b>(\$1,073)</b>	<b>(\$3,710)</b>	<b>(\$6,932)</b>
<b>100% Implementation of Recommendations in FY 2012-13</b>					
Cumulative Impact of Recommendations		\$1,090	\$2,180	\$3,270	\$4,360
<b>Revised Unreserved Fund Balance</b>	<b>\$251</b>	<b>\$546</b>	<b>(\$528)</b>	<b>(\$3,165)</b>	<b>(\$6,387)</b>

**Source:** NFLSD October 2011 five-year forecast, with adjustments to reflect performance audit recommendations.

Should NFLSD implement 100 percent of the cost savings, it would end FY 2012-13 with a healthy fund balance relative to projected results contained in the five year forecast. However, the feasibility of implementing all identified cost savings in this time span is extremely unlikely. Implementing a more attainable level of 50 percent of the cost savings should still enable NFLSD to avoid a fund deficit in FY 2012-13. Despite the pace of implementation, NFLSD will need further revenue increases and/or other expenditure reductions beginning in FY 2013-14 to resolve the projected financial difficulties. For example, the District may need to review staffing levels relative to State minimum requirements to identify potential reductions, including regular education teacher and education service personnel positions.<sup>1</sup>

## 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.

<sup>1</sup> Ohio Administrative Code section 3301-35-05 addresses minimum staffing requirements for regular education teachers and education service personnel.

AOS conducted the performance audit of NFLSD 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.

Audit work was conducted between August and December 2011, and data was drawn primarily for fiscal years 2009-10 and 2010-11. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from NFLSD, peer school districts, and other relevant sources. Peer school district data and other information used for comparison purposes were not tested for reliability.

AOS primarily used eight districts as peers for benchmarking purposes: Centerburg Local (Knox County), Clear Fork Valley Local (Richland County), Crestview Local (Richland County), Highland Local (Morrow County), Northridge Local (Licking County), Johnstown-Monroe Local (Licking County), Tri-Valley Local (Muskingum County), and Tuscarawas Valley Local (Tuscarawas County). These districts were selected based upon demographic and operational data, and input from the District. External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

The performance audit process involved significant information sharing with NFLSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held during the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, NFLSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments. The District chose not to provide a formal response letter for publication in the final report.

The Auditor of State and staff express appreciation to NFLSD 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**

- Review the assumptions in the financial forecast.

**Human Resources**

- Reduce staffing levels by 2.0 administrators and 2.0 office/clerical FTEs, and ensure accurate EMIS reporting.
- Reduce special education costs.
- Improve sick leave management.
- Negotiate to increase the hour threshold for full healthcare benefits and prorate insurance coverage for part-time employees.
- Eliminate additional pension benefit for administrative and office/clerical staff.
- Negotiate to cap severance payouts and require years of service, and lower vacation accruals.

**Facilities**

- Develop a formal energy management program.
- Use existing technology to eliminate weekend building checks and related overtime.
- Sell or demolish the unused elementary schools.

**Transportation**

- Ensure efficient routing.
- Reduce fuel costs and obtain refunds for fuel taxes.
- Improve controls over the bus compound and fuel supplies.

**Food Service**

- No recommendations were warranted in this area.

## Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The following presents an issue requiring further study:

**Staff Support Expenditures:** As shown in **Table 1-3**, the District dedicated \$567 per student to

staff support in FY 2009-10, more than double the peer average of \$207. During the course of this performance audit, ODE published the EFM for FY 2010-11. It showed that the District spent \$572 per pupil in FY 2010-11 for staff support, still more than double the peer average (\$217). Within this category, contracted instructional improvement services represented 93.8 percent of the total costs in FY 2009-10. The District should consider further reviewing these expenditures to identify potential cost reductions.

## 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
R2.2 Reduce staffing levels by 2.0 administrator and 2.0 office/clerical FTEs, and ensure accurate EMIS reporting.	\$156,000
R2.3 Reduce special education costs.	\$748,000
R2.3 Improve sick leave management.	\$27,000
R2.5 Negotiate to increase hour threshold for full healthcare benefits and prorate insurance coverage for part-time employees.	\$32,000
R2.6 Eliminate additional pension benefit for administrative and office/clerical staff.	\$34,000
R2.7 Negotiate to cap severance payouts and require years of service, and lower vacation accruals.	\$16,300
R2.7 Reduce the daily substitute compensation rate.	\$12,700
R3.1 Use existing technology to eliminate weekend building checks and related overtime.	\$14,000
R3.2 Sell or demolish the unused elementary schools.	\$19,000
R4.1 Ensure efficient routing.	\$25,000
R4.2 Reduce fuel costs and obtain refunds for fuel taxes.	\$6,100
<b>Total Cost Savings from Performance Audit Recommendations:</b>	<b>\$1,090,100</b>

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# Audit Objectives

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The following detailed audit objectives were used to conduct the performance audit of NFLSD. According to Government Auditing Standards, “the objectives are what the audit is intended to accomplish. They identify the audit subject matter and performance aspects to be included, and may also include the potential findings and reporting elements that the auditors expect to develop. Audit objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.”

## Financial Systems

- How do revenues and expenditures compare to peers?
- Are the District’s strategic planning, forecasting, budgetary and purchasing processes consistent with leading practices?
- Is the District’s financial forecast materially reliable?

## Human Resources

- Is the District’s staffing efficient compared to peers?
- Are the District’s salaries comparable to peers?
- Are the District’s health premium costs and employee contributions toward premiums comparable to industry benchmarks?
- Are the District’s collective bargaining agreements consistent with leading practices and/or peers?
- Is the District’s special education program cost-effective?
- Is sick leave use comparable to industry benchmarks?

## Facilities

- Is the District’s custodial, maintenance and grounds staffing efficient?
- Are District’s energy management practices consistent with leading practices?
- Does the District effectively manage its use of overtime?
- Does the District make efficient use of technology?

## Transportation

- Has the District evaluated the impact of the new funding formula in relation to its transportation policy?
- Does the District use its buses in an efficient manner?
- How does the District ensure it purchases fuel at a competitive price?
- Are the District’s transportation related provisions in the collective bargaining agreement comparable to the peers?

- Are the District's maintenance and bus replacement planning consistent with leading practices?
- Does the District have sufficient controls in place to ensure the security of assets?

**Food Services**

- Are food service operations financially self-sufficient?

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# Financial Systems

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## Background

This section of the performance audit focuses on the financial systems within the North Fork Local School District (NFLSD or the District). NFLSD's operations were evaluated against information from relevant sources, such as, the Government Finance Officers Association (GFOA), the National Institute of Governmental Purchasing (NIGP), the Ohio Revised Code (ORC), and selected peer districts.

As a part of the performance audit, aspects of payroll operations and online reporting were reviewed. Based on audit risk and/or comparisons to relevant criteria, these reviews did not yield recommendations.

### *Treasurer's Office Operations*

The Treasurer's Office is responsible for forecasting, budgeting, payroll, accounts payable, accounts receivable, and accounting for the District's grants. The Treasurer's Office consists of 3.5 full time equivalent (FTE) staff including: a Treasurer, an Assistant Treasurer/payroll/benefits specialist, an accounts payable/receivable specialist, and a part-time clerk. The Treasurer has been with the District for 15 years and has another 23 years experience as an assistant treasurer.

### *Financial Condition*

ODE placed NFLSD in fiscal caution on March 25, 2010 because of projected deficits. Since then, the District has taken various measures to improve its financial condition. For instance, NFLSD negotiated no increases to base salaries for all three years in the collective bargaining agreements (FY 2011-12 through FY 2013-14). Likewise, the District's recovery plan lists 28 expenditure adjustments that include a broad range of reductions from staffing and benefits to extra-curricular activities, totaling \$2,488,235 in projected savings. According to the Superintendent, the District has implemented the first 13 on the list (\$983,142). In addition, the District placed a 6.4 mill emergency levy for operating expenses on the November 2011 ballot that was expected to increase revenue \$1,360,000 for five years. However, voters rejected this levy proposal. Since November 2003, voters have rejected 7 new levies while passing 2 new levies, including a Continuing Permanent Improvement levy and an Income Tax levy.

**Table 1-1** presents NFLSD's historical and projected revenues and expenditures, as approved by the Board and submitted to ODE for May 2011.

**Table 1-1: NFLSD May 2011 Five-Year Forecast (in 000's)**

	Actual				Forecast			
	2008	2009	2010	2011	2012	2013	2014	2015
Local Taxes	\$4,437	\$5,831	\$6,225	\$6,258	\$6,029	\$6,029	\$5,106	\$4,269
Intergovernmental Sources	\$8,679	\$8,644	\$8,652	\$8,883	\$8,511	\$8,359	\$8,359	\$8,359
All Other Operating Revenue	\$721	\$659	\$803	\$2,088	\$725	\$725	\$725	\$725
<b>Total Revenue</b>	<b>\$13,837</b>	<b>\$15,134</b>	<b>\$15,681</b>	<b>\$17,228</b>	<b>\$15,264</b>	<b>\$15,112</b>	<b>\$14,189</b>	<b>\$13,352</b>
Salaries & Benefits	\$10,863	\$11,369	\$11,845	\$11,151	\$11,300	\$11,579	\$11,899	\$12,237
Purchased Services	\$2,586	\$3,042	\$3,167	\$3,292	\$3,479	\$3,680	\$3,896	\$4,129
Supplies and Materials	\$498	\$543	\$473	\$659	\$512	\$539	\$667	\$598
Other Expenditures	\$280	\$294	\$265	\$1,066	\$889	\$402	\$409	\$417
<b>Total Expenditures</b>	<b>\$14,227</b>	<b>\$15,248</b>	<b>\$15,750</b>	<b>\$16,168</b>	<b>\$16,180</b>	<b>\$16,198</b>	<b>\$16,872</b>	<b>\$17,382</b>
Net Financing Sources/(Uses)	(\$145)	(\$181)	(\$42)	(\$362)	(\$49)	\$105	\$108	\$111
<b>Results of Operations</b>	<b>(\$535)</b>	<b>(\$296)</b>	<b>(\$112)</b>	<b>\$698</b>	<b>(\$965)</b>	<b>(\$982)</b>	<b>(\$2,575)</b>	<b>(\$3,918)</b>
Beginning Cash Balance	\$1,146	\$611	\$315	\$203	\$901	(\$64)	(\$1,046)	(\$3,621)
<b>Ending Cash Balance</b>	<b>\$611</b>	<b>\$315</b>	<b>\$203</b>	<b>\$901</b>	<b>(\$64)</b>	<b>(\$1,046)</b>	<b>(\$3,621)</b>	<b>(\$7,539)</b>
Encumbrances & Reservations	\$145	\$393	\$281	\$128	\$213	\$298	\$384	\$469
<b>Fund Balance for Certification of Appropriations</b>	<b>\$467</b>	<b>(\$78)</b>	<b>(\$78)</b>	<b>\$773</b>	<b>(\$277)</b>	<b>(\$1,344)</b>	<b>(\$4,005)</b>	<b>(\$8,008)</b>
Cumulative Balance of Income Tax Renewal	\$0	\$0	\$0	\$0	\$0	\$0	\$923	\$2,683
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$755	\$2,115	\$3,475	\$4,835
<b>Unreserved Fund Balance</b>	<b>\$467</b>	<b>(\$78)</b>	<b>(\$78)</b>	<b>\$773</b>	<b>\$478</b>	<b>\$771</b>	<b>\$393</b>	<b>(\$490)</b>

Source: NFLSD 2011 May Forecast

**Table 1-1** shows that absent new levies, the District is projected with negative ending fund balances from FY 2011-12 to FY 2014-15.

During the course of this performance audit, the District published its October 2011 forecast. This forecast reported an actual positive fund balance of approximately \$283,000 at the end of FY 2010-11, which is less than the projection in the May 2011 forecast of \$773,000. Thereafter, the October 2011 forecast projects a more favorable financial position than the May forecast. However, while the October 2011 forecast projects the District to finish FY 2011-12 with a positive fund balance of approximately \$251,000, it still projects negative ending fund balances thereafter, similar to the May 2011 forecast. This comparison excludes the impact of new levies.

### *Revenues and Expenditures*

ODE reports school district revenue per pupil by revenue source. Because districts often account for funds that are unrelated to the instruction of school-age students (i.e., special trust funds or adult education), ODE does not include all monies in the revenue per-pupil calculation. **Table 1-2** compares NFLSD revenues per pupil to the peer average for FY 2009-10.

**Table 1-2: Revenue Source (FY 2009-10)**

	NFLSD	% of Total	Peer Average	% of Total	Difference	% Difference
<b>Local Revenue Per Pupil</b>	\$3,406	39.3%	\$3,220	38.1%	\$186	5.8
<b>State Revenue Per Pupil</b>	\$4,624	53.3%	\$4,560	53.9%	\$64	1.4
<b>Federal Revenue Per Pupil</b>	\$641	7.4%	\$681	8.1%	(\$40)	(6.0)
<b>Total Revenue Per Pupil</b>	\$8,671	100.0%	\$8,461	100.0%	\$210	2.5

Source: ODE FY 2009-10 Revenue Data

Note: Totals and differences may vary due to rounding.

As illustrated in **Table 1-2**, NFLSD receives 2.5 percent more revenue per student than the peer average. The area that is lower than the peers is the Federal revenue per student, where the District received \$40 less per student than the peer average. The District's higher local revenues per pupil are due, in part, to its residents providing more financial support.

ODE uses the Expenditure Flow Model (EFM) to report per-pupil spending for Ohio's school districts. Because school districts often handle funds unrelated to the instruction of students, not all expenditures accounted for by a school district are included in the EFM. **Table 1-3** compares NFLSD's expenditures per pupil to the peer average for FY 2009-10.

**Table 1-3: Expenditures per Pupil (FY 2009-10)**

	NFLSD	Peer Average	Percent Difference
<b>Administrative</b>	\$1,276	\$971	31.3%
<b>Building Operations</b>	\$2,021	\$1,708	18.3%
<b>Staff Support</b>	\$567	\$207	174.7%
<b>Pupil Support</b>	\$697	\$726	(4.0%)
<b>Instructional</b>	\$4,460	\$4,633	(3.7%)
<b>Total Expenditure per Pupil</b>	<b>\$9,020</b>	<b>\$8,245</b>	<b>9.4%</b>

Source: ODE

As illustrated in **Table 1-3**, NFLSD exceeded the peer average expenditures per student by 9.4 percent in FY 2009-10, exceeding the peer average expenditures in administrative, building operations and staff support categories. These categories are further examined as follows:

**Administrative:** NFLSD's administrative expenditures per student were 31.3 percent above the peer average in FY 2009-10. This category of expenses represents the functions of the building principal's office and central office costs. The higher costs are due to staffing and compensation levels. For instance, the greatest expense in this category was salaries and wages for certificated and non-certificated employees (\$565.88 per student).

**Building Operations:** The District dedicated \$2,021 per student to building operations, exceeding the peer average by 18.3 percent. The three main areas driving costs within this expenditure category are salaries and wages (37 percent of total), medical insurance (10 percent of total), and food service (totaling 9 percent).

**Staff Support:** The District dedicated \$567 per student to staff support. Within this category, contracted instructional improvement services represented 93.8 percent of the total costs. During the course of this performance audit, ODE published the EFM for FY 2010-11, which showed

that the District spent \$8,918 per pupil in FY 2010-11. While this was 1.1 percent lower than in FY 2009-10, it is still higher than the peer average for FY 2010-11 (\$8,448). Likewise, the District spent more or less per pupil in the same respective categories in FY 2010-11 as in FY 2009-10, when compared to the peer averages.



## Recommendations

### **R1.1 Implement budgeting for results.**

**NFLSD should move away from incremental budgeting practices and develop a process that links the budget to strategic priorities and results. In order to effectively do so, the District should involve the department supervisors and building principals in the budgeting process.**

The District budget process is centralized and primarily based on prior year activity. The budget process starts with the Treasurer and two board members evaluating prior year revenues and expenditures along with contributing factors. The Treasurer has a detailed spreadsheet along with other supporting data to help gauge budgets for each line item. Although principals and supervisors have submitted budgets in the past, this is no longer done because revenues are so restricted. The Treasurer now creates a budget based on the previous year's budget and trends, and expectations that actual will be approximately \$250,000 better than the budget the following year. While the Board monitors budgets on a monthly basis, the FY 2009-10 management letter noted the District illegally advanced money out of restricted funds at year-end to cover negative fund balance to the General Fund. The management letter noted that the advances were reversed in the following year. During the course of the performance audit, the Treasurer noted that he is aware of the illegal advances and will do his best to ensure they are not made in the future.

The GFOA recommends that governments consider budgeting for results as a practical way to integrate performance into the budgetary process. Rather than starting with the prior period's budgeted programs and activities, governments that use the budgeting for results concept begin with available revenues, continue with a consideration of desired results and strategies, and then conclude by deciding what activities and programs can best achieve desired results. Budgeting for results and outcomes links strategic planning, long-range financial planning, performance measures, budgeting, and evaluation. It also links resources to objectives at the beginning of the budgetary process, so that the primary focus is on outcomes rather than organizational structure. GFOA further suggests that budget professionals can serve a number of roles in budgeting for results and outcomes, such as facilitator, advisor, and analyzer. The information from GFOA implies the involvement of other managers in the budgeting for results process.

By using the budgeting for results approach and involving other managers, the District will be in a better position to more effectively allocate its limited resources.

### **R1.2 Develop a strategic plan.**

**NFLSD should develop a comprehensive strategic plan that addresses pertinent elements, including performance measures. Once developed, the District should assess the strategic plan on an annual basis and, as appropriate, amend it.**

In the past, NFLSD developed plans to address the educational program weaknesses; however, it does not have a formal District-wide strategic plan or performance measurement system.

According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), 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. It also recommends the following actions when developing a strategic plan:

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

According to *Best Practices in Performance Measurement- Developing Performance Measures* (National State Auditors Association (NSAA), 2004), performance measurement is a critical element of accountability for public resources. It is important to know and understand the public resources used to provide government services and whether these resources were spent in accordance with laws, rules, and regulations. Equally important is the ability to show what was received from the use of these resources and whether the public is receiving an acceptable benefit. Before beginning the process of developing performance measures, NSAA states that public program managers must first know what they are measuring.

By developing and maintaining a comprehensive strategic plan, NFLSD will 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 community, provide direction for the Board, and align planning and budgeting processes. Lastly, implementing a performance measurement system will aid the District in developing and updating its strategic plan, and gauging progress with goal attainment.

# Human Resources

## Background

This section of the performance audit focuses on the North Fork Local School District (NFLSD or the District) human resource (HR) operations. Operations were evaluated against select peer school districts, leading or recommended practices, and operational standards from applicable sources. Sources include the State Employee Relations Board (SERB), the Ohio Department of Education (ODE), and the Ohio Department of Administrative Services (DAS).

As a part of the performance audit, the following areas were reviewed: salary schedules and vision insurance costs. Based on audit risk and/or comparisons to relevant criteria, these reviews did not yield recommendations.

### *Organizational Structure and Function*

The human resource function is led by the Superintendent and Treasurer. Responsibilities include negotiations, labor relations, employee discipline, personnel file maintenance, teacher licensure, recruitment, and assistance in determining staffing levels. The Board has enacted policies that govern 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** compares the full-time equivalent (FTE) staffing levels per 1,000 students at NFLSD to the average of the peer districts for FY 2010-11.

**Table 2-1: Staffing Levels (FTEs) per 1,000 Students**

	NFLSD	Peer Average
<b>Administrative</b>	7.76	6.24
<b>Office/Clerical</b>	7.52	5.96
<b>General Education Teachers</b>	41.97	48.35
<b>All Other Teachers</b>	13.50	12.46
<b>Education Service Personnel (ESP)</b>	5.82	7.14
<b>Educational Support</b>	2.91	2.40
<b>Other Certificated</b>	0.00	0.52
<b>Non-Certificated Classroom Support</b>	10.33	5.77
<b>Operations</b>	27.78	23.79
<b>All Other Staff</b>	1.14	2.68
<b>Total Staff</b>	<b>118.73</b>	<b>115.31</b>

Source: FY 2010-11 EMIS data submitted to ODE

Note: Students include those receiving educational services from the districts and excludes the percent of time students are receiving educational services outside the districts.

**Table 2-1** shows that NFLSD has higher staff levels than the peer average for administrative, office/clerical, all other teachers, educational support, non-certificated classroom support, and operations. Because the variance in educational support staff amounted to less than 1.0 FTE, it was not further investigated in this performance audit.

### *Salaries*

**Table 2-2** compares the District's average salary cost with the peer average for FY 2010-11. Beginning wage rates, years of service, negotiated salary schedules, and education or skill level attained impact average salaries.

**Table 2-2: Average Salary for FY 2010-11**

	North Fork LSD	Peer Average
<b>Administrative</b>	\$69,012	\$67,794
<b>Office/Clerical</b>	\$31,982	\$27,756
<b>General Education Teachers</b>	\$52,335	\$48,429
<b>All Other Teachers</b>	\$50,236	\$45,479
<b>Education Service Personnel (ESP)</b>	\$50,730	\$51,547
<b>Educational Support</b>	\$53,663	\$52,720
<b>Other Certificated</b>	\$0	\$17,108
<b>Non-Certificated Classroom Support</b>	\$16,491	\$11,942
<b>Operations</b>	\$22,977	\$21,924
<b>All Other Staff</b>	\$37,377	\$32,394
<b>Total Staff</b>	<b>\$41,723</b>	<b>\$40,513</b>

Source: FY 2010-11 EMIS data submitted to ODE.

**Table 2-2** shows that the District's overall average salary was 3.0 percent higher than the peer average in FY 2010-11. However, a review of salary schedules revealed that the District's compensation is similar to the peers. As a result, years of services is likely contributing to the variances in **Table 2-2**. For instance, ODE reports that the District's average years of teaching experience was 15 in FY 2010-11, which is 7.1 percent higher than the peer average of 14 years. Two sets of documentation provided by NFLSD indicate that the District eliminated four or five positions from FY 2010-11 to FY 2011-12. With the exception of office/clerical, these eliminations do not impact the assessments in the performance audit.

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## Recommendations

### R2.1 Ensure accurate EMIS data.

**The District should reevaluate the EMIS reporting process currently in place. Due to the many inaccuracies, the District should designate sufficient time to review each entry for accuracy and make corrections as needed.**

During a review of the District's EMIS staffing data, AOS found the following inconsistencies:

- At the high school, the District reported a food service employee working three hours a day as 1.0 FTE, but reported another food service employee also working three hours as only 0.69 FTEs, with both working the same number of days.
- Two bus drivers were reported as 0.73 FTEs who work the same number of days, but had varying hours per day.

The above errors resulted in over-reporting employees in each respective area. AOS verified staffing levels and made adjustments where warranted to ensure data used in the staffing analysis provided an accurate presentation of the District's staffing levels.

### R2.2 Reduce staffing levels.

**The District should reduce staffing levels by 2.0 administrators and 2.0 office/clerical FTEs.<sup>2</sup>**

**Table 2-1** shows that NFLSD's staffing levels exceed the peer average in the following areas:

- **Administrative:** NFLSD employs 7.8 administrative FTEs per 1,000 students while the peer average is 6.2. This is due to employing more non-building level administrators. Specifically, the District employs 2.9 building administrator FTEs per 1,000 students, which is lower than the peer average of 3.3. The District would need to reduce 2.6 FTEs to achieve the peer average of 6.2 administrator FTEs per 1,000 students.
- **Office/Clerical:** NFLSD employs 7.5 office/clerical FTEs per 1,000 students while the peer average is 6.0. In addition, the District's office/clerical staff supports fewer employees than the peer average. This is evidenced by its employee to clerical staff ratio of 14.8, lower than the peer average of 18.8. The District would need to reduce 2.7 FTEs to achieve the peer averages for office/clerical FTEs per 1,000 students and employees per office/clerical staff.

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<sup>2</sup> The District provided two sets of records regarding staffing changes for FY 2011-12. One set indicated that the District filled a vacated office/clerical position while the other set indicated that the position was not filled. If the District did eliminate 1.0 office/clerical FTE, eliminating an additional 2.0 FTEs would result in the District employing only 0.6 fewer office/clerical FTEs when compared to the peer average, which also accounts for over-reporting certain office/clerical FTEs (see discussion).

- **All Other Teachers and Non-Certificated Classroom Support:** NFLSD employs 13.5 all other teacher FTEs per 1,000 students, compared to the peer average of 12.5. This is due to the employment of more special education teachers. Additionally, the District employs 10.3 non-certificated classroom support FTEs per 1,000 students, which is 76 percent higher than the peer average of 5.8. For NFLSD, teaching aides comprise this entire category (18 positions equating to 17.7 FTEs). According to the Special Needs Coordinator, the District assigns 14 teaching aides to special education.

*Financial Implication:* By eliminating 2.0 administrators and 2.0 office/clerical FTEs, NFLSD would save approximately \$156,000 in salaries and benefit costs. The estimated savings are based on the lowest salaries for each group and the ratio of District-wide benefits to salaries for FY 2009-10.

### **R2.3 Reduce special education costs.**

**NFLSD should take measures to improve the cost-effectiveness of the special education program, without negatively impacting program quality. Specifically, the District should review the mix of in-house and contracted staffing levels for special education. In order to effectively do so, the District should develop a formal staffing plan. Moreover, the District should follow through with plans to implement the responsive to intervention (RTI) philosophy for diagnosing special needs students for each school. Subsequently, NFLSD should review its special needs enrollment, operating costs, and academic results on a periodic basis to determine the effectiveness of the RTI approach and adjust as needed.**

Based on ODE's Expenditure Flow Model (EFM), NFLSD spent \$1,512 per pupil on special education in FY 2009-10, which is 72 percent higher than the peer average of \$881. However, the variance in expenditures is not fully explained by differences in the number of special education students. Specifically, while the District's special education expenditures exceeded the peers by 72 percent, the special education population exceeded the peer average by 25 percent.

ODE annually publishes a Special Education Fiscal Accountability Report, which determines whether school districts met the minimum required spending levels for special education. Based on ODE's Report for FY 2009-10, the District spent \$8,899 per special education student in FY 2009-10, significantly higher than the peer average of \$6,317. According to ODE's Report, the District expenditures for special education exceeded the minimum required spending levels by 99 percent, much higher than the peer average of 63 percent.

The following factors can impact the District's higher special education expenditure levels:

**Staffing, Contracted Services, and Student Needs:** During FY 2010-11, NFLSD employed more special education teachers than the peer average. This is evidenced by the District serving approximately 14 special education students per special education teacher, lower than the peer average of 16. The higher staffing levels are due, in part, to the varying needs of students. Specifically, the District reports 30.4 percent of its special education students within the four disability categories that require the smallest ratios of students per special education teacher, based on OAC 3301-51-09. The peer average was 26.4 percent. This also likely contributes to

the District's higher number of teaching aide positions.

Of the District's total EFM special education expenditures per pupil of \$1,512, the District spent \$506 per pupil in contracted services, or approximately 33 percent of the total special education expenditures. By comparison, the peer average was only \$93 per student for contracted special education expenditures. In addition, approximately 22 percent of the District's special education teachers employed during FY 2010-11 were reported as contracted employees and are captured in the abovementioned 14:1 student-to-teacher ratio. According to the Special Needs Coordinator, the District uses the services of the County Educational Service Center in order to address needs for all special education students.

**Planning:** NFLSD does not have a formal District-wide staffing plan. In particular, NFLSD lacks a formal plan to review the individual needs of the special education student population on a yearly basis to allow the District to staff accordingly.

*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.

**Instruction Model:** Currently, the special education process is initiated by the parent, teacher, and counselor; with classroom observation of the student to determine whether special needs testing is needed. However, NFLSD is in the process of implementing the Response to Intervention (RTI) Model. Utica Elementary is operating under the RTI Model effective for FY 2011-12, which will progress to the other schools.

The National Research Center on Learning Disabilities states that RTI is "...an education model that promotes early identification of students who may be at risk for learning difficulties". RTI, which may be one component in the process a school uses to determine whether a student has a specific learning disability, often involves tiers of increasingly intense levels of service for students. Most students will thrive in general education classrooms. For those who don't, a second tier will focus additional attention on the academic area in which the child struggles. More tiers may be available for students with greater needs. RTI is a valuable construct because of its potential utility in providing appropriate learning experiences for all students and for its use in the early identification of students at risk for academic failure."

*Financial Implication:* Based on the peer variances in special education expenditure per student and percentage of spending above minimum requirements, NFLSD could save approximately \$748,000 to \$834,000 annually.

#### **R2.4 Improve sick leave management.**

**NFLSD should implement policies that address unauthorized and misuse/abuse of sick leave, pattern abuse, and disciplinary measures.**

NFLSD used an average of approximately 80 sick leave hours per employee in FY 2010-11.<sup>3</sup> This is significantly higher than the average of 59 hours per employee for all State bargaining units, as reported by the Ohio Department of Administrative Services (DAS).

The District does not have effective control measures to ensure sick leave abuse does not occur. Specifically, while both collective bargaining agreements require a physician statement for using five or more consecutive sick leave days, the agreements and District policies do not address abuse and related disciplinary measures.

According to *Absence Management: Strategies for Curbing Absenteeism in the Workplace* (International Public Management Association, 2003), supervisors should be held accountable for good attendance, and organizations should pay close attention to absences and progressively discipline employees who fail to meet attendance standards.

*Financial Implication:* By reducing overall sick leave usage to the State average, NFLSD would save approximately \$27,000 in substitute costs for teacher absences.

## **R2.5 Negotiate to increase the hour threshold for full healthcare benefits and prorate insurance coverage for part-time employees.**

**The District should negotiate to increase the number of working hours required for full healthcare benefits (e.g., to 30 hours) for classified staff. For employees that fall below the new threshold, the District should negotiate to offer healthcare coverage on a prorated basis. The District should also ensure that these changes are consistently applied for certificated staff.**<sup>4</sup>

In accordance with the classified collective bargaining agreement, employees at NFLSD working at least 20 hours per week are eligible for full healthcare coverage. There are currently 25 classified employees working less than full time within the District that receive full healthcare coverage. Specifically, twenty-three classified employees work 25-34 hours per week while two classified employees work 20-24 hours per week.

Offering full healthcare coverage to part-time employees requires the District to incur additional costs. For example, an employee can work a half-time schedule (assuming 40 hours per week), but still receive healthcare coverage at 100 percent.

*Financial Implication:* By implementing prorated insurance for employees, NFLSD would save approximately \$32,000 annually. This is based on a prorated schedule that aligns with the above breakout of 25 classified employees. Specifically, it assumes the following prorated schedule: full coverage to employees working 35 or more hours per week, 80 percent coverage for 25-34 hours per week, and 65 percent coverage for 20-24 hours per week.

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<sup>3</sup> To be conservative, the sick leave days were converted to hours based on a 7.5 hour work day in order to allow for a comparison to the DAS data.

<sup>4</sup> The certificated collective bargaining agreement does not specifically mention the level of work hours required in order to receive full healthcare coverage.



**R2.6 Eliminate additional pension benefit for administrative and office/clerical staff.**

**NFLSD should eliminate the practice of paying varying portions of the employees' retirement contribution for administrative and office/clerical staff.**

NFLSD is paying some or all of the employees' required retirement contribution (pension benefit) for 10 administrators and 4 office/clerical employees. This is despite the District's average salary for administrators (\$69,012) and office/clerical staff (\$31,982) being higher than the respective peer averages (\$67,794 and \$27,756) in FY 2010-11.

*Financial Implication:* By eliminating the pension benefit, NFLSD would save approximately \$34,000 per year.

**R2.7 Negotiate to cap severance payouts and require years of service, and lower vacation accruals.**

**NFLSD should negotiate to implement a cap on severance payout and require years of service in order for employees to qualify for severance payouts. The District should also negotiate to lower the vacation accrual rates.**

NFLSD has a maximum sick leave payout of 30 days at retirement. However, the District provides for an unlimited amount of personal leave as a part of severance payouts, paying 25 percent of all personal leave. Additionally, sick leave accumulates up to a maximum of 150 days. The excess sick leave days are converted to personal leave. There is no limit to personal leave accumulation. As personal leave is included in the severance payments, the District increases the risk for significant costs and long-term liability. In addition, NFLSD does not have a requirement for years of service as a part of the severance payouts.

Based on the respective certificated collective bargaining agreements,<sup>5</sup> Centerburg LSD, Johnstown-Monroe LSD and Northridge LSD average a maximum payout of 61 sick leave days. Although this is double the District's maximum sick leave payout, these peers do not include personal leave in the severance payouts. Additionally, Centerburg LSD and Northridge LSD require at least ten and five years of service, respectively, in order to receive the severance payout.

In addition to the unlimited severance payouts, the District provides 10 vacation days for classified staff with 1-4 years of service, 15 vacation days for staff with 5-9 years of service, and 20 vacation days for staff with 10 or more years of service. By comparison, Highland LSD and Tri-Valley LSD require classified staff to have 20 and 17 years of service, respectively, in order to receive 20 vacation days.<sup>6</sup> Likewise, both districts require 11 years of service in order to receive 15 vacation days. The higher vacation time increases the potential for reduced productivity since there are fewer workdays devoted to District operations and for increased overtime/substitute costs.

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<sup>5</sup> The State Employment Relations Board did not have the respective classified agreements posted online.

<sup>6</sup> The maximum amount of vacation days is 20 for Tri-Valley LSD and 22 for Highland LSD. Highland LSD requires 25 years of service in order to receive 22 vacation days.

*Financial Implication:* Based on information provided by the Treasurer, the District would have saved approximately \$23,500 over the last three fiscal years for an average of \$7,800 per year if the total severance payout for sick/personal leave were set at the peer average cap of 61 total days. Additionally, the District would have saved approximately \$25,500 over the last three fiscal years if it required ten years of service in order to receive the severance payout, for an average of \$8,500 annually.

### **R2.8 Reduce the daily substitute compensation rate.**

#### **NFLSD should reduce the daily substitute compensation rate.**

The daily substitute rate for NFLSD is \$90. This is higher than the five regional peers<sup>7</sup> that have daily substitute rates ranging from \$72 to \$85, resulting in a regional peer average of \$77.40. In addition, the District's rate is higher than three of four other districts suggested by NFLSD for additional comparisons based on proximity.

*Financial Implication:* By reducing the daily substitute compensation rate closer to the five regional peers, the District would save approximately \$12,700, based on the sick days used during FY 2010-11.

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<sup>7</sup>Centerburg LSD, Highland LSD, Johnstown-Monroe LSD, Northridge LSD, and Tri-Valley LSD.

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# Facilities

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## Background

This section of the performance audit focuses on North Fork Local School District's (NFLSD or the District) facilities operations. Throughout this section, NFLSD's operations are evaluated against selected peer school districts and recommended practices and operational standards from applicable sources, including the American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES).

As a part of the performance audit, the work order system and overall evaluation process for facility staff were reviewed. Based on audit risk and/or comparisons to relevant criteria, these reviews did not yield recommendations.

### *Summary of Operations*

NFLSD has six buildings; four elementary, one junior high and one high school. The old Utica Elementary site consists of four buildings: two schools, a small wooden building, and a modular building. None of these four structures are used for classes, but the District is still responsible for maintaining the grounds and performing security checks on weekends. The District is currently trying to find a buyer for all four buildings.

In 2008, construction was completed on two new buildings, Newton and Utica Elementary Schools. Both the elementary schools house kindergarten through sixth grade. Utica Junior High, serving grades seven and eight, is the oldest building in operation and consists of an original structure built in 1957 and an addition built in 1965. Utica High School, housing grades nine through twelve, was built in 2000 and shares a campus with the junior high. The high school is connected to the junior high, but each building has a separate heating, ventilation and air-conditioning (HVAC) system. In addition to the school buildings, the district maintains a bus garage on 1.4 acres located near the junior and high school campus, and an administrative building located on the junior high and high school campus.

For FY 2011-12, the District has 1 Maintenance Supervisor FTE, 11 custodian FTEs, 1 grounds keeper FTE, and 1 maintenance worker FTE. All positions are 40 hours a week, 12 month positions. The custodians report to the building principals and the maintenance worker and grounds keeper report to the Maintenance Supervisor. The Maintenance Supervisor and the Maintenance Worker perform all building maintenance, except for repairs and maintenance to the HVAC systems which is contracted out. The Maintenance Worker and Maintenance Supervisor also help cut the grass and perform other functions on an as needed basis.

Custodians are responsible for providing a clean and safe environment for the students and staff. Custodians are also required to be on duty during any extracurricular functions and perform weekend security checks on Saturday and Sunday at each building (see **R3.2**). The grounds keeper cuts the grass and performs snow removal in the winter.

### Key Statistics and Indicators

**Table 3-1** compares key statistics for NFLSD's facility function to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) and averages reported by the *Maintenance and Operations Cost Study* (AS&U).

**Table 3-1: Key Statistics**

<b>District Staffing</b>	
Total Maintenance FTEs	1.0
Total Groundskeeper FTEs	1.0
Total Custodian FTEs	11.0
<b>Total FY 2011-12 Maintenance &amp; Custodial FTE Staffing</b>	<b>13.0</b>
<b>Facility Staffing Benchmark</b>	
AS&U Square Feet per Maintenance FTE <sup>1</sup>	95,000
<b>Calculated FTE Maintenance Need</b>	<b>3.2</b>
AS&U Acres per Groundskeeper FTE <sup>1</sup>	40
<b>Calculated FTE Groundskeeping Need</b>	<b>1.7 <sup>2</sup></b>
NCES Planning Guide Square Feet per Custodian FTE <sup>3</sup>	29,500
<b>Calculated FTE Custodian Need</b>	<b>10.3</b>
<b>Total FY 2011-12 Maintenance &amp; Custodial FTE Staffing</b>	<b>13.0</b>
<b>Total Calculated M&amp;O Department Staffing Need</b>	<b>15.2</b>
<b>Difference</b>	<b>2.2</b>

**Source:** NFLSD, National Center for Education Statistics, and American School and University Magazine

<sup>1</sup> The AS&U benchmark is based on a five-year average (FY 2004-05 to FY 2008-09) derived from the national surveys.

<sup>2</sup> This is based on the District's reported acreage, which varies from the acreage reported by the County Auditor (53.4). If the District is in fact maintaining 53.4 acres, it would reduce the number of needed groundskeeper FTEs by approximately 0.4 FTEs.

<sup>3</sup> According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose health issues.

**Table 3-1** shows that the District operates with fewer maintenance and grounds FTEs, but more custodian FTEs when compared to the respective benchmarks. However, taken collectively, the District is staffed with fewer facility FTEs than called for by the benchmarks. It should be noted that the Maintenance Supervisor performs maintenance work. However, even if assuming 100 percent of the Maintenance Supervisor's time for maintenance work, NFLSD still operates with 1.2 fewer facility FTEs than the benchmarks.

*Financial Data*

**Table 3-2** compares the District's facility expenditures in FY 2009-10 to the peer average.

**Table 3-2: Expenditures per Square Foot**

	NFLSD	Peer Average
Salaries and Wages	\$1.91	\$1.86
Benefits	\$0.69	\$0.73
Utilities	\$1.80	\$1.55
Purchased Services	\$0.66	\$0.78
Supplies and Materials	\$0.39	\$0.31
Capital Outlay	\$0.06	\$0.14
<b>Total Expenditures per Square Foot</b>	<b>\$5.50</b>	<b>\$5.37</b>

Source: Ohio Department of Education EFM Reports

As shown in **Table 3-2**, NFLSD incurred lower facility expenditures per square foot in benefits, purchased services, and capital outlay. In contrast, its expenditures per square foot were higher in salaries, utilities, and supplies and materials.

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## Recommendations

### **R3.1 Use existing technology to eliminate weekend building checks and related overtime.**

**The District should use its existing technology to perform remote weekend building checks. This would help the District to reduce its overtime usage.**

The District's overtime expenditures equated to 4.6 percent of regular salaries and wages in FY 2009-10, significantly higher than the peer average of 1.8 percent. The primary driver of the District's overtime is the requirement of custodians to do weekend building checks. The custodians are paid two hours of overtime for each check. In addition, the District provides more vacation time to classified staff, which could also contribute to higher overtime costs.

According to the article *Stepping Up to BAS Success* (Facilitiesnet.com, 2004), districts often do not use their newly installed automation systems as efficiently and effectively as possible. For NFLSD, the automation system should allow any school building to be monitored remotely. Nevertheless, the District has continued doing weekend building checks. According to the Treasurer, the District had never considered that the new systems made in-person checks unnecessary. The Maintenance Supervisor confirmed that the only technical barrier to discontinuing weekend checks was that there were a couple of areas that the custodians usually checked that were not covered by the cameras.

*Financial Implication:* Reducing overtime costs to two percent of regular salaries and wages would save approximately \$14,000 annually.

### **R3.2 Sell or demolish the unused elementary schools.**

**The District should continue efforts to sell the unused elementary schools. In doing so, the District should consider the feasibility of auctioning the unused buildings and review any related laws and regulations. If an auction proves unfeasible or unsuccessful, the District should lower its asking prices. Lastly, if efforts to sell the buildings are unsuccessful, the District should demolish the buildings.**

The District has been unable to sell its unused schools since it discontinued their use in 2008. The buildings have been listed with a realtor since 2009. The buildings still require upkeep and maintenance. As a result, they add to the District's costs. For instance, from FY 2008-09 to FY 2010-11, the District spent an average of approximately \$19,000 per year on the unused schools in utilities. The District has received an offer of \$40,000 for the Mill Street building, which is much lower than the asking price of \$120,000. NFLSD had yet to make a decision about this offer at the time of this assessment in the performance audit.

If the District cannot find a buyer through a realtor, there are other options that could be considered, such as a public or online auction to sell the buildings. For example, the Elm Valley Local School District in South Dakota sold an unused elementary school on eBay for \$49,000 (Education Week, 2003) in 2008.

In addition to the added costs, the unused buildings have become the target of vandalism which has resulted in a number of broken windows and occasional break-ins. These issues led to numerous complaints from local residents.

*Financial Implication:* The District could save approximately \$19,000 per year in utility costs by selling the unused buildings, based on the costs from FY 2008-09 to FY 2010-11. These annual savings would be in addition to any one-time revenue from the sale of the unused buildings.

### **R3.3 Develop a facilities master plan.**

**NFLSD should develop a facilities master plan that incorporates community input and contains pertinent elements, including capital improvements, current enrollment projections, and capacity analyses. The facilities master plan should be used as a road map for addressing future facility needs and planned educational programs. For instance, the District should further review its building utilization rates, prior to making decisions about future construction or renovation.**

The District does not have a formal facilities master plan. The most recent enrollment projections were developed in 2008 by DeJong and Healey. The projections show that enrollment would hold steady at around 1,800 students through FY 2017-18. Actual enrollment in grades K-12 was 1,800 in FY 2008-09, 1,875 in FY 2009-10, and 1,800 in FY 2010-11. In addition, AOS completed a building utilization analysis, based on guidelines from DeJong and Associates. This analysis shows that the District is operating between 93 and 96 percent capacity at the elementary and high schools. Conversely, the junior high school is operating at only 36 percent of capacity.

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

Without a facilities master plan, it is difficult for the District to make formal plans about issues such as maintenance costs and capital improvements or replacements. For example, the District has recently considered building a new junior high. Developing a formal facilities master plan that includes updated enrollment projections, the District's review of building capacity and utilization, and community input would help ensure that NFLSD makes the best decision regarding future construction or renovation projects.

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# Transportation

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## Background

This section of the performance audit focuses on North Fork Local School District's (NFLSD or the District) transportation operations. Throughout this section, NFLSD's operations are evaluated against selected peer school districts, and leading or recommended practices and operational standards from applicable sources. Sources include the Ohio Revised Code (ORC) and Ohio Department of Education (ODE).

As a part of the performance audit, the following areas were reviewed: the District's method for communicating transportation services, process for tracking non-routine transportation services, planning for bus replacements, preventive maintenance process, bus insurance costs, and collective bargaining agreement for provisions that negatively impact transportation operations. Based on audit risk and/or comparisons to relevant criteria, these reviews did not yield recommendations.

### *Summary of Operations*

NFLSD's transportation policy states that transportation will be provided for students in grades kindergarten through twelve living beyond a one mile walking limit. According to Ohio Revised Code (ORC) § 3327.01, school districts must provide transportation services to "... resident school pupils in grades kindergarten through eight that live more than two miles from the school." ORC § 3327.01 goes on to indicate that the Board, at its discretion, may "...provide transportation for resident school pupils in grades nine through twelve to and from the high school." In addition, ORC § 3327.01 requires each school district to transport its native students who are enrolled in community schools or nonpublic schools on the same basis as it transports its enrolled students.

House Bill 153 (the State's operating budget bill for FYs 2011-12 and 2012-13) was enacted in July 2011 and suspends the transportation funding formula enacted under the previous budget. However, that funding formula is still included in State law and could be reactivated in the future. The money that the state has allocated for regular pupil transportation for FYs 2011-12 and 2012-13 will be paid to the districts as part of the general foundation payment rather than as a dedicated line item. Changes in levels of regular service will not result in an adjustment in State funding, but special education transportation will continue to be funded through the State transportation funding formula as it has in past years.

The Transportation Supervisor oversees the District's transportation function. NFLSD provided Type I pupil transportation services to 1,081 riders in FY 2010-11. Type I services pertain to those provided on District-owned yellow buses.



**Table 4-1** compares NFLSD's transportation operational data to the peer average.

**Table 4-1: FY 2010-11 Key Statistics and Operating Ratios**

	NFLSD	Peer Average <sup>1</sup>
Square Miles	135.0	114.0
ODE Enrollment	1,820.0	1,764.4
Total Yellow Bus Riders (Type I)	1,081	993
Active Buses	21	21
Spare Buses	7	6
Annual Routine Miles	442,080	329,648
<b>Operating Ratios</b>		
Daily Miles per Rider	2.3	1.9
Riders per Square Mile	8.0	9.1
Enrollment per Square Mile	13.5	17.0
Yellow Bus Riders per Active Bus	51.5	47.3
ODE Efficiency Ratio	1.1	1.0
Routine Miles per Active Bus	21,051	15,021
Spare Bus Ratio	25.0%	21.5%

**Source:** NFLSD and peers T-1 and T-2 reports, NFLSD and peers October headcounts, and ODE efficiency targets

<sup>1</sup> The peer average comprises eight school districts.

**Table 4-1** shows that NFLSD is larger in area, which resulted in the District having approximately one less rider per square mile, nearly four less students per square mile, and 21 percent more daily miles per rider than the respective peer averages. Despite being a larger and more sparsely populated district, NFLSD was able to transport more riders per bus than the peer average. This table also shows that NFLSD maintains a slightly higher percentage of buses as spares than the peer average. The District's larger size and significantly higher number of routine miles per active bus supports the need for additional spares. For example, accumulating more routine miles per active bus increases the potential for more repairs and, in turn, the need for more spare buses.

**Table 4-2** compares NFLSD's transportation cost data to the peer average for FY 2009-10.

**Table 4-2: Type I Transportation Cost Ratios – FY 2009-10**

	NFLSD	Peer Average <sup>1</sup>
<b>Salaries</b>		
Per Yellow Bus Rider	\$514.86	\$354.74
Per Active Bus	\$27,354.96	\$19,624.16
Per Routine Mile	\$1.33	\$1.37
<b>Benefits</b>		
Per Yellow Bus Rider	\$254.95	\$254.56
Per Active Bus	\$13,545.83	\$13,441.00
Per Routine Mile	\$0.66	\$1.01
<b>Maintenance &amp; Repairs <sup>2</sup></b>		
Per Yellow Bus Rider	\$156.28	\$136.81
Per Active Bus	\$8,303.39	\$7,596.61
Per Routine Mile	\$0.40	\$0.51
<b>Fuel</b>		
Per Yellow Bus Rider	\$126.95	\$115.27
Per Active Bus	\$6,745.04	\$6,597.29
Per Routine Mile	\$0.33	\$0.43
<b>Bus Insurance</b>		
Per Yellow Bus Rider	\$11.19	\$10.01
Per Active Bus	\$594.52	\$513.73
Per Routine Mile	\$0.03	\$0.04
<b>Other</b>		
Per Yellow Bus Rider	\$45.41	\$61.10
Per Active Bus	\$2,412.57	\$2,735.48
Per Routine Mile	\$0.12	\$0.22
<b>Total Expenditures</b>		
Per Yellow Bus Rider	\$1,109.65	\$932.50
Per Active Bus	\$58,956.30	\$50,508.26
Per Routine Mile	\$2.86	\$3.58

**Source:** NFLSD and Peers FY 2010 T-1 and T-2 forms

**Note:** The District's submitted its T-2 form for FY 2010-11 to ODE during the course of this audit, which showed that total expenditures per active bus, per rider and per routine mile increased from FY 2009-10. However, expenditures per routine mile in FY 2010-11 are still lower than the peer average in FY 2009-10. Additionally, the District over-reported expenditures on the preliminary T-2 form for FY 2010-11.

<sup>1</sup>This reflects six districts because the two other peers contract for transportation and did not report the expenditures by category. When including the total contracted costs for these two peers, the peer average ratios for total expenditures increase to \$1,146.92 per rider, \$56,167.82 per active bus, and \$3.61 per routine mile.

<sup>2</sup>Includes mechanic and mechanic helper salaries.

**Table 4-2** shows that on a per rider and per bus basis, NFLSD exceeded the peer average average in every category with the exception of other expenditures. In contrast, the District's expenditures per routine mile were lower in each category.

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## Recommendations

### R4.1 Ensure efficient routing.

**The District should formally monitor ridership throughout the school year and adjust routes accordingly. As part of this process, NFLSD should survey parents and students before the beginning of the school year and use this information to create the routes. In addition, NFLSD should designate staff members to complete a training program to gain full knowledge of the routing software and ensure routes are set at optimal targets for ridership per bus.**

Currently, the District uses software to develop routes based on the number of eligible riders residing in the District. The bus routes incorporate consolidated bus stops, multiple route tiers, and the one mile walking eligibility zone. Routes are distributed to drivers and practiced prior to the start of the school year. Some adjustments are made during the first few weeks of school to shorten routes that run long and to balance the number riders per bus. However, there is no formal process to predict or actively monitor ridership throughout the year. Furthermore, the Transportation Supervisor is responsible for developing the bus routes and is the only employee that has a working knowledge of the software. No employee in the District, including the Transportation Supervisor, has complete knowledge of the routing software.

**Table 4-1** shows that NFLSD transports more riders per active bus (52) than the peer average (47). However, two of the eight peers transport fewer than 30 riders per bus. When excluding these two peers, the peer average increases to approximately 54 riders per active bus, slightly more than NFLSD. If the District had operated with one less active bus in FY 2010-11, it would have averaged 54 riders per active bus, similar to the six peer average. From FY 2010-11 to FY 2011-12, the District eliminated one active bus.

By formally monitoring ridership and gaining full knowledge of the routing software, the District would be in a better position to establish and update routes at optimal efficiency to subsequently reduce costs. For example, the bus utilization targets suggest that the District could eliminate at least one active bus. Further, providing training on the software to other personnel would help during times when the Transportation Supervisor is not available.

*Financial Implication:* According to the routing software provider, onsite training is \$1,275 per day plus travel for up to five people, while online training is \$1,225 for six hours for up to five people. Typically, two days or 12 hours of training is enough to train somebody to be able to use the software. As a result, the total cost for training will be estimated at approximately \$5,000 to be conservative. Additionally, if the District was able to eliminate one active bus, it could save approximately \$30,000 per year. This assumes approximately half of the average cost per active bus in FY 2009-10.

### R4.2 Reduce fuel costs and obtain refunds for fuel taxes.

**The District should compare pricing from multiple vendors for fuel, including pricing from the State cooperative fuel program. The District should also apply for and submit a**

**quarterly request to the Department of Taxation for a refund of State motor fuel taxes.**

The Department of Administrative Services offers a co-operative purchasing program for diesel fuel; however, the District does not take advantage of this program. **Table 4-3** compares the NFLSD's price per gallon of diesel fuel to the Department of Administrative Services (DAS) cooperative fuel purchasing program prices on the same dates.

**Table 4-3: DAS Diesel Fuel Price per Gallon Comparison**

Week	District Price per Gallon	DAS Price per Gallon	Difference
6/3/2011	\$3.706	\$3.625	\$0.081
5/4/2011	\$3.926	\$3.765	\$0.161
4/6/2011	\$3.811	\$3.883	(\$0.072)
3/4/2011	\$3.610	\$3.584	\$0.026
<b>Average Price</b>	<b>\$3.763</b>	<b>\$3.714</b>	<b>\$0.049</b>

**Source:** NFLSD fuel invoices, DAS fuel contract price

**Note:** Price per gallon includes all taxes and transportation costs

**Table 4-3** shows that the District pays an average of \$0.049 per gallon more than DAS fuel contract prices. The District uses one vendor to purchase diesel fuel, who fills the two 1,000 underground storage tanks on a regular schedule. NFLSD lacks a formal written agreement (contract) with this fuel vendor and purchases fuel at the market rate, without any discounted rates. In addition, when purchasing fuel, the District does not request the State Motor Fuel Tax Refund. This rebate is available to school districts and currently refunds \$0.06 per gallon of taxes on fuel purchases pursuant to Ohio Revised Code § 5735.142. Furthermore, the District does not compare fuel rates from multiple vendors.

By not comparing fuel rates from multiple vendors including consortiums, the District increases the risk of paying more than necessary for diesel fuel. This is supported by **Table 4-3**.

*Financial Implication:* Based on the average price variance in **Table 4-3** and the reported fuel costs on the preliminary T-2 form for FY 2010-11, the District could save approximately \$2,800 annually by purchasing fuel after comparing pricing from multiple sources. Furthermore, the District could obtain approximately \$3,300 in refunds for taxes paid on fuel, based on the average price and the reported fuel costs on the preliminary T-2 form for FY 2010-11.

**R4.3 Strengthen reporting to ensure data accuracy.**

**The District should comply with State law and ODE instructions for reporting pupil transportation data. To help accomplish this, appropriate staff should attend available training sessions and review instructional materials. The District should develop a formal process, to ensure it is submitting accurate transportation data to ODE.**

The District reported that the Transportation Supervisor and Superintendent review the transportation data submitted to ODE. However, after a review of the District's T-1 and T-2 reports, AOS identified the following errors:

- The District incorrectly classified some students as special education riders. Specifically, the number of students with IEP's that specify a need for special transport is insufficient to support the number of special education riders reported on the T-1 report for FY 2010-11. Furthermore, the T-1 report for FY 2010-11 shows one bus with 10 regular riders and 9 special education riders. According to ODE instructions, special education students may be reported only if both of the following are true: special education students represent more than 50 percent of the ridership of the bus on a given trip and the students have an IEP that requires transportation. ODE's instructions also state that "if more than 50% of the riders on a trip are special education, then the trip can be considered a special education trip, and ONLY the special education students on board the vehicle should be reported in the special education column on the T1 report. Any regular education students assigned to that route shall be reported as regular education students."<sup>8</sup> The District reported three buses with just special needs riders on the T-1 report for FY 2010-11, with a total reported number of 59 special needs riders. By comparison, as of September 2011 (FY 2011-12), only about 20 students had IEPs that required transportation. Based on the above, the District allocated costs for special needs transportation services based on incorrect ridership information.<sup>9</sup>
- The District reported retirement expenditures of \$194,132 on the T-2 report in FY 2010-11, but financial records only show retirement expenditures of \$95,185.
- The District reported total premium cost of vehicle insurance for all school vehicles on the T-2 report for FY 2010-11 instead of premium cost for just the buses.
- NFLSD reported costs of cell phones assigned to building maintenance personnel as a transportation expenditure on the T-2 report for FY 2010-11.

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](http://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.

By incorrectly reporting pupil transportation data, the District could be at risk of losing State funding in the future. Incorrect data can also lead to making inappropriate decisions regarding transportation operations.

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<sup>8</sup> This is similar to the language in OAC 3301-83-01 (D)(4).

<sup>9</sup> The District's FY 2010-11 T-2 report was not approved yet by ODE during the time of this assessment. As a result, the District could still correct the T-2 report for FY 2010-11.

**R4.4 Reassess the impact of reducing transportation service levels on the District's budget.**

**The District should reassess the impact of reducing transportation service levels on current and future annual budgets. In doing so, the District should account for changes to transportation funding contained in each biennial State budget.**

NFLSD's transportation policy states that transportation will be provided for students in grades kindergarten through twelve living beyond a one mile walking limit. As a way of reducing costs, the District reviewed the option of eliminating high school busing.<sup>10</sup> According to the Superintendent, the District determined that reducing bus service would not result in actual savings due to the loss of State reimbursements tied to bus ridership. However, State funding for regular transportation during FY 2011-12 and FY 2012-13 is not tied to ridership or any performance metric. House Bill 153 suspended the transportation funding formula, which included an incentive to transport more students. However, the transportation funding formula is still contained in State law and could be reactivated in the future. The funding for special education transportation continues to be funded through the State transportation funding formula.

According to ORC § 3327.01, school districts must provide transportation services to "... resident school pupils in grades kindergarten through eight that live more than two miles from the school." As such, there is no requirement to transport high school students.

Therefore, the District could reduce service levels by only transporting students in grades kindergarten through eight that live more than two miles from their school without losing any State funding for FY 2011-12 and FY 2012-13. Reductions in miles traveled or the number of buses on the road would result in some level of savings.

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<sup>10</sup> Due to the potential for the transportation funding formula to be reactivated in FY 2013-14, auditors did not further investigate whether the District has studied the option of only transporting students in grades K-8 that live more than two miles from their school.