



Dave Yost • Auditor of State



Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Mechanicsburg Exempted Village School District,

At the request of the Ohio Department of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of its operations. Functional areas selected for operational review were identified with input from District administrators and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter, streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

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

Dave Yost
Auditor of State

May 8, 2014

This page intentionally left blank.

Table of Contents

Executive Summary	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview	1
Audit Methodology.....	1
Noteworthy Accomplishments.....	3
Summary of Recommendations	3
Background.....	5
Recommendations.....	7
R.1 Eliminate 2.5 FTE administrative staff positions.....	7
R.2 Eliminate 10.0 FTE general education teacher positions.....	7
R.3 Create a comprehensive staffing plan	8
R.4 Improve the cost effectiveness of the health insurance program	9
R.5 Implement a sick leave policy	9
R.6 Renegotiate severance payouts.....	11
R.7 Eliminate 0.5 FTE maintenance employee positions.....	11
R.8 Implement a comprehensive maintenance plan	12
R.9 Increase bus service efficiency.....	12
R.10 Control transportation maintenance expenditures.....	13
Appendix A: Scope and Objectives	15
Appendix B: Additional Comparisons.....	16
Client Response	18

Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) requested and funded this performance audit of the Mechanicsburg Exempted Village School District (MEVSD or the District). ODE requested this performance audit with the goal of improving MEVSD's financial condition through an objective assessment of the economy, efficiency, and effectiveness of the District's operations and management. See **Table 1** in **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including financial management, human resources, transportation, and facilities. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides objective analysis to assist management and those charged with governance and oversight 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.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources including; peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A primary set of peers were selected that were used for general District-wide comparisons. In addition, peer groups were selected for a comparison of compensation, benefits and bargaining agreements (referred to as surrounding districts) and a separate set for a comparison of transportation service. The following table contains the Ohio school districts included in these peer groups.

Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Ada Exempted Village School District (Hardin County) • Arcanum Butler Local School District (Darke County) • Columbus Grove Local School District (Putnam County) • Fairfield Local School District (Highland County) • Fayetteville-Perry Local School District (Brown County) • Fort Loramie Local School District (Shelby County) • Hicksville Exempted Village School District (Defiance County) • Joseph Badger Local School District (Trumbull County) • Weathersfield Local School District (Trumbull County) • Williamsburg Local School District (Clermont County)
Compensation, Benefits and Union Contract Peers (Surrounding Districts)
<ul style="list-style-type: none"> • Fairbanks Local School District (Union County) • Jonathan Alder Local School Districts (Madison County) • London City School District (Madison County) • Northeastern Local School District (Clark County) • Triad Local Schools (Champaign County) • Urbana City School District (Champaign County)
Transportation Peers
<ul style="list-style-type: none"> • Ansonia Local School District (Fulton County) • Antwerp Local School District (Paulding County) • Archbold-Area Local School District (Fulton County) • Berkshire Local School District (Geauga County) • Felicity-Franklin Local School District (Clermont County) • Franklin Monroe Local School District (Darke County) • Fredericktown Local School District (Knox County) • Mississinawa Valley Local School District (Darke County) • Plymouth-Shiloh Local School District (Huron County)

In addition to the peer districts listed above, comparisons were made to industry standards or leading practices where applicable. These include: the State Employee Relations Board (SERB), the Ohio Administrative Code (OAC), the Society for Human Resource Management (SHRM), the School Employees Retirement System (SERS), the State Teachers Retirement System (STRS), the National State Auditors Association (NSAA), the Ohio Department of Education (ODE), and the Ohio School Facilities Commission (OSFC).

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Mechanicsburg Exempted Village School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

The analyses conducted for this performance audit identified the following significant accomplishment:

- **Health Insurance:** MEVSD renegotiated its medical insurance plan to reduce family plan expenditures \$711 per month. The District expects this to decrease its health care insurance expenditures approximately \$250,000 annually.
- **Shared Services:** MEVSD reduced total administrator staffing by sharing the Superintendent and Treasurer functions with the Madison Champaign Educational Services Center and North Union Local School District, respectively.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 2.5 FTE administrative staff positions	\$106,100
R.2 Eliminate 10.0 FTE general education teacher positions	\$524,900
R.3 Create a comprehensive staffing plan	N/A
R.4 Improve the cost effectiveness of the health insurance program	N/A
R.5 Implement a sick leave policy	\$12,300
R.6 Renegotiate severance payouts	\$25,700
R.7 Eliminate 0.5 FTE maintenance employee positions	\$29,900
R.8 Implement a comprehensive maintenance plan	N/A
R.9 Increase bus service efficiency	\$68,700
R.10 Control transportation maintenance expenditures	N/A
Total Cost Savings from Performance Audit Recommendations	\$767,600

The following table shows the District's ending fund balances as projected in the October 2013 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the annual ending fund balance.

Financial Forecast with Performance Audit Recommendations

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Original Ending Fund Balance October Forecast	\$89,260	(\$229)	(\$514,009)	(\$1,873,856)
Cumulative Performance Audit Cost Savings		\$767,600	\$1,535,200	\$2,302,800
Revised Ending Fund Balance		\$767,371	\$1,021,191	\$428,944

Source: MEVSD's October 2013 five-year forecast and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied starting in FY 2014-15.

While the performance audit recommendations are based on the District's operations during FY 2013-14, implementation of all recommendations may not be possible until FY 2014-15, as some recommendations require contract negotiations and others simply would not be implementable until the start of the a new fiscal year. If MEVSD implements the recommendations within the performance audit, it is estimated that the \$1.8 million deficit projected for FY 2016-17 would be eliminated and the District would instead achieve a projected positive fund balance of approximately \$428,000.

Background

Financial Status

School districts in Ohio are required to submit detailed five-year forecasts in October and May of each fiscal year. These forecasts show projected revenues and expenditures and are an important measure of the fiscal health of a district. **Table 1** shows MEVSD's financial condition projected in its October five-year forecast.

Table 1: MEVSD October Five-Year Forecast Overview

	Forecast FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Total Revenues	\$8,494,379	\$8,625,182	\$8,446,537	\$7,933,073	\$7,471,758
Total Expenditure	\$8,422,099	\$8,714,671	\$8,990,317	\$9,312,920	\$9,634,147
Results of Operations	\$72,280	(\$89,489)	(\$543,780)	(\$1,379,847)	(\$2,162,389)
Beginning Cash Balance	\$116,980	\$189,260	\$99,771	(\$444,009)	(\$1,823,856)
Ending Cash Balance	\$189,260	\$99,771	(\$444,009)	(\$1,823,856)	(\$3,986,245)
Outstanding Encumbrances	\$100,000	\$100,000	\$70,000	\$50,000	\$50,000
Fund Balance June 30 for Certification	\$89,260	(\$229)	(\$514,009)	(\$1,873,856)	(\$4,036,245)

Source: MEVSD October 2013 Five-Year Financial Forecast

As shown in **Table 1**, the District projected its General Fund balance to decline from approximately \$89,000 in FY 2013-14 to a deficit of over \$4 million by FY 2017-18. This deficit was significantly greater than its May five-year forecast which projected a General Fund deficit of approximately \$2.6 million. The District is cognizant of its current financial condition and has taken steps ranging from staffing reductions to benefit plan overhauls in an attempt to avoid an operating deficit. Specifically, in FYs 2011-12 and 2012-13, the District reduced its work force by 14.3 full time equivalents (FTEs). Also, the District was able to achieve monthly savings of \$711 per employee through negotiations with its insurance provider and collective bargaining units.

Revenues displayed in **Table 1** are derived from local, State and federal sources. Unlike expenditures, these revenues are not directly controlled by the District, but instead, by laws, regulations and support of local residents. **Table 2** breaks down the District's per pupil revenue by source and compares this detail to the peer average.

Table 2: Revenue per Pupil Comparison

	MEVSD	Peer Average	Difference	Percent Difference
Local Revenue	\$4,389	\$3,611	\$778	21.5%
State Revenue	\$4,901	\$4,684	\$217	4.6%
Federal Revenue	\$651	\$538	\$113	21.0%
Total Revenue	\$9,941	\$8,833	\$1,108	12.5%
Assessed Valuation per Pupil	\$101,005	\$104,275	(\$3,269)	(3.1%)
Median Income	\$35,023	\$31,495	\$3,527	11.2%
Local Tax Effort Index	1.3	1.1	0.2	18.2%

Source: Ohio Department of Education

As shown in **Table 2**, MEVSD generated more total revenue per pupil than its peers and was higher in all three sources displayed. The highest variance from the peer average occurred in revenue from local sources, which was 21.5 percent higher. ODE uses the Local Tax Effort Index¹ they developed to compare means-adjusted taxpayer support between school districts in Ohio. This index reflects the extent of effort the residents of a school district make in supporting public elementary and secondary education in relation to their ability to pay. In FY 2012-13, MEVSD's Local Tax Effort Index of 1.3 was 18.2 percent higher than the peer average of 1.1.

Subsequent Events

In April 2014, the District finalized a five-year forecast which differed significantly from the prior forecast submitted to ODE in October 2013. **Table 3** compares the year end fund balances of these two forecasts.

Table 3: Projected Year End Fund Balance Comparison

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
October 2013 Forecast	\$89,260	(\$229)	(\$514,009)	(\$1,873,856)
March 2014 Forecast	\$549,415	\$912,991	\$932,886	\$532,233
Difference	\$460,155	\$913,220	\$1,446,895	\$2,406,089

Source: ODE and District.

As shown in **Table 3**, the March 2014 forecast shows a significantly improved financial condition for the District, as a result of higher projected revenues. Projections for tax revenues were higher in every year included in the most recent forecast. Differences range from a 6.0 percent increase in FY 2013-14 to a 34.1 percent increase in FY 2016-17.

Recommendations in this report were created to address the fund deficit presented in the October 2013 five-year forecast. The District, however, should also consider its most current financial data as it addresses the recommendations presented below.

¹ A value of 1.0 indicates average local tax support, while values below 1.0 or above 1.0 reflect below average or above average support, respectively.

Recommendations

R.1 Eliminate 2.5 FTE administrative staff positions

Table 4 compares the District's administrative staff to the peer average on a per 1,000 student basis. Using this methodology to compare staffing ensures that any biases that may exist due to district size are eliminated.

Table 4: FY 2013-14 Administrative/Supervisory Staff Comparison

	MEVSD		Peer Average	Difference
Students ¹	886.8		893.2	(6.4)
	FTE	FTE/1,000 Students	FTE/1,000 Students	Difference/1,000 Students
Building Level Administrators	3.0	3.4	3.5	(0.1)
All Other Administrative/Supervisory Staff	6.3	7.1	3.9	3.2
Total FTE Administrative/Supervisory Staff	9.3	10.5	7.4	3.1
FTE Adjustment Needed to match Peer Average Staff per 1,000 Students				(2.7)

Source: MEVSD and ODE EMIS enrollment and EMIS staffing data

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

As shown in **Table 4**, MEVSD is overstaffed by 3.1 administrative FTEs per 1,000 students based on the peer average ratio of 7.4 administrators per 1,000 students. To achieve a ratio similar to their peers, MEVSD should have an administrative staff of 6.6 FTEs, which would require a reduction of 2.7 FTE administrative positions.

Financial Implication: Reducing staffing by 2.5 FTE administrators will save approximately **\$106,100** in salaries and benefits annually. This savings was calculated using the three lowest paid administrators and includes an average benefit ratio of 42 percent² (\$31,400). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried administrators.

R.2 Eliminate 10.0 FTE general education teacher positions

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) section 3301-35-05 requires the district-wide ratio of general education teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel (ESP). **Table 5** compares the District's regular education teaching staff levels to State minimum requirements outlined in OAC section 3301-35-05.

² Calculated using FY 2012-13 personal services expenditures divided by the employees' retirement/insurance benefits expenditures from the October 2013 five-year forecast.

Table 5: FY 2013-14 General Education Teacher Staffing Comparison

General Education Teacher FTEs	42.0
Regular Student Population	789.4
Regular Student to Regular Teacher Ratio	18.8
State Minimum Required Regular Teachers	31.6
Regular Teachers Above State Minimum	10.4

Source: MEVSD

As shown in **Table 5**, the District employs 10.5 FTE regular education teachers more than the level required by OAC § 3301-35-05. Based on its October forecast, MEVSD may be forced to explore all options including the reduction of its teaching staff in an attempt to alleviate the projected operating deficits. The District, however, should be cautioned that the reduction of regular education teachers to a State minimum level could affect the educational achievement of its students. This decision must be balanced with their fiduciary responsibility to adapt to the financial realities in MEVSD and maintain a solvent operation. Our financial analysis indicates that a reduction of 10.0 FTE regular education teachers, when coupled with the rest of the recommendations in this report, would be sufficient to bring the District's five-year forecast back into balance.

Financial Implication: Eliminating 10.0 FTE regular teachers would save approximately **\$524,900** in salaries and benefits annually. This savings was calculated using the ten lowest paid general education teachers and includes an average benefit ratio of 42 percent³ (\$155,200). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

R.3 Create a comprehensive staffing plan

MEVSD lacks a comprehensive staffing plan based on forward looking data such as expected funding, student population or educational goals. The lack of such plan has resulted in decisions to change staffing levels to be made on a reactionary basis using short-term operating data. In addition, some positions in the District have multiple job functions and may be misaligned with its mission and goals.

According to the *Strategic Staffing Plans* (Society for Human Resources Management (SHRM), June 2002), a staffing plan is a system that works to monitor and control the costs of human capital while creating an infrastructure to support effective decision-making in an organization. An effective plan uses relevant workload and outcome measures that can aid organizations in assessing current and future staffing needs.

Developing a staffing plan will help the District more effectively identify current and future staffing needs as well as ensure compliance with State and federal requirements. An effective staffing plan also assists organizations in developing goals and communicating staffing strategies

³ Calculated using FY 2012-13 personal services expenditures divided by the employees' retirement/insurance benefits expenditures from the October 2013 five-year forecast.

to stakeholders. Developing an adequate plan would allow MEVSD to ensure that staffing levels are aligned with its mission and goals to increase the likelihood that they are met.

R.4 Improve the cost effectiveness of the health insurance program

Prior to making any changes to health insurance, MEVSD should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the new legislation.

The District purchases medical insurance through the Stark County Council of Governments (SCCOG) at an annual cost of \$7,800 per single plan and \$18,900 per family plan. According to the *21st Annual Report on the Cost of Health Insurance in Ohio Public Sector* (Ohio State Employee Relations Board (SERB), 2013), average medical insurance plans purchased by government entities in the region cost \$6,000 per single plan, and \$16,000 per family plan, showing that MEVSD expends \$1,800 more for single coverage and \$2,900 more for family coverage than the SERB average.

The following two plan provisions contributed to MEVSD's insurance cost exceeding the SERB regional average:

- **Deductibles** - According to the *Employer Health Benefits 2013 Annual Survey* (Kaiser Family Foundation, 2013), the average deductible nationwide for PPOs was \$799 for single and \$1,854 for family plans. In comparison, the plan offered by MEVSD had deductibles of only \$100 for a single and \$200 for a family plan.
- **Out-of-Pocket maximums** - The SERB average out-of-pocket maximum among school districts in Ohio was \$1,000 for single and \$2,000 for family plans in-network and \$2,000 for single and \$4,000 for family plans out-of-network. In comparison, the plan offered by MEVSD includes out-of-pocket maximums of \$500 for single and \$1,000 for family plans in-network, and \$1,000 for single and \$2,000 for family plans out-of-network.

The value of specific plan benefits such as deductibles and out-of-pocket maximums affect the premium costs of health insurance plans and MEVSD's medical insurance plan offers specific benefits at a much higher employee value than industry benchmarks. Soliciting competitive bids for health insurance will help ensure the District receives the lowest medical insurance prices offered in the market, while keeping the benefit values of insurance plans within industry benchmarks. When seeking to reduce health insurance costs, the District should consider bidding out its health insurance program and/or negotiating the details of its health insurance offerings.

R.5 Implement a sick leave policy

Sick leave was analyzed by comparing the District's sick leave usage to Statewide data compiled by the Ohio Department of Administrative Services (DAS). In FY 2012-13, MEVSD classified staff used an average of 42.9 hours per employee over the Statewide average. Certificated staff used an average of 69.4 hours of sick leave per employee, although this is comparable to the

Statewide average, further analysis was conducted comparing elementary and secondary grade level teachers. **Table 6** shows this analysis.

Table 6: FY 2012-13 Average Sick Leave Hours per School

	Elementary School	Jr. High/High School
Certificated Sick Leave Used	99.5	56
DAS Average	69.1	69.1
Difference	30.4	(13.1)

Source: MEVSD and DAS

Table 6 shows the difference from the peer average in certificated sick leave usage was attributable to higher use by elementary grade level teachers. Specifically, these teachers used 30.4 more sick leave hours than the DAS benchmark in FY 2012-13, while the secondary grade level teachers used significantly less.

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

- Employers should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.
- Document employees' absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism among specific individual employees or whether absenteeism is a chronic problem throughout the organization.
- Try to pinpoint areas within the organization where absenteeism is excessive.
- Hold supervisors accountable for good attendance. Managers should be aware of each employee's attendance patterns and be instructed to look for performance problems. Supervisors should document chronic absenteeism, and speak privately with repeatedly absent employees as soon as possible after their absence, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.
- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.
- Pay attention to absences and progressively discipline employees who fail to meet attendance standards. Administer appropriate discipline fairly and consistently, and document any actions taken.

MEVSD does not have effective control measures to ensure sick leave abuse does not occur. By developing a sick leave policy that incorporates controls and elements of best practices, the District will be better equipped to monitor and potentially reduce sick leave usage.

Financial Implication: Reducing sick leave usage to the Ohio Department of Administrative Services (DAS) average would save approximately **\$12,300** annually in substitute expenses. This calculation is based on the number of certificated and classified sick leave days in excess of the Statewide average in FY 2012-13, multiplied by the daily cost of a substitute for that position. The District should also see increased productivity for classified employees as a result of a reduction of lost time for those areas not covered by substitute workers.

R.6 Renegotiate severance payouts

The District's certificated and classified bargaining agreements provide severance pay to employees over 50 years of age that have at least 10 years of service equal to one-third of their accrued sick leave balance. Each employee can accrue a maximum of 254 days of unused sick leave for a payout of up to 84 days.

ORC section 124.39 establishes a minimum severance of up to 30-days paid to retiring employees with at least 10 years of service. MEVSD offers a sick leave severance payout that is 54 days over this required minimum level. More generous severance provisions cause the District to incur excess costs by allowing a higher severance payout at retirement. Reducing the payout to a level more closely in-line with the ORC minimum will result in significant cost avoidance in the future.

Financial Implication: Paying employee sick leave severance at a level comparable to the minimum established in ORC section 124.39 could save the District approximately **\$25,700**⁴ annually based on FYs 2010-11 through 2012-13 data.

R.7 Eliminate 0.5 FTE maintenance employee positions

MEVSD operates one 158,000 square foot building on a 34 acre central campus that educates all students (kindergarten through 12th grade). **Table 7** compares MEVSD facilities staffing to the American Schools and University (AS&U) benchmark⁵.

Table 7: Facilities Benchmark FTE Staffing Comparison

MEVSD Maintenance FTEs	2.3
MEVSD Square Footage	158,000
Square Footage Per FTE - MEVSD	68,696
Square Footage per FTE - Benchmark	94,000
Difference from Benchmark (Square Footage per FTE)	(25,304)
Suggested Staffing Based on Benchmark (FTEs)	1.7
Difference (FTEs)	0.6

Source: MEVSD and the AS&U

⁴ Based on the average number sick days paid out for retirements for the period FYs 2010-11 through 2012-13 in excess of the ORC minimum, multiplied by the employees daily rate.

⁵ The AS&U publishes a national average of square feet maintained per maintenance worker.

As shown in **Table 7**, MEVSD is overstaffed compared to the (AS&U) five-year average indicating that the District should reduce its maintenance staffing by at least 0.5 FTE maintenance personnel.

Financial Implication: Eliminating 0.5 FTE maintenance position would save the District **\$29,900** in salaries and benefits annually. This estimate of savings was calculated by using the lowest paid maintenance worker's salary and includes an average benefit ratio of 42 percent⁶ (\$13,600). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried maintenance staff.

R.8 Implement a comprehensive maintenance plan

During the course of the audit, the District drafted a 10-year capital improvement plan that budgets for items such as roof replacement, roof inspections, HB 264 payments, and other facilities improvements.

With partial funding from the Ohio School Facilities Commission (OSFC), MEVSD completed the construction of its current building in 2007. OSFC requires that each building have a master maintenance plan to ensure the building is adequately maintained. The District has a maintenance plan as required by OSFC; however it is not currently following this plan, nor does it keep a record of maintenance completed.

Preventive Maintenance, Repeat This Facilities Mantra: Fix Now or Pay Later (American School Board Journal, 2007) recommends the use of preventive maintenance as a cost saving measure. Among the benefits of a preventive maintenance plan are energy savings, avoiding more costly repairs, decreasing mold and asbestos problems, and extending the life of the equipment.

In order to have a proper maintenance plan, the District must first take a full inventory of the building and draft a maintenance plan and capital replacement plan for each item. The District should create a check list to be completed by the maintenance personnel which would create transparency and avoid duplication of work. Furthermore, the District should integrate its maintenance schedule with its electronic work order system to ensure consistency and accountability that maintenance has been completed.

R.9 Increase bus service efficiency

Board policy allows for all students, living at least two miles from the District, to receive transportation. In FY 2012-13, the District used 7 regular busses and 1 special needs bus on a two-tiered bell schedule to transport 430 riders.

ODE created a transportation efficiency ratio, the Regular Education Efficiency Target, in an effort to provide a tool that schools can use to compare transportation operations to other Ohio school districts. This ratio takes into consideration a district's total number of riders, the area of a

⁶ Calculated using FY 2012-13 personal services expenditures divided by the employees' retirement/insurance benefits expenditures from the October 2013 five-year forecast.

district and the disbursement of riders throughout the district (ridership density) to establish a bus ridership target ratio. Districts that exceed their target are defined as being efficient relative to other districts in the State. In FY 2012-13, the District's transportation operations had a ratio of 1.1 compared to the peer District average ridership ratio of 1.4. In order to increase its ridership ratio to a level more in-line with the peers, the District should reduce one bus route. **Table 8** shows the impact of reducing one bus route on MEVSD ridership levels.

Table 8: MEVSD FY 2012-13 Bus Reduction Analysis

Riders	430
Busses	8
Average Riders per Bus	53.8
Elimination of 1 Bus	
Busses	7
Average Riders per Bus	61.4
Average Riders per Route	30.7

Source: ODE Regular Education Efficiency Target.

As shown in **Table 8**, reducing one bus will increase its rider per bus to 61.4 which would increase its ridership ratio to about 1.3. Because the District has a two tiered system, each route would average 30.7 riders per bus. Currently, the bus fleet spends an average of 45 minutes for each route. After reducing a bus route, the average route time will increase to approximately 55 minutes. Because there is no law regulating the length of the routes, prior to reconfiguring its bus routes, the District should decide the maximum acceptable ride time.

MEVSD should also consider reducing its transportation costs by sharing the cost of transporting its students to Ohio Hi-Point Career Center (OHP) with another district in the region. This route was once shared with Triad Local School District. However, that arrangement is no longer in place.

In light of its current financial condition, the District should reduce a bus route and share the OHP bus route with surrounding districts. This will decrease the District's maintenance and fuel costs while improving the efficiency of its fleet.

Financial Implication: Increasing bus service efficiency could save the District **\$68,700** annually by eliminating one bus route (\$50,600⁷) and sharing the JVS route (\$18,100⁸).

R.10 Control transportation maintenance expenditures

The District contracts with a local mechanic to maintain and repair its busses. In FY 2012-13, maintenance expenditures were approximately \$2,353 more per bus than the peer average. Several factors that contributed to higher maintenance costs include the age of the fleet, major

⁷ Based on the reduction of variable costs of an active bus (i.e. maintenance, fuel, salaries, benefits and tires) using FY 2012-13 data.

⁸ Based a reduction of the District's cost per mile (not including salaries and benefits) from Triad LSD to OHP every other week using FY 2012-13 data.

repairs, drivers improperly trained on bus repair procedures and storing the busses at the driver's residence. The District has had several major repairs over the last few years; however, repair costs are expected to decrease since all the busses are currently in good repair.

Top Ten Performance Measures for Fleet Managers (American Public Works Association, 2002) recommends drivers conduct a documented pre-trip inspection before using the fleet. The benefits include the ability to identify maintenance issues, increase safety, and avoid costly repairs. It is recommended that new employees receive training for conducting pre-trip inspections and include guidelines in the employee handbook.

Although maintenance costs are projected to decrease in the following years, the District should take further steps to reduce fleet maintenance expenditures. For instance, the District should require drivers to park the busses in a designated parking spot at the District's facility. Parking the busses at the District would allow it to more effectively control maintenance costs because it could ensure pre-trip inspections and bus service and repairs are completed in a more timely manner. In addition, having the fleet parked at the District improves security and helps reduce the number of non-routine miles driven.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. 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 consultation with ODE and the District, OPT identified the following scope areas for detailed review: financial systems, human resources, transportation and facilities. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and / or effectiveness. Objectives and scope areas assessed in this performance audit include:

- **Financial Systems**
 - Are budgeting practices comparable to best practices?
 - Are purchasing practices comparable to best practices?
 - Are forecasting methods reliable and comparable with best practices?

- **Human Resources**
 - Is EMIS data reliable for use?
 - Is the special education program cost effective?
 - Are salaries comparable to the peers?
 - Are collective bargaining agreements consistent with leading practices?
 - Are insurance benefits comparable to leading practices?
 - Are staffing levels comparable to peers?
 - Is sick leave usage comparable to State averages?

- **Transportation**
 - Is T-form information accurate?
 - Does the District make efficient use of its fleet?
 - Does the District use an efficient process for procuring fuel?
 - Does the District use an efficient process for purchasing supplies and materials as well as maintenance?

- **Facilities**
 - Is custodial and maintenance staffing efficient compared to peers and other benchmarks?
 - Does the District make effective use of its buildings?
 - Does the District budget for future capital improvements according to best practices?

Appendix B: Additional Comparisons

Staffing

Table A1 illustrates the full-time equivalent⁹ (FTE) staffing levels per 1,000 students at MEVSD compared to the peer district average. Staffing levels have been presented on a per 1,000 student basis as they are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases differences attributable to the size of the peers. It should be noted that adjustments were made to MEVSD's EMIS data to reflect accurate staffing at the time of the assessment.

Table A1: FY 2013-14 Staffing Comparison

	MEVSD		Peer Average	Difference	
Students ¹	886.8		893.2	(6.4)	
	MEVSD FTEs	MEVSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Student	Difference Per 1,000 Students	Total FTEs Above (Below) ²
Administrative	9.3	10.5	7.4	3.1	2.7
Office/Clerical	5.0	5.6	6.4	(0.8)	(0.7)
General Education Teachers	42.0	47.4	46.3	1.1	1.0
All Other Teachers	8.8	9.9	8.8	1.0	0.9
Education Service Personnel (ESP)	4.8	5.4	7.4	(2.0)	(1.8)
Educational Support	0.0	0.0	2.8	(2.8)	(2.5)
Other Certificated	0.5	0.6	1.2	(0.6)	(0.5)
Non-Certificated Classroom Support	2.0	2.3	5.7	(3.4)	(3.0)
Operations	20.0	22.6	23.9	(1.4)	(1.2)
All Other Staff	1.5	1.7	2.3	(0.6)	(0.5)
Total Staff	93.9	105.8	112.3	(6.4)	(5.7)

Source: MEVSD and peer district staffing data as reported by ODE

Note: MEVSD's operational staffing, including bus drivers, custodians, maintenance workers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring MEVSD's number of employees per 1,000 students in-line with the peer average.

As illustrated in **Table A1**, although MEVSD was above the peer average in administrators (see **R.1**) and general education teachers (see **R.2**) it was below the peer average in all other staffing categories compared.

⁹ According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013), an FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One FTE is equal to the number of hours in a regular working day for that position, as defined by a district.

Salaries

MEVSD's starting wages and step increases were compared to the surrounding district averages. This was completed using negotiated salary schedules from FY 2012-13 employee bargaining agreements for MEVSD and the surrounding districts. The following positions were included in the comparison:

- Teacher (Bachelor's Degree, Master's Degree and Master's Degree +30);
- Aides;
- Bus Drivers;
- Cooks;
- Custodians;
- Maintenance Supervisor;
- Clerical/Secretary; and
- EMIS Coordinator.

Table A2 shows the total salary MEVSD's should expect to pay an employee over the duration of a 30 year career, based on its current contract, compared to its surrounding districts.

Table A2: Total Salary Comparison

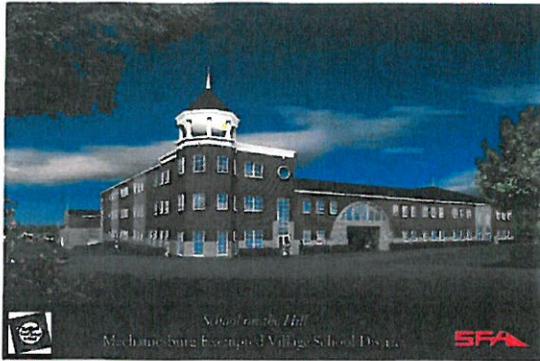
	MEVSD	Peer Average	Difference	% Difference
Certified (Teachers)				
Bachelor's	\$1,329,979	\$1,532,719	(\$202,740)	(13.2%)
Master's	\$1,515,258	\$1,737,143	(\$221,885)	(12.8%)
Master's +30	\$1,714,196	\$1,789,166	(\$74,970)	(4.2%)
Classified				
Aide	\$774,821	\$1,006,832	(\$232,011)	(23.0%)
Bus Driver	\$488,903	\$549,610	(\$60,707)	(11.0%)
Cook	\$498,551	\$632,518	(\$133,967)	(21.2%)
Custodian	\$920,275	\$1,143,854	(\$223,579)	(19.5%)
Maintenance Supervisor	\$1,181,003	\$1,444,007	(\$263,004)	(18.2%)
Secretary	\$708,982	\$830,929	(\$121,947)	(14.7%)
EMIS Coordinator	\$748,479	\$914,574	(\$166,095)	(18.2%)

Source: MEVSD and surrounding district contracts

As shown in **Table A2**, career compensation for MEVSD compared to the peers was lower for all job categories.

Client Response

The letter that follows is the 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.



Mechanicsburg Exempted Village School District

60 High Street – Mechanicsburg, Ohio 43044
(937) 834-2453 – Fax (937) 834-3954

Dr. Daniel Kaffenbarger, Superintendent (ext. 1405)
Scott Maruniak, Treasurer (ext. 1403)
Danielle Prohaska, Asst. Superintendent. (ext. 1402)

May 2, 2014

Mechanicsburg Exempted Village Schools Performance Audit Responses

Below are district responses, action steps, and counter statements related to the Performance Audit for Mechanicsburg Exempted Village School District. The district would like this to serve as official documentation that steps have been taken, are in the planning process to address performance concerns, or are not likely to be addressed by the district at this time.

R.1 Administrative units:

1. Move .5 of Maintenance Supervisor to maintenance staffing - This will go into effect in FY15
2. Part time Curriculum Director will be coded student services - This will go into effect in FY15
3. Move .4 AD to student support - This will go into effect in FY15
4. These moves will shift 1.9 positions to other areas bringing our units more in line with the recommendations made by the auditor's office.

R.2 Teacher Reductions:

1. Reducing staff by 10 FTEs would be contrary to the district's primary goal which is "to prioritize the learning of ALL students".
2. Our KRAL data indicates that 18% of our incoming KDG students need intensive support. Increasing class sizes would negatively impact this level of service for at risk students.
3. The district has reduced 14.3 positions and has opted to share both superintendent and treasurer services at the present time as a means of curbing staffing costs.

R.3 Comprehensive Staffing Plan:

1. The district has added a staffing section to the District Strategic Plan to assist in making staffing decisions and allocations on a regular and consistent basis.

R.4 Insurance:

1. The district is not going to rebid insurance. Run out costs would be a financial hardship for the district at this time.
2. The district will offer educational materials and sessions to staff regarding responsible use of insurance programs.
3. The district has realized a significant savings as a result of a recent insurance change. This is documented in noteworthy accomplishments within the report.

R.5 and 6 Attendance and Sick Leave:

1. The district will be conducting staff surveys in the Fall and Spring of 2014.15. These surveys will originate out of the central office with minimal tailoring to each building. The results will be used to guide principal goals, monthly OPES coaching sessions, as well as improve staff attendance as a result of improved climate.

"The Best Small School In Ohio"

www.mechanicsburg.k12.oh.us



Mechanicsburg Exempted Village School District

60 High Street – Mechanicsburg, Ohio 43044
(937) 834-2453 – Fax (937) 834-3954

Dr. Daniel Kaffenbarger, Superintendent (ext. 1405)

Scott Maruniak, Treasurer (ext. 1403)

Danielle Prohaska, Asst. Superintendent. (ext. 1402)

2. Severance is a negotiated item, which cannot be changed without the agreement of the union. The district is going to negotiate for conditions around severance that will aid in the planning of staffing and payment of severance.
3. The district has some incentives to convert or pay out personal days, which has not drastically improved attendance.
4. The district tracks staff absences and addresses patterns of sick leave that may arise. District has asked for Dr. excuses in extreme cases.

R.8 Preventative Maintenance:

1. Department has formalized a preventative maintenance plan accessible to all employees for regular maintenance information.
2. The district has contracted with third parties for additional quarterly evaluations and maintenance.

R.9 and 10 Transportation:

1. We currently do not have the option to move to a JVS closer to the district (Tolles).
2. The district will continue to explore sharing bus routes with other districts when it is feasible and financially beneficial.
3. Elimination of bus routes would impact the length of the instructional day which is not an option the district will consider at this time considering goal #1 to prioritize student learning.
4. The district will ask for competitive quotes when major bus maintenance is required.
5. The district will need to negotiate for drivers to leave the buses on school property. This change would also require the installation of electricity service for the use of block heaters to the parking area at an additional cost to the district. At this time the cost is assumed by the driver.
6. Consider altering the contract language to allow for bus storage at personal homes when the route is within so many miles of the driver's residence.
7. Consider instituting periodic mileage checks to manage extra miles driven per day.

Daniel Kaffenbarger
Superintendent

Daniel Gaver
Board of Education President

Scott Maruniak
Treasurer/CFO

"The Best Small School In Ohio"

www.mechanicsburg.k12.oh.us

This page intentionally left blank.



Dave Yost • Auditor of State

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**