



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Mansfield City 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 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

January 15, 2015

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Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) requested and funded this performance audit of the Mansfield City School District (MCSD or the District) with the goal of improving MCSD'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; financial management, human resources, facilities, transportation, and food service. 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).

The Auditor of State's (AOS) Ohio Performance Team (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, the following Ohio school districts were identified as peers: Bedford City School District (Cuyahoga County), Elyria City School District (Lorain County),

Findlay City School District (Hancock County), Lorain City School District (Lorain County), Mad River Local School District (Montgomery County), Massillon City School District (Stark County), and Newark City School District (Licking County). Where reasonable and appropriate, peer districts were used for comparison.

Employee compensation and benefits can be impacted by factors outside District management's direct control, such as geographic location and surrounding district competition. For this reason, MCSD was compared to a select group of districts in Richland County referred to as the surrounding districts. These districts include: Clearfork Valley Local School District, Crestview Local School District, Lexington Local School District, Ontario Local School District, and Shelby Local School District.

However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the Ohio Administrative Code (OAC), 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), the Ohio State University Extension Office, the SANS Institute, the Mid-Ohio Regional Planning Commission, the Chartered Institute of Personnel and Development, the Ohio Department of Taxation, and the National Center for Education Statistics (NCES).

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 Mansfield City School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following noteworthy accomplishment was identified during the course of this audit.

- **Food Service Operations:** The Food Service Director completes a meals per labor hour (MPLH) assessment on a monthly basis to determine optimal staffing levels per building. As the District enrollment has declined, food service labor hours have been adjusted to match decreasing demand. Prior to posting a vacancy, a review of the position's job description and contracted hours is completed to ensure that the Food Service Department adapts to operational and environmental changes. The District also tracks and budgets for capital equipment and periodically reviews alternative meal financing and reimbursement options.

Issues for Further Study

Issues are sometimes identified by AOS that are not related to the objectives of the audit but could yield economy and efficiency if examined in more detail. The following issue for further study was identified during the course of this audit.

- Building Usage:** The District's overall building utilization rate was 71 percent, with individual buildings ranging from 49 percent to 95 percent. The factors that impact capacity in each building include non-regular classrooms, average class size, and instruction types provided. The District has made programmatic decisions that restrict its building usage. For example, the District operates the Spanish Immersion School, which limits student enrollment, and the Springmill Learning Center, which houses the outdoor education program. Though these programs may be beneficial to the District's students and the broader community, they effectively reduce availability of building space thereby decreasing overall utilization. Adding the Springmill Center to the analysis reduces the District's utilization rate to 68 percent because students are not assigned to this space. In light of the District's financial status, the District should further study how it chooses to use its buildings.

Summary of Recommendations

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

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 24.5 full time equivalent (FTE) general education teaching positions	\$1,452,000
R.2 Eliminate 11.5 FTE education service personnel (ESP) positions	\$844,900
R.3 Eliminate 61 FTE non-teaching positions	\$2,270,800
R.4 Renegotiate certificated salary schedules	\$209,100
R.5 Adequately fund the Employee Benefits Self-Insurance Fund	N/A
R.6 Reduce transportation service levels to State minimum requirements	N/A
R.7 Improve internal controls for fuel usage	N/A
R.8 Purchase fuel through DAS contract	\$9,600
R.9 Apply for Ohio Motor Fuel Tax refund annually	\$4,100
R.10 Improve the accuracy of staffing data	N/A
R.11 Define consistent sick leave policies District-wide	N/A
Total Cost Savings from Performance Audit Recommendations	\$4,790,500

The following table shows the District's ending fund balances as projected in its May 2014 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 ending fund balances.

Financial Forecast with Performance Audit Recommendations

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Original Ending Fund Balance	\$954,610	\$1,070,111	\$2,113,245	\$3,042,692
Cumulative Balance of Performance Audit Recommendations		\$4,790,500	\$9,581,000	\$14,371,500
Revised Ending Fund Balance	\$954,610	\$5,860,611	\$11,694,245	\$17,414,192

Source: MCSD May 2014 Five Year Forecast and performance audit recommendations

Performance audit recommendations are based on operations during FY 2013-14. The implementation of all recommendations, however, may not be achievable until FY 2015-16. If MCSD implements the recommendations within the performance audit, it is estimated that the approximate \$3 million surplus projected for FY 2017-18 would increase to over \$17 million.

OPT conducted two prior performance audits for MCSD (2007 and 1999). Because the District's financial and population conditions changed drastically since the 2007 audit, this audit did not follow up on prior recommendations but focused entirely on the areas of higher costs and/or risks. It should be noted, however, that the District has made numerous changes since 2007, including building closures, staffing reductions, and transportation reductions. Despite these changes, the District was placed back into fiscal emergency December 17, 2013 due to projected current year deficits.

Background

Financial Status

On August 16, 2006, MCSD was placed in fiscal caution by ODE due to anticipated deficits for FY 2006-07 and 2007-08. After the District failed to submit a written proposal to eliminate these anticipated deficits, it was placed in fiscal watch by AOS in December 2006. The District operated in fiscal watch until November 2013, when the MCSD Board of Education passed a resolution stating their inability to adopt a recovery plan that would eliminate the projected current year deficit. As a result, MCSD was placed in fiscal emergency by AOS on December 17, 2013. In order to avoid a year end deficit and ensure uninterrupted operations, the District borrowed \$3.685 million from the School District Solvency Assistance Fund which must be repaid by FY 2015-16.

In November 2012, the District's voters did not pass a renewal levy, which resulted in a loss of \$4 million in revenue. However, in May 2013, the voters passed a renewal levy, which generated \$3.9 million for the next five years. ODE uses the Local Tax Effort¹ Index 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. MCSD's local tax effort was 1.5239 for FY 2012-13 while the peer average was 1.1122, meaning that MCSD receives 37 percent more means-adjusted local taxpayer support than its peers.

The District's October 2013 Five Year Forecast projected a year end General Fund deficit of over \$4.5 million in FY 2013-14 and a deficit of over \$35 million by then end of FY 2017-18. As required for schools in fiscal emergency, a Financial Planning and Supervision Commission (the Commission) was created to enact a financial recovery plan to eliminate deficits in all funds. The Commission has final authority over all financial decisions within the District. During the course of the audit, the District implemented the following changes under the direction of the Commission:

- Reduced 148 full- and part-time employees;
- Closed an elementary and three conversion community schools;
- Ceased offering regular education preschool; and
- Reduced supplemental positions and stipends.

The District expects to save approximately \$4.7 million annually from these reductions. These cost saving measures, coupled with the District Solvency Assistance Fund loan enabled the District to avoid an operating deficit in FY 2013-14. In addition, MCSD's May 2014 Five Year Forecast projects positive year end balances for every year of the forecast period. The changes listed above are exclusive of the savings contained in this report. Where warranted, OPT

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.

accounted for the changes already made or in progress when determining the financial implications of the recommendations.

Financial Forecast

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 used to measure the fiscal health of a district and serve as the basis for identification of conditions leading to fiscal status designation by AOS. **Table 1** shows MCSD's financial condition projected in its May 2014 Five Year Forecast.

Table 1: MCSD May 2014 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 Revenue	\$56,504,427	\$55,406,608	\$55,162,121	\$55,162,121	\$55,162,121
Total Expenditure	\$58,196,000	\$55,386,608	\$55,046,620	\$54,118,987	\$54,232,674
Results of Operations	(\$1,691,573)	\$20,000	\$115,501	\$1,043,134	\$929,447
Beginning Cash Balance	\$2,986,183	\$1,294,610	\$1,314,610	\$1,430,111	\$2,473,245
Ending Cash Balance	\$1,294,610	\$1,314,610	\$1,430,111	\$2,473,245	\$3,402,692
Outstanding Encumbrances	\$439,000	\$360,000	\$360,000	\$360,000	\$360,000
Ending Fund Balance	\$855,610	\$954,610	\$1,070,111	\$2,113,245	\$3,042,692

Source: MCSD May 2014 Five Year Forecast

As shown in **Table 1**, the District's May 2014 Five Year Forecast does not include a deficit. This is due in part to the District Solvency Assistance Fund loan of \$3.685 million received during FY 2013-14 and changes made at the direction of the Fiscal Planning and Supervision Commission during the course of this performance audit (see **Chart C-1** in **Appendix C** for the detailed forecast).

Recommendations

R.1 Eliminate 24.5 full time equivalent² (FTE) general education teaching positions

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) 3301-35-05 requires an average ratio of general education teachers to students of at least 1.0 FTE classroom teacher for every 25 students in the regular student population. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel (ESP). **Table 2** compares MCSD's general education teaching staff ratio to the State minimum requirements for FY 2013-14.

Table 2: General Education Staffing Analysis

General Education Teacher FTEs		174.2			
Regular Student Population		2,856			
Staffing Ratio (Students: Teachers)		16.4:1			
Options	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for each Option	Difference Above / (Below)	Proposed Reduction for this option ¹	Annual Savings ²
Option 1, Peer average	20.8:1	137.3	27.2	24.5	\$1,452,367
Option 2, 10% Above State Minimum	22.5:1	126.9	47.3	44.5	\$2,978,387
Option 3, State Minimum	25.0:1	114.2	60.0	57.0	\$3,897,553

Source: MCSD, ODE and OAC

¹During the course of the audit, the District reduced 2.7 FTEs as part of the financial recovery plan. This proposed reduction accounts for that and rounds down to the nearest .5 FTE.

²Annual savings calculated based on actual salaries of the lowest paid teachers.

As illustrated in **Table 2**, the District has several options for reducing general education teachers. The selection of an appropriate course of action is ultimately District management's responsibility based on the needs and desires of the stakeholders in its community. Those decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities in the District to maintain a solvent operation.

While MCSD's May 2014 financial forecast does not project a deficit in any year through FY 2017-18, the District could gain financial efficiency by bringing their operations more in-line with their peer districts as demonstrated in Option 1 above. Should its financial condition worsen, however, the District could consider the remaining options which include a staffing reduction to State minimum levels. While it is not a common practice in Ohio to operate at or

² According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013) instructions for reporting staff data, an FTE is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally required performing the same assignment full-time.

near State minimums, some districts have had to make staffing reductions of that magnitude to address budget deficits.

Financial Implication: Eliminating 24.5 FTE general education teaching positions would save approximately **\$1,452,000** in salaries and benefits annually. This was calculated by using the lowest salaries for teaching staff and the benefits percentage of 46 percent.³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.2 Eliminate 11.5 FTE education service personnel (ESP) positions

ESP positions include K-8 art, music, and physical education teachers; counselors; librarians; social workers; and visiting teachers. In FY 2012-13, MCSD employed 43.3 ESP FTEs, which included 8.0 FTE art teachers, 10.3 FTE music teachers, 10.0 FTE physical education teachers, 7.0 FTE counselors, 5.4 FTE school nurses, 2.0 FTE media specialists, and 1.0 FTE social worker. OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population. **Table 3** compares MCSD’s ESP staffing to the State minimum requirement.

Table 3: ESP Staffing Analysis

ESP FTEs					43.3
Regular Student Population					2,856
Regular Student Population (in thousands)					2.856
Staffing (ESP per 1,000 students)					15.2
Options	Proposed ESP FTE	Difference Above (Below)	Proposed Reduction for this option¹	Annual Savings²	
Option 1, Peer average	27.1	16.2	11.5	\$844,981	
Option 2, 10% Above State Minimum	15.7	27.6	23.0	\$1,831,536	
Option 3, State Minimum	14.3	29.0	24.5	\$1,918,710	

Source: MCSD and OAC

¹During the course of the audit, the District reduced 4.3 FTEs as part of the financial recovery plan. This proposed reduction accounts for that and rounds down to the nearest .5 FTE.

²Annual savings calculated based on actual salaries of the lowest paid teachers.

As illustrated in **Table 3**, the District has several options for reducing ESP positions. The selection of an appropriate course of action is ultimately District management’s responsibility based on the needs and desires of the stakeholders in its community. Those decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities in the District to maintain a solvent operation.

While MCSD's May 2014 financial forecast does not project a deficit in any year through FY 2017-18, the District could gain financial efficiency by bringing their operations more in-line

³ Calculated using FY 2012-13 personal services expenditures divided by the employees’ retirement/insurance benefits expenditures from the May 2014 Five Year Forecast.

with their peer districts as demonstrated in Option 1 above. Should its financial condition worsen, however, the District could consider the remaining options which include a staffing reduction to State minimum levels. While it is not a common practice in Ohio to operate at or near State minimums, some districts have had to make staffing reductions of that magnitude to address their budget deficits.

Financial Implication: Eliminating 11.5 ESP FTEs would save approximately **\$844,900** in salaries and benefits annually. This was calculated using the lowest salaries for ESP positions and includes an average benefit percentage of 46.0 percent.⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.3 Eliminate 61 FTE non-teaching positions

In FY 2012-13, the District employed 164.1 FTE staff in office/clerical, educational support, other certificated, non-certificated classroom support, and other professional staff positions. **Table 4** presents a comparison of the District’s staffing levels for these categories to the respective peer averages. Due to differences in organization and staffing goals for the District and the peers, specific positions within each staffing group were not directly compared. Rather, the staffing rates per 1,000 students educated are compared for groups of similar positions.

Table 4: FY 2012-13 MCSD Non-Teaching Staff Comparison

	MCSD		Peer District Average	Difference	% Difference
Students Educated	3,605		5,133	(1,528)	(29.8%)
Students Educated (Thousands)	3.605		5.133	(1.528)	(29.8%)
Group	FTE Staff	FTE Per 1,000 Students Educated	Peer Average FTE Per 1,000 Students Educated	Difference Per 1,000 Students Educated	Total FTE Above (Below)
Office/Clerical	38.5	10.7	7.1	3.6	13.0
Educational Support	30.5	8.5	2.6	5.9	21.3
Other Certificated	14.0	3.9	2.1	1.8	6.5
Non-Cert. Classroom Support	51.0	14.1	9.7	4.4	15.9
All Other Staff	30.1	8.4	5.4	3.0	10.8
Total	164.1	45.6	26.9	18.7	67.5

Source: MCSD and peer districts

Table 4 shows that the MCSD was higher than the peer average in every non-teaching staff category displayed. The highest variance occurred in educational support staffing, which was almost three times higher than the peer average. In total, the District employed 67.5 non-teaching FTEs more than the peer average; however, during the course of the audit, the District reduced 5.8 non-teaching staff FTEs as part of its financial recovery plan. That reduction leaves MCSD with 61.7 more non-teaching FTEs than the peer average.

⁴ Calculated using FY 2012-13 personal services expenditures divided by the employees’ retirement/insurance benefits expenditures from the May 2014 Five Year Forecast.

Financial Implication: Eliminating 61 FTEs would save **\$2,270,800** in salaries and benefits annually. This was calculated by using the salaries of the lowest paid staff in each category and includes an average benefit of 46.0 percent.⁵ The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.4 Renegotiate certificated salary schedules

Table 5 displays potential compensation certificated employees could earn over a 30 year career based on salary schedules included in the collective bargaining agreement.

Table 5: Certificated Career Compensation Comparison

	MCS D	Surrounding District Average	Difference	% Difference
Bachelor's	\$1,517,924	\$1,418,654	\$99,270	7.0%
Bachelor's +15	\$1,573,451	\$1,533,762	\$39,689	2.6%
Master's	\$1,629,291	\$1,612,748	\$16,543	1.0%
Master's +15	\$1,675,697	\$1,661,513	\$14,184	0.9%

Source: MCS D and select surrounding district contracts

As shown in **Table 5**, career compensation for all teacher classifications was higher than the peer average. Higher compensation can be caused by higher starting salary levels, greater step increases or a combination of both. After comparing the District's certificated salaries to the surrounding districts, it was determined the higher level of career compensation at MCS D was caused by higher starting salaries and greater step increases, particularly in the first five years of the step schedule.

MCS D should implement a one year freeze on step increases in order to bring compensation more in line with the surrounding districts. In the alternative, the District could attempt to negotiate lower salary levels for select positions identified in **Table 5** to ensure they are comparable to similar positions within the region.

Financial Implication: A one year freeze on step increases would save the District approximately **\$209,100** based on FY 2013-14 data.

R.5 Adequately fund the Employee Benefits Self-Insurance Fund

MCS D offers a self-insured, preferred provider organization health insurance plan that provides medical, prescription drug, dental, and vision insurance. Because it is self-insured, options to improve cost effectiveness of its health insurance differ from districts that purchase healthcare coverage through a third party. MCS D must set its own premiums and collect appropriate funds (shared by the employer and employee) to pay out the claims. The District can specify (through negotiation) its own levels of coverage including deductibles, co-insurance, and co-payments.

⁵ Calculated using FY 2012-13 personal services expenditures divided by the employees' retirement/insurance benefits expenditures from the May 2014 Five Year Forecast.

To pay claims, MCSD maintains an insurance reserve fund known as the Employee Benefits Self-Insurance Fund. The balance in this fund was insufficient to pay the expected claims in FY 2012-13. As a result, MCSD transferred \$250,000 from the General Fund to the Employee Benefits Self-Insurance Fund to cover the deficit. Because the plan has not been fully funded, the District's primary funding methodology cannot provide reliable data about the cost of insurance benefits per employee.

The District uses a schedule that specifies the insurance premium amount to be paid by the District and employees. This schedule was most recently updated in FY 2011-12. The amount paid by each employee differs due to job, union affiliation, and work location. Depending on the negotiations with collective bargaining units and with administrative staff, the benefit levels differ as well. As an example, certain classifications have less out of pocket expenses for deductibles.

Based on FY 2012-13 plan data, there is significant variation in the contribution and benefit levels that apply to each employee, usually due to past CBA negotiations. In order to simplify plan administration and to ensure full funding, the District should increase its premium contribution rate and offer a limited number of insurance plan options.

R.6 Reduce transportation service levels to State minimum requirements

MCSD provides transportation services for all K-12 public, non-public, and community school students native to the District. In doing so, it maintains a 1.5 mile no transport zone for students in grades 7-12 and a 1 mile no transport zone for students in grades K-6.

Table 6 compares MCSD's FY 2012-13 transportation costs to the peer average.

Table 6: Transportation Cost Ratio Comparison

	MCSD	Peer Average	Difference	% Difference
Per Yellow Bus Rider	\$925.52	\$914.89	\$10.63	1.2%
Per Active Bus	\$70,339.36	\$58,684.92	\$11,654.44	19.9%
Per Routine Mile	\$5.85	\$5.24	\$0.61	11.6%

Source: MCSD and peer district transportation data as reported to ODE

As shown in **Table 6**, MCSD's expenditures exceeded the peer average in every metric shown. The District's elevated costs were due to higher costs in benefits, fuel, and insurance. Due to the higher number of special needs, nonpublic, and community school riders, the District has not been successful in reducing routes and/or buses.

Section 8600 of the MCSD Bylaws and Policies state, in part, that transportation limits would be changed to align with the current State requirements if the District should experience an 'economic hardship'. Ohio Revised Code (ORC) § 3327.01 specifies that minimum transportation requirements include busing all students in grades K-8 who reside greater than two miles from their assigned school building. ORC § 3327 and § 3314 provide guidelines which the District should use to address non-public and community school ridership. Specifically, these sections state:

- A community or non-public school should consult with the local school district when considering a schedule change;
- A district is not required to provide transportation for any native student enrolled in a community school if the board has entered into an agreement with the community school stating the community school is responsible for transportation;
- A district is not required to provide busing to students attending a private school or community school if the school is located more than 30 minutes from the student's assigned district building;
- A district is not required to transport community or non-public students on Saturday or Sunday;
- A district is not required to provide transportation to a special needs student if the Individualized Education Plan defining transportation as a need by the student, is written by the community school; and
- A district may use a public transit system for school transportation.

In order to reduce transportation related expenditures, the District should reduce transportation levels to State minimum requirements. This includes eliminating transportation service for all students in grades 9-12 and expanding the walk zone to two miles for all students in grades K-8. In an effort to further increase efficiency and reduce expenditures, MCSD should consult with local community, charter, and parochial schools to align bell schedules, while exploring possible shared service opportunities with Richland County Transit. Implementing these strategies will ensure a more cost-effective, efficient transportation system for those riding district buses.

R.7 Improve internal controls for fuel usage

Each vehicle has an assigned fuel credit card which is required to stay on board its assigned vehicle. However, employees occasionally remove the credit card from the vehicle to which it is assigned. Furthermore, because MCSD does not track fuel used for non-routine use, the District cannot charge the cost of transportation to the respective department.

Best Practice: Purchasing Card Programs (Government Finance Officers Association (GFOA), 2011) suggests government entities implement written policies and procedures for cardholders and internal staff. Specifically, cardholders and supervisors should provide timely reconciliation of all purchases and handle disputes of all unauthorized purchases. Managers and supervisors should also outline restrictions for each cardholder, retain sales receipts and documentation of purchases, and perform periodic audits.

Strengthening internal controls over its fuel procurement cards will allow the District to better monitor its fuel purchases for potential fraud and theft. Further, dividing fuel purchases by department would also ensure that each department head is accountable for the purchases made using the District's fuel cards.

Subsequent Event: During the course of the audit, the District increased its internal control of fuel usage. Controls were enhanced so that each department that uses fuel cards was assigned a separate account and receives a separate bill for its purchases.

R.8 Purchase fuel through DAS contract

MCSO uses fleet credit cards to purchase its gasoline and diesel fuel from local retail fuel stations. The District does not obtain bids to ensure the best price for fuel. From December 2011 to December 2012, the District paid an average of \$3.44 per gallon for diesel and \$3.10 per gallon for unleaded gasoline while the DAS price per gallon was \$3.28 and \$3.06, respectively.

According to ORC § 125.04(C), a school district may purchase supplies or services from another party, including another political subdivision, instead of through a contract that DAS has entered into on behalf of the school district, if the school district can prove that it can purchase the same supplies or services from another party upon equivalent conditions and specifications but at a lower price. If so, the school district does not have to competitively bid those supplies or services.

Table 7 illustrates the District's potential savings for purchasing fuel through the DAS contract.

Table 7: MCSO Fuel Cost Comparison

Diesel Fuel	
Total gallons purchased ¹	59,483
Savings per gallon	\$0.16
Annual savings	\$9,517
Unleaded Gasoline	
Total gallons purchased ²	1,607
Savings per gallon	\$0.04
Annual savings	\$64
Total Yearly Savings	\$9,581

Source: MCSO and DAS

¹ Purchase data was from December 2011 to December 2012.

² MCSO purchased 6,825.5 gallons of E-85 fuel. DAS does not contract for E-85 unleaded fuel. As a result, no comparable price could be determined.

Table 7 shows that the District would have saved \$9,581 annually by using the DAS contract for fuel purchasing during the time period analyzed.

By joining the DAS consortium or providing sufficient evidence that ensures the District obtains fuel at a lower price than offered by DAS, it can ensure compliance with ORC § 125.04(C) and help to ensure the most competitive fuel prices are obtained. The District purchases its unleaded gasoline and diesel at fuel stations for retail market price while Richland County and the City of Mansfield participate in the DAS fuel contract. Because several fuel stations covered under the these agreements are located within five miles of the District's transportation office, joining the Richland County or the City of Mansfield contracts may provide the MCSO with diesel and unleaded gas at a reduced price. Further, the District would not have to use resources negotiating or administering the contract, as these contracts are negotiated by DAS.

Financial Implication: Reducing fuel costs to the DAS contract price per gallon would save approximately **\$9,600⁶** annually based on FY 2011-12 and FY 2012-13 data. This is calculated based on the total gallons of fuel used multiplied by the District's cost per gallon above the DAS price.

R.9 Apply for Ohio Motor Fuel Tax refund annually

MCSD does not apply for the Ohio Motor Fuel Tax refund for each gallon of unleaded and diesel fuel. According to ORC § 5735.142, a school district may be reimbursed \$0.06 per gallon of fuel purchased. By not submitting annual claims for reimbursement, the District is losing revenue in the amount of \$0.06 per gallon of fuel purchased.

Financial Implication: The District could save **\$4,100⁷** annually based on FY 2011-12 purchasing data.

R.10 Improve the accuracy of staffing data

The District reports its staffing data to ODE using the Education Management Information System (EMIS). The Personnel Department and the Treasurer's Office create and maintain EMIS records for staff demographic information, position description, employment status, and compensation. The District also employs an EMIS Coordinator who is responsible for submitting reports to ODE, but does not have supervisory duties.

District administration does not have unified supervisory oversight of EMIS staff records. Therefore, the creation, maintenance, reconciliation, and reporting of EMIS staff records is divided among several departments. In FY 2012-13, the District reported EMIS data that was inaccurate according to the guidance in sections 3.4 (v1.0) and 3.9 (v2.0) of the *Ohio Department of Education EMIS Manual*. The District should ensure EMIS records are accurate by strengthening oversight for data compilation, reconciliation, and reporting by outlining the individual(s) responsible for EMIS data.

R.11 Define consistent sick leave policies District-wide

The collective bargaining agreements (CBAs)⁸ include three sick leave policies with differing attendance requirements and monitor and address excessive sick leave use differently. The CBAs charge the Executive Director of Human Resources and the Executive Director of Business Affairs with the responsibility of monitoring attendance goals; however, these positions were eliminated leaving no other position to monitor leave usage.

Absence Management, How Do You Develop An Absence Strategy? (Chartered Institute of Personnel and Development, 2006) states that an effective absence policy should encompass the following key elements:

⁶ Does not include the purchase of E-85 fuel.

⁷ Includes 6,825.5 of E-85, 1,607 of unleaded gasoline and 59,483 of diesel fuel.

⁸ Certificated and classified staffs are members of the Ohio Education Association and transportation staff are members of the International Brotherhood of Teamsters.

- A clear statement of the standards of attendance expected by the organization;
- Explicit management commitment to the organization's absence policies, standards, and procedures;
- Systematic procedures for managing absence; and
- Systematic procedures for investigating and managing 'problem' absence.

The article provides further guidance on what elements should be included in an absence policy:

- The organization pays employees to attend work – attendance is therefore accepted as the norm;
- Any absence is costly, in terms of reduced efficiency, coverage for non-attenders, impact on quality and customer service, and so on; and
- The organization recognizes that some limited absence is inevitable – you will provide appropriate support and assistance to those who are legitimately absent, with the aim of facilitating their return to work at the earliest opportunity.

MCSO should define consistent systematic procedures for managing and investigating absences for all District employees and clearly state the standards of attendance expected. By not having clear, consistent policies, the District is not able define attendance or to track and monitor sick leave abuse.

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 management, human resources, facilities, transportation, and food service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Six of the sixteen objectives did not yield a recommendation. See **Appendix B** for additional information including comparisons and analyses that did not result in recommendations.

Table A-1: MCSD Scope and Objectives

Objective	Recommendation
Financial Management	
Is financial information valid and reliable?	N/A
Does the District maintain an effective process for preparing the financial forecast?	Table 1 and Appendix C
Are expenditures per pupil in line with peer expenditures?	N/A
Human Resources	
Is EMIS data reliable for use?	R.9
Is staffing efficient compared to peers?	R.1, R.2, R.3, and Table B-1
Are salaries comparable to the peers?	Table B-2
Are collective bargaining agreements consistent with leading practices?	N/A
Are insurance benefits comparable to leading practices?	R.5
Is sick leave usage monitored?	R.10
Transportation	
Is T-form information accurate?	N/A
Does the District make efficient use of its fleet?	R.4
Does the District use an efficient process for procuring fuel?	R.6, R.7, and R.8
Facilities	
Is custodial and maintenance staffing efficient compared to peers and other benchmarks?	Table B-3
Does the District make effective use of its buildings?	Issue for Further Study
Are facilities expenditures comparable to peers and industry benchmarks?	N/A
Food Service	
Are food service operations supplemented by the General Fund?	Noteworthy Accomplishment

Appendix B: Additional Comparisons

Staffing

According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013) instructions for reporting staff data, an FTE is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally required performing the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district. **Table B-1** illustrates the FTE staffing levels per 1,000 students at MCSD and the average of the peer districts. During fieldwork, the latest available peer data was from FY 2012-13 as reported to ODE through EMIS. Adjustments were made to MCSD's EMIS data to reflect accurate staffing levels for FY 2013-14.

Table B-1: MCSD Staffing Comparison

	MCSD		Peer Average	Difference	
Students ¹	3,604		5,133	(1,529)	
Students (Thousands)	3.604		5.133	(1.529)	
Staffing Categories	MCSD FTEs	MCSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ²
Administrative	25.5	7.1	6.3	0.8	2.9
Office/Clerical	38.5	10.7	7.1	3.6	13.0
General Education Teachers	174.2	48.4	40.8	7.6	27.4
All Other Teachers	92.2	25.6	16.2	9.4	33.9
Education Service Personnel (ESP)	43.3	12.0	7.5	4.5	16.2
Educational Support	30.5	8.5	2.6	5.9	21.3
Other Certificated	14.0	3.9	2.1	1.8	6.5
Non-Certificated Classroom Support	51.0	14.2	9.7	4.5	16.2
Operations	112.7	31.3	22.6	8.7	31.4
All Other Staff	30.1	8.4	5.4	3.0	10.8

Source: MCSD provided data for FY 2013-14 and ODE provided peer data for FY 2012-13

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

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

As illustrated in **Table B-1**, MCSD employs more FTEs in every staffing category when compared to peer averages. As a result, all staffing levels were further analyzed in **R.1**, **R.2**, and **R.3**.

Salaries

The District's wages for certificated and classified employees were compared to surrounding district averages using FY 2012-13 pay schedules contained in the respective collective bargaining agreements.

Table B-2 shows a career compensation⁹ comparison of classified bargaining unit employees between MCSD and the surrounding districts.

Table B-2: Classified Career Compensation Comparison

	MCSD	Surrounding District Average	Difference	% Difference
Bus Driver	\$531,440	\$633,484	(\$102,044)	(16.1%)
Custodian	\$927,722	\$1,023,362	(\$95,640)	(9.3%)
Secretary	\$898,310	\$1,137,310	(\$239,000)	(1.0%)

Source: MCSD and peer district classified collective bargaining agreements

As shown in **Table B-2**, career compensation for MCSD classified staff was below the surrounding district average for all three positions. Certificated compensation is addressed in **R.4**.

Facilities

Table B-3 provides a summary of MCSD building and grounds (B&G) staffing workload metrics in comparison to selected benchmarks.

⁹ Represents the total salary the District should expect to pay bargaining unit employees over the duration of a 30 year career based on bargaining agreement salary schedules.

Table B-3: FY 2013-14 B&G Department Staffing Analysis

Grounds Staffing	
Grounds FTEs Employed	3
Acreage Maintained	219.2
AS&U Benchmark - Acres per FTE Grounds-keeper	40.2
Benchmarked Staffing Need	5.5
Groundskeeper FTEs Above/(Below) Benchmark	(2.5)
Cleaning Staffing	
Custodial FTEs	30
Square Footage Cleaned	1,010,733
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	34.3
Custodial FTEs Above/(Below) Benchmark	(4.3)
Maintenance Staffing	
Maintenance FTEs	3
Square Footage Maintained	1,010,733
AS&U Benchmark - Square Footage per Maintenance FTE	94,872
Benchmarked Staffing Need	10.7
Maintenance FTEs Above/(Below) Benchmark	(7.7)
Total B&G Staffing	
Total FTEs Employed	36
Total Benchmarked Staffing Need	50.5
Total FTEs Above/(Below) Benchmark	(14.5)

Source: MCSD, AS&U Maintenance and Operations Cost Annual Study and NCES

As illustrated in **Table B-3**, MCSD employs fewer B&G FTEs compared to national benchmarks.

Food Service

The Food Service Fund is an enterprise fund which is intended to be financially self-sufficient by relying on charges and reimbursements to cover the costs of operations. **Table B-4** illustrates the fund balance variations from FY 2010-11 to FY 2012-13.

Table B-4: FY 2010-11 to FY 2012-13 Food Service Fund

	FY 2010-11	FY 2011-12	FY 2012-13
Beginning Fund Balance	\$217,378	\$335,541	\$390,411
Ending Fund Balance	\$393,475	\$215,349	\$650,225
Surplus/(Deficit)	\$176,097	(\$120,192)	\$259,814

Source: MCSD

As shown in **Table B-4**, the Food Service Fund maintained a positive fund balance over the past three years. While the District incurred an operating deficit during FY 2011-12, the Food Service

Fund did not require General Fund transfers. Building and staff consolidations have contributed to the District being able to maintain a positive fund balance (see **Noteworthy Accomplishment**).

Appendix C: Five Year Forecast

Chart C-1 displays the District's May 2014 Five Year Forecast.

Chart C-1: MCSD FY 2013-14 May Five Year Forecast

Line	Actual			Forecasted				
	2011	2012	2013	2014	2015	2016	2017	2018
1.010 General Property (Real Estate)	14,883,384	16,870,948	12,059,266	13,451,654	14,519,000	14,519,000	14,519,000	14,519,000
1.020 Tangible Personal Property Tax	47,644	6,466	1,125,692	1,184,877	1,184,877	1,184,877	1,184,877	1,184,877
1.035 Unrestricted Grants-in-Aid	27,135,193	28,597,556	29,486,077	29,182,359	31,504,065	31,504,065	31,504,065	31,504,065
1.040 Restricted Grants-in-Aid	625,547	542,766	568,215	2,911,871	2,911,871	2,911,871	2,911,871	2,911,871
1.045 Restricted Federal Grants-in-Aid - SFSF	2,460,900	830,373	132,781					
1.050 Property Tax Allocation	5,691,727	4,715,788	3,444,825	3,203,595	3,189,930	3,114,000	3,114,000	3,114,000
1.060 All Other Operating Revenue	2,447,961	2,610,859	2,707,620	2,464,808	1,803,992	1,728,308	1,728,308	1,728,308
1.070 Total Revenue	53,292,356	54,174,756	49,524,476	52,399,164	55,113,735	54,962,121	54,962,121	54,962,121
2.010 Proceeds from Sale of Notes			2,500,000					
2.020 State Emergency Loans & Advancements (Approved)				3,685,000				
2.040 Operating Transfers-In		122,326	3,400,000					
2.060 All Other Financial Sources	500,736	925,191	295,903	420,263	292,873	200,000	200,000	200,000
2.070 Total Other Financing Sources	500,736	1,047,517	6,195,903	4,105,263	292,873	200,000	200,000	200,000
2.080 Total Revenues and Other Financing Sources	53,793,092	55,222,273	55,720,379	56,504,427	55,406,608	55,162,121	55,162,121	55,162,121
3.010 Personnel Services	26,393,553	26,455,310	25,865,511	26,529,000	22,409,279	22,609,279	23,409,270	23,509,270
3.020 Employees' Retirement/Insurance Benefits	10,937,084	11,189,127	11,902,726	11,862,000	11,447,212	11,117,212	11,117,212	11,117,212
3.030 Purchased Services	14,340,173	14,456,100	15,017,657	17,065,000	16,950,000	16,734,000	16,839,000	16,844,000
3.040 Supplies and Materials	771,493	914,804	833,409	923,000	884,564	889,564	899,564	904,564
3.050 Capital Outlay	332,913	106,531	65,656	361,000	107,000	107,000	107,000	107,000
4.020 Debt Service: Principal-Notes				210,000	650,000	670,000	690,000	715,000
4.040 Debt Service: Principal - State Advancements					1,842,500	1,842,500		
4.055 Debt Service: Principal - Other			27,765					
4.060 Debt Service: Interest and Fiscal Charges				138,000	146,053	127,065	106,941	85,628
4.300 Other Objects	622,652	652,867	629,066	589,000	631,000	631,000	631,000	631,000
4.500 Total Expenditures	53,397,868	53,774,739	54,341,790	57,677,000	55,067,608	54,727,620	53,799,987	53,913,674
5.010 Operational Transfers - Out	117,103	1,268,326	250,000	519,000	319,000	319,000	319,000	319,000
5.030 All Other Financing Uses		913						
5.040 Total Other Financing Uses	117,103	1,269,239	250,000	519,000	319,000	319,000	319,000	319,000
5.050 Total Expenditure and Other Financing Uses	53,514,971	55,043,978	54,591,790	58,196,000	55,386,608	55,046,620	54,118,987	54,232,674
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	278,121	178,295	1,128,589	(1,691,573)	20,000	115,501	1,043,134	929,447
7.010 Beginning Cash Balance	1,401,178	1,679,299	1,857,594	2,986,183	1,294,610	1,314,610	1,430,111	2,473,245
7.020 Ending Cash Balance	1,679,299	1,857,594	2,986,183	1,294,610	1,314,610	1,430,111	2,473,245	3,402,692
8.010 Outstanding Encumbrances	296,498	369,793	649,595	439,000	360,000	360,000	360,000	360,000
10.010 Fund Balance June 30 for Certification of Appropriations	1,382,801	1,487,801	2,336,588	855,610	954,610	1,070,111	2,113,245	3,042,692
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	1,382,801	1,487,801	2,336,588	855,610	954,610	1,070,111	2,113,245	3,042,692
13.020 Property Tax - New							2,000,000	4,000,000
13.030 Cumulative Balance of New Levies							2,000,000	6,000,000
15.010 Unreserved Fund Balance June 30	1,382,801	1,487,801	2,336,588	855,610	954,610	1,070,111	4,113,245	9,042,692

Source: ODE

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.



Mansfield City Schools

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Mrs. Monica Hubbard

Administration

Brian K. Garverick
Superintendent

Rosetta L. Stephens
Treasurer

Betsy L. Alexander
Director of State & Federal

December 17, 2014

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CPS
DEC 19 2014

AUDITOR OF STATE

David Yost
Auditor of State
88 East Broad Street, Fifth Floor
Columbus, Ohio 43215

Dear Auditor Yost,

Mansfield City Schools greatly appreciates the time, effort and collaborative approach of the Ohio Performance Team in developing the audit report for our district. We were pleased to be part of this productive process.

As noted on the report's background page (p. 5), we achieved major cost reductions earlier this year as part of the Financial Recovery Plan developed with the Financial Planning and Supervision Commission and approved by the Ohio Department of Education on May 2. However, many of the recommendations included in the performance audit concerning certificated salary schedules, coordination of sick-leave policies, transportation and other topics will prove valuable as we move forward.

We are keenly aware that we will not be released from fiscal emergency overnight. Much hard work by our district lies ahead in cooperation with the authority of the Financial Planning and Supervision Commission. We are determined to gain release from fiscal emergency at the earliest possible date and chart a course for sustained fiscal health. The Ohio Performance Team's audit report will be an important tool in achieving that goal.

On behalf of the Mansfield City Schools Board of Education and our entire district staff, thank you for the work involved in producing the performance audit report.

Respectfully,

Brian Garverick
Superintendent

We are an equal opportunity employer.

Focused on student learning; building tomorrow's dreams.



Dave Yost • Auditor of State

MANSFIELD CITY SCHOOL DISTRICT

RICHLAND 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
JANUARY 15, 2015**