



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Southern Local 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".

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Dave Yost
Auditor of State

January 6, 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 Southern Local School District (SLSD or the District). ODE requested this performance audit with the goal of improving the District’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, transportation, facilities, and food services. 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 performed used criteria from a number of sources including; peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with SLSD, the following Ohio school districts were identified as peers: Ansonia Local School District (Darke County), Eastern Local School District (Pike County), Edgerton

Local School District (Williams County), Leetonia Exempted Village School District (Columbiana County), Mississinawa Valley Local School District (Darke County), Southeastern Local School District (Clark County), Southern Local School District (Meigs County), Symmes Valley Local School District (Lawrence County), Trimble Local School District (Athens County), and Wolf Creek Local School District (Washington County).

Where reasonable and appropriate, peer districts were used for comparison. 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 State Employment Relations Board (SERB), the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), the National State Auditors Association (NSAA), the School Employees Retirement System (SERS), the State Teachers Retirement System (STRS), the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), and the United States Department of Agriculture (USDA).

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 Southern Local School District for their cooperation and assistance throughout this audit.

Summary of Recommendations

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

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 9.0 FTEs general education teacher positions	\$514,000
R.2 Eliminate .5 FTEs office/clerical positions	\$11,600
R.3 Reduce employee health insurance expenditures	\$207,000
R.4 Increase employee health insurance contributions	\$47,500
R.5 Develop and implement formal sick leave policy	N/A
R.6 Reduce severance payouts	N/A
R.7 Develop a comprehensive preventive maintenance plan	N/A
R.8 Develop a facilities master plan	N/A
R.9 Develop formal policies and procedures for completing T- Forms	N/A
R.10 Apply for fuel tax refund	\$1,200
R.11 Develop a formal program for maintaining and replacing buses	N/A
R.12 Develop a strategic plan	N/A
R.13 Link the budget document to a strategic plan	N/A
R.14 Competitively bid supplies and services	N/A
R.15 Improve financial communications	N/A
Cost Savings Adjustments¹	(\$42,000)
Total Cost Savings from Performance Audit Recommendations	\$739,300

¹ FTE reductions identified in R. 1 and R.2 would reduce savings achieved from R.4 and R.5

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 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Ending Fund Balance	\$913,001	\$898,469	\$614,017	\$99,458	(\$733,987)
Performance Audit Total Cost Savings	\$0	\$0	\$739,300	\$1,478,600	\$2,217,900
Revised Ending Fund Balance	\$913,001	\$898,469	\$1,353,317	\$1,578,058	\$1,483,913

Source: SLSD May 2014 Five Year Forecast

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 to FY 2015-16 through FY 2017-18 only.

While the performance audit recommendations are based on the District's operations during FY 2012-13, 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 a new fiscal year. As a result, cost savings have been applied to FY 2014-15 through FY 2017-18 only. If SLSD implements the recommendations within the performance audit the District could change the projected FY 2017-18 deficit of \$700,000 to a surplus of \$1.4 million.

Background

Financial Status

The District has been operating in fiscal caution since April 11, 2011. In January 2014, ODE requested that AOS conduct a performance audit of the operations of SLSD. The timing of this audit required that analyses and recommendations were formulated based on the financial condition outlined in the District's October 2013 Five Year Forecast that projected an operating deficit of approximately \$972,000 for FY 2017-18. During the course of the audit, the District reduced two full-time positions effective for FY 2013-14 that eliminated the projected deficit for FY 2016-17 and reduced the expected deficit in FY 2017-18 by approximately \$240,000. See **Appendix C** for the October 2013 and May 2014 five-year forecasts.

Table 1 shows the District's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in its May 2014 Five Year Forecast.

Table 1: Financial Condition Overview

May 2014 Forecast					
	Forecast FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Total Revenues and Other Financing Source	\$8,225,849	\$7,916,530	\$7,914,837	\$7,970,869	\$7,958,364
Total Expenditure and Other Financing Uses	\$7,715,950	\$7,931,062	\$8,199,289	\$8,485,428	\$8,791,809
Results of Operations	\$509,899	(\$14,532)	(\$284,452)	(\$514,559)	(\$833,445)
Beginning Cash Balance	\$478,102	\$988,001	\$973,469	\$689,017	\$174,458
Ending Cash Balance	\$988,001	\$973,469	\$689,017	\$174,458	(\$658,987)
Outstanding Encumbrances	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Fund Balance June 30 for Certification	\$913,001	\$898,469	\$614,017	\$99,458	(\$733,987)

Source: SLSD May 2014 Five Year Forecast

Note: See **Chart C2** for the May 2014 Five Year Forecast in its entirety.

As shown in **Table 1**, the District is projecting its fund balance to decrease from a surplus of approximately \$913,000 in FY 2013-14 to a deficit exceeding \$733,000 by FY 2017-18. A reduction of this future deficit could be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, the District's operations and related expenses were examined by OPT in an effort to identify areas of potential cost savings for the District.

Unlike expenditures, revenue generation is not directly controlled by school districts, but instead by Federal and State laws and regulations as well as support from local taxpayers. ODE's Local

Tax Effort Index¹ is a tool designed to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education while considering the residents' ability to pay. In FY 2012-13, the District's Local Tax Effort Index was 0.6601. The average of the other three school districts in Perry County was 0.7635. If the District's means-adjusted revenue increases to a rate closer to the state average, the District may be able to address the projected deficits without fully implementing some of the cost-cutting measures identified in this report.

Previous Performance Audit

At the request of the Board of Education and the Ohio Department of Education, AOS conducted a performance audit of SLSD which was completed in 2007 and indicated possible savings of approximately \$500,000 outlined in 46 recommendations; of which eight are repeated by the current performance audit report. As a result of turnover of the District's administrative staff, information was not available to determine why the eight repeated recommendations were not implemented.

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

Recommendations

R.1 Eliminate 9.0 FTEs² general education teacher positions

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires a district-wide 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.

Table 2 compares the District's general education teaching staff ratio to the State minimum requirements for FY 2014.

Table 2: FY 2014 General Education Teacher Comparison

General Education FTEs	34.5			
Regular Student Population	517.2			
Options	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for each Option	Difference Above / (Below)	Annual Savings
Option 1, 20% Above State Minimum	20:1	24.8	9.7	\$514,051
Option 2, State Minimum	25:1	20.7	13.8	\$788,314

Source: SLSD and OAC

Note: Ohio Administrative Code (OAC) 3301-35-05 defines the State minimum requirement for general education teaching staff as 1.0 FTE classroom teacher per 25 regular education students. Option 1 uses 20% (20 students per teacher) above the State minimum ratio.

As illustrated in **Table 2**, SLSD staffs at a level that is 13.8 FTEs above the State minimum requirement for general education teachers; however, the District has 2.3 less general education teachers per 1,000 students than the peer average. Our financial analysis indicates that implementing Option 1 would produce sufficient savings to eliminate the District's deficit if all of the remaining recommendations are fully implemented.

While it is not a common practice in Ohio to operate at or near State minimums, SLSD may need to make significant staffing reductions to address potential deficits if savings cannot be identified and achieved in other areas of operation. If the District determines that staffing reductions are necessary in order to function within its current operating budget, it should first consult with ODE to ensure it maintains compliance with State requirements.

Financial Implication: Eliminating 9.0 FTEs of general education teacher positions would save **\$514,000** in salaries and benefits annually. This savings was calculated using the nine lowest

² 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 (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

salaries for a general education teacher in FY 2014 (\$342,701) and includes a benefit ratio of 50 percent (\$171,350).³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

R.2 Eliminate .5 FTEs office/clerical positions

The District currently employs 5.0 FTEs office/clerical Staff, or 7.1 FTEs per 1,000 students. This includes staff who are performing general office activities or are building, departmental, or administrative secretaries. The peer average office/clerical staff FTEs per 1,000 students is 6.3, which means SLSD has .8 more Office/Clerical staff per 1,000 students than the peer average.

Table 3 compares the District’s office and clerical staff on a per 1,000 student basis to the peers.

Table 3: Office/Clerical Staffing Comparison

	SLSD		Peer Average	Difference	
Students ¹	695.3		713.0	(17.7)	
Students (in thousands)	0.6953		0.713	(0.0177)	
Staffing Categories	SLSD ² FTEs	SLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ³
Office/Clerical	5.0	7.1	6.3	.8	.6

Source: SLSD FY 2013-14 and peer district FY 2012-13 staffing data as reported to ODE

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 Adjustments were made to the District’s EMIS data to reflect accurate staffing at the time of the assessment.

³ Represents the number of FTEs that would bring the District’s office/clerical workers per 1,000 students in line with the peer average. Calculated by multiplying “Difference per 1,000 Students” by SLSD’s “Students (in thousands)” to adjust for SLSD’s student population of less than 1,000. [.8 x 0.6953 = .55]

Table 3 shows that SLSD has .6 FTEs more Office / Clerical staff than their peers do.

Financial Implication: Reducing .5 office/clerical staff FTEs would save **\$11,600** in salaries and benefits annually. This savings was calculated using the lowest salary for clerical workers (\$7,700 and includes a benefit ratio of 50 percent (\$3,900). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

R.3 Reduce employee health insurance expenditures

Prior to making any changes to health insurance, the District 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 from Medical Mutual of Ohio through an insurance broker with the oversight of an insurance committee. In 2013, there were 74 District employees

³ The average benefit percentage is calculated by taking the District’s total employee retirement and insurance benefits divided by the District’s total personal service expenditures in FY 2012-13.

enrolled and receiving medical coverage. Single plans cost \$8,505 per employee and family plans cost \$22,112 annually. **Table 4** displays a comparison between SLSD premiums and data published in the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2013)⁴.

Table 4: Premium Comparison

	SLSD	SERB Average ¹	Difference
Single Coverage	\$8,505	\$7,248	17.3%
Family Coverage	\$22,112	\$18,888	17.1%

Source: SLSD and SERB

¹ Reflects the 2013 average annual medical premiums for the southeast region of Ohio.

As illustrated in **Table 4**, the District's premiums for both single and family coverage exceeded the SERB averages in 2013. The primary cost driver of premiums for health insurance is the level of coverage provided by the chosen plan, including out-of-pocket maximums, deductibles, and co-payments. Specifically, the more comprehensive the coverage of the plan, the more expensive the premium will be to the employer / employee. For example, the District's medical plan includes a deductible of \$500 per single plan, and \$1,500 per family plan putting it in the highest 42% of school district medical insurance deductibles in the State according to the SERB survey data.

Redesigning coverage, such as increasing the deductibles, out of pocket maximums, and/or co-payments, to a level more in line with the regional average may allow SLSD to obtain overall lower premiums. In addition to redesigning coverage to reduce premiums, SLSD should evaluate the following strategies to help lower expenditures dedicated to providing employee health insurance.

- **High Deductible Health Insurance Plan (HDHP):** Given that HDHP plans offer lower premiums to both the employee and the District, SLSD should explore options to increase participation in the High Deductible Health Plan including implementing and contributing to a Health Saving Account (HSA) on behalf of participating employees. According to the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2013), HDHPs are growing in popularity (now up to 21 percent of medical plans Statewide) as they feature lower premiums compared to other managed care and traditional insurance plans. Offering an HSA and proactively educating employees about health insurance may assist the District in increasing participation in a HDHP.
- **Consortium:** Purchasing health insurance through a consortium allows entities to leverage purchasing power to obtain more competitive rates. Each of the responding surrounding districts purchases employee health insurance through one of two local consortiums. As a tradeoff of receiving more competitive rates, districts obtaining health insurance through a consortium typically are bound to offering the coverage of the

⁴ The 2013 survey was sent to 1,325 governmental jurisdictions, 720 of which were school districts and Education Service Centers (ESC). The response rate for 2013 included 92.5 percent of all public jurisdictions responding to the health insurance survey including 700 school districts and ESCs.

consortium’s plan(s). As a result, coverage adjustments may be required for SLSD. The District should continually evaluate these available options.

Table 5 illustrates potential cost savings achieved by lowering premiums to a level equal to the regional average.

Table 5: Health Insurance Cost Savings

	SLSD	SERB Regional Average	Difference	Staff Members Contributing	Possible Savings
Annual Premium Single	\$8,505	\$7,248	\$1,257	16	\$20,104
Annual Premium Family	\$22,112	\$18,888	\$3,224	58	\$186,966
Total					\$207,070

Source: SLSD and SERB

Financial Implication: Reducing the District’s expenditures dedicated to health insurance premiums to a level in line with the surrounding region would save approximately **\$207,000** annually.

R.4 Increase employee health insurance contributions

Current CBA’s mandate that certificated employees will contribute \$660 per single plan and \$1,680 per family plan annually to the cost of the medical insurance premium, while classified employees will contribute eight percent of the medical insurance premium annually; the maximum of which is \$660 for single plans and \$1,680 for family plans.

According to the 2013 SERB Insurance Report, the average employee contribution of medical insurance premiums by public entities in the Southeast Ohio region was \$804 per single plan and \$2,460 per family plan annually.

Table 6 illustrates the annual savings achieved by increasing employee insurance contributions.

Table 6: Contribution Cost Savings

	SLSD	SERB Regional Average	Difference	Staff Members Contributing	Savings
Annual Contributions (Single/Certificated)	\$660	\$804	\$144	11	\$1,584
Annual Contributions (Family/Certificated)	\$1,680	\$2,460	\$780	42	\$32,760
Annual Contributions (Single/Classified)	\$660	\$804	\$144	5	\$720
Annual Contributions (Family/Classified)	\$1,680	\$2,460	\$780	16	\$12,480
Total Savings					\$47,544

Source: SLSD and SERB

Financial Implication: Increasing employee health insurance contribution to the regional average would save approximately **\$47,500** annually.

R.5 Develop and implement formal sick leave policy

SLSD does not have effective control measures to ensure sick leave abuse does not occur. From FY 2011-12 to FY 2013-14, certificated staff used an average of 71.6 hours of sick leave per employee, which was 2.1 hours less than the two-year DAS average. In contrast, classified staff used an average of 88.9 hours of sick leave per employee, a level that was 15.2 hours higher than the DAS average, and the administrative staff used an average of 54.6 hours of sick leave per employee, which was 17.0 hours higher than the DAS average.

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.

In an effort to keep sick leave levels to a minimum, the District should develop a sick leave policy including language that identifies what constitutes sick leave abuse and any associated penalties.

R.6 Reduce severance payouts

The District's maximum severance payout for retiring employees exceeds State minimum requirements. The District's certificated CBA stipulates that retiree severance packages shall be up to 75 days, regardless of the amount of accumulated, unused sick leave days. The classified

CBA stipulates that retiree severance packages shall be 36% of accumulated and unused sick days, taken from a maximum of 120 days, which is 43 day payout.

ORC §124.39 states that public employees are entitled to receive a quarter of accumulated sick days up to a 30-day payout, at the employee's ending rate of pay if the employee retires with at least 10 years of service. The District offers a sick leave severance payout that is higher than the ORC requirement; that is, 45 days more for certificated employees, and 13 days more for classified employees.

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 aligned with ORC minimums will result in significant future cost avoidance.

R.7 Develop a comprehensive preventive maintenance plan

Although the District conducts basic routine maintenance on HVAC, faucet, and drainage systems, it does not have a formal preventive maintenance plan of when equipment maintenance is necessitated by manufacturer guidelines.

The *Planning Guide for Maintaining School Facilities* (National Center for Educational Statistics (NCES), 2003) indicates that "... a comprehensive facility maintenance program is a school District's foremost tool for protecting its investment in school facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative." According to NCES, a good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a District should then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

The absence of a formal, written preventive maintenance plan limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively and may drive up costs due to early replacement of capital assets. Developing an effective preventive maintenance plan should help ensure that the District extends the life of capital assets and should allow for more accurate budgeting as potential costly replacements can be identified earlier in the process.

R.8 Develop a facilities master plan

SLSD does not have a master plan for its facilities, and is currently replacing equipment as it breaks down while not allocating for these specific repairs in the long term.

According to *School Planning Management* (Peter Li, 2001), school districts should have a district-wide facilities plan that allows for changing demographics, building conditions, and potential capital improvement projects. Once implemented, master plans should be continuously updated, as conditions and projects change. A useful master plan should assist administrators in

the financial forecasting and budgeting of major expenditures associated with a district's facilities.

Planning and publishing a facilities master plan will allow the District to more effectively prioritize and allocate funds for appropriate capital improvements, as well as communicate to stakeholders why and how such funds are allocated.

R.9 Develop formal policies and procedures for completing T Forms

Each school district in Ohio is required to report information about transportation operations to ODE on an annual basis in accordance with ORC 3327.012 and OAC 3301-83-01. The T-1 Form is used to report information on students, buses, and miles and the T-2 Form is used to report the actual expenses incurred for the transportation of eligible students to and from school. T-1 and T-2 Form data is also used to calculate the District's special education transportation funding.

The Transportation Coordinator and Assistant Treasurer are primarily responsible for preparing the T Forms. However, the District does not have formal policies and procedures for completing T Forms or properly maintaining the required supporting documentation.

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

The lack of formalized standard operating procedures weakens internal controls, especially in the event of employee turnover or absence. In addition, because there is no documentation of how data is collected or costs allocated, the reliability of the District's transportation could be brought into question. This increases risks associated with misreporting and may result in a loss of State reimbursement revenue for which SLSD is eligible. The development of policies and procedures documenting the District's T Form reporting process and retention of supporting documentation will help ensure accurate reporting of transportation information to ODE in accordance with ORC and OAC standards.

R.10 Apply for fuel tax refund

In Ohio, an excise tax of \$.28 per gallon applies to all dealers in motor vehicle fuel on the use, distribution, or sale of fuel used. Local governments, including school districts, are permitted a refund of \$0.06 per gallon on all fuel purchased. Historically, SLSD has not requested this refund. The District should claim the Motor Fuel Tax Refund available for up to one year following a fuel purchase.

Financial Implication: Applying for and receiving the Motor Fuel Tax Refund of \$0.06 per gallon would save the District approximately **\$1,200** annually.

R.11 Develop a formal program for maintaining and replacing buses

SLSD does not have a formal maintenance plan. The District should develop a maintenance plan to help ensure that bus replacement needs are effectively evaluated and communicated. This plan should account for enrollment and ridership trends, and the maintenance and repair costs for each bus. Doing so would allow the District to plan for the replacement of buses at the most advantageous points in their lifecycles. Additionally, this plan should be linked to the District's budget so that bus replacement funds are available when needed. Without a replacement plan, the District may be unprepared for future capital obligations and risk devoting additional resources to maintaining buses that are progressively becoming more costly to maintain.

Table 8 compares the maintenance and repair expenditure ratios for SLSD with the peer average for FY 2012-13.

Table 8: Maintenance and Repair Expenditures Comparison FY 2012-13

	SLSD	Peer Average	Difference	% Difference
Cost Per Rider	\$134.80	\$110.90	\$23.90	21.6%
Cost Per Active Bus	\$7,132.30	\$6,226.30	\$906.00	14.6%
Cost Per Routine Mile	\$0.44	\$0.46	\$0.02	(3.1%)

Source: ODE T-2 Reports

Note: Includes mechanic and mechanic helper salaries.

As **Table 8** shows, the District's maintenance and repair costs are significantly higher than the peers on a per yellow bus rider and per active bus basis, but slightly lower on a per routine mile basis.⁵ **Table 8** also shows that the District pays \$7,132 per active bus for maintenance and repairs, an expenditure level 14.6 percent higher than the peer average. According to the District, maintenance supplies expenditures are greatly affected by its aging fleet and the rural nature of its routes, including hills, potholes and gravel roads.

According to *Public Works Management Practices Manual* (American Public Works Association (APWA), 2001), a formal preventive maintenance program should be developed for all equipment that includes scheduling, recording performance, and monitoring the program. Furthermore, *School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services, 2002) emphasizes that replacement of school buses should be a planned process. A district's finances are certainly an important consideration in the replacement of buses, and may be an obstacle to replacing them on the schedule set by the district. Ultimately, a bus replacement plan allows a district to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement and any risks posed by the current state of the fleet.

Adopting a formal bus replacement plan, even without the resources to fund the plan, could benefit the District as it would set priorities and establish criteria for when funding is available. In addition, it could help to anticipate and avoid the need to replace a major portion of the fleet at

⁵ The area of the District is 18 square miles greater than the peer average.

the same time, and allow the District to demonstrate the impact of not funding capital improvements.

R.12 Develop a strategic plan

SLSD does not have a comprehensive strategic plan that guides long-term operations and spending decisions. *Recommended Practice on the Establishment of Strategic Plans* (Government Finance Officers Association, (GFOA) 2005) indicates that governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan should establish logical links between spending and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. GFOA recommends the following steps when developing a strategic plan:

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

The lack of a strategic plan potentially hinders SLSD from effectively developing budgets and five-year forecasts, and evaluating the relationship between spending decisions and program effectiveness. This, in turn, increases the risk of inefficiently addressing District needs. SLSD should develop a comprehensive strategic plan that outlines its long-term vision for all operational and educational programs. Once developed, SLSD should link the strategic plan to the budget, the five-year financial forecast and other related plans.

R.13 Link the budget document to a strategic plan

The District's annual budget is not linked to formal goals, objectives, and performance measures identified in a long-term comprehensive strategic plan (see **R.12**). To create its budget, the Treasurer and Superintendent rely on past spending decisions instead of future goals and objectives.

ORC 5705.38 requires the Board of Education to pass its annual appropriations measure by the first day of October. Although the District met the deadlines set forth in ORC 5705.38, it could improve its budgeting practices by following the framework set out by the National Advisory Council on State and Local Budgeting (NACSLB).

According to *Budgeting for Results and Outcomes* (GFOA, 2007) the NACSLB defines budgeting as a strategic process that positions entities to meet long-term programs, services, and financial goals by following its four major principles:

- Establish broad goals to guide decision making. A government should have broad goals that provide it with overall direction and serve as a basis for decision making. (e.g., strategic planning, long-range financial planning)
- Develop approaches to achieve goals. A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals. (e.g., financial policies, business plans, performance measurements, individual performance objectives)
- Develop a budget consistent with approaches to achieve goals. A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted. (e.g., strategically focused budget: outcome-based, performance based)
- Evaluate performance and make adjustments. Program and financial performance should be continually evaluated, and adjustments made, to support progress in achieving goals. (e.g., quarterly and annual budget and performance reports, performance audits, special evaluation studies, strategic and financial plan revisions)

If the budgeting process is not linked to a formal strategic plan to guide program and funding decisions, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs.

R.14 Competitively bid supplies and services

The District does not use the Department of Administrative Services (DAS) as a resource for purchasing supplies and services nor could it provide documentation showing the district shops prices with other suppliers for the lowest price. Instead, it uses local vendors for service and supply purchases.

According to the *Ohio Compliance Supplement Optional Procedure Manual* (OPM, 2014), 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. In order to do this, the school district must be able to 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 [Section 125.04 (C)].

The District should competitively bid supplies and services or use the DAS contract to ensure it is not spending more on purchases than necessary.

R.15 Improve financial communications

Some members of the community organized a levy committee that took it upon itself to communicate with its stakeholders through door-to-door campaigning and other advertising measures to gauge levy participation and have a better chance for its passage in May 2014. However, to better communicate with stakeholders on an ongoing basis, the District should consider the following:

Supplemental Reporting: The Treasurer indicated that the District does not prepare a comprehensive annual financial report (CAFR), a popular annual financial report (PAFR), or other supplemental information in addition to the annual report. The District can provide supplemental reporting with limited preparation costs. For example, the Advancing Government Accountability: Citizen-Centric Reporting (CCR) Initiative is intended to detail information sharing between governments and its citizens. The CCR initiative is a way to feature government finances in a visually appealing, clear and understandable four-page document. The suggested document format shares community information such as population figures, regional characteristics and its goals on page one. The second page presents a performance report on key initiatives, missions and service delivery. The third page details costs and revenue information and the fourth page looks forward to the year ahead. Likewise, *Recommended Practices: Preparing Popular Reports* (GFOA, 2006) encourages governments to supplement their annual financial reports, with simpler, "popular" annual financial reports designed to assist those who need a less detailed overview of a government's financial activities. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends.

Strategic Plan: The District does not have a Board approved strategic plan (see **R.12**).

Website: The District's website does not have an area dedicated to the Treasurer's Office or links to financial data. Furthermore, the website does not have a link to Board meeting minutes. By comparison, the web page of Wolf Creek Local School District (Washington County) includes Board meeting minutes, financial policies, relation/communications policies, and others. Additionally, Southern Local School District's (Meigs County) web page includes Board financial information explaining the forecast, historical expenditure and revenue, and forecast assumptions. Similarly, Southeastern Local School District (Clark County) includes a treasurer's report which shows the total revenue and expenditures by month, the five year forecast, and Board meeting minutes.

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 auditor seeks 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. Thirty-two of the forty-five 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: Scope and Objectives

Objective	Recommendation
Human Resources	
Is the organizational structure and function of the human resources operations efficient?	N/A
Are collective bargaining agreements consistent with leading practices?	N/A
Are athletics and other supplemental contracts comparable to leading practices?	N/A
Is EMIS data accurate and reliable?	N/A
Is staffing efficient compared to the peers?	R.1 and R.2 Tables 2 and 3
Are salaries comparable to the peers?	N/A
Are health benefits comparable to leading practices?	R.3 and R.4 Tables 4, 5, and 6
Do employees receive pension pick-up benefits?	N/A
Are severance payout stipulations comparable to peers?	R.6
Is the special education program efficient?	N/A
How does special education spending and population compare to the peers?	N/A
Is sick leave usage comparable to State averages?	R.5
Facilities	
How do facilities expenditures compare to the peers?	N/A
How does the organizational structure and staffing level compare to benchmarks?	N/A
Is facility-related data reliable for use?	N/A
Is custodial and maintenance staffing efficient compared to the peers and other benchmarks?	N/A
Are overtime costs effectively managed?	N/A
Does the District make effective use of technology?	N/A
Are preventive maintenance efforts consistent with leading practices?	R.7
Are capital planning efforts consistent with leading practices?	R.8

Table A-1: SLSD Scope and Objectives (Continued)

Transportation	
How have ridership levels changed over the past three years?	N/A
How have transportation expenditures changed over the past three years?	N/A
Are buses utilized in an efficient manner?	N/A
Can the accuracy and reliability of transportation data be improved?	N/A
Is T-1 Form data reported and verified in accordance with ODE instructions?	R.9
Does the District have written procedures and guidelines that ensure accurate and timely reporting of transportation data (T Forms) to ODE?	N/A
Does the District make efficient use of routing software?	N/A
Are an appropriate number of spare buses maintained?	N/A
Is bus replacement planning consistent with leading practices?	N/A
Is fuel procured in a cost-effective manner?	R.10
Is the preventive maintenance plan consistent with leading practices?	R.11 and Table 8
Financial Management	
What has been the District's financial history?	N/A
What is the current financial state (including fiscal designation and forecasted revenue and expenditures)?	N/A
How do revenue and expenditures compare to peer districts (and/or surrounding districts, state averages, etc. when applicable)?	N/A
Is the strategic planning process consistent with leading practices?	R.12
Is financial information valid and reliable?	N/A
Does the District maintain an effective process for preparing the financial forecast?	N/A
Are budgeting practices comparable to leading practices?	R.13
Are purchasing and vendor payment practices comparable to leading practices?	R.14
Is financial communication consistent with leading practices?	R.15
Food Service	
What is the financial status of the Food Service Fund?	N/A
Are food service operations supplemented by the General Fund?	N/A
Are participation rates in line with peer averages and industry benchmarks? What could be done to increase participation if it is low?	N/A
Are meals per labor hour in line with peer averages?	N/A
How do food expenditures compare to peers?	N/A

Appendix B: Additional Comparison

Salaries

The District's starting wages and step increases were compared to the respective peer averages. This was completed using negotiated salary schedules from FY 2012-13 collective bargaining agreements for SLSD and the peer districts. **Table B1** shows the total salary an SLSD employee would receive over the duration of a 30 year career, based on the current contract in comparison to the peer districts.

Table B1: Total Salary Comparison

	SLSD	Peer Average	Difference	% Difference
Certified (Teachers)				
Bachelor's Degree	\$1,303,329	\$1,366,315	(\$62,986)	(4.83%)
Bachelor's Degree + 150 Hours	\$1,394,587	\$1,456,121	(\$61,534)	(4.41%)
Master's Degree	\$1,484,958	\$1,565,586	(\$80,628)	(5.43%)
Classified				
Administrative Assistant	\$835,453	\$973,754	(\$138,301)	(16.55%)
Aide	\$825,302	\$902,502	(\$77,200)	(9.35%)
Bus Driver	\$868,338	\$1,111,072	(\$242,734)	(27.95%)
Cook	\$825,302	\$859,523	(\$34,221)	(4.15%)
Custodian	\$843,835	\$967,704	(\$123,869)	(14.68%)
Maintenance	\$952,099	\$1,097,091	(\$144,992)	(15.23%)
Mechanic	\$971,755	\$1,102,130	(\$130,375)	(13.42%)

Source: SLSD and peer district salary schedules

As shown in **Table B1**, SLSD career compensation levels were lower for all staffing categories.

Appendix C: Five Year Forecast

Chart C-1 displays the District's October 2013 Five Year Forecast.

Chart C-1: SLSD October 2013 Five-Year Forecast

Southern Five Year Forecast for Fiscal Year 2014								
District Type: Local IRN: 049064 County: Perry Date Submitted: 10/21/2013 Date Processed: 10/21/2013								
Line	Actual			Forecasted				
	2011	2012	2013	2014	2015	2016	2017	2018
1.010 General Property (Real Estate)	717,513	819,010	776,505	775,788	779,037	794,880	807,086	827,435
1.020 Tangible Personal Property Tax	102,078	102,902	108,715	102,160	94,929	94,929	94,929	94,929
1.035 Unrestricted Grants-in-Aid	6,410,562	6,448,995	6,475,997	6,495,787	6,495,787	6,495,787	6,495,787	6,495,787
1.040 Restricted Grants-in-Aid	107,421	113,707	83,029	73,625	73,625	73,625	73,625	73,625
1.045 Restricted Federal Grants-in-Aid - SFSF	542,596	386,765						
1.050 Property Tax Allocation	213,526	158,264	174,538	190,398	210,132	216,394	220,722	227,366
1.060 All Other Operating Revenue	352,015	250,676	279,222	299,222	259,222	259,222	259,222	259,222
1.070 Total Revenue	8,445,711	8,280,319	7,898,006	7,936,980	7,912,732	7,934,837	7,951,371	7,978,364
2.050 Advances-In	46,776	42,102		10,658				
2.070 Total Other Financing Sources	46,776	42,102		10,658				
2.080 Total Revenues and Other Financing Sources	8,492,487	8,322,421	7,898,006	7,947,638	7,912,732	7,934,837	7,951,371	7,978,364
3.010 Personnel Services	4,179,644	3,975,445	3,616,504	3,589,135	3,659,514	3,725,296	3,792,260	3,860,428
3.020 Employees' Retirement/Insurance Benefits	2,319,086	2,341,866	1,822,277	1,999,649	2,158,317	2,330,937	2,519,932	2,531,146
3.030 Purchased Services	913,394	1,119,072	1,164,652	1,187,945	1,211,704	1,235,938	1,260,657	1,285,870
3.040 Supplies and Materials	212,889	180,397	223,723	225,960	228,220	230,502	232,807	235,135
3.050 Capital Outlay	1,096	130,594	104,112	105,153	106,205	107,267	108,339	109,423
4.010 Debt Service: All Principal (Historical)	49,415	51,675	53,201					
4.050 Debt Service: Principal - HB 264 Loans				54,982	57,783	60,037	62,620	66,136
4.060 Debt Service: Interest and Fiscal Charges	51,289	49,027	46,651	44,019	41,218	38,260	34,973	31,457
4.300 Other Objects	534,946	421,061	514,418	494,562	474,508	479,253	484,045	488,886
4.500 Total Expenditures	8,261,759	8,269,137	7,545,538	7,701,405	7,937,469	8,207,490	8,495,633	8,608,481
5.010 Operational Transfers - Out	79,399	93,737	45,270	45,000	45,000	45,000	45,000	45,000
5.020 Advances - Out	42,102		10,658					
5.040 Total Other Financing Uses	121,501	93,737	55,928	45,000	45,000	45,000	45,000	45,000
5.050 Total Expenditure and Other Financing Uses	8,383,260	8,362,874	7,601,466	7,746,405	7,982,469	8,252,490	8,540,633	8,653,481
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	109,227	(40,453)	296,540	201,233	(69,737)	(317,653)	(589,262)	(675,117)
7.010 Beginning Cash Balance	112,788	222,015	181,562	478,102	679,335	609,598	291,945	(297,317)
7.020 Ending Cash Balance	222,015	181,562	478,102	679,335	609,598	291,945	(297,317)	(972,434)
8.010 Outstanding Encumbrances	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
10.010 Fund Balance June 30 for Certification of Appropriations	147,015	106,562	403,102	604,335	534,598	216,945	(372,317)	(1,047,434)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	147,015	106,562	403,102	604,335	534,598	216,945	(372,317)	(1,047,434)
15.010 Unreserved Fund Balance June 30	147,015	106,562	403,102	604,335	534,598	216,945	(372,317)	(1,047,434)

Source: ODE

Chart C-2 displays the District's May 2014 Five Year Forecast.

Chart C-2: SLSD May 2014 Five-Year Forecast

Southern Five Year Forecast for Fiscal Year 2014								
District Type: Local IRN: 049064 County: Perry Date Submitted: 5/20/2014 Date Processed: 6/4/2014								
Line	Actual			Forecasted				
	2011	2012	2013	2014	2015	2016	2017	2018
1.010 General Property (Real Estate)	717,513	819,010	776,505	868,133	779,037	794,880	807,086	827,435
1.020 Tangible Personal Property Tax	102,078	102,902	108,715	141,910	94,929	94,929	94,929	94,929
1.035 Unrestricted Grants-in-Aid	6,410,562	6,448,995	6,475,997	6,333,083	6,275,921	6,252,123	6,291,621	6,252,123
1.040 Restricted Grants-in-Aid	107,421	113,707	83,029	307,289	307,289	307,289	307,289	307,289
1.045 Restricted Federal Grants-in-Aid - SFSF	542,596	386,765						
1.050 Property Tax Allocation	213,526	158,264	174,538	180,398	195,132	201,394	205,722	212,366
1.060 All Other Operating Revenue	352,015	250,676	279,222	384,378	264,222	264,222	264,222	264,222
1.070 Total Revenue	8,445,711	8,280,319	7,898,006	8,215,191	7,916,530	7,914,837	7,970,869	7,958,364
2.050 Advances-In	46,776	42,102		10,658				
2.070 Total Other Financing Sources	46,776	42,102		10,658				
2.080 Total Revenues and Other Financing Sources	8,492,487	8,322,421	7,898,006	8,225,849	7,916,530	7,914,837	7,970,869	7,958,364
3.010 Personnel Services	4,179,644	3,975,445	3,616,504	3,549,135	3,643,730	3,709,228	3,775,903	3,843,777
3.020 Employees' Retirement/Insurance Benefits	2,319,086	2,341,866	1,822,277	1,933,069	2,073,804	2,244,186	2,430,723	2,635,013
3.030 Purchased Services	913,394	1,119,072	1,164,652	1,211,445	1,235,674	1,260,387	1,285,595	1,311,307
3.040 Supplies and Materials	212,889	180,397	223,723	248,960	233,219	235,551	237,907	240,286
3.050 Capital Outlay	1,096	130,594	104,112	134,378	115,722	116,879	118,048	119,228
4.010 Debt Service: All Principal (Historical)	49,415	51,675	53,201					
4.050 Debt Service: Principal - HB 264 Loans				54,982	57,783	60,037	62,620	66,136
4.060 Debt Service: Interest and Fiscal Charges	51,289	49,027	46,651	44,019	41,218	38,260	34,973	31,457
4.300 Other Objects	534,946	421,061	514,418	494,962	484,912	489,761	494,659	499,605
4.500 Total Expenditures	8,261,759	8,269,137	7,545,538	7,670,950	7,886,062	8,154,289	8,440,428	8,746,809
5.010 Operational Transfers - Out	79,399	93,737	45,270	45,000	45,000	45,000	45,000	45,000
5.020 Advances - Out	42,102		10,658					
5.040 Total Other Financing Uses	121,501	93,737	55,928	45,000	45,000	45,000	45,000	45,000
5.050 Total Expenditure and Other Financing Uses	8,383,260	8,362,874	7,601,466	7,715,950	7,931,062	8,199,289	8,485,428	8,791,809
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	109,227	(40,453)	296,540	509,899	(14,532)	(284,452)	(514,559)	(833,445)
7.010 Beginning Cash Balance	112,788	222,015	181,562	478,102	988,001	973,469	689,017	174,458
7.020 Ending Cash Balance	222,015	181,562	478,102	988,001	973,469	689,017	174,458	(658,987)
8.010 Outstanding Encumbrances	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
10.010 Fund Balance June 30 for Certification of Appropriations	147,015	106,562	403,102	913,001	898,469	614,017	99,458	(733,987)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	147,015	106,562	403,102	913,001	898,469	614,017	99,458	(733,987)
15.010 Unreserved Fund Balance June 30	147,015	106,562	403,102	913,001	898,469	614,017	99,458	(733,987)

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.

Southern Local Schools

*The Mission of Southern Local Schools is to
Provide an excellent student-centered environment that prepares all students to become active
learners and responsible citizens.*

10397 State Route 155 SE #1 Corning, OH 43730 * Greg Holbert, Superintendent * (740) 394-2402 FAX (740) 394-2083

Board of Education

Wendy Aichele
President

Jim Palmer
Vice President

Todd Altier
Pattie Jo Duffy
Carolyn Hoskinson

September, 26, 2014

David Yost
Auditor of State
88 E. Broad St. 5th Floor
Columbus, OH 43215

Dear Auditor Yost,

On behalf of the Southern Local School District, we would like to thank the Performance Audit Team for their hard work and time in preparing the performance audit report for our District. This District voluntarily engaged in this audit process to give us a picture of where we currently stand financially and in our operations and to receive additional guidance and recommendations to assist us to continue to improve the effectiveness and efficiency of our District. We have implemented several of the recommendations from the prior performance audit from September 2007 to help us steer the District through some difficult financial times.

Regarding audit recommendation R.1 and R.2, the District has eliminated around 20 certified positions and several classified and administrative positions over the past 5 years. We consistently evaluate the need for all positions and have streamlined or combined many of them. We currently have several staff members with multiple responsibilities. We cannot eliminate nine (9) teaching positions and effectively meet the needs of our students and the requirements of the Ohio Department of Education,

Miller High School

Lisa Love
Principal
394-2426

Millcreek Elementary

MaryLou Wycinski
Principal
394-2734

Jeffrey Kaaz
Treasurer
394-2402

2011-2012
Ohio
Local Report Card



Assisted by the **Ohio** State Board of Education

Michelle P. Sawyer

Audit Response

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the State Board of Education and the Ohio Revised Code. We will, however, continue to closely monitor all of our positions and make cuts in staffing when and where we are able to save costs and be as efficient as possible.

Regarding recommendation R.3 and R.4, the District has made great strides in these areas over the past 5 years by forming a District Health Insurance Committee that works with our insurance broker to analyze annual health insurance bids from health insurance companies. As a result, for the past 5 years, we have had little to zero increase in our health insurance premiums. We have also negotiated several concessions in our plan design with the labor unions and have more than doubled the employee share of premiums. We acknowledge though, that we need to continue to take additional steps toward improvement in this area.

Regarding R.5, R.6 and R.15, we do plan to work diligently to accomplish these recommendations. R.6 is a negotiated agreement item and will have to be accomplished with cooperation from our labor unions.

Regarding R.7, R.8, R.9, R.11, R.12, and R.13, we do meet often to discuss, plan and organize for these areas. We do not have written comprehensive plans in a singular, organized format to refer to. This type of planning takes time and the challenge for us will be to carve out the time for our limited staff to construct these plans, as many of us have multiple roles in dealing with the demands of the day-to-day operations of the District. As time is available, we plan to address these recommendations.

Our Treasurer has already fulfilled recommendation R.10. We have recently received a Motor Fuel Permit number from the Ohio Department of Taxation and are in the process of applying for the Motor Fuel Tax Refund.

Finally, regarding recommendation R.14. The District does utilize the DAS Coop Purchasing program along with several educational purchasing groups. In the last couple of years we have purchased a pickup truck, tractor, van, copier, and other items utilizing these contracts. We try to purchase most hardware items through the Lowes program with the state of Ohio. Local vendors are utilized for small purchases or emergency situations. For services, we are very limited with choices in this area and sometimes have difficulty in finding contractors to come to our District to provide the needed services. Therefore, in most cases, we utilize those with knowledge of our facility and are willing to come to our District.

Southern Local Schools will continue to analyze the information gained through the audit process for the continued improvement of our District. We again thank you for your hard work on our behalf.

Sincerely,



Greg Holbert
Superintendent



Jeff Kaaz
Treasurer



Dave Yost • Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT

PERRY 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 6, 2015**