



Dave Yost • Auditor of State

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# Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Gallipolis City School District,

In consultation with 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 and management. Functional areas selected for 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  
March 29, 2016

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# Executive Summary

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## Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of the Gallipolis City School District (GCSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit is to improve GCSD's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of its operations and management. See **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including Financial Management, Human Resources, Facilities, Food Service, and Transportation. See **Appendix: 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 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, three sets of peer groups were selected for comparisons contained in this report. A primary set of peers was selected for general, District-wide comparisons. This peer set was selected from demographically similar districts with lower per pupil spending and higher academic performance. In addition, a peer group was selected for comparisons in the transportation section based on districts that were of similar size and population density. Finally, a peer group was selected for a comparison of compensation, benefits and bargaining agreements (referred to as surrounding districts). This peer set consists of districts in the same geographic proximity to provide a better gauge of local labor market conditions. **Table 1** shows the Ohio school districts included in these peer groups.

**Table 1: Peer Group Descriptions**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Bath Local School District (Allen County)</li> <li>• Bryan City School District (Williams County)</li> <li>• Clyde Green Spring Exempted Village School District (Sandusky County)</li> <li>• Girard City School District (Trumbull County)</li> <li>• St. Marys City School District (Auglaize County)</li> <li>• Shelby City School District (Richland County)</li> <li>• Van Wert City School District (Van Wert County)</li> <li>• Wauseon Exempted Village School District (Fulton County)</li> </ul>
<b>Transportation Peers</b>
<ul style="list-style-type: none"> <li>• Clear Fork Valley School District (Richland County)</li> <li>• Fairfield Union Local School District (Fairfield County)</li> <li>• Jonathan Alder Local School District (Madison County)</li> <li>• Otsego Local School District (Wood County)</li> <li>• West Branch Local School District (Mahoning County)</li> <li>• Zane Trace Local School District (Ross County)</li> </ul>
<b>Compensation, Benefits, and Union Contract Peers (Surrounding Districts)</b>
<ul style="list-style-type: none"> <li>• Fairland Local School District (Lawrence County)</li> <li>• Gallia County Local School District (Gallia County)</li> <li>• Meigs County Local School District (Meigs County)</li> <li>• Oak Hill Union Local School District (Jackson County)</li> <li>• Symmes Valley Local School District (Lawrence County))</li> </ul>

Where reasonable and appropriate, peer districts were used for comparison. In some operational areas, however, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American Association of School Administrators (AASA), the American School and University Magazine (AS&U), Deloitte, the United States Environmental Protection Agency (EPA), the Government Finance Officers Association (GFOA), the Metropolitan Education Council (MEC), the National Center for Education Statistics (NCES), the National Institute for Government Purchasing (NIGP), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), the Ohio State Employment Relations Board (SERB), the South Central Ohio Computer Operating Association (SCOCA), and the Transportation Information Management System of North Carolina (TIMS). District policies and procedures in relation to pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

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

## **Noteworthy Accomplishments**

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

- **Transparency Efficiency Accountability and Management (TEAM)** - In FY 2015-16, the District developed the TEAM process to assist administration in making decisions related to reducing costs. TEAM meetings involve representatives from the administration, teaching, and operational staff working together to identify ways to reduce expenditures and improve efficiency. The TEAM process should be used in conjunction with the recommendations in this report to continue to identify and implement cost saving measures and enhance efficiencies in the District.

## **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 the audit.

- **Explore Shared Administration and Transportation Services** - The District should explore opportunities to share administration and transportation services with other districts in Gallia and/or surrounding counties. Shared services can be an effective way for school districts to reduce expenditures while maintaining service levels. For example, Orrville City School District (Wayne County) and Rittman Exempted Village School District (Wayne County) have shared the services of one treasurer since FY 2007-08. These districts were able to identify savings of \$270,000 within the first two years of the agreement.

## Summary of Recommendations

**Table 2** shows a summary of performance audit recommendations and financial implications, where applicable.

**Table 2: Summary of Recommendations**

	<b>Recommendations</b>	<b>Savings</b>
<b>R.1</b>	<b>Develop a purchasing process</b>	<b>\$37,600</b>
<b>R.2</b>	<b>Reduce unnecessary phone lines</b>	<b>\$48,400</b>
<b>R.3</b>	<b>Implement State accounting software</b>	<b>\$7,500</b>
<b>R.4</b>	<b>Develop a long-term strategic plan</b>	<b>N/A</b>
<b>R.5</b>	<b>Develop a comprehensive budgeting approach</b>	<b>N/A</b>
<b>R.6</b>	<b>Enhance financial communication</b>	<b>N/A</b>
<b>R.7</b>	<b>Reduce professional and technical staff by 4.5 FTEs</b>	<b>\$186,100</b>
<b>R.8</b>	<b>Bring collective bargaining agreements (CBA) provisions in line with benchmarks</b>	<b>\$10,100</b>
<b>R.9</b>	<b>Revise certificated salary schedule for teachers with master's degrees</b>	<b>N/A</b>
<b>R.10</b>	<b>Bring employer insurance costs in line with benchmarks</b>	<b>\$456,500</b>
<b>R.11</b>	<b>Develop a staffing plan</b>	<b>N/A</b>
<b>R.12</b>	<b>Create a succession plan for critical positions</b>	<b>N/A</b>
<b>R.13</b>	<b>Develop a process to ensure the accuracy of staffing data</b>	<b>N/A</b>
<b>R.14</b>	<b>Implement an energy management program</b>	<b>\$143,300</b>
<b>R.15</b>	<b>Improve routing efficiency</b>	<b>\$28,500</b>
<b>R.16</b>	<b>Reduce seven spare buses from the fleet <sup>1</sup></b>	<b>\$59,400</b>
<b>R.17</b>	<b>Implement a fleet cycling plan <sup>2</sup></b>	<b>\$45,500</b>
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$1,022,900</b>

<sup>1</sup> Includes \$4,000 in one-time savings from selling unneeded buses.

<sup>2</sup> This represents an average savings from the remainder of the forecasting period including \$62,957 in FY 2016-17, \$54,841 in FY 2017-18, \$40,432 in FY 2018-19, and \$23,952 in FY 2019-20.

**Table 3** shows the District's ending fund balances as projected in the October 2015 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.

**Table 3: Financial Forecast with Performance Audit Recommendations**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>Original Ending Fund Balance</b>	\$257,418	\$52,518	(\$129,982)	(\$107,482)	(\$112,482)
<b>Cumulative Balance of Performance Audit Recommendations</b>	N/A	\$583,857	\$1,612,098	\$2,625,930	\$3,623,282
<b>Revised Ending Fund Balance</b>	\$257,418	\$636,375	\$1,482,116	\$2,518,448	\$3,510,800

Source: GCSD, ODE, and performance audit recommendations

Note 1: Savings from **R.10** will not be fully realized until after the next classified bargaining agreement is signed in FY 2017-18

Note 2: Savings from **R.17** will shift annually based on expected implementation phasing (see footnote 2 under **Table 2**).

Note 3: Savings for FY 2017-18 through FY 2019-20 have been adjusted down by \$4,000 to account for the one time savings included in **R.16**.

As shown in **Table 3**, fully implementing the recommendations in this audit could eliminate year-end fund balance deficits projected for the final two years of the forecast period and could result in an ending fund balance exceeding \$3.5 million in FY 2019-20.

## Background

In July 2015, GCSD requested that ODE perform a staffing and financial analysis due to concerns about near-term financial stability. ODE's financial analysis projected an approximate \$566,000 deficit for year-end FY 2015-16. Based on the results of this analysis, ODE placed the District in fiscal caution on August 7, 2015. In response to the ODE declaration, the District developed a financial recovery plan which was incorporated into the October 2015 five-year forecast. **Table 4** shows a summary of the October 2015 five-year forecast.

**Table 4: GCSD Financial Condition Overview (October 2015)**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Total Revenue	\$19,448,369	\$19,510,100	\$19,642,500	\$19,987,500	\$20,110,000
Total Expenditure	\$19,707,990	\$19,715,000	\$19,825,000	\$19,965,000	\$20,115,000
<b>Results of Operations</b>	<b>(\$259,621)</b>	<b>(\$204,900)</b>	<b>(\$182,500)</b>	<b>\$22,500</b>	<b>(\$5,000)</b>
Beginning Cash Balance	\$517,039	\$257,418	\$52,518	(\$129,982)	(\$107,482)
<b>Ending Cash Balance</b>	<b>\$257,418</b>	<b>\$52,518</b>	<b>(\$129,982)</b>	<b>(\$107,482)</b>	<b>(\$112,482)</b>
<b>Ending Fund Balance</b>	<b>\$257,418</b>	<b>\$52,518</b>	<b>(\$129,982)</b>	<b>(\$107,482)</b>	<b>(\$112,482)</b>

Source: GCSD and ODE

As shown in **Table 4**, the District still projects ending fund balance deficits in the final three years of the forecast period. This deficit condition is a result of expenditures significantly exceeding revenues for FY 2015-16 through FY 2017-18. Although GCSD projects balanced spending in FY 2018-19, it still forecasts an ending fund balance deficit of approximately \$112,000 in the final year of the forecast period.

# Recommendations

## R.1 Develop a purchasing process

The District’s purchasing policy (Board Policy DJ) states that GCSD intends to “purchase competitively without prejudice and to seek maximum education value for every dollar expended.” However, in practice, the District has a general preference for purchasing from local vendors without necessarily maximizing value for every dollar expended. The preference for local vendors, without fully scrutinizing price-competitiveness, can lead to the District overpaying for commonly purchased goods and/or services. Without a consistently applied process for checking that current vendors are offering the best possible prices for items purchased, GCSD is not ensuring that it is obtaining the best available price for basic supplies.

**Table 5** shows the District’s building operation and maintenance (O&M) supplies and materials expenditures per square foot as compared to the to the primary peer district average for FY 2014-15.<sup>1</sup> It is important to examine the cost of supplies and materials in relation to square footage to normalize the effects of district size and provide an accurate comparison.

**Table 5: O&M Supplies and Material Expenditures Comparison**

	<b>GCSD</b>	<b>Peer Average</b>	<b>Difference</b>	<b>% Difference</b>
Total Square Footage	352,063	324,095	27,968	8.6%
Total Supplies and Materials Expenditures	\$283,245.21	\$110,692.25	\$172,552.96	155.9%
<b>Supplies and Materials Expenditure per Sq. Ft.</b>	<b>\$0.80</b>	<b>\$0.34</b>	<b>\$0.46</b>	<b>135.3%</b>

Source: GCSD and primary peers

As shown in **Table 5**, GCSD expended 135.3 percent more per square foot for O&M supplies and materials than the primary peer district average.

The Metropolitan Education Council (MEC) is an area Information Technology Center (ITC) that facilitates a purchasing consortium for member districts. Although GCSD is a MEC member and pays to maintain this membership, the District does not consistently take advantage of consortium pricing for commonly purchased items.

<sup>1</sup> Supplies and materials refer to common items associated with maintaining school facilities, such as cleaning and maintenance supplies.

**Table 6** shows prices that GCSD paid for commonly purchased items found to be available at a lower price through the MEC and online vendors in FY 2014-15.<sup>2</sup>

**Table 6: Commonly Purchased Items Comparison**

Product	GCSD Cost	MEC/Online Vendor Cost	Difference
Floor Wax/Stripper	\$7,517	\$3,808	\$3,709
Towels/Tissues	\$29,328	\$9,468	\$19,860
Trashcan Liners	\$13,667	\$6,276	\$7,391
Other Cleaning Supplies	\$7,580	\$4,135	\$3,445
Network Cable	\$6,286	\$3,955	\$2,331
Tools	\$184	\$107	\$77
Lighting Supplies	\$3,873	\$3,009	\$864
<b>Total GCSD Cost</b>			<b>\$68,435</b>
<b>Total MEC/Online Vendor Cost</b>			<b>\$30,758</b>
<b>Total Cost Difference</b>			<b>\$37,677</b>

Source: GCSD, MEC, and online vendors

As shown in **Table 6**, there were seven categories of commonly purchased supplies and materials for which the District paid more through its current vendor(s) than it would have through the MEC or an online vendor. Overall, the District could reduce expenditures for supplies and materials by developing a process to assure that the Board's stated policy of purchasing competitively is consistently applied and results in the District receiving the best possible value.

An important step in establishing an effective purchasing process that outlines vendor selection practices is to create a purchasing manual. According to *Introduction to Public Procurement* (NIGP, 2009), procedures manuals are written in detail and intended not just to provide guidance but also to set out the forms, process requirements, and steps for each procurement action. Procedures manuals should include:

- Procurement goals, objectives, and responsibilities.
- A step-by-step outline of the procurement process, including the processing of requisitions, solicitations, bid evaluation and awards, preparation and issuance of purchase orders and contracts, follow-up procedures, and contract administration.
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting supplier performance.
- A step-by-step outline of the property and supply management programs, including inventory control and management and the transfer or disposal of surplus property.
- Other special procedures, such as a description of a cooperative purchasing program, how to process invoices for payment and how to process call-ups against term contracts and blanket purchase orders.
- A listing of the important forms used in the procurement process, instructions to bidders, and general conditions governing contracting, and a glossary of procurement terms used in the manual.

<sup>2</sup> Online pricing was obtained online from Amazon and Kelly Products Company, an O&M supplies vendor.

The District should develop a formal purchasing process to help reduce the risk of overpaying for supplies and materials. As a part of this process, the District should ensure that commonly purchased items are obtained at the lowest possible price by checking prices through the MEC and/or other online vendors.

Financial Implication: Following a purchasing process that sources items from the lowest cost vendor would result in a savings of at least **\$37,600**, annually, based on the difference in prices paid by GCSD and pricing for similar items available from the MEC and online vendors.

## R.2 Reduce unnecessary phone lines

Beginning in FY 2014-15, GCSD switched to Voice over Internet Protocol (VoIP) for phone service.<sup>3</sup> Prior to this, the District used traditional land-line phone service. During the transition between the two systems, miscommunication occurred between GCSD and the SCOCA as to which entity would be contacting the former service provider to disconnect unnecessary land-lines. As a result, the unnecessary land-lines were not disconnected and the District continued to pay for unnecessary service.<sup>4</sup> **Table 7** shows the cost to the District for necessary and unnecessary phone service in FY 2014-15.

**Table 7: Phone Service Expenditures**

Services	Amount
Total Phone Service Expenditures	\$77,439
Necessary Phone Line Expenditures	\$28,997
<b>Expenditures for Unnecessary Phone Lines</b>	<b>\$48,442</b>
<b>% of Expenditures for Unnecessary Phone Lines</b>	<b>62.6%</b>

Source: GCSD

As shown in **Table 7**, 62.6 percent of the District's total phone service expenditures were for unnecessary phone lines.

During the course of the audit, OPT communicated the detail of this finding to District administrators who were able to determine which phone lines were needed and which were no longer necessary since the implementation of VoIP. The District is currently working on getting the unnecessary phone lines disconnected.

Financial Implication: Eliminating unnecessary phone lines would save the District approximately **\$48,400** annually.

<sup>3</sup> VoIP is a technological means of delivering voice communication service through the use of internet connectivity, rather than traditional circuit-switched telephone network.

<sup>4</sup> The District will have to maintain a small number of land-lines for use with emergency systems such as the fire alarm.

### R.3 Implement State accounting software

A majority of school districts in Ohio use ODE-developed Uniform School Accounting System (USAS) software (commonly referred to as “State software”) for accounting, maintaining staffing data, and uploading information to the Education Management Information System (EMIS) data collector. Instead of State software, GCSD uses proprietary software provided by a third-party vendor. The District administration cited a more user-friendly interface as the reason proprietary software is used instead of the more common State accounting software.

**Table 8** shows a cost comparison of the District’s third-party software to State software. This calculation is based on the District’s FY 2014-15 expenditures for software and the estimated cost of State software provided by SCOCA.

**Table 8: Proprietary and State Software Costs**

Proprietary Software	
Cost Category	Amount
Software Licensing	\$20,823
Annual Maintenance & Support	\$11,832
SCOCA - Progress Book <sup>1</sup>	\$9,548
SCOCA - Non-Member EMIS <sup>2</sup>	\$2,387
SCOCA DASL <sup>3</sup>	\$10,742
<b>Total Cost to Utilize Proprietary Software</b>	<b>\$55,331</b>
State Software	
General Fee	\$31,031
Assessment Fee	\$7,161
Progress Book	\$9,548
<b>Total Cost to Utilize State Software Package</b>	<b>\$47,740</b>
<b>Net Savings</b>	<b>\$7,591</b>

Source: GCSD and SCOCA

<sup>1</sup> Progress Book is a student educational tool utilized by teachers.

<sup>2</sup> This fee incurred by the District to utilize EMIS, which is required of all school districts, as a non-member of SCOCA.

<sup>3</sup> Data Analysis for Student Learning (DASL) is a comprehensive, web-based student information and decision support solution for Ohio K-12 schools.

As shown in **Table 8**, the District is currently paying SCOCA for Progress Book, the non-member EMIS fee, and DASL. In addition, the District pays a private vendor \$32,655, annually, for a software license and support. If the District switched to State software, GCSD would pay the same fee for the Progress Book while reducing additional fees. The total cost of state software will be \$47,740, which is \$7,591 or 13.7 percent less than the current cost of \$55,331.

The use of proprietary software causes the District to pay additional costs for software and related services. Switching to State software would allow the District to have a single point of entry for all staffing data and simplify the process of connecting with ODE’s data collector. These capabilities take on added importance given the data inconsistencies found in the District’s staffing data (see **R.13**). Given the fact that State software is used by over 96 percent of school

districts in Ohio, a switch would also allow District operational data to be more consistent with a majority of school districts.

Financial Implication: Implementing State software could save the District approximately **\$7,500**, annually.

#### **R.4 Develop a long-term strategic plan**

The District lacks a long-term strategic planning document in which goals, objectives, and performance measures are formalized and acknowledged. Although strategic decision making does take place (see **Noteworthy Accomplishments**), this decision making is not yet part of a long term strategic plan. Without an established plan, the District risks not having a list of clear priorities that could guide decision making when it comes to deploying scarce resources.

*Establishment of Strategic Plans* (GFOA, 2005) recommends, “that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals.” The GFOA sets forth the following key steps toward establishing a sound, strategic planning process:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors;
- Identify critical issues;
- Agree on a small number of broad goals;
- Develop strategies to achieve broad goals;
- Create an action plan;
- Develop measurable objectives;
- Incorporate performance measures;
- Obtain approval of the plan;
- Implement the plan;
- Monitor progress; and
- Reassess the strategic plan.

The District should develop a strategic plan that includes a mission and stated goals on how to achieve its mission. Currently, District personnel do not have systematic guidance to help connect activities to larger, organizational goals, and without such guidance resources could be allocated based mainly on historical practices. In developing a plan, the District should ensure its strategic planning process incorporates a budget (see **R.5**) and staffing plans (see **R.11**). Developing a formal strategic plan that is linked to the budget will help ensure resources are allocated efficiently and effectively and allow the District measure its progress towards achieving its mission and goals.

## R.5 Develop a comprehensive budgeting approach

GCSD reviews and approves required annual budgets and appropriations. However, the District's budgeting process, and resulting document, does not clearly establish the linkage and prioritization of goals, results, and resources (see **R.4**). As a result, purchase orders and invoices are approved based on historical practices and/or perceived needs.

*Budgeting for Results and Outcomes* (GFOA, 2007) lays out a practical way to apply principles of performance to the budgeting process by using the following steps:

- Determine how much money is available;
- Prioritize results;
- Allocate resources among high priority results;
- Conduct analyses to determine what strategies, programs, and activities will best achieve desired results;
- Budget available dollars to the most significant programs and activities;
- Set measures of annual progress, monitor, and close the feedback loop;
- Check what actually happened; and
- Communicate performance results.

The District should develop a comprehensive budgeting approach to align spending decisions with desired program outcomes, as outlined in a District strategic plan. The District should consider employing the TEAM approach in the budgeting process (see **Noteworthy Accomplishments**). Without a formal budgeting process, the District risks making spending decisions that do not align with organizational goals and priorities. By budgeting for results and outcomes, the District would be able to better measure the effectiveness and efficiency of its spending choices in achieving its goals.

## R.6 Enhance financial communication

GCSD communicates financial information with the community and stakeholders through public meetings, e-communication notifications, and its website. Although the District utilizes its website to disseminate information such as school board meeting minutes, most information on the District's website is more biographical in nature with no links to timely financial data such as the current five-year forecast or most recent financial audit report.

According to *Presenting Official Documents on Your Government's Website* (GFOA, 2009), using a government website to disseminate information demonstrates both accountability and transparency to its shareholders in an easily accessible format. The GFOA recognizes the following benefits from having well maintained and updated information available online:

- Heightened awareness;
- Universal accessibility;
- Increased potential for interaction;
- Enhanced diversity;
- Facilitated analysis;
- Lowered costs;
- Contribution to sustainability; and

- Broadened potential scope.

By not making all financial information available on its website, the District increases the risk that it will not be able to fully engage with community stakeholders and provide meaningful input based on readily available financial information. GCSD should enhance communication of its financial information by fully utilizing its website to disseminate important data and pertinent news to stakeholders. Specifically, the District should make its budget, five year forecast, and other relevant financial information easily accessible to the public. These steps will help to ensure accountability and transparency to stakeholders and the community.

### R.7 Reduce professional and technical staff by 4.5 FTEs

Professional and technical staff includes personnel that provide non-instructional technical services to administrators, teachers, and/or students. Specific professional and technical positions employed by GCSD include computer operating staff, practical nurses, and library aides.

**Table 9** shows a comparison of GCSD's professional and technical employees for FY 2015-16 as compared to the primary peer district average on an FTE and on a per 1,000 student basis for FY 2014-15. It is important to examine staffing levels in relation to student population (i.e., a per 1,000 students basis) as the number of students served functions as a proxy workload measure for each position.

**Table 9: Professional and Technical Staff Comparison**

	GCSD		Peer Average		Difference
Students Educated	2,381		1,976		405
Students Educated (thousands)	2.381		1.976		0.405
Position	FTEs	FTEs per 1,000 Students <sup>1</sup>	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Computer Operating	2.4	1.0	0.1	0.9	2.2
Practical Nursing	2.0	1.0	0.1	0.9	1.9
Library Aide	3.2	1.3	1.0	0.3	1.0
<b>Total FTE Difference</b>					<b>5.1</b>

Source: GCSD and ODE

<sup>1</sup> FTEs per 1,000 Students is calculated to ensure that the client and peer districts are evaluated on equally weighted figures.

<sup>2</sup> The number of FTEs that, when reduced, would bring the District's total FTEs in line with the peer average. Calculated by multiplying the difference of FTE per 1,000 students by the district's number of students educated (in thousands).

As shown in **Table 9**, GCSD's total professional and technical staffing level exceeded the peer average by 5.1 FTEs. Reducing staff to the peer level would lower costs while maintaining reasonable staff-to-students ratios within the District.

Overstaffing professional and technical staff could lead the District to expend more than necessary on staffing. For example, although the ORC sets minimum levels for several staffing

categories, it does not require a set ratio of technical and professional staff to students educated for school districts. An effective staffing plan would take this into consideration as well as other work load measures to provide guidance on appropriate staffing (see **R.11**).

**Table 10** shows the financial impact of reducing professional and technical staff to a level more consistent to the primary peer average.

**Table 10: Financial Impact of Staffing Reduction**

Position	FTEs Reduced	Savings
Computer Operating <sup>1</sup>	2.0	\$116,467
Practical Nursing	1.5	\$40,826
Library Aide	1.0	\$28,895
<b>Total</b>	<b>4.5</b>	<b>\$186,189</b>

Source: GCSD

Note: Reductions are rounded down to the nearest half FTE

<sup>1</sup> Although the District is overstaffed by 2.2 FTEs, the recommendation has been rounded down to 2.0 FTEs. In carrying out this recommendation, the District may need to consider a final staffing level of 0.5 FTE as it may be difficult to find a qualified employee willing to work less than half time.

**Financial Implication:** Reducing 4.5 professional and technical FTEs could save the District **\$186,100**, annually. This savings was calculated using the lowest salaries and benefits for each position.<sup>5</sup> Estimated savings could increase if reductions occur through retirement or voluntary separation of higher salaried staff.

### **R.8 Bring collective bargaining agreement (CBA) provisions in line with benchmarks**

The District has negotiated agreements with two bargaining units. Classified employees are represented by the Ohio Association of Public School Employees Local #349 and certificated employees are represented by the Gallipolis Education Association. The current classified agreement is valid through June 30, 2017 while the current certificated agreement is valid through August 31, 2016.

A comparison of District CBAs to surrounding districts and relevant sections of the ORC found that the following CBA provisions were more costly to GCSD:

- **Sick Leave Payout** – ORC § 124.39 requires a minimum sick leave payout of 30 days. In comparison, GCSD allows certificated employees to receive between 64.4 and 78.4 days of sick leave payout and classified employees to receive between 79.2 and 94.2 days upon retirement.<sup>6</sup>
- **Vacation Accrual** – ORC § 3319.084 requires a minimum of 20 vacation days per year for employees with 25 years of service. In comparison, the District offers 25 days of vacation each year for its classified employees that have at least 25 years of service.
- **Personal Time Allowance** – Surrounding districts offer certificated employees an average of three personal days per year. In comparison, GCSD certificated employees receive four personal days per year.

<sup>5</sup> Benefits include the cost of a single health insurance plan, 1.5 percent for Medicare and 14.0 percent for retirement contributions.

<sup>6</sup> The exact number of severance days depends on years of service.

Reducing sick leave payout, vacation accrual, and personal time allowances requires the District to renegotiate CBA provisions that more closely match the benchmarks. Negotiating a reduction in severance payout beginning in FY 2017-18 for existing employees would result in an annual savings of \$95,800 (see **Table B-2** in **Appendix B**). Further, while the District is likely to find additional value in reducing classified vacation accrual, an exact savings could not be determined due to the wide variation in how classified vacation use and the resulting employee absence and workload gaps is covered. For example, the District could hire substitutes; allocate workload to other employees, likely incurring overtime cost; or simply choose not to cover the workload gap, such as might commonly happen during the summer months.

Prior to determining the implementation strategy for sick leave payout and vacation accrual the District should assess the current and projected financial condition based on the five year forecast (see **Table 3**) to decide if this potential reduction in expenditures is needed to maintain solvency. If the District determines that an immediate reduction in sick leave payout is not necessary or impractical to implement, modifying these provisions for new hires may be more feasible.

In contrast, a reduction in personal time allowance, though still subject to renegotiation, will have a direct impact on the District's need to hire substitutes to cover excess personal leave time. **Table 11** shows the financial impact of reducing personal leave accrual to the peer average. The savings shown in **Table 11** will be realized after the District renegotiates the certificated CBA which is valid through August 31, 2016.

**Table 11: Financial Impact of Reduced Personal Leave**

Certificated Personal Time					
Certificated FTEs	GCSD Personal Days	Peer Average Personal Days	Difference	Sub Cost per Day	Annual Cost of Subs
135.8	4	3	1	\$75	\$10,184
<b>FY 2016-17 Savings</b>					<b>\$10,184</b>

Source: GCSD, and surrounding districts

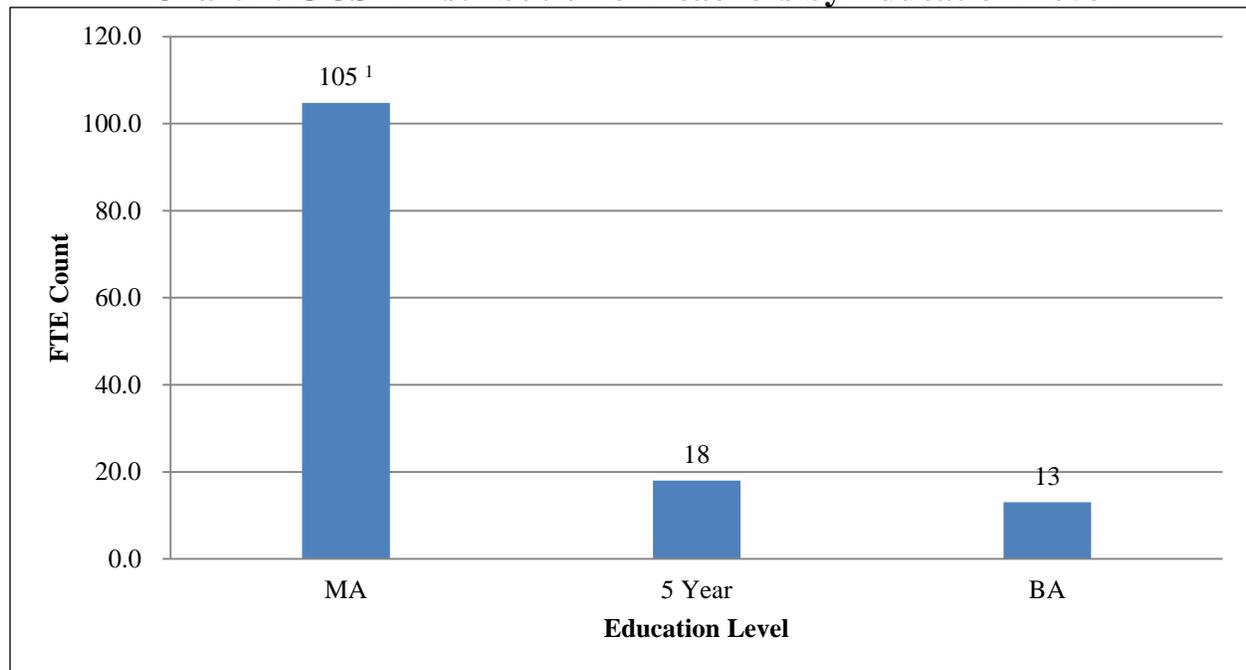
Financial Implication: Reducing personal leave accrual to be in line with the surrounding district average would save **\$10,100** annually in substitute employee cost.

## R.9 Revise certificated salary schedule for teachers with master's degrees

GCSD teachers are paid according to schedules included in the certificated CBA that are based on factors such as education level and years of service. Specific compensation levels include: bachelor's degree (BA), BA plus at least 25 post-secondary credit hours (5 Year), and master's degree (MA). The certificated CBA is valid through August 31, 2016.

**Chart 1** shows a headcount distribution of GCSD's teaching staff by education level for FY 2015-16.

**Chart 1: GCSD Distribution of Teachers by Education Level**



Source: GCSD

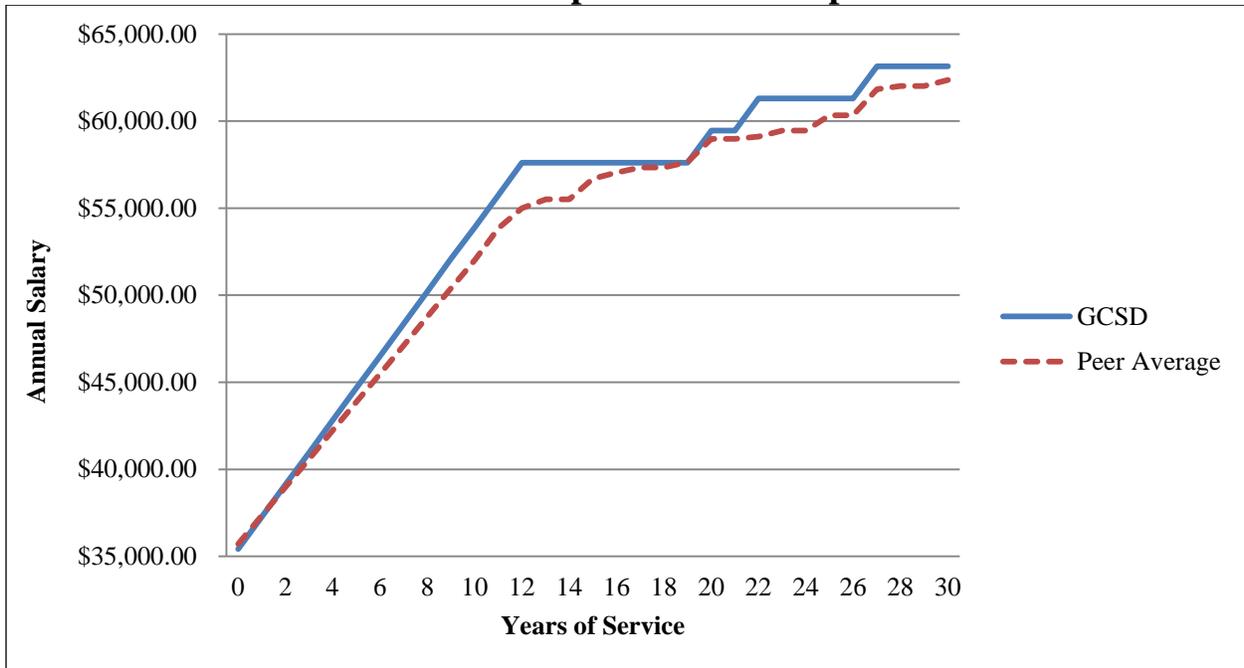
<sup>1</sup> The headcount of 105 represents a total of 104.8 FTEs for workload purposes.

As shown in **Chart 1**, the vast majority, 105 or 77.2 percent, of GCSD's total teachers are at the MA level. In contrast, far fewer teachers are at the 5 Year and BA levels; 18 or 13.2 percent and 13 or 9.6 percent, respectively.

An analysis of the salary schedules of all teachers showed that the BA and 5 Year positions were in-line with the surrounding district average (see **Table B-3** in **Appendix B**). However, MA teachers are compensated at a level higher than the surrounding district average

**Chart 2** shows a comparison of GCSD’s MA salary schedule to the surrounding district average for FY 2015-16. It is important to examine all steps in the schedule to identify the cause of the variation to the surrounding districts.

**Chart 2: MA Step Schedule Comparison**



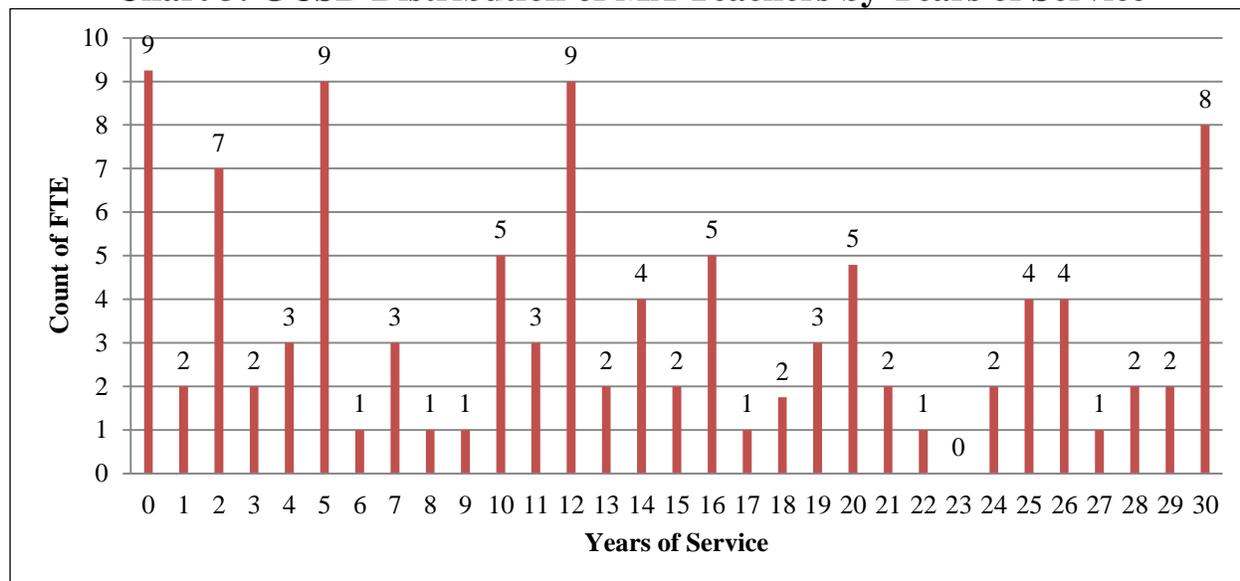
Source: GCSD and surrounding districts

As shown in **Chart 2**, much of the variance can be traced to steeper increases between years 4 and 15 of the pay scale and to increases that occur between years 23 and 30. In total, the District salary schedule exceeds the surrounding district average by \$1,050, or 1.9 percent, more per year for a total additional compensation of \$32,551 over a 30 year career.

As previously noted, and as shown in **Chart 2**, compensation schedules (commonly referred to as “step schedules”) are also directly dependent on years of experience. This detailed examination is important, as the decision on whether to negotiate a salary schedule change for present or future employees, and the financial effectiveness of that decision, is largely contingent on the years of service of the present staff. In addition, the District may wish to consider the identified financial benefit of cost reduction in relation to the ability to retain more tenured staff. The District should staff teachers consistent with the goals laid out in the strategic plan (see **R.4**) and set expectations for teacher education and experience in the staffing plan (see **R.11**).

**Chart 3** shows a detailed distribution of GCSD’s MA teachers’ year of service for FY 2015-16.

**Chart 3: GCSD Distribution of MA Teachers by Years of Service**



Source: GCSD

As shown in **Chart 3**, approximately 25 percent of GCSD’s MA teaching staff currently has at least 20 years of experience and may therefore be within 10 to 15 years of retirement eligibility.<sup>7</sup> In contrast, about 9 percent of the teaching staff were recently hired and are at step zero.

Reducing the certificated schedule requires the District to negotiate a salary schedule that more closely matches the peer average. Potential approaches include:

- **Freeze salaries** – The District could negotiate to freeze steps for several years. As surrounding district average compensation increases GCSD’s compensation will align.
- **Modify salaries** – The District could negotiate to modify the existing salary schedule to be in line with the surrounding district average.
- **Reduce salaries for new hires** – The District could negotiate to implement a reduced salary schedule for new employees. While this option would avoid a salary reduction for current employees, and thus would not fully address the current overcompensation shown in **Chart 1**, it would still provide future savings to the District.

Renegotiating MA teacher pay beginning in FY 2016-17 would result in an annual savings of \$97,100 (see **Table B-4** in **Appendix B**). However, the District should assess the current financial condition based on the five-year forecast (see **Table 3**) to decide if this potential reduction in expenditures is needed to maintain solvency. If the District determines that the immediate reduction is not necessary then it should, at minimum, implement a revised salary schedule for new hires (see **Table B-5** in **Appendix B**).

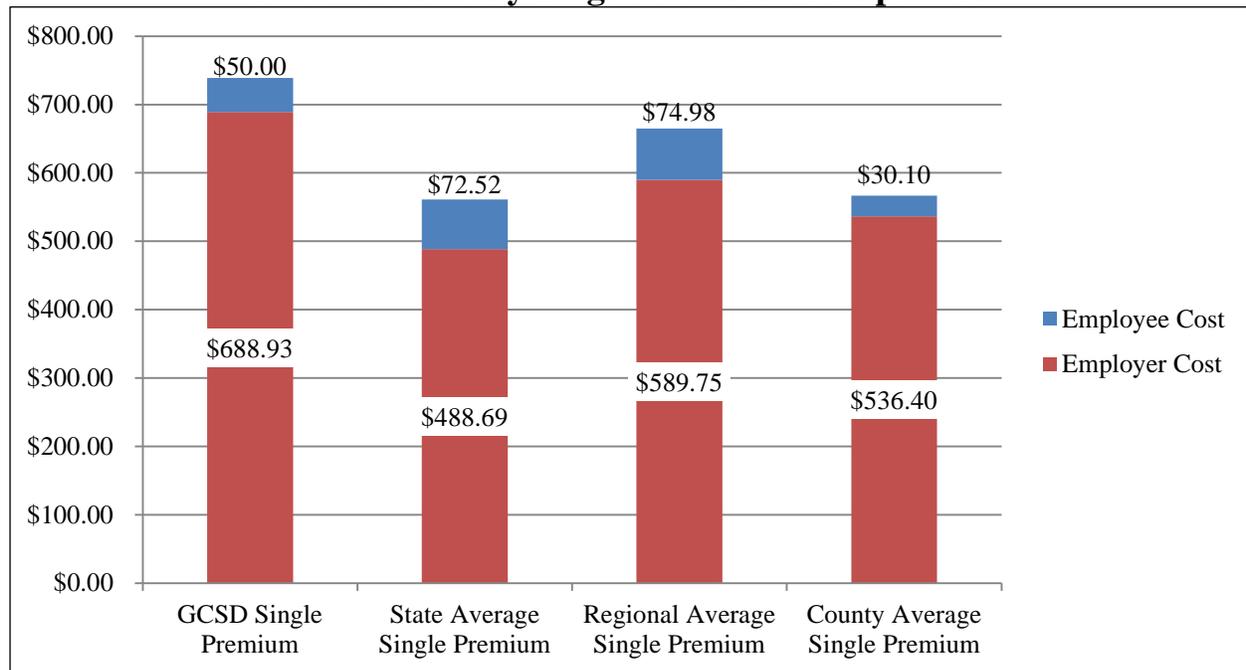
<sup>7</sup> Analysis was performed on a 35 year career because of planned changes to requirements of full retirement benefits. According to State Teachers’ Retirement System (STRS), eligibility for full retirement benefits is scheduled to increase from 31 years in FY 2016-17 to 35 years by FY 2026-27.

**R.10 Bring employer insurance costs in line with benchmarks**

The District offers both single and family insurance plans. As of FY 2015-16, there were a total of 158 employees enrolled in these plans; 48 in single plans and 110 in family plans. GCSD has an insurance committee that includes representatives from each bargaining unit that is responsible for approving changes to the insurance plan, including changes in plan design and the employee share of the insurance premium.

**Chart 4** and **Chart 5** show GCSD’s monthly single and family insurance premium cost as compared to the statewide, regional, and county averages as reported to the Ohio State Employment Relations Board (SERB) for FY 2014-15. Insurance cost is recognized as sensitive to local conditions and, where possible, other local or regional plans provide the most realistic benchmarks for relative price competitiveness. However, it is important to view both the local and regional plan costs in context of the statewide average in order to provide a full picture of the cost of insurance.

**Chart 4: Monthly Single Premium Comparison <sup>1</sup>**

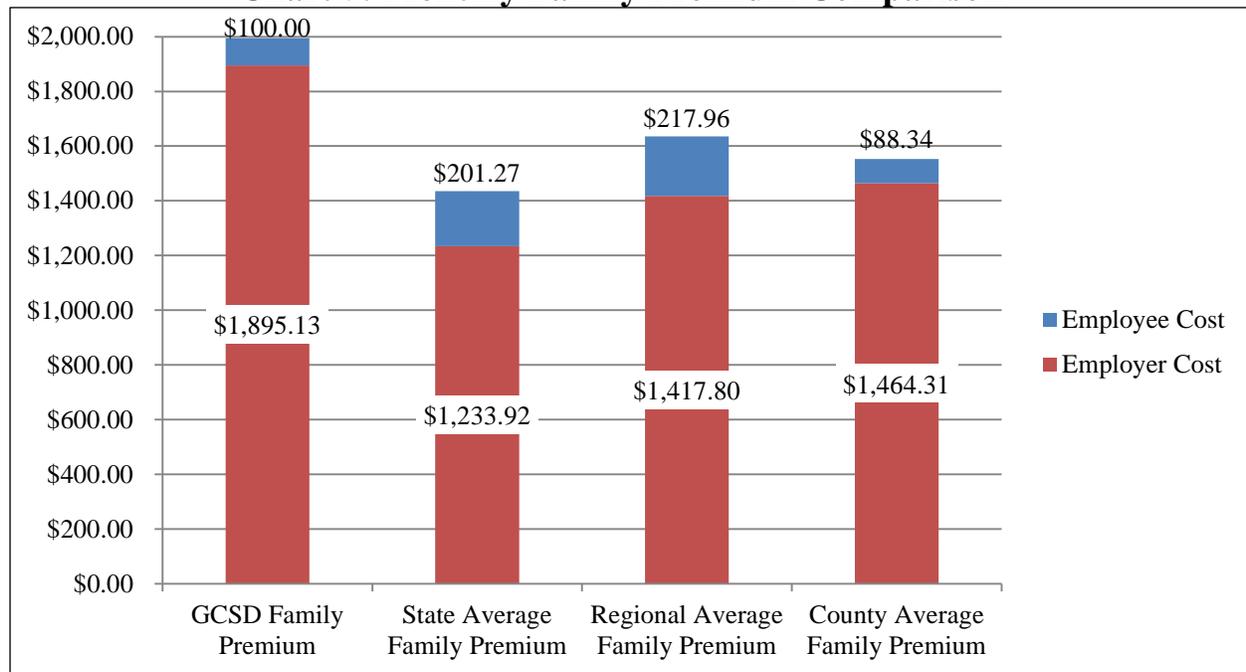


Source: GCSD and SERB

Note: Employee contribution rates in **Chart 4** are for certificated employees hired before July 1, 2015, as this group represents the single largest group of employees covered; 94 employees (79 family and 15 single) or 59.4 percent of all covered employees (see **Chart 5**).

<sup>1</sup> The county average includes Gallia County Local School District, Gallia-Jackson-Vinton Joint Vocational School District, and Gallia-Vinton Educational Service Center.

**Chart 5: Monthly Family Premium Comparison <sup>1</sup>**



Source: GCS and SERB

Note: Employee contribution rates in **Chart 4** are for certificated employees hired before July 1, 2015, as this group represents the single largest group of employees covered; 94 employees (79 family and 15 single) or 59.4 percent of all covered employees (see **Chart 5**).

<sup>1</sup> The county average includes Gallia County Local School District, Gallia-Jackson-Vinton Joint Vocational School District, and Gallia-Vinton Educational Service Center.

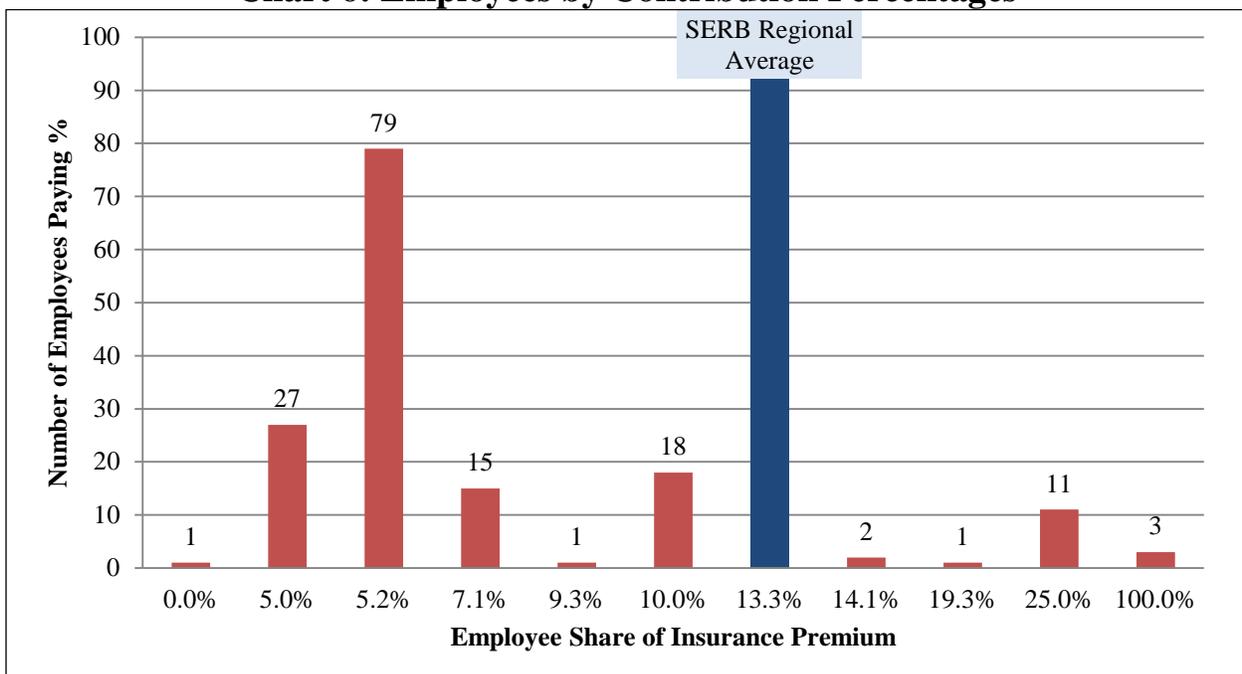
As shown in **Chart 4**, the District’s total monthly single insurance premium of \$738.93 exceeds the statewide average by \$177.71, or 24.1 percent; the regional average by \$74.19, or 10.0 percent; and the county average by \$172.42, or 23.3 percent. Similarly, as shown in **Chart 5**, the District’s total monthly family insurance premium of \$1,995.13 exceeded the statewide average of \$1,435.20 by \$559.93, or 28.1 percent; the regional average of \$1,635.75 by \$359.38, or 18.0 percent; and the county average of \$1,552.65 by \$442.48, or 22.2 percent.

There are a number of factors that can significantly impact health insurance costs, with some of the most common being plan design (e.g., out-of-pocket maximums, types and extent of coverage, etc.), cost sharing (i.e., employee and employer cost), and loss ratio.<sup>8</sup> Furthermore, as shown in **Chart 4** and **Chart 5**, there may be local and regional factors which contribute to the overall cost of insurance, as both are higher than the statewide average.

<sup>8</sup> The loss ratio is the percentage of premiums that goes directly to actual cost incurred. In FY 2013-14, GCS had a loss ratio of 97.8 percent; for context, Gallia County Local School District had a loss ratio of 83.5 percent.

**Chart 6** shows a distribution of GCSD’s employee contribution percentages for FY 2015-16, as well as the SERB regional average of 13.3 percent, which is inclusive of all single and family plans. It is important to note that GCSD has a number of different employee contribution percentages, driven by the District’s collective bargaining agreements as well as participation in the single or family plan coverage. For example, certificated employees hired after July 1, 2015 are required to pay 10 percent of the total premium for both single and family plans. In contrast, certificated employees hired before this date are “grandfathered” into the plan and are required to pay a flat monthly rate of \$50 and \$100 for single and family plans, respectively.<sup>9</sup> In addition, classified employees hired before July 1, 2011 are required to pay 5 percent of the insurance premium, whereas classified employees hired after this date are required to contribute at least 10 percent.<sup>10</sup>

**Chart 6: Employees by Contribution Percentages**



Source: GCSD and SERB

As shown in **Chart 6**, 141 employees, or 83.9 percent of all covered employees, currently pay less than the SERB regional average of 13.3 percent. As previously noted, GCSD’s employee contribution percentages vary widely due to changes in plan design that have been implemented for new employees over time, while existing employees were grandfathered in at old contribution levels. In addition, classified employees pay differing amounts depending on hire date, position type, and hours worked. Ultimately, the low employee contribution percentages contribute to higher overall insurance costs for the District.

<sup>9</sup> In practice, the flat rates are reflected at the 5.2 and 7.1 percent levels shown in **Chart 6**.

<sup>10</sup> The actual percentage paid is also pro-rated based on the number of hours worked. For example, classified employees hired after July 1, 2011 and working 8 hours per day pay 10 percent of the premium cost while employees working 6 hours per day pay 25 percent.

GCS D pays more for insurance premiums in comparison to other school districts in southeastern Ohio. The large differences between GCS D and other districts in Gallia County and the SERB region suggest that it may have an opportunity to reduce costs by adopting leading cost control practices. For example, strategies used by other districts to control insurance costs include:

- **Implementing a Wellness Plan** – Gallia County Local School District promotes employee participation in a wellness plan which can help employees prevent and manage chronic health conditions.
- **Eliminating Flat Rates** – Requiring employees to pay a percentage of the insurance premium instead of a flat rate will ensure that employees are paying a portion of future increases. This gives employees an incentive to keep health costs low by shopping for healthcare services and taking other measures to reduce healthcare costs.
- **Implementing Higher Deductibles** – Gallia County Local School District has higher deductibles than GCS D. Specifically, Gallia County Local School District’s deductibles are \$1,500 for a single plan and \$3,000 for a family plan. This is in contrast to GCS D’s deductibles of \$1,000 for a single plan and \$2,000 for a family plan. Higher deductibles are another way to lower premiums and also incentivize employees to play an active role in helping control healthcare costs.

**Table 12** shows the financial impact associated with GCS D requiring employee contributions of at least 13.3 percent, commensurate with the SERB regional average, as well as implementing additional cost-control strategies to bring the overall monthly employer premium cost in line with the SERB regional average of \$589.75 for single plans and \$1,417.80 for family plans.

**Table 12: Financial Impact of Cost Reduction Strategies**

<b>Part 1: Increase Employee Contributions to SERB Regional Average</b>		
<b>Plan Participation Overview</b>	<b>Single Plan</b>	<b>Family Plan</b>
<b>GCSD Number of Plans Requiring Employee Contribution Adjustments <sup>1</sup></b>	<b>38</b>	<b>103</b>
<b>Current Employer Cost Overview</b>	<b>Single Plan</b>	<b>Family Plan</b>
<b>Current – GCSD Monthly Average Employer Cost per Plan <sup>2</sup></b>	<b>\$655.70</b>	<b>\$1,798.25</b>
<b>Savings With Minimum 13.3% Employee Contributions</b>	<b>Single Plan</b>	<b>Family Plan</b>
Revised – GCSD Monthly Employer Cost per Plan	\$613.63	\$1,656.81
Monthly Savings through Increased Contributions per Plan	\$42.07	\$141.44
<b>Total Annual Cost Savings by Plan Type</b>	<b>\$19,183.92</b>	<b>\$174,819.84</b>
<b>Total Annual Savings through Increased Employee Contributions</b>		<b>\$194,003.76</b>
<b>Part 2: Further Decrease Employer Cost to Equal SERB Regional Average</b>		
<b>Plan Participation Overview</b>	<b>Single Plan</b>	<b>Family Plan</b>
<b>GCSD Number of Plans Requiring Additional Cost Reductions <sup>3</sup></b>	<b>47</b>	<b>108</b>
<b>Revised Employer Cost Overview</b>	<b>Single Plan</b>	<b>Family Plan</b>
<b>Revised – GCSD Monthly Average Employer Cost per Plan <sup>4</sup></b>	<b>\$591.71</b>	<b>\$1,619.55</b>
SERB Regional Average Monthly Employer Cost per Plan	\$589.75	\$1,417.80
Remaining Difference in Monthly Employer Cost per Plan	\$1.96	\$201.75
<b>Savings With Additional Cost-Control Practices</b>	<b>Single Plan</b>	<b>Family Plan</b>
Final – GCSD Monthly Employer Cost per Plan	\$589.75	\$1,417.80
Monthly Savings by Implementing Additional Cost-Control Practices per Plan	\$1.96	\$201.75
<b>Total Annual Cost Savings by Plan Type</b>	<b>\$1,105.44</b>	<b>\$261,468.00</b>
<b>Total Annual Savings through Additional Cost-Control Practices</b>		<b>\$262,573.44</b>
<b>Cumulative Total Annual Cost Savings</b>		<b>\$456,577.20</b>

Source: GCSD and SERB

<sup>1</sup> GCSD employees who already contribute more than 13.3 percent are not affected by the recommendation to increase employee contributions. However, these plans would still be subject to additional cost-control measures.

<sup>2</sup> Represents the average cost per plan, by plan type, for all employees currently paying less than 13.3 percent.

<sup>3</sup> Three GCSD employees receive no employer contribution and are therefore excluded from this count.

<sup>4</sup> Represents the average employer cost for all affected plans, taking into account the effect of increased employee contribution percentages shown in Part 1.

As shown in **Table 12**, increasing employee contributions to 13.3 percent and applying additional cost-control practices to address the remaining gap in employer premium cost would provide significant cost reduction potential.

**Financial Implication:** Reducing insurance premiums and increasing the employee contributions to a minimum of 13.3 percent could save the District an average of **\$456,500** annually.

### **R.11 Develop a staffing plan**

The District does not have a formal staffing plan. Instead, staffing levels are determined year-to-year based on student population, educational needs, and available financial resources. The lack of a staffing plan reduces the District's visibility into whether staffing levels are efficient (see **R.7** and **R.14**) and as a result, changes to staffing levels are made on a reactionary basis.

According to *Your Next Move: Strategic Workforce Planning in the Public Sector* (Deloitte, 2006), strategic workforce planning "is an ongoing process for defining and anticipating long-term workforce needs." Five key stages in developing a strategic workforce plan are as follows:

- Identify critical workforce segments;
- Establish one source of truth (data consistency);
- Analyze labor supply/demand;
- Identify strategies to mitigate future labor gaps; and
- Embed workforce planning as part of the annual planning process.

Lakota Local School District (Butler County) has a plan that incorporates staffing allocation factors such as State and federal regulation, workload measures, and other leading practices. In general, staffing benchmarks in the plan are calibrated to available general fund revenues, which assist it in ensuring a balanced budget.

The District could develop a staffing plan that will help to communicate staffing strategies and priorities, as well as contingency plans. Furthermore, the District can explain or defend its decisions to hire or reduce personnel based on the objective analysis and clear reasoning that a staffing plan offers. The District could find it helpful to use the TEAM process to help develop a staffing plan that has buy-in from the staff and administration (see **Noteworthy Accomplishments**).

### **R.12 Create a succession plan for critical positions**

The District does not have a succession plan in place for critical positions such as the treasurer, superintendent, transportation coordinator, and EMIS coordinator. While no member of the administration is currently planning to retire, the Treasurer has already retired and been rehired and the Superintendent will have enough years of service to be eligible to retire within the next five years. The possibility of future retirements creates an opportunity for the District to put a plan in place to prepare existing employees to move into key positions should a change occur.

*Ohio's Talent for Tomorrow and Beyond* (DAS, 2011) outlines an effective method for succession planning. The first of the five steps identified by DAS is identification of critical and/or key positions within an organization. Positions should be identified as key if they have the following characteristics:

- Are single incumbent;
- Have specialized knowledge or expertise;

- Are difficult to replace from inside or outside the agency;
- Are difficult to retain;
- Have risk of attrition; and
- Are retirement vulnerable.

District positions including the treasurer, superintendent, transportation coordinator, and EMIS coordinator all meet the above criteria and therefore could be logical positions to begin considering succession plans.

The District should create a succession plan for critical positions as part of its staffing plan (see **R.11**). Without an effective plan in place, inefficiencies or interruptions may occur if an employee leaves without having a new employee prepared to step in. For example, the District reported miscommunications resulting from a previous EMIS coordinator having left without a chance to fully train a replacement. These miscommunications may have led to staffing errors that caused the District to undertake additional work to correct the errors (see **R.13**). Had an effective succession plan been in place, GCSO may have greatly reduced the possibility of these errors occurring.

### **R.13 Develop a process to ensure the accuracy of staffing data**

EMIS was developed to track student and staff data and to report it to ODE. While ODE collects the data, it is incumbent on districts to ensure the accuracy of data uploaded to EMIS. GCSO does not have a consistently applied process to ensure the integrity of staffing data. As previously noted, the use of State software would allow the District to consolidate the collection and curation of staffing data in a single software package (see **R.3**). While a software package does not negate the need for a formal process to collect and verify staffing data, having a single location for all relevant data could make creating a process easier.

The creation, maintenance, reconciliation, and reporting of staff data is divided among several staff members and software systems. The lack of a consistently applied process to maintain staffing data can make it difficult for the District to make well informed decisions related to staffing and budgeting (see **R.5** and **R.11**).

GCSO's current staffing process lacks a single database that contains relevant data for all staff. Data reliability testing of initial staffing data revealed staff lists that contained inconsistencies including: incorrect names, often caused by the use of married names and/or nicknames; incorrect FTE calculations, often a result of miscommunications about the definition of an FTE for specific positions; and position titles, often the result of miscommunication about exact teaching assignments during the current school year. Through a reconciliation process, the District was able to provide sufficiently reliable staffing information for FY 2015-16.

**Table 13** shows the number of data inconsistencies for each position type for FY 2015-16 staffing data. The number of errors is important because it helps illustrate the magnitude of risk the District could incur from data inconsistencies.

**Table 13: Inconsistencies by Position in Staffing Data**

Position Title	Records Corrected	% of Total Records
Assistant Principal	4	2.8%
Attendance Officer	1	0.7%
Bus Driver	20	13.8%
Bus Supervisor	1	0.7%
Clerical	3	2.1%
Computer Operating	2	1.4%
Custodian	1	0.7%
Educational Aide	7	4.8%
Food Service	14	9.7%
Food Supervisor	1	0.7%
Librarian	1	0.7%
Library Aide	3	2.1%
Mechanic	2	1.4%
Messenger	1	0.7%
Nurse	2	1.4%
Practical Nurse	2	1.4%
Principal	1	0.7%
Supervisor	7	4.8%
Teacher	72	49.7%
<b>Total</b>	<b>145</b>	<b>100.0%</b>

Source: GCSD

As shown in **Table 13**, errors were discovered for 19 different position types, including teachers, assistant principals, and a number of technical and operational positions. Inconsistencies including: incorrect names; incorrect FTE calculations; and position titles. This lack of accurate data may impede effective performance measurement and decision making and could result in the District receiving incorrect funding from ODE.

GCSD should develop a consistently applied process to ensure the integrity of staffing data. The process should involve District administration and should ensure that all staffing data accurately reflects the job title, EMIS job code, funding source, and FTE percentage for each employee. This process should result in a single database with all relevant District staffing data. Process steps and tools should be appropriately documented.

#### **R.14 Implement an energy management program**

GCSD has built or renovated five school facilities since FY 2004-05. As part of this construction, new amenities, such as air conditioning, were added to several buildings. These new amenities were installed with the expectation of increased energy consumption and higher utility cost. However, the District experienced higher than expected utility cost for heating, ventilation, and air conditioning (HVAC) systems and these costs are continuing to trend upward. For example, between FY 2012-13 and FY 2014-15 energy costs increased by approximately \$90,000 including \$50,000 for electric and \$40,000 for gas. Although GCSD's administrators are aware of the increasing burden of utilities cost and are actively seeking

solutions to address it, the District has not yet developed an energy management policy or procedures manual that serves as a guide to help control these costs.

**Table 14** shows a comparison of GCSD's FY 2014-15 energy uses per square foot, measured in kila British thermal units<sup>11</sup> (KBTU) compared to Energy Star benchmarks.<sup>12</sup> This comparison is important as it provides a nationally accepted comparative benchmark to use when assessing energy costs.

**Table 14: Energy Usage Comparison**

Building	Avg. Usage <sup>1</sup>	Benchmark <sup>2</sup>	Difference	% Difference
High School	115.3	78.5	36.8	46.9%
Middle School	177.1	82.7	94.4	114.1%
Green Elementary	93.9	81.6	12.3	15.1%
Rio Grande Elementary	100.1	77.4	22.7	29.3%
Washington Elementary	69.7	70.4	(0.7)	(1.0)%
<b>Annual Total</b>	<b>556.1</b>	<b>390.6</b>	<b>165.5</b>	<b>42.4%</b>

Source: GCSD and EPA

<sup>1</sup> Usage is measured in KBTU per square foot (KBTU per sq. ft.).

<sup>2</sup> The benchmark is the Energy Star median usage expressed in KBTU per sq. ft.

As shown in **Table 14**, the District's total energy usage exceeded the FY 2014-15 Energy Star national median by 165.5 KBTU per sq. ft., or 42.4 percent. On a building level basis, the middle school had the highest variance to the benchmark (114.1 percent higher) due primarily to issues with the automated HVAC systems, overuse of outdoor lights, and a lack of proper maintenance.

The District's increasing utility costs prompted the administration to contract with SHP Leading Design (SHPLD) in 2015 to investigate issues with its HVAC systems. SHPLD detailed significant issues discovered at each building in the District and the major causes of energy inefficiency including:

- **Equipment cleaning/preventative maintenance** – The District has not recorded regular, necessary cleanings for heating and cooling coils, condenser coil air paths, strainers, energy recovery wheels, etc., which could contribute to energy inefficiency and additional costs.
- **Equipment settings** – The District has HVAC equipment that is designed to automatically adjust temperature according to the time of day or outside air conditions. It was found that some pieces of equipment, such as boiler controls, were running in default, as opposed to automatic mode resulting in this equipment typically running at full speed. This could lead to the equipment running more often and using more energy than would be required if the equipment was working in automatic mode.

<sup>11</sup> A British thermal unit (BTU) is the measure of the amount of work needed to raise the temperature of one pound of water by one degree Fahrenheit. A Kila BTU is a shorthand way of expressing 1,000 BTUS for use when the amounts of BTU have become very large.

<sup>12</sup> Energy Star is a U.S. Environmental Protection Agency (EPA) voluntary reporting and benchmarking program that helps businesses and individuals make energy-efficient consumer decisions.

- **Lack of qualified personnel** – The District lacks personnel with a valid HVAC certification which may have prevented the two causes above from occurring. The report mentions that skilled energy management is required to achieve efficiency.

Possible solutions to the District’s energy usage include equipment maintenance and hiring a qualified HVAC technician. These solutions could be implemented as part of an overall energy management plan. *The Energy Star Guidelines for Energy Management* (EPA, 2013) outlines steps for an effective energy management plan that include:

- **Make a commitment** – The EPA states that steps in making a successful commitment include appointing an energy director and energy team that will be responsible for coming up with ways to implement energy reduction strategies.
- **Assess performance** – The EPA states that this step should include gathering and assessing data. The District has already completed this step by hiring SHPLD.
- **Set Goals** – The EPA states that goals should be developed to help define the potential for improvement. The Energy Star benchmarks in **Table 17** are an example of a goal the District could use.
- **Create an action plan** – The EPA states that creating an action plan should involve getting buy in from all levels of the organization, The District should consider using the TEAM approach when developing an action plan (see **Noteworthy Accomplishments**).

GCSD should develop an action plan to reduce utility expenditures closer to Energy Star benchmarks shown in **Table 14**. The District has already assessed performance as recommended by the EPA. Part of that action plan should include an assessment of the feasibility of either hiring a qualified HVAC technician or contracting for HVAC services. **Table 15** shows the potential financial implication of an energy management program that reduces expenditures to the Energy Star median KBTU per sq. ft., net of the hiring of an HVAC certified technician.

**Table 15: Cost of Exceeding Median Energy Usage**

Cost Category	Amount
<b>Energy Costs</b>	
FY 2014-15 Energy Cost	\$727,436
FY 2014-15 District Energy Usage (KBTU per sq. ft.)	556.1
FY 2014-15 Unit Cost of Energy (\$ per KBTU per sq. ft.)	\$1,308.10
Energy Star Median (KBTU per sq. ft.)	390.6
Annual Energy Cost at Energy Star Median Benchmark	\$510,943
<b>Savings</b>	<b>\$216,493</b>
<b>Additional Costs</b>	
Qualified HVAC Position <sup>1</sup>	\$73,170
<b>Net Savings</b>	<b>\$143,323</b>

Source: GCSD and EPA

<sup>1</sup> Includes Bureau of Labor Statistics mean annual wage for HVAC personnel in Ohio of \$46,270 plus a family health insurance plan, 1.5 percent for Medicare and 14.0 percent for retirement.

**Financial Implication:** Reducing energy usage to the Energy Star benchmark could save approximately **\$143,300**, annually.

### R.15 Improve routing efficiency

In FY 2014-15, GCSD transported 1,160 students using 19 buses. Of these buses 17 used double-tiered routes and two used single-tiered routes.<sup>13</sup> The District develops bus routes with input from drivers and District administrators without the aid of routing software. Routing software is commonly used by school districts to plan more efficient routes and decrease cost.

One way to assess transportation efficiency is through systematic efficiency ratings. In *Pupil Transportation Efficiency Target* (ODE, 2009), ODE states that transportation efficiency ratings take into account factors including the regular student population, number of buses and the size of a district. An efficiency rating of 1.0 is considered to be on par with similar peer districts, an efficiency rating above 1.0 is considered good, and an efficiency rating of less than 1.0 means there could be an opportunity to do better.

**Table 16** compares GCSD's transportation efficiency to the peer average. It is important to examine routing efficiency because improving the efficiency of its routing can be a way for a District to reduce transportation costs while maintaining the same level of service.

**Table 16: Routing Efficiency Comparison**

Category	GCSD	Transportation Peer Average	Difference	% Difference
Efficiency Rating	1.3	1.4	0.1	(7.1%)
Bus Riders	1,160	1,120	40	3.6%
Assigned Buses	19	18	1	5.3%
Riders per Bus	61.1	62.2	1.1	(1.2%)

Source: ODE and GCSD

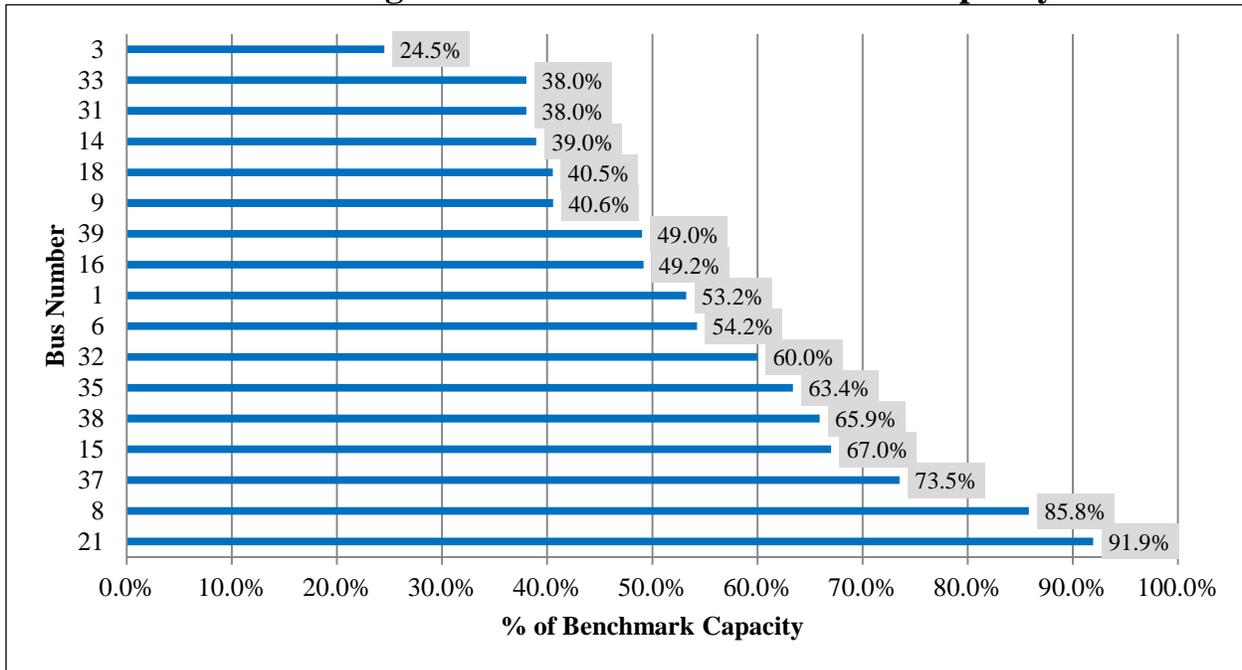
As shown in **Table 16**, while GCSD and the transportation peers each have efficiency ratings over 1.0, the transportation peers are slightly more efficient. By comparing the total number of riders per bus, **Table 16** also shows that the transportation peers are able to get slightly more riders on each bus and also operate with a slightly smaller overall bus fleet.

The efficiency difference between the transportation peer average and GCSD led to a more granular analysis of bus capacity to determine if there could be an opportunity to further improve efficiency based on industry benchmarks. *Hidden Savings in Your Bus Budget* (AASA, 2005) establishes 80 percent of adjusted capacity as a goal for efficient student transportation.

<sup>13</sup> A double tiered route describes a bus that picks and drops off students in one grade level (e.g., elementary) and then goes back out to pick and drop off another grade level (e.g., high school).

Chart 7 shows the percent of benchmark capacity achieved by GCSD buses in FY 2014-15.

**Chart 7: Regular Bus Percent of Benchmark Capacity**



Source: GCSD

Note: The District’s two special education buses are excluded from this analysis as utilization can be impacted by the need to accommodate the nature of student disability.

As shown in **Chart 7**, only two buses, 21 and 8, achieved the goal of 80 percent of adjusted capacity. The overall percentage of adjusted capacity for all buses was 55.0 percent. Many factors can influence the percentage of benchmark capacity, including the geographic size of the district, pupil density, and bell schedules.

One way that the District may be able to achieve additional efficiency is through the use of routing software. Routing software routinely aides school districts in overcoming some of the factors that lead to inefficient routing, such as the surrounding geography. In FY 2014-15, the District spent approximately \$1.3 million on transportation service and the District received a quote for routing software of \$6,500 for the first year and \$3,000 thereafter. The District would recoup the cost of routing software with a reduction in total transportation expenditures of just 0.5 percent, or with a 2.0 percent reduction in total mileage, based in FY 2014-15 cost per mile data (see **R.17**). This reduction could be realistically achievable based on results from other transportation systems. For example, *Transportation Efficiency Study* (TIMS, 2009) analyzed the use of routing software in the Charlotte-Mecklenburg School District in 2009. This study found that this district was able to reduce the total number of miles driven by 7.9 percent through the use of routing software.

**Table 17** shows the financial impact of GCSD achieving a 7.9 percent reduction in total regular miles through the use of routing software.

**Table 17: Routing Efficiency Financial Impact**

	Current	Optimized <sup>2</sup>	Reductions
Total Regular Miles	306,630	282,713	23,917
Cost per Mile <sup>1</sup>	\$1.32	\$1.32	\$1.32
<b>Total Cost of Regular Miles</b>	<b>\$404,751.60</b>	<b>\$373,180.98</b>	<b>\$31,571</b>
<b>Cost of Software</b>			
		<b>First Year</b>	<b>\$6,500</b>
		<b>Ongoing</b>	<b>\$3,000</b>
<b>Net Savings</b>			
		<b>First Year</b>	<b>\$25,071</b>
		<b>Ongoing</b>	<b>\$28,571</b>

Source: GCSD, ODE, and TIMS

<sup>1</sup> Includes the cost of maintenance and operations (fuel, labor, parts, etc.), as well as depreciation (see **R.18**).

<sup>2</sup> Assumes the District will achieve the same 7.9 percent reduction in the number of total bus miles traveled as the Charlotte-Mecklenburg district in North Carolina.

**Financial Implication:** Reducing regular bus mileage by 7.9 percent through the use of routing software could save the District approximately **\$28,500**, annually.

### R.16 Reduce seven spare buses from the fleet

GCSD has a fleet of 33 buses comprised of 19 active buses, 11 spare buses, and three out-of-service buses. The District has historically maintained spares to cover for buses that break down and also to allow for a take home policy for drivers that live closer to the first pickup point on the route than to the school.

**Table 18** compares the District's fleet to the transportation peers for FY 2014-15. It is important to consider the number of spare buses in relation to the total fleet, as spare buses typically incur additional costs such as maintenance and insurance, but may not be necessary for fleet operations. In addition, comparing the number of spare buses to the transportation peer average can help establish a baseline to understand how many spare buses are needed.

**Table 18: Fleet Comparison**

	Current	Peer Average	Optimized	Reduction Needed
Total Buses	33	24	26	7
Assigned Buses	19	18	19	0
Spare Buses <sup>1</sup>	14	6	7	7
% Spare	42.4%	25.0%	26.9%	N/A
Active to Spare Ratio	2.6 to 1	4 to 1	3.7 to 1	N/A

Source: GCSD and ODE

<sup>1</sup> Includes 11 active spares and 3 inactive spares. The 11 operational spare buses incurred an average of 4,087 miles in FY 2014-15. One of the out of service buses incurred 3,636 miles in FY 2014-15.

As shown in **Table 18**, GCSD has one spare bus for every 2.6 assigned buses in the fleet compared to the transportation peer average which showed one spare bus for every four assigned buses. In total, 42.4 percent GCSD's bus fleet is comprised of spare vehicles, whereas the peer average is 25.0 percent. If the District optimized its fleet to be closer to the peer active to spare ratio, GCSD would have a total of 26 buses comprised of 19 assigned buses and seven active spares. To achieve an active to spare ratio closer to the peer average, the District would need to eliminate three inactive buses and four active spare buses.

**Table 19** shows the financial impact of reducing four active spare buses and three out-of-service buses to achieve a ratio in-line with the peer average.

**Table 19: Fleet Reduction Financial Implication**

Cost Category	Cost
<b>Maintenance and Operations<sup>1</sup></b>	
Total for Active Spare	\$39,682
Total for Inactive Spare	\$12,357
<b>Insurance<sup>2</sup></b>	
Total for Active Spares	\$3,459
<b>Salvage Value<sup>3</sup></b>	
Total Salvage Value for Active Spares	\$4,000
<b>Total</b>	<b>\$59,498</b>

Source: ODE and GCSD

<sup>1</sup> Includes the cost of fuel, parts, and labor.

<sup>2</sup> Of the seven recommended buses, four are insured at the cost of \$864.74 per bus.

<sup>3</sup> Salvage value is based on the value of a functional, 16 year old, 72 passenger bus from Richie Brothers online auctions.

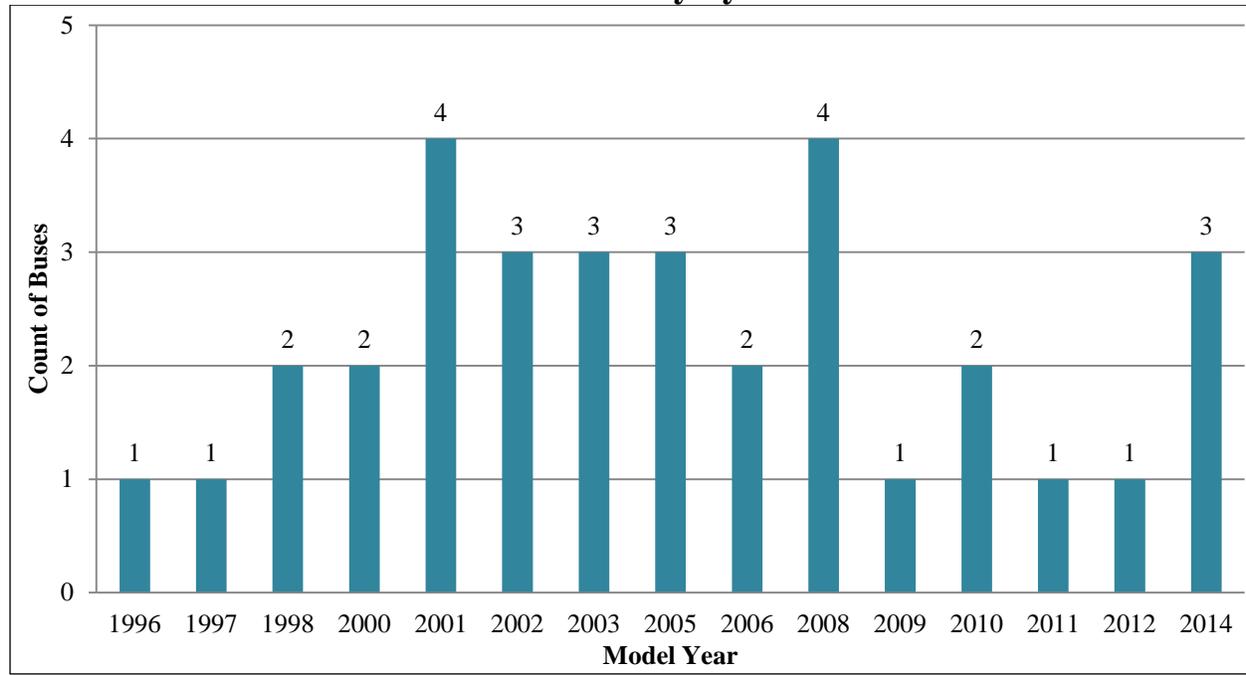
**Financial Implication:** Eliminating seven spare buses could save the District approximately **\$59,400** annually through avoidance of maintenance and operating cost and insurance as well as salvage value.

### R.17 Implement a fleet cycling plan

GCSD lacks a formal cycling plan for its bus fleet. Instead, District management makes decisions about removing a bus from inventory on a year-to-year basis based on need, and available resources, but without full visibility into the full cost of ownership. The median age of the District's bus fleet is 12.0 years and the average age is 10.6 years. Fleet cycling describes the age and/or mileage at which an organization plans to remove a vehicle from its inventory.

**Chart 8** shows the bus inventory as of FY 2015-16 by model year. It is important to consider the age of the fleet, as vehicle age is a primary factor used when making decisions about the replacement of buses.

**Chart 8: Bus Inventory by Model Year**



Source: GCSD

As shown in **Chart 8**, 21 buses, or 63.6 percent of the fleet, are older than 10 years. In *Clean School Bus* (EPA, 2012), the EPA recommends that, in order to reduce the cost of maintenance and increase fuel efficiency, buses should be replaced in the following priority:

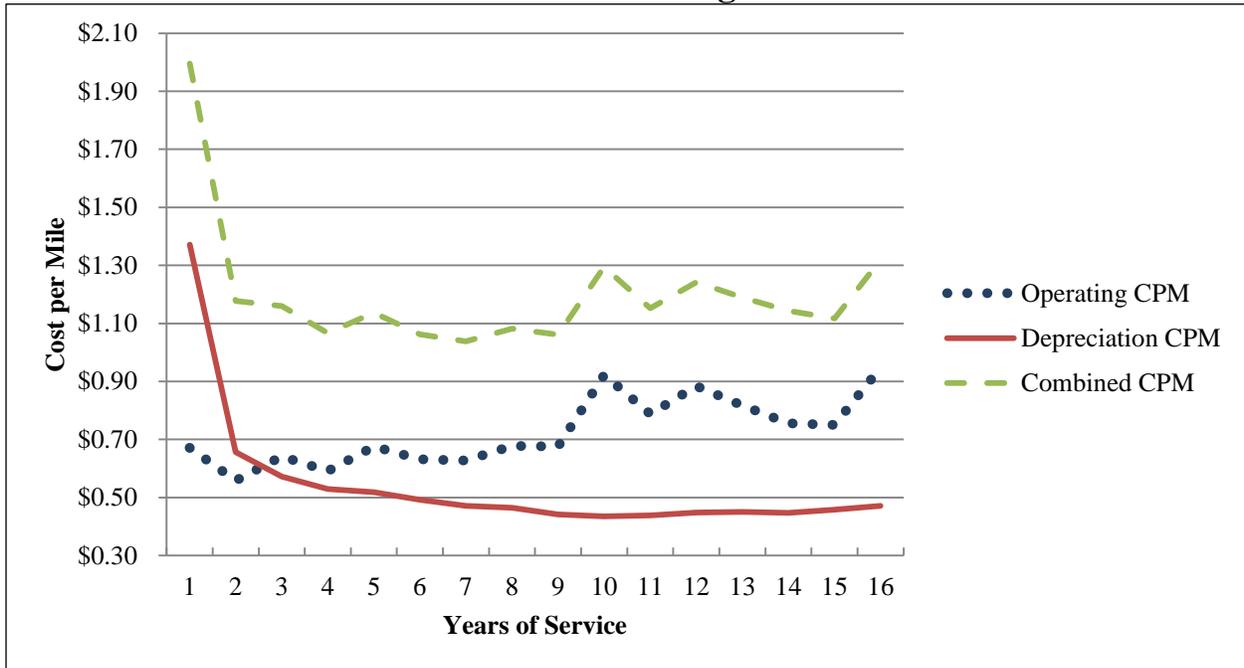
- **Priority 1** – Buses made prior to 1998;
- **Priority 2** – Buses made between 1998 and 2003;
- **Priority 3** – Buses made between 2004 and 2006; and
- **Priority 4** – Buses made after 2007.

As shown in **Chart 8**, four buses, or 12.1 percent of the total fleet, meet the EPA criteria for Priority 1 replacement, meaning these buses should be the first to be replaced. In addition, 16 buses, or 48.5 percent of the total fleet, meet the EPA criteria for Priority 2 replacement. In total, 21 buses, or 63.6 percent of the total fleet, meet the EPA criteria for either priority 1, 2, or 3 replacements. A fleet replacement plan could help the District gain visibility into the costs incurred as a result of having an aging fleet.

*Fleet Plan Instruction for Self-Managed Agencies* (DAS, 2015) recommends that, in addition to age, mileage and condition should be considered when making decisions about which vehicles should be replaced. To help prioritize which older buses make sense to remove from the inventory, GCSD should consider the full cost of bus operations, including fuel, parts, maintenance labor, and vehicle depreciation.

**Chart 9** shows the average operating cost per mile (CPM) and average depreciation costs for the bus fleet from FY 2008-09 through FY 2014-15.<sup>14</sup> The 16 year, 192,000 mile operating cost is based on the average bus lifecycle under current practices. It is important to consider both the operating and depreciation costs of a vehicle because depreciation costs tend to decrease over time while operating costs tend to increase as maintenance becomes more common.

**Chart 9: Bus Average CPM**



Source: GCSD

As shown in **Chart 9**, vehicle operating costs increased from an average of \$0.67 per mile during year one of operation to an average of \$0.95 per mile during year 16 of operation, an increase of 41.8 percent. The average operating CPM reflects all costs incurred to keep a bus on the road, including all maintenance and fuel expenses, divided by the average number of miles driven. The depreciation CPM<sup>15</sup> decreased from \$1.37 per mile during year one to \$0.47 per mile during year 16, a 66.0 percent decrease. It should be noted that the lowest combined CPM occurred after seven years/84,000 miles. This CPM of \$1.04 is \$0.28 per mile below the current maximum of \$1.32 per mile, a decrease of 21.2 percent.

<sup>14</sup> Operating CPM includes fuel, labor, and parts.

<sup>15</sup> Depreciation CPM reflects the difference between purchase price and the expected residual value when the vehicle is sold, divided by the number of miles the vehicle was used during its service life.

**Table 20** shows the financial impact of moving to a seven year, 84,000 mile fleet cycle.

**Table 20: Financial Impact of Optimized Fleet Cycling**

Model	Years	Lifecycle Miles	CPM	Annual Cost of Ownership <sup>1</sup>
Current	16	192,000	\$1.32	\$15,840
Optimized	7	84,000	\$1.04	\$12,480
Difference	9	108,000	\$0.28	\$3,360
<b>Number of Buses<sup>2</sup></b>				<b>30</b>
<b>Total Savings</b>				<b>\$100,800</b>

Source: GCSD

<sup>1</sup> Annual cost of ownership is calculated by multiplying the lifecycle miles by the CPM and dividing by the years in the cycle.

<sup>2</sup> Excludes three inactive spare buses (see **R.16**).

As shown in **Table 20**, moving to a seven year/84,000 mile fleet cycle could save the District \$3,360 per bus, a 21.2 percent decrease in the annual cost of operations and ownership. Vehicles approaching those parameters should be thoroughly reviewed to determine the current cost per mile compared to that of newer vehicles. Finally, vehicles nearing the end of service life should be promptly salvaged to capture as much residual value as possible.

If implementing a seven year/84,000 mile fleet cycle proves infeasible, the District could consider a less optimal fleet cycling model that could still result in significant savings relative to the current practices. For example, the District could save \$0.26 per mile by moving to a nine year, 108,000 mile fleet cycle. This would result in a savings of \$3,120 per vehicle, or a \$78,000 savings for the entire fleet.

The District should anticipate taking several years to fully implement a fleet cycling plan. For this reason, savings will shift each year as the District slowly changes fleet cycling practices. Assuming the District implements the fleet reduction recommended in **R.16**, slowly reducing the fleet cycle will save an average of \$45,546 between FY 2016-17 and FY 2019-20; including \$62,957 in FY 2016-17, \$54,841 in FY 2017-18, \$40,432 in FY 2018-19, and \$23,952 in FY 2019-20.

**Financial Implication:** The District will save an average of **\$45,546** annually during the next five years by adopting a seven year, 84,000 miles cycle for school buses.

## Appendix A: Scope and Objectives

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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, Food Service, and Transportation. 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. Four of the 17 objectives did not yield a recommendation.

**Table A-1: Audit Objectives and Recommendations**

<b>Objective</b>	<b>Recommendation</b>
<b>Financial Management</b>	
What opportunities exist to improve purchasing efficiency based on peer benchmarks, industry standards and/or leading practices?	<b>R.1, R.2, and R.3</b>
Is the strategic plan consistent with leading practices?	<b>R.4</b>
Are budgeting practices comparable to leading practices?	<b>R.5</b>
Is financial communication consistent with leading practices?	<b>R.6</b>
Does the District have a Business Advisory Council?	<b>N/A</b>
<b>Human Resources</b>	
Are staffing levels comparable to peers and OAC/state minimums, where applicable?	<b>R.7</b>
Are salaries comparable to surrounding districts?	<b>R.8</b>
Are sick leave usage and/or policies comparable to leading practices?	<b>R.9</b>
Are insurance benefits consistent with leading practices?	<b>R.10</b>
Could staffing efficiency and/or effectiveness be improved by adopting leading practices for special and/or regular education practices?	<b>R.11, R.12, and R.13</b>
<b>Facilities</b>	
Are building and grounds staffing levels efficient compared to industry standard benchmarks?	<b>R.14</b>
What opportunities exist to improve facilities expenditures based on peer benchmarks and/or industry standards and/or leading practices?	<b>R.15</b>
What opportunities exist to improve building utilization in relation to efficiency/effectiveness based on peer benchmarks, industry standards and/or leading practices?	<b>N/A</b>
<b>Food Service</b>	
What opportunities exist to improve the efficiency and effectiveness of food service operations in relation to peer benchmarks and industry standards?	<b>N/A</b>
<b>Transportation</b>	
What opportunities exist to improve transportation efficiency and/or effectiveness in relation to industry standards and/or leading practices?	<b>R.16 and R.17</b>
Are fleet maintenance and replacement policies consistent with leading practices?	<b>R.18</b>
What opportunities exist to improve the efficiency and/or effectiveness of take home vehicle and/or mileage reimbursement policies?	<b>N/A</b>

## Appendix B: Staffing and Salary Comparisons

**Table B-1** shows GCSD staffing per 1,000 students as compared to the primary peer average for FY 2014-15. General education and all other teachers include FTEs paid out of the general fund.

**Table B-1: Staffing Comparison Summary**

	GCSD		Primary Peer Average	Difference		
Students Educated <sup>1</sup>	2,381		1,976	405		
Students Educated (thousands)	2.381		1.976	0.405		
	GCSD			Peer Average Staff/1,000 Students	Difference	
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		Difference Per 1,000 Students	Total FTEs over (under) <sup>2</sup>
Administrative	12.9	5.7%	5.4	6.5	(1.1)	(2.7)
Office/Clerical <sup>3</sup>	12.9	5.7%	5.4	7.2	(1.8)	(4.3)
General Education Teachers	79.6	35.3%	33.4	42.6	(9.2)	(22.0)
All Other Teachers	32.8	14.6%	13.7	9.8	4.0	9.5
Education Service Personnel (ESP)	14.4	6.4%	6.0	7.1	(1.0)	(2.5)
Educational Support	0.0	0.0%	0.0	1.2	(1.2)	(2.9)
Other Certificated	0.6	0.3%	0.3	0.9	(0.6)	(1.4)
Non-Certificated Classroom Support	16.4	7.3%	6.9	7.8	(0.9)	(2.2)
<b>Sub-Total</b>	<b>169.7</b>	<b>75.3%</b>	<b>71.1</b>	<b>83.0</b>	<b>(11.9)</b>	<b>(28.5)</b>
Operations	44.1	19.6%	18.5	22.8	(4.4)	(10.4)
All Other Staff	11.6	5.1%	4.8	3.1	1.8	4.2
<b>Total Staff</b>	<b>225.3</b>	<b>100.0%</b>	<b>94.4</b>	<b>108.9</b>	<b>(14.5)</b>	<b>(34.7)</b>

Source: GCSD and ODE

Note: GCSD staffing data reflects an updated staffing count.

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

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

<sup>3</sup> Treasurer's office staffing is in line with the general peer average.

As shown in **Table B-1**, GCSD is either in line with or somewhat below primary peer average staffing in many positions. The category all other teachers are higher due at least partially to the higher number of special education students.

**Table B-2** shows the financial impact of bringing CBA provisions for sick leave payout in line with ORC minimums. This table helps demonstrate that cost of having CBA provisions that exceeds the ORC minimum.

**Table B-2: Difference between ORC and GCSD for Severance Liability**

<b>Severance Liability</b>					
<b>Certificated Staff</b>					
<b>Date</b>	<b>Years of Service <sup>1</sup></b>	<b>Qualified Employees <sup>2</sup></b>	<b>Current</b>	<b>ORC Min. <sup>3</sup></b>	<b>Difference</b>
7/1/2017	31	7	\$155,068	\$69,813	<b>\$85,255</b>
7/1/2019	32	2	\$57,691	\$22,668	<b>\$35,023</b>
7/1/2021	33	1	\$26,346	\$10,352	<b>\$15,994</b>
7/1/2023	34	4	\$103,842	\$40,802	<b>\$63,040</b>
7/1/2026	35	2	\$52,490	\$20,098	<b>\$32,392</b>
<b>Classified Staff</b>					
<b>Date</b>	<b>Years of Service <sup>1</sup></b>	<b>Qualified Employees <sup>2</sup></b>	<b>Current</b>	<b>ORC Min. <sup>3</sup></b>	<b>Difference</b>
7/1/2017	30	1	\$15,652	\$5,093	<b>\$10,559</b>
7/1/2019	30	2	\$62,699	\$20,401	<b>\$42,298</b>
7/1/2021	30	1	\$9,995	\$3,252	<b>\$6,743</b>
7/1/2023	30	0	\$0	\$0	<b>\$0</b>
7/1/2026	30	3	\$35,936	\$11,445.155	<b>\$24,491</b>

Source: GCSD, ORC, and surrounding districts

<sup>1</sup> Years of service required to receive full retirement benefits. Certificated staff years of service requirements are will increase from 31 years in FY 2016-17 to 35 years in FY 2026-27.

<sup>2</sup> Projected counts of employees that will be eligible for retirement each year based on FY 2015-16 years of service.

<sup>3</sup> Represents cost of severance at the ORC minimum requirement.

**Table B-3** shows a comparison between GCSD and surrounding district salary schedules for teachers with a BA and at the five year education level over a 30 year career.

**Table B-3: GCSD and Peer BA and 5 Year Salary Comparison**

GCSD BA	BA Peers	Difference	GCSD 5 Year	Peer 5 Year	Difference
\$30,804	\$31,339	(\$535)	\$32,960	\$33,060	(\$100)
\$32,190	\$32,726	(\$537)	\$34,500	\$34,599	(\$99)
\$33,576	\$34,119	(\$543)	\$36,040	\$36,138	(\$97)
\$34,962	\$35,506	(\$544)	\$37,580	\$37,677	(\$96)
\$36,348	\$36,893	(\$544)	\$39,121	\$39,215	(\$95)
\$37,734	\$38,097	(\$363)	\$40,661	\$40,754	(\$93)
\$39,121	\$39,672	(\$551)	\$42,201	\$42,293	(\$92)
\$40,507	\$41,059	(\$552)	\$43,741	\$43,832	(\$90)
\$41,893	\$42,445	(\$553)	\$45,281	\$45,370	(\$89)
\$43,279	\$43,833	(\$554)	\$46,821	\$46,909	(\$88)
\$44,665	\$45,226	(\$560)	\$48,362	\$48,448	(\$86)
\$46,051	\$46,612	(\$561)	\$49,902	\$49,987	(\$85)
\$47,438	\$47,293	\$144	\$51,442	\$50,962	\$480
\$47,438	\$47,725	(\$287)	\$51,442	\$51,455	(\$13)
\$47,438	\$47,725	(\$287)	\$51,442	\$51,455	(\$13)
\$47,438	\$48,814	(\$1,377)	\$51,442	\$52,501	(\$1,059)
\$47,438	\$49,063	(\$1,626)	\$51,442	\$52,994	(\$1,552)
\$47,438	\$49,270	(\$1,832)	\$51,442	\$52,994	(\$1,552)
\$47,438	\$49,270	(\$1,832)	\$51,442	\$52,994	(\$1,552)
\$47,438	\$49,452	(\$2,015)	\$51,442	\$52,994	(\$1,552)
\$48,824	\$50,608	(\$1,784)	\$52,982	\$54,532	(\$1,550)
\$48,824	\$50,608	(\$1,784)	\$52,982	\$54,532	(\$1,550)
\$50,210	\$50,759	(\$549)	\$54,522	\$54,532	(\$10)
\$50,210	\$51,008	(\$798)	\$54,522	\$55,025	(\$503)
\$50,210	\$51,008	(\$798)	\$54,522	\$55,025	(\$503)
\$50,210	\$52,098	(\$1,888)	\$54,522	\$56,071	(\$1,549)
\$50,210	\$52,098	(\$1,888)	\$54,522	\$56,071	(\$1,549)
\$51,596	\$53,125	(\$1,529)	\$56,063	\$57,127	(\$1,065)
\$51,596	\$53,216	(\$1,620)	\$56,063	\$57,381	(\$1,319)
\$51,596	\$53,216	(\$1,620)	\$56,063	\$57,381	(\$1,319)
\$51,596	\$53,465	(\$1,869)	\$56,063	\$57,874	(\$1,812)
<b>Total Difference BA</b>					<b>(\$31,638)</b>
<b>Total Difference 5 Year</b>					<b>(\$20,650)</b>

Source: GCSD and surrounding districts

As shown in **Table B-3**, District teachers with a BA make an average of \$31,838 less than the surrounding districts during a career, whereas teachers at the five year education level make \$20,650 less over a 30 year career.

**Table B-4** shows the financial implications for immediately reducing the salary for all teachers with an MA to be closer to that of surrounding districts. This is the option with the highest single year financial impact.

**Table B-4: Financial Implication of Reducing Salary for all MA Teachers**

Years of Service	GCS D	Peer	Difference	Count <sup>1</sup>	Savings
0	\$35,424	\$35,710	(\$286)	0.0	\$0
1	\$37,272	\$37,340	(\$68)	9.3	\$0
2	\$39,121	\$38,969	\$151	2.0	\$303
3	\$40,969	\$40,605	\$364	7.0	\$2,546
4	\$42,817	\$42,235	\$582	2.0	\$1,164
5	\$44,665	\$43,864	\$801	3.0	\$2,404
6	\$46,513	\$45,500	\$1,013	9.0	\$9,121
7	\$48,362	\$47,129	\$1,232	1.0	\$1,232
8	\$50,210	\$48,759	\$1,451	3.0	\$4,352
9	\$52,085	\$50,395	\$1,690	1.0	\$1,690
10	\$53,906	\$52,024	\$1,882	1.0	\$1,882
11	\$55,755	\$53,855	\$1,900	5.0	\$9,499
12	\$57,603	\$54,990	\$2,612	3.0	\$7,837
13	\$57,603	\$55,518	\$2,085	9.0	\$18,766
14	\$57,603	\$55,518	\$2,085	2.0	\$4,170
15	\$57,603	\$56,693	\$910	4.0	\$3,639
16	\$57,603	\$57,038	\$565	2.0	\$1,130
17	\$57,603	\$57,341	\$261	5.0	\$1,307
18	\$57,603	\$57,341	\$261	1.0	\$261
19	\$57,603	\$57,645	(\$42)	1.8	\$0
20	\$59,451	\$58,983	\$468	3.0	\$1,404
21	\$59,451	\$58,983	\$468	4.8	\$2,242
22	\$61,299	\$59,104	\$2,195	2.0	\$4,389
23	\$61,299	\$59,449	\$1,850	1.0	\$1,850
24	\$61,299	\$59,449	\$1,850	0.0	\$0
25	\$61,299	\$60,332	\$967	2.0	\$1,933
26	\$61,299	\$60,332	\$967	4.0	\$3,867
26	\$63,147	\$61,840	\$1,307	4.0	\$5,229
28	\$63,147	\$62,023	\$1,124	1.0	\$1,124
29	\$63,147	\$62,023	\$1,124	2.0	\$2,248
30	\$63,147	\$62,368	\$780	2.0	\$1,559
<b>Total Savings</b>					<b>\$97,151</b>

Source: GCS D and surrounding districts

<sup>1</sup> Based on an estimate of how many teachers will be at each step in FY 2016-17

As shown in **Table B-4**, the District could reduce salary expenses in FY 2016-17 by \$97,151 by bringing teacher salaries in line with the surrounding districts (see **R.9** for a detailed analysis of compensation for teachers with an MA).

**Table B-5** shows the financial impact of reducing the MA salary schedule for new hire teachers with an MA. The table assumes that current teachers will retire when eligible and will be replaced on a one-to-one basis with a new hire at the same education level.

**Table B-5: Financial Impact of Reducing Salary New Hire MA Teachers**

School Year	Savings per Employee	Employees <sup>1</sup>	Nominal Savings <sup>2</sup>	Net Present Value <sup>3</sup>
2015-16	\$0	0.0	\$0	\$0
2016-17	\$0	0.0	\$0	\$0
2017-18	\$0	0.0	\$0	\$0
2018-19	\$0	0.0	\$0	\$0
2019-20	\$151	8.0	\$1,212	\$1,112
2020-21	\$364	8.0	\$2,909	\$2,612
2021-22	\$582	8.0	\$4,657	\$4,092
2022-23	\$671	10.0	\$6,713	\$5,772
2023-24	\$883	10.0	\$8,835	\$7,435
2024-25	\$944	12.0	\$11,326	\$9,328
2025-26	\$1,084	13.0	\$14,086	\$11,353
2026-27	\$1,040	17.0	\$17,680	\$13,946
2027-28	\$1,245	17.0	\$21,160	\$16,335
2028-29	\$1,136	21.0	\$23,862	\$18,028
2029-30	\$1,423	23.0	\$32,720	\$24,193
2030-31	\$2,983	23.0	\$68,606	\$49,645
2031-32	\$1,448	24.0	\$34,761	\$24,617
2032-33	\$1,157	26.0	\$30,083	\$20,850
2033-34	\$2,316	30.8	\$71,304	\$48,365
2034-35	\$987	33.8	\$33,343	\$22,134
2035-36	\$977	35.5	\$34,714	\$22,552
2036-37	\$2,626	28.5	\$74,951	\$47,653
2037-38	\$992	41.5	\$41,189	\$25,629
2038-39	\$1,069	43.5	\$46,537	\$28,339
2039-40	\$1,286	45.5	\$58,576	\$34,909
2040-41	\$1,201	49.5	\$59,499	\$34,703
2041-42	\$1,065	56.5	\$60,209	\$34,367
2042-43	\$1,007	60.5	\$60,934	\$34,040
2043-44	\$1,070	62.5	\$66,927	\$36,589
2044-45	\$1,182	67.5	\$79,802	\$42,697
2045-46	\$1,245	64.5	\$80,323	\$42,060
2046-47	\$1,263	69.5	\$87,856	\$45,022
2047-48	\$1,200	72.5	\$87,012	\$43,639
2048-49	\$1,154	82.5	\$95,231	\$46,742
2049-50	\$1,202	82.5	\$99,191	\$47,646
2051-52	\$1,176	95.5	\$112,387	\$52,833
		<b>Savings</b>	<b>\$1,528,596</b>	<b>\$899,238</b>

Source: GCSD and surrounding districts

<sup>1</sup> This is a count of the employees that are estimated to reach the minimum retirement age each year.

<sup>2</sup> The nominal savings reflects the average savings per employee multiplied by the number of employees.

<sup>3</sup> Net present values were calculated using a discount rate of 2.18 percent, based on the annual rate of inflation data from the Bureau of Labor Statistics for the last 10 complete years, 2005 through 2015.

As shown in **Table B-5**, reducing the MA salary schedule to the surrounding district average would have a financial impact of \$1,212 in FY 2019-20 and will have a variable impact depending on how many teachers retire thereafter. In total, the net present value of reducing the pay for teachers with an MA is \$899,200, realized over the next 35 years.

# Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2015 Five-Year Forecast.

**Chart C-1: GCSD October 2015 Five-Year Forecast**

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	\$4,540,244	\$4,672,088	\$4,622,966	\$4,729,600	\$4,740,000	\$4,760,000	\$4,895,000	\$4,900,000
1.020 Tangible Personal Property Tax	\$284							
1.030 Income Tax	\$50,312	\$50,117						
1.035 Unrestricted Grants-in-Aid	\$11,665,172	\$11,380,199	\$11,205,384	\$11,295,400	\$11,400,000	\$11,500,000	\$11,700,000	\$11,800,000
1.040 Restricted Grants-in-Aid	\$17,940	\$403,240	\$564,111	\$527,300	\$550,000	\$550,000	\$550,000	\$550,000
1.045 Restricted Federal Grants-in-Aid - SFSF	\$145,881							
1.050 Property Tax Allocation	\$642,740	\$654,424	\$659,072	\$674,800	\$690,000	\$700,000	\$710,000	\$720,000
1.060 All Other Operating Revenue	\$1,700,439	\$1,852,962	\$1,925,835	\$1,947,900	\$1,950,100	\$1,952,500	\$1,952,500	\$1,960,000
1.070 Total Revenue	\$18,763,012	\$19,013,030	\$18,977,368	\$19,175,000	\$19,330,100	\$19,462,500	\$19,807,500	\$19,930,000
2.040 Operating Transfers-In	\$230,000		\$255,752					
2.050 Advances-In	\$28,839	\$98,601	\$111,717	\$94,039				
2.060 All Other Financial Sources	\$107,684	\$183,620	\$173,950	\$179,330	\$180,000	\$180,000	\$180,000	\$180,000
2.070 Total Other Financing Sources	\$366,523	\$282,221	\$541,419	\$273,369	\$180,000	\$180,000	\$180,000	\$180,000
2.080 Total Revenues and Other Financing Sources	\$19,129,535	\$19,295,251	\$19,518,787	\$19,448,369	\$19,510,100	\$19,642,500	\$19,987,500	\$20,110,000
3.010 Personnel Services	\$10,475,246	\$10,361,635	\$10,970,591	\$10,549,000	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000
3.020 Employees' Retirement/Insurance Benefits	\$4,498,652	\$4,668,393	\$4,938,638	\$4,969,450	\$4,800,000	\$4,950,000	\$5,100,000	\$5,250,000
3.030 Purchased Services	\$2,634,587	\$3,067,921	\$3,513,140	\$3,307,720	\$3,200,000	\$3,200,000	\$3,100,000	\$3,100,000
3.040 Supplies and Materials	\$897,818	\$834,699	\$768,763	\$652,120	\$700,000	\$750,000	\$800,000	\$800,000
3.050 Capital Outlay	\$60,388	\$67,236	\$45,360	\$12,000	\$100,000	\$10,000	\$50,000	\$50,000
4.300 Other Objects	\$145,811	\$196,717	\$204,784	\$217,700	\$215,000	\$215,000	\$215,000	\$215,000
4.500 Total Expenditures	\$18,712,502	\$19,196,601	\$20,441,276	\$19,707,990	\$19,715,000	\$19,825,000	\$19,965,000	\$20,115,000
5.010 Operational Transfers - Out	\$230,044	\$15,809	\$237,136					
5.020 Advances - Out	\$98,601	\$111,716	\$94,039					
5.040 Total Other Financing Uses	\$328,645	\$127,525	\$331,175					
5.050 Total Expenditure and Other Financing Uses	\$19,041,147	\$19,324,126	\$20,772,451	\$19,707,990	\$19,715,000	\$19,825,000	\$19,965,000	\$20,115,000
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	\$88,388	(\$28,875)	(\$1,253,664)	(\$259,621)	(\$204,900)	(\$182,500)	\$22,500	(\$5,000)
7.010 Beginning Cash Balance	\$1,711,190	\$1,799,578	\$1,770,703	\$517,039	\$257,418	\$52,518	(\$129,982)	(\$107,482)
7.020 Ending Cash Balance	\$1,799,578	\$1,770,703	\$517,039	\$257,418	\$52,518	(\$129,982)	(\$107,482)	(\$112,482)
8.010 Outstanding Encumbrances	\$491,510	\$441,671	\$364,510					
10.010 Fund Balance June 30 for Certification of Appropriations	\$1,308,068	\$1,329,032	\$152,529	\$257,418	\$52,518	(\$129,982)	(\$107,482)	(\$112,482)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	\$1,308,068	\$1,329,032	\$152,529	\$257,418	\$52,518	(\$129,982)	(\$107,482)	(\$112,482)
15.010 Unreserved Fund Balance June 30	\$1,308,068	\$1,329,032	\$152,529	\$257,418	\$52,518	(\$129,982)	(\$107,482)	(\$112,482)

Source: ODE

## **Client Response**

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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.



# *Gallipolis City School District*

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March 8, 2016

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

Dear Auditor Yost,

The Gallipolis City School District would like to thank you and your staff Brent Grace, Zachary Reeder, and Sonja Hunter for conducting the Gallipolis City School District Performance Audit. The detailed report presented to the Board of Education, Treasurer, and Superintendent on March 1, 2016 contained several recommendations to reduce the expenditures within the financial budget for the District.

The District appreciates the financial reduction recommendations that will help reduce costs by:

- analyzing areas of purchasing for Maintenance/Custodial items
- installing state financial software
- developing a long-term strategic plan
- reducing personnel
- improving negotiations to focus on Sick Leave payout, Vacation accrual, and Personal Day allowances
- decreasing energy costs by hiring a Certified HVAC person
- developing an overall energy management plan
- purchasing software for transportation routing
- reducing the spare bus fleet
- increasing the amount paid for health insurance premiums by all employees
- and reducing the salary index for BAMA Certified employees

Many other suggestions were discussed with staff. The District will begin implementing the financial reduction recommendations this school year.

We have already begun to address many issues in the school district. We are currently in the process of reducing the school financial budget by \$750,000.00 because we the Ohio Department of Education placed the District on Fiscal Caution. The Performance Audit was timely in that it structures us to evaluate all facets within our District. We have implemented the following to help guide us through the current reductions: 1) organized a Financial Team to review purchases within the District, 2) evaluated all staff positions and personnel, 3) evaluated transportation, 4) hired an energy consulting group to implement an HB264 project, and 5) explored different options to reduce health insurance costs for all personnel.

Once again, the Gallipolis City District would like to acknowledge the partnership formed with the Performance Team through the Performance Audit. The team was patient, knowledgeable, professional, and took the time to engage us in this process, which will benefit us for years to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Mace".

Roger Mace, Superintendent  
roger.mace@gc-k12.org

A handwritten signature in blue ink, appearing to read "Ellen M. Marple".

Ellen M. Marple, Treasurer  
Ellen.marple@gc-k12.org

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# Dave Yost • Auditor of State

**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA 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  
MARCH 29, 2016**