



Mary Taylor, CPA
Auditor of State

PAINESVILLE TOWNSHIP
LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

MARCH 22, 2007



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Auditor of State

To the Residents and Board of Education of the Painesville Township Local School District:

Consistent with the recommendations of Governor Taft's Blue Ribbon Task Force on Financing Student Success, the Ohio General Assembly provided funding for comprehensive performance audits of selected Ohio school districts. Based on a request from the Superintendent, the Painesville Township Local School District (Painesville TLSD or "the District") was selected to receive a comprehensive performance audit.

The six functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, food service, and technology. These areas were selected because they are important components of school district operations that support the mission of educating children, and because improvements in these areas can assist Painesville TLSD in maintaining financial stability.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations contained in the audit are resources intended to assist in maintaining financial stability, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Painesville TLSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 22, 2007

Executive Summary

Project History

In accordance with House Bill 66 (H.B. 66), §206.09.12, the State Legislature has provided funding to be used in conducting performance audits consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. HB 66 provides funding for comprehensive performance audits of selected Ohio school districts to identify practices and procedures that may result in greater efficiency or effectiveness within the district. Based on the comprehensive performance audit model, the project included reviews of the following operational areas:

- Financial Systems;
- Human Resources;
- Facilities;
- Transportation;
- Food Service; and
- Technology.

District Overview

The Painesville Township Local School District (Painesville TLSD or the District) operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. The District, located in Painesville Township, Ohio (Lake County), receives approximately 67 percent of its revenues from local property taxes, 27 percent from the State of Ohio, and six percent from federal grants and other sources. According to the United States Census Bureau's 2000 Census, the District's population consists of 18,562 residents and the median household income is \$47,751, compared to the State average of \$40,956.

During FY 2004-05, Painesville TLSD operated eight school buildings including one high school, one middle school and six elementary schools. The District had a total of 583 full-time equivalent (FTE) employees consisting of 24 administrator FTEs, 271 certificated teaching FTEs, and 288 classified and other support staff FTEs. These employees were responsible for providing educational services to an average daily membership (ADM) of 4,439 students. Students with physical and learning disabilities comprise 9.7 percent of the student population. The regular education student-to-teacher ratio for FY 2005-06 was 20.7 to 1, and the special education student-to-teacher ratio was 11.7 to 1. In FY 2004-05, the District met 22 of 23

academic performance indicators established by the Ohio Department of Education (ODE) and was categorized as an excellent district. For FY 2005-06, the District met 24 of 25 academic indicators and remained classified as an excellent district.

In FY 2004-05, the District's total general fund revenue per pupil of \$8,151 was approximately seven percent higher than the peer average of \$7,600. In addition, the District's total general fund expenditure per pupil of \$7,948 was approximately six percent higher than the peer average of \$7,500. The higher revenues are due to new housing growth that has taken place in recent years, the passage of a new levy in August 2004, and the creation of a Joint Financing District (JFD). The JFD allows Painesville Township, Painesville City, Madison Local, and Perry Local school districts to share the tax base associated with the Perry nuclear power plant. The higher expenditures can be primarily attributed to higher staffing levels within the custodial and bus driver classifications.

The District has achieved positive ending fund balances in the General Fund during each of the last three years, ranging from a surplus of nearly \$1.3 million in FY 2002-03 to approximately \$1.6 million in FY 2004-05. The District is collecting on three continuous operating levies and one emergency levy, renewed in FY 2003-04. The District is also collecting on a permanent improvement levy, which was renewed in May 2006 and generates approximately \$1.5 million annually. Lastly, the District passed a 3.3 mill levy in August 2004 that is estimated to generate approximately \$2.6 million annually beginning in FY 2005-06. As a result of the new levy, the District is projecting positive ending fund balances during each year of its five-year financial forecast, with the ending unencumbered fund balance estimated at approximately \$3.6 million in FY 2009-10.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of this performance audit was to review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved. The following major assessments were conducted in this performance audit:

- Key financial management practices such as forecasting, management and stakeholder reporting, budgeting, purchasing, and payroll were reviewed in the financial systems section.
- District-wide staffing levels, collective bargaining agreements, and benefit costs were core areas assessed in the human resources section.

- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation information such as staffing, average cost per bus, and average cost per student were reviewed to identify potential efficiency improvements and cost savings.
- Staffing levels, financial operations, purchasing, and operational efficiency were reviewed in the food services section.
- Staffing levels, planning and budgeting, policies and procedures, security, hardware, and instructional and management software were reviewed in the technology section.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, or efficiency and effectiveness improvements. The ensuing recommendations comprise options that Painesville TLSD can consider in its efforts to improve operational efficiency and effectiveness while maintaining financial stability.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between April and November 2006, and data was drawn from FY 2004-05 and FY 2005-06. To complete this report, the auditors gathered a significant amount of data pertaining to Painesville TLSD, conducted interviews with numerous individuals associated internally and externally with the various departments, and reviewed and assessed available information. Furthermore, status meetings were held throughout the engagement to inform District administrators of key issues impacting audited areas, and share proposed recommendations to improve or enhance operations. Finally, Painesville TLSD provided written comments in response to the various recommendations, which were taken into consideration during the reporting process.

For the Governor's Blue Ribbon Task Force performance audits, AOS developed a database of ten selected districts that was used for peer comparisons. These districts include Poland Local School District and Canfield Local School District (Mahoning County); Norton City School District (Summit County); Wadsworth City School District (Medina County); Amherst Exempted Village School District (Lorain County); Lake Local School District, Perry Local School District and Jackson Local School District (Stark County); Oak Hills Local School District (Hamilton County); and Northmont City School District (Montgomery County). These districts were selected based upon demographic and operational data. Specifically, these ten school districts are classified as "Type 6" (urban/suburban and high median income) by ODE, the same type as Painesville TLSD. Additionally, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a

relatively low cost per pupil. Furthermore, external organizations and resources were used to provide comparative information and benchmarks, including the Government Finance Officers Association (GFOA) and the State Employment Relations Board (SERB).

The Auditor of State and staff express their appreciation to Painesville TLSD for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are key noteworthy accomplishments that were identified during the course of the performance audit.

Financial Systems

- The District prioritizes financial forecasting. This is evident by the formal Board policies on financial forecasting, the detailed assumptions used in projecting the various line-items, and the documentation maintained to support material projections. Furthermore, although the responsibility for preparing the forecast lies mainly with the Treasurer, key personnel such as the Superintendent and the Board participate in the forecasting process.
- The District actively pursues alternative sources of funding as a means to increase operating revenues without increasing the tax burden on the community. This is evident in the creation of the JFD with Painesville City Schools, Madison Local School District, and Perry Local School District to share the tax base associated with the Perry nuclear power plant. The District has also implemented various pay-to-participate fees and student program fees. These activities contribute to the District's total revenues per student exceeding the peer average by \$551.
- The District employs a variety of communication methods to convey financial information to the community. For example, the District uses newsletters, a popular annual financial report (PAFR), televised Board meetings, community surveys, collaborative town hall meetings with community members, and its website to convey important financial and operational information to the community.
- The District works with a variety of organizations to encourage stakeholder participation and obtain alternative funding for student activities that enhance its curriculum. For example, the District has a Parent Teacher Organization, athletic boosters, band boosters, and an Excellence for Education Foundation that provides additional funding for a wide range of initiatives.

Facilities

- The District has developed effective programs to ensure that custodial and maintenance employees are receiving the appropriate training. For example, the District requires that all new custodial employees attend Custodial College, which is a two-day course held at Lakeland Community College that teaches various skills such as chemical use techniques, carpet care, and office cleaning techniques. In addition, the Director of Buildings and Grounds indicated that the District conducts semi-annual training meetings that are mandatory for all custodial and maintenance staff to review proper cleaning procedures and appropriate chemical use techniques.

Food Services

- The District's food service program is self-sustaining and has not required transfers from the General Fund for operating purposes during the past two years. In addition, based on a review of claims submitted for the months from September 2005 to February 2006, the District complied with the state and federal time frame requirements for reimbursement. Furthermore, the District's net profit per meal exceeds the peer average.
- Through the just-in-time (JIT) ordering system, the District is able to minimize food waste. The JIT delivery system alleviates the need for long-term food storage, which subsequently helps eliminate waste associated with food expiration and prevents inefficient use of building space.
- The District's food service program uses a point-of-sale (POS) computer system to efficiently manage departmental operations. The POS system has applications and capabilities comparable to those recommended in *School Foodservice Management for the 21st Century* (InTEAM Associates, 1999). The POS system also helps the District monitor student purchasing patterns. In addition, the Food Service Director indicated the District regularly seeks student feedback regarding meal offerings through various formal and informal methods. This information is used regularly to alter the menus in an effort to increase student participation in the food service program.
- Painesville TLSD received a Coordinated Review Effort (CRE) evaluation of its food services program in Hadden Elementary School and Madison Avenue Elementary School in April 2006 through ODE's Office of Safety, Health, and Nutrition. Overall, ODE commended the District for maintaining high participation rates at each building, and for keeping current with trends and methods to improve food service operations.

Technology

- The District has developed and implemented a program that uses students to assist District technicians in providing technical support. This program is beneficial for the District because it prepares students for careers in technology while allowing the District to minimize the cost of the technical support function.
- The District has centralized the procurement of all computer hardware and software within the Technology Department. This ensures that all technology purchases are compatible with the existing equipment and can be supported by the technology staff.

Key Recommendations

The performance audit contains several recommendations pertaining to Painesville TLSD operations. The following are the key recommendations from the report:

Financial Systems

- The District should consider lowering the purchasing requirement to obtain multiple price quotes from \$15,000 to a threshold that would allow more items to be purchased in a competitive environment. The District should also adopt formal policies and procedures for requests for proposals (RFP), which indicate when they should be used in contracting for purchased services, as well as the dollar thresholds and types of purchases that would be subject to competitive proposals. Furthermore, Painesville TLSD should consider expanding its membership in consortiums to increase the pool of products and prices to compare and further help ensure the District pays the “best” price. These policies and practices will provide the Board with more assurance that the District’s goods and services are being purchased at a fair price, and that objective decisions are being made regarding vendor selection.
- The District should consider implementing on-line purchasing at the schools and departments. In addition, the District should consider installing an automated time and attendance system for processing payroll. The on-line purchasing and automated time and attendance systems would eliminate the duplication of effort that occurs under the current purchasing and payroll procedures. Once fully implemented, the on-line purchasing and automated time and attendance systems also could potentially allow for a reduction in staffing levels within the Treasurer’s Office.

- The District should take steps to cross-train employees in the Treasurer's Office. This would help the District avoid potential difficulties should one or more of the employees be absent for an extended period of time.
- The District should consider using a more decentralized budgeting process which takes advantage of the knowledge of principals and teachers. For example, the District could allow building principals to develop and submit the first proposal for the school building budget. The Treasurer and Superintendent could then evaluate the proposal to ensure that the expenditures are in line with the District's goals for the upcoming year and that they are within the anticipated revenues. The District should also consider preparing a budget document containing detailed information and supporting materials that highlight the District's key policies, goals, objectives and issues for the upcoming fiscal year. This will help link the budget to the District's strategic plan. As the District develops a new strategic plan, it should include specific benchmarks and measures to easily and objectively measure attainment of its stated goals. The strategic plan should also include the District's mission statement and detailed action plans to help achieve the stated goals.

Human Resources

- The District should consider implementing a 12 percent employee contribution for all employees enrolled in the Super Med Plus plan along with implementing a proportional increase for the Super Med Classic and HMO plans. Furthermore, the District should negotiate to state all future employee contributions as a percentage rather than a fixed dollar amount in order to help offset inflationary increases in health care premiums. The District should also review its employee co-insurance for physician visits, prescription co-pays and tier levels, average annual deductibles, hospital cost sharing, utilization management provisions, and annual out-of-pocket maximums to identify potential savings by modifying these plan provisions. Lastly, the District should structure the contribution rates for certificated staff to cover the full price difference associated with offering the upgraded plans, similar to the classified staff.
- The District should consider implementing the Drug Free Workplace and Transitional Work programs in an effort to re-qualify for group rating through the Bureau of Workers Compensation (BWC). The Drug Free Workplace program should help the District improve workplace safety, which subsequently would help reduce the number and severity of filed claims. In addition, the District would be eligible to receive additional BWC premium discounts by implementing the Drug Free Workplace program. The Transitional Work program would help the District reduce the severity and costs associated with lost time claims.

- The District should consider purchasing an automated HR management system. This would enable the District to function more efficiently by providing one central location for the storage of HR information and allowing access to designated staff from many different locations. An HR management system would also assist District personnel in ensuring legal compliance for staffing, efficiently and effectively tracking substitutes, reviewing leave usage, and performing various other HR functions. In addition, the District should consider purchasing and implementing an automated substitute calling system. This would provide the District with an efficient method for contacting qualified substitutes, and should allow for a reduction in the hours currently being spent by employees in completing this function.

Facilities

- Based on comparisons to peer averages and national benchmarks, the District should consider reducing the custodial staffing level by 15.0 FTEs, and increasing the maintenance/grounds staffing levels, initially by 2.0 FTEs, and later by a maximum of 6.0 FTEs. The District will be better able to determine its exact maintenance needs by implementing a new work order system, improving the facility and capital improvement plans, and by tracking key performance measures. Once these measures are in place, the District should be able to determine the precise number of maintenance staff to hire in the future.
- The District should evaluate the efficiency and effectiveness of the custodial and maintenance programs by regularly tracking and reporting certain key performance measures, such as cost per square foot and cost per student for major object codes (staffing, benefits, purchased services, utilities, supplies, etc.), the number of square feet cleaned and maintained per FTE, and acres maintained per FTE. Similarly, the District should conduct a survey of teachers, students, parents, administrators and board members at least annually to determine the strengths and weaknesses of the custodial and maintenance programs.
- The District should develop and formally adopt a 5 to 10 year forecast methodology for projecting student enrollment. The District should then use the adopted methodology to prepare a formal enrollment projection. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities. This would help the District address potential capacity issues and if necessary, determine possible building additions, closures, and/or reconfigurations. In particular, the District should review the current capacity and utilization rates at Melridge Elementary and the Riverside Campus, and take appropriate measures to alleviate potential overcrowding.

Transportation

- The District should consider reducing at least nine buses through a combination of re-designing the routes to improve bus capacity utilization and staggering bell schedules to allow more buses to complete a third run. In addition, the District should stay in regular contact with representatives from the Lake Geauga Computer Association (LGCA) about the status of the routing software. If LGCA decides not to purchase routing software within the next year (FY 2007-08), the District should go forward with its plans to purchase the software. This would allow the District to easily determine the most efficient bus routing while accounting for variables like student ride time, changing enrollment, and safety hazards. The routing software would also help ensure the District is making the best use of existing capacity.
- Based on the low age and mileage of the current fleet, and the recommendation to reduce nine active buses, the District should consider reducing the number of future bus replacements. To determine the appropriate number of buses to be replaced annually, the District should develop a bus replacement plan, and update it annually. All bus and equipment replacement decisions should be based upon economic modeling that allows for replacement at the most advantageous point in the equipment's life cycle.
- The District should investigate the possibility of using the permanent improvement levy proceeds to construct a central parking lot that can house all the buses. This should help the District reduce bus maintenance costs as well as bus driver salary costs as certain drivers will not be driving across the District to start a route. This would also help ensure that the buses are properly secured at night and on weekends.
- The District should negotiate to eliminate or reduce the 4.5 hour minimum guarantee for bus drivers. This will help make the District's average bus driver salaries more comparable to the peer average and prevent payments to employees when no work is being performed.
- In order to bring the staffing costs in line with the peer average, the District should consider reducing the secretarial staff by one FTE and addressing the high cost of sick leave. To facilitate this, the District should consider developing a written policy that addresses the appropriate use of sick leave and includes prohibitions against pattern abuse. These prohibitions should indicate that if an employee engages in pattern abuse, they may be subject to discipline. To identify potential pattern abuse, the District should actively monitor sick leave usage, particularly within the Transportation Department.
- The District should establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE. In developing these

policies, the District should consider requiring the Treasurer's office and the Director of Transportation to complete a thorough review of the T-reports prior to submission. Improving the report review process should subsequently ensure that the District receives the appropriate amount of State reimbursement for its transportation services, and uses accurate and reliable data when making decisions regarding transportation operations.

Technology

- The District should consider designing the next technology plan to include the following: Board approval; a listing of specific building needs; strategies to improve operations through the use of technology; and identification of one person responsible for plan oversight. In addition, the District should work to identify specific funding sources and amounts that can be dedicated each year to achieving the goals and objectives identified in the technology plan. One potential option would be to reduce the annual allocations given to the building principals for non-building upgrades and maintain central control of these funds.
- The District should develop a separate account code within USAS that can be used to track District-wide technology expenditures. This would allow the District to generate detailed information and management reports that indicate the various sources of funds used to purchase items such as hardware and software, what items are being purchased, and which departments are spending funds on technology. Painesville TLSD should also begin using the Total Cost of Ownership concept when budgeting for future technology expenditures.
- The District should develop a formal computer replacement policy that identifies the appropriate cycle for replacing computers while balancing funding requirements for other priorities. Enforcement of a computer replacement policy would require the District to annually set funds aside for implementation. However, this investment should result in greater operational performance and the potential for an enhanced learning environment.
- The District should fill the vacant Elementary Technology Coordinator position with a full-time computer technician. When the computer technician has been hired and certain recommendations in this performance audit have been implemented, the District should conduct a self-assessment of its technology needs and monitor user satisfaction through annual surveys to determine whether it is feasible and/or necessary to hire additional technology staff.
- The District should consider re-designing its current organization structure to allow for joint management of the technology staff by building principals and the Director of Technology, similar to the current process for custodial and food service employees.

This would foster additional accountability through the Director of Technology's participation in the hiring and evaluation process.

- The District should develop, update and annually review the computer inventory levels in comparison to student enrollment by building. The administration should then use this information to distribute future computer purchases more equitably throughout the District. Furthermore, the District should consider achieving the industry standard of five students for each computer.
- The District should develop a comprehensive manual that discusses its practices in the areas of systems operations, systems development and maintenance standards, documentation standards, operations policies, and security access. In addition, the manual should include a comprehensive disaster recovery plan that requires daily file back-ups at all locations. A disaster recovery plan will help ensure a consistent delivery of services and network security in the event of a disaster or a long-term absence by the Director of Technology.

Additional Recommendations

The remainder of this executive summary highlights some of the additional recommendations from the audit report.

Financial Systems

- In preparing future forecasts, the Treasurer should consider developing an analysis that models the cost of employee step increases throughout the forecast period. This would help ensure that the cost of step increases are not understated and will provide the Treasurer with an objective analysis to help support the stated assumptions. In addition, when projecting employee benefits, the Treasurer should consider analyzing the health insurance program separately from the other expenditures that comprise the fringe benefits line-item. This is important because health insurance costs represent nearly 50 percent of the District's total fringe benefit expenditures and are independent of salary increases.
- The District should consider preparing and issuing its annual financial statements in the comprehensive annual financial report (CAFR) format recommended by the GFOA. This expanded report format will provide more information regarding the District's environment, past spending decisions and future commitments, as well as budgetary statements and statistical information. The District should also consider submitting the CAFR and PAFR to GFOA for awards consideration. In addition, the District should

consider updating its website to include more financial information that could be useful to local citizens and other interested parties including the CAFR and PAFR. By making more financial information available on the website, the District would be using a relatively inexpensive method to help people better understand its financial condition.

- The District should expand the use of direct deposit and consider negotiating mandatory direct deposit in future union agreements. The use of direct deposit reduces the cost of processing payroll checks, streamlines bank reconciliations and helps minimize security risks associated with lost or stolen checks

Human Resources

- The District should establish a formal plan to address current and future staffing needs. By developing a staffing plan, the District would have an objective analysis to help ensure that it meets State requirements, maintains adequate staffing to serve its students, and efficiently operates its various departments. In conjunction with the staffing plan, the District should also develop an employee recruiting plan. This would help ensure that the District is using a uniform recruiting process, and is hiring effective and qualified applicants. Lastly, the District should begin reviewing and tracking employee turnover for all categories of employees and conducting exit interviews to help gauge satisfaction levels. Taking such measures would enable the District to effectively address concerns and problems with job satisfaction, which would help minimize employee turnover.
- The District should consider negotiating to decrease the number of vacation days and holidays that are provided to classified employees. Doing so would allow the District to reduce the amount of time employees are away from work, which subsequently should increase productivity and limit the need for substitutes and/or overtime. The District should also consider reducing the number of sick days that are paid to certificated and classified staff at retirement. This would help limit the District's long-term liability associated with severance payments. Furthermore, the District should negotiate to eliminate the retirement incentive language from the certificated collective bargaining agreement.

Facilities

- The District should develop a facilities master plan. In carrying out this process, the District should work with a cross-section of school personnel, parents, students and community members to ensure that all stakeholders have input with regard to the District's facilities' needs and future plans.

- The District should continue with its plans to purchase an electronic work order system. The District should use the new work order system to help establish a formal preventive maintenance (PM) program that addresses all routine, cyclical, and planned building maintenance functions. Along with the development of a formal PM program, the District should develop a more comprehensive five-year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work is completed or equipment is replaced.
- The District should consider developing formal energy management and conservation policies. Once the policies are in place, the District should distribute and discuss the policies with the administration, faculty and staff in an effort to educate them about energy conservation and the impact waste has on the District's operating budget. The District should also consider implementing a mechanism for monitoring energy use by building. This would allow the District to identify waste associated with policy non-compliance and/or inefficient equipment, such as boilers, lights and air conditioners.

Transportation

- The District should include more detail in its transportation policies to better explain service levels. More specifically, the transportation policy should identify the mileage thresholds at which transportation services will be provided and the specific safety hazards that exist within the District. Doing so would assist in effectively planning the routes and bus stops each year, which subsequently impact the number of buses and staff that are needed. In addition, once the routing software is in place, the District should regularly determine the financial impact associated with adopting transportation policies in excess of State minimum standards.
- The District should adopt a policy that addresses reimbursement for non-routine transportation services. The policy should state that all billable trips will be fully-reimbursed through user charges based on the actual cost of providing the services. To facilitate an accurate billing procedure, the Treasurer and Director of Transportation should devise a method to more accurately track the costs associated with providing non-routine transportation services.
- The District should investigate strategies to reduce its special needs transportation costs. Specifically, the District should consider actively promoting the formation of parent/guardian contracts for special needs riders. In addition, the District should adopt a policy requiring the Director of Transportation and the Treasurer to annually prepare a cost-benefit analysis showing the cost of the District's membership in the East Shore consortium in comparison to the projected costs of completing the special needs transportation function in-house.

- Painesville LTSD should strive to increase the number of payment-in-lieu-of transportation agreements as an alternative to providing transportation for hard to reach regular needs students. In order to maximize savings, and in conjunction with taking measures to optimize bus utilization, the District should establish payment-in-lieu of transportation agreements with riders that would enable reductions to its fleet.

Food Services

- The District should develop a five-year operating plan for the food service function that includes clearly defined and measurable goals, objectives, work steps, and benchmarks. The plan should be included within the District-wide strategic plan. Painesville TLSD should also develop a food service equipment replacement and preventive maintenance plan that specifies the District's future food service equipment needs, including timing and sequence, estimated costs, and potential funding sources. The Food Service Director should then develop the annual budget based on accomplishing the goals and objectives outlined in the strategic and equipment replacement and preventive maintenance plans, rather than relying strictly on historical activity. In addition, to obtain the most accurate measure of the Food Service Fund's profitability, the District should consider devising a method to allocate an appropriate percentage of building utility costs to the Food Service Fund.
- The District should update the food service employee handbook to include other key policies and procedures, such as cash control, inventory procedures, purchasing requirements and other Board policies. This would help to better ensure that each kitchen is aware of, and follows, the appropriate policies and procedures.
- The Food Service Department should implement a formal training program that identifies the core curriculum required for all staff, training needs specific to each employee, and a minimum number of annual training hours for staff. The core curriculum should be designed to cover critical aspects of food service operations and can be completed either in-house and/or externally. To facilitate this process, the District should begin tracking the total number of hours and types of training for each employee.
- The District should consider using surveys as another method for obtaining input from students and other relevant stakeholders (parents and District staff). Doing so would ensure that the District considers a broad range of input from a variety of sources to help identify improvements to food service operations.

Technology

- The Director of Technology should devote more time to seeking grants, especially at the local level. Doing so could help the District obtain additional funding that can be used to purchase items that are not possible within the constraints of the current operating budget.
- The District should state a preference for a single operating system and ensure that future purchases reflect this decision. This would allow users and technology staff to develop a familiarity with one system. Similarly, the Director of Technology should create a uniform hardware and software policy, which includes detailed lists of products that the District's network and technical staff can support. Once developed, the District should post the policy on the web-site so that it is available for all employees to reference.
- The District should consider developing specific guidelines regarding acceptable technology donations and proper disposal procedures. This would help ensure the compatibility and usefulness of donated equipment while minimizing additional support costs. In addition, written guidelines would help ensure appropriate and consistent application of donation and disposal practices in the event of a long-term absence by the Director of Technology and/or turnover in the District's administrative positions. The District should also consider strengthening the existing Internet Acceptable Use and Safety Policy guidelines by addressing legal issues such as copyright, privacy and legal uses for digital materials. In addition, the District should specify the appropriate uses for other equipment such as FAX machines and copiers, including disciplinary action for inappropriate use.
- The District should develop a technology training program that identifies a core curriculum and a minimum number of training hours employees should receive each year. The curriculum should be designed to cover critical aspects of an employee's responsibilities, and could be completed either in-house or externally. A training program that empowers staff may assist in improving the troubleshooting function and limit the need to hire additional technology staff beyond filling the vacant part-time Elementary Technology Coordinator position with a full-time employee. It would also help enable staff to fully use the functions available in the District's software.
- The District should follow through with its plan to acquire an I/P telephony system (also referred to as Voice over Internet Protocol). Although there will be an upfront cost to purchase the system, the long-term savings should more than offset the initial costs. However, prior to selecting a service provider, Painesville TLSD should ensure there are no limitations with placing 911 calls and that the District will receive consistent service during power outages. Likewise, Painesville TLSD should follow through with its plans

to obtain an electronic trouble ticketing system to help measure the reliability of equipment, technician performance, and customer satisfaction.

- The District should consider coordinating technology purchases with neighboring school districts and using competitive bidding and bulk purchasing as additional methods that can be used to achieve price discounts. In addition, prior to making future technology purchases, the District should require that the Director of Technology maintain documentation showing that the prices negotiated with individual vendors are lower than those that can be obtained through the statewide contracts.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following issues:

- Once the District determines which purchasing system it is going to use in the future (automated vs. manual), it should review purchasing cards to determine if they could further improve the efficiency of the process without sacrificing management control.
- Reducing at least nine buses may allow the District to reduce certain bus assistant positions, which would help bring the District's staffing in the All Other classification more in line with the peer average. However, a detailed analysis of the District's bus assistant staffing levels could not be performed due to an inability to separately identify comparable positions within EMIS for the peers. Therefore, the District should consider performing a detailed analysis of the bus assistant staffing levels in conjunction with the implementation of routing technology, reducing its fleet size, and reducing other transportation positions to further define the potential to reduce bus assistant positions.
- In FY 2005-06, the District employed approximately 41.8 special education teachers, which is 6.7 FTEs more than the minimum requirements outlined in Ohio Administrative Code (OAC) § 3301-51-09. While the District's ratio of special education student per special education teacher (11.7) is much lower than the peer average (17.2), the District's special education costs per special needs student (\$5,817) are significantly lower than the peer average (\$7,141). This is an indication that the peers may be contracting for additional services that are not being reported through EMIS. Nevertheless, based on the comparison to OAC minimum requirements, the District should conduct a detailed review of its special education program to determine if any reductions can be achieved without negatively impacting the quality of education.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Painesville TLSD should consider. Some of the recommendations are dependent on labor negotiations or collective bargaining agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit. In instances where a recommendation contains both an annual savings and an annual cost, the ensuing table presents the net annual financial impact of the recommendation in the “Estimated Annual Cost Savings” column.

Summary of Performance Audit Recommendations

	Estimated Annual Cost Savings	Estimated One-Time Costs
Total Recommendations Subject to Negotiation		
R2.17 Require all employees to be paid through direct deposit	\$192	
R3.3 Require a 12 percent employee contribution for health insurance	\$302,000	
R3.3 Require certificated staff to pay difference between health plans	\$50,000	
R3.5 Implement Drug-Free Workplace program	\$49,400	
R3.6 Eliminate requirement to offer annual retirement incentive	\$67,900	
R3.7 Reduce the certificated and classified severance payouts	\$8,800	
R5.5 Reduce the minimum guaranteed hours for bus drivers	\$19,000	
R5.6 Reduce sick leave usage through improved policies	\$35,200	
Total Recommendations Subject to Negotiation	\$532,492	
Recommendations Not Subject to Negotiation		
R2.14 Reduce accounts payable staffing by 0.5 FTE	\$18,900	
R2.16 Install an automated time and attendance system	(\$4,500)	\$84,000
R2.16 Reduce payroll staffing by 0.5 FTE	\$18,900	
R3.11 Purchase a human resources software package	(\$395)	\$33,000
R3.12 Purchase an automated substitute calling system	\$10,900	\$900
R4.1 Reduce 15.0 custodial FTEs and hire 2.0 maintenance FTEs	\$489,000	
R5.1 Purchase transportation routing software		\$17,000
R5.1 Reduce nine buses	\$197,500	
R5.3 Reduce annual bus purchases by five buses (\$325,000 annually for five-years)	\$325,000	
R5.6 Reduce one transportation secretary	\$36,700	
R6.8 Subscribe to an online survey service	(\$200)	
R7.3 Replace computers on a five-year cycle	(\$162,000)	
R7.4 Hire one technology FTE	(\$46,000)	
R7.9 Purchase additional computers for teachers and students	(\$112,000)	\$112,000
R7.19 Purchase an I/P Telephony system	\$36,000	Undeterminable at this time
Total Recommendations Not Subject to Negotiation	\$807,805	\$246,900
Total Financial Implications	\$1,340,297	\$246,900

Source: AOS Recommendations

The financial implications summarized above are presented on an individual basis. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Financial Systems

Background

This section of the performance audit focuses on the financial systems within the Painesville Township Local School District (Painesville TLSD or the District). The objective is to analyze the current financial condition of Painesville TLSD and develop recommendations for improvements and efficiencies. For benchmarking purposes, Painesville TLSD is compared to a peer average consisting of ten school districts classified as “Type 6” (urban/suburban and high median income) by the Ohio Department of Education, the same type as Painesville TLSD. These ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Specifically, the peer average is comprised of Amherst Exempted Village School District, Canfield Local School District, Jackson Local School District, Lake Local School District, Northmont City School District, Norton City School District, Oak Hills Local School District, Perry Local School District, Poland Local School District, and Wadsworth City School District. Other pertinent sources were also used for comparison purposes, including the Government Finance Officers Association (GFOA).

Organization Structure and Function

The Treasurer’s office consists of two functional areas: accounting and payroll. The accounting function has two full-time employees and one part-time employee who works 10 months per year. One full-time employee holds a treasurer’s license and is considered the Assistant Treasurer. This individual is responsible for posting transactions to, and overseeing the management of, school discretionary funds; posting all General Fund receipts; performing data entry for purchase orders and invoices; and assisting the Treasurer in managing the District’s investment accounts. The Assistant Treasurer also has the authority to sign purchase orders when the Treasurer is on vacation and handles all banking duties. The other full-time employee has the title of Secretary and is responsible for federal grants research and helping the Assistant Treasurer with purchase order and invoice data entry, in addition to clerical duties. The part-time employee is also responsible for processing purchase orders and invoices, and tracking the progress of fundraisers by overseeing the deposits in the activity funds. The Treasurer’s duties include preparing the five-year forecast and the annual budget, and overseeing the daily financial operations of the District.

The payroll function is performed by two full-time employees and one part-time employee who works six hours per day during the school year. One full-time employee is responsible for processing certificated staff payroll and filing tax forms, while the other full-time employee handles classified benefits, insurance, and workers’ compensation. The part-time employee is

responsible for tracking employee absences, sick and personal leave for teachers, and processing classified payroll. In addition, the part-time employee periodically assists in processing purchase orders and invoices when needed to cover for absences in the accounting function. **Table 2-1** summarizes the staffing levels within the Treasurer’s office.

Table 2-1: Financial Services Staffing

	Number of Employees	Full-Time	Part-Time
Treasurer	1	1	NA
Accounting	3	2	1
Payroll	3	2	1
Totals	7	5	2

Source: Painesville TLSD

Financial Status

The District’s financial situation has been relatively stable the last three years. For example, the District’s ending unencumbered General Fund balance increased from approximately \$900,000 in FY 2003-04 to approximately \$1.6 million at the end of FY 2004-05. According to the Treasurer, the recent growth in the ending General Fund balance is due to a combination of spending limits and a new levy that passed in August, 2004 which generates approximately \$2.6 million annually. However, due to the collection cycle of the levy, the District only collected approximately half of the levy in FY 2004-05. The first full collection occurred in FY 2005-06 and will continue through FY 2008-09. As a result of the new levy, the Treasurer’s five-year financial forecast projects the District will maintain positive ending fund balances during all years of the forecast. **Table 2-2** presents the District’s five-year financial forecast submitted to ODE by the Treasurer on October 12, 2005.

Table 2-2: Painesville TLSD Financial History and Forecast (in 000's)

	Actual 2002-03	Actual 2003-04	Actual 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10
Real Estate Property Tax	\$13,351	\$14,805	\$17,197	\$18,910	\$20,460	\$22,048	\$22,657	\$22,627
Tangible Personal Property Tax	3,388	3,427	3,803	3,252	2,362	1,648	995	353
Unrestricted Grants-in-Aid	6,372	7,279	6,955	7,056	7,910	8,624	9,277	9,919
Restricted Grants-in-Aid	461	453	356	280	356	356	356	356
Property Tax Allocation	1,697	1,860	2,204	2,488	2,591	2,701	2,817	2,939
Other Revenues	4,045	4,328	4,580	4,104	4,021	3,839	3,532	3,351
Total Operating Revenues	\$29,314	\$32,152	\$35,095	\$36,090	\$37,700	\$39,216	\$39,634	\$39,545
Salaries & Wages	\$18,606	\$19,920	\$20,475	\$21,269	\$22,039	\$22,837	\$23,664	\$24,521
Fringe Benefits	5,942	6,273	6,348	6,748	7,197	7,677	8,189	8,735
Purchased Services Supplies, Materials & Textbooks	4,104	4,275	5,158	4,989	5,161	5,339	5,523	5,715
Capital Outlay	283	144	147	188	140	142	143	145
Debt Service	140	0	0	0	0	0	0	0
Other Expenditures	152	497	498	465	479	493	507	522
Total Operating Expenditures	\$30,642	\$32,355	\$34,105	\$35,305	\$36,706	\$38,222	\$39,806	\$41,465
Net Transfers/ Advances	(7)	18	(111)	(200)	(75)	(75)	(75)	(75)
Other Financing Sources	1	0	2	0	0	0	0	0
Net Financing	(\$6)	\$18	(\$109)	(\$200)	(\$75)	(\$75)	(\$75)	(\$75)
Result of Operations (Net)	(\$1,334)	(\$185)	\$881	\$534	\$871	\$870	(\$296)	(\$2,044)
Beginning Cash Balance	\$3,780	\$2,446	\$2,262	\$3,143	\$3,676	\$4,547	\$5,416	\$5,121
Ending Cash Balance	\$2,446	\$2,262	\$3,143	\$3,676	\$4,547	\$5,416	\$5,121	\$3,076
Encumbrances	571	777	917	917	917	917	917	917
Budget Reserve	586	586	586	586	586	586	586	586
Ending Fund Balance	\$1,289	\$899	\$1,640	\$2,173	\$3,044	\$3,914	\$3,618	\$1,573
Renewal of Levy	0	0	0	0	0	0	0	2,050
Revised Ending Fund Balance	\$1,289	\$899	\$1,640	\$2,173	\$3,044	\$3,914	\$3,618	\$3,623

Source: Painesville TLSD

The projections in Table 2-2 present the expected revenues, expenditures and fund balances in the General Fund from June 30, 2006 through June 30, 2010, with historical information

presented for the fiscal years ended June 30, 2003, 2004 and 2005. One of the objectives of this audit is to assess the District's process for developing the financial forecast and to test the Treasurer's assumptions and methodology for certain key line-items to determine the overall reliability of the forecast for decision-making purposes. The line-items that were assessed in this performance audit include real estate property taxes (see *Assessments Not Yielding Recommendations*), unrestricted grants-in-aid (see *Assessments Not Yielding Recommendations*), salaries and wages (see **R2.1**), and employee benefits (see **R2.2**). These line-items were selected because they accounted for nearly 70 percent of the District's revenues in FY 2004-05 and approximately 79 percent of the total expenditures. Despite recommendations to strengthen the District's forecasting methodology (see **R2.1** and **R2.2**), this performance audit determined that the forecast presented in **Table 2-2** appeared to be a materially reliable presentation of the District's financial condition and that Painesville LTSD had an effective process in place for preparing the forecast (see *Noteworthy Accomplishments*).

During the course of this audit, actual revenue and expenditure information became available for FY 2005-06. The actual figures for FY 2005-06 compared favorably with the Treasurer's projected figures. As a result, additional assessments were not needed to determine the overall reasonableness of the forecast. Specifically, the District's actual revenues and expenditures for FY 2005-06 totaled \$38.1 million and \$35.6 million, respectively. In contrast, the Treasurer's original projections (from October, 2005) for FY 2005-06 totaled approximately \$36.1 million for revenues and \$35.3 million for expenditures. This indicates that the Treasurer's revenue projections were somewhat conservative (understated by 5.5 percent) while the expenditure projections were within one percent of the actual results. The higher revenues can be attributed to tangible personal property tax collections and tangible phase-out reimbursements exceeding the original expectations due to growth in new construction.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas within the financial systems section which did not warrant changes and did not yield recommendations. These areas include the following:

- **Real Estate Projections:** The Treasurer's real estate projection for FY 2005-06 appears reasonable based on the County Auditor's certificate of estimated resources. Additionally, the 6.9 percent average annual growth rate projected by the Treasurer from FY 2006-07 through FY 2009-10 (assuming levy renewal) is similar to the 6.2 percent historical average annual increase from FY 2000-01 through FY 2004-05 (after adjusting for the impact of the new levy passed in August 2004). The slightly higher projected growth rates appear reasonable based on the expected growth from new housing developments. More specifically, the Treasurer and Superintendent noted that three neighborhood developments are being constructed that will yield approximately 2,000 new homes in the near future.

- **State Funding Projections:** The Treasurer's projections for FY 2005-06 look reasonable because they are in line with the April 2006 SF-3 report. For State Funding purposes, the Treasurer assumes that the District will remain on the "guarantee" throughout the forecast period due to property values increasing at a faster rate than the growth in enrollment. As a result, the District is not projected to realize any increase in State foundation revenues. Districts are classified as "guarantee" districts if their State aid would be reduced from the prior year's amount based on the application of the State funding formula. For guarantee districts, the State provides an assured level of funding that otherwise would be reduced based on the foundation formula. The five-year growth rate in property values of 39.4 percent was more than double the enrollment growth rate during FY 1999-00 to FY 2004-05. Moreover, because only one property update year (FY 2002-03) is reflected in the historical trend analysis, the disparity between the District's land values and enrollment growth will likely further increase in FY 2005-06 as a result of the property reappraisal and new home construction. Therefore, the Treasurer's assumption that the District will remain on the "guarantee" appears reasonable. Lastly, the Treasurer projected the tangible personal property tax phase-outs and the subsequent reimbursements (included in unrestricted grants-in-aid) related to H.B. 66 based on information provided by the Ohio Department of Taxation (ODT). The Treasurer's projections for the impact of new legislation on tangible property taxes are in line with ODT estimates and are consistent with H.B. 66.
- **Budget Controls:** Painesville TLSD monitors its budget to ensure that the various cost centers are adhering to their budgetary allocations. In addition, the accounting system prevents proposed purchases from being entered into the system when there are insufficient funds, unless the system is overridden by one of four authorized individuals. The Treasurer receives and reviews daily reports of any system overrides, which provides an added control.
- **Risk Management Practices:** Although the District does not have formal policies regarding risk management (see **R2.10**) the Treasurer indicated that the District annually compares vehicle and property insurance costs and plan designs to other Districts in Lake County. As a result, the District's insurance costs declined from FY 2003-04 to FY 2004-05. Although the District's insurance costs per student (\$10) exceeded the peer average (\$6) in FY 2004-05, this was due to policy decisions made by the District concerning coverage levels and insuring more buildings and buses (13 and 68) than the peer average (7 and 43).
- **Management Reports:** The District monitors and analyzes the performance of its programs and finances using tools such as financial forecasts and State report cards issued by ODE that measure educational performance. The District also measures stakeholder satisfaction through various methods such as conducting annual surveys of parents and employees, and holding periodic town hall meetings. The District uses this information to

assess its progress in meeting prescribed goals and objectives. In addition, the Treasurer prepares reports for department heads showing the District's position in relation to the budget

- **Accounting:** The District's accounting practices for managing fixed assets, debt issuance, grants management and internal controls comply with Generally Accepted Accounting Principles (GAAP) and other similar benchmarks. Furthermore, the FY 2004-05 financial audit did not identify any material citations in these areas and classified the District as a low risk client.
- **Financial Reports:** The Treasurer provides the Board with a variety of financial reports prior to each monthly Board meeting, including summaries of the District's budgetary performance, check registers, transfer listings, and budget modifications. In addition, the Treasurer periodically provides investment reports as well as graphic presentations of the District's expenditures by function and local tax receipts. Most financial reports are given to the Board at least one week prior to the meetings to allow for timely decision making. Any significant variances in the budgeted revenues and expenditures are presented in written form and verbally explained to the Board. In addition to the regular financial reports, the Treasurer also provides financial projections for labor negotiations, capital improvements and curriculum changes in an effort to facilitate Board decision making. Additional expenses that occur as a result of the Board's decisions in these areas are directly incorporated into the forecast. Further, the District effectively uses the services of a finance committee through solicitation of input on key financial areas.
- **Purchasing Compliance and Controls:** The District's policies and procedures for competitive bidding comply with state requirements and appear to be appropriately managed based on a review of past financial audits. In addition, Painesville TLSD's purchasing function is separate from the District departments that requisition goods and services, which provides for an appropriate separation of duties.
- **Vendor Payments:** The District's vendor payment process appears to be effective and timely. More specifically, based on a sample of 20 voucher packets from FY 2004-05, the District averaged 13 days from receipt of the invoice to payment, with the longest elapsed time being 32 days. In addition, the Treasurer noted that the District takes advantage of prompt pay discounts when the percentage of discount is greater than the interest rate of its investments.
- **Payroll:** Painesville TLSD has established effective controls over the employee master file within the payroll system. For example, the District uses a series of passwords to limit access to the employee master file. Under current operations, only the payroll clerks, the Treasurer, and the Superintendent have the ability to make modifications to the payroll system. Furthermore, any changes entered into the employee master file must be

supported by an official Board resolution stating the employee name, date of change, and type of change. The Treasurer receives a monthly audit report which specifies all of the changes made to the employee master file as well as the person responsible for making the change. This report provides the Treasurer with an opportunity to determine if the changes were correct and necessary. Painesville TLSD has appropriate policies and procedures in place to verify the accuracy of payroll and employee withholdings before the payroll is distributed.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified the following issue:

- **Purchasing Card System:** Although the District's current purchase order process is effective at ensuring compliance with ORC, it does not necessarily allow departments to make small purchases in a timely manner. The Treasurer indicated that the District does not currently use purchasing cards due to concerns about a lack of control. The Treasurer and Superintendent are the only staff members who have credit cards, which are used mainly for business travel and to achieve price discounts. However, the Board has a policy that allows employees authorized by the Treasurer to use purchasing cards for goods and services costing less than \$1,000. Implementing a purchasing card system with the appropriate controls would expedite the current purchase order process (manual) and potentially reduce operating costs. However, **R2.14** indicates that the District should consider implementing an automated purchasing system. This may also allow the District to improve efficiency when making small purchases without changing the current approval procedures by allowing for faster processing, while also maintaining sufficient controls. Once the District determines which purchasing system it is going to use in the future (automated vs. manual), it should review purchasing cards to determine if they could further improve the efficiency of the process without sacrificing management control.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of the District's financial systems:

- **Financial Forecasting:** The District prioritizes financial forecasting. This is evident by the formal Board policies on financial forecasting, the detailed assumptions used in projecting the various line items, and the documentation maintained to support material projections. In addition, the forecast document complies with the general reporting

requirements outlined in ORC § 5705 and the Treasurer's projections appear to comply with minimum spending requirements (instructional material and capital improvements) stipulated in ORC § 3315. Furthermore, although the responsibility for preparing the forecast lies mainly with the Treasurer, key personnel such as the Superintendent and the Board participate in the forecasting process. Finally, the positive results of the FY 2003-04 and FY 2004-05 financial audits, the financial stability of the District, and the tenures of the Superintendent and the Treasurer help ensure that reliable historical figures are used when developing forecast assumptions.

- **Revenue Alternatives:** The District actively pursues alternative sources of funding as a means to increase operating revenues without increasing the tax burden on the community. This is evident in the creation of the Joint Financing District (JFD) with Painesville City Schools, Madison Local School District, and Perry Local School District to share the tax base associated with the Perry nuclear power plant. The District generated approximately \$2.6 million through the JFD in FY 2004-05. The District has also implemented various pay-to-participate fees and student program fees that generated approximately \$323,000 in FY 2005-06. These activities contribute to the District's total revenues per student exceeding the peer average by \$551. Additionally, the Treasurer indicated that the District solicits donations from area businesses for various school programs and holds fundraising events. For example, an area business recently donated \$10,000 to the District to construct a laboratory.
- **External Communication:** The District employs a variety of communication methods to convey financial information to the community. For example, the District uses newsletters, a popular annual financial report (PAFR), televised Board meetings, community surveys, collaborative town hall meetings with community members, and its website to convey important financial and operational information to the community. According to the Florida Office of Program Policy and Government Accountability (OPPAGA), open two-way communication with the public is essential for a school district to maintain and increase its support base in the community.
- **Stakeholder Participation:** The District works with a variety of organizations to encourage stakeholder participation and obtain alternative funding for student activities that enhance its curriculum. For example, the District has a Parent Teacher Organization, athletic boosters, and band boosters that provide additional funding for a wide range of initiatives. In addition, the District has an Excellence for Education Foundation which operates separately from the District, but is designed to support District initiatives by providing funding for projects that are outside the scope of a building principal's annual budget. Lastly, periodic advisory meetings are conducted with area business leaders to receive their input on school issues and the future direction of the District.

Recommendations

Financial Forecast

R2.1 In preparing future forecasts, the Treasurer should consider developing an analysis that models the cost of employee step increases throughout the forecast period. This would help ensure that the cost of step increases are not understated and will provide the Treasurer with an objective analysis to help support the stated assumptions.

The District’s assumptions for projecting salaries and wages are based on the following:

- The projections for FY 2005-06 are based on the actual salaries for all employees for the year. The remaining years are projected by increasing the prior year projection by varying percentages to account for cost of living adjustments (COLAs) and step increases (see below). The Treasurer does not anticipate any changes in staffing levels during the forecast period.
- Teacher salaries are projected to increase 3.5 percent annually, with 2 percent representing COLAs and 1.5 percent representing expected step increases. The current negotiated agreement for the teaching staff expires August 31, 2008 and includes two percent COLAs during each year of the agreement.
- Classified salaries are projected to increase four percent annually, with three percent representing COLAs and one percent representing anticipated step increases.

Table 2-3 shows the District’s projections for employee wages and COLA’s.

Table 2-3: Analysis of Projected Personal Services (in 000’s)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Employee Wages	\$21,269	\$22,039	\$22,837	\$23,664	\$24,521
Annual Change	\$794	\$770	\$798	\$827	\$857
% Change	3.9%	3.6%	3.6%	3.6%	3.6%
Certificated COLA	2.0%	2.0%	2.0%	2.0%	2.0%
Non-Certificated COLA	2.0%	3.0%	3.0%	3.0%	3.0%

Source: Painesville TLSD

As shown in **Table 2-3**, the District projects total employee wages to increase approximately 3.9 percent in FY 2005-06, and approximately 3.6 percent thereafter.

Table 2-4 shows the District's historical expenditures for employee wages and the COLAs granted during these years.

Table 2-4: Historical Analysis of Personal Services (in 000's)

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Employee Wages	\$15,226	\$16,422	\$17,631	\$18,606	\$19,920	\$20,475
Annual Change	N/A	\$1,196	\$1,209	\$975	\$1,314	\$555
% Change	N/A	7.9%	7.4%	5.5%	7.1%	2.8%
Certificated COLA	3.5%	3.5%	3.5%	5.0%	5.5%	0.0%
Non-certificated COLA	3.0%	3.0%	3.0%	3.0%	5.0%	3.5%

Source: Painesville TLSD

Table 2-4 shows that employee wages have fluctuated significantly during the last six years, with increases ranging from approximately three percent in FY 2004-05 to approximately eight percent in FY 2000-01. The average annual increase in wages during the last six years was 5.8 percent. The low rate of increase in FY 2004-05 was due to the certificated staff accepting a pay freeze based on the District's financial outlook at that time. Additionally, the higher average annual historical increase when compared to the projected annual increases in employee wages is due, in part, to granting higher COLAs to certificated staff in the past.

The Treasurer's projections for FY 2005-06 appear reasonable based on the year-to-date wage expenditures as of February 28, 2006 equaling \$13,856,243, or nearly 65 percent of the Treasurer's projection (\$21,269,243). Assuming the District continues this trend through the remainder of the year, the actual salary expenditures will be approximately \$20.8 million, or 2 percent less than the Treasurer's projection. In addition, the Treasurer used a sound methodology by plotting out the actual salary for each employee and adjusting for step increases and any other factors.

The Treasurer's assumptions for projecting COLAs from FY 2006-07 through FY 2009-10 appear reasonable based on the current negotiated agreements and his knowledge of the negotiating environment within the District. The certificated bargaining agreement expires in FY 2007-08 and stipulates two percent COLAs for the next three years. The Treasurer assumed that the certificated staff would continue to receive two percent COLAs in the final two years (FY 2008-09 and FY 2009-10) of the forecast based on the current contract. The contract for the classified staff expired at the end of FY 2005-06. The Treasurer projects that the classified staff will receive three percent COLAs annually throughout the forecast period. The projected COLA for the classified staff is higher than the certificated staff due to the classified staff paying a higher percentage of their health care premiums. The certificated staff elected to forego higher COLAs in the current contract in an effort to keep the healthcare premium contributions frozen at FY 2004-05 rates.

In projecting step increases, the Treasurer prepared the forecast using a one percent annual growth rate for classified staff and 1.5 percent for the certificated staff. The Treasurer indicated that these figures are based on past history. An analysis of the projected step schedules based on current staffing levels shows that step increases will cause the annual salaries to increase an average of 0.8 percent for the classified staff and 1.8 percent for the certificated staff during the first three years of the forecast period. However, these step increases are likely understated because they assume that no new employees will be hired to replace retirees and that no employees will receive promotions based on increased education levels. As a result, the Treasurer's projection for classified step increases appears reasonable while the projections for the certificated staff appear slightly understated. However, the overall impact on the forecast from the potential understatement of the certificated step increases is immaterial, particularly when considering that the Treasurer's projection for FY 2005-06 appears slightly overstated based on the year-to-date expenditures as of February 28, 2006. In addition, although new employees would experience more frequent step increases when compared to employees close to retirement, newer employees' salary levels would be much lower than more experienced staff. This further mitigates the impact of slightly under-projecting step increases for certificated staff.

R2.2 When developing future forecasts, the Treasurer should analyze the health insurance program separately from the other expenditures that comprise the fringe benefits line-item. This is important because health insurance costs represent nearly 50 percent of the District's total fringe benefit expenditures and are independent of salary increases. In addition, the Treasurer should ensure that the assumptions stated in the notes adequately reflect the figures presented in the forecast.

The District's assumptions for projecting employee benefits are based on the following:

- Employee retirement contributions are projected at 14 percent of salaries.
- Medicare is projected at 1.45 percent of salaries.
- Workers' compensation is projected at one percent of salaries.
- Health and life insurance premiums are expected to increase an average of eight percent annually after employee contributions.

Table 2-5 shows the District's projections for employee benefits.

Table 2-5: Projected Benefits (in 000's)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Fringe Benefits	\$6,748	\$7,197	\$7,677	\$8,189	\$8,735
Change From Prior Year	\$400	\$449	\$480	\$512	\$546
% Change	6.3%	6.7%	6.7%	6.7%	6.7%

Source: Painesville Township

As shown in **Table 2-5**, the District projects total employee wages to increase approximately 6.3 percent in FY 2005-06, and approximately 6.7 percent thereafter. **Table 2-6** shows the District's historical expenditures for employee benefits.

Table 2-6: Analysis of Historical Benefits (in 000's)

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Fringe Benefits	\$4,389	\$4,813	\$5,419	\$5,942	\$6,273	\$6,348
Change From Prior Year	N/A	\$424	\$606	\$523	\$331	\$75
% Change	N/A	9.7%	12.6%	9.6%	5.6%	1.2%

Source: Painesville Township

Based on an analysis of **Table 2-6**, the District's fringe benefit expenditures have increased by an average annual rate of 7.4 percent since FY 1999-00. However, **Table 2-6** also shows that the rate of increase has been declining the past three years, with the smallest increase occurring in FY 2004-05 (1.2 percent). The Treasurer attributed the declining growth rates to the District being a member of the Lake County Council Consortium (Lake County Consortium) for health care purposes (results in lower premiums); increasing prescription co-pays for employees; and maintaining employee contributions towards premium costs (see **human resources** for further details). In addition, the certificated staff agreed to a wage freeze in FY 2004-05, which significantly impacted the cost of retirement, Medicare and workers' compensation.

The FY 2005-06 projections appear reasonable based on the year-to-date benefit expenditures as of February 28, 2006 of \$4,625,054, or approximately 69 percent of the projected amount for FY 2005-06. Assuming the District continues this trend through the remainder of the year, the actual benefit costs will equal approximately \$6.9 million, which would exceed the Treasurer's projection by approximately three percent. Certain irregular expenditures suggest the District is on pace to exceed its budget. For example, the District incurred large one-time expenditures to the Bureau of Workers' Compensation of approximately \$121,000 in August 2005 and \$131,000 in February 2006. In addition, the District paid an annual surcharge to the State Employees' Retirement System (SERS) of \$85,000 in November, 2005. However, if the year-to-date figures are adjusted for the non-recurring expenditures, the District is on pace to spend

6.8 million on employee benefits in FY 2005-06, which is less than one percent higher than the Treasurer's projection.

In projecting employee fringe benefits, the notes to the forecast imply that the Treasurer separately projected each of the components (health care, retirement, workers compensation, etc) that comprise fringe benefits based on the appropriate percentages. However, in actual practice, the Treasurer projected employee benefits by applying a flat annual growth rate of seven percent for certificated employees and 5.5 percent for classified employees. The Treasurer noted that the difference in rates is due to the classified staff paying a higher percentage of their health care premiums. See the **human resources** section for more information on employee health care contributions.

As a result of the Treasurer's forecasting methodology, the total employee benefit costs for all employees yields an annual growth rate of 6.7 percent from FY 2006-07 through FY 2009-10. From FY 2000-01 to FY 2005-06, the District's premiums for teachers and administrators in the Super Med Plus Plan increased by an average of 6.7 percent annually, while the premiums for teachers and administrators in the Super Med Classic plan increased by an average of 8.2 percent annually. Ninety-six percent of the District's health insurance participants are enrolled in these two plans with a relatively equal distribution (45 percent in Plus and 51 percent in Classic), and certificated staff and administrators make up 66 percent of all health insurance participants. When weighted equally, the premiums in the two Super Med plans increased by an average of 7.5 percent from FY 200-01 to FY 2005-06. Assuming similar historical increases in premiums in the classified plans and based on half of total benefits being tied to salary increases of 3.6 percent annually, the Treasurer could have appreciated total benefits by approximately 5.5 percent annually from FY 2006-07 to FY 2009-10. Furthermore, benefit expenditures increased by an average of approximately 1.6 percentage points more than salaries from 1999-00 to FY 2004-05, which is lower than the Treasurer's projections of 3.1 percentage points.

Based on the above, and assuming enrollment in the health insurance plans remains constant in the future, projecting total fringe benefits to increase 6.7 percent annually appears reasonable and somewhat conservative to account for the inherent unpredictability of future health insurance costs. For instance, according to a study by the National Coalition on Health Care, premiums for employer-based health insurance rose 9.2 percent in 2005, which was the fifth consecutive year of an increase greater than nine percent. In addition, the 2004 survey conducted by the State Employment Relations Board (SERB) indicates that since 1990, health care costs among the public sector in Ohio have increased by 9.1 percent annually. Although the Treasurer's employee benefit projections appear to be generally reasonable, separately analyzing and forecasting health insurance costs would strengthen the forecast methodology and, in turn, the reliability of the projections.

Budgeting Practices

R2.3 Painesville TLSD should prepare a budget document containing detailed information and supporting materials that highlight the District's key policies, goals, objectives and issues for the upcoming fiscal year. This will help link the budget to the District's strategic plan (see R2.5). The document should be made available to the public and should provide budget estimates and historical comparisons at both summary and line-item levels of detail. Financial trends and factors affecting the budget should be explained, including the District's long-range outlook, expected tax collections and state funding levels, anticipated need for future borrowing, and significant use of, and changes in, fund balances. In addition, the budget document should include key performance measures and a guide to operations that illustrates staffing levels and organizational information. Charts and graphs should be used to increase the document's readability. Furthermore, the budget document should include a concise summary and explain the District's budgetary basis of accounting. Effective budgeting should communicate how and why decisions were made, while showing that the District is using its resources in the most efficient manner possible.

The District attempts to receive community input regarding the annual budget through a variety of means. For example, all finance committee meetings and Board meetings involving the budget are advertised in print and on the radio, and stakeholder attendance is encouraged. One board meeting per month is televised, providing an opportunity for the community to develop awareness of the District's plans. In addition, parent satisfaction surveys are sent out annually and any comments regarding the budget are taken into account. The Treasurer noted that in recent surveys, parents have voiced concern over large class sizes and the length of bus rides. These concerns have led to changes in teacher staffing levels and routes. Lastly, the Treasurer noted that factors such as the economy, community development, legal issues and demographic trends are also evaluated when developing the budget. For example, recent housing developments and increasing enrollment have influenced the budget and the five-year financial forecast.

Although the District assesses community needs, priorities, challenges and opportunities when creating the budget, it does not link the budget to the goals and objectives in the strategic plan. The Treasurer indicated that the budget is based mainly on historical costs rather than performance or achievement of specified goals and objectives within the strategic plan. Furthermore, the District does not prepare, publish or circulate a formal budget document. The only formal document prepared is the appropriations resolution, which quantifies the District's expenditures and provides the Board with brief explanations regarding significant line-item changes. However, it does not communicate the District's fiscal status, demographic information, staffing levels, and significant financial policies, or link planned expenditures to the accomplishment of District goals or

objectives. This inhibits the District's achievement of stated goals and objectives, and limits the ability of the local community to understand the District's financial situation and evaluate the effective utilization of taxpayer dollars.

GFOA recommends that governments develop a budget that is consistent with approaches to achieve goals, and includes the following items:

- **Description of key policies, plans and goals.** The identification of key programmatic and financial policies, plans, and goals assists stakeholders in determining the appropriateness of a district's direction and allows stakeholders to develop their own opinions as to whether the district's programs and decisions conform to or are likely to achieve those policies, plans, and goals.
- **Identification of key issues.** The identification of key issues focuses attention on critical areas, improves the likelihood that an appropriate level of deliberation will occur regarding decisions, provides accountability to stakeholders, and promotes trust.
- **A financial overview of the short and long-term financial plan.** Stakeholders need to have the financial plan of the district clearly identified in order to make the best budgetary decisions. A financial overview typically consists of financial statements and accompanying narrative, charts and graphics. The overview should clearly describe the current and projected financial position, fund balances, financial activities and expectations for the budget period, and the expected implications for future periods.
- **A guide to operations.** This information provides a context for allocations of resources in the budget, which helps to enable reasoned decision making about the use of resources. It also provides readers with a guide to the government's programs and the organizational structure in place to provide those programs and services.
- **Explanation of the budgetary basis of accounting.** Explaining the differences between the budgetary basis of accounting and the basis used in preparing the annual financial report helps stakeholders understand and interpret the numbers presented in each document, and helps to prevent errors during preparation or interpretation of the budget.
- **A budget summary.** A concise summary of the key issues, choices, and financial trends is needed to inform and direct the reader to the appropriate location for additional information, because most stakeholders do not want to take the time to read and understand all of the details in a budget.

GFOA also indicates that performance measures should be presented in basic budget materials and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of previously developed goals and objectives (see R2.5).

R2.4 Painesville TLSD should consider using a more decentralized budgeting process which takes advantage of the knowledge of principals and teachers. For example, the District could allow building principals to develop and submit the first proposal for the school building budget. The Treasurer and Superintendent could then evaluate the proposal to ensure that the expenditures are in line with the District's goals for the upcoming year and that they are within the anticipated revenues. The Treasurer and Superintendent could then work with the respective building principal when making necessary adjustments. This process would ensure that the budget incorporates each building principal's knowledge of school operations and needs. At the same time, the District should hold principals accountable for their budgetary performance by making this one of the criteria used in annual evaluations. Implementing this recommendation may require the District to start the budget development process earlier in the year.

The Treasurer typically begins the budget process in early July and completes the budget by mid-August to allow time to meet with the finance committee and the Board before final approval by the end of September. This timeframe complies with ORC § 5705.38 which states, in part, that "...a board of education shall pass its annual appropriation measure by the first day of October." There is one meeting each with the finance committee and the Board before adoption of the budget. These meetings are advertised on the radio and in local newspapers, and interested community members are encouraged to attend. In addition, there is a link on the Treasurer's web page where concerned citizens can submit any questions or concerns that they might have regarding the budget directly to the Treasurer's office.

The District's internal process for developing the budget is highly centralized. The budget is formulated from the top down, reflecting the priorities of the District's central administrators. Input from building administrators and staff is limited, and while they may have some control in managing their allocations, they have minimal influence over the amount allocated. For instance, under the District's current process, the building principals receive an annual budget allocation based on a per pupil amount determined by the Treasurer and Superintendent. The Treasurer indicated that teachers and building administrators have the opportunity to ask for additional funding, but their requests usually have very little impact on the final budget.

Monthly reports showing the current financial position in regards to the budgeted allocations are provided to each building principal. In situations where building principals overspend their current year budget allocation, the Treasurer noted that they can receive an additional appropriation with the understanding that the appropriation for the following year will be reduced by the same amount. Building principals are not evaluated based on budgetary performance.

The GFOA indicates that governments should provide opportunities in the budget process for obtaining stakeholder input (i.e., community and staff). This helps ensure that stakeholder priorities are identified and enhances stakeholder support for the approved budget.

R2.5 As the District develops a new strategic plan, it should include specific benchmarks and measures to easily and objectively measure attainment of its stated goals. The strategic plan should also include the District’s mission statement and detailed action plans to help achieve the stated goals. Finally, the plan should identify any related costs and the time frames for accomplishing the goals. The District should link the strategic plan to the budget and five-year forecast. This approach shifts the focus of budgetary decisions from inputs (salaries and the cost of purchased goods and services) to outputs, and ultimately to the accomplishment of the goals and objectives stated in the District’s strategic plan.

Painesville TLSD was operating under a five-year strategic plan that expired in FY 2004-05. To bridge the gap until a new strategic plan could be completed, the District developed and published a short-term (18-24 month) strategic plan that is guiding current operations. The temporary plan was approved by the Board in September 2004 and is nearing its expiration. The temporary strategic plan contains the following 12 goals:

- Gain voter approval for levy and bond issues;
- Address the District’s instructional space issues;
- Promote trust and respect of self and others;
- Provide an academic and co-curricular program which meets the needs of all students;
- Create an instructional environment in which students acquire the skills necessary for the 21st century;
- Achieve a high level of staff effectiveness and job satisfaction through appropriate personnel practices;
- Attain fiscal efficiency through short-term and long-range planning and widespread communication of the plans;
- Establish a comprehensive plan to promote public awareness and to encourage an exchange of information with students, parents and the public;

- Utilize technology to enhance communications, student achievement, community involvement and business practices;
- Maintain safe, clean and attractive facilities and promote utilization by students, staff and community;
- Ensure a safe and efficient system of transportation; and
- Strive for educational excellence through use and evaluation of the strategic plan.

The strategic plan also identifies several strategies that the District should pursue to accomplish each of the goals noted above. However, the strategic plan does not identify the District's mission. In addition, while the strategies address the tasks necessary to accomplish each goal, they do not include detailed action plans, financial implications, or time frames for their accomplishment, which can limit the District's ability to successfully achieve the goals. Although the Superintendent meets with the Board every six months to discuss progress in achieving the goals in the strategic plan and identify changes suggested by the Board, the strategic plan does not identify benchmarks that can be used to measure the District's progress in achieving the stated goals. For example, one of the goals deals with student performance and creation of an instructional environment in which students acquire the necessary skills for the 21st century. However, there are no specific achievement scores or performance indicators to clearly measure whether the goal is being met. Furthermore, there is no evidence that the strategic plan is tied to the District's budget or the five-year financial forecast.

The District is currently developing a new five-year strategic plan with the assistance of an outside consultant. Volunteers from the community have been solicited to assist in the process. The new strategic plan is expected to be completed and presented to the Board for adoption in FY 2006-07.

OPPAGA states that a district should have a multi-year strategic plan with annual goals and measurable objectives based on identified needs, projected enrollment, and available revenues. OPPAGA states that during the development of the strategic plan, the board should identify and formally adopt a limited number of priorities to guide the district's strategies and major financial and program decisions. The board should also instruct district staff on how these priorities should be considered in making program and budgetary decisions. The strategic plan should clearly delineate the following:

- The district's goals, and objectives and strategies for achieving them;
- The priorities the board assigns to its goals, objectives, and strategies;
- The performance measures and standards used to gauge progress in meeting goals; and
- The entities responsible for implementing the strategies in the plan and the time frames for implementation;

OPPAGA further indicates that districts should develop an annual budget that is tied to the strategic plan.

According to the Government Finance Officers Association (GFOA), governmental entities should use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. GFOA also recommends that entities monitor progress towards planned goals at regular intervals. Organizations should develop systematic review processes to evaluate the extent to which strategic goals have been met. In the strategic planning process, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and would ideally include time frames. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and activities funded in the budget. GFOA divides performance measures into the following four basic types:

- **Input measures:** Input indicators measure the volume of resources, both monetary and non-monetary, that are used in delivering a program or service.
- **Output measures:** Output indicators report the quantity or volume of products and services provided by the program.
- **Effectiveness/Outcome Measures:** Effectiveness indicators measure the results, accomplishments, or quality of the item or service provided.
- **Efficiency measures:** Efficiency indicators quantify the relationship between input and output, and can be expressed as productivity ratios or as unit cost ratios.

Another term often expressed in relation to performance measurement is benchmarking, which refers to the process of seeking best practices and attempting to emulate them.

Revenues and Expenditures

R2.6 Painesville TLSD should closely examine the spending patterns indicated in Tables 2-7 and 2-8, and the cost reductions recommended in the human resources, facilities and transportation sections of this report. The District should consider reallocating the monies it is currently receiving toward those programs and priorities stipulated in the strategic plan. Furthermore, the District should analyze the spending patterns and recommendations to aid in efforts to maintain financial stability. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education.

Analyzing the spending patterns of the District should indicate where the priorities of the Board and management are placed. **Table 2-7** compares Painesville TLSD's General

Fund revenues by source and expenditures by object to the peer averages for FY 2004-05. The data is presented on a per student basis to account for differences in student population size.

Table 2-7: Revenues by Source, Expenditures by Object (FY 2004-05)

	Painesville TLSD	Peer Average
Property & Income Tax	5,488	3,855
Intergovernmental Revenues	2,209	3,376
Other Revenues	454	369
Total Revenue	\$8,151	\$7,600
Wages	4,754	4,510
Fringe Benefits	1,474	1,514
Purchased Service	1,198	759
Supplies & Textbooks	344	271
Capital Outlays	34	171
Debt Service	0	10
Miscellaneous	116	148
Other Financing Uses	28	117
Total Expenditures	\$7,948	\$7,500

Source: FY 04-05 District 4502

Table 2-7 shows that Painesville TLSD's total revenues are higher than the peer average by \$551 per student, or approximately seven percent, due to higher property tax and other revenues. The District's higher property tax revenues per student are due to new home construction, the passage of a new levy in August, 2004, and the creation of a Joint Financing District (JFD). Approved by the State Legislature in 1990, the JFD allows Painesville TLSD, Painesville City School District, Madison Local School District, and Perry Local School District to share the tax base associated with the Perry nuclear power plant. The portion of the distribution received by each school district is based on the respective average daily memberships (ADM). The District's receipts from the JFD totaled approximately \$2.6 million in FY 2004-05. The higher other revenues per student are due the District implementing various pay-to-participate and student program fees, engaging in fundraising activities, and pursuing grant opportunities (see *Noteworthy Accomplishments*).

Table 2-7 also shows that the District spent \$448 more per student in comparison to the peer average. Explanations for the expenditure categories that are higher than the peer average include the following:

- **Wages** – The District spent \$244, or approximately five percent, more per student on wages in comparison to the peer average. The higher wages are due to higher staffing levels in comparison to the peer average. More specifically, **Table 3-1** in the **human resources** section shows that Painesville TLSD currently employs 131 FTEs on a per 1,000 ADM basis while the peer average is 111. **Table 2-7** also shows that despite maintaining higher staffing levels, the District’s benefit costs are lower than the peer average by \$40 per student. This is mainly due to the District’s graduated health care contribution plan for the classified staff, including custodial, maintenance and bus driver personnel. In addition, the Treasurer noted that the District’s membership in the Lake County Consortium for health insurance also contributes to the low cost of employee benefits. See the **human resources, transportation and facilities** sections for further details.
- **Purchased Services** – The District spent \$439, or nearly 58 percent, more per student on purchased services than the peer average. According to the Treasurer, this is due to the District contracting with the Lake County Educational Service Center (the ESC) for specialized employees to perform certain functions. For example, the District contracts with the ESC for psychologists and health aids. The District also contracts for various educational and transportation services associated with special needs students. Furthermore, tuition payments for students attending other school districts through open enrollment, special needs and other programs also contribute to the District’s higher purchased service costs. For example, the District paid approximately \$1.3 million in tuition in FY 2004-05 while the peer average was approximately \$888,000. See the **human resources** and **transportation** sections for further discussions on special education. Lastly, several contracted improvements were made at Riverside High School in FY 2004-05, further contributing to higher purchased service costs.

Although the above factors contribute to the District’s higher purchased service costs, establishing a policy guiding requests for proposals (RFP) can help the District ensure it is paying the “best” price for purchased services (see **R2.13**). Moreover, using a work order system and developing capital improvement and facility master plans can help the District avoid substantial long-term costs related to contracting for services to repair or replace equipment (see **R4.6, R4.7, and R4.8** within the **facilities** section).

- **Supplies & Textbooks** - The District spent \$73, or 27 percent, more per student on supplies and textbooks than the peer average. The Treasurer attributed this to the purchase of additional textbooks and supplies to accommodate the increasing enrollment. See the **facilities** section for further discussion on increasing enrollment. However, requiring multiple price quotes for purchases under \$15,000 and increasing memberships in consortiums can help the District reduce

its supply and textbook expenditures (see **R2.13**). Likewise, maintaining documentation of comparisons to confirm that prices negotiated with individual vendors are lower than prices in statewide contracts, and using bulk purchasing to obtain discounted prices on new computers and equipment can reduce the risk of overpaying for technology products and supplies (see the **technology** section for additional information).

Table 2-8 shows the amount per pupil and percent of governmental fund expenditures posted to the various Uniform School Accounting System (USAS) function codes for Painesville TLSD and the similar districts. Function codes report expenditures by their nature or purpose.

Table 2-8: Governmental Expenditures by Function (FY 2004-05)

USAS Function Classification	Painesville TLSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$4,671	54.8%	\$4,701	59.5%
Regular Instruction	\$3,926	46.1%	\$3,760	47.6%
Special Instruction	\$632	7.4%	\$687	8.7%
Vocational Education	\$0	0.0%	\$182	2.3%
Adult/Continuing Education	\$0	0.0%	\$1	0.0%
Other Instruction	\$113	1.3%	\$70	0.9%
Support Service Expenditures:	\$3,683	43.2%	\$2,890	36.6%
Pupil Support Services	\$449	5.3%	\$445	5.7%
Instructional Support Services	\$334	3.9%	\$315	4.0%
Board of Education	\$4	0.1%	\$16	0.2%
Administration	\$849	9.9%	\$610	7.7%
Fiscal Services	\$178	2.1%	\$169	2.1%
Business Services	\$22	0.2%	\$53	0.7%
Plant Operation & Maintenance	\$888	10.4%	\$770	9.7%
Pupil Transportation	\$945	11.1%	\$432	5.5%
Central Support Services	\$14	0.2%	\$80	1.0%
Non-Instructional Services Expenditures	\$25	0.3%	\$82	1.1%
Extracurricular Activities Expenditures	\$142	1.7%	\$219	2.8%
Total Governmental Fund Operational Expenditures	\$8,521	100.0%	\$7,892	100.0%
Total Governmental Funds Operational Expenditures	\$8,521	94.5%	\$7,892	84.2%
Facilities, Acquisition & Construction Expenditures	\$134	1.5%	\$404	3.9%
Debt Service Expenditures	\$364	4.0%	\$1,734	11.9%
Total Governmental Fund Expenditures	\$9,018	100.0%	\$10,030	100.0%

Source: 4502 (Exhibit 2)

As shown in **Table 2-8**, Painesville TLSD's total governmental fund operating expenditures per student exceeded the peer average by approximately 8 percent in FY 2004-05, while its total governmental fund expenditures per student were 11 percent lower than the peer average. **Table 2-8** also shows that the percentage of expenditures allocated to instruction (54.8) were 4.7 percentage points lower than the peer average (59.5). This is primarily attributed to the District spending approximately 15 percent more per student than the peer average on plant operation and maintenance, and more than double the peer average per student for transportation. Explanations for areas where Painesville TLSD's expenditures per student were higher than the peers include the following:

- *Regular Instruction* – The District spent \$166 more per student than the peer average on regular instruction in FY 2004-05. The Treasurer indicated that the higher expenditures are due to the District using its permanent improvement levy to purchase textbooks and educational supplies to accommodate the recent increases in enrollment. The **human resources** section supports this by indicating that the District’s teacher staffing levels are slightly lower than the peer average on a per 1,000 student basis.
- *Other Instruction* – The District spent \$43 more per student than the peer average on other instruction. This line item accounts for the District’s tuition payments for students attending other school districts through open enrollment. The District spent approximately \$489,000 on open enrollment tuition in FY 2004-05.
- *Administration* – The District spent \$239 more per student than the peer average on administration, which is due to the District’s higher central and site based administration staffing levels (see the **human resources** section for additional analysis).
- *Instructional Support Services* – The District spent \$19 more per student than the peer average on instructional support services. The District uses this line-item to account for the salaries and wages of the librarians and library aides, teacher’s aides, and playground assistants. Based on the staffing analysis in the **human resources** section, the staffing levels in these areas are comparable to the peer average. In addition, this line item accounts for various activities associated with an Ohio Reads Grant, an Idea B grant, and a Title I grant.
- *Fiscal Services* – The District spent \$9 more per student than the peer average on fiscal services. The Treasurer attributed the higher costs to County Auditor fees, County Treasurer fees, County Board of Education fees, and financial audit fees. In FY 2004-05, the District spent \$126,000 on County Board of Education fees, \$22,000 in financial audit fees, \$292,000 in County Auditor fees, and \$75,000 in County Treasurer fees. The higher County Auditor and Treasurer fees can be attributed, in part, to the District collecting more property taxes than the peers, assuming that the fees are directly correlated to the level of collections. For example, **Table 2-7** shows that the District receives \$5,488 per student in property taxes while the peer average is \$3,855.
- *Plant Operation & Maintenance* – The District spent \$118 more per student than the peer average on plant operation and maintenance. This is primarily due to the District’s custodial staffing levels exceeding the peer average and other benchmarks (see the **facilities** section for additional analysis).

- Pupil Transportation* – The District spent \$513 more per student than the peer average on pupil transportation. This is primarily attributed to the size of the District, not using the full capacity of the bus fleet, maintaining higher staffing levels and negotiating certain restrictive collective bargaining provisions (see the **transportation** section for additional analysis).

Additionally, from FY 2003-04 to FY 2004-05, the District’s total governmental fund operating expenditures per student decreased by 0.5 percent, while total governmental fund expenditures (including facility acquisition/construction and debt service) per student increased by only 1.2 percent.

Table 2-9 compares Painesville TLSD’s academic performance indicators to the peer average.

Table 2-9: ODE Performance Standards Comparison

	Performance Standards Met	Performance Index Scores
Painesville FY 2004	17 out of 18	98.4
Painesville FY 2005	22 out of 23	99.6
Peer Average	23 out of 23	102.2

Source: Ohio Department of Education

As shown in **Table 2-9**, Painesville TLSD was slightly below the peer average in number of performance standards met and performance index scores, while maintaining higher General Fund (see **Table 2-7**) and Governmental Operating Fund (see **Table 2-8**) expenditures per student in FY 2004-05. As a result, there appears to be an opportunity to reduce operating expenditures without negatively impacting the academic achievement of its students. However, **Table 2-7** indicates that the District’s higher expenditure per student may also be due, in part, to a higher level of community support through local funding.

R2.7 Painesville TLSD should diligently monitor those spending areas over which it can exercise more discretion. Various areas are identified in Table 2-10 where the District spent more per student than the peers. District management should closely review these costs to identify possible opportunities for reductions and savings.

Table 2-10 shows the District’s discretionary expenditures by type in comparison to the peer average, and compares its discretionary spending from FY 2003-04 to FY 2004-05. The data is presented on a per student basis to account for differences in student population size.

Table 2-10: Discretionary Expenditures by Type

	Painesville TLSD FY 2003-04	Painesville TLSD FY 2004-05	Peer Average FY 2004-05
Prof. and Technical Service	\$289	\$406	\$121
Property Services	\$215	\$220	\$159
Mileage/Meeting Expense	\$8	\$7	\$12
Communications	\$18	\$18	\$22
Contract, Craft or Trade Service	\$1	\$2	\$3
Pupil Transportation	\$49	\$56	\$7
Other Purchased Service	\$0	\$0	\$1
General Supplies	\$110	\$144	\$93
Textbooks/Reference Materials	\$6	\$8	\$75
Supplies & Materials for Resale	\$0	\$0	\$3
Food & Related Supplies/Mat.	\$2	\$2	\$0
Plant Maintenance and Repair	\$68	\$56	\$38
Fleet Maintenance and Repair	\$115	\$133	\$60
Other Supplies & Materials	\$1	\$1	\$2
Land, Building & Improvements	\$0	\$0	\$55
Equipment	\$18	\$24	\$53
Buses/Vehicles	\$16	\$11	\$38
Other Capital Outlay	\$0	\$0	\$25
Dues and Fees	\$109	\$106	\$140
Insurance	\$11	\$10	\$6
Awards and Prizes	\$0	\$0	\$1
Miscellaneous	\$0	\$0	\$1
Total	\$1,036	\$1,204	\$915

Source: District 4502 (Exhibit 2 and Statement P)

Table 2-10 shows that the District's discretionary expenditures per student increased approximately 16 percent from FY 2003-04 to FY 2004-05. **Table 2-10** also shows that the District's total discretionary expenditures per student in FY 2004-05 are higher than the peer average by approximately \$289, or 32 percent. Explanations for the expenditure categories where Painesville TLSD's expenditures were higher than peer average include the following:

- *Professional and Technical Services* – Painesville TLSD spent \$285 more per student than the peer average in this category. This is due to the District's contract

with the Lake County ESC for certain services. See **human resources** for more details on professional and technical services.

- *Property Services & Plant Maintenance and Repair* – Painesville TLSD spent \$61 more per student than the peer average on property services and \$18 more per student for plant maintenance and repair. This is due, in part, to the District maintaining approximately two more school buildings when compared to the peer average. See **facilities** for further details regarding these expenditures.
- *Pupil Transportation & Fleet Maintenance and Repair* – The District spent \$49 more per student than the peer average on pupil transportation and \$73 more per student for fleet maintenance and repair. This can be attributed to the size of the District, not using the full capacity of the bus fleet, maintaining higher staffing levels and negotiating certain restrictive collective bargaining provisions. See **transportation** for further details regarding these expenditures.
- *General Supplies and Food Supplies* – The District spent \$51 more per student on general supplies than the peer average in FY 2004-05. The District also spent \$2 more per student than the peer average on food and related supplies and materials. The higher general supply expenditures can be partially attributed to the District having more buildings than the peer average, which can impact the amount of cleaning and office supplies that must be purchased. In addition, the Treasurer indicated that the increasing enrollment has required the District to purchase additional educational supplies in recent years. The District's food supply expenditures are associated with operating a home economics program at the high school. Although the above factors contribute to the District's higher expenditures, requiring multiple price quotes for purchases under \$15,000 and increasing memberships in consortiums can help the District reduce its supply expenditures (see **R2.13**).
- *Insurance* – Painesville TLSD spent approximately 67 percent more per student than the peer average in this category. The Treasurer indicated that the District maintains high insurance coverage levels as a result of a lawsuit that was filed against the District in 1993.

Although Painesville TLSD's current and projected financial condition appears stable (see **Table 2-2**), reviewing and controlling its discretionary spending can help reduce costs and, in turn, allow the allocation of additional resources towards instruction.

Financial Implication: Cost savings related to reducing discretionary spending are assumed to be captured in the other sections of this performance audit.

Management Reporting

R2.8 Painesville TLSD should consider preparing and issuing its annual financial statements in the comprehensive annual financial report (CAFR) format recommended by the GFOA. This expanded report format will provide more information regarding the District’s environment, past spending decisions and future commitments, as well as budgetary statements and statistical information. The District should also consider submitting the CAFR and the popular annual financial report (PAFR) to GFOA for awards consideration. In addition, the District should consider other mechanisms for distribution of its PAFR in effort to increase the exposure and understanding of its finances. For example, the District could provide copies of the PAFR to the local Chamber of Commerce and the public library for distribution to interested citizens. The District could also have the PAFR published in the local paper and/or mailed to all the households within the District.

Painesville TLSD is required by OAC Section 117-2-03 to issue financial statements prepared in accordance with generally accepted accounting principles (GAAP). The current accounting system captures and processes information on a cash basis, which requires the District to perform a year-end conversion of the cash accounting records to the accrual method required by GAAP. The District contracts with a Certified Public Accounting firm, at a cost of approximately \$2,000, to perform that function.

The District does not issue a Comprehensive Annual Financial Report (CAFR), choosing instead to only issue general purpose financial statements. Painesville TLSD has an annual independent audit of its financial statements completed by a Certified Public Accounting firm to verify compliance with GAAP financial reporting requirements. The District submits its GAAP financial statements to the Auditor of State to fulfill annual filing requirements, to a federal clearing house for grant purposes and to banks when initially applying for a loan. The financial statements are also available through a link on the Treasurer’s webpage to provide interested citizens with general information about the District’s financial condition.

Although the District has chosen not to issue a CAFR, it has prepared Popular Annual Financial Reports (PAFR) in the past, which were available on the District’s website. According to the GFOA, the PAFR supplements the GAAP basis financial statements and is used to describe a government entity’s operations in a consolidated, aggregated or condensed format. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends. The District did not prepare a PAFR in FY 2004-05 due to the additional work necessitated by the first-time implementation of GASB 34. According to the Treasurer, the District plans on publishing a PAFR on its website for FY 2005-06.

The Government Finance Officers Association (GFOA) encourages every state and local government to issue a comprehensive annual financial report (CAFR) in conformity with GAAP. The GFOA also encourages governments to supplement their CAFRs with simpler, “popular” reports designed to assist those who need or desire a less detailed overview of financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats.

R2.9 The District should consider updating its website to include more financial information that could be useful to local citizens and other interested parties. By making more financial information available on the website, the District would be using a relatively inexpensive method to help people better understand its financial condition. In addition, this could potentially reduce the time and cost associated with public records requests.

The District currently only places the most recent GAAP basis financial statements and the five-year financial forecast on the web-site for public viewing. There is also a direct link to the Board of Education, which provides a summary of the committees within the District, such as the planning and business committees, and a link to the Board’s financial policies. As stated previously, the Treasurer noted that the District intends to prepare a PAFR for FY 2005-06 and will make that document available to the public through the web-site. However, the District does not include the annual budget or other financial information on the web-site that may be useful to interested parties.

According to GFOA, a government should publish its budget documents and comprehensive annual financial report directly on its website. GFOA also recommends that a government should follow guidelines when presenting these documents on its website. The guidelines are as follows:

- Electronic financial statements should be identical to the printed versions;
- The website should state whether the budget document is preliminary or the approved budget;
- Historical information should be clearly stated as such, and should be clearly segregated from the current fiscal year; and
- Website security should provide protection from manipulation.

The Westerville City School District provides its community with several key financial reports that pertain to the District operations via its website. Its website consists of five major components, including the following:

- Levy Information – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calculator, Income Tax Calculator, Ohio School District Income Tax, and Glossary of Terms;

- Budget/Appropriations – Current Five-Year Forecast, Understanding the five-Year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year-end Analysis;
- Taxes/Millage/Valuation – Tax Calculator, Presentation of Governor’s Blue Ribbon Task Force on Student Success, Area School Districts’ Effective Tax Rates (Historical Information), Historical Tax Rates, and Q&A on Taxes and Millage;
- Annual Report – Two years of historical information for both the CAFR and PAFR, and the most recent comprehensive annual report; and
- Miscellaneous – State Performance Audit, School Finance Terms, State Financial Designations, and Local Report Cards.

Financial Policies and Procedures

R2.10 The District should develop financial policies that address the following topics:

- **Stabilization of funds;**
- **Debt management, including debt level and capacity;**
- **Use of one-time and unpredictable revenues;**
- **Revenue diversification; and**
- **Contingency planning to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.**

Similarly, Painesville LTSD should establish written procedures for risk management to help ensure that the District’s insurance coverage levels and costs align with its risk tolerance level. In addition, the District should periodically review its existing policies to identify appropriate changes and ensure that they are still relevant.

Painesville TLSD has developed financial policies for certain areas. For instance, the District’s fees and charges policy stipulates how the fees were determined, how the fees will be used, and provides parents the opportunity to develop a better understanding of the appropriateness of fees. In addition, although the District does not prepare a formal budget document (see **R2.3**), it has a policy guiding the budget/appropriation process. However, the District does not have policies and procedures that address the following areas:

- Stabilization of funds;
- Use of one-time revenues;
- Debt level and capacity;
- Debt issuance and management;
- Contingency planning;
- Use of unpredictable revenues;
- Revenue diversification; and
- Risk management

According to the GFOA, a school district should develop a comprehensive set of financial policies that are consistent with the District's broad goals and are the outcome of sound analysis. In addition to recommending the development of financial policies for fees and charges, and balancing the operating budget, GFOA recommends developing financial policies for the following areas:

- **Stabilization of funds:** A government should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up stabilization funds and identify the purposes for which they may be used. Once developed, policies should be identified in other government documents, including planning and management reports.
- **Debt level and capacity:** A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body. Elements of policies on debt issuance and management should include:
 - Purposes for which debt may be issued;
 - Matching of the useful life of an asset with the maturity of the debt;
 - Limitations on the amount of outstanding debt;
 - Types of permissible debt;
 - Structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints;
 - Refunding of debt; and
 - Investment of bond proceeds.

- **Use of one-time revenues:** A government should adopt policies limiting the use of one-time revenues for ongoing expenditures. One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process.
- **Use of unpredictable revenues:** A government should identify major revenue sources it considers unpredictable and define how these revenues may be used. For each major unpredictable revenue source, a school district should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a school district should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.
- **Revenue diversification:** A government should adopt policies that encourage a diversity of revenue sources. The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues.
- **Contingency planning:** A government should have policies to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.

Once developed, GFOA indicates that the financial policies should be publicly available and reviewed periodically. Additionally, according to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) *Best Practices*, a district should have written procedures and periodically update them to ensure effective risk management. The procedures should require the following:

- Clear and complete financial contract terms for all insurance contracts;
- An analysis of current insurance plans including deductible amounts, co-insurance levels, and types of coverage provided; and
- A comparison of costs and a risk analysis with peer districts.

R2.11 The District should adopt a Board-approved ethics policy that requires employees to conduct themselves, at all times, in a manner that avoids favoritism, bias, and the appearance of impropriety. The ethics policy should contain restraints that mirror those recommended by the Ohio Ethics Commission.

Although the Treasurer and Superintendent are required to complete forms from the Ohio Ethics Commission and attend some continuing education classes, the District has not created a formal ethics policy for the staff.

According to the Ohio Ethics Commission, agency officials and employees must, at all times, abide by protections to the public embodied in Ohio's ethics laws, as found in Chapters 102 and 2921 of the Ohio Revised Code, and as interpreted by the Ohio Ethics Commission and Ohio Courts. Officials and employees must conduct themselves, at all times, in a manner that avoids favoritism, bias, and the appearance of impropriety. A general summary of the restraints upon the conduct of all officials and employees includes, but is not limited to, those listed below. No official or employee shall:

- Solicit or accept anything of value from anyone doing business with the agency;
- Solicit or accept employment from anyone doing business with the agency, unless the official or employee completely withdraws from agency activity regarding the party offering employment, and the agency approves the withdrawal;
- Use his or her public position to obtain benefits for the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship;
- Be paid or accept any form of compensation for personal services rendered on a matter before any board, commission, or other body of the agency, unless the official or employee qualifies for the exception, and files the statement, described in R.C. 102.04(D);
- Hold or benefit from a contract with, authorized by, or approved by, the agency;
- Vote, authorize, recommend, or in any other way use his or her position to secure approval of an agency contract (including employment or personal services) in which the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship, has an interest;
- Solicit or accept honoraria;

- During public service, and for one year after leaving public service, represent any person, in any fashion, before any public agency, with respect to a matter in which the official or employee personally participated while serving with the agency;
- Use or disclose confidential information protected by law, unless appropriately authorized; and
- Use, or authorize the use of, his or her title, the name of the agency, or the logo in a manner that suggests impropriety, favoritism, or bias by the agency or the official or employee.

An ethics policy will provide the District with a set of principals that enhance its community image and serve as a guide for staff behavior. Demonstrating to the public its desire to be seen as a professional organization that models integrity and honesty will provide long-term benefits concerning the community's perceptions of how Painesville TLSD operates.

R2.12 The District should take steps to cross-train employees in the two different financial services units. This would help the District avoid potential difficulties should one or more of the employees be absent for an extended period of time. In addition, the District should create a listing of the procedures to be followed in order to complete critical functions such as payroll and accounts payable. Doing so would facilitate cross-training of employees and help the District avoid the need to contract for qualified employees in the event of multiple absences.

The District does not analyze financial accounting and reporting procedures to minimize or eliminate duplications of effort, nor do they have instructional manuals for key processes, such as payroll and accounts payable. However, the Treasurer indicated that the District would not experience any problems in critical areas such as accounts payable and payroll unless multiple employees were absent from work at the same time. In this situation, the District would contract with the Lake Geauga Consortium to obtain employees experienced in key processes. The Treasurer also stated that the specialization of duties among the staff in conjunction with the small size of the financial staff make it difficult for there to be any duplication of efforts and felt that duplication had not occurred. In addition, the payroll and accounting functions work independent of each other and there is very little commingling of duties. According to the Treasurer, only one of the employees is sufficiently cross-trained to handle duties in both departments.

The Society of Human Resource Management (SHRM) indicates that cross-training increases employees' knowledge and ability to perform different tasks by using current skills or by learning new skills. Most organizations benefit from cross-training as it:

- Creates a more flexible and versatile workforce;
- Improves productivity;
- Prevents stagnation;
- Allows for effective succession planning;
- Increases retention and avoids recruiting costs; and
- Enables employees to understand organizational goals and objectives.

Purchasing

R2.13 The District should consider lowering the minimum requirement to obtain multiple price quotes from \$15,000 to a threshold that would allow more items to be purchased in a competitive environment. The Treasurer’s office should devise the new threshold with the intent of subjecting more items to competitive pricing without being overly cumbersome for the operational units. The District should also adopt formal policies and procedures for requests for proposals (RFP), which indicate when they should be used in contracting for purchased services, as well as the dollar thresholds and types of purchases that would be subject to competitive proposals. The District should work with legal counsel to develop appropriate RFP templates and identify key items for inclusion, such as terms, conditions, evaluation process, performance expectations, and reporting requirements. Furthermore, Painesville TLSD should consider expanding its membership in consortiums to increase the pool of products and prices to compare and further help ensure the District pays the “best” price.

These policies and practices will provide the Board with more assurance that the District’s goods and services are being purchased at a fair price, and that objective decisions are being made regarding vendor selection. See the food services and technology sections for additional enhancements to purchasing policies and procedures.

The District’s purchasing policy states that “It is the policy of the Board of Education that when funds are available, all purchases contemplated within the current appropriations and not subject to bid be made in a manner that tends toward the insurance of maximum value for the District.” However, the District’s purchasing policies are broad and only require competitive pricing in the following instances:

- The District will comply with state laws regarding competitive bidding requirements (anything exceeding \$25,000 as noted in ORC 3313.46).
- The Treasurer should attempt to obtain three price quotations on any and all single item purchases of more than \$15,000.

- All purchases that are within the appropriations limits and were originally contemplated within the budget may be made upon authorization of the Superintendent and Treasurer.
- The Board encourages the administration to seek advantages in savings that may accrue to the District through joint agreements for the purchase of supplies, equipment or services with the governing body of other governmental units.

These policies indicate that employees are permitted to make purchases of single items costing up to \$15,000 without securing multiple price quotes beforehand as long as the Superintendent and Treasurer approve the purchase. In addition, the District's policies do not mention requests for proposals (RFP), including when RFPs are to be used in contracting for purchased services. By contrast, the Akron Public Schools requires district employees to obtain three price quotes on anything costing more than \$6,000. The Akron Public Schools' purchasing policies also indicate that a reverse auction process is to be used in contracting for purchased services. Similarly, the Cincinnati Public Schools requires various forms of competitive pricing for goods and services costing more than \$500. OPPAGA recommends that districts take maximum advantage of the purchasing function by ensuring that effective price quotation policies are in place that require quotes for small dollar purchases that fall below the dollar limits requiring competitive bidding.

The Voinovich Center for Leadership and Public Affairs' *Contract Management Manual* indicates that an RFP is a form of a bid, and is generally used for services that cannot be summarized in written bid specifications. It recommends numerous elements for inclusion in an RFP, including the following:

- Time table for the RFP process;
- Request that vendors submit a budget for the project or service;
- Detailed description of the services that will be performed under the contract;
- Vendor disclosures and a conflict of interest statement;
- Disclaimer indicating that the contracts resulting from the proposals are contingent on the availability of funds;
- Proposal delivery date, time, and address;
- Description of the evaluation process for proposals;
- Terms and conditions;
- Vendor project requirements and qualifications;
- Project deliverables, including performance expectations; and
- Reporting requirements.

The *Contract Management Manual* also indicates that a team should be formed to conduct advanced planning for an RFP, and a team leader should be identified to manage

the effort of creating an RFP and determining the evaluation process. In creating the evaluation criteria, the team should identify the significant points in the RFP to evaluate and assign relative weights to each point. The team also needs to develop a system for scoring the proposals. Additionally, a team should be identified to evaluate the proposal submissions, which may be the same team that conducted the advanced planning. Furthermore, one person should be appointed as the contact for potential vendors to ensure consistency in responses.

In order to aid in the evaluation process, the *Contract Management Manual* provides the following sample evaluation criteria:

- Responsiveness to all items listed in the RFP;
- Relevance of services to be provided;
- Clarity and measurability of proposal to provide services;
- Continuous improvement strategy;
- Corporate capabilities; and
- Budget and cost-effectiveness.

By establishing the minimum purchasing threshold at \$15,000, and lacking formal policies and procedures for RFPs, the Board has minimal assurance that District employees are obtaining fair prices for purchases or that vendor selection decisions are being made objectively.

Lastly, the District is a member of several purchasing consortiums, including the Ohio Schools Council and Hospital Purchasing Services. Further exploring membership in other relevant consortiums could help the District ensure it purchases products at the most economical price. For example, Painesville TLSD is not a member of U.S. Communities: Government Purchasing Alliance (USC), which is a nonprofit entity that assists public agencies in reducing the cost of purchased goods by pooling their purchasing power nationwide. Key advantages of participating in USC include the following:

- Generates savings through the lack user fees or costs to participate, saves time and money, and frees resources for other public priorities, programs and services;
- Competitively solicited contracts;
- Nationally sponsored by leading associations and purchasing organizations (e.g., Association of School Business Officials International);
- Directed by public purchasing professionals; and
- Aggregates purchasing power

- Combines potential purchasing power of up to 87,000 local agencies
- Expands purchasing choices beyond state boundaries
- Includes over 8,000 public agencies in 50 states

USC offers technology products such as computer hardware, software, and peripherals, as well as office/school supplies, janitorial supplies, office and school furniture, and office machines.

R2.14 The District should consider implementing on-line purchasing at the schools and departments. On-line purchasing would reduce the time from requisition to creation of a purchase order. In addition, once fully implemented, the on-line purchasing system could potentially allow for a reduction in staffing levels within the Treasurer's office by eliminating the current duplication of effort.

According to Board Policy, all purchase orders must be approved by the Treasurer before placing an order with a vendor. The Treasurer is responsible for determining if the proposed purchase is subject to bid or quotation, whether sufficient funds exist in the budget, and whether the material might be available elsewhere in the District. The purchasing process in the District typically begins with a teacher informally checking with the building principal before manually completing a paper purchase order for the desired item. The purchase order is then sent to the building secretary who enters the appropriate account codes and forwards it to the building principal for approval. Once the principal's approval is obtained, the purchase order is sent to the Treasurer's office for a clerk to verify that there are sufficient funds to cover the purchase and determine if the vendor is on the approved list. Assuming the proposed purchase satisfies both of these requirements, the purchase order is then sent to the Superintendent, who reviews and approves the purchase based on its usefulness to the District. The purchase order is then sent back to the Treasurer's office to officially certify the funds through the Treasurer's signature. This process appears to ensure compliance with the District's policy noted above. Based on a sample of 20 purchase orders reviewed by AOS from FY 2004-05, 19 were dated before the invoice date, while one had the same purchase order and invoice date.

As illustrated above, the District's purchasing process is manual and paper-driven, which increases the time that the operating units wait for a purchase order to be properly issued. In addition, the District's manual purchasing process allows for duplication of effort as employees and supervisors must complete a purchase order by hand and then the clerks in the Treasurer's office must re-enter the same information into the accounting system. A fully automated purchasing system with on-line requisitioning would increase the efficiency of the purchasing process by eliminating duplications of effort and speeding up the certification/approval process.

The National Institute of Governmental Purchasing (NIGP) recommends using an automated purchasing system to perform purchasing activities including requisitioning, solicitation, bidder selection, response tabulation, purchase order award, and receipt of goods and services. NIGP notes that an automated system provides districts with paperless communication and a single point of contact, eliminates lost or misplaced documents, and improves processing time. The District's current USAS software has the ability to provide users with on-line requisitioning; however, the District has not used this module. The District also has flags in the accounting system to prevent further processing of a transaction if sufficient funds are unavailable.

Financial Implication: Assuming the District could reduce 0.5 FTEs in the Treasurer's office once the on-line purchasing system is fully functional and the employees have received the appropriate training, the annual salary and benefit cost savings would be approximately \$18,900.

R2.15 To provide additional assurance that vendor payments are being processed accurately, the District should consider maintaining daily batch totals of all invoices received and entered into the system. Every two weeks, the daily batches should be reconciled to the check total noted in the accounting system before the checks are printed and mailed to the vendor.

Vendors typically ship ordered goods directly to the buildings. When the shipment is received, a building secretary or principal signs and dates a copy of the purchase order (gold copy) indicating that the goods have been received in the appropriate quantities and quality. The signed and dated copy of the purchase order (gold copy) is then forwarded to accounts payable to prepare for vendor payment. As invoices are received from vendors, the accounts payable clerks in the Treasurer's office enter them into the accounting system and match them with the original and gold copies of the purchase order. The accounts payable clerks verify all information on the invoice (description, quantities, prices, etc) to ensure the billed amount equals the ordered and received amount.

The District permits the invoice amount to exceed the purchase order amount by 10 percent before the variance must be investigated. In the event an invoice exceeds the purchase order by more than 10 percent, the building principal is contacted and usually is required to complete a new purchase order to cover the higher expenditure. Once any issues are resolved, the District schedules the invoice for payment during the next check run. After the checks are printed, the Treasurer's office maintains a copy of the check, invoice and purchase orders filed by check number.

The District's vendor payment process appears to be effective in ensuring timely payment and compliance with District policies. This is based on review of a sample of 20 vendor

payments in FY 2004-05, which showed that the time from receipt of invoice to payment averaged 13 days, with the longest elapsed time being 32 days. Furthermore, no material citations concerning the District's purchasing practices were issued during the FY 2004-05 financial audit. However, the Assistant Treasurer indicated that the accounts payable staff does not maintain a control figure to tie to before printing checks. For example, the District does not maintain manual daily batch totals of invoice amounts that can be tied to the vendor check totals entered into the accounting system. This procedure can be helpful in preventing over or under-payment of invoices based on data entry errors.

Payroll

R2.16 The District should consider installing an automated time and attendance system at its buildings. This would eliminate the duplication of effort that occurs under the current payroll process and would potentially increase the accuracy of the data by shifting the focus of the payroll clerks from data entry to data verification. Once fully implemented, the automated time and attendance system could potentially allow for a reduction in staffing levels within the payroll function. An automated time and attendance system would also provide the District with real-time data and an objective mechanism to pay employees for time actually worked.

The District pays all of its employees on a single semi-monthly (twice a month) schedule consisting of 24 pays in a year with pay dates on the 1st and 15th of each month. There is a delay of approximately two weeks between the pay period ending date and the pay date. The District uses a manual process to track time and attendance information. For example, all hourly classified employees must manually complete timesheets that track the number of hours worked, and start and end times. Classified employees are also required to complete separate forms to report all absence and overtime information. The timesheets, absence forms and overtime information must be signed by the employee and approved by their supervisor before they are submitted to payroll for input into the payroll system. In addition, substitute classified employees, such as bus drivers, are also required to complete timesheets. In this situation, the timesheet is signed by the substitute driver, approved by the Director of Transportation and forwarded to payroll for data entry.

The District processes payroll on an exception basis for administrative and certificated staff. This means that the administrative and certificated employees are paid their regular time unless an exception is noted. Administrative and certificated employees are required to manually complete leave forms to report the use of personal or sick leave. Personal leave requests must be sent five days in advance and must be approved by the Principal and Assistant Superintendent beforehand. Once personal or sick leave is taken, an absence form is signed by the teacher, approved by the building principal and sent to the payroll office for data entry. Substitute teachers are required to complete a daily sign-in

sheet at each building indicating which teacher they are replacing and the length of time they worked. The daily sign-in sheets are then forwarded to payroll at the end of the pay-period. When all data has been entered into the payroll system, the daily sign-in sheets and employee absence forms are reconciled to the payroll system by a different employee than the one who completed the data entry. If a teacher fails to submit an absence form and the sign-in sheet indicates that a substitute worked for that particular teacher, it would be apparent that the teacher either failed to submit an absence form or was engaging in suspicious behavior. The District has similar procedures in place to verify classified leave usage.

In addition to the procedures noted above, the District has several other procedures in place to verify the accuracy of payroll before it is released to the employee. For example, the payroll clerks maintain detailed spreadsheets for all employees that list their hourly pay rate and number of hours contracted for in a year. This figure is divided by twenty four pays and should match the two week payroll amount for that employee. If the figures do not match and there is no exception form to explain the difference, the payroll clerks can easily determine that there is a problem that needs to be addressed.

The District also prepares and reviews several reasonableness reports before printing the checks each pay period. The first report indicates any significant reminders such as the last pay of a contract year. Once this report is reviewed, a deduction report is generated indicating any differences in withholdings from the previous payroll. Variances in this report are often due to employees modifying their contributions to a tax sheltered annuity. The payroll supervisor identifies the amount of the change in the total deductions and reviews it to make sure that the changes are appropriate. A reasonableness test is also performed by the Treasurer when he receives a report showing the dollar amount for each payroll. The Treasurer noted that he is accustomed to a certain dollar amount for each pay period and if the dollar amount noted in the report does not appear to be reasonable, he will attempt to find out why before giving his signature for final approval. Lastly, the Treasurer indicated that he receives an audit trail report showing all changes made in the employee master file and which payroll clerk was responsible for the change. This is reviewed to ensure that employee contract information is accurate.

As a result of the controls and procedures noted above, the Treasurer indicated that the District is able minimize the number of special payroll runs that occur throughout the year due to mistakes and other factors. In addition, because of the two week lag, the Treasurer estimates that the District incurs less than 10 hours of overtime per year in processing payroll.

Although the District's current payroll system limits overtime and the potential for mistakes, the manual system results in a significant duplication of effort. For example, under the current process, the employees must manually enter the time and leave

information on a timesheet. The payroll department manually inputs the same information into the accounting system. The Treasurer indicated that the District has thought about shifting to a more automated system, but has been reluctant to do so.

According to the University of Saskatchewan, it is important to monitor time and attendance to ensure that the information is accurate. One way to ensure that the information is accurate is to clarify the employer's expectations for attendance. All employees should be aware of work policies and procedures regarding attendance and absences. In addition, keeping accurate records for all employees is critical to determine if the employee's absence is higher or lower than the average absence rate. Additionally, one vendor noted that the benefits of an automated time and attendance system include the following:

- Reduces the risk of costly payroll errors and inflated labor costs;
- Provides managers with real-time labor data along with tools to control costs and improve productivity;
- Eliminates paper timesheets and opportunities for human error;
- Delivers pay accurately and on-time with consistent pay practices; and
- Frees managers to focus on higher value strategic activities.

Financial Implication: Based on a quote from one vendor, the installation of an automated time and attendance system would result in an initial cost of \$84,000 and an annual cost of \$4,500 thereafter for software updates and maintenance. Assuming the District could reduce 0.5 FTEs in the payroll department once the system is fully functional, the annual cost savings would be approximately \$18,900. Assuming the reduction of 0.5 FTEs, the District would recoup the cost of the automated time and attendance system within five years, and would realize a net annual savings of approximately \$14,400 thereafter.

R2.17 The District should expand the use of direct deposit and consider negotiating mandatory direct deposit in future union agreements. The use of direct deposit reduces the cost of processing payroll checks, streamlines bank reconciliations and helps minimize security risks associated with lost or stolen checks.

Painesville TLSD offers its employees the option to be paid through direct deposit to any financial institution. However, direct deposit is not mandatory. According to the payroll supervisor, approximately 85 percent of the certificated, and 50 percent of the classified staff, use direct deposit. The District's bank charges \$0.19 to process a payroll check, as opposed to \$0.13 for an ACH (automatic clearing house) transaction. The District issued 3,192 paper checks and 9,432 ACH transactions in FY 2005-06 for a total cost of \$606.48 and \$1,226.16, respectively.

As an additional internal control, the District maintains a separate bank account that serves as the payroll clearing account. Funds are wired from the District's operating account to the payroll clearing account each pay period in an amount sufficient to cover all the payroll costs, including the cost of tax withholdings. The payroll account does not carry a regular daily balance and should be zero after all checks have been cleared. If the payroll account has an irreconcilable balance at the end of the month, the District is alerted that there may have been an error in processing payroll that needs to be investigated.

Accounting Best Practices (Bragg, 2005) indicates that entities should take advantage of direct deposit. Using direct deposit can help eliminate some of the steps involved in issuing paychecks, including the following:

- Printing checks, including manual cancellation of the first batch of checks and new print runs when initial check runs fail;
- Signing of checks by an authorized individual, who may have questions about payment amounts that require additional investigation;
- Distributing checks; and
- Tracking checks not cashed and following up with employees.

Besides avoiding some of the steps involved with issuing paychecks, direct deposit carries the additional advantage of putting money in employee bank accounts at once. However, paper-based notification of direct deposit payments may still need to be sent to employees. While this would require printing and distribution steps, there would be no need for signing the notifications or tracking pay checks not yet cashed by employees. *Accounting Best Practices* further indicates that if properly implemented, direct deposit can be a clear advantage to both the accounting department and employees.

Financial Implication: The elimination of paper payroll checks issued to employees would result in a cost savings of approximately \$192 each fiscal year. Although not easily quantifiable, the District could also realize savings associated with reduced printing and paper costs, and time associated with processing payroll.

Financial Implications Summary

The following table summarizes the estimated one-time costs, annual costs, and annual cost savings for recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Table 2-11: Summary of Financial Implications

	Estimated One Time Costs	Estimated Annual Costs	Estimated Annual Savings
R2.14 Reduce staffing in Treasurer's office by 0.5 FTE			\$18,900
R2.16 Purchase automated purchasing system and reduce staffing in payroll by 0.5 FTE	(\$84,000)	(\$4,500)	\$18,900
R2.17 Expand use of direct deposit			\$192
Total Costs/Savings	(\$84,000)	(\$4,500)	\$37,992

Human Resources

Background

This section of the performance audit focuses on Painesville Township Local School District’s (Painesville TLSD) human resource operations. The objective is to analyze human resource issues, and develop recommendations for improvements and reductions in District expenditures. Data from sources that include the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), and the Kaiser Foundation’s health insurance survey are used throughout this section of the report for comparison purposes. In addition, Painesville TLSD is compared to a peer average consisting of ten school districts classified as “Type 6” (urban/suburban and high median income) by the Ohio Department of Education, the same type as Painesville TLSD. These ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Specifically, the peer districts consist of Amherst Exempted Village School District, Canfield Local School District, Jackson Local School District, Lake Local School District, Northmont City School District, Norton City School District, Oak Hills Local School District, Perry Local School District, Poland Local School District, and Wadsworth City School District. Further, Auditor Of State staff administered a survey of District employees regarding human resources (HR) services and the results of the survey were used in this report (see **Appendix 3-A**).

Organizational Structure and Function

Painesville TLSD does not have a separate department dedicated to human resource functions. Instead, the daily responsibilities are completed by the Superintendent, the Assistant Superintendent for Personnel and Support Services, the Assistant Superintendent for Curriculum and Instruction, the Treasurer, school principals and department heads. The Assistant Superintendent for Personnel and Support Services coordinates activities and programs used to recruit, select, and evaluate employees, and monitors compliance with minimum employment standards. The Assistant Superintendent for Curriculum and Instruction is responsible for overseeing the District’s curriculum and student services including gifted, regular and special education, which includes helping to determine staffing levels. The Assistant Superintendent for Curriculum and Instruction also serves as the chairperson for the District’s Local Professional Development Committee. The Treasurer conducts payroll functions, reviews budgetary items, and receives, deposits, and accounts for all school funds of the District. The principals and department heads complete evaluations, and address performance issues for staff in their buildings and departments.

According to Board policy, the Superintendent is responsible for the following: serving as a professional adviser and executive officer of the Board which includes recommending and implementing changes in curriculum; coordinating with the Treasurer to ensure the District's fiscal responsibility; administering the District's personnel which includes supervising the selection, assignment, transfer, evaluation, promotion and dismissal of all personnel (except the Treasurer) and making recommendations with regard to salary and benefit levels; communicating school district information to the Board, employees and citizens; monitoring professional development activities; and completing other responsibilities as assigned by the Board.

Staffing

Table 3-1 compares Painesville TLSD's full-time equivalent (FTE) staffing levels to the peer average as reported through the Educational Management Information System (EMIS) for FY 2005-06. **Table 3-1** also shows the staffing levels on a per 1,000 ADM basis for Painesville TLSD and the peer average.

Table 3-1: Staffing Levels Summary

Category	Painesville TLSD		Peer Average		Variance Amount	
	FTE ¹ Reported	Per 1,000 Students	FTE ² Reported	Per 1,000 Students	FTE Calculated	Per 1,000 Students
Administrators:	24.25	5.46	21.25	5.08	3.00	0.38
Site Based Administrators	13.00	2.93	10.73	2.48	2.27	0.45
Central Administrators	11.25	2.53	10.52	2.60	0.73	(0.07)
Educational Staff:	271.00	61.06	268.73	62.30	2.27	(1.24)
Curriculum Specialist	0.00	-	1.59	0.25	(1.59)	(0.25)
Counselors	7.00	1.58	8.34	1.91	(1.34)	(0.33)
Librarian / Media	2.00	0.45	1.74	0.44	0.26	0.01
Remedial Specialist	5.00	1.13	4.15	0.84	0.85	0.29
Regular Teachers	193.97 ³	43.70	186.51	43.82	7.46	(0.12)
Special Education Teachers	26.89	6.06	22.62	5.13	4.27	0.93
Vocational Teachers	0.00	-	6.73	1.74	(6.73)	(1.74)
Tutor/Small Group Instructors	8.53	1.92	11.55	2.80	(3.02)	(0.88)
ESP Teachers	11.50	2.59	17.58	3.71	(6.08)	(1.12)
Supplemental Special Education	13.11	2.95	4.46	0.88	8.65	2.07
Other Professional Educational Staff	3.00	0.68	3.46	0.78	(0.46)	(0.10)
Professional Staff:	5.00	1.13	10.85	2.32	(5.85)	(1.19)
Psychologists	0.00	-	3.16	0.64	(3.16)	(0.64)
Registered Nurses	2.00	0.45	1.14	0.27	0.86	0.18
Physical Therapists	0.00	-	0.18	0.06	(0.18)	(0.06)
Speech & Language Therapists	3.00	0.68	3.37	0.72	(0.37)	(0.04)
Occupational Therapists	0.00	-	0.47	0.10	(0.47)	(0.10)

Category	Painesville TLSD		Peer Average		Variance Amount	
	FTE ¹ Reported	Per 1,000 Students	FTE ² Reported	Per 1,000 Students	FTE Calculated	Per 1,000 Students
All Other Professional Staff	0.00	-	2.54	0.53	(2.54)	(0.53)
Technical Staff:	4.00	0.90	11.43	2.34	(7.43)	(1.44)
Computer Support	0.00	-	1.55	0.36	(1.55)	(0.36)
Practical Nurses	0.00	-	0.10	0.03	(0.10)	(0.03)
Library Technicians / Aides	4.00	0.90	4.98	1.05	(0.98)	(0.15)
Instructional Paraprofessionals	0.00	-	3.22	0.61	(3.22)	(0.61)
All Other Technical Staff	0.00	-	1.58	0.30	(1.58)	(0.30)
Office / Clerical Staff:	58.00	13.07	53.40	11.58	4.60	1.49
Clerical	25.00	5.63	22.32	5.18	2.68	0.45
Teaching Aide	28.00	6.31	23.70	4.43	4.30	1.88
All Other Office / Clerical Staff	5.00	1.13	7.39	1.98	(2.39)	(0.85)
Maintenance Workers	9.00	2.03	6.25	1.43	2.75	0.60
Custodians/Ground keepers	37.00	8.34	29.21	6.83	7.79	1.51
Bus Drivers	69.00	15.55	30.82	7.64	38.18	7.91
Food Service Workers	31.00	6.98	28.85	6.43	2.15	0.55
All Other Reported Personnel	75.00	16.90	21.12	4.90	53.88	12.00
Total FTE Reported	583.25	131.41	481.91	110.86	101.34	20.55

Source: FY 2005-06 EMIS data reported to the ODE as of 03/05/06.

¹ Reflects updated FTE employees confirmed by the District.

² Reflects un-audited FTE employees reported by the districts through EMIS.

³ Includes 189.97 FTE regular teachers and 4.0 FTE permanent substitutes.

As illustrated in **Table 3-1**, Painesville TLSD has higher FTE staffing levels per 1,000 ADM in the following categories:

- Administrators:** **Table 3-1** shows that although the District employs 0.45 more site-based administrator FTEs, it employs 0.07 fewer central administrator FTEs than the peer average on a per 1,000 ADM basis. The higher staffing levels within the site-based category are due to the District employing four assistant principals at the Riverside Campus (junior high and high school). However, the District's enrollment increased approximately 12 percent from FY 2001-02 to FY 2005-06, and increased each year during this time frame. Enrollment is projected to continue increasing for the foreseeable future due to new home construction (see **facilities** section for student enrollment trends). Assuming the District maintains current staffing levels and enrollment continues to increase, the District's number of administrative staff per 1,000 students will be more comparable to the peers in the near future.
- Librarian/Media:** Painesville TLSD employs 0.01 more librarian/media FTEs than the peer average on a per 1,000 ADM basis. However, **Table 3-1** also shows that the District employs 0.15 fewer library technicians/aide FTEs than the peer average on a per 1,000

ADM basis. When combining the librarian/media and library technician/aides categories, the District's total library staffing is comparable to the peer average.

- **Remedial Specialists: Table 3-1** shows that although the District maintains a slightly higher number of remedial specialist FTEs per 1,000 ADM, the District employs fewer tutor/small group instructor and other professional education FTEs per 1,000 ADM when compared to the peer average. In addition, the District does not currently employ any curriculum specialists while the peer average is 1.59 FTEs (0.25 per 1,000 ADM). The District's combined staffing level for these four functions is lower than the peer average by 4.2 FTEs, or 0.94 on a per 1,000 ADM basis.
- **Special Education and Supplemental Special Education Teachers: Table 3-1** shows that the District employs 0.93 more special education teachers and 2.07 more supplemental special education teachers than the peer averages on a per 1,000 ADM basis. In addition, District employs approximately 6.7 more special education employees than required by OAC §3301-51-09. See *Issues for Further Study* for additional analysis.
- **Registered Nurses:** Although the District's staffing in the registered nurse classification is slightly higher than the peer average, the District's staffing for all educational service personnel (ESP) combined (5.1 FTEs per 1,000 ADM) is lower than the peer average (6.4 FTEs per 1,000 ADM).
- **Clerical and All Other Office Staff: Table 3-1** shows that although Painesville TLSD employs 0.45 more clerical FTEs per 1,000 students in comparison to the peer average, the District also employs 0.85 FTE fewer all other office staff. As a result, the District's combined clerical and all other office personnel staffing (6.76 FTEs per 1,000 ADM) is slightly lower than the peer average (7.16 FTEs per 1,000 ADM). Furthermore, the District's clerical staff supports 2.1 more employees per staff member (19.4) when compared to the peer average (17.3). Similarly, the District allocates fewer clerical employees per building (3.75 FTEs) in comparison to the peer average (3.90 FTEs).
- **Teaching Aides: Table 3-1** shows that Painesville TLSD has 1.88 more teaching aide FTEs on a per 1,000 ADM basis than the peer average. However, **Table 3-1** also shows that the District does not have any employees coded as instructional paraprofessionals while the peer average is 3.22 FTEs. When the instructional paraprofessionals are combined with the teaching aides, the District's staffing level (6.31) is still higher than the peer average (5.04) on a per 1,000 ADM basis. The District indicated that the higher teaching aide staffing is necessary to assist with the special education program. See *Issues for Further Study* for additional analysis.

- **Custodians and Maintenance Workers:** Painesville TLSD's staffing levels in the custodial and maintenance functions exceed the peer average on a per 1,000 ADM basis by 1.51 and 0.60, respectively (see **R4.1** in **facilities** for further discussion).
- **Bus Drivers:** Painesville TLSD employs 7.91 more bus drivers per 1,000 students than the peer average (see **R5.1** in **transportation** for further discussion).
- **Food Service Workers:** Painesville TLSD employs 0.55 more food service workers per 1,000 students than the peer average (see the **food service** section for further discussion).
- **All Other Reported Personnel:** As illustrated by **Table 3-1**, Painesville TLSD has 75.0 employees or 16.9 FTEs per 1,000 ADM reported as All Other Personnel, which is significantly higher than the peer average (21.12 total FTEs and 4.90 FTEs per 1,000 ADM). However, the District reported the actual employees for this classification rather than the full-time equivalents. Based on an eight hour work day, the District has approximately 26.8 FTEs in the All Other Personnel category (6.04 per 1,000 ADM), which is still higher than the peer average of 21.12 FTEs (4.90 per 1,000 ADM). Bus assistants represent approximately 35 percent of the District's 26.8 FTEs in the All Other Personnel classification. See *Issues for Further Study* for additional details concerning the bus assistant staffing levels.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas within the human resources section which did not warrant changes and did not yield recommendations. These areas include the following:

- **Vocational Education:** Painesville TLSD uses the Auburn Career Center for all of its vocational education needs. The Auburn Career Center, which employs 45 staff members for its high school programs, serves the vocational education needs of 82 juniors and 61 seniors from Painesville TLSD. No vocational education classes are offered by the District and the District does not employ vocational education personnel (see **Table 3-1**). Furthermore, the District has not incurred any direct costs related to vocational education during the last two years (see **Table 2-8** in **financial systems** section).
- **Average Salaries:** Painesville TLSD's average salaries for educational staff (\$51,369) are similar to the peer average (\$51,586) and the District has lower average salaries when compared to the peer averages in the remaining employee groupings, with the exception of bus drivers. Bus driver salaries are reviewed in **R5.5** of the **transportation** section of this report.

- **Dental, Vision and Life Insurance:** The District's dental premiums (\$31.24 single, \$79.67 family) are comparable to the statewide average for governments as reported by the State Employee Relations Board (SERB) (\$40.00 single, \$75.83 family) while the District's vision premiums (\$6.77 single, \$14.59 family) are significantly lower than SERB averages (\$12.30 single, \$22.64 family). The 2004 SERB dental and vision data was adjusted to estimate premium costs for 2005, in order to provide a more reliable comparison to Painesville TLSD's data. Furthermore, although the life insurance coverage for certified and 12 month classified employees exceeds the SERB coverage amount, the District's cost per \$1,000 is \$0.05 less than the SERB 2004 benchmark of approximately \$0.19.
- **Retirement Contributions:** Although the District pays some part of the employee's retirement contribution for the Superintendent, Treasurer (10 percent each) and fourteen additional administrators (ranging from 1 percent to 4 percent), the District's average administrative salary is only \$71,116 after adjusting for the impact of the pension benefit. By comparison, the peer average administrative salary is \$75,153, without any adjustments related to potential retirement benefits. Therefore, the District's pension benefit for the administrative employees does not appear cost prohibitive.
- **Leave Usage:** Overall, the District's certificated and classified attendance rates are comparable to the statewide averages reported by Ohio Department of Administrative Service. However, **R5.6** within the Transportation section notes that sick leave use by the District's bus drivers is higher than the ODAS averages.
- **Communication:** The District's practices for communicating with staff and parents are comparable to those suggested by the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA). Specifically, the administration uses email, meetings, memos and the telephone to communicate significant issues to staff on a daily and weekly basis. The District also conducts a year-end employee survey to evaluate work climate and job satisfaction, and to provide a formal method for receiving employee feedback. In addition, a separate survey is administered to teachers at the end of the school year to measure employee satisfaction regarding work environment, safety, quality of supervision, and opportunities for professional development. Lastly, the District makes key documents such as teacher certification forms and Board policies available on the website. According to the AOS survey of District employees, 71 percent of respondents indicated that they are adequately informed of changes in the District's policies and procedures.

The District also uses a variety of mechanisms to support external communications. For example, it mails parents a quarterly newsletter highlighting news, issues and priorities within the District. It also mails parents an annual satisfaction survey to obtain feedback concerning District priorities. Lastly, the school buildings are exploring the possibility of

using an “all parents” e-mail list. This e-mail list would allow schools to send informational messages directly to parents while saving the costs associated with printing paper letters.

- **Performance Evaluations:** The District has established procedures to ensure that all employees receive regular performance evaluations. More specifically, each certificated and classified employee is evaluated at least annually, with the exception of employees with continuing contracts who are evaluated once every three years. However, the collective bargaining agreements allow the District to evaluate certificated and classified staff in any year, if necessary. In addition, new administrators are evaluated every year of their contract while veteran administrators are evaluated twice during the last year of their contract. Furthermore, according to the survey conducted by AOS at the start of the performance audit, 83 percent of the respondents indicated that the District’s evaluation process was completed in accordance with the collective bargaining agreements. Another 77 percent indicated that the District’s evaluation process and forms are relevant to their job duties, while 67 percent indicated that the District’s evaluation process provides timely and relevant feedback.
- **Teacher Certification:** The District has established an active Local Professional Development Committee that helps ensure certificated employees are complying with the State’s requirements for certification. The District’s Local Professional Development Committee appears to be effective in this role as ODE reported that 100 and 97.8 percent of Painesville TLSD’s core courses were taught by teachers with the appropriate certification in FY 2004-05 and FY 2005-06, respectively. Additionally, the District’s percentage of highly qualified teachers and teachers with the appropriate certifications are comparable to the State averages in both years. The District has also worked with the Lake County ESC to establish a teacher mentoring program that is designed to help orient new teachers to the District.
- **Board Operations and Policies:** Painesville TLSD has developed detailed policies which clearly delineate the roles of the Board, the Superintendent and the Treasurer in overseeing District operations. The District’s policies address the following: the responsibilities and levels of authority for the Board, Superintendent and Treasurer; the Board’s interactions with staff; the employees’ and Board’s interactions with the citizens; evaluations for the Superintendent and Treasurer; orientation requirements for new Board members; and other areas. It appears that the Board is regularly reviewing the policies and updating them as several were modified in March, 2006.
- **Special Education Student Assessment and Placement:** The Individual Education Plan (IEP) team appears to be compliant with the OAC since it includes the appropriate people and meets as required. The District also has appropriate procedures in place to receive input from the parents of special needs students. Furthermore, the District

appears to be trying to provide the least restrictive environment for instructing special education students where possible, in accordance with OAC Section 3301-51-09 (A)(1). More specifically, only approximately 19 percent of the special needs students taught by the District spend more than 60 percent of the time outside of the regular classroom. Students in the reported classifications of “multiple disabilities” and “mental retardation” comprise 56 percent of the students spending more than 60 percent of the time outside of the regular classroom. In addition, approximately 46 percent of the special education students taught in the District spend at least 79 percent of their time in a regular classroom.

- **Special Education Program Evaluation:** The District has adopted a strategic plan for special education that guides operations in the areas of staff development, program evaluation, identification of at-risk students, and increasing communication among special education staff. In addition, based on the actions taken to improve results on the Ohio proficiency tests, the District appears to be monitoring the academic performance of its special needs students and is identifying strategies to improve future test scores. More specifically, the District hired a coach in FY 2005-06 to create a plan to improve test scores for special education students. In addition, the middle school staff adjusted the teaching schedule to allow common planning time for special education teachers as well as placement of special education students into academic teams. The special education team has been trained in Project Read, Wilson Reading, and a multi-sensory instructional approach to learning. Additionally, special education students are being provided with access to a reading room and supplemental support. Reading and math test scores for students with disabilities improved from 56.7 and 42.6 in the 2004-05 school year, respectively, to 61.3 and 49.3 in the 2005-06 school year, respectively.
- **Special Education Program Resource Maximization:** The District attempts to offset the high cost of special education programs by pooling its resources with other districts whenever possible. For example, the District is a member of the East Shore Special Education Regional Resource Center (East Shore) for special education transportation purposes. East Shore is a group of school districts that have agreed to coordinate their special education transportation activities in an effort to achieve cost savings. In addition, the District works with other districts to fill open slots in certain programs as a means to maximize funding and reduce operating costs. This contributes to the District’s special education costs per student (\$5,817) being significantly lower than the peer average (\$6,335).
- **Accelerated/Gifted Programs and Funding:** The District meets ORC 3324.04 requirements for a gifted plan. Specifically, the District has provisions that include the description of the assessment instruments, acceptable scheduling procedures for screening and administering assessment instruments, procedures for notification of parents, and a commitment to accept assessments provided by experts from outside the

school district. According to the Assistant Superintendent for Curriculum and Instruction, the District has established and implemented four accelerated programs for gifted students: Academically Talented program, Advanced Placement classes, the Post-Secondary Enrollment Options program, and Honors classes. In addition, parents are invited to attend conferences and meetings with District personnel to receive information about each of these programs, and parent satisfaction surveys are distributed annually. District bylaws and policies cover placement notification and review processes. The bylaws and policies also include notice of how parents can appeal any decision about the results of any screening procedure for assessment, the scheduling of children for assessment, or the placement of a student in any program. Lastly, the District is taking appropriate steps to maximize its State funding for the gifted education program by properly reporting its gifted teachers and program activities.

- **At-Risk Program:** The District identifies students eligible for at-risk programs, such as English for Speakers of Other Languages (ESOL), Title I, and alternative education, through mechanisms including report card grades, test performance, teacher recommendations, standardized test scores, and observation. Once a student is initially identified as at-risk, an assessment of the student's needs is conducted by an Intervention Assistance Team (IAT) that meets monthly. The IAT consists of teachers, principals, special education teachers, psychologists, and the student's parents, and its primary function is to provide assistance and interventions based on an analysis of the student's performance data. In essence, the IAT is responsible for determining appropriate course requirements if a child is classified as at-risk after parental involvement and consent has been sought. The District further involves the parents of at-risk students via periodic conferences, and formal solicitation of feedback. The District also evaluates the success of its at-risk instruction and programs based on student achievement in regular classrooms. These practices are consistent with OPPAGA's *Best Practices and Indicators* (June 2002).
- **Regular Education and Education Service Personnel (ESP):** The District is maintaining regular education student-to-teacher and total student-to-regular education teacher ratios (20.7:1 and 22.9:1) that are comparable to the peer averages (20.0:1 and 23.0:1). In addition, the District's ESP staffing level of 5.1 FTEs per 1,000 ADM and 5.6 FTEs per 1,000 regular students is lower than the peer averages of 6.4 FTEs per 1,000 ADM and 7.3 FTEs per 1,000 regular students. Ohio Administrative Code (OAC) § 3301-35-05 requires school districts to maintain at least one FTE classroom teacher for every 25 regular education students on a district-wide basis, while OAC § 3301-35-05(A)(4) requires school districts to employ a minimum of five education service personnel for every 1,000 students in the regular student population. Based on the FY 2005-06 staffing levels and if necessitated by future financial conditions, the District could reduce up to 33 FTE regular education teachers and 2.5 ESP FTEs and still comply with state minimum requirements.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following issues:

- **Other Support Staffing:** Based on an eight hour work day, the District has approximately 26.8 FTEs within the All Other Personnel category (6.04 on a per 1,000 ADM basis). This is higher than the reported peer average of 21.12 FTEs (4.90 on a per 1,000 ADM basis). Bus assistants represent approximately 35 percent of the District's 26.8 FTEs within the All Other Personnel classification. Reducing at least nine buses (see **R5.1** in the **transportation** section) may allow the District to reduce certain bus assistant positions, which would help bring the District's staffing in the All Other classification more in line with the peer average. However, a detailed analysis of the District's bus assistant staffing levels could not be performed due to an inability to separately identify comparable positions within EMIS for the peers. Therefore, the District should consider performing a detailed analysis of the bus assistant staffing levels in conjunction with the implementation of routing technology (see **R5.1**), reducing its fleet size (**R5.1**), and reducing other transportation positions (**R5.6**) to further define the potential to reduce bus assistant positions.
- **Special Education Staffing:** Based on the staffing requirements stipulated in OAC §3301-51-09, the District should have a minimum of 35.1 special education teachers to educate its special needs students. In FY 2005-06, the District employed approximately 41.8 special education teachers (28.7 special education teachers and 13.1 supplemental special education teachers), which is 6.7 FTEs more than the State minimum requirements. The District also employs 3.0 more special education employees on a per 1,000 ADM basis when compared to the peer average. When accounting only for the special education students, the District maintains a special education student to special education teacher ratio of 11.7, which is much lower than the peer average of 17.2. Lastly, the District's teaching aide/instructional paraprofessional staffing level (6.31) is also higher than the peer average (5.04) on a per 1,000 ADM basis. The District's teaching aides are primarily used to assist with the special education program. Despite the higher special education staffing levels, the District's special education costs per special needs student (\$5,817) are significantly lower than the peer average (\$7,141). This is an indication that the peers may be contracting for additional services that are not being reported through EMIS. Nevertheless, based on the comparison to OAC minimum requirements, the District should conduct a detailed review of its special education program to determine if any reductions can be achieved without negatively impacting the quality of education.

Recommendations

Staffing Issues

- R3.1 Painesville TLSD should establish a formal plan to address current and future staffing needs. By developing a staffing plan, the District would have an objective analysis to help ensure that it meets State requirements, maintains adequate staffing to serve its students, and efficiently operates its various departments. Furthermore, a staffing plan would provide the District with a better means for forecasting personnel costs. In order to help the District develop a formal staffing plan, it should review the other sections of this performance audit because they contain variables (e.g., workload measures and enrollment projections) that should be considered when analyzing staffing levels for the District's specific operations.**

Painesville TLSD does not have a formal staffing plan to guide staffing decisions. Rather, the District's staffing needs are addressed through a core planning committee that consists of 31 individuals, including the Superintendent and members of the community. The purpose of the core planning committee is to meet every six months to review the District's progress in relation to the strategic plan. The District's long-term staffing needs are often discussed at these meetings as they relate to the goals and objectives identified in the strategic plan.

For short-term staffing decisions, the District relies on building administrators to analyze the needs within their respective buildings for both certificated and classified staff. According to the Assistant Superintendent for Personnel and Support Services, principals are responsible for recommending to the central administration the appropriate staffing levels at the elementary level, while teams that include the principals are responsible for recommending the appropriate staffing levels at the middle and high school levels. The central administrators, which consist of the Superintendent, the two Assistant Superintendents and the Treasurer, meet weekly to discuss various operational issues including District-wide staffing needs, and recommendations received from building principals.

Staffing for certificated personnel is governed by the Ohio Administrative Code (OAC) 3301-35-05 for regular education students and OAC 3301-51-09 for special needs students, which established maximum student to teacher ratios for each of these populations. By not having a formal staffing plan, the District increases the risk of not meeting these standards. For instance, the Assistant Superintendent for Personnel and Support Services indicated that the District has recently had to hire special education teachers because it was not in compliance with the minimum requirements noted in OAC 3301-51-09. Additionally, without consideration of objective standards, such as

workload drivers, the District increases the risk that it is maintaining inefficient classified staffing levels. For example, **Table 2-7** in the financial systems section shows that the District spent \$4,754 per student on employee wages while the peer average was only \$4,510. The disparity in wage expenditures is attributed to the District employing more custodians and bus drivers in comparison to industry benchmarks and peer averages (see the **facilities** and **transportation** section for more information).

The Tulsa Public Schools have established guidelines for determining the appropriate staffing levels within the regular and special education teacher, administrative, other instructional, clerical, custodial, and food service classifications. The instructional and administrative allocations are based on student enrollment or student caseload for special education teachers. The other staffing allocations are based on a consideration of various workload measures. For example, the determination of custodial staffing levels is based on a calculation that considers the number of teachers, students, rooms, and the total area of the buildings. Food service staffing allocations are based on minimum target meals per labor hour calculation established by the District. The staffing plan also outlines the procedures for developing the allocations in each area.

R3.2 The District should adopt a policy that requires an annual review of substitute pay rates. During this review, the District should identify the rates currently being offered by neighboring and other similar districts to ensure that its rates are comparable.

The District's current substitute teacher pay scale was last revised in August 2001. Furthermore, unlike the certificated and classified staff for whom the District is required to address salaries through the bargaining process, no mechanism (policy) is in place to regularly review substitute pay rates. The District's policy is to compensate substitute teachers based on a tiered system that varies depending on how many days they work during the school year. The District's current substitute teacher compensation plan consists of the following:

- 0 – 20 days: \$70 per day;
- 21 – 40 days: \$75 per day;
- 41 – 60 days: \$80 per day;
- 61 – 80 days: \$85 per day; and
- 81 + days: \$90 per day.

According to the Assistant Superintendent for Personnel and Support Services, the District's pay rate for substitutes is lower than the rates paid by neighboring districts and as a result, substitutes frequently choose to work in higher paying competing districts. Consequently, the District encounters difficulty hiring and retaining substitutes. Based on information provided by the Lake County Educational Service Center, four school

districts in Lake County, including Painesville TLSD, have a beginning pay for a certificated substitute of \$70; one district's beginning pay is \$75; another district's is \$80, and the Lake County ESC's beginning rate is \$100 per day. However, Painesville TLSD's substitute pay scale based on consecutive days worked thereafter appears lower than the other districts in Lake County.

Health Benefits & Workers' Compensation

R3.3 Painesville TLSD should consider implementing a 12 percent employee contribution for all employees (certificated and classified) enrolled in the Super Med Plus plan along with implementing a proportional increase for the Super Med Classic and HMO plans. Furthermore, the District should negotiate to state all future employee contributions as a percentage rather than a fixed dollar amount in order to help offset inflationary increases in health care premiums.

The District should also reassess the certificated plan contribution rates for the Super Med Classic and HMO plans. Specifically, it should structure the contribution rates to cover the full price difference associated with offering the upgraded plans, similar to the classified staff. Implementing these recommendations would bring the District's employee contribution levels more in line with the SERB and Kaiser benchmarks, ensure that the District is not incurring excessive costs associated with offering additional health care plans, and allow for more uniformity in plan design among the District's employees.

The District offers medical, prescription, dental, and vision coverage to the majority of its employees through membership in the Lake County Health Care Consortium. District employees have a choice between three Medical Mutual plans: Super Med Plus (Plus) which is the base plan, as well as Super Med Classic (Classic) and an HMO plan, which are both considered to be upgrades from the Plus plan. The classified employees also have a fourth option, which is another HMO plan that has inexpensive co-pays (\$1) for prescription drugs in exchange for higher employee contributions. Although the annual cost of the Classic and both HMO plans are significantly higher than the Plus plan, the District attempts to offset this by having employees pay the difference between the plan upgrades (Classic and HMO plans) and the Plus plan. Part-time classified employees are also required to pay the difference between the plans as well as make a required contribution based on the hours worked each year. For example, a classified employee working at least 35 hours per week for nine months is required to contribute 15 percent (\$45.75) of the full monthly premium (\$304.97).

Employees are offered an insurance opt-out, where once a year they may choose to participate or opt-out of any of the aforementioned benefits for a full contract year. The employees receive a rebate from the District for each benefit plan (health, vision, dental,

life) they choose to opt-out of. Rebates are dependant on whether it is a single or family plan and range from \$800 to \$1,600 assuming an employee opts out of all insurance benefits available. This program can result in cost savings for the District. For example, assuming an employee opts out of the family plans for health, dental, vision and life insurance, the annual savings for the District would be approximately \$8,300. The District also offers a Section 125 Tax Plan, which allows employees to use pre-tax dollars for medical premiums, dependent care, and un-reimbursed medical costs.

Table 3-2 compares the FY 2005-06 monthly health insurance premiums for Painesville TLSD, with the Kaiser Foundation 2005 Annual Survey, and the 2004 State Employment Relations Board (SERB) averages for like-sized school districts and for government employees within the Cleveland region. To account for inflation within the SERB data, the percentage change in premium costs between 2003 and 2004 is used to project the 2005 SERB premiums, assuming that premiums will increase by the same percent between 2004 and 2005. **Table 3-2** presents the information for the District's classified staff, assuming the employee works full-time year-round.

Table 3-2: Monthly Healthcare Premiums

Painesville TLSD Certified	Painesville TLSD Classified	Kaiser Foundation 2005 Annual Survey	SERB 2004 Adjusted to Reflect 2005
MONTHLY MEDICAL PREMIUM COSTS (INCLUDES PRESCRIPTION)			
PPO: Super Med Plus Single: \$298.83 Family: \$761.96 Super Med Classic Single: \$329.15 Family: \$839.30 HMO: Single: \$481.70 Family: \$1209.45	PPO: Super Med Plus Single: \$304.97 Family: \$777.59 Super Med Classic Single: \$335.29 Family: \$854.93 HMO 701: Single: \$532.74 Family: \$1342.76 HMO 705: Single: \$489.37 Family: \$1228.99	All Plans Single: \$335 Family: \$907 HMO Single: \$314 Family: \$871 PPO Single: \$346 Family: \$924 <u>STATE/LOCAL GOVERNMENT</u> HMO Single: \$335 Family: \$881 PPO Single: \$381 Family: \$922	All Plans Single: \$400.56 Family: \$1,047.42 HMO Single: \$379.87 Family: \$995.78 Provider Network Single: \$398.39 Family: \$1,051.39 Employer Consortium Single: \$411.31 Family: \$1,015.89 Premiums Per ADM 2,500-9,999 ADM: Single: \$382.74 Family: \$1,044.08 Premium Per Region Cleveland: Single: \$373.00 Family: \$992.36
EMPLOYEE CONTRIBUTIONS			
PPO: Super Med Plus Single: 6.7% Family: 5.2% Super Med Classic Single: 12.2% Family: 9.5% HMO: Single: 40.0% Family: 37.2%	PPO: Super Med Plus¹ Single: 0% Family: 0% Super Med Classic Single: 9.0% Family: 9.0% HMO 701: Single: 42.8% Family: 42.1% HMO 705: Single: 37.7% Family: 36.7%	Single: 16.0% Family: 26.0%	SERB Statewide 2004 Contribution Average: Single: 11.8% Family: 12.3% Contributions for 2,500 – 9,999 ADM: Single: 9.4% Family: 10.2% Contributions For Cleveland Region: Single: 11.5% Family: 11.3%

Source: Painesville LSD, Kaiser Family Foundation 2005 Annual Report, SERB 2004 Annual Report, Negotiated Agreement.

Note 1: SERB reports that although the average premiums reported above are based on rates for medical coverage only, other items such as prescription, dental, optical, and life are included as a part of the medical plan. Because the costs of these additional benefits cannot necessarily be calculated separately, they may be included with the monthly medical premium.

Note 2: Based on the data reported by Kaiser and SERB, the respective medical premiums are assumed to capture prescription.

An analysis of each of the benefits presented in **Table 3-2** includes the following:

- **Monthly Premiums:** **Table 3-2** shows that the District's certificated and classified premium costs for the Plus and Classic plans are lower than all of the Kaiser's premiums for PPO plans and each SERB average. Although the premiums for the District's certificated and classified HMO plans are higher than each of the Kaiser and SERB benchmarks, the District attempts to cover the extra costs through higher employee contribution rates (see plan design contribution rates below).
- **Employee Contributions:** **Table 3-2** shows that District employee contributions for the Plus and Classic plans are lower than the Kaiser and SERB benchmarks. For example, SERB reports that the average employee contribution was 11.8 percent for single medical coverage and 12.3 percent for family coverage. Furthermore, the Kaiser survey reports that the average medical contribution rates were 16 percent for single coverage and 26 percent for family coverage. In contrast, Painesville TLSD certificated employee contributions for the Super Med Plus program amount to 6.7 percent of the single plan premiums and 5.2 percent of the family plan premiums. The District's full-time classified employees do not have a contribution requirement for the Super Med Plus plan. According to the Treasurer, the District has maintained similar benefits since he began working at the District 10 years ago.
- **Plan Design Contributions:** **Table 3-2** shows that full-time classified employees enrolled in the Plus plan do not contribute towards the premium costs. Furthermore, if a classified employee elects the coverage under the Classic or HMO plans, they must pay the entire cost difference between the upgrade plan and the Plus plan. The full-time certificated employee contribution rates in **Table 3-2** in the Plus plan amount to \$20.00 per month for single coverage or \$40.00 per month for family coverage. Those enrolled in the Classic plan contribute a monthly amount of \$40.00 for single and \$80.00 for family coverage and employees enrolled in the HMO plan contribute a monthly amount of \$192.55 for single and \$450.15 for family coverage. However, despite the District's intent, the contribution rates in place for the certificated staff are not sufficient to cover the price difference between the Plus plan and the Classic and HMO plans. **Table 3-3** shows the annual cost per certificated enrollee for health care benefits.

Table 3-3: Cost Differences Between the Plus, Classic and HMO Plans

	Employee Premium Amounts	Certified Employee Contribution	Board's Share of Premium Costs	Difference in Premiums Between Plans Minus Contribution	Annual Cost Difference Per Enrollee	Enrollees	Total Annual Cost Diff.
Super Med Plus Premium (baseline plan)							
Single	\$298.83	\$20.00	\$278.83	N/A	N/A	47	N/A
Family	\$761.96	\$40.00	\$721.96	N/A	N/A	76	N/A
Super Med Classic Premium							
Single	\$329.15	\$40.00	\$289.15	\$10.32	\$123.84	26	\$3,219
Family	\$839.30	\$80.00	\$759.30	\$37.34	\$448.08	95	\$42,567
HMO Premium							
Single	\$481.70	\$192.55	\$289.15	\$10.32	\$123.84	1	\$124
Family	\$1,209.45	\$450.15	\$759.30	\$37.34	\$448.08	10	\$4,480
Total							\$50,392

Source: Painesville LSD Negotiated Agreement, premium and contribution rates sheet.

As illustrated in **Table 3-3**, when the employee contribution amounts are subtracted from the District's annual premiums, the District is incurring an additional monthly cost of \$10.32 for every single employee that chooses the upgraded plans and \$37.34 for every family plan. As a result, the District is paying approximately \$50,000 annually in additional health insurance costs based on the design of the certificated employee contributions for the upgraded plans.

Financial Implication: Assuming the District implements a 12 percent employee contribution for the Super Med Plus plan and proportional increases for the other plans, the District would experience annual cost savings of approximately \$302,000. In addition, the District could achieve an estimated savings of approximately \$50,000 annually by requiring the certificated staff to cover the full price difference associated with enrolling in the upgraded health plans.

R3.4 Although **Table 3-3** shows that the District's premiums are relatively low, the District should review its employee co-insurance for physician visits, prescription co-pays and tier levels, average annual deductibles, hospital cost sharing, utilization management provisions, and annual out-of-pocket maximums to identify material savings by modifying these plan provisions.

Table 3-4 compares Painesville TLSD's benefit coverage levels to the Kaiser Foundation 2005 Annual Survey.

Table 3-4: Benefit Coverage Levels

Painesville TLSD	Kaiser Foundation 2005 Annual Survey																																				
Co-Insurance for Physician Visits ¹																																					
<p>Super Med Plus</p> <ul style="list-style-type: none"> • Network: 10% after deductible • Non-network: 20% after deductible <p>Super Med Classic: 10% after deductible HMO Health Ohio: 0%</p>	<table border="1"> <thead> <tr> <th>Rate:</th> <th>10/15%</th> <th>20/25%</th> <th>30%</th> <th>40%</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Conventional</td> <td>5%</td> <td>94%</td> <td>0%</td> <td>0%</td> <td>1%</td> </tr> <tr> <td>PPO In Network</td> <td>32%</td> <td>62%</td> <td>3%</td> <td>0%</td> <td>3%</td> </tr> <tr> <td>PPO Out Network</td> <td>3%</td> <td>29%</td> <td>27%</td> <td>25%</td> <td>15%</td> </tr> <tr> <td>POS In Network</td> <td>28%</td> <td>32%</td> <td>0%</td> <td>0%</td> <td>40%</td> </tr> <tr> <td>POS Out Network</td> <td>3%</td> <td>32%</td> <td>33%</td> <td>16%</td> <td>16%</td> </tr> </tbody> </table>	Rate:	10/15%	20/25%	30%	40%	Other	Conventional	5%	94%	0%	0%	1%	PPO In Network	32%	62%	3%	0%	3%	PPO Out Network	3%	29%	27%	25%	15%	POS In Network	28%	32%	0%	0%	40%	POS Out Network	3%	32%	33%	16%	16%
Rate:	10/15%	20/25%	30%	40%	Other																																
Conventional	5%	94%	0%	0%	1%																																
PPO In Network	32%	62%	3%	0%	3%																																
PPO Out Network	3%	29%	27%	25%	15%																																
POS In Network	28%	32%	0%	0%	40%																																
POS Out Network	3%	32%	33%	16%	16%																																
Multi-Tier Drug Plan Co-Payments ²																																					
<p>Certified: \$7 generic ; \$14 brand name Classified: \$5 generic; \$10 brand name HMO 701: \$1 for all drug costs</p>	<p>\$10 generic drugs \$22 preferred drugs \$35 non-preferred drugs</p>																																				
Average Annual Deductible																																					
<p>Super Med Plus</p> <ul style="list-style-type: none"> • Network: Single/ Family – \$50/ \$100 • Non-network: Single/ Family – \$100/ \$200 <p>Super Med Classic: Single/ Family – \$50/ \$100 HMO Health Ohio: N/A</p>	<p>PPO (In Network): Single/Family – \$323/ \$679 *Average includes covered workers who do not have a deductible</p> <p>Excluding covered workers who do not face a deductible: PPO (In Network): Single/Family – \$455/ \$952</p>																																				
Average Cost Sharing for Hospital Visits ³																																					
<p>Super Med Plus: Network: 10%; Non-network: 20%</p> <p>Super Med Classic: Network: 0%; Non-network: 20% (730 visits per in hospital benefit period)⁴ then 10% after deductible HMO Health Ohio: 0%</p>	<p>Average Hospital Deductible/Co-pay</p> <ul style="list-style-type: none"> • All Plans: \$241 • PPO: \$228 <p>Average Hospital Co-insurance: 16%</p> <p>Average Hospital Per Diem: \$163</p>																																				
Utilization Management Provisions																																					
<p>The District’s health care manual does not mention any pre-admission requirements for inpatient hospital care.</p>	<p>Require Pre-Admission Certification for Inpatient Hospital Care: 75% ~ Yes</p> <p>Require Pre-Admission Certification for Outpatient Surgery: 55% ~ Yes</p> <p>Require Case Management for Large Claims: 81% ~ Yes</p>																																				

Annual Out of Pocket Maximums		
<p>Super Med Plus:</p> <ul style="list-style-type: none"> • Network: \$500 • Non-network: \$1,000 <p>Super Med Classic</p> <ul style="list-style-type: none"> • Network: N/A • Non-network: Single/ Family: \$1,500/ 3,000 (\$1,000 for services subject to deductible) <p>HMO Health Ohio: N/A</p>	<p>Single Coverage</p> <p>9%: \$999 or less 21%: \$1,000 - \$1,499 18%: \$1,500 - \$1,999 12%: \$2,000 - \$2,499 7%: \$2,500 - \$2,999 11%: \$3,000 or greater 22%: No Limit</p>	<p>Family Coverage</p> <p>10%: \$1,999 or less 16%: \$2,000 - \$2,999 20%: \$3,000 - \$3,999 13%: \$4,000 - \$4,999 6%: \$5,000 - \$5,999 12%: \$6,000 or greater 22%: No Limit</p>

Source: Painesville TLSD and Kaiser Foundation 2005 Annual Surveys

¹ Only 2% of covered workers in the Kaiser survey face both a co-pay and co-insurance for physician visits; 83 percent face only a co-pay; 10% face only coinsurance; and 5% neither.

² As reported by Kaiser, a small percentage of plans have added a fourth tier of prescription drug cost sharing, with an average co-payment in that tier of \$74 and co-insurance of 43 percent. Kaiser also reports that 70 percent of covered workers have a three-tier prescription plan; 3% or less face both a co-pay and co-insurance for prescriptions; and 84 to 85% (excluding fourth tier) face only a co-pay.

³ Only 3% of covered workers in the Kaiser survey face both a deductible/co-pay and co-insurance for hospital visits; 36% face only a deductible/co-pay only; 10% face only coinsurance; 2% face a charge per day; and 48 percent have no separate cost sharing for hospital visits.

Table 3-4 indicates that benefits in Painesville TLSD are more generous than those provided by the employers in the Kaiser survey. The specific areas where the District’s benefits were higher than the Kaiser Survey include the following:

- **Physician Visits Co-insurance:** Painesville TLSD’s employees enrolled in the Super Med Plus plan pay 10 percent of network physician office visit costs after the deductible has been met. Non-network office visit costs are 20 percent after the deductible. Employees enrolled in the Super Med Classic plan pay 10 percent after the deductible and there is no co-insurance cost to employees covered by the HMO plan. The Kaiser Survey shows that 32 percent of employees covered under a PPO pay between 10 and 15 percent for in-network procedures and another 62 percent pay between 20 and 25 percent. The Kaiser survey also shows that 29 percent pay between 20 and 25 percent for out-of-network procedures while another 67 percent pay at least 30 percent.
- **Prescription Co-pays:** Painesville TLSD has a two tier system for both classified and certificated staff enrolled in the Super Med Plus and Classic plans. Classified and certificated staff prescription drug co-pays are \$5 for generic and \$10 for brand name, and \$7 generic and \$14 brand name, respectively. The co-pays for both the classified and certificated staff are lower than the Kaiser averages. Kaiser also reports that 70 percent of covered workers have a three-tier prescription plan, while the District has a two-tier plan for the Super Med plans.

- **Average Annual Deductible:** Table 3-4 shows that Painesville TLSD's average annual deductibles for the Super Med Plans (Classic and Plus) are significantly lower than the Kaiser benchmarks. Furthermore, the District's HMO plans do not have deductibles.
- **Average Hospital Cost Sharing:** Table 3-4 shows that the District's employees enrolled in the Super Med Plus plan pay 10 percent of in-network hospital visit costs and 20 percent for non-network. Employees covered by the Super Med Classic plan do not pay for network hospital visits, but pay 20 percent for non-network procedures for the first 730 days. On the 731st day, the cost of non-network procedures is reduced to 10 percent, once the deductible is met. The District's HMO plans do not have any cost sharing for hospital visits. According to the Kaiser Survey, the average employee co-insurance for hospital visits is 16 percent.
- **Utilization Management Provision:** The District's health care policy does not include any utilization management provisions. However, the Kaiser survey shows that the majority of workers are required to submit a pre-admission certification for inpatient hospital care and outpatient surgery, and utilize case management for large claims.
- **Annual Out-of-Pocket Maximums:** Table 3-4 shows that Painesville TLSD's annual out-of-pocket maximum for the single and family in-network plan is \$500 for Super Med Plus while the non-network maximum is \$1,000. Table 3-4 also shows that the Super Med Classic plan does not have an out-of-pocket maximum for in-network providers, and has a maximum of \$1,500 for non-network single coverage and \$3,000 for non-network family coverage. Lastly, the District does not have out-of-pocket maximums for the HMO plans. In contrast, the Kaiser survey reports that only 9 percent of employers have a maximum of \$999 or less for single coverage and only 10 percent have a maximum of \$1,999 or less for family coverage.

Although the District's health insurance premium costs for the Super Med plans are lower than all of the Kaiser premiums for PPO plans and each SERB average (see Table 3-2), reviewing and altering its health plan benefits would help the District control and possibly reduce costs while still providing health benefits that are similar to other entities on a national level.

R3.5 The District should consider implementing the Drug Free Workplace and Transitional Work programs in an effort to re-qualify for a Bureau of Workers Compensation (BWC) group rating. The Drug Free Workplace program should help the District improve workplace safety, which subsequently would help reduce

the number and severity of filed claims. In addition, the District would be eligible to receive additional BWC premium discounts by implementing the Drug Free Workplace program, which is especially important given that the District cannot participate in the Premium Discount Program after 2006. The Transitional Work program would help the District reduce the severity and costs associated with lost time claims.

Table 3-5 presents Painesville TLSD's workers compensation data from 2003 through 2006.

Table 3-5: Workers' Compensation Premium History

	2003	2004	2005	2006
Claims Filed	12	13	14	Not Available
Amount Paid by Provider	\$33,854	\$9,545	\$122,311	Not Available
Average Cost per Claim	\$2,821	\$734	\$8,736	Not Available
BWC Experience Modifier	0.81	1.09	0.98	1.20

Source: Painesville TLSD Treasurer's office.

Table 3-5 shows that the District's average claims costs have fluctuated significantly during the last three years. Table 3-5 also shows that the District's experience modifiers have fluctuated in the year following a significant change in claims costs. For example, the large increase in the District's 2005 claims costs is reflected in a large increase in its 2006 experience modifier. The experience modifier is the primary factor used by the BWC to help establish annual premiums and is based on an employer's loss history. According to a BWC representative, an experience modifier less than 1.00 indicates that the entity is effective in managing workers' compensation costs and would be eligible for group rating. Group rating allows employers who are substantially similar in business type to merge their experiences together (such as a consortium) in an effort to achieve a lower premium rate. Painesville TLSD was last group rated in 2002 and 2003 when the District achieved experience modifiers of 0.64 and 0.81, respectively. However, due to the increase in claims costs during 2003, the District became ineligible for group rating beginning in 2004.

The District has been enrolled in the Premium Discount Program (PDP) since 2004. The PDP is an incentive program designed by the Bureau of Workers' Compensation (BWC) to help an entity design a safer, more cost effective workplace. Entities participating in the PDP receive a 10 percent premium discount in the first two years of participation and five percent in the third year, upon implementing the BWC's ten step business plan. As additional incentives, an entity can also receive a 10 percent premium rebate if they can achieve a 15 percent reduction in claim severity in a given year, a five percent rebate if they achieve a 15 percent claims frequency reduction, and another five percent rebate if they achieve both incentives. However, due to time limitations established by BWC for the PDP program, the District will not be eligible for any additional discounts through the

PDP beginning in 2007. Furthermore, the District has not taken advantage of any of the other discount programs available through BWC. For example, it has not implemented the Drug Free Workplace or Transitional Work programs.

The Drug-Free Workplace (DFW) program was established by BWC to encourage employers to detect and deter substance use and abuse, and to take appropriate corrective active action in an effort to improve workplace safety. Employers participating in the DFW must develop a substance abuse policy that describes their drug free program. The policy is required to cover certain topics including employee education, supervisor training, drug and alcohol testing, and employee assistance. The program is designed for a five year period, and can provide an entity with a 10 percent premium discount in year one, a 15 percent discount in year two and a 20 percent discount in years three through five. However, these discounts are dependant on 10 percent of employees passing a random drug test in year two and 25 percent thereafter for the remainder of the program. The DFW program also offers the same incentive package as the PDP if the entity is able to reduce the severity and frequency of workers compensation claims.

The Transitional Work program is a cost saving strategy designed to be a progressive, individualized program that uses real job duties (with restrictions) for a specified time to gradually return an injured worker to their original job. It is an interim step in the physical conditioning and recovery of the injured worker that is designed to limit the amount of time a worker is absent due to injury. There are five elements to a transitional work program, including corporate analysis, employer and employee relations, policy and procedure development, job analyses, and program evaluation. Transitional work provides an opportunity for the employer to protect the employability of a worker, while reducing the financial liability associated with work restrictions and lost time. BWC provides funding for part or all of the development costs associated with a transitional work program through various grants.

Financial Implication: The District can achieve a 10 percent premium discount during the first year of participation in the Drug Free Workplace program, 15 percent in the second year, and 20 percent in years three through five. The District's 2005 premiums amounted to approximately \$291,000. Therefore, assuming the District meets the program requirements to receive the discounts, it could achieve an estimated cost savings of \$29,100 during the first year of implementation, \$43,650 during the second year, and \$58,200 during years three through five.

Collective Bargaining Agreements

R3.6 Painesville TLSD should negotiate to eliminate the retirement incentive language from the certificated collective bargaining agreement. Instead, the District should conduct a cost-benefit analysis prior to offering future retirement incentives to ensure that doing so would yield actual savings.

The collective bargaining agreement between the Painesville Township Education Association and the Painesville Township Board of Education covers the period from FY 2005-06 through FY 2008-09. Since contractual and employment issues directly affect the District's operating budget, they have been assessed and compared to statutory requirements and industry standards.

The following provisions in the District's certificated bargaining agreement appear comparable to ORC minimum standards and/or other applicable standards/practices: length of school year, cost of living adjustments, teaching time, reduction in force, professional leave of absence, number of contract days, teacher evaluations, sick and personal leave incentives, number of personal and sick leave days, board pension contributions, and maximum class size. **Table 3-6** highlights the areas where the District's contract provisions considerably exceed ORC requirements and other industry standards.

Table 3-6: Certified Contract Analysis

Issue	Contract Language	Applicable Standard
<p>Maximum number of sick days paid at retirement (percentage payout)</p>	<p>One fourth (¼) the value of any accrued but unused sick leave credit. Maximum payment shall be 60 days [one fourth of 240 sick leave days] for the 2005-2008 school years.</p> <p>An employee is eligible for severance after ten years of service and is fifty-five (55) years of age.</p>	<p>According to ORC § 124.39, if an individual retires from active service with ten or more years of service with the State, they are entitled to be paid in cash for one-fourth of the value of the employee’s accrued but unused sick leave credit up to a maximum of 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of thirty days of the employee’s unused sick leave, or allowing the number of years of service to be less than ten.</p>
<p>Retirement Incentive</p>	<p>The District has adopted a retirement incentive plan that provides each bargaining unit employee a one-time payment equal to 40 percent of his/her current regular salary as determined by actual placement on the base salary schedule (excluding supplemental and other compensation). An employee is eligible to receive the incentive if they begin retirement no sooner than the end of the school year and no later than September 1 following the contract year in which the member first reaches 30 years of STRS service credit. Employees can also be eligible for the incentive under the above provisions when they reach 55 years of age with 25 years of STRS service credit, or 60 years of age with at least five years but less than 25 years of STRS credit.</p>	<p>According to the Oregon School Board Association, before districts decide to offer an early retirement program, they should conduct a cost-benefit analysis to ensure that it makes sense in the district.</p> <p>According to ORC § 3307.54, an employer may establish a retirement incentive plan for its employees who are members of the state teachers retirement system. An employee who is a member of the state teachers retirement system shall be eligible to participate in a retirement incentive plan who have:</p> <ul style="list-style-type: none"> • Attained age fifty; and • Agrees to retire and retires effective within ninety days after receiving notice from the state teacher’s retirement system.

Source: Painesville TLSD certificated agreement, ORC, and Oregon School Board Association

Table 3-6 shows that the District has established the maximum retirement payout at 60 days, which is double the ORC minimum requirement. See **R3.7** as this is also higher in the classified bargaining agreements. Furthermore, **Table 3-6** indicates that the District offers a one-time early retirement incentive (ERI) payment equal to 40 percent of a certificated employee’s current salary. This contract provision excludes supplemental contracts and other compensation from the retirement incentive calculation. Three staff members retired through this program in 2005 at a cost of \$78,324 and two staff members retired in 2006 at a cost of \$57,458. Because the ERI is a provision in the bargaining agreement, it is offered annually without an analysis to determine whether it is cost-effective for the District. The Government Finance Officers Association (GFOA), in

Evaluating Use of Early Retirement Incentives – 2004, says organizations should take several actions prior to making the decision to offer an ERI, including undertaking a goal-setting process, cost/benefit analysis, and budgetary analysis. Lastly, the District's classified collective bargaining agreement does not require Painesville TLSD to offer an ERI to the classified staff.

Financial Implication: Eliminating the requirement to offer an annual retirement incentive could have saved the District approximately \$67,900 annually, based on the average payouts the last two years.

- R3.7 Painesville TLSD should consider negotiating to decrease the number of vacation days and holidays that are provided to classified employees. Doing so would allow the District to reduce the amount of time employees are away from work, which subsequently should increase productivity and limit the need for substitutes and/or overtime. The District should also consider reducing the number of sick days that are paid to certificated and classified staff at retirement. This would help limit the District's long-term liability associated with severance payments.**

The classified agreement between the Painesville Township Board of Education and The Ohio Association of Public School Employees runs from August 1, 2003 through July 31, 2006. Similar to the certificated agreement, the provisions in the classified agreement have been assessed and compared to statutory requirements and industry standards because they directly impact Painesville TLSD's operating budget.

The following provisions in the District's classified bargaining agreement appear comparable to ORC minimum standards and/or other applicable standards/practices: length of work week, minimum staffing, employee evaluations, building checks, staff evaluations, minimum call in hours, sick leave incentive, personal leave incentive, number of sick days accrued (doctor notice requirement), number of personal and sick leave days, board pension contributions, retirement incentive, and cost of living adjustments (COLA). **Table 3-7** highlights the areas where the District's contract provisions significantly exceed ORC requirements and other industry standards.

Table 3-7: Classified Contract Analysis

Issue	Contract Language	Applicable Benchmark
Number of holidays	<p>12 month bargaining unit members: Labor day, Thanksgiving day, Day after Thanksgiving, Christmas eve, Christmas day, New Year's eve, New Year's day, Martin Luther king day, Presidents day, Good Friday, Memorial day, Fourth of July.</p> <p>All other bargaining unit members: Labor day, Thanksgiving day, Christmas day, New Year's day, Martin Luther king day, Presidents day, Good Friday, Memorial day.</p>	<p>According to ORC § 3319.087, all regular non-teaching school employees are entitled to the following holidays:</p> <ul style="list-style-type: none"> • Eleven or twelve month employees: New Year's day, Martin Luther King day, Memorial day, Independence day, Labor day, Thanksgiving day, and Christmas day. • Nine or ten month employees: New Year's day, Martin Luther King day, Memorial day, Labor day, Thanksgiving day, and Christmas day. • Less than nine month employees: shall be entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment.
Vacations	<p>For all classified full-time and regular part-time who are employed on a 12 month contract:</p> <p>1 to 6 years: two weeks 7 to 12 years: three weeks 13 to 18 years: four weeks 19 years +: five weeks</p>	<p>According to ORC § 3318.084, non-teaching school employees including full-time hourly-rate and per diem employees are entitled to the following number of vacation weeks:</p> <ul style="list-style-type: none"> • One to nine years: two calendar weeks; • Ten or more years: three calendar weeks; and • Twenty or more years-four calendar weeks.
Maximum number of sick days paid at retirement (percentage payout)	<p>¼ of the value of accrued and unused sick leave up to 215 days, or a maximum of 53.75 days.</p> <p>Employee is eligible for severance pay after attaining ten years of service with the District and fifty-five (55) years of age.</p>	<p>According to ORC § 124.39, if an individual retires from active service with ten or more years of service with the state, they are entitled to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit up to 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of thirty days of the employee's unused sick leave, or allowing the number of years of service to be less than ten.</p>

Source: Painesville Township Local School District, Ohio Revised Code, Ohio Administrative Code, Association of School Business Officials, Society of Human Resource Management, Business and Legal Reports, Ohio Attorney General opinion, Oregon School Board Association.

According to ORC §3319.087, 11 and 12 month employees are entitled to a minimum of seven holidays and nine or 10 months employees are entitled to six holidays. **Table 3-7** shows that Painesville TLSD's 12 month employees receive 12 holidays and all other

classified employees receive eight holidays. Providing full-time employees with more holidays can reduce productivity since there are fewer work days devoted to District operations.

Table 3-7 also shows that the District's vacation accrual rate for full-time and regular part-time staff employed on a 12 month contract is much higher than ORC minimum requirements. For example, an employee with 13 years of service receives 20 days of vacation per year at Painesville TLSD. In contrast, ORC §3318.084 does not require the District to grant 20 days per year until employees have reached 20 years of service. Providing full-time employees with more holidays and vacation days can reduce productivity since there are fewer work days devoted to District operations. In addition, providing employees with more days off can potentially increase expenditures if substitutes and/or overtime are needed. Lastly, **Table 3-7** shows that the District has established the maximum retirement payout at 53.75 days, which is significantly higher than the ORC minimum requirement.

Financial Implication: The savings associated with a reduction in the severance payout could be substantial, depending on the amount and classification of the retirees in a given year. For example, if the District reduced the maximum severance payout to 40 days (20 day savings) for certificated employees, the savings would be approximately \$6,900 for every teacher retiring, assuming they retire with a salary that corresponds to 25 years of service (last step on the salary schedule) and a bachelor's degree. Similarly, the savings would be approximately \$1,900 for every custodian retiring, assuming they retire with a salary that corresponds to 25 years of service. However, the actual savings will vary depending on each employee's classification, pay rate, level of education and other similar issues.

Human Resource Functions

R3.8 Painesville TLSD should develop and implement a recruiting plan that incorporates the practices identified by the National Education Association. This will help ensure that the District is using a uniform recruiting process, and hires effective and qualified applicants.

The District does not have a formal recruitment plan that details the roles and responsibilities of the administrators in the recruiting process. Rather, all recruiting efforts for the District are handled by the Assistant Superintendent for Personnel and Support Services. According to the District's Assistant Superintendent for Personnel and Support Services, once a position becomes vacant, the District posts the vacancy for five working days on the website; giving first consideration to in-house candidates (existing employees) and then to all external applicants. Once an appropriate candidate is identified, management recommends the candidate for employment to the Board. The

Board then acts to either accept or reject the recommendation. The successful candidate has to pass a background screening before employment can formally commence. The District also periodically identifies teaching candidates through college fairs and from the internet postings of job openings. According to a survey conducted by AOS at the start of this performance audit, only 46 percent of those surveyed agreed the District's overall recruitment process was effective. When asked if the District's procedures regarding job posting and hiring are effective, a total of 57 percent of employees surveyed agreed.

According to the National Educational Association, "...when school districts are faced with a shortage of qualified teachers, they often respond with a haphazard array of strategies to make up the shortfall. However, marketing and recruitment experts note that districts can be much more effective in their efforts by first developing a comprehensive recruitment plan that includes the following:

- Gather a Team – The National Teacher Recruitment Clearinghouse suggests that gathering a committed and diverse planning team to help collect data, evaluate district needs, identify resources, and recommend a change in policies and practices is the first step toward improved recruiting.
- Assess Needs – After a team is gathered, a thorough assessment of anticipated retirements, the expected attrition rate, and student demographics should take place to determine just how many new teachers will be needed.
- Examine Exiting Culture – The NEA notes that a district should undertake a self-examination to determine if there is anything that might keep applicants from coming to a particular school district.
- Clarify the Mission – Successful recruiters know the district's mission and can communicate it clearly to potential candidates. They also determine what characterizes their district's and community's culture and how this will affect the kinds of applicants they seek out.
- Identify the Target Audience – Identifying the target audience requires not only knowing who the district is looking for, but also determining how best to appeal to those people.
- Involve the Community – Successful recruitment campaigns develop a comprehensive package that sells not only a district's schools, but the surrounding community to potential applicants. An essential component of such a campaign is persuading business and community leaders to buy into recruitment initiatives.

- Collect Data – Having accurate data enables a recruitment team to conduct an initial needs assessment, to be sure its program is working, and to assess future needs. It also provides the figures necessary to make a compelling case for making staffing decisions.

The lack of a recruiting plan means that the District is only recruiting employees on an as-needed basis and is not using structured team based approach. This may increase the chances of hiring a candidate that is not the best fit for the District.

R3.9 Painesville TLSD should adopt a regular cycle (e.g., every two years) for reviewing and modifying the job descriptions to ensure they reflect current responsibilities, as well as education, experience and competency requirements for each position.

The District has job descriptions available for all administrative, classified and certificated personnel. However, the job descriptions are not reviewed and updated on a regular basis. More specifically, the majority of the job descriptions were last updated approximately five or six years ago. Despite not having updated job descriptions, 94 percent of respondents to the AOS survey agreed that they are aware of the duties stated in their job descriptions. Outdated job descriptions can hinder the District from effectively communicating job expectations and responsibilities, and evaluating staff performance.

According to the publication *Job Descriptions: a Resource for School Management* (Ohio School Boards Association (OSBA), 1998), a job description is a written statement that specifies the requirements, responsibilities and working conditions of a particular job. Job descriptions should clarify responsibilities within the district, define relationships among individuals/departments, and facilitate communication. Furthermore, OPPAGA's *Best Practices and Indicators* (June 2002) state that a district should maintain up-to-date, clear, concise, and readily accessible job descriptions that accurately identify the duties of each position. OPPAGA also indicates that the job descriptions should reflect the education, experience, knowledge, skills, and competency levels required for each class of position and for each district-level administrative position.

R3.10 Painesville TLSD should begin to formally review and track employee turnover for all categories of employees and conduct exit interviews to help gauge satisfaction levels. Taking such measures would enable the District to effectively address concerns and problems with job satisfaction, which would help minimize employee turnover.

The District does not monitor employee turnover rates or conduct exit interviews. The Assistant Superintendent for Personnel and Support Services indicated that the District

does not experience significant employee turnover within the teaching and 12-month classified employee classifications. Rather, the District experiences the most turnover within the administrative classification. The Assistant Superintendent for Personnel and Support Services attributed the turnover in the administrative classification to the District's level of compensation in comparison to neighboring districts. However, the District cannot be certain that this is the primary reason due to the lack of exit interviews.

OPPAGA's *Best Practices and Indicators* (June 2002) state that a district should conduct exit interviews with employees who terminate employment and compile the results of these interviews. In addition, a district should maintain historical data on turnover rates for major classes of employees and monitor this data to identify unusual variations in the turnover rate. Furthermore, *Tips and Techniques for Effective Exit Interviews* (Workforce Management, July 2001) contains the following strategies for developing and performing effective exit interviews:

- Select carefully and train the people that are going to be doing the interviews;
- Conduct the interview in person or over the phone if necessary, rather than asking individuals to complete and mail a questionnaire;
- Delay the interview two to three months for involuntary separations and/or "emotionally charged" departing employees;
- Make the exit interview about the employee by discussing their job and accomplishments;
- Use the exit interview to build a relationship; and
- Use the information collected in the exit interviews.

The failure to track employee turnover or conduct exit interviews prevents the District from identifying and addressing employee concerns about job satisfaction, which can impact its ability to retain quality employees.

R3.11 Painesville TLSD should consider purchasing an automated HR management system. This would enable the District to function more efficiently by providing one central location for the storage of HR information and allowing access to designated staff from many different locations. An HR management system would also assist District personnel in ensuring legal compliance for staffing, efficiently and effectively tracking substitutes, reviewing leave usage, and performing various other HR functions. If the District purchases an HR management system, it should ensure that appropriate training is provided to the central administrators and support staff.

Painesville TLSD does not have a comprehensive Human Resources Information System (HRIS). Rather, the District keeps personnel records through the use of spreadsheets and manually maintained personnel files. The Assistant Superintendent indicated that the

central office administrators and their administrative assistants are the only employees that currently have access to the District's personnel records.

Several software companies indicate that having a single, integrated Human Resources Information System (HRIS) is the foundation of effective human resources management because it eliminates manual, error-prone work that is duplicated from function to function. Additionally, the vendors indicate that an HRIS allows for a consolidated database in which employees get instant answers to a variety of HR questions, enroll in benefits, get greater control over personal information, request leave, and see compensation history and pay stubs instantly. Furthermore, District administration would be able to review turnover rates (see **R3.10**), assess employee satisfaction or overall performance, manage recruiting activities (see **R3.8**), and track employee performance.

The District's lack of an HRIS potentially requires staff to contact several different departments before obtaining the desired information. Additionally, because data is maintained manually through spreadsheets and paper documents, it is more susceptible to error.

Financial Implication: According to one vendor, the cost of an HRIS package would range from \$11,000 to \$33,000 with an annual support/maintenance cost of \$395. The District's actual price will depend on which features are chosen and the number of employees in place at the time of installation.

R3.12 Painesville TLSD should consider purchasing and implementing an automated substitute calling system. This would provide the District with an efficient method for contacting qualified substitutes, and should allow for a reduction in the hours currently being spent by employees in completing this function. An automated system will also provide the District with a convenient reporting system that improves management's access to data.

The District does not currently have an automated substitute calling system. Rather, the District employs a substitute caller for four hours a day during the school year (\$9,700 per year), to manually call substitute teachers. The building principals and department heads are responsible for identifying, locating and assigning classified substitutes.

According to *Education World*, school districts across the nation have begun to use automated substitute calling systems that are either web or phone-based. One particular phone-based system allows a teacher to report an absence and leave a message for the substitute. The system then contacts substitute teachers as prioritized by the District. According to the vendor, an automated, phone-based substitute calling system offers several benefits, including the following:

- Eliminating the labor intensive task of calling substitutes manually;
- Linking teachers to preferred substitutes or substitute groups;
- Allowing teachers who do not need substitutes to use a separate code;
- Allowing individual substitutes to choose their own calling times;
- Allowing prioritization of each school's substitute lists;
- Better tracking of teachers' absenteeism and leave usage; and
- Monitoring substitutes' assignment acceptance/rejection rates.

Implementing an automated substitute calling system would allow principals and department heads to devote more time to their primary functions, and would eliminate the need for an employee to locate substitute teachers. Additionally, automated substitute calling systems allow districts to process leave requests in a more cost effective manner by eliminating paperwork, reducing data entry and allowing for better record keeping of employee time for payroll purposes.

Financial Implication: If an automated substitute calling system were implemented, the initial cost would be approximately \$900 for software, training, installation fees, and an additional annual maintenance and support fee of \$300. However, the District would save approximately \$11,200 in salaries and benefits associated with the employee that is currently responsible for locating substitute teachers, thereby resulting in a net annual savings of \$10,000.

Financial Implications Summary

The following tables summarize the estimated annual cost savings and implementation costs associated with the recommendations in this section of the performance audit. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiation requires agreement from the affected bargaining units.

Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.3 Require at least a 12 percent employee contribution toward health insurance premiums from all staff	\$302,000
R3.3 Require certified employees to cover the difference when enrolling in upgraded plans	\$50,000
R3.5 Implement a drug-free workplace program	\$49,400 (five-year average)
R3.6 Eliminate requirement to offer annual retirement incentive	\$67,900
R3.7 Reduce the severance payout to 40 days for certified and classified employees	\$6,900 per teacher \$1,900 per custodian
Totals	\$478,100

Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings	Implementation Cost (One Time)	Annual Cost
R3.11 Purchase HRIS software / system	\$0	\$33,000	\$395
R3.12 Purchase a substitute calling system	\$11,200	\$900	\$300
Totals	\$11,200	\$33,900	\$695

Appendix 3-A: Employee Survey Responses

AOS administered a survey of Painesville TLSD staff to obtain employee feedback and perceptions concerning human resource operations. 138 employees completed the survey. Survey responses were based on a scale of 1 to 5: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. **Table 3-8** illustrates the results.

Table 3-8: AOS Human Resources Survey Results

Survey Questions	Painesville TLSD Results
1) I am aware of the duties required in my job description. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 2% 2% 23% 71%
2) My job description accurately reflects my actual daily routine. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 7% 9% 30% 52%
3) Our department could effectively maintain productivity in the event of a short-term absence. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 5% 7% 36% 48%
4) The Board of Education monitors its performance and achievement of its goals. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 3% 20% 41% 27%
5) I am aware of the Board of Education’s achievement goals. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 9% 21% 45% 23%
6) Cross training has been implemented in my department. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 16% 24% 22% 12%
7) Staff training is effective in my department. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 12% 20% 41% 22%

8) I am evaluated annually.	
1) Strongly Disagree	8%
2) Disagree	18%
3) Neutral/Not Sure	6%
4) Agree	22%
5) Strongly Agree.	38%
9) The evaluation process provides timely and relevant feedback.	
1) Strongly Disagree	2%
2) Disagree	6%
3) Neutral/Not Sure	20%
4) Agree	34%
5) Strongly Agree.	33%
10) Evaluations are done in accordance with collective bargaining contracts.	
1) Strongly Disagree	0%
2) Disagree	2%
3) Neutral/Not Sure	8%
4) Agree	41%
5) Strongly Agree.	42%
11) The evaluation form used is relevant to my job duties.	
1) Strongly Disagree	3%
2) Disagree	8%
3) Neutral/Not Sure	7%
4) Agree	37%
5) Strongly Agree	40%
12) Management responds and acts on recommendations made in evaluation sessions.	
1) Strongly Disagree	5%
2) Disagree	6%
3) Neutral/Not Sure	20%
4) Agree	35%
5) Strongly Agree	20%
13) The District's employee sick leave policy is too lenient.	
1) Strongly Disagree	31%
2) Disagree	48%
3) Neutral/Not Sure	10%
4) Agree	2%
5) Strongly Agree	2%
14) The District's employee substitutes are qualified and effective.	
1) Strongly Disagree	2%
2) Disagree	12%
3) Neutral/Not Sure	26%
4) Agree	47%
5) Strongly Agree	9%
15) Current substitute system is effective in placing substitutes.	
1) Strongly Disagree	1%
2) Disagree	8%
3) Neutral/Not Sure	13%
4) Agree	48%
5) Strongly Agree	20%
16) I am aware of few lapses in certificate/licenses due to lack of management oversight.	
1) Strongly Disagree	14%
2) Disagree	18%
3) Neutral/Not Sure	15%
4) Agree	16%
5) Strongly Agree	13%

<p>17) I am satisfied with how human resources activities are managed in the District.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>2% 13% 20% 37% 14%</p>
<p>18) I am satisfied with the overall effectiveness of human resources management policies and procedures.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>1% 16% 17% 40% 15%</p>
<p>19) I am informed of changes in District policies and procedures.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>2% 6% 17% 49% 22%</p>
<p>20) The District's overall recruitment process is effective.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>4% 14% 21% 31% 15%</p>
<p>21) The District's procedures regarding job posting and hiring are effective.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>5% 17% 15% 38% 19%</p>
<p>22) I am satisfied with procedures regarding health benefits.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>0% 5% 13% 54% 26%</p>
<p>23) Current grievance procedures are fair and effective.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>1% 2% 19% 36% 18%</p>
<p>24) Current discipline procedures are fair and effective.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>4% 12% 14% 48% 10%</p>
<p>25) I feel overall District employees' satisfaction and morale is positive.</p> <p>1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree</p>	<p>3% 14% 12% 48% 20%</p>

Note: Because some individuals did not responding to all questions, survey percentages will not add up to 100 percent.

Facilities

Background

This section of the performance audit analyzes Painesville Township Local School District's (Painesville TLSD or the District) custodial, maintenance and building operations. The objective is to analyze these areas and develop recommendations for operational improvements and expenditure reductions. The District's operations are evaluated against best practices and operational standards from the American Schools and University (AS&U) *Maintenance & Operations Cost Study*, the National Center for Educational Statistics (NCES), the Florida Office of Program Policy and Government Accountability (OPPAGA) and a 10 district peer average. The peer average is comprised of Amherst Exempted Village School District, Canfield Local School District, Jackson Local School District, Lake Local School District, Northmont City School District, Norton City School District, Oak Hills Local School District, Perry Local School District, Poland Local School District, and Wadsworth City School District. These ten districts are classified as "Type 6" (urban/suburban and high median income) by the Ohio Department of Education, and are the same type as Painesville TLSD. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil.

Organizational Structure & Function

Painesville TLSD operates eight school buildings: six elementary schools, one middle school, and one high school campus that consists of separate junior high and high school buildings joined by a causeway. The District also operates a maintenance building, bus garage, fieldhouse/stadium, and a school that was closed in 1980, but is now used for a variety of functions on a limited basis. Furthermore, the District purchased a tract of land in June 2005 (46 acres) that has a historical home (referred to as the County Home) located on the property, in order to extend the athletic fields and to potentially construct a centralized bus garage. However, the District is now also responsible for maintaining the home that is on the property. Currently, the District is not cleaning or maintaining the inside of the County Home, but the acreage around the building is being maintained. The Director of Buildings and Grounds is responsible for the oversight of all custodial and maintenance employees servicing these facilities.

Staffing

The goal of the custodial and maintenance staff is to provide students with an attractive and clean environment in which to learn, play, and develop. Accordingly, the custodial staff is responsible for opening, closing, and cleaning buildings. This work includes sweeping and mopping floors,

emptying wastebaskets, picking up trash, and dusting. The building principals and the Director of Buildings and Grounds are responsible for the daily supervision of the custodial staff assigned to buildings. Custodial workers can also complete minor maintenance duties if there is a sufficient need.

The maintenance staff supports the goals of the District by maintaining the heating, cooling, plumbing, electrical and telecommunication systems within the various buildings. In addition, the District's maintenance staff is responsible for general painting, carpentry, and groundskeeping functions such as mowing, snow plowing and maintenance of outdoor power equipment. The Director of Buildings and Grounds estimates that groundskeeping activities represent approximately 45 percent of a full-time maintenance employee's responsibilities.

The Director of Buildings and Grounds is responsible for keeping the Superintendent regularly informed as to the District's facility issues, coordinating custodial supervision duties with the building principals, supervising the maintenance staff, scheduling all maintenance activities, purchasing all maintenance supplies, planning daily work schedules, conducting meetings with employees, and monitoring building efficiency. The Director of Buildings and Grounds is assisted by a part-time secretary who is responsible for answering phones, verifying employee timesheets, processing purchase orders, and other similar duties.

Table 4-1 illustrates the custodial and maintenance staffing levels and the number of FTEs responsible for maintaining Painesville TLSD's facilities.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2005-06

Classification	Total Number of Positions	Number of Full-time Equivalents
Director of Buildings and Grounds	1	1.0
Secretary	1	0.8
Total Administration	2	1.8
Total Custodial	32	31.7
Total Maintenance	8	4.4
Total Grounds¹	0	3.6
Total	42	41.5

Source: Painesville TLSD

¹ FTEs are based on maintenance staff spending approximately 45 percent of time on groundskeeping functions.

Table 4-1 shows that the District's maintenance staff consisted of eight full-time employees in FY 2005-06. However, since these employees also perform groundskeeping functions, the full-time equivalents for building maintenance are estimated to equal 4.4 FTEs while the groundskeeping functions are estimated to equal 3.6 FTEs. **Table 4-1** also shows that the District employed 32 custodians (31.7 FTEs) during FY 2005-06.

Key Statistics

Key statistics related to the facility maintenance and operations (M&O) of Painesville TLSD are presented in **Table 4-2**. Additionally, results from the 35th Annual American School and University (AS&U) Maintenance and Operations Cost Study, which was released in April 2006, and statistics from the NCES Planning Guide for Maintaining School Facilities (2003) are included in the table and throughout this section of the report.

Table 4-2: Key Statistics and Indicators

Number of School Buildings	13
• Elementary Schools	6
• Middle School	1
• High School	1
• Other	5
Total Square Feet Cleaned by Custodians	464,393
• Elementary Schools	178,437
• Middle School	58,817
• High School	184,590
• Administration (Other)	42,549
Total Square Feet Maintained by Maintenance Workers	572,260
• Elementary Schools	201,781
• Middle School	63,189
• High School	201,013
• Other	106,277
Total Acres Maintained	131
High School Acreage	64
Middle School Acreage	12
Elementary Acreage	43
Other Buildings Acreage	12
Square Feet Per FTE Custodial Staff Member (31.70 FTE)	14,650
NCES Standard	28,000 ¹
Square Feet Per FTE Maintenance Staff Member (4.42 FTEs)	129,471
AS&U 34th Annual Cost Survey > 3,500 Student Median	80,240
AS&U 34th Annual Cost Survey National Median	100,720
Acres Per FTE Grounds Staff Member (3.61 FTE)	36
NCES Standard	18

Source: Painesville TLSD, AS&U 35th Annual Maintenance and Operations Cost Survey, NCES

¹ NCES Level 3 cleaning standard (the normal standard for most school facilities) is 28,000 to 31,000 square feet per custodian.

As illustrated in **Table 4-2**, Painesville TLSD’s square footage per custodial FTE is significantly lower than the NCES standard. Conversely, the District’s acres per groundskeeper FTE is higher than the NCES standard and the District’s square feet per maintenance FTE is higher than both AS&U medians (see **R4.1**).

Financial Data

Table 4-3 illustrates the District’s expenditures from all funds to maintain and operate the facilities for FY 2003-04, FY 2004-05 along with budgeted amounts for FY 2005-06.

Table 4-3: Maintenance and Operations Expenditures

Line Items	FY 2003-04 Total	FY 2004-05 Total	FY 2004 to FY 2005 Percent Change	FY 2005-06 Estimated Expenditures	FY 2005 to FY 2006 Percent Change
Salaries	\$1,466,243	\$1,468,317	0.1%	\$1,646,790	12.2%
Benefits	\$523,241	\$517,189	(1.1%)	\$567,675	9.8%
Utilities	\$864,766	\$832,308	(3.8%)	\$970,451	16.6%
Purchased Services	\$522,113	\$509,391	(2.4%)	\$434,004	(14.8%)
Supplies and Materials	\$283,943	\$252,596	(11.0%)	\$395,200	56.5%
Capital Outlay	\$638,695	\$259,114	(59.4 %)	\$152,272	(44.6%)
Total	\$4,299,001	\$3,838,915	(10.7%)	\$4,157,772	8.30%

Source: Painesville TLSD Financials

Table 4-3 shows that the District reduced total expenditures by nearly 11 percent in FY 2004-05, while the costs are budgeted to increase approximately eight percent in FY 2005-06. Explanations for significant variances in **Table 4-3** are as follows:

- **Salaries:** Salaries increased less than one percent in FY 2004-05. According to the Treasurer, the increase in salary expense was the result of a 3.5 percent cost of living adjustment that occurred during FY 2004-05. However, this salary increase was partially offset by a reduction in temporary summer employees in FY 2004-05. In FY 2005-06, salaries are expected to increase over 12 percent due to a two percent cost of living adjustment and reinstating the temporary summer workers that were reduced in the previous year.
- **Benefits:** Benefit expenditures decreased approximately one percent in FY 2004-05. According to the Treasurer, the slight decline in benefit expenditures can be attributed to a smaller percentage of employees choosing the more expensive insurance plans and the District receiving a large credit from the Bureau of Workers’ Compensation. According to the Treasurer, employee benefits were budgeted to increase approximately 10 percent in FY 2005-06 based on historical averages for the District.

- **Utilities:** Utility costs declined approximately four percent in FY 2004-05. The Treasurer attributed the reduction to a decline in natural gas usage at Riverside High School, due to a mild winter and other building improvements made during FY 2004-05. The District projected utilities to increase approximately 16 percent in FY 2005-06, due to an expected increase in natural gas prices.
- **Purchased Services:** Purchased services declined approximately two percent in FY 2004-05. The Treasurer attributed the decline to more work being performed in-house and a decrease in the cost of property and equipment insurance premiums. The decrease of nearly 15 percent in FY 2005-06 is explained in the supplies and materials category below.
- **Supplies & Materials:** Supplies and materials decreased approximately 11 percent in FY 2004-05. The Treasurer noted that the District's maintenance supply and material expenses vary from year to year depending on the type and quantity of projects completed by the District. The Treasurer indicated that the District performed fewer maintenance projects in FY 2004-05. **Table 4-3** shows that the District projected supplies and materials to increase by approximately 57 percent in FY 2005-06. The Treasurer attributed the large increase to the District's budgeting practices rather than an increase in maintenance projects. Specifically, the Treasurer noted that the District combines the majority of the General Fund budgets for the purchased services and capital outlay line-items into the supplies and materials category to allow for flexibility in managing funds throughout the year. The Treasurer indicated that although this is the District's method of budgeting, the actual spending of the funds will occur from the appropriate line-items as determined by the Director of Buildings and Grounds. As a result of the District's budgeting practices, **Table 4-3** shows that the 57 percent increase in the supplies and materials budget is offset by a combined reduction of 59 percent in the purchased services and capital outlay line-items. Lastly, the Treasurer noted that the budgeted expenditures in supplies and materials, purchased services, and capital outlay in **Table 4-3** reflect baseline budgets for specific priorities and transfers made by the Director of Building and Grounds at the time the information was provided to AOS.
- **Capital Outlay:** The District's capital outlay expenditures decreased approximately 60 percent in FY 2004-05. The Treasurer attributed this to the District undertaking several large capital projects in FY 2003-04. The decrease in the projected expenditures for FY 2005-06 are due to the District's budgeting practices (see supplies and materials explanation above).

Table 4-4 compares Painesville TLSD's General Fund and total fund's custodial and maintenance related expenditures on a per square foot basis to the peer average and to the American Schools and Universities national benchmarks.

Table 4-4: FY 2004-05 Expenditures Per Square Foot

Object Code	Painesville TLSD	Peer Average	AS&U >3500 Students
Salaries/Benefits	\$3.47	\$2.88	\$2.37
Purchased Services (excludes utilities)	\$0.86	\$0.76	\$0.33
Utilities	\$1.45	\$1.52	\$1.43
Materials and Supplies	\$0.44	\$0.30	\$0.29
Capital Outlay	\$0.05	\$0.09	\$0.00
Miscellaneous	\$0.00	\$0.08	\$0.31
Total General Fund	\$6.27	\$5.59	\$4.73
All Funds Utilities	\$1.45	\$1.53	\$1.43
Total All Funds	\$6.71	\$5.67	\$4.73

Source: Painesville TLSD, the peer districts and AS&U 35th Annual cost survey

Note: AS&U data is reported as budgeted expenditures for the 2005-06 school year. The 34th AS&U survey reported budgeted expenditures per square foot for schools exceeding 3,500 students for the 2004-05 school year as follows: \$2.39 in salaries/benefits, \$0.14 in purchased services, \$1.37 in utilities, \$0.25 in materials and supplies, \$0.14 in other, and \$4.29 in total.

Table 4-4 shows that Painesville TLSD's total General Fund and all fund custodial and maintenance expenditures per square foot are approximately 12 and 18 percent higher than the peer average, respectively. In addition, its all fund expenditures per square foot are roughly 42 percent higher than the AS&U national median for districts with more than 3,500 students. **Table 4-4** also shows that the District exceeds the peer average and AS&U national median for similar sized districts in salaries/benefits, purchased services, and materials and supplies. Additionally, although the District's utility costs were lower than the peer average, they exceeded the AS&U national median by one percent.

Painesville TLSD's higher salaries/benefit expenditures per square foot are attributed to maintaining higher custodial staffing levels in comparison to the peers and national benchmarks (see **R4.1**). Additionally, the District's slightly higher utilities cost versus the AS&U median can be partially attributed to the District not having a formal energy policy for staff or mechanisms in place to monitor energy usage (see **R4.9**). The District's supplies and materials expenditures vary from year to year based on the quantity and scope of the maintenance projects that are undertaken. Even though the District reduced supply and material expenditures by 11 percent from FY 2003-04 to FY 2004-05, **Table 4-4** shows that the District's supply and material expenditures per square foot are 47 and 52 percent higher than the peer average and AS&U national median for similar sized school districts, respectively. This could be due, in part, to the high building utilization rates at some of the schools (see **R4.5**), which can require more frequent purchasing of certain supplies and materials (e.g., cleaning and paper supplies). While the District attempts to control costs by purchasing supplies in bulk through the Ohio Schools Council consortium, lowering the current threshold for requiring multiple quotes and expanding membership in consortiums could help the District reduce its supply and material expenditures (see **financial systems**). In addition, continuing with its plans to purchase an

electronic work order system (see **R4.6**) would help the District better track supply costs and, in turn, help ensure that it purchases the appropriate type and quantity of supplies.

The District's higher purchased service costs can be attributed to several contracted improvements that took place at Riverside High School in FY 2004-05. However, using the new work order system to help establish a formal preventive maintenance program, and developing a more comprehensive capital improvement plan and a facilities master plan would help the District better identify and anticipate the needs of its facilities. This can subsequently help the District avoid substantial long-term costs related to contracting for services to repair or replace equipment (see **R4.6**, **R4.7** and **R4.8**). In addition, Painesville TLSD contracts with the Lake County Sheriff's Office to provide a Deputy Sheriff to help secure the high school. The cost of this service was originally funded through a grant. However, the grant expired in FY 2004-05 and the District is now fully funding the service.

The District's higher custodial and maintenance expenditures from all funds (\$6.71) can also be attributed, in part, to the permanent improvement levy, which is used to support building maintenance activities and capital purchases. The District's permanent improvement levy originally passed in 1996 and has been successfully renewed two times, with the most recent renewal occurring in May, 2006. The permanent improvement levy is currently assessed at 1.58 effective mills and generates approximately \$1.5 million annually.

Assessments Not Yielding a Recommendation

In addition to the analyses presented in this section, assessments were conducted on aspects of facilities operations which did not warrant changes and did not yield recommendations. These areas include the following:

- **Overtime Use and Expenditures:** The District's overtime costs represent less than five percent of total custodial and maintenance salaries. In addition, the District has been proactive in trying to reduce overtime costs during the last three years by using substitutes to cover absences, actively monitoring overtime use and costs, and establishing a fee schedule to cover overtime costs associated with extracurricular activities.
- **Building Security:** The District's policies and procedures for ensuring building security are comparable to the practices recommended by the NCES Planning Guide for Maintaining School Facilities.

Noteworthy Accomplishment

The following is a noteworthy accomplishment identified during the course of the performance audit of the District's facilities operations:

- **Employee Training:** Painesville TLSD has developed effective programs to ensure that new and experienced employees are receiving the appropriate training. For example, the District requires that all new custodial employees attend Custodial College, which is a two-day course held at Lakeland Community College that teaches various skills such as chemical use techniques, carpet care, and office cleaning techniques. In addition, the Director of Buildings and Grounds indicated that the District conducts semi-annual training meetings that are mandatory for all custodial and maintenance staff to review proper cleaning procedures and appropriate chemical use techniques. Furthermore, the Director of Building and Grounds noted that the District provides training for employees when new equipment and technology are purchased, and when the District's operating procedures are modified.

Recommendations

Staffing & Employment Issues

R4.1 The District should consider reducing the custodial staffing level by 15.0 FTEs, and increasing the maintenance/grounds staffing levels initially by 2.0 FTEs, and later by a maximum of 6.0 FTEs. The District will be better able to determine its maintenance needs by implementing a new work order system, improving the facility and capital improvement plans, and tracking key performance measures (see R4.6, R4.7, R4.8 and R4.10). Once these measures are in place, the District should then be able to determine the precise number of maintenance staff to hire in the future. Implementing this staffing recommendation would more evenly distribute the workload among the District’s custodial and maintenance employees and help achieve staffing levels that are comparable to national benchmarks. Increasing the maintenance staffing levels will also help the District implement a formal preventive maintenance program (see R4.8).

As shown in **Table 4-2**, Painesville TLSD’s custodial staff is only cleaning 14,650 square feet per FTE while the NCES benchmark is 28,000 to 31,000 square feet per custodian. In contrast, the District’s maintenance employees are responsible for maintaining 129,471 square feet within the buildings and 36 acres of grounds per FTE. The AS&U national median for similar sized districts, as well as the overall national median, is only 80,240 and 100,720 square feet per maintenance FTE, respectively; while the NCES standard is only 18 acres per groundskeeper FTE. These ratios indicate that the District is overstaffed in the custodial classification and understaffed in the maintenance/groundskeeper classifications. The District would need to reduce approximately 15 custodial FTEs and hire six maintenance/groundskeeper FTEs to achieve staffing ratios that are more similar to the AS&U national median for similar school districts and NCES benchmarks.

Table 4-5 compares the District’s operational expenditures per pupil and percentage of total expenditures for the plant operation and maintenance to the peer average. This line-item accounts for a majority of the District’s custodial, maintenance and groundskeeping operations.

Table 4-5: Plant Operation & Maintenance Expenditures

	Painesville TLSD FY 2004		Painesville TLSD FY 2005		Peer Average	
Plant Operation & Maintenance	\$1,039	12.1%	\$888	10.4%	\$770	9.7%

Source: 4502 (Exhibit 2)

Table 4-5 shows that the District's plant operation and maintenance expenditures have exceeded the peer average during each of the last two years, despite a significant reduction in FY 2004-05. **Table 4-5** also shows that the District is allocating a higher percentage of its budget to plant operation and maintenance than the peer average. These ratios can be attributed, in part, to the District's staffing levels within the custodial classification. In addition to the District employing significantly more custodian FTEs when compared to NCES' benchmark, the **human resources** section of this report shows that the District employs 8.34 custodial FTEs per 1,000 ADM while the peer average is only 6.83.

It should be noted that the variance in square feet per maintenance FTE when compared to AS&U could be partially due to the number of contracted maintenance functions. For instance, Painesville TLSD's FY 2004-05 purchased services expenditures per square foot of \$0.86 were over two times the AS&U median of \$0.33 for similar-sized school districts (see **Table 4-4**). The District's maintenance staff is responsible for all general maintenance activities, including electrical, plumbing, carpentry, and H.V.A.C. In addition, the maintenance staff is responsible for all assigned grounds equipment; snow and trash removal at all schools; care of the grounds, including mowing, trimming, and edging; and care of the athletic fields, including fertilizing, seeding, aerating, irrigation, weekly marking, and scraping, grading and marking tracks.

While the maintenance staff appears to perform a broad range of maintenance and grounds functions, using the new work order system to establish a formal preventive maintenance program, developing capital improvement and facilities master plans, and tracking key performance measures would help the District better assess its facilities and identify the related maintenance and repair needs (see **R4.6**, **R4.7**, **R4.8** and **R4.10**). Therefore, although the AS&U ratio of square feet per maintenance FTE for similar sized school districts and the NCES benchmark of 18 acres per person support hiring 6.0 FTEs, implementing the proposed steps prior to hiring all 6.0 FTEs would better enable the District to determine its maintenance needs and the corresponding number of maintenance staff to hire in the future. If the District initially hired two additional maintenance employees, its ratio of square feet per maintenance FTE and acres per grounds FTE would decrease to 103,670 and 27.7, respectively. Although still higher than the AS&U median for similar sized school districts, the revised ratio of square feet per maintenance FTE would be in line with the AS&U national median. While the revised ratio of acres per grounds FTE would still be higher than the NCES benchmark, it would represent a reduction of approximately 20 percent in the current ratio of acres per FTE.

Financial Implication: The District would save approximately \$576,000 by reducing 15 custodial FTEs. If the District hired two maintenance/groundskeeper FTEs, the implementation cost is estimated to be approximately \$87,000 annually, resulting in a

net savings of \$489,000. The actual implementation costs will depend on how many maintenance/groundskeeper FTEs the District chooses and needs to hire in the future.

R4.2 Painesville TLSD should develop and implement objective performance standards to communicate job expectations and to assess staff performance through the annual evaluations. By establishing employee performance standards, the District would improve the objectivity of staff evaluations and better ensure the fulfillment of job expectations.

The Director of Buildings and Grounds indicated that the District does not use formal performance standards for evaluating employee performance. The District conducts annual evaluations for custodial and maintenance staff in May. However, due to the lack of formal performance standards, the criteria used as the basis of the evaluations are vague and can be manipulated based on subjective opinions about the staff members. For example, the District's evaluation form identifies quality of work as an area of assessment and allows the rater to check one of five boxes ranging from definitely unsatisfactory to superior. However, the evaluation form does not identify specific performance criteria to support each of the ratings, thereby increasing the level of subjectivity in evaluating performance. Additionally, the rater's opinion can be swayed by an employee's performance in comparison to the other employees rather than in comparison to objective standards.

According to the Florida Office of Program Policy and Government Accountability (OPPAGA), districts should establish performance standards in writing with input from maintenance and custodial employees. Performance standards should serve as a basis for measuring how well the maintenance and custodial employees meet or adhere to board policies, standards, and objectives. They set clear expectations for job performance and give managers consistent tools for evaluating performance. Once established, performance standards can be used to assign work, review completed assignments, and prepare annual performance appraisals. Furthermore, the NCES *Planning Guide for Maintaining School Facilities* (February, 2003) states that in order to assess staff productivity, districts must establish performance standards and evaluation criteria.

R4.3 Painesville TLSD should develop and implement a policy and procedures manual for the custodial and maintenance staff. When developing this manual, the District should ensure that it addresses the policies and procedures recommended by the Association of School Business Officials International (ASBO) and OPPAGA, as well as any others it feels are necessary. Once the manual is complete, the Director of Buildings and Grounds should work with the Superintendent and Board to establish a schedule to regularly review the policies and procedures and update them as needed. Updated policies should include a "last updated" field to help users ensure that they have the most up-to-date information. Developing a policy and

procedures manual would better ensure that all personnel are familiar with work expectations and employment protocols.

The Director of Buildings and Grounds indicated the District does not have a formal policy and procedures manual for its custodial or maintenance employees. Custodial employees are provided with job descriptions and expectations at the beginning of their employment, and their work area is formally defined. However, any ongoing guidance beyond the first few days usually occurs through verbal communication with the Director of Buildings and Grounds. The Director of Buildings and Grounds noted that there are also semi-annual staff meetings where all of the cleaning procedures are covered for the custodial staff. Regarding maintenance employees, the Director of Buildings and Grounds indicated they already know how to perform their duties when hired into the District. The maintenance staff has weekly meetings to discuss the agenda for the week ahead. The Director of Buildings and Grounds noted that any issues with policies and procedures can be verbally resolved during these meetings or during the daily interactions with the staff.

The Association of School Business Officials International (ASBO) published the *Custodial Methods and Procedures Manual* (2000) to serve as a guideline for developing procedures for custodial and maintenance personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, cleaning procedures and work methods for various job tasks. In the absence of a procedures manual to guide employee decision-making, staff may not consistently apply processes in these areas. In addition, a maintenance procedures manual would help ensure that preventive maintenance is completed in a timely manner and that maintenance work is properly documented (see R4.8).

Enrollment and Building Capacity

- R4.4 In conjunction with updating its facilities master plan (See R4.7), the District should develop and formally adopt a 5 to 10 year forecast methodology for projecting student enrollment. The District should then use the adopted methodology to prepare a formal enrollment projection. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues and if necessary, determine possible building additions, closures, and/or reconfigurations. This is particularly important based on the District's current building utilization rates (see R4.5). The enrollment projections should also be considered when projecting future state funding allocations for the financial forecast and in making staffing decisions.**

In 2001, a firm developed enrollment projections for Painesville TLSD as part of a comprehensive facilities study. These ten-year projections were developed through the analysis of live birth data, historical enrollment, real estate transactions, housing data, and historical and projected building permit information. In addition, to model various scenarios, the firm developed three different projections based on high, moderate, and low growth rates. **Table 4-6** presents the ten-year enrollment projection prepared by the firm using the moderate (most likely) growth assumptions.

Table 4-6: Painesville TLSD Moderate Enrollment Projection

School Year	Projected Enrollment	Percentage Change from Previous Year
2001-02	4,030	NA
2002-03	4,042	0.3%
2003-04	4,037	(0.1%)
2004-05	4,070	0.8%
2005-06	4,085	0.4%
2006-07	4,078	(0.2%)
2007-08	4,041	(0.9%)
2008-09	4,000	(1.0%)
2009-10	3,973	(0.7%)
2010-11	3,966	(0.2%)

Source: Firm's Report, 2001

Table 4-6 shows that the firm projected the District's enrollment to peak at 4,085 students in FY 2005-06 and then decrease each year until enrollment reaches 3,966 in FY 2010-11. As a way of determining the reasonableness of the enrollment projections, **Table 4-7** compares Painesville TLSD's actual head count for the last five years to the firm's enrollment projections.

Table 4-7: Actual Student Head Count vs. Projected Enrollment

School Year	Projected Enrollment	Student Head Count	Difference Between Actual and Projected	Percent Difference
2001-02	4,030	4,175	145	3.6%
2002-03	4,042	4,350	308	7.6%
2003-04	4,037	4,488	451	11.2%
2004-05	4,070	4,624	554	13.6%
2005-06	4,085	4,688	603	14.8%

Source: Painesville TLSD 2006, ODE District EMIS Reports 2001-2006, & firm's 2001 report

Table 4-7 indicates that the firm's enrollment projections were three to fifteen percent lower than the actual enrollment in each of the last five years. According to the Superintendent, the significant difference is due to the amount of new home construction that has taken place in the District since FY 2000-01. The firm's "high" projected enrollment was also lower than the actual enrollment for each year from FY 2001-02 to FY 2005-06. For instance, the actual enrollment in FY 2005-06 was 6.1 percent (271 students) higher than the firm's "high" projected enrollment. Therefore, the firm's enrollment projections no longer appear reasonable. As a result of these variances, the District contracted with another firm in 2004 to update the enrollment projections. However, the revised projections prepared by the other firm also no longer appear reasonable as they projected the District's enrollment to peak at 4,501 in FY 2005-06, decline slightly in FY 2006-07 and FY 2007-08, and then increase slightly until enrollment peaked at 4,524 in FY 2010-11. **Table 4-7** shows that the District's actual enrollment was 4,688 in FY 2005-06, which is 4.2 percent (187 students) higher than the 4,501 projected by the other firm.

- R4.5 The District should continually monitor its building capacity and utilization rates, and develop and formally adopt a forecast methodology for projecting student enrollment (see R4.4). Doing so would help the District determine the appropriate number of school buildings and classrooms needed to house the current and projected student population. In particular, the District should review the current capacity and utilization rates at Melridge Elementary and the Riverside Campus and take appropriate measures to alleviate potential overcrowding (e.g., building and classroom reconfigurations, new buildings, additions to current buildings, etc.).**

The District's last building capacity analysis was performed in 2001 by the same firm that developed the enrollment projections. The firm completed the analysis in an effort to help the District in planning, designing, and determining future building renovations, additions, and new construction. The firm's capacity analysis indicated that the District's buildings were over utilized in FY 2000-01 and that its capacity issues would continue as

enrollment increased. As a result of the study, the District attempted to alleviate the overcrowding by putting two separate bond issues on the ballot to construct a new school building. However, the voters rejected both proposals. The firm's building capacity analysis has not been updated since 2001.

DeJong and Associates has published criteria for determining school capacity. It suggests using 25 students per classroom for all grades and eliminating special use rooms, such as art and music, in the calculation of capacity for elementary schools. In addition, DeJong suggests setting classroom use at 85 percent for junior high and high schools because of bell scheduling, teacher prep work spaces and other factors that limit the use of every space 100 percent of the time. The District's staffing plan is consistent with the DeJong and Associates standards as the Superintendent noted the District maintains a 25 to 1 student-teacher ratio in most classrooms. In FY 2005-06, the District maintained an average of approximately 23 students per regular education teacher. Furthermore, Painesville TLSD does not have any provisions in the bargaining agreements which limit class sizes. The capacity for special education classrooms is assumed to be nine based on conservative estimates of the special needs staffing requirements stipulated in Ohio Administrative Code (OAC) Section 3301-51-09. Using the criteria noted above, the estimated capacity and utilization rates for each school building are presented in **Table 4-8**.

Table 4-8: Building Capacity for Painesville TLSD

School	Grade	Capacity	2005-06 Enrollment	% Capacity Used
Elementary Schools				
Buckeye Elementary	K-5	334	312	93.4%
Hadden Elementary	K-5	318	271	85.2%
Hale Rd. Elementary	K-5	445	395	88.8%
Leroy Elementary	K-5	368	283	76.9%
Melridge Elementary	K-5	384	404	105.2%
Madison Elementary	K-5	434	404	93.1%
Middle School				
Lamuth Middle School	6-7	822	734	89.3%
High School				
Riverside Campus High School	8-12	1,733	1,885	108.8%

Source: Painesville TLSD, Firm's Capacity Analysis

Table 4-8 shows the District's current building utilization rates at the elementary schools and the middle school range from 77 percent to 105 percent, with an average utilization rate of approximately 90 percent. **Table 4-8** also shows that Melridge Elementary and the Riverside Campus currently exceed their capacities by 20 and 152 students, respectively.

The District anticipates significant growth in new home construction in the near future, which could exacerbate the overcrowding problems within the existing facilities. For example, the Treasurer noted that new construction in the District is expected to yield 2,000 new homes over the next 6 to 10 years.

Planning

- R4.6 The District should continue with its plans to purchase an electronic work order system and should also ensure that employees receive appropriate training on the work order system so that all functions are used to their full extent. The improved record keeping associated with the work order system should also help in formalizing the preventive maintenance program and make future preventive maintenance costs more predictable (see R4.8). It would also help in scheduling and tracking general and preventive maintenance, including related costs.**

The District uses a manual work order process to track facility related information. Under the current process, the work orders are prepared by a building level employee as the need arises. Assuming the building principal approves the work order, the request is submitted to the Director of Buildings and Grounds for review. The Director of Buildings and Grounds then prioritizes the work orders and develops a daily work order schedule based on a consideration of health and safety issues (emergencies), deadlines, and the order in which the work order was received. When the work order has been addressed, the custodians or maintenance employees return a copy of the work order to the Director of Buildings and Grounds with notations to indicate the actions taken. A copy of the work order, noting the ultimate resolution of the issue, is then returned to the originator when the job is completed. The Director of Buildings and Grounds is unsure how long it takes to address the average work order as this information is not tracked.

The District is in the process of implementing an automated work order system that should improve the reporting capabilities for facilities management purposes. For example, the selected vendor states the new program will allow the District to improve productivity and efficiency by reducing data entry and phone calls for work requests, improve customer service by automating communication and feedback concerning requests, save time and money by streamlining work flow, and generate simple and detailed reports on work status and costs. The vendor also states that an investment in work order software is paid back within two months and the average return on investment is more than 2,500 percent. The new work order software will cost the District approximately \$1,900 a year. According to NCES, a work order system helps school districts register and acknowledge work requests, prioritize tasks, assign personnel, confirm progress, facilitate preventive maintenance, allow feedback from relevant stakeholders, and track the costs of parts and labor.

R4.7 The District should proceed with its plans to develop a facilities master plan. In carrying out this process, the District should work with a cross-section of school personnel, parents, students and community members to ensure that all stakeholders have input with regard to the District's facilities' needs and future plans. In addition, the District should ensure that the master plan reflects current building configurations and student demographics, as well as incorporating revised student enrollment projections (R4.4), a capital improvement plan (see R4.8) and a formal preventive maintenance schedule (R4.8). Once developed, the District should update the facilities master plan regularly to reflect building improvements that have been made, changes in demographics and other educational directions.

The District does not currently have a facilities master plan. As previously mentioned, the District's last building study was completed by a firm in April 2001. The study included a 10-year enrollment projection, a high level assessment of the condition of the District's buildings, and a building capacity analysis. The study also evaluated the condition of each school in the District using a point system. However, the study has not been updated since that time and does not include a listing of specific projects and their associated timing, sequence and estimated costs (capital improvement plan), or any type of preventive maintenance schedule. In addition, the plan also appears outdated as the District's actual enrollment has significantly exceeded the projections used in the study (see **R4.4, Table 4-7**). The Treasurer indicated that the District intends to develop an updated facilities master plan in the near future with the help of a professional facilitator.

In *Creating a Successful Facility Master Plan* (July 2001), Dr. William DeJong and Carolyn Staskiewicz indicate that a facility master plan is important in determining and securing financing and providing the macro scope of projects. The authors go on to indicate that a 10-year facility master plan should be developed on a foundation of sound data and community input. It should be a road map for addressing the district's facility needs and include the following:

- The plan should clearly state what buildings are going to be kept, which should be discontinued, which are going to be renovated and what new buildings are going to be built;
- The facility master plan should specify the projects that have been identified, the timing and sequencing of the projects, and their estimated cost;
- The plan should be the convergence of the condition of existing facilities, the desired educational program, the demography of the district and a vision of the future;
- A facility master plan should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions; and

- The plan should be used as an opportunity for the community to come together to determine how educational facilities can be an impetus for change and improvement. It requires the collaboration of educators, administrators, policy makers, community members and facility experts.

To facilitate the development of a facilities master plan, DeJong and Staskiewicz recommend that districts develop a database that will provide a “community/school” profile. The following elements were suggested for inclusion in the database and the subsequent plan:

- Historical and projected enrollment;
- Demographic profile of the community/school district which includes a facility inventory, a condition assessment of school facilities, and an educational adequacy assessment of facilities;
- Capacity analysis;
- Educational programs;
- Academic achievement; and
- Financial and tax information.

R4.8 Painesville TLSD should use the new work order system to help establish a formal preventive maintenance (PM) program that addresses all routine, cyclical, and planned building maintenance functions. Along with the development of a formal PM program, the District should develop a more comprehensive five-year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work is completed or equipment is replaced. The CIP should include a project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration. In addition, the District should formally document the results of the three building inspections that take place each year by preparing a report for the Superintendent and Treasurer that shows the issues that were identified. The District should then use the results of this report to either schedule a repair/preventive maintenance activity through the electronic work order system or include the project within the five-year CIP plan.

Painesville TLSD does not have a formal preventive maintenance (PM) program. The District’s manual work order system primarily determines the maintenance tasks that are completed. In addition, the Director of Buildings and Grounds noted that the District’s maintenance staff also performs informal inspections on all buildings three times a year and that some preventive maintenance activities occur as a result of these inspections. However, the results of these inspections are not documented and it cannot be determined which preventive maintenance activities are taking place and the

frequency of such activities. The Treasurer noted that the District is in the process of purchasing an electronic work order system that will have the capability of formally scheduling and tracking the District's preventive maintenance activities (see **R4.6**).

NCES' *The Planning Guide for Maintaining School Facilities* (2003) warns that continual emergency repairs will cost more in the long term than performing preventive maintenance. Preventive maintenance helps prevent sudden and unexpected equipment failures, inhibits the accumulation of damage and repair tasks, and ensures the continued use of equipment to help maximize life expectancy.

In addition, the District does not have a formal capital improvement plan in place to address maintenance and capital needs. The District does have a listing of projects to be completed using the permanent improvement levy proceeds. However, this listing is informal and does not address the following:

- Explanations for projects and planned improvements;
- The methodology used to determine cost estimates;
- Identification of other funding sources available to support planned capital expenditures; and
- A prioritization and time frame for undertaking capital projects.

The District uses a steering committee to help determine the best use of the permanent improvement levy proceeds. The steering committee is comprised of business leaders, parents, senior citizens, teachers, and individuals with or without students in the District.

According to GFOA, a government should have a process in place for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The capital plan should project at least five years into the future and should be fully integrated into the government's overall financial plan. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing and reviewing projects. Upon being developed, GFOA further recommends that districts have the capital plan be approved by the governing body.

The implementation of a formal preventive maintenance program via the automated work order system and the development of a five-year capital plan will help the District anticipate needed facility and equipment repairs, prioritize projects by building and year, secure alternative financing, and properly maintain equipment. In addition, the existence of a comprehensive CIP will assist the District in demonstrating its facility needs to the public when the permanent improvement levy is up for renewal.

Energy Management

R4.9 The District should consider developing formal energy management and conservation policies that incorporate the procedures recommended by NCES and ASBO. Once the policies are in place, the District should distribute and discuss the policies with the administration, faculty and staff in an effort to educate them about energy conservation and the impact waste has on the District's operating budget. Although the District's utility costs per square foot do not appear excessive, developing such policies may allow for savings through better education and improved monitoring. In conjunction with the development of policies and educating staff, the District should also consider implementing a mechanism for monitoring energy use by building. For example, centrally tracking energy use as reported on monthly invoices for each building would provide trend comparisons that could be used to identify waste associated with policy non-compliance and/or inefficient equipment, such as boilers, lights and air conditioners. To ensure that appropriate monitoring is taking place, the District should consider requiring that the Superintendent and Treasurer be provided with copies of the energy use reports on a monthly basis.

Table 4-9 compares District utility expenditures per square foot for all funds during the last three years to the peer average and the AS&U median for districts with more than 3,500 students.

Table 4-9: 2005 Painesville TLSD and Peers Utilities Per Square Foot

Cost Area	Painesville TLSD FY2003	Painesville TLSD FY2004	Painesville TLSD FY2005	Peer Average	AS&U Median >3,500 Students
Utility Cost	\$747,589	\$864,733	\$832,310	\$879,526	
• Per Square Foot	\$1.37	\$1.58	\$1.45	\$1.52	\$1.43

Source: Painesville TLSD and peers CSD

Note: AS&U data is reported as budgeted expenditures for the 2005-06 school year. The 34th AS&U survey reported budgeted expenditures per square foot of \$1.37 in utilities for schools exceeding 3,500 students for the 2004-05 school year.

Table 4-9 shows that the District's utility costs have fluctuated significantly since FY 2002-03. The Director of Buildings and Grounds attributed these fluctuations to changes in gas rates and winter weather conditions, citing that a mild winter experienced in FY 2004-05 allowed the District to reduce its natural gas use. Information from the National Weather Service supports the Director of Buildings and Grounds' assertions, indicating that the average temperature in January 2003 was 27 degrees while the average temperatures in January of 2004 and 2005 were 28.9 and 34.1 degrees, respectively. **Table 4-9** also shows that Painesville TLSD's FY 2004-05 utility costs per square foot

were lower than the peer average, but slightly higher than the AS&U national median for school districts with more than 3,500 students.

The District has taken the following steps to control utility costs:

- **Computer Technology:** Through computer technology, the Director of Buildings and Grounds can control and monitor thermostats in the District so that room temperatures can only fluctuate between 68 and 72 degrees. The District also has a warning system built into the software that automatically notifies the Director of Buildings and Grounds when building temperatures are out of range.
- **Consortiums and Programs for Utilities:** The District uses the Prepaid Natural Gas Program offered through the Ohio Schools Council purchasing consortium to obtain natural gas at discounted prices. The District participates in this program with 123 other districts and has been able to lock in lower negotiated gas prices through October 2011. The Ohio Schools Council reports that the total savings achieved through membership in this program for all districts was approximately \$5.6 million in FY 2004-05. In addition, the District uses the Energy for Education program offered through the Ohio Schools Council to purchase electricity at discounted prices. The Ohio Schools Council reports that the total savings for all districts enrolled in this program was approximately \$4.2 million in FY 2004-05.
- **Energy Conservation Projects:** The District has taken steps to improve energy efficiency in recent years. For instance, incandescent light bulbs and old windows are currently being replaced in every school. The District also recently replaced the roof at the Riverside Campus (includes high school and junior high school) to improve insulation. Lastly, the District replaced the boiler and classroom ceilings at the Riverside Campus in FY 2002-03 and installed a new HVAC system in FY 2003-04.

In addition to the above, the Treasurer indicated that the District issued approximately \$1.4 million in H.B. 264 debt in FY 1992-93 to implement energy improvements throughout the District. However, the Treasurer noted that the District did not realize the savings that were projected due to the estimates being miscalculated by the contractor. The Treasurer does not anticipate using the H.B. 264 program in the future because the District has a permanent improvement levy that generates approximately \$1.5 million annually. The permanent improvement levy was used to fund many of the energy improvement projects noted above.

While the District has instituted some measures to control utility costs, it does not have formal energy management policies, procedures or guidelines for staff. Furthermore,

the District does not have mechanisms in place to monitor energy use as a means to identify trends and possible waste. These issues may contribute to the District's utility costs slightly exceeding the AS&U median. Since energy costs represent a major expense for school budgets, the National Center for Educational Statistics (NCES) has identified the following guidelines to help improve energy management and possibly achieve cost reductions:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the district's energy management program, and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting (i.e., contracts requiring desired results rather than simply a list of needed products) when replacing older, inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment, including power factor correction units, electronic ballasts, high-efficiency lamps, night setbacks, and variable-speed drives for large motors and pumps; and
- Install motion detectors that turn lights on when a room is occupied and off when the room is unoccupied.

In addition, the Association of School Business Officials (ASBO) identified the following energy saving techniques:

- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate;
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures;
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat;
- Encouraging staff, faculty, and students to use blinds as a means of controlling temperature;
- Closing blinds on the south and west sides of buildings keeps them cool in the summer, and opening blinds helps warm the buildings in the winter on sunny days; and
- Developing policies that indicate water should not be kept running in the restrooms.

By developing formal energy management policies, procedures and guidelines for staff, as well as instituting mechanisms to monitor energy usage, the District would be in a better position to control and potentially reduce utility costs.

Operational Management

R4.10 The District should evaluate the efficiency and effectiveness of the custodial and maintenance programs by regularly tracking and reporting certain key performance measures, such as cost per square foot and cost per student for major object codes (staffing, benefits, purchased services, utilities, supplies, etc.), the number of square feet cleaned and maintained per FTE, and acres maintained per FTE. Doing so would help the District establish benchmarks to measure future staff and organizational performance (see R4.2 for additional information on benchmarks). By periodically comparing established benchmarks to actual performance and historical trend information, the District would be able to use objective data to make future decisions about the custodial and maintenance program.

The District does not have any performance measures in place to evaluate the efficiency and effectiveness of its maintenance and custodial operations. Despite lacking formal measures, the Director of Buildings and Grounds indicated that he has a good idea of the District's operational efficiency and effectiveness by going to seminars and informally comparing operations of other districts to Painesville TLSD.

OPPAGA indicates, in its publication *Best Practice Indicators*, that districts should develop a comprehensive set of performance measures to evaluate the overall effectiveness of the custodial and maintenance program. OPPAGA goes on to cite cost per square foot, number of full-time FTE staff per square foot cleaned, and cost per student as examples of cost effectiveness ratios that should be considered for evaluating the custodial and maintenance programs. In addition, GFOA recommends the use of performance measures (i.e., input, output, effectiveness/outcome, and efficiency measures) to evaluate the performance of programs and services (see **financial systems** for more information). The lack of performance measures and benchmarks increases the risk of the District making uninformed and/or unreliable decisions.

R4.11 The District should conduct a survey of teachers, students, parents, administrators and board members at least annually to determine the strengths and weaknesses of the custodial and maintenance programs. The District should then share the results with the stakeholders and highlight strategies to improve the areas identified as weaknesses. Additionally, the District should review the survey administered by AOS and begin to address areas for improvement. Painesville TLSD could use the AOS survey to help in developing a more customized and detailed future survey of its maintenance and custodial operations.

The District does not regularly use surveys to gauge stakeholder perceptions regarding facility operations. **Table 4-10** presents the results of an AOS survey of District

employees to determine their overall satisfaction with the management of facility-related issues. The ratings a survey respondent could use in answering each question were 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

Table 4-10: AOS Facilities Satisfaction Survey

Survey Question	Staff Response
Work Orders are responded to in a timely manner	3.30
Custodial and maintenance employees deliver quality services	3.26
Emergency work orders given top priority	4.30
Schools are notified in advance of work to be performed	4.04
Schools are advised of incomplete work orders	4.19
Work is scheduled so it is not disruptive	3.70
Workers are careful with children	4.37
I am satisfied with the maintenance department	3.54
The regular cleaning schedule appears to be appropriate	3.01
Custodial Tasks are completed efficiently	3.10
Facilities are properly cleaned	2.85
Custodians are polite and have a good work ethic and attitude	3.59
There appears to be a sufficient number of custodians in the building	3.46
School grounds are properly maintained	3.62
Custodial staff cooperates with other staff regarding safety of equipment on school grounds	4.12
Work appears to be scheduled according to priorities	3.89
Workers show respect for school property	4.19
I am satisfied by the custodial staff's work	3.36
Playground Equipment is properly maintained	4.85
Average	3.72

Source: Painesville TLSD Staff Survey

Table 4-10 illustrates that Painesville TLSD staff survey scores ranged from 2.85 to 4.85, with an average score of 3.72. This indicates the District's employees are generally satisfied with the overall performance of the custodial and maintenance staff. The only area that District staff rated negatively was the cleanliness of the facilities. In addition, several employees made specific comments indicating that the buildings were not being cleaned in an effective manner.

The negative perception among the District's staff regarding building cleanliness may be attributed to several factors including the lack of an electronic work order system to equitably distribute work (see **R4.6**), not having a customer feedback system to identify staff perceptions and implement necessary program improvements, not developing a handbook that outlines day-to-day cleaning policies and procedures (see **R4.3**), and not using objective criteria to monitor facility operations and conduct employee evaluations (see **R4.10** and **R4.2**). However, it does not appear that the perceived lack of cleanliness can be attributed to inadequate custodial staffing levels as each school appears overstaffed in comparison to the national benchmarks (see **R4.1**). Additionally, these

recommendations (see **R4.2**, **R4.3**, **R4.6** and **R4.10**) can help the District address the other areas that were rated relatively low by staff, including responding to work orders in a timely manner, delivering quality services, instituting appropriate cleaning schedules, and efficiently completing custodial tasks.

According to OPPAGA, districts should use customer feedback on surveys, self-analysis, and subsequent follow up on identified problems to implement program improvements. Typically, customer evaluation surveys ask principals and school staff to rate the maintenance and operation departments on prompt response, turnaround time, quality of work, and professionalism of employees. Sharing survey results with employees, continued communication with stakeholders and follow up with corrective action plans are critical to improving maintenance and custodial services. Furthermore, NCES' *The Planning Guide for Maintaining School Facilities* (2003) indicates that surveys can be used to evaluate custodial and maintenance work, and provides a sample customer survey form for gaining feedback about custodial and maintenance services.

Financial Implications Summary

The following table lists annual cost savings and one time implementation costs for recommendations contained in this section of the report.

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings	Estimated Annual Costs
R4.1 Reduce 15.0 custodial FTEs and increase maintenance by 2.0 to 6.0 FTEs	\$576,000	\$87,000
Total	\$576,000	\$87,000

Transportation

Background

This section of the performance audit analyzes the Painesville Township Local School District's (Painesville TLSD or the District) transportation operations. For benchmarking purposes, Painesville TLSD's transportation operations are compared to a peer average consisting of ten school districts throughout this section of the report. The peer average is comprised of Amherst Exempted Village School District, Canfield Local School District, Jackson Local School District, Lake Local School District, Northmont City School District, Norton City School District, Oak Hills Local School District, Perry Local School District, Poland Local School District, and Wadsworth City School District. These ten districts are classified as "Type 6" (urban/suburban and high median income) by the Ohio Department of Education (ODE), the same type as Painesville TLSD. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil.

According to the Ohio Revised Code § 3327-01, school districts must provide transportation services to "... resident school pupils in grades kindergarten through eight that live more than two miles from the school." The legislation goes on to indicate that the board, at its discretion, may "...provide transportation for resident school pupils in grades nine through twelve to and from the high school." Painesville TLSD's transportation policy exceeds the minimum standards because the District provides pupil transportation services to most students in grades K-12 who reside one-half mile or more from their assigned school. Hazards within the District include four State routes, which pursuant to OAC 3301-83-20(I), have also contributed to the District transporting students in excess of State minimum standards.

The District's transportation function is overseen by the Director of Transportation. Painesville TLSD provided Type-I pupil transportation services to 4,410 regular needs and 28 special needs riders in FY 2004-05. Type-I services pertain to those provided on District-owned yellow buses and comprise the majority of transportation-related costs for which school districts are reimbursed by ODE. **Table 5-1** presents the District's transportation expenditures for FY 2002-03, FY 2003-04, and FY 2004-05.

Table 5-1: District Expenditures for FY 2003, 2004 and 2005

	FY 2003	FY 2004	FY 2005	Three-Year Change
Riders	4,814	4,521	4,438	(7.8%)
Type I Regular Needs	4,758	4,498	4,410	(7.3%)
Type I Special Needs	30	23	28	(6.7%)
Type II ¹	26	0	0	(100.0%)
PERSONNEL – TYPE I				
Employee Wages	\$1,773,086	\$1,987,432	\$1,693,703	(4.5%)
Employee Benefits	\$815,131	\$887,411	\$769,293	(5.6%)
Personnel Subtotal	\$2,588,217	\$2,874,843	\$2,462,996	(4.8%)
GENERAL OPERATIONS – TYPE I				
Maintenance and Repairs	\$153,978	\$198,311	\$216,303	40%
Tires and Tubes	\$41,702	\$54,142	\$30,820	(26%)
Fuel	\$143,872	\$192,667	\$245,512	71%
Bus Insurance	\$63,138	\$62,122	\$52,769	(16%)
Maintenance Supplies	\$17,819	\$3,509	\$21,759	22%
Utilities	\$3,100	\$7,200	\$22,357	621%
Other	\$28,470	\$0	\$0	(100%)
General Operations Subtotal	\$452,079	\$517,951	\$589,520	30.4%
TOTAL TYPE I EXPENDITURES	\$3,040,296	\$3,392,794	\$3,052,516	0.4%
Per Type I Rider	\$634.98	\$750.45	\$687.81	8.3%
TOTAL TYPE II EXPENDITURES	\$488,055	\$0	\$0	(100%)
Per Type II Rider ¹	\$18,771	NA	NA	NA
GRAND TOTAL EXPENDITURES	\$3,528,351	\$3,392,794	\$3,052,516	0.0%
Per Rider	732.94	750.45	687.81	(6.2%)

Source: ODE

¹ Contractor owned busing was eliminated after 2003

Table 5-1 shows that the District's total transportation expenditures declined by approximately \$476,000 since FY 2002-03. This is partially due to the District changing its reporting methodology in FY 2004-05 and no longer reporting costs associated with contracted special education transportation services through the East Shore consortium. Prior to FY 2004-05, the District included the costs associated with the East Shore consortium on its T-Forms (see **R5.7**). See **R5.11** and **Table 5-15** for the impact of the costs related to the East Shore consortium on the District's special needs transportation expenditures. Explanations for the expenditure categories that have experienced significant fluctuations during the last three years include the following:

- **Total Ridership** – **Table 5-1** shows that the District’s total ridership declined by 293 students in FY 2003-04 and 83 students in FY 2004-05. In contrast, **Table 4-7** in the **facilities** section of this performance audit indicates that the District’s actual enrollment increased by 140 students in FY 2003-04 and by another 142 students in FY 2004-05. The Treasurer was unsure as to the cause of this discrepancy. However, the District does not have formal policies to ensure that T-forms are accurately prepared, reviewed, and reconciled prior to submission to ODE (see **R5.7**).
- **Employee Wages & Benefits** – The District’s expenditures for employee wages and benefits declined approximately \$412,000 in FY 2004-05. The Treasurer attributed the decline in wages and benefits to the change in reporting methodology whereby the District no longer includes the costs associated with East Shore buses on the T-2 report. In addition, the substitute drivers’ salaries were lower in FY 2004-05 due to the District’s regular drivers using less leave time. Lastly, the wages and benefits for the mechanics declined significantly in FY 2004-05 due to a decline in overtime as a result of a mild winter. The District’s mechanics perform some snow plowing duties at the school buildings in addition to their regular bus maintenance responsibilities.
- **Maintenance and Repairs & Maintenance Supplies** – Since FY 2002-03, the District’s costs for maintenance and repairs and maintenance supplies have increased 40 and 22 percent, respectively. The Director of Transportation attributed the large increases to the District purchasing additional bus maintenance equipment, ordering supplies in bulk and replenishing them as needed, and general inflation.
- **Tires/Tubes & Bus Insurance** – The Director of Transportation attributed the significant decline in the FY 2005-05 expenditures for tires and tubes to using a new vendor with lower prices. The decline in the FY 2004-05 bus insurance costs is also due to a change in insurance providers.
- **Fuel & Utilities-** Since FY 2002-03, the District’s fuel and utility costs have increased 71 percent and 621 percent, respectively. The Director of Transportation attributed the large increase in fuel costs to the general increases in market price for motor fuel. The large increase in utility costs is due to a change in accounting procedures and the District allocating utility costs more accurately to each department.

Operational Statistics

Table 5-2 presents various operating ratios for Painesville TLSD and the peer districts.

Table 5-2: FY 2004-05 Operating Ratios for Painesville TLSD and Peers

	Painesville TLSD	Peer District Average	Percent Variance
Riders	4,438	3,306	34.2%
Type I Regular Needs	4,410	3,257	35.4%
Type I Special Needs ¹	28	51	(45.5%)
Type IA	-	1	(100.0%)
Type II	-	22	(100.0%)
Buses	68	43	60.0%
Active	60	36	64.8%
Spare	8	6	31.1%
Spare Buses as Percentage of Fleet	11.8%	15.3%	(23.2%)
Special Needs Buses	3.0	3.9	(22.2%)
Special Needs Buses as Percent of Active Buses	5.0%	11.4%	(56.2%)
Riders Per Active Bus	74.0	96.4	(23.3%)
Riders per Regular Bus	77.4	104.7	(26.1%)
Riders per Special Needs Bus ²	9.0	12.9	(32.9%)
District Square Miles	66.0	30.0	123.7%
Annual Miles³	956,852	385,704	148.1%
Average Miles Per Bus	14,071	8,945	57.3%
TOTAL TYPE I EXPENDITURES	\$3,052,516	\$1,447,632	110.9%
Per Type I Rider	\$688	\$454	51.6%
TOTAL TYPE IA EXPENDITURES⁴	\$ -	\$10,680	(100.0%)
Per Type IA Rider	NA	NA	NA
TOTAL TYPE II EXPENDITURES⁴	\$ -	\$96,489	(100.0%)
Per Type II Rider	NA	\$4,386	(100.0%)
GRAND TOTAL EXPENDITURES Types I-II	\$3,052,516	\$1,458,349	109.3%
Per Rider	\$688	\$458	50.2%

Source: T-forms

¹ The Type I average special needs riders only include the nine districts reporting these riders.

² Riders per special needs bus only includes the seven districts reporting riders on special needs buses.

³ Painesville's annual miles include non-routine miles to ensure consistency with **Table 5-3**. The District reported total transportation expenditures on the T-forms and did not separately account for routine and non-routine costs. As a result, the non-routine miles were added to the routine miles on **Table 5-3** in order to show a fair cost per mile calculation. The non-routine miles were 51,272 in FY 2004-05, or five percent of the total miles. See **Table 5-5** for a comparison of routine miles per bus. The peer average does not include non-routine miles because they are supposed to be excluded on the T-Forms.

⁴ Type IA and Type II only include the average of the districts that reported Type IA and II riders and expenses. One district reported only Type IA riders, one district only reported Type IA expenditures, and one district reported both Type II riders and expenditures.

Table 5-2 shows that although Painesville TLSD's regular needs ridership exceeds the peer average by 35 percent, the District's special needs ridership is 45 percent lower. **Table 5-2** also shows that the District uses 25 more buses to transport significantly fewer riders per active, regular needs and special needs bus in comparison to the peer average. As a result, the District's total transportation cost per Type I rider (\$688) is approximately 52 percent higher than the peer average (\$454). Furthermore, based on a comparison of total transportation expenditures in the General Fund, approximately 11 percent of the District's total General Fund expenditures were attributed to pupil transportation, which was significantly higher than the peer average of approximately 6 percent. **Table 5-2** also shows that the District's spare buses comprise a lower percentage of the total fleet when compared to the peer average.

The size of the District contributes to the high cost of pupil transportation. For example, **Table 5-2** shows that the District is 66 square miles in size while the peer average is only 30. Consequently, **Table 5-2** shows the District's buses traveled 957,000 miles in FY 2004-05 while the peer average was only 386,000. Likewise, the annual number of miles per bus was 51.6 percent higher than the peer average. However, the District's high cost per rider is also due to maintaining higher transportation staffing levels (**R5.1** and **R5.6**), using only 52 percent of bus capacity (**R5.1**), and maintaining expensive provisions within the collective bargaining agreement (**R5.4** and **R5.5**).

Table 5-3 presents FY 2004-05 transportation expenditures by type for Painesville TLSD and the peer average.

Table 5-3: Expenditures by Type for Painesville TLSD and Peer Average

	Painesville TLSD	Peer Average	Percent Variance
Personnel ¹	\$2,462,996	\$1,136,765	116.7%
Per Rider	\$555	\$358	55.2%
Per Bus	\$36,221	\$27,072	33.8%
Per Mile	\$2.57	\$3.20	(19.1%)
Maintenance & Repairs ²	\$268,882	\$121,675	121.0%
Per Rider	\$61	\$38	60.9%
Per Bus	\$3,954	\$2,824	40.0%
Per Mile	\$0.28	\$0.30	(15.6%)
Fuel	\$245,512	\$119,497	105.5%
Per Rider	\$55	\$36	52.2%
Per Bus	\$3,610	\$2,821	28.0%
Per Mile	\$0.26	\$0.33	(21.4%)
Bus Insurance	\$52,769	\$47,165	11.9%
Per Rider	\$12	\$15	(21.6%)
Per Bus	\$776	\$1,160	(33.1%)
Per Mile	\$0.06	\$ 0.14	(61.0%)
Total Expenditures ³	\$3,052,516	\$1,458,349	109.3%
Per Rider	\$688	\$ 458	50.2%
Per Bus	\$44,890	\$34,742	29.2%
Per Mile	\$3.19	\$4.09	(22.0%)
Total Special Needs Expenditures	\$222,680	\$231,282	(10.0%)
Per Rider	\$6,018 ⁴	\$5,482	9.8%

Source: T-1 and T-2 reports from ODE

Note 1: Figures include both regular and special needs-related expenditures and are rounded to nearest \$1

Note 2: Special needs expenditures per rider excludes the one district that did not report special needs riders.

¹ Includes salaries and wages, as well as retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.

² Includes maintenance, repairs, maintenance supplies, tires, and tubes.

³ Includes additional miscellaneous expenditures (not assessed) for utilities, facility rent, bus leases, and other, as well as Type IA and Type II.

⁴ Includes 28 Type 1 and 9 Type VI special needs riders.

Table 5-3 shows that the District's transportation costs per rider and per bus are significantly higher than the peer average in every category except bus insurance, which further indicates that the District is maintaining inefficient staffing levels, operating an excessive number of buses, and negotiating expensive provisions within the bargaining agreements (see **R5.1**, **R5.3**, **R5.4**, **R5.5** and **R5.6**). The lower bus insurance costs are due to the District changing insurance providers to obtain favorable rates. While the District's fuel costs per rider and bus are higher than the peer average, fuel costs per mile are 21.4 percent lower than the peer average. Even when excluding non-routine miles for Painesville TLSD, the fuel costs per routine mile (\$0.27) are much lower than the peer average. The lower fuel costs per mile are due to the District obtaining price quotes from local suppliers and consortiums (see *Assessments Not Yielding*

Recommendations). **Table 5-3** also shows that the ratio of special needs expenditures per rider is approximately ten percent higher than the peer average (see **R5.11**). Furthermore, although the District's costs per mile are lower than the peer average in every category, this is more a function of the District's size (66 square miles) in comparison to the peers (30 square miles) rather than being an indication of efficient operating practices. This is further supported by the District's low bus utilization factor, which is driven by the low number of riders transported per bus (see **R5.1**). Lastly, the District's practice of allowing bus drivers to take buses home at the end of the day contributes to the relatively high number of annual miles (see **R5.4**).

Staff Survey

During the course of this audit, AOS conducted a survey of Painesville TLSD employees to determine their overall satisfaction with various functional areas. **Table 5-4** presents the results of the staff survey regarding transportation services at the District. The ratings a survey respondent could use in answering each question were 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

Table 5-4: Painesville TLSD Staff Transportation Satisfaction Survey

Survey Question	Staff Response
Effective communication of transportation policies and routes exist.	4.31
Effective coordination of routes and special trips exist between departments.	4.47
The transportation department provides timely transportation to and from school.	4.35
The transportation department provides timely transportation of students to and from special events.	4.40
The transportation department is effective in addressing complaints.	4.60
Transportation routes are completed with regard to the safety of the children.	4.60
The attitude, courtesy, and work ethic of the transportation department are positive.	4.35
Overall, the quality of all transportation services provided is good.	4.40
Average	4.44

Source: Painesville TLSD Staff Survey

As shown in **Table 5-4**, District's employees are very satisfied with the services provided by the Transportation Department.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas within the transportation section that did not warrant changes and did not yield recommendations. These areas include the following:

- **Inventory Controls:** The District controls its inventory by storing supplies in a locked room within the bus garage. The Director of Transportation and Head Mechanic are the only employees that have keys to open the storage room. In addition, the building is locked at night and the facility is equipped with an alarm system, which is activated by a pin number. Only the mechanics, secretaries, maintenance supervisor and custodian have pin numbers to gain access to the building. The alarm system generates a report for the Director of Transportation that shows when the system was activated and de-activated and by whom. Parts and supply inventories are tracked and verified with a physical inventory count on an annual basis. Additionally, software secures motor fuel by requiring the vehicle number, employee pin number, and mileage before dispensing. Lastly, parts and fluids are disposed of using an environmentally sound process.
- **Preventative Maintenance:** The District performs and documents that various preventative maintenance activities are taking place every 2,000 and 6,000 miles. The District completes work orders that include materials, fluids, tires, mechanics' labor, and outside contracted labor per bus and then enters the information on a spreadsheet.
- **Spare Fleet:** One spare for every five total buses is an adequate standard, according to ODE. As of 2004-05, the District was significantly lower than this standard (spare buses represented 12 percent of the total fleet). In addition, if Painesville TLSD implements **R5.1** and reduces its fleet by nine buses, it would still be below the 5-1 ratio for spare buses and would also be lower than the peer average of 15 percent spare buses.
- **Bus Insurance Costs:** As shown in **Table 5-3**, the District's bus insurance costs per bus, per mile and per rider are each significantly lower than the peer average. These lower ratios are due to the District changing insurance providers to obtain more favorable rates.
- **Fuel Cost:** **Table 5-3** shows that the District's fuel cost per mile is lower than the peer average. According to the Transportation Director, the District purchases fuel by comparing price quotes from local vendors to the prices that can be achieved through various consortiums. In addition, the District has effective controls in place to prevent theft of motor fuel. For example, the District uses software that requires a bus driver to enter the vehicle number, a pin number, and mileage before fuel can be dispensed. The Head Mechanic periodically prints and reviews reports to ensure that the fuel usage by vehicle and operator are not excessive.

Recommendations

Operating Efficiency

R5.1 The District should consider reducing at least nine buses through a combination of re-designing the routes to improve bus capacity utilization and staggering bell schedules to allow more buses to complete a third run. In addition, the District should stay in regular contact with representatives from the Lake Geauga Computer Association (LGCA) about the status of the routing software. If LGCA decides not to purchase routing software within the next year (FY 2007-08), the District should go forward with its plans to purchase the software. This would allow the District to easily determine the most efficient bus routing while accounting for variables like student ride time, changing enrollment, safety hazards and other similar issues. The routing software will also help ensure the District is making the best use of existing capacity. The use of routing software and further staggering bell schedules may allow for additional bus reductions beyond the nine noted above. Lastly, Painesville LTSD should establish payment-in-lieu of transportation agreements with parents that would enable further reductions to its fleet (see R5.11 for further discussion).

The District currently monitors ridership and develops routes manually on a yearly basis. The Director of Transportation indicated that the Lake Geauga Computer Association (LGCA) is contemplating purchasing routing software and making it available to member districts. The Director of Transportation also stated that the District prefers to obtain the routing software through LGCA since it will be free-of-charge and will be a standardized package. However, if the routing software is not available through LGCA by FY 2007-08, the Director of Transportation indicated that the District will purchase its own routing software. **Table 5-5** shows various operating statistics for Painesville TLSD and the peers.

Table 5-5: Painesville CSD and Peer Operating Statistics - FY 2005

	Painesville TLSD	Peer Average	Percent Above (Below)
Total Expenditures	\$3,052,516	\$1,458,349	109.3%
• Per Rider	\$688	\$458	50.2%
• Per Bus	\$44,890	\$34,742	29.2%
• Per Mile ¹	\$3.19	\$4.09	(22.0%)
Riders	4,438	3,306	34.2%
• Per Active Bus	74.0	96.4	(23.3%)
Total Routine Miles	905,580	385,704	134.8%
• Per Bus	13,317	8,945	48.9%

Source: Painesville TLSD and Similar Districts T-Reports

¹ Includes non-routine miles and non-routine expenditures for Painesville TLSD due to T-form reporting errors (see R5.7). See R5.9 for a comparison of total miles, including non-routine, per bus.

Table 5-5 shows that Painesville TLSD spends significantly more per rider and per bus than the peer average, while the cost per mile is 22 percent lower than the peer average. However, the low cost per mile is a function of the District traveling significantly more miles than the peer average and is not necessarily an indication of operational efficiency, as evidenced by the ratio of riders per active bus. Specifically, **Table 5-5** shows that the District transported nearly 23 fewer students per bus in FY 2004-05. In FY 2005-06, the District increased its fleet by three buses while its ridership declined by 136 students. As a result, the number of students transported per regular needs bus declined to 68 in FY 2005-06. Since the maximum capacity of the District's buses is 142 students per bus, assuming two runs per bus, the District's average bus utilization rate amounts to only 48 percent. Fifty-six of the District's 60 active buses complete at least two runs. In addition, according to the article "Hidden Savings in Your Bus Budget" (December, 2005), published by the American Association of School Administrators and authored by a private school transportation firm that conducts audits for more than 30 school districts, including New York City and Kansas City, MO, "effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal." The District's average utilization rate of 48 percent falls well below this goal.

The above ratios and percentages indicate that the District is not developing routes to make full use of the capacity on the existing buses. The District could reduce 18 buses by increasing the capacity utilization to achieve the peer average of 96 students per bus. However, it may be difficult to achieve the peer average due to factors such as the District's size and impact on student ride time. If the District only reduced nine buses or half the amount suggested in the peer average comparison, its riders per bus would increase to approximately 83 and the utilization rate would improve to 58 percent, based on each bus completing at least two runs.

The bell schedules at the school buildings also contribute to the District’s low students per bus ratio. **Table 5-6** shows the start and end times for each school building at Painesville Township TLSD.

Table 5-6: Start and End Times for Painesville Township LSD

School	Times
Jr. and Sr. High Schools (Riverside Campus)	7:18 am – 2:25 pm
Auburn Middle School	8:25 am - 3:25 pm
Buckeye & Melridge Elementary Schools	8:50 am – 3:20 pm
Hadden & Hale Elementary Schools	8:30 am -3:00 pm
Leroy Elementary School	8:45 am -3:15 pm
Madison Elementary School	9:00 am – 3:30 pm

Source: Painesville Township LSD

Table 5-6 shows that the start and end times at the elementary schools and the middle school are all staggered within 35 minutes of each other. The Riverside Campus is the only building where the schedule varies significantly, starting approximately one hour prior to the middle school and ending 35 minutes before the first elementary school dismissal. As a result, most buses can only complete two morning and afternoon runs. More specifically, of the District’s 60 active buses in FY 2004-05, seven completed one run per day, 49 completed two runs per day, and four completed three runs per day. The certificated bargaining agreement does not stipulate start and end times for teachers and only states that the teacher’s day can be no longer than 7 hours and 30 minutes.

If the District achieved capacity utilization rate of 80 percent and increased the runs for all buses to three, the District could potentially reduce 33 buses. Although the District may not be able to achieve three-runs per bus for all buses, this figure and the figures discussed previously indicate that the District can reduce at least the nine buses noted above through improving capacity utilization by using routing software and increasing the runs per bus on certain routes by altering bell schedules.

Financial Implication: One software company quoted LGCA a cost for a complete routing package with all the modules for \$17,000. If the District eliminated nine active buses, it would reduce annual expenditures by approximately \$192,000 for personnel and \$5,500 for bus insurance costs.

R5.2 In an effort to reduce fuel use and maintenance costs, the District should review the cluster stop locations to determine if students can be accommodated with fewer stops while avoiding safety hazards. The routing software (R5.1) could assist in this effort.

The District designs its routes to use cluster stops at street corners in subdivisions. However, the cluster stops are closer than the one-half mile minimum stipulated by OAC §3301-83-13 and the three-tenths of a mile standard suggested by the District's transportation policy. The Transportation Supervisor indicated that the cluster stops were designed this way due to hazards and complaints from parents. Frequently stopping and starting a bus uses additional fuel and can result in additional wear and tear on the vehicle.

R5.3 Based on the low age and mileage of the current fleet, and the recommendation to reduce nine active buses (see R5.1), the District should consider reducing the number of future bus replacements. To determine the appropriate number of buses to be replaced annually, the District should develop a bus replacement plan, and update it annually. All bus and equipment replacement decisions should be based upon economic modeling that allows for replacement at the most advantageous point in the equipment's life cycle. The plan should include the number of buses to be replaced each fiscal year, along with the age, mileage, maintenance costs, and estimated cost at the time of replacement. By reviewing and updating the plan annually, the District should be able to plan for future costs while maintaining its fleet.

The District should also consider implementing a formal bus rotation system whereby older buses are used as spares or moved to routes with fewer miles to help extend the fleet's useful life. Using routing software could help with this process (see R5.1).

The District does not have a formal vehicle replacement plan. Without a formal replacement plan, it replaces buses based on opinions about what is an excessive age, cost of repairs, mileage, and condition of the bus. For example, the District's typical practice has been to purchase six new buses per year from the permanent improvement levy proceeds regardless of the current condition of the fleet. Furthermore, the District does not analyze bus fleet mileage in order to project when buses may need to be replaced.

There are no State guidelines for bus replacement beyond the requirement that buses must pass the annual Highway Patrol inspection. As long as a bus can pass the inspection, a district may continue to use it for transportation, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests that Type C (conventional buses) and D buses should be replaced after 12-15 years, and Type A and B buses (lighter duty design buses) after 8-12 years. NASDPTS also notes that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. According to ODE's Bus Purchasing Guide, "an analysis of State spending patterns, indicates that on average, districts are matching the payment provided by the State for bus purchasing with an equal amount of local funding. This has resulted

in an average Ohio bus lifespan of 17 years.” **Table 5-7** forecasts the District’s annual mileage for the bus fleet based on the February 2006 odometer readings and miles traveled year-to-date for FY 2005-06.

Table 5-7: Painesville TLSD’s Fleet Inventory and Mileage Forecast

	Number of Buses	Average Age	Average Fleet Mileage	Projected Fleet Mileage FY 2006	Projected Fleet Mileage FY 2007	Projected Fleet Mileage FY 2008	Projected Fleet Mileage FY 2009	Projected Fleet Mileage FY 2010
All Buses	71	5.2	87,362	92,296	107,251	122,205	137,159	152,113

Source: Painesville TLSD

Table 5-7 shows that Painesville TLSD’s current fleet is, on average, approximately five-years old with approximately 87,400 miles. The District has only one active bus that exceeds the 250,000 mile threshold, and one of the spare buses currently has approximately 244,000 miles. Furthermore, the District is projected to only have five additional active buses exceed 250,000 miles during the next five-years. This projection does not consider that the District uses its newer fleet as spares and the life-cycle of the active buses noted above could be extended by rotating them into spare status or to routes with fewer miles. For FY 2005-06, six of the eight buses listed as spares are 2003 models and each had fewer than 38,000 miles.

Based on the projections and the ability to rotate buses, the District’s current practice of purchasing six new buses per year, regardless of need, appears excessive, especially if the District reduces at least nine active buses (see **R5.1**). However, although the District could potentially go five years without replacing a bus, it may want to consider continuing to purchase some new buses in order to avoid having a large cost of replacement in FY 2010-11. By the end of FY 2009-10, eleven buses are projected to have more than 200,000 miles.

Financial Implication: If the District only purchased one new bus each year for the next five-years, the potential cost avoidance within the Permanent Improvement Fund would be \$1,625,000 (\$325,000 annually). This money could be re-directed to other capital improvement purposes such as helping to fund the construction of a new school building (see **R4.5**) or a central bus parking lot (See **R5.4**).

R5.4 The District should investigate the feasibility of renovating the bus maintenance garage to accommodate 84 passenger buses. Purchasing the larger buses would allow the District to increase the operational efficiency of the transportation fleet and could potentially reduce repair, maintenance and other similar costs. In addition, if its grant request is denied, the District should investigate the possibility of using the permanent improvement levy proceeds to construct a central parking

lot that can house all the buses. This should also help the District reduce bus maintenance costs as well as bus driver salary costs as certain drivers will not be driving across the District to start a route. This would also help ensure that the buses are properly secured at night and on weekends. If the District is unable to construct a centralized parking lot, it should consider negotiating to include the proximity of assigned routes to bus drivers' homes as a key factor when assigning routes to drivers. R5.1 and R5.3 identify approximately \$1.8 million in cost savings that could potentially be used to renovate the bus garage and construct a central parking lot.

Table 5-8 compares Painesville TLSD's maintenance and repair costs, including supply costs, to the peer average for FY 2004-05.

Table 5-8: Repair, Maintenance and Supply Costs

	Painesville TLSD	Peer Average	Percent Variance
Annual Mileage ¹	956,852	385,704	148.1%
Total Repairs & Maintenance (includes personnel costs)	\$371,227	\$193,566	92.8%
Supply Costs	\$52,579	\$34,015	54.6%
Total Supply & Maintenance Costs	\$423,806	\$227,581	86.2%
Per Rider	\$95.49	\$72.14	32.4%
Per Bus	\$6,232	\$5,460	14.2%
Per Mile ¹	\$0.44	\$0.64	(31.3%)

Source: ODE

¹ Includes non-routine miles and non-routine expenditures for Painesville TLSD due to T-form reporting errors (see R5.7).

Table 5-8 shows that Painesville TLSD pays more for all maintenance, including personnel and supply costs, than the peer average on per rider and per bus basis. The District's size contributes to the buses traveling more miles, which subsequently contributes to the high costs per rider and per bus. However, not maximizing riders per bus (see R4.1) and the District's policy of purchasing smaller buses results in Painesville TLSD operating with more buses, which can also contribute to the higher repair, maintenance and supply costs. Approximately 97 percent of the District's buses have a seating capacity of 71 passengers. Even if the District begins optimizing bus capacity by using routing software and staggering the bell schedules (see R4.1), the policy of purchasing smaller buses means that the District will potentially need more buses to transport its students. The Director of Transportation stated that the District uses the smaller buses because Painesville TLSD's bus maintenance garage is not large enough to house 77 or 84 passenger buses.

According to ODE's *Bus Purchasing Guide*, there are advantages and disadvantages to using larger buses. In a larger bus, up to 84 passengers, more students can be transported with one driver which is more efficient for larger routes and field trips. The disadvantages of larger buses include that they are more difficult to maneuver, and an equally large bus is required in the event of a breakdown. ODE also indicates that the smaller buses are more appropriate for door-to-door pickup services. However, considering the size of Painesville TLSD and the design of the cluster stops, larger buses appear to be feasible for certain routes within the District.

The District's practice of allowing bus drivers to take buses home at the end of the day contributes to the high annual mileage in comparison to the peer average, and also contributes to higher maintenance costs. According to the Director of Transportation, the bus drivers must take the buses home with them because the District does not have a central parking lot large enough to accommodate the fleet. Because of the bidding provisions within the collective bargaining agreement, drivers are awarded routes according to seniority and not necessarily the routes that are closest to their homes. This increases the number of miles a bus may travel on a daily basis. The District has an empty lot next to the high school that is large enough to store all the buses. However, the lot is unpaved. The District recently applied for a Homeland Security grant to absorb the estimated paving cost of \$1.6 million.

As of July 2006, the South Carolina State Department of Education is requiring all their school districts to use centralized bus parking overnight and during the day, stating the practice of having bus drivers take buses home can no longer be justified economically. The South Carolina Department of Education goes on to state that although the primary reason for this action is to reduce the burden on the maintenance staff and budget, districts using centralized parking have also experienced other significant management benefits including better service management, security and management flexibility.

Staffing and Compensation

R5.5 The District should negotiate to eliminate or reduce the 4.5 hour minimum guarantee for bus drivers. This will help make the District's average bus driver salaries more comparable to the peer average and will prevent payments to employees when no work is being performed. If the District is unsuccessful in reducing the minimum guarantee through negotiations, it should identify other work duties that can be completed by drivers to ensure that 4.5 hours of work is taking place.

Table 5-9 compares the average salaries for the District's bus drivers to the peer average as reported through EMIS for FY 2004-05.

Table 5-9: Painesville TLSD Average Salaries Compared to Similar Districts

	Painesville TLSD	Peer Average	Percent Variance
Vehicle Operator (buses)	\$20,655	\$17,081	20.9%

Source: ODE

Table 5-9 shows that the District’s average bus driver salaries are approximately 21 percent higher than the peer average. The higher wages can be partially attributed to the longevity of the District’s transportation employees. For example, 10 of the bus drivers have been employed by the District more than 20 years, 11 have been employed more than 15 years, and 8 have been employed more than 10 years. However, the higher salaries can also be attributed to the 4.5 hour minimum guarantee provision in the District’s collective bargaining agreement. Under this provision, bus drivers are guaranteed 4.5 hours of pay per day whether they work the hours or not. In addition, the District does not require that employees perform additional duties once their route is completed to make up the difference between the 4.5 hour minimum guarantee and the length of time it takes to complete the route. Currently, eight bus drivers have routes that take less than 4.5 hours to complete. Based on an analysis of these route times, the District is paying approximately \$19,000 per year for work that is not being completed. In contrast to Painesville TLSD, Boardman LSD and Cuyahoga Falls CSD provide bus drivers with only a two hour minimum guarantee.

Financial Implication: Reducing guaranteed minimum pay to three hours, which was the shortest route time in FY 2005-06, would save the District approximately \$19,000 annually in salary costs.

R5.6 In order to bring the staffing costs in line with the peer average, the District should consider reducing the secretarial staff by one FTE and addressing the high cost of sick leave. To facilitate this, the District should consider developing a written policy that addresses the appropriate use of sick leave and includes prohibitions against pattern abuse. These prohibitions should indicate that if an employee engages in pattern abuse, they may be subject to discipline. To identify potential pattern abuse, the District should actively monitor sick leave usage, particularly within the Transportation Department.

Table 5-10 compares Painesville TLSD’s salary and wage expenditures by position to the peer averages.

Table 5-10: Painesville TLSD and Peer District Personnel Expenditures

	Painesville TLSD	Per Bus	Per Rider	Per Mile	Peer Average	Per Bus	Per Rider	Per Mile
Supervisor	\$58,949	\$867	\$13	\$0.06	\$56,429	\$1,400	\$18	\$0.16
Secretary Clerk	\$66,234	\$974	\$15	\$0.07	\$28,603	\$641	\$9	\$0.08
Regular Driver Salaries	\$1,321,898	\$19,440	\$298	\$1.38	\$561,531	\$13,167	\$175	\$1.57
Substitute Driver Salaries	\$83,840	\$1,233	\$19	\$0.09	\$35,802	\$913	\$11	\$0.10
Bus Attendant Salaries	\$7,858	\$116	\$2	\$0.01	\$33,853	\$812	\$11	\$0.10
Mechanic	\$154,924	\$2,278	\$35	\$0.16	\$94,951	\$2,317	\$31	\$0.28
Mechanic Helper	\$0	\$0	\$0	\$0.0	\$10,955	\$319	\$4	\$0.03
Salary Subtotal	\$1,693,703	\$24,907	\$382	\$1.77	\$822,123	\$19,568	\$258	\$2.32

Source: ODE

Table 5-10 shows that the District’s total salary expenditures exceeded the peer average by approximately \$5,339 per bus and \$124 per rider in FY 2004-05. Although the District’s total salary cost per mile is 24 percent lower than the peer average, the disparity between the figures should be higher given that Painesville TLSD’s mileage (956,852 annual miles) used in **Table 5-10** was 148 percent higher than the peer average (385,704 annual miles). Explanations for the employee classifications where the District’s salary and wage costs exceeded the peer average on a per bus and/or per rider basis include the following:

- Secretary/Clerk** – The District spent \$333 more per bus and \$6 more per rider than the peer average on clerical employees for the Transportation Department. Although Painesville TLSD’s annual mileage more than doubles the peer average, the District’s clerical costs per mile are ten percent less than the peer average. The higher clerical costs are due to the District employing two secretaries in the Transportation Department. In contrast, the peer average is only 1.2 secretary positions. Of the 10 school districts that comprise the peer average, one did not have any clerical employees in the Transportation Department, six used one clerical employee, and three used two clerical employees.
- Regular Drivers** – The District spent \$6,273 more per bus and \$123 more per rider than the peer average on regular bus drivers. The higher cost for regular bus drivers is due to the District’s higher bus driver staffing levels and the lower number of riders per bus (see **R5.1**). Furthermore, the District employs 15.6 bus driver FTEs per 1,000 total students while the peer average is only 7.6, as shown in the **human resources** section.

- **Substitute Drivers** – The District spent \$320 more per bus, \$8 more per student, and 12 percent less per mile than the peer average for substitute bus drivers. The higher substitute costs per bus and per student are due to high sick leave usage. More specifically, Painesville TLSD’s transportation employees used an average of approximately 11.1 sick days in FY 2004-05. In contrast, the Ohio Department of Administrative Services (ODAS) reports that the statewide average for seven unions and exempt employees was approximately seven days of sick leave in FY 2003-04.
- **Mechanic** – Although the District’s salaries for the mechanics exceed the peer average on a per rider basis, the District does not employ a mechanic’s helper. The District’s cost ratios for the mechanic’s positions are similar to the peer average when the costs associated with the mechanic’s helper are combined with the mechanics for the peers.

Painesville TLSD's high sick leave usage rates among the transportation employees may be due, in part, to the lack of a Board policy to identify and discipline employees suspected of sick leave abuse, including definitions of pattern abuse. However, the classified collective bargaining agreement contains some provisions regarding sick leave abuse. Specifically, the District’s classified collective bargaining agreement indicates that a bargaining unit member exhibiting an ongoing pattern of sick leave use may be required to provide a physician’s statement to confirm the illness or incapacity, and that misuse or abuse of sick leave may result in disciplinary action. However, it does not explain or define pattern abuse. The certificated collective bargaining agreement merely states that “evidence indicating a bargaining unit member’s falsification of any request for leave or the misuse of any form of leave is a serious offense.” In contrast, both of the State Council of Professional Educators (SCOPE) and the Ohio Civil Service Employees Association (OCSEA) collective bargaining agreements (2003-2006) with the State of Ohio contain a provision regarding pattern abuse, defined as consistent periods of sick leave use. Both agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

According to the article *Sick Leave Abuse: A Chronic Workplace Ill* (American Society for Public Administration, April 2002), legal experts indicate that having a clearly written policy that specifies the organization's standards and employee requirements, including disciplinary actions for policy violation, is necessary to discipline employees with attendance problems. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively:

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.
- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems.
- Learn to say "No." Employers should not let employees get away with abusing leave policies.
- Use procedures, regulations, practices and knowledge to benefit management as well as the employee.
- Document everything to learn from past mistakes.

Financial Implication: Reducing one secretary will save the District approximately \$36,700 in salary and benefit costs. If the District were able to reduce transportation sick leave use to the ODAS average, it would save an estimated \$35,200 in substitute wages and benefits, based on the average substitute cost per sick leave day.

Policies and Procedures

R5.7 Painesville TLSD should establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE. In developing these policies, the District should consider requiring the Treasurer's office and the Director of Transportation to complete a thorough review of the T-reports prior to submission. For example, the Treasurer's office and the Director of Transportation should be responsible for reconciling the expenditures reported on the T-2 report to the 4502 financial statements, and identifying and explaining significant variances from prior year reports, including a comparison of ridership and enrollment totals. Improving the report review process should subsequently ensure that the District receives the appropriate amount of State reimbursement for its transportation services, and uses accurate and reliable data when making decisions regarding transportation operations.

The Transportation Department is responsible for completing the T-forms. In completing the forms, the Transportation Secretary receives ridership information from bus drivers based on forms that are completed during the first week of October. The Secretary averages the student count, compiles the rest of the information, and submits it to another secretary and the Director of Transportation for review. The Treasurer provides the Transportation Department with the financial information needed to complete the form. The Treasurer and Superintendent sign-off on the completed forms before they are submitted to ODE

Table 5-11 compares the District's student ridership as reported on the T-forms to student enrollment as reported through EMIS from FY 2002-03 through FY 2005-06.

Table 5-11: District Ridership Compared vs. Actual Enrollment

	FY 2003	FY 2004	Annual Change	FY 2005	Annual Change	FY 2006	Annual Change
Total Students per EMIS Headcount	4,379	4,519	140	4,661	142	4,747	86
Total Riders Per T-Forms	4,958	4,749	(209)	4,679	(70)	4,483	(196)
Non public Riders	755	708	NA	650	NA	658	NA
District Public Riders	4,203	4,041	(162)	4,029	(12)	3,825	(204)
District Riders as a percent of Total Enrollment	96.0%	89.4%	NA	86.4%	NA	80.6%	NA

Source: T-1 forms and Headcount reports from ODE

Table 5-11 shows that the District's total ridership declined by a combined 475 students since FY 2002-03 as reported on the T-forms filed with ODE. In contrast, **Table 5-11** also shows that the District's total student enrollment has increased by a combined 368 students during the same timeframe as reported through EMIS. Furthermore, **Table 5-11** shows that the District's ridership as a percent of enrollment has declined approximately 17 percent since FY 2002-03. The District's administrators could not explain the discrepancy between the trend in student enrollment reported through EMIS and the rapidly declining ridership figures reported through the T-forms.

Historically, student ridership totals have been one of the key variables used in determining a school district's state funding for transportation purposes. Therefore, it is imperative that the figures be accurate and that District officials be aware of the recent trends. However, according to House Bill (H.B.) 66 passed by the 126th General Assembly, transportation reimbursements for FY 2005-06 and FY 2006-07 will be two percent higher than the prior fiscal year. Nevertheless, ensuring accurate reporting of ridership helps make informed decisions about transportation operations. The District does not have formal policies to ensure accurate T-forms are prepared, reviewed, and reconciled prior to submission to ODE.

During a review of the District's T-forms, it was noted that the District was including expenditures for the non-routine use of school buses because it does not track these costs separately. This is inconsistent with ODE requirements as the instructions indicate that the following costs are not to be included on the T-2 form:

- Expenditures for capital outlay and items placed in inventory;
- Salaries paid in whole by State Foundation Funds; and
- Expenditures for non-routine use of school buses.

The District is overstating its transportation expenditures by including non-routine expenditures on the T-2 forms. However, it cannot quantify the amount of overstatement since it does not separately track the non-routine costs (see **R5.9**). The Treasurer indicated that the District was not aware of the requirement to exclude non-routine costs.

For special education transportation purposes, the District is a member of the East Shore Special Education Regional Resource Center (East Shore), which is a group of school districts that have agreed to coordinate their special education transportation activities in an effort to reduce costs. Kirtland Local School District (Kirtland LSD) acts as the fiscal agent for the East Shore group and is responsible for providing member districts with buses. Each member is then responsible for providing drivers to transport special needs students to various locations for the entire group. At year end, the District submits an invoice to East Shore (Kirtland LSD) for all transportation costs incurred as a member of the program. Kirtland LSD then determines the costs incurred by the other members in providing transportation services to Painesville TLSD students and either issues a refund or invoices the District for the difference. For example, if the District received \$310,000 in transportation services from East Shore members and only provided \$300,000 of services, the District would receive an invoice for the \$10,000 difference. The District's refund/invoice at year-end is also impacted by the amount of reimbursement that East Shore receives from ODE. According to the Treasurer, this program reduces costs by eliminating the duplication of effort associated with each district separately educating and transporting their special needs students.

In FY 2004-05, the District incurred \$295,000 in special education transportation costs for East Shore. Despite receiving reimbursement/credit through East Shore, the District included this cost on the T-forms filed with ODE, but then did not report the students associated with the expenditure. This results in the District's transportation expenditures appearing artificially high. In addition, as the fiscal agent for East Shore, Kirtland LSD also would have included these costs on the T-forms filed with ODE on behalf of all the member districts. This suggests that the District's costs for East Shore may have been submitted to ODE for reimbursement twice during FY 2004-05. The T-2 states that only expenses for students reported on the T-1 are to be reported on the T-2.

During the course of this audit, the District became aware of the potential issue with double-counting the Painesville TLSD students that are transported through the East Shore system. The District met with representatives from ODE and the East Shore group on May 9 to discuss the issue. As a result of this meeting, the District re-filed the FY 2004-05 T-Forms with ODE and excluded the cost of transporting its special needs students.

- R5.8 The District should include more detail in its transportation policies to better explain its service levels. More specifically, the transportation policy should identify the mileage thresholds at which transportation services will be provided and identify the specific safety hazards that exist within the District. Doing so would assist in effectively planning the routes and bus stops each year, which subsequently impact the number of buses and staff that are needed. In addition, once the routing software is in place (R5.1), the District should regularly determine the financial impact associated with adopting transportation policies in excess of state minimum standards. If the District encounters financial difficulties in the future, it should review its transportation policy to determine if savings could be achieved by adopting standards that are closer to the State minimum requirements. However, prior to making any changes in the transportation policy, the District should work with ODE to determine any potential reductions in State reimbursement.**

The District's transportation policy states that "The Board of Education recognizes that transportation to some District students to and from school is required for the promotion of education by convenient access, the safeguarding of children and the partial equalization of inequities among students which may have been caused by the placement of school facilities." The policy also addresses bus stops where students meet to ride buses, annual bus route approval, preschool and kindergarten drop-off procedures, disabled students, non-public school students, discipline, contracts for payment-in-lieu of transportation, and delegation of the transportation oversight to the Director of Transportation. However, the policies do not state the mileage thresholds at which transportation services will be provided for students, nor do they explain exceptions due to potential hazards. In actual practice, the District transports everyone who resides more than one-half mile from their school, and designs the location of cluster stops within three-tenths of a mile from a student's homes. However, the Director of Transportation indicated that the District has an unwritten policy that students should not walk across the four state routes within the District (four lane roads). The District uses a parent survey, which includes transportation satisfaction information, as a means to solicit feedback concerning the policies and procedures noted above.

According to Ohio Revised Code §3327.01, school districts must provide transportation to pupils in kindergarten through eighth grade who live more than two miles from school. In addition, OAC §3301-83-13 states that students may walk up to one-half mile to a bus

stop. Route hazards which may require a deviation from a district's general transportation policy are described in OAC §3301-83-20 and include the following:

- Construction sites;
- Heavy traffic volume;
- Posted speeds in excess of 35 mph;
- Lack of sidewalks or sidewalks in poor condition;
- Overpasses and underpasses;
- Areas of poor visibility;
- Restricted sight distances;
- On-street parking areas; and
- Railroad crossings.

Therefore, the District's actual transportation practices exceed State minimums in the following areas:

- Transporting kindergarten through eight grade students living less than 2 miles from school;
- Transporting high school students; and
- Designing cluster stops within 3/10's of a mile from student's home.

The District does not regularly monitor the financial impact associated with providing transportation services in excess of state minimum standards. This is due to the lack of routing software (see **R5.1**), which makes it cumbersome for the District to determine the students and routes that would be impacted by a change in transportation policy. However, through a review of the manual records, the Director of Transportation estimates that 10 buses or more could be eliminated if the District limited student transportation to State minimum standards.

R5.9 The District should adopt a policy that addresses reimbursement for non-routine transportation services. The policy should state that all billable trips will be fully-reimbursed through user charges based on the actual cost of providing the services. To facilitate an accurate billing procedure, the Treasurer and Director of Transportation should devise a method to more accurately track the costs associated with providing non-routine transportation services. Implementing this recommendation should also help the District improve its T-form reporting (see R5.7).

Table 5-12 shows non-routine miles per bus, per student, and as a percent of total miles for Painesville TLSD and the peer average.

Table 5-12: Non-Routine Miles Operational Statistics

	Painesville TLSD	Peer Average	Percent Variance
Total Miles	956,852	426,219	124%
Routine Miles	905,580	385,704	135%
Non-Routine Miles	51,272	40,515	27%
Non-Routine Miles as Percent of Total Miles	5.4%	10.4%	(49%)
Number of Active and Spare Buses	68	43	60%
Non-Routine Miles per Bus	754	1,008	(25%)
Total Miles per Bus	14,071	9,953	41%
Students	4,661	4,496	4%
Non-Routine Miles per Student	11.0	9.1	21%

Source: ODE

Table 5-12 shows that although the District drives more non-routine miles than the peer average, the District's non-routine miles as a percentage of total miles and the non-routine miles per bus are lower than the peer average. The disparity in these ratios is due, in part, to the size of the District and the routine miles more than doubling the peer average.

OAC §3301-83-16 defines non-routine use of school buses as “transportation of passengers for purposes other than regularly scheduled routes to and from schools. School buses may be used for non-routine trips only when such trips will not interfere with routine transportation services.” According to *Anderson's 2003-04 Handbook of Ohio School Law* (Kimball H. Cary, 2003), districts traditionally use school buses to transport athletic teams, band groups, and other school groups to contests or functions in which the team or group participates. Another non-routine use of school buses is for field trips; transporting students to museums, places of historical interest, or other educational trips. There are limitations, however, to a district's discretion as to the non-routine use of school buses. Specifically, non-routine trips must be considered as part of the school's program or as part of a school-sponsored program. In addition, according to OAC Section 3301-83-16, except for field trips on regular school days (for which no transportation charge may be imposed), school boards are required to recover the operational costs associated with the non-routine use of school buses, including reimbursements to cover driver salaries and benefits.

The District does not have a Board policy that formally specifies how the costs associated with non-routine transportation services are to be tracked and reimbursed. In addition, the District does not track non-routine costs separately from routine transportation costs. For billing purposes, the District charges the users on a per mile basis that is captured on a form completed by the driver. The mileage reimbursement rate is determined by the District and approved by the Board once a year. According to the Treasurer, this practice can result in inadequate costs recovery when gasoline prices increase significantly

throughout the year while the Board approved reimbursement rate remains the same until the next annual review.

R5.10 The District should consider adding another threshold to its purchasing policy that would require more items to be purchased in a competitive environment as noted in R2.13 of the financial systems section of this report. This would help the District demonstrate that it uses consistent, fair, and objective practices in the selection of transportation service providers.

Table 5-13 compares Painesville TLSD's costs for supplies and tires to the peer average.

Table 5-13: Supply Costs for Painesville and Peers

	Painesville TLSD	Peer Average	Percent Variance
Supply Costs	\$21,759	\$17,127	27.0%
Tire Costs	\$30,820	\$16,888	82.5%
Total Supply Costs	\$52,579	\$34,015	54.6%
Per Student	\$11.85	\$10.29	15.2%
Per Bus	\$773.22	\$791.05	(2.3%)
Per Mile ¹	\$0.05	\$0.09	(44.4%)

Source: ODE

¹ Includes non-routine miles and non-routine expenditures for Painesville TLSD due to T-form reporting errors (see R5.7).

Table 5-13 shows that the District's total supply costs were approximately 15 percent higher on a per student basis in FY 2004-05. The higher supply costs were necessary due to the District using 68 buses to travel 956,852 miles (905,580 routine miles) in FY 2004-05. In contrast, the peers only used an average of 43 buses to travel 426,219 miles (385,704 routine miles). As a result of this disparity, the District's supply costs per bus and per mile were lower than the peer averages. The Director of Transportation indicated that the District usually purchases repair parts at the annual NAPA auto parts show in Columbus where it can get the best price using quantity discounts. Tires are purchased twice a year in bulk from the vendor, providing the best comparative price. Supply and fuel costs are verified with the Lake County Consortium (the consortium) and then compared to local vendors who are requested to meet those prices. Typically, new buses are purchased through the consortium as well. The consortium receives competitive bids on the vehicles that it makes available to the member districts.

The District's purchasing policies do not require formal price quotes unless the proposed purchase exceeds \$15,000. According to the Voinovich Center for Leadership and Public Affairs at Ohio University, effective contract management assures the community that taxpayer dollars are spent strategically and wisely, which includes control over what is to be purchased, by whom, for what purpose, with what results, and at what price. The

purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community. The **financial systems** section contains a detailed analysis of the District’s purchasing practices.

Special Needs and Payment-In-Lieu of Transportation

R5.11 Painesville TLSD should investigate strategies to reduce its special needs transportation costs. Specifically, the District should consider actively promoting the formation of parent/guardian contracts for special needs riders. While parents cannot be required to provide transportation, the District can promote the use of these contracts with the goal of decreasing the total number of special needs students transported by the District. In addition, the District should adopt a policy requiring the Director of Transportation and the Treasurer to annually prepare a cost-benefit analysis showing the cost of the District’s membership in the East Shore consortium in comparison to the projected costs of completing the special needs transportation function in-house.

Lastly, Painesville LTSD should strive to increase the number of payment-in-lieu-of transportation agreements as an alternative to providing transportation for hard to reach students. In order to maximize savings, and in conjunction with taking measures to optimize bus utilization (see R5.1), the District should establish payment-in-lieu of transportation agreements with riders that would enable reductions to its fleet.

Table 5-14 shows special needs transportation ratios for Painesville TLSD and the peers.

Table 5-14: Special Needs Transportation Costs

	Painesville TLSD	Peer Average	Percent Variance
District-Owned Special Needs Buses	3	3.9	(23.1%)
Special Needs Riders (Types I and II)	28	51	(45.1%)
Riders per Bus ¹	8.7	12.9	(32.6%)
Type I-II Special Needs Expenditures			
• Per Rider	\$2,314	\$6,056	(61.8%)
• Per Bus	\$16,725	\$88,698	(81.1%)
Total Special Needs Expenditures per Special Needs Rider (All Types)	\$ 6,018 ²	\$ 5,482	9.8%

Source: Painesville Township and Similar Districts T- Reports

¹ Excludes special needs students riding regular buses and East Shore students.

² Includes 28 Type I and 9 Type VI special needs riders.

Table 5-14 shows that Painesville TLSD transported approximately nine special needs students per bus while the peer average was nearly 13. However, although the District’s Type I-II special needs costs per rider and per bus are significantly lower than the peers, the District’s total special needs cost per rider (all types) was 9.8 percent higher than the peer average (see **Table 5-16**). This is due to the District transporting additional students on buses owned by East Shore. These costs are not included in **Table 5-14** because these students are not included on Painesville TLSD’s T-1 report. **Table 5-15** shows the revised special needs transportation expenditures when the costs associated with East Shore are combined with the in-house transportation costs.

Table 5-15: Revised Special Needs Transportation Costs

	Painesville TLSD	Peer Average	Percent Variance
Special Needs Riders	65	51	27.5%
Type I-II Special Needs Expenditures	\$435,825	\$190,331	129.0%
Per Rider	\$6,705	\$6,056	10.7%
Total Special Needs Expenditures per Special Needs Rider (All Types)	\$8,023	\$5,482	46.4%

Source: ODE, Painesville Township, and Similar Districts T- Reports

Table 5-15 shows that when the costs associated with East Shore are included, the District’s cost for special needs transportation is approximately 11 percent higher per rider than the peer average. In addition, the District’s ratio of total special needs expenditures per rider for all types is 46 percent higher than the peer average, due in part to Type VI costs (see **Table 5-16**). Although the District’s special needs transportation costs are higher than the peer average, the Treasurer indicated that the East Shore program still generates savings for the District by eliminating some of the duplication of effort associated with each district separately transporting its own students. In addition, the Treasurer indicated that the District has completed cost comparisons in the past to determine the efficiency of the East Shore program versus completing the special needs transportation function in-house. The last cost comparison indicated that the District could generate savings by offering certain classes in-house and then filling vacancies within these classes with students from other member districts of the East Shore consortium. The Treasurer noted that the District has been expanding its special needs course offerings over the last few years based on this cost comparison. According to a representative from ODE, educating special needs students within the District is always more cost effective if there are enough students to fill a class.

In addition to transporting students on District owned buses, Painesville TLSD is permitted to negotiate payment-in-lieu of transportation agreements and contract with other entities for transportation services. **Table 5-16** compares the costs incurred by the District for payment-in-lieu contracts and outsourcing to the peer average for FY 2004-05.

Table 5-16: Types IV (Payment-in-Lieu) & VI (Privately Owned Other Vehicle) Transportation Costs

	Painesville TLSD	Peer Average	Percent Variance
Type IV			
Riders	232	60	286.7%
Cost	\$11,031	\$9,704	13.7%
Cost per Rider	\$48	\$153	(68.8%)
Type VI			
Riders	9	3	200.0%
Cost	\$157,882	\$15,220	937.4%
Cost per Rider	\$17,542	\$9,899	77.2%

Source: Painesville Township and peer districts T-reports

Table 5-16 shows that although the District's Type IV costs per rider (payment-in-lieu) were approximately 69 percent lower than the peer average in FY 2004-05, the District's costs per Type VI (privately owned, other vehicles) rider were approximately 77 percent higher than the peer average. The District uses payment-in-lieu contracts (Type IV) for regular needs students attending private schools. However, in FY 2004-05, the District also used seven buses solely to transport 233 nonpublic school riders, averaging only 33 riders per bus. In addition, the Type IV cost per rider (\$48) is significantly lower than the District's Type I cost per rider (\$688). Therefore, striving to actively promote and establish additional payment-in-lieu of transportation agreements, along with other measures to optimize ridership per bus (see **R5.1**), can help the District reduce buses and overall transportation costs.

The District uses private contractors (Type VI) to transport students who have severe disabilities or that cannot be easily transported on District-owned buses. For example, of the nine Type VI students transported in FY 2004-05, three are severely handicapped and require vans equipped with computers and other specialized equipment. The other students are transported on these buses because the timeframes of their respective schools (outside of the District), are not compatible with Painesville TLSD school times. These students are currently being transported to therapy sessions at places such as Cleveland, Euclid, and Willoughby. According to the District, none of the parents of the special needs children were approached regarding the possibility of establishing a parent/guardian transportation contract because both parents work during the school day and are unavailable for transportation purposes. To help ensure the lowest cost, the District solicits bids annually for transporting the Type VI students. The lowest bid was accepted for FY 2005-06. According to ODE, school districts can contract with parents or guardians to provide transportation of their special needs students under OAC Section 3301-83-19.

Ohio Administrative Code (OAC) 3301-51-07(A) stipulates that “each school district shall adopt and implement written procedures “...that ensure an individualized education program (IEP) is developed and implemented for each child with a disability.” Furthermore, as stipulated in OAC 3301-51-07(E), when forming an IEP team, districts should include the following as IEP team members:

- The child’s parents;
- The child, if appropriate;
- At least one regular education teacher of the child;
- At least one special education teacher of the child;
- A representative of the school district who is qualified to provide or supervise the provision of specially designed instruction;
- An individual who can interpret the instructional implications of evaluation results; and
- Other individuals who have knowledge or special expertise regarding the child, including *related services personnel*, as appropriate.

In addition, Ohio Administrative Code (OAC) 3301-51-10 states that school district transportation personnel shall be consulted in the preparation of the IEP when transportation services are required as a *related service* and when the child’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation. The Transportation Director indicated that the Director of Pupil Support Services obtains his input regarding transportation services for a special needs child prior to conducting an IEP meeting. The District transports 1.6 percent of its riders, including East Shore students, via special needs transportation while the peer average is 2.1 percent. This indicates that the District is transporting a higher percentage of its special needs student on regular buses, which is one indication that the District is using its IEP process to help limit the cost of special needs transportation.

Transportation Alternatives

R5.12 The District should consider developing a program to help improve the safety of students walking to school. To facilitate this, the District should form a committee of local stakeholders who are willing to volunteer their time in an effort to design and implement concepts similar to the walking school bus and bicycle train programs.

According to the Director of Transportation, the District does not promote students walking to school due to concern for student safety. The Director indicated that there are too many hazards within the District that would impede walk routes for students, including State routes, major highways, and a lack of sidewalks. Although there are

safety reasons that the District does not endorse walking to schools, there are programs that can be implemented to help ensure student safety when walking to school. For example, the Pedestrian and Bicycle Information Center (PBIC), which is part of the University of North Carolina (UNC) Highway Safety Research Center, indicates that a walking school bus could be an alternative in an area where some safety limitations apply. A walking school bus is a group of students walking to school with one or more adults. The PBIC also suggests a bicycle train which is similar, with adults supervising students riding bikes to school. These types of programs could be especially useful if the District were to adopt stricter transportation policies in the future, which subsequently would increase the number of students walking to school (see **R5.8**).

The National Safe Routes to School Clearinghouse (NSRSC) has developed a framework for developing a school walking program based on plans that have worked in other communities. NSRSC indicates that a district should complete the following when designing a school walking program:

- Bring the right people together through a committee;
- Hold a kickoff meeting and set a vision;
- Gather information and identify issues;
- Identify solutions;
- Make a plan;
- Get the plan and people moving; and
- Evaluate, adjust and keep moving.

NSRSC indicates that the committee should consist of interested community members to make walking and bicycling safe and appealing to children. The committee should include school officials, community officials, law enforcement personnel, parents, teachers, nurses, the school transportation department and other interested parties. NSRSC has also identified several training programs that can be used to help a community start a walking program, and to identify and solve specific problems around school buildings.

Financial Implications Summary

The following table summarizes the estimated one-time costs, cost avoidances, and annual cost savings identified in this section of the report.

Summary of Financial Implications for Transportation

Recommendation	Estimated One-Time Costs	Estimated Accumulated Cost Avoidance	Estimated Annual Cost Savings
R5.1 Purchase routing software (one-time)	\$17,000		
R5.1 Reduce personnel cost from eliminating nine buses			\$192,000
R5.1 Reduce insurance costs from eliminating nine buses			\$5,500
R5.3 Reduce annual bus purchases by five buses (\$325,000 yearly for five-years)		\$325,000	
R5.5 Reduce minimum guaranteed hours			\$19,000
R5.6 Reduce one secretary			\$36,700
R5.6 Reduce sick leave use			\$35,200
Total	\$17,000	\$325,000	\$288,400

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Food Services

Background

This section focuses on the food service operations of Painesville Township Local School District (Painesville TLSD or District). The objective is to analyze the current and future financial condition of the food service program, develop recommendations for improvements in processes, and identify opportunities to increase efficiency. For benchmarking purposes, Painesville TLSD's food service operations are compared throughout this report to a peer average consisting of ten school districts. The peer average is comprised of Amherst Exempted Village School District, Canfield Local School District, Jackson Local School District, Lake Local School District, Northmont City School District, Norton City School District, Oak Hills Local School District, Perry Local School District, Poland Local School District, and Wadsworth City School District. These ten districts are classified as "Type 6" (urban/suburban and high median income) by the Ohio Department of Education (ODE), the same type as Painesville TLSD. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil.

Organizational Structure and Function

Table 6-1 shows the District's food service staffing levels for FY 2005-06.

Table 6-1: Painesville TLSD Food Service Staffing Levels

Classification	Total Number of Positions	Total Daily Hours Worked	FTEs
Administration			
Food Service Director	1.00	8.00	1.00
Total Administration	1.00	8.00	1.00
Food Service Staff			
Kitchen Managers	9.00	61.75	7.72
Assistant Cooks	15.00	71.75	8.97
Assistant Cooks/Cashiers	3.00	19.50	2.44
Cashiers	6.00	15.00	1.88
Lunchroom Assistants	6.00	12.00	1.50
Total Food Service Staff	39.00	180.00	22.50
Clerical Staff			
Secretary	1.0	6.0	0.75
Total Clerical Staff	1.0	6.0	0.75
Total	41.00	194.00	24.25

Source: Painesville TLSD

As shown in **Table 6-1**, the District employs 41 food service personnel, which equals 24.25 full time equivalents (FTEs). Kitchen managers and assistant cooks comprise the majority (approximately 69 percent) of the food service FTEs.

The stated goal of the District's food service staff is to work together to provide students with breakfast and lunch at a reasonable cost, and to provide a pleasant and healthy eating experience. The following provides a description of job duties, by position, that support attainment of this goal:

- **Food Service Director:** The Food Service Director is located in the high school building and is responsible for supervising food service staff, preparing the food service budget, and managing the District's meal programs, including ordering commodities, planning menus, and monitoring student purchase patterns. The Food Service Director also submits reimbursement forms to the ODE to ensure the District receives appropriate meal reimbursements. The Food Service Director is also responsible for other duties as required by the administration and Board.
- **Kitchen Manager:** Kitchen managers are responsible for planning and supervising the food preparation and distribution process. Kitchen managers must follow guidelines established by the National School Lunch Program (NSLP) to preserve food quality, ensure that food is handled and prepared properly, and maintain a sanitary environment. Kitchen managers also assign daily responsibilities for kitchen staff and provide training as necessary. Kitchen managers report to both the Food Service Director and the building principal.
- **Assistant Cook:** Assistant cooks are responsible for specific food preparation duties for the lunch and breakfast programs as directed by their kitchen manager. Assistant cooks may be assigned to a specific area of preparation, such as baking, salad preparation, or range cooks. Assistant cooks also serve portion-controlled meals to students and continually monitor food items for quality during the serving process. Kitchen managers supervise assistant cooks.
- **Cashier:** Cashiers are responsible for processing meal/food transactions during breakfast and lunch periods. The District is currently operating under a point-of-sale (POS) computer system whereby the majority of students prepays for meals and makes purchases without exchanging cash. The Food Service Director stated that the cashiers are responsible for entering student purchase information into the POS system to credit a student's account. As students may also pay cash for meals and other food items, the cashiers are also responsible for processing the cash transactions, tabulating the total number of free/reduced meals and paid meals, reconciling the sales to cash on hand at the end of day, and preparing the bank deposit. Cashiers report to the kitchen manager.

- **Assistant Cook/Cashier:** Assistant cooks/cashiers are responsible for the duties outlined for assistant cooks and cashiers. The Food Service Director indicated that an assistant cook/cashier could assist with the preparation of meals and then transition to a cashier position during serving periods. Kitchen managers supervise assistant cooks/cashiers.
- **Lunchroom Assistant:** Lunchroom assistants are responsible for preparing the cafeteria for lunch, monitoring and managing the behavior of students while they are in the cafeteria, and performing cleanup duties after the lunch period. Lunchroom assistants are also responsible for any duties within the scope of their job description as assigned by their kitchen manager. Lunchroom assistants report to kitchen managers.

Financial Condition

Table 6-2 illustrates the revenues and expenditures related to Painesville TLSD's food service program in FY 2002-03, FY 2003-04, and FY 2004-05.

Table 6-2: Painesville TLSD Food Service Fund FY 2002-03 to FY 2004-05

	FY 2002-03	FY 2003-04	Annual Change	FY 2004-05	Annual Change
Revenues:					
Student Charges	\$876,488	\$918,128	4.8%	\$1,000,073	8.9%
State Grants-in-Aid	\$8,140	\$10,693	31.4%	\$14,543	36.0%
Federal Grants-in-Aid	\$221,871	\$294,208	32.6%	\$382,092	29.9%
Earnings on Investments	\$0	\$394	100%	\$0	(100%)
Total Revenue	\$1,106,499	\$1,223,423	10.6%	\$1,396,708	14.5%
Expenditures:					
Salaries	\$392,057	\$431,315	10.0%	\$449,511	4.2%
Retirement and Insurance	\$157,890	\$173,215	9.7%	\$169,438	(2.2%)
Purchased Services	\$19,401	\$28,797	48.4%	\$38,345	33.2%
Supplies and Materials	\$509,306	\$533,226	4.7%	\$571,847	7.3%
Capital Outlay	\$26,200	\$16,235	(38.0%)	\$20,974	29.2%
Total Expenditures	\$1,104,854	\$1,182,788	7.1%	\$1,250,115	5.7%
Revenues Over (Under) Expenses	\$1,645	\$40,635	2,370.2%	\$146,593	260.8%
Transfers-In	\$20,000	\$0	(100%)	\$0	0%
Advances-In	\$4,075	\$0	(100%)	\$0	0%
Operating Transfers-Out	\$0	\$0	0%	\$0	0%
Advances-Out	(\$23,907)	(\$4,075)	(83.0%)	\$0	(100%)
Net Transfers/Advances	\$168	(\$4,075)	2,525.6%	\$0	(100%)
Revenues Over/ (Under) Expenses (Including Transfers)	\$1,813	\$36,560	1,913.2%	\$146,593	301.0%
Beginning Fund Balance	\$0	\$1,813	100%	\$38,373	2,016.5%
Ending Fund Balance	\$1,813	\$38,373	2,016.5%	\$184,966	382.0%

Source: ODE Annual Financial Report

Table 6-2 shows that at the end of FY 2002-03, the Food Service Fund had a positive ending fund balance of \$1,813. In addition, the transfer-in of \$20,000 in FY 2002-03 was used by the District to purchase a POS computer system, rather than to subsidize the daily operations. **Table 6-2** also shows that the ending fund balances in the Food Service Fund increased significantly in FY 2003-04 and FY 2004-05, without receiving General Fund transfers or advances. Explanations for significant variances in **Table 6-2** include the following:

- **Student Charges:** Student charges increased approximately five percent in FY 2003-04. The Food Service Director attributed this to the District phasing-in breakfast programs at some of the elementary school buildings. Prior to FY 2003-04, the District offered the breakfast program only at the secondary schools. Student charges increased approximately nine percent in FY 2004-05 due to completion of the breakfast phase-in and its availability at all school buildings. The Food Service Director also indicated that student lunch purchases increased during the last three years and the elementary lunch rates increased in FY 2004-05, both of which contributed to the large increases in student charges. The increase in student lunch purchases can be attributed, in part, to the POS system (see *Noteworthy Accomplishments*).
- **State and Federal Grants-in-Aid:** State Grants-in-Aid increased approximately 31 percent in FY 2003-04 and 36 percent in FY 2004-05. Likewise, Federal Grants-in-Aid increased 33 percent in FY 2003-04 and 30 percent in FY 2004-05. The Food Service Director attributed the large increases to offering the breakfast program in all school buildings and an increase in the number of students that qualify for free and reduced price meals.
- **Salaries:** Salaries increased 10 percent in FY 2003-04. The Food Service Director attributed the increase to hiring additional staff to support the breakfast programs at the elementary school buildings.
- **Retirement and Insurance:** Despite a four percent increase in salaries in FY 2004-05, the District's benefits decreased 2.2 percent. The Food Service Director attributed the decline to some employees accepting a stipend from the District to opt out of the employer-paid benefits program (see the **human resources** section for a discussion of employee benefit plans).
- **Purchased Services:** Purchased services increased 48 percent in FY 2003-04 and 33 percent in FY 2004-05. The Food Service Director attributed the large increases to installation costs associated with a POS computer system. The middle school began operating under a POS system in FY 2002-03, and expenditures for FY 2003-04 reflect POS installation costs for the junior high school and high school. However, according to the Food Service Director, the POS system could not track students on free and reduced lunches and the system's technical support was insufficient. Therefore, the District

purchased and implemented a new POS system at Hale Elementary in FY 2004-05. The District installed the new POS system in all the remaining buildings in FY 2005-06. The District does not have a strategic or capital plan to guide food service purchases (see **R6.1** and **R6.2**).

- **Supplies and Materials:** The District's expenses for supplies and materials increased five percent in FY 2003-04 and seven percent in FY 2004-05. The Food Service Director attributed the increases to implementation of the breakfast program at the school buildings.

Operating Statistics

Table 6-3 compares the District's total operating revenues and expenditures on a per meal basis to the peers.

Table 6-3: Revenues and Expenditures per Meal

	Painesville TLSD	Peer Average
Meals Served (Meal Equivalents)	505,080	366,631
Operating Revenues	\$1.98	\$2.65
Non-Operating Revenues	\$0.79	\$0.55
Total Revenues Per Meal	\$2.77	\$3.20
Salary Expenditures	\$0.89	\$1.19
Fringe Benefits	\$0.34	\$0.49
Purchased Services	\$0.08	\$0.17
Supplies and Materials	\$1.13	\$1.25
Capital Outlay	\$0.04	\$0.04
Other Expenditures	\$0.00	\$0.00
Total Expenditures Per Meal	\$2.48	\$3.15
Profit / (Loss) Per Meal	\$0.29	\$0.06

Source: Painesville TLSD and peer district financial (4502) and food service (MR) reports

Note: Meals served/equivalents used in **Table 6-3** and other assessments are calculated according to the National Food Service Management Institute's *Financial Management Information System* (2005). One lunch = one meal equivalent; three breakfasts = two meal equivalents; and a la carte sales / (Free Lunch Reimbursement + Commodity Value per Meal) = one meal equivalent

Table 6-3 shows that the District served approximately 38 percent more meals than the peer average in FY 2004-05. Additionally, **Table 6-3** shows that expenditures per meal in each category were lower than the peer average in FY 2005-06. Despite the District's total revenues per meal being \$0.44 (14 percent) lower than the peer average, **Table 6-3** also shows that the District's net gain was approximately \$0.23 more per meal than the peer average in FY 2004-05.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several areas that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Staffing Levels:** Painesville TLSLSD averaged 17.1 meals served per labor hour, which is slightly lower than the peer average (17.9). However, when excluding the one district that is significantly skewing the peer average, Painesville TLSLSD's average of 17.1 meals served per labor hour is higher than the adjusted peer average (16.0). Furthermore, based on a comparison of meals per labor hour in each building to the industry standards recommended in *Foodservice for the 21st Century, Fifth Edition* (InTeam Associates, 1999) the District, in total, serves a approximately 13 more meals per labor hour than the standards. Therefore, the District's food service staffing level appears reasonable.
- **Free and Reduced Price Lunch Programs:** Through the use of various tools such as the direct certification program administered by the Ohio Department of Jobs and Family Services (ODJFS), the District's POS computer system, and mailing free and reduced price lunch applications directly to the homes of all students, the District has been able to achieve free and reduced price lunch participation rates that are higher than the peer average and total participation rates that are comparable to the peer average.
- **Employee Salaries:** The District's average salary for food service employees is approximately \$3,000 less than the peer average.
- **Collective Bargaining Agreement:** The classified employee collective bargaining agreement allows certain food service employees to receive a uniform allowance of \$50. The District's practice of reimbursing the employee for documented costs up to \$50 ensures that uniforms are purchased as needed and the funds are spent in an appropriate manner. The collective bargaining agreement also stipulates that classified employees are responsible for paying a portion of their insurance benefit costs which is calculated based on their total hours worked. See the **human resources** section for an analysis of health benefits.

Noteworthy Accomplishments

During the course of this performance audit, the following noteworthy accomplishments or best practices were noted in the Painesville TLSD food service program:

- **Fiscal Status:** **Table 6-2** shows that the District's food service program is self-sustaining and has not required transfers from the General Fund for operating purposes during the past two years. This indicates that with the exception of building utility costs (see **R6.3**), General Fund monies are not being diverted from the classroom to support food service operations. In addition, based on a review of claims submitted for the months from September 2005 to February 2006, the District complied with the State and federal time frame requirements for reimbursement. Furthermore, the District's net profit per meal exceeds the peer average.
- **Waste Prevention:** Through the just-in-time (JIT) ordering system and scheduling recess before lunch, the District minimizes food waste. The JIT delivery system alleviates the need for long-term food storage, which subsequently helps eliminate waste associated with food expiration and prevents inefficient use of building space. According to the District, having recess before lunch minimizes waste because students do not rush to finish lunch in order to get to recess.
- **Customer Service:** A POS system helps the District monitor student purchasing patterns. In addition, the Food Service Director indicated the District regularly seeks student feedback regarding meal offerings through various formal (Wellness Committee) and informal methods (student rapport with food service staff). The Food Service Director indicated that this information is used regularly to alter the menus in an effort to increase student participation in the food service program. For example, the District recently began offering three lunch entrée options instead of one for elementary school students.
- **Performance Measurement:** The Food Service Director actively evaluates program data to measure performance and facilitate decision-making. For example, the Food Service Director tracks food costs, labor costs, participation rates, free and reduced price meal participation rates, and other similar ratios for review in comparison to the annual budget, recent performance history, and to other school buildings within the District. The Food Service Director addresses discrepancies after completing these evaluations and comparisons.
- **Program Evaluation:** Painesville TLSD received a Coordinated Review Effort (CRE) evaluation of its food services program in Hadden Elementary School and Madison Avenue Elementary School in April 2006 through ODE's Office of Safety, Health, and Nutrition. Overall, ODE commended the District for maintaining high participation rates

at each building and for keeping current with trends and methods to improve food service operations. The only citation the District received was for storing a cash box in the food storage refrigerator. The Food Service Director indicated that the District corrected this by discussing the issue with the employees and finding an alternative location for storing the cash box.

- **Point-of-Sale System (POS):** The District's food service program uses a POS computer system to efficiently manage departmental operations. The District's POS system has applications and capabilities comparable to those recommended in *School Foodservice Management for the 21st Century* (InTEAM Associates, 1999). The POS system also allows students on free and reduced price lunch programs to remain anonymous as the system prevents identification by income status. This has contributed to the positive ending fund balances shown in **Table 6-2** by increasing participation. As a result, the District's Federal and State Grants-in-Aid have increased an average of 32.5 percent the last two years.

Recommendations

Financial Operations & Long-Term Planning

- R6.1 The District should develop a five-year operating plan for the food service function that is tied to operational goals and the annual budget. The plan should include clearly defined and measurable goals, objectives, work steps, benchmarks and should be included within the District-wide strategic plan. See R2.5 in the financial systems section for more information on strategic plans.**

The District does not have a long-term operational plan for food service, and the District-wide strategic plan does not address food service operations. However, the Food Service Director indicated that the District is a member of the National School Lunch Program (NSLP). As a member of NSLP, the District operates under the United States Department of Agriculture (USDA) Wellness Policy, which establishes goals and guidelines for food service programs to ensure overall wellness and to promote healthy lifestyle choices among students. The Food Service Director also noted that the District operates under guidelines set forth by the USDA through the Hazard Analysis and Critical Control Point (HACCP) program. HACCP outlines goals and plans for food service programs regarding general food safety, appropriate food handling, and food disposal.

Although the District's membership in the NSLP and HACCP programs helps identify goals and objectives for meeting student nutrition and safety standards, the programs do not address long-term operational issues such as kitchen needs, staffing levels, personnel management, technology purchases, building renovations, and equipment replacement. The lack of a long-term operations plan can result in limited foresight in identifying needs, allocating resources, and assigning accountability. This is evident in the District having to purchase a second POS computer system in FY 2004-05 in order to address various issues associated with the previous POS system.

The Government Finance Officers Association's (GFOA) *Best Practices in Public Budgeting* (2000) indicates that governments should develop and adopt policies and plans to guide program operations and services. Service and program policies and plans translate broad goals into strategies for achieving goals. GFOA further recommends that governmental entities use some form of strategic planning to provide long-term perspectives for service delivery and budgeting, thus establishing logical links between spending and goals. In the strategic planning process, GFOA recommends development of measurable objectives and inclusion of performance measures. See **R2.5** in the financial systems section for additional information from GFOA and the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) regarding strategic planning.

R6.2 In conjunction with the strategic plan, the District should develop a food service equipment replacement and preventive maintenance plan. The plan should specify the District’s future food service equipment needs, including timing and sequence, estimated costs, and potential funding sources. In addition, the plan should include an assessment of the District’s current equipment, estimates of remaining useful lives, and a detailed preventive maintenance schedule to be followed for each piece of equipment. Once the plan is in place, the District should ensure that appropriate documentation is maintained to support the preventive maintenance actions that are taken. Furthermore, this plan should be linked to the District’s capital improvement plan (see R4.8 in the facilities section),

The District does not have a viable preventive maintenance and long-range equipment replacement program in place for food service. The Food Service Director indicated that the refrigeration units and fire suppression systems are the only equipment items that receive preventive maintenance on a regular basis. All other equipment receives maintenance or is replaced on an as-needed basis. The Food Service Director also noted that physical inventories are performed on food service equipment at the end of each school year and any dispositions occur through manufacturer trade-ins or sales at auction.

The lack of an equipment replacement and preventive maintenance plan for food service is not consistent with the District’s Bylaws and Policies. More specifically, the School Board’s policy on equipment states that “The Board of Education recognizes that the District’s fixed assets represent a significant investment of the community and their maintenance is a primary concern. Therefore, the Board directs the conduct of a continuous program of inspection, maintenance and rehabilitation for the preservation of all school buildings and equipment. Wherever possible and feasible, the maintenance shall be preventative.” Furthermore, OPPAGA indicates that the food service program should, at least annually, inspect and evaluate its operational components and the system as a whole, and take action to initiate needed change. In addition, food service program management should have a viable preventive maintenance and long-range equipment replacement program in place. According to GFOA, a government should have a process in place for developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms.

R6.3 The Food Service Director should develop the annual budget based on accomplishing the goals and objectives outlined in the strategic plan as well as the equipment replacement and preventive maintenance plans, rather than relying strictly on historical activity. In addition, to obtain the most accurate measure of the Food Service Fund’s profitability, the District should consider devising a method to allocate an appropriate percentage of building utility costs to the Food Service Fund. For example, the District may want to consider charging the utilities to the Food Service Fund based on the square footage of each building’s cafeteria in

relation to the entire building. The District should also begin developing a five-year financial forecast for its food service operation to assist in future decision-making. The forecast should be updated at least annually and should consider issues that could impact the food service budget, such as inflation and student enrollment.

Table 6-2 shows that the District's food service program has been self-supporting over the past two years and has achieved significant growth in revenue. Furthermore, the District is charging a majority of the food service program's related expenses to the Food Service Fund. According to the Food Service Director, utilities are the only expenses that are not charged to the Food Service Fund. This is due to the lack of a method to separately track cafeteria utility usage rather than an inability of the Food Service Fund to afford the utility costs.

Although the District's Food Service Fund is currently self-sustaining, the Food Service Director indicated that the District does not prepare a cash-flow forecast as a means to help ensure that the Food Service Fund remains self-sustaining in the future. Furthermore, the Food Service Director stated that budgeting is based on historical performance and is not goal-driven. This is due, in part, to the lack of strategic, equipment replacement, and preventive maintenance plans for the food service operations (see R6.1 and R6.2).

OPPAGA recommends that food service program management should prepare a budget based on its plans, goals, and objectives and should not limit budget planning to historical or incremental increases. OPPAGA also recommends that food service management prepare a five-year cash flow budget that meets planned needs and does not require subsidies from the General Fund. In addition, GFOA recommends that governments calculate the full cost of services. The full cost includes all direct and indirect costs related to that service. Direct costs include employee expenses and other operating costs (e.g., utilities), while indirect costs include shared administrative expenses. GFOA also recommends that governments at all levels forecast major revenues and expenditures.

R6.4 The District should develop policies and procedures to periodically solicit bids for outsourcing food service operations. For example, the policies could stipulate that the District will send a request for proposal (RFP) to at least three food service suppliers every two years. This will provide the District with some assurance that the in-house food service operating costs are competitive with the private sector.

The Food Service Director indicated that the District completed an internal study approximately eight years ago to determine the cost and impact of transforming the District to a central kitchen concept. However, that analysis was designed with the intent of continuing food service operations in-house and showed that the central kitchen concept would not work well in the District. In the absence of a periodic review of the

cost of privatization, the District does not know whether other entities could operate food services at a lower cost and at a higher level of quality.

According to GFOA *Best Practices in Public Budgeting* (2000), a government should develop programs and services that are consistent with government policies and should regularly evaluate alternative delivery mechanisms. This includes whether the service could be delivered more effectively or more efficiently if provided in a different way, either by the government itself or by entities outside of the government. In order to address priorities, an evaluation of delivery alternatives for services and programs helps to ensure that the best approach is selected for delivering a service. Periodic review of delivery alternatives also ensures a program is consistent with the district's policies and plans.

R6.5 The District should update the employee handbook to include other key policies and procedures, such as cash control and inventory procedures. This would help to better ensure that each kitchen is aware of, and follows, the appropriate policies and procedures.

The District does not have a comprehensive policies and procedures manual for food service operations. However, the Food Service Director developed a handbook for food service staff approximately 10 years ago. The handbook is updated annually and is used to provide new employees with information regarding the food service program, including brief descriptions of staffing, benefits, safety concerns, and training opportunities. The handbook also provides detailed descriptions of the District's meal programs and uniform policy. In addition, the Food Service Director has provided each kitchen with a binder that lists the Hazard Analysis and Critical Control Points (HACCP) food safety policies. Kitchen managers periodically review policy sections of the HACCP binder with kitchen staff. However, the food service handbook and the HACCP binder both lack certain elements that may be useful, including cash control procedures and inventory management.

OPPAGA indicates that food service management should develop a comprehensive procedures manual that is kept current. The manual should be consistent with overall district policy, cover essential areas of responsibility, and communicate management intent regarding cash control, inventory procedures, ordering procedures, sanitation, food safety, employee safety, and emergency procedures.

Purchasing

R6.6 In conjunction with R6.5, the District should update the food service handbook to reflect the current purchasing practices and School Board policies. Specifically, the handbook should mention each of the current practices in the areas identified by the Association of School Business Officials International (ASBO) as being critical components of a sound purchasing program. Doing so would ensure that the District's food service program recognizes effective purchasing practices and serve as a reference guide for food service staff to ensure adherence to these practices. See the financial systems section (R2.13) for additional District-wide purchasing recommendations.

The Food Service Department uses the same Board approved purchasing policies as the rest of the District. Board policy stipulates that the District shall use competitive bidding for purchases when required by state law (anything exceeding \$25,000 as noted in ORC 3313.46). In addition, Board policy requires at least three price quotations for purchases in excess of \$15,000. The policies also state that the School Board recognizes the advantages of cooperative purchasing for value maximization and that the District's administration is encouraged to seek advantages in savings that may accrue through joint agreements for the purchase of supplies, equipment, or other services. The District's purchasing procedures are not addressed within the food service employee handbook.

Consistent with Board policy for cooperative purchasing, the food service program is a member of the following cooperatives: Hospital Purchasing Services (HPS), Pacer Co-Op, and Ohio Schools Council (OSC). The HPS consortium provides the District with food, paper products, utensils, and a variety of other supplies. The District uses the Pacer Co-Op, which diverts government entitlement funds to approved vendors that process gourmet commodities, to obtain items such as red meat, poultry, and potatoes. The District began purchasing through Pacer Co-Op in FY 2004-05. The Food Service Director noted that non-commodity items, such as dairy and baked goods, are purchased through the OSC consortium.

In ordering the various food items, kitchen managers are responsible for submitting weekly orders for non-perishable items to the Food Service Director, who approves the proposed purchase and submits the orders to the appropriate supplier. Thus, the ordering process is centralized through the Food Service Director for most items. The Food Service Director authorizes kitchen managers to place daily orders for dairy and baked goods directly with the OSC consortium due to the perishable nature of these items. The Food Service Director intervenes when kitchen manager orders appear costly or fail to meet nutritional requirements. In an effort to minimize purchasing costs and costs associated with waste, the District also utilizes the following:

- **Just-in-Time Delivery (JIT):** The District utilizes a JIT delivery system in which the vendor delivers items directly to the building on an as needed basis. Food is stored in refrigerated units located in each school building. The JIT delivery system alleviates the need for long-term food storage, which subsequently helps eliminate waste associated with food expiration and prevents inefficient use of building space.
- **Disposable Products:** The Food Service Director reported that all of the secondary schools use disposable plates and utensils. Elementary schools use disposable utensils and washable trays.
- **Recess Before Lunch:** Four of the elementary schools have student recess prior to the lunch period. The District claims that this minimizes waste because students are not preoccupied with rushing their lunch in order to get to recess. The District also indicates that this reduces student illnesses brought on by a combination of full stomachs and physical activity.

School Foodservice Handbook: A Guide for School Administrators (ASBO, 1999) describes six standards for effective food service purchasing. **Table 6-4** compares these standards to the District's practice.

Table 6-4: Painesville TLSD Food Service Purchasing Practices

Standard	Painesville TLSD Food Service
Adheres to fair purchasing ethics (Makes purchases without prejudice and gives qualified vendors an equal opportunity)	The Food Service Director indicated that she purchases all foods through cooperatives and consortiums that place bids on behalf of the member entities, reviews all food service and cooperative costs, and makes decisions based on cost savings for the District.
Issues bids that result in a valid contract following federal, state, and local laws and regulations (Develops clear and simple bid specifications for products and services)	The Food Service Director indicated that she regularly reviews the efficiency and cost savings of the various consortiums/cooperatives. The Director participates in meetings with co-op management at the end of the contract period to review and renegotiate various issues to best serve the District.
Maintains purchasing procedures that provide optimum conditions and availability of goods and services (Uses volume and seasonal purchasing when appropriate, maintains file of vendor information, identifies product and services to be ordered based on menu projections)	The Food Service Director noted that she reviews vendors periodically for performance, maintains a file of vendor information, and identifies products based on menu projections.
Follows established procedures for receiving food, supplies, and equipment (Maintains receiving procedure to determine if amount received is consistent with amount ordered, verifies prices on invoice and quality of goods received)	The Food Service Director noted that because supplies are delivered to each school, kitchen managers are in charge of checking inventories, evaluating the accuracy of invoices, and inspecting the products. Kitchen managers are required to sign delivery invoices when they determine the items received are adequate. Kitchen managers report any issues to the Food Service Director. If a food product is unsatisfactory, the Food Service Director contacts the distributor to receive a replacement or credit.
Maintains proper storage procedures and area for various needs according to recognized guidelines (Provides appropriate temperature control, limits access, maintains clean and orderly storage area)	The Food Service Director indicated the following regarding recognized guidelines for storage procedures: -- The District operates under guidelines set forth by the USDA through the HACCP program. HACCP outlines goals and plans for food service programs regarding general food safety, appropriate food handling, storage, and food disposal. -- The Food Service Director reported that in addition to herself, the kitchen managers and building maintenance workers are the only people with keys to access the food storage areas. -- Kitchen managers check temperatures daily and log temperature data. When variances in temperatures are noted, kitchen managers contact the Director.
Controls issue of food, supplies, and equipment (Limits food distribution to appropriate personnel, conducts physical inventory of goods)	The food service program handbook describes policies that limit use of food items and equipment to authorized personnel. The Food Service Director reported that a physical inventory of all food items is performed monthly and that all food items in storage are locked with access granted only to food service management and building maintenance.

Source: The Foodservice Handbook: A Guide for School Administrators and Painesville TLSD

Table 6-4 shows that the District's food service program complies with ASBO's recommended purchasing practices. However, with the exception of the handbook including policies for limiting use of food and equipment to authorized personnel, the District's practices had to be obtained through interviews as they are not formally mentioned in the food service employee handbook. The failure to document these practices increases the potential for inconsistent or infrequent application of the practices.

Operational Efficiency

R6.7 The District's Food Service Department should implement a formal training program for all food service staff that identifies the core curriculum required for all staff, training needs specific to each employee, and a minimum number of annual training hours for staff. The core curriculum should be designed to cover critical aspects of food service operations such as those recommended by OPPAGA, to be completed either in-house and/or externally. To facilitate this process, the District should begin tracking the total number of hours and types of training for each employee.

The District provides food service employees with a variety of training opportunities. For example, the Food Service Director indicated that all food service employees have the opportunity to attend four meetings during the school year in which some training is provided. The first of these four meetings is mandatory and considered an in-service training covering school nutrition. In addition to the four meetings, new food service employees participate in orientation prior to the start of the school year and have the opportunity to attend several in-house trainings throughout the school year. The Food Service Director stated that the in-house training topics typically include food safety, business practices, and student interaction. The in-house training sessions are considered mandatory for kitchen managers, but are optional for non-supervisory food service workers with prior experience in the District. In addition, newly hired kitchen managers are required to complete in-house supervisory training, and all kitchen managers are encouraged to attend the annual state conference.

While the District provides some training for food service staff, the Director indicated that food service employees are not required to complete a specific number of training hours each year. Although food service employees are permitted to attend external training, the District only reimburses the employee for costs associated with classes that offer continuing education credits. Furthermore, the District tracks only the training hours each staff member receives for attendance at classes that result in continuing education credits.

According to OPPAGA, program management should develop training designed to meet basic program needs and improve food services. OPPAGA also indicates that program

management should analyze and develop comprehensive training plans that periodically include essential functions (e.g., customer service, food safety, meal count procedures, receiving and storage of food and supplies, etc.).

Developing a formal employee training program would help enhance the knowledge of food service staff and better ensure that all staff members are fully aware of their job tasks and applicable regulations. Additionally, tracking the total number of hours and types of training for each employee would help ensure that each employee receives the appropriate training.

R6.8 Painesville TLSD should consider using surveys as another method for obtaining input from students and other relevant stakeholders (parents and District staff). Doing so would ensure that the District considers a broad range of input from a variety of sources to help identify improvements to food service operations.

The District tries to obtain student input regarding meal offerings. More specifically, the Food Service Director indicated that the District has two student representatives on the Wellness Committee, which is a group that meets regularly to discuss student nutrition and physical activity. Those student representatives participate in the meetings, present information for decisions regarding nutrition, and provide feedback to the Food Service Director. In addition, the Food Service Director noted that food service personnel have a good rapport with the student body, which results in students freely voicing requests and offering feedback on food offerings.

While the District strives to obtain student input through the above methods, it does not regularly survey parents, students and staff regarding food service operations. The Food Service Director indicated that the District last conducted a formal survey approximately seven years ago in which survey documents were sent to parents. Because the participation in the surveys was low, the Food Service Director halted the practice. The Director indicated that she would like to conduct a formal survey, especially online, but is hesitant due to the unknown cost of the process. An online service could help the District easily administer and compile a customer survey. For example, one vendor advertises that an entity can sponsor an unlimited number of surveys, with an unlimited number of pages and questions for \$19.95 per month, or \$200 per year. The vendor also advertises that a subscription to a basic package is free. However, subscribers to the basic package are limited to 10 questions and 100 responses per survey.

According to the National Food Service Management Institute's *Recipes for Practical Research in Child Nutrition Programs* (1998), school food service and nutrition programs should begin a continuous improvement process by gathering customer feedback. Surveys are one method for gathering information from a large group of people in a short period of time at a moderate cost. Valid and reliable data gathered from students must be

the basis for developing enhancements in school foodservice and nutrition programs. The publication outlines the following steps for developing and administering a food service survey:

- **Step I:** Determine the objective of the survey, and ensure the survey is valid and reliable (e.g., conduct focus groups to identify objectives, choose a survey design and measurement scale, and pilot-test the survey instrument);
- **Step II:** Gain approval from the school community (i.e., school administration, principals, teachers, and parents);
- **Step III:** Determine when the survey should be conducted;
- **Step IV:** Determine how many surveys are needed to obtain valid data (specific guidelines are available in the publication);
- **Step V:** Determine how the survey will be conducted [e.g., random sampling (ideal method), classroom administration (classes taken by a large portion of the student body), etc.]; and
- **Step VI:** Develop a support network for the survey process and continuous improvement, such as through the following:
 - Involve student organizations, food service staff, and parent/teacher organizations;
 - Inform school administrators and state agencies;
 - Solicit assistance as directors should not conduct surveys by themselves; and
 - Analyze survey data.

Periodically using formal surveys to obtain student, parent, and staff input would improve the Director's ability to identify all perceived food service problems and gauge the significance of potential issues.

Financial Implication: It is estimated that it would cost the District \$200 per year to subscribe to an online survey service.

Financial Implications Summary

The following table summarizes the estimated annual implementation costs associated with the recommendations in this section of the performance audit.

Summary of Financial Implications for Food Services

	Implementation Cost (Annual)
R6.8 Subscribe to an online survey service	\$200
Total	\$200

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Technology

Background

This section of the performance audit focuses on technology functions within the Painesville Township Local School District (Painesville TLSD or the District). The objectives of this section are to assess staffing and the level of technology support, planning and budgeting, policies and procedures, security, hardware, communications, network infrastructure, as well as instructional and management software. These assessments were used to develop recommendations to increase the effectiveness and efficiency of the District’s technology utilization. Data from various sources was used for comparisons throughout this section of the report, including Ohio’s Biennial Educational Technology Assessment (BETA) survey, the Consortium for School Networking, and the International Society for Technology in Education (ISTE).

In addition, data from the BETA survey was compiled from ten peer school districts, resulting in a peer average that is referenced in applicable portions of this report. The peer average is comprised of data from Amherst Exempted Village School District, Canfield Local School District, Jackson Local School District, Lake Local School District, Northmont City School District, Norton City School District, Oak Hills Local School District, Perry Local School District, Poland Local School District, and Wadsworth City School District. These ten districts are classified as “Type 6” (urban/suburban and high median income) by the Ohio Department of Education, the same type as Painesville TLSD. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, AOS administered a survey of Painesville TLSD’s employees regarding technology services and the results of the survey were used in this report. **Appendix 7A** at the end of this section contains the full results of the survey.

Organizational Structure

Key components of the District’s technology operations include providing technical support, developing long-term technology plans and policies, facilitating professional development, securing and maintaining the network infrastructure, and supporting District hardware and software. The District’s technology function is managed by the Technology Department. The Technology Department’s organization and staffing, in terms of full-time equivalent (FTE) employees, is shown in **Table 7-1**.

Table 7-1: Painesville TLSD Technology Staffing Levels

Title	Number of Employees	FTEs
Director of Technology	1.0	1.0
Elementary Technology Coordinator	1.0	0.7
Elementary Building Representatives	6.0	0.2
Middle School Technology Representatives	2.0	0.1
High School Web-Master	1.0	0.1
Total Technology Staff FTEs	11.0	2.1

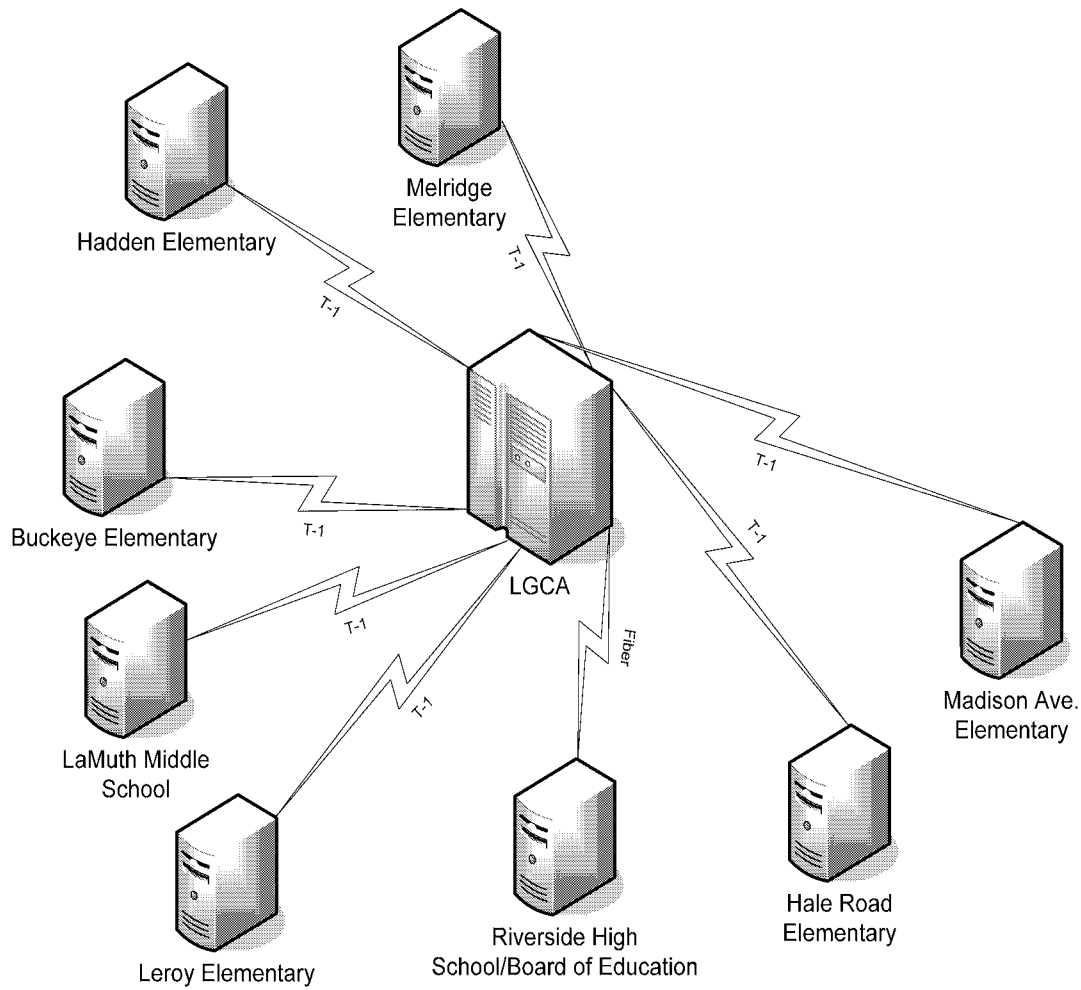
Source: Painesville TLSD and Director of Technology

Painesville TLSD’s technology employees are responsible for performing the following duties.

- **Director of Technology:** Responsible for computer and equipment set-up, software installation, trouble-shooting and network maintenance at the middle and high schools. The Director of Technology is also responsible for all computers and equipment in the administrative offices, the Payroll and Accounting Department, the Maintenance Department, and the Transportation Department. Additional responsibilities include securing price quotes for all technology equipment throughout the District, responding to any computer issues that the Elementary Technology Coordinator cannot resolve, attending all technology related meetings, and maintaining the District website.
- **Elementary Technology Coordinator:** Responsible for minor networking and troubleshooting, and responding to computer problems at the six elementary schools when the Elementary Building Technology Representatives cannot resolve them. The Elementary Technology Coordinator also provides staff at the elementary schools with instruction regarding the use of the student information system for grade reporting. This individual currently has a teaching certificate for grades K-8 and is paid according to the certificated salary schedule. This individual will resume full-time teaching duties and will no longer serve as the Elementary Technology Coordinator at the beginning of the 2006-07 school year (see R7.4).
- **Elementary Building Technology Representatives:** These employees serve as the first line of contact for solving any computer problems at the elementary schools. According to the Director of Technology, these staff members are full-time teachers who spend approximately five percent of their day responding to computer problems.
- **Middle School Technology Representatives:** These employees serve as the first line of contact for solving any computer problems at the middle school. They are full-time teachers who are available one period per day to answer technology related questions.
- **High School Web-Master:** One teacher devotes one period per day to maintaining and updating information on the high school webpage, which is located on the District’s website.

Painesville TLSD relies on the Lake Geauga Computer Association (LGCA), a Data Acquisition Site, to provide several key software applications and support services including the District’s financial accounting software, Internet access and student reporting services. **Chart 7-1** illustrates the District’s network connectivity and shows that all the District’s buildings must interface with LGCA to have access to the aforementioned programs and services.

Chart 7-1: Painesville TLSD School Network Diagram



Source: Painesville TLSD Director of Technology and Painesville TLSD WAN Diagram

Chart 7-1 also shows that Painesville TLSD currently maintains T-1 lines in all of its school buildings, with the exception of the high school/board of education building which has a fiber connection. A standard T-1 line has a speed of 1.54 million bits per second (Mbps), while one strand of fiber can carry 20,000,000,000 (20 Gigabits). Painesville TLSD plans on upgrading to fiber lines in all of the buildings during the summer of 2007.

Noteworthy Accomplishments

During the course of the performance audit, the following practices were identified as noteworthy accomplishments.

- **Student Technical Support:** Painesville TLSD has developed and implemented a program that uses students to assist District technicians in providing technical support. This program is beneficial for the District because it prepares students for careers in technology while allowing the District to minimize the cost of the technical support function.
- **Centralized Procurement:** Painesville TLSD has centralized the procurement of all computer hardware and software within the Technology Department. This ensures that all technology purchases are compatible with the District's existing equipment and can be supported by the technology staff.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, the following assessments were conducted on areas within the technology section that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Printing:** Painesville TLSD employs efficient options for printing, with laser printers representing nearly 84 percent of its total printers. In addition, the District intends to phase-out the existing ink jet printers as they will be replaced with laser printers in the future. According to Small Business Computing.com, the cost (purchase and ink) of a common laser printer that can print 40,000 pages is about two cents per page, which is about one-eighth the cost of an inkjet printer with the same capabilities.
- **Infrastructure:** Despite using T-1 lines in seven of the eight buildings, Painesville TLSD still has sufficient bandwidth available to accommodate its current needs based on a sample review of bandwidth usage reports. As previously mentioned, the District plans to upgrade all the buildings to fiber connections during the summer of 2007. This should allow for an increase in the use of instructional technologies and other on-line learning opportunities.

- **Software Applications:** Painesville TLSD is currently using a majority of the management and reporting software applications provided by LGCA. The only management applications and services not used by the District are three specialized State software applications (a special education classroom program, a parent assistant program, and an elementary/curriculum development program) and the inclusive technical support. The Treasurer indicated that inclusive technical support was not used because of the high costs associated with the service. In addition, the three specialized applications were not used because the District felt that the capabilities of the applications were not as strong as other available applications. However, the Treasurer indicated that the specialized applications have improved, and that Painesville TLSD may decide to use these applications in the future. In addition, the District uses various instructional programs, such as Successmaker Mathematics Concepts and Skills, the Waterford Learning and Reading Program, and Math Investigations. Furthermore, Painesville TLSD can transfer data across systems without having to manually re-enter it.

Recommendations

Planning and Budgeting

R7.1 The District should consider designing a new technology plan to include the following:

- **The technology plan should identify specific building needs and should be presented to, discussed with, and approved by the Board. This would help ensure that the Board shares the District’s technology vision and that funding to support the technology plan becomes a priority.**
- **The technology plan should discuss strategies to improve operations and reduce costs. This would help demonstrate the District’s technology needs and the potential benefit associated with an investment in technology. This information would also provide a benchmark that can be used to determine the value of a technology investment.**
- **The technology plan should identify a staff member (e.g., Director of Technology) that will be responsible for providing guidance and overseeing its implementation. In addition, the Board should consider requiring that this staff member annually present a technology plan update to show the District’s progress toward implementation. This would foster accountability and help ensure that the technology plan is a priority for the District.**

In addition, the District should work to identify specific funding sources and amounts that can be dedicated each year to achieving the goals and objectives identified in the technology plan. One potential option would be to reduce the annual allocations given to the building principals for non-building upgrades and maintain central control of these funds. The District could then use this money to help implement the upgrades and replacements identified in the technology plan. This would also help standardize the level and quality of technology purchases from one school building to the next.

Painesville Township Local School District (Painesville TLSD) has a technology plan in place that details goals, strategies, action steps and resources associated with implementing technology in the District. The technology plan covers FY 2002-03 through FY 2005-06.

In order to provide technology guidance to Ohio public schools, E-tech Ohio was created in 2005 to merge technology functions and support that were previously provided by the

Ohio Educational Telecommunications Network Commission (OET) and the Ohio SchoolNet Commission (OSNC). E-tech Ohio's online technology planning tool (TPT) assists school districts with the development of a district-wide technology plan that will meet State and Federal requirements and lead to action and results within a strategic planning framework. The TPT is divided into six phases with various activities in each phase, including checklists and other guides for technology implementation. Once completed, TPT indicates that a district's individual plan will achieve the following goals:

- Meet E-rate and E-tech Ohio technology plan criteria;
- Align the district's Continuous Improvement Plan (CIP) goals;
- Guide the district in convening its technology planning team to full implementation; and
- Encourage the district to maintain a current and working technology plan

Painesville TLSD's technology plan was developed by its Technology Planning Committee, consisting of 13 administrators, teachers, parents and community members. Upon completion, the technology plan was submitted to the Ohio SchoolNet Commission, the precursor to E-tech Ohio, and was approved by the Commission in 2003. School districts must have their technology plans approved by E-tech Ohio (or its precursor) in order to receive E-rate funding, which provides all public and private schools and libraries with access to affordable telecommunications and advanced technology.

According to the Florida Office of Program Policy Analysis and Government Accountability's (OPPAGA) *Best Practices and Indicators* for school district technology, school districts should have a comprehensive technology plan which addresses certain key activities. The District's technology plan addresses some components of OPPAGA's Best Practices and Indicators. Specifically, Painesville TLSD's technology plan includes recommendations to enhance and improve student achievement through the use of technology and measurable performance indicators, and identifies specific grant funding that can potentially be used to help implement the District's technology initiative. However, the technology plan lacks the following components recommended by OPPAGA:

- Board approval for the plan as it was only approved by the Superintendent;
- Assessments of specific building needs;
- Identification of opportunities to increase efficiency and reduce costs through technology implementation;
- An individual assigned to oversee the implementation and update of the technology plan, although the plan does list the responsibilities of staff assigned to technology-related duties.

Additionally, despite identifying goals, cost estimates and timeframes in the technology plan, the District does not set funds aside in the annual budget to be used in meeting its technology needs. According to the Director of Technology, the building principals are given an allocation each year to be used for non-building specific upgrades. It is up to the building principals to determine how much of their budget is spent on technology purchases. As a result, the level and quality of the technology can vary significantly from one building to the next. Additionally, because each building principal places a different emphasis on funding technology, the Director of Technology indicates that students arrive at the middle school level with varying degrees of experience and understanding of technology.

OPPAGA recommends that the district's annual budget provide funds for major technology initiatives as reflected in the plan. Furthermore, the Texas School Performance Review states direct funding should be committed to each goal in a technology plan. Funds may have to be shifted or timelines stretched, and the decisions should be the result of collaboration between the Board and technical managerial personnel. Painesville TLSD is currently in the process of developing an updated technology plan to guide operations for the next three years.

R7.2 Painesville TLSD should develop a separate account code within USAS that can be used to track District-wide technology expenditures. This would allow the District to generate detailed information and management reports that indicate the various sources of funds used to purchase items such as hardware and software, what items are being purchased, and which departments are spending funds on technology. These reports should also be submitted to the Board on a periodic basis and used to demonstrate the District's progress in implementing the technology plan. In addition, tracking technology expenditures would permit Painesville TLSD to better plan for future maintenance and replacement of District technology.

Painesville TLSD does not track District-wide technology expenditures. Although the District can identify technology related salaries and benefits and some hardware and software costs, it cannot easily determine the technology expenditures related to purchased services, supplies and materials, and other miscellaneous costs. This is due to the lack of a separate account code for technology within the Uniform School Accounting System (USAS) chart of accounts. USAS is capable of tracking technology activities either through the 2960 function code series, which relates to data processing, or through the assignment of a specific job code for technology. A job code is an extra data field contained in USAS that school districts can use to capture further detail within their accounting structure.

R7.3 In conjunction with updating the technology plan (see R7.1), the District should develop a formal computer replacement policy that identifies the appropriate cycle

for replacing computers while balancing funding requirements for other priorities. For example, the District could review its computer inventory to determine the relative rate of use for each computer (high, medium, low) and then use this information to develop a written computer replacement policy with an expressed goal of replacing all computers identified as “high use,” within a five-year time frame. Enforcement of a computer replacement policy would require the District to annually set funds aside for implementation. However, this investment should result in greater operational performance and the potential for an enhanced learning environment.

Painesville TLSD should also begin using the Total Cost of Ownership concept when budgeting for future technology expenditures. When calculating these expenses, it should take into account various factors such as professional development, support, software replacement, upgrades, connectivity and retrofitting. By considering these expenses, Painesville TLSD can ensure that funds are available to provide teachers with adequate training, maintenance of new computers, and replace computers when they become obsolete.

Painesville TLSD does not calculate the Total Cost of Ownership (TCO) prior to making technology purchases. According to the Consortium for School Networking (CoSN) report, *A School Administrator’s Guide to Planning for the Total Cost of New Technology* (2001), the objective of TCO is to capture all costs associated with using and maintaining network computers, in addition to the up-front purchase costs. For example, TCO takes into account the costs associated with professional development, support, software, replacements and upgrades, connectivity, and retrofitting. The failure to calculate TCO, limits the District’s ability to determine when continued maintenance of older computers actually costs more than replacement. Additionally, the District may be using technology equipment that is beyond its intended life cycle. To help school officials understand all direct and indirect costs associated with operating school networks and ensure they have budgeted adequately to support technical investments, the Consortium for School Networking and the research and advisory firm Gartner Inc. have developed a free web-based tool (www.classroomtco.org) for estimating TCO. School districts can input approximately 100 pieces of data to form the basis for analysis. While there is no correct number for TCO, this tool allows districts to evaluate their decisions over time and allows the estimates to be compared against similar districts.

According to the 2006 BETA survey reports, Painesville TLSD has 15.3 percent of its instructional computers classified as “old,” 53.7 percent of its computers classified as “aging,” and 31 percent are termed as “new.” In contrast, the peer averages are 3.6 percent of the computers classified as “old”, 42.6 percent classified as “aging” and 53.8 percent classified as “new”. Therefore, Painesville TLSD has a significantly higher number of instructional computers classified as “old” and “aging.” The low percentage

of new technology can be attributed to the District's lack of a written computer replacement policy and the failure to dedicate specific monies to help fund the technology plan (see **R7.1**). As a result, Painesville TLSD may not be replacing computers in a timely fashion and may be extending the life cycle of its computer technology beyond industry standards. According to www.electronic-school.com, the life cycle of the most advanced multimedia computer is only five years. Consequently, if school districts are not proactive and do not plan to replace computers that are currently being installed, the result will be buildings full of rapidly aging and potentially obsolete equipment in five or six years.

Although following a five-year replacement cycle would be ideal for all computers, the District may have difficulty implementing such a cycle based on other considerations, such as budgetary constraints, and curriculum and funding priorities. One method the District could consider to allow for a systematic replacement of computers while balancing other priorities would be to review the current rates of usage for each computer. All "high" use computers could then be prioritized and targeted for replacement when the District purchases future computers.

Financial Implication: According to information provided by the Director of Technology, Painesville TLSD currently has a total of 961 computers throughout the District. However, if the District purchases another 104 instructional computers and 56 teacher computers, it would maintain a total of 1,121 computers. Therefore, based on Painesville TLSD's current average price for a new computer (\$700), and assuming a 5-year replacement cycle for 1,121 computers which results in replacing 232 computers every year, the District would spend approximately \$162,000 annually for new computers. However, this amount could be reduced if the District identified fewer than 232 "high-use" computers annually.

Staffing and Organizational Issues

R7.4 Painesville TLSD should fill the vacant Elementary Technology Coordinator position with a full-time computer technician. This technician should have the appropriate skill level necessary to address most repair problems faced by District staff. The person who fills this position should be able to install and maintain District technology and complete any other requirements stipulated by the District. Filling this position would allow the Director of Technology to devote additional time to other duties such as installing an automated work order system (R7.5), updating the technology plan (R7.1) and researching grant opportunities (R7.7).

When the computer technician has been hired and certain recommendations in this performance audit have been implemented (R7.5 – Automated work order system, R7.6 - Building Technology Representative qualifications, R7.1 – Strategic Plan), the

District should conduct a self-assessment of its technology needs and monitor user satisfaction through annual surveys to determine whether it is feasible and/or necessary to hire additional technology staff and address other aspects of technology. This self-assessment can be further aided by the BETA and AOS surveys (see Appendix 7-A for the AOS survey). Lastly, to minimize the need for staff, the District should continue to implement measures to function more in a closely managed network environment as defined by the Consortium for School Networking (COSN). This includes replacing aging and high use computers with ones that have remote management capabilities (see R7.3), instituting an electronic trouble ticketing system (see R7.5), using a single operating system (see R7.8), creating a uniform hardware and software policy (see R7.11), and developing a technology training program (see R7.15).

Painesville TLSD’s technology staff is responsible for maintaining a large number of computers throughout the District. **Table 7-2** presents technology staffing levels in terms of full-time equivalent employees (FTEs) and shows computer-to-staff ratios.

Table 7-2: Painesville TLSD Technology Staffing Levels

Title	FTEs
Director of Technology	1.0
Elementary Technology Coordinator	0.7
Elementary Building Representatives	0.2
Middle School Technology Representatives	0.1
High School Web-Master	0.1
Total Technology Staff FTEs	2.1
Total Technology Support Staff FTEs ¹	1.1
Computers Per Technology Staff FTE	455
Computers Per Technology Support Staff FTE ¹	865

Source: Painesville TLSD and Director of Technology

¹ Does not include the Director of Technology

Table 7-2 shows that the technology department has a total of 2.1 FTEs, including one full-time Director of Technology and 1.1 support staff FTEs. **Table 7-2** also shows that the District’s technology staff is responsible for maintaining 455 computers per FTE, which is significantly higher than the recommended industry standard. For example, the International Society for Technology in Education (ISTE) identifies four organization types (emergent, islands, integrated, exemplary) that exist based on technology levels, policies, procedures and other similar criteria. Within this model, ISTE indicates that a computer-to-technology ratio that is higher than 250:1 is considered an emergent organization, a ratio between 250:1 and 150:1 is considered an island organization, a ratio between 150:1 and 75:1 is considered an integrated organization, and anything less than 75:1 is considered an exemplary organization. The following characteristics can be used to identify the organizational types:

- **Emergent:** No computer replacement cycle; little or no documentation exists for technical tasks; no formal staff development program is in place and training is provided infrequently; no trouble ticketing system exists; surveys are conducted generally as part of other departmental survey work within the organization or not at all.
- **Islands:** Equipment is replaced on a cycle greater than five years; some documentation exists for technical tasks but is not widely shared or used; a staff development program is in place but is limited, voluntary and uses a single point in its delivery; a simple trouble ticketing system is in place, but it is not electronic in its implementation and does not allow for universal tracking of issues and establishing trends; quality assurance surveys are conducted, but they are not automated and are only completed annually.
- **Integrated:** Equipment is placed on a four-to-five year replacement cycle; documentation exists for many technical tasks but is poorly written and is not systematically updated as procedures are developed; a staff development program is in place but it is not comprehensive in nature, does not impact all staff, and does not offer the depth required to change the organization; a trouble ticketing system is in place and used for responding to technical issues, however, analysis of issues, response times and trends is not completed; surveys specific to technical support are conducted but are only done periodically and the data is used sporadically.
- **Exemplary:** Equipment is placed on a three year replacement cycle; well-written documentation exists for most tasks and is a normal part of operations and used by most groups; a comprehensive staff development program is in place that impacts all staff and balances incentive, accountability, and diverse learning opportunities; all technical issues are recorded and delegated to appropriate resources through an electronic trouble ticketing system which can track and evaluate all technical issues; quality assurance is measured by a random and automatic system that tracks customer satisfaction and closed tickets throughout the year, and captured data is used to make any adjustments.

Painesville TLSD's current computer to staff ratio (455:1) is six times greater than the ISTE standard for an exemplary organization and nearly two times higher than the 250:1 standard for the island organization. As a result of the current staffing levels and other factors discussed below **Table 7-3**, it takes the District's technology staff a longer period of time to respond to technical support issues. For example, 43 percent of Painesville TLSD staff responded on the 2006 BETA survey that it takes more than five working days to resolve computer problems. In contrast, only 25 percent of other Lake County teachers, 13 percent of teachers Statewide, and five percent of teachers included in the

peer average indicate that it takes more than five days to resolve computer problems. Furthermore, during the course of this performance audit, AOS distributed a survey to staff regarding human resources, transportation, facilities, and technology issues, and 138 employees completed the survey. **Table 7-3** presents staff satisfaction with technical assistance at the District.

Table 7-3: Painesville TLSD Staff Survey

Survey Question	Staff Response
Technical assistance department is easily accessible.	2.71
Requests for assistance are answered in a timely manner.	2.77
Computer repair services are easily accessible.	2.66
Computer requests are answered in a timely manner.	2.61
Technology staff is able to solve hardware problems.	3.20
Computer systems are reliable	2.80
Number of technology personnel is adequate to provide support.	2.24
I am satisfied with the technical assistance provided by the District.	2.59
Average	2.70

Source: Painesville TLSD Staff Survey

Note: The above questions present the average response based on the following scale: 5 – Strongly Agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1- Strongly Disagree

As shown in **Table 7-3**, the District's employees are generally unsatisfied with the reliability of the computer systems, promptness of service, accessibility, and staffing levels within the Technology Department. The low rating for each question can partially be attributed to Painesville TLSD's current staffing levels. However, other issues identified in this audit could also contribute to staff member dissatisfaction with technical support. These issues include the lack of an electronic work order system (see **R7.5**), the absence of defined qualifications for technical support employees (see **R7.6**), the age and lack of computers in certain classrooms (see **R7.9**), and limited technology training opportunities (see **R7.15**).

Despite the low survey results, the Director of Technology indicated that the Elementary Technology Coordinator will become a full-time teacher during FY 2006-07 and will no longer be responsible for addressing computer problems. However, the Director of Technology also indicated that the District intends to hire a full-time computer technician (1.0 FTE) to replace the Elementary Technology Coordinator (0.7 FTE). This will cause the District's technology staffing level to increase by 0.3 FTEs since the Elementary Technology Coordinator only worked during the school year and represented 0.7 FTE. As a result, the District's computer-to-staff ratio will decline slightly to (400:1), which is still in excess of the ISTE standards. If the District purchased additional teacher and

instructional computers (see **R7.3**), the computer-to-staff ratio would be approximately 467:1.

It should be noted that the Consortium for School Networking (CoSN) report, *A School Administrator's Guide to Planning for the Total Cost of New Technology* (2001), indicates that a "TCO savvy district" provides computer support at a ratio of at least one support person for every 500 computers in a closely managed network environment. This report also indicates that more centralized control of networks with network management software and reducing the number of operating systems and applications that are supported are ways to minimize the number of staff needed to support technology. The District's current ratio of 455 computers per technology FTE is under the maximum benchmark of 500. Similarly, the computer-to-staff ratios after hiring a full-time computer technician to replace the Elementary Technology Coordinator position, whether maintaining the current number of computers or purchasing additional computers, are below 500:1. However, the District does not currently have a centralized network environment system fully in place, which could limit the ability of technology support to efficiently and effectively support 455 computers per FTE. For instance, the Director of Technology indicated that only the Windows XP computers have remote computer management capabilities and comprise approximately 25 percent of the total computers. In addition, the District has two operating platforms (Macintosh and PC). However, the Director of Technology indicated that the District intends to replace the Macintosh computers and purchase future computers with Windows XP.

Financial Implication: By hiring one additional technology staff member, the District could expect to incur a yearly cost of approximately \$46,000 in salary and benefits. Future staffing levels will depend on the District implementing the recommendations in this performance audit and other measures to operate in a more closely managed network environment and improve overall efficiency.

R7.5 Painesville TLSD should follow through with its plans to obtain an electronic trouble ticketing system. In doing so, the District should ensure that the selected system gives employees access to a comprehensive database of common troubleshooting issues and historical service records, allows real-time service information so that employees can view the status of tickets, and allows for the tracking of customer satisfaction. The District should then use the system to establish performance indicators that measure the reliability of equipment, technician performance, and customer satisfaction. Moreover, technology staff should log on to the trouble ticketing system on at least a daily basis to determine their assigned requests for service, thereby ensuring that technology issues are resolved in a timely manner. Lastly, the District should consider developing a detailed technical support plan which outlines the policies and procedures for the technology support process and include the components recommended by ISTE.

Painesville TLSD's computer support process is cumbersome and causes delays in resolving computer-related issues. Under the current process, the user manually completes a technology service request form and submits it to the building principal or supervisor for review when a computer needs repair. If the service request originates from an elementary school and the request is valid, the building principal or supervisor signs the form and forwards it to a Building Technology Representative, who attempts to resolve the issue. If the Elementary Building Technology Representative is unsuccessful at resolving the issue, the information is forwarded to the Elementary Technology Coordinator. If the Elementary Technology Coordinator cannot resolve the issue, the service request is forwarded to the Director of Technology for final resolution.

The District currently has three distinct tiers for addressing elementary service requests. However, it uses a two-tier process at the middle school where a service request is first sent to a Building Technology Representative and then is forwarded to the Director of Technology if a resolution cannot be determined. The District uses a one-tier process at the high school as the Director of Technology serves as the first contact for all technology issues. The computer support process noted above describes informal practices that have not been documented in written procedures. In addition, the District does not track customer satisfaction with these processes.

The Director of Technology estimates that it usually takes seven days to fully address a technology service request. In addition, fifty-four percent of respondents to the AOS survey strongly disagreed or disagreed when responding to a question about whether computer repair requests are answered in a timely manner. Furthermore, according to the 2006-07 BETA teacher survey, 43 percent of the District respondents indicated that it takes more than five days to resolve a problem. In contrast, the peer and state averages were 5 percent and 13 percent, respectively. The District's slow response time can be attributed, in part, to the low technology staffing levels (see **R7.4**) and the lack of clear qualifications for Building Technology Representatives to ensure they can provide effective services. The Director of Technology noted that the Building Technology Representatives are full-time teachers that are paid through supplemental contracts to address technology issues for one class period each day. However, these teachers are appointed by the building principals rather than the Director of Technology, are not required to meet any specific qualifications, do not receive adequate training, and are not managed by the Director of Technology (see **R7.6**).

The District's manual work order system also contributes to the slow response times for computer support by not empowering the Building Technology Representatives to identify appropriate resolutions. For example, although the Director of Technology maintains a spreadsheet to track the history of problems and their ultimate resolution by building, this listing is not available to all Building Technology Representatives for reference when attempting to resolve an issue. Lastly, delays can occur under the manual

work order system because the computer user must place the technology service request form in a mailbox at each school building and wait for the Director of Technology to retrieve the form the next time he is at the location. The Director of Technology indicated that the District intends to purchase an electronic work order system.

According to the International Society for Technology in Education (ISTE), the following are exemplary practices:

- A well-defined escalation process is in place, with three or more steps of escalation and a clear path for resolution.
- Most staff seek help from online knowledge bases as the first resource for help from diverse and comprehensive resources, which should be part of the culture.
- A list of supported software is provided, with a clear support process for each set of software that is consistently used.
- Documentation exists for most technical tasks and is used by most user groups. .
- All technical issues are recorded and delegated to appropriate resources through an electronic trouble ticketing system. All technical issues are tracked and evaluated through the system.

ISTE also states that quality assurance should be measured by a random and automatic system that tracks customer satisfaction and measures data throughout the year. Specific questions concerning technical support staff are asked, and the data is used to make adjustments. Furthermore, the Ohio SchoolNet Commission reports that an inadequate technology support process can result in the following:

- Loss of productivity due to work stoppages;
- Continual interruptions to solve persistent issues;
- Decreased morale among staff who cannot use equipment as it was intended because of technical problems;
- Prevalence of the “squeaky wheel” syndrome in solving technical issues;
- Lack of understanding about the factors contributing to the problem; and
- Inability to make data-driven decisions for service and support based upon workload measures.

The occurrence of the above mentioned issues could limit Painesville TLSD’s ability to properly coordinate technical support services.

R7.6 The District should consider re-designing the current organization structure to allow for joint management of the technology staff by building principals and the Director of Technology, similar to the current process for custodial and food service

employees. This would foster additional accountability through the Director of Technology’s participation in the hiring and evaluation process.

In addition, the Director of Technology should work with building principals to develop a list of criteria that can be used in the selection of technology representatives. The criteria should also be used to update and strengthen language contained in the job descriptions for technology representatives. Similarly, the Director of Technology should work with the building principals to create an evaluation form for the technology representatives. This form should describe the technical areas that will be part of the review and should be conducted separate from teacher evaluations concerning student instruction.

Painesville TLSD does not have an effective organizational structure for its technology functions. For example, all the middle school and elementary technology representatives are selected by the principals without input from the Director of Technology. These employees are building teachers that are paid through supplemental contracts to perform technology support functions as issues arise during the day. Furthermore, the Director of Technology does not have any supervisory responsibility for the technology representatives. According to the organizational chart, the Elementary Technology Representatives report to the Assistant Superintendent of Curriculum and Instruction, and the Elementary Building Technology Coordinator reports to the various building principals. This organizational structure prohibits the Director of Technology from evaluating any of the technology staff. Additionally, the District lacks an evaluation form to specifically assess building technology staff on their technology-related duties. The lack of evaluations limits the opportunity to provide constructive feedback to improve the technology services provided to District staff.

In addition to the ineffective organizational structure, the District has not established minimum qualifications for the technology representatives and does not require the employees to exhibit any type of basic skills through testing. For example, the District’s current job descriptions for technical support staff state that “no formal technology training is required.” Furthermore, once the employees are placed in these positions, the District provides very little training to ensure they have the knowledge necessary to complete the job responsibilities (see **R7.15**). As a result, the District may not have the most qualified individuals performing these functions. The Director of Technology estimated that the elementary technology representatives are usually able to resolve only about five percent of the troubleshooting issues while the middle school technology representatives are able to resolve 15 to 20 percent of the issues. This also contributes to the low customer satisfaction ratings exhibited on the AOS survey (see **R7.4**), including untimely resolution of technology issues (see **R7.5**).

According to ISTE, a technology department's organizational structure is considered exemplary if all of the technology functions report through the same unit in the organization, providing for a logical chain of command and communication structure. Furthermore, exemplary organizations believe that technology functions are a strategic asset and should be incorporated in all organizational aspects.

R7.7 The Director of Technology should devote more time to seeking grants, especially at the local level. This can be accomplished by hiring an additional technology FTE (see R7.4), implementing an electronic trouble ticketing system to streamline the request for service process (see R7.5), ensuring technology staff are qualified (see R7.6), and improving employee training (see R7.15). By having the Director of Technology devote additional time to grant writing, the District may be able to obtain additional funding that can be used to purchase items that are not possible within the constraints of the current operating budget.

The District uses grants to supplement its technology funding. Grants can be obtained from various local, State and Federal sources. **Table 7-4** shows the technology grants obtained by Painesville TLSD from FY 2002-03 through FY 2004-05.

Table 7-4: Technology Grant Funding for FY 2004-05

	FY 2003	FY 2004	FY 2005
Federal	\$38,861	\$8,279	\$5,950
State	\$66,231	\$28,140	\$65,415
Local	\$29,282	\$0.00	\$0.00
Total	\$134,374	\$36,419	\$71,365

Source: Painesville TLSD Director of Technology

Table 7-4 illustrates that Painesville TLSD's technology grant receipts have fluctuated significantly during the last three years. Although grant receipts declined nearly 73 percent in FY 2003-04, they increased approximately 96 percent in FY 2004-05. According to the current Director of Technology, the previous Director resigned in the middle of 2004 and a new Director was not hired for several months. Therefore, the significant decline in grant funding in FY 2003-04 could be due to the position being vacant for an extended period of time. **Table 7-4** also shows that the District has not received any local grant receipts during the last two years. The local grants in FY 2002-03 were received from the Lubrizol Corporation and Lakeland Community College. The grant obtained from Lubrizol was designed to reduce the costs of converting a regular classroom into a science lab, while the grant from Lakeland Community College was designated to purchase instructional computers, projectors and other supporting supplies. In addition, the District received a \$20,000 local grant from the Painesville Township Excellence in Education Foundation (PTEEF) during the course of this audit (May, 2006), which was used to purchase Smart Boards and projectors

Receiving grant awards requires the District to commit time and energy in seeking and completing grant applications. The Director of Technology estimates that he spends two hours per month on grant application activities. In addition, according to the 2004 BETA Technology Survey, the Director of Technology indicated that one percent of his time was spent on grant writing. In contrast, the peer average for technology coordinators, as reported on the BETA surveys, was 1.8 percent. A comparison could not be made to the 2006 BETA survey since it did not include a question concerning the percentage of time spent on grant seeking activities. The BETA survey results, in conjunction with the District's low technology staffing levels (see **R7.4**), suggest the lack of local grant funding the last two years may be due, in part, to the Director of Technology not having enough time to devote to grant writing activities.

Hardware

R7.8 Painesville TLSD should state a preference for a single operating system and ensure that future purchases reflect this decision. This would allow users and technology staff to develop a familiarity with one system. It would also allow the District to purchase standardized software and equipment, which would help facilitate efforts to achieve quantity discounts through bulk purchasing (see R7.10).

Painesville TLSD currently has a substantial number of Macintosh computers, in addition to PC's, for use by both students and staff. For example, Hale Road Elementary School has three PC's and 72 Macintosh computers for student use, while LaMuth Middle school has 41 PC's and no Macintosh computers. The difference in the operating platforms can be attributed to building principals determining spending priorities (see **R7.1**). As a result of purchasing two different platforms, staff must be familiar with both operating systems, which increases the knowledge required by the staff and requires the District to purchase and support different software packages for each system. However, because of the lack of professional development opportunities provided to the staff (see **R7.15**), employees may not be fully aware of the various capabilities or components of each system. In addition, supporting dual platforms prevents the use of standard equipment because the systems are not compatible. According to ISTE, an exemplary organization uses one platform, with a few exceptions for special projects.

If Painesville TLSD used one platform throughout the District and provided appropriate professional development for its staff (see **R7.15**), it would be in a position to use technology more effectively. The Director of Technology indicated that the District intends to start using the permanent improvement levy proceeds to systematically replace Macintosh computers, which will allow the District to support only one operating system.

R7.9 The District should update the information captured in Table 7-5 annually to reflect current computer inventory levels and student enrollment by building. The

administration should then review this information and use it to distribute future computer purchases more equitably throughout the District. Furthermore, the District should consider achieving the industry standard of five students for each computer. The District would be in a better position to accomplish these goals by centralizing the technology budget (see R7.1) and adopting a computer replacement policy (see R7.3). District officials should also determine the feasibility of providing a computer for each teacher. Although this would require the District to spend additional funds, it would allow teachers to better use technology for instructional purposes, improve operating efficiency, and potentially improve satisfaction levels with District technology. Alternatively, the District could devise a method whereby each teacher could easily access and use a computer (e.g., rotating system during planning periods).

Table 7-5 shows the distribution of instructional computers throughout the District.

Table 7-5: Painesville TLSD Building Computers By Grade

	Buckeye	Hadden	Hale Road	Leroy	Madison	Melridge	LaMuth	Riverside	Total
K	7	1	4	4	3	6	0	0	25
1st	12	2	7	7	8	6	0	0	42
2nd	13	2	9	4	9	8	0	0	45
3rd	8	2	10	5	9	6	0	0	40
4th	8	4	8	7	7	11	0	0	45
5th	11	7	3	15	7	11	0	0	54
6th	0	0	0	0	0	0	30	0	30
7th	0	0	0	0	0	0	17	0	17
8th	0	0	0	0	0	0	0	19	19
9th	0	0	0	0	0	0	0	20	20
10th	0	0	0	0	0	0	0	17	17
11th	0	0	0	0	0	0	0	14	14
12th	0	0	0	0	0	0	0	13	13
Labs	25	26	27	28	25	27	26	138	322
Library	3	3	5	3	3	3	41	59	120
Mobile Carts	0	0	0	0	0	0	20	12	32
Computers	87	47	73	73	71	78	134	292	855
Enrollment Head Count	312	271	395	320	404	404	734	1,885	4,795
Students per Computer	3.6:1	5.8:1	5.4:1	4.4:1	5.7:1	5.2:1	5.5:1	6.5:1	5.6:1

Source: BETA 06-07 Building Surveys and 2005-2006 Painesville TLSD EMIS Student Enrollment Report

Table 7-5 shows a District average of 5.6 students for each computer. According to Ohio SchoolNet Plus, school districts should set a general goal of five students per computer. The District would need to purchase 104 additional computers to achieve the 5:1 ratio recommended by Ohio SchoolNet Plus.

Table 7-5 also shows that the District's computers are not allocated evenly from one building to the next. For example, the District's student-to-computer ratio at Buckeye

Elementary is nearly 61 percent lower than the ratio at Hadden Elementary. Similarly, the student-to-computer ratio at LaMuth Middle School is approximately 18 percent lower than the Riverside Campus. The variances in the allocation of computers at the respective schools can be attributed, in part, to the building principals determining computer spending priorities. As a result, principals can place different levels of emphasis on acquiring computer technology (see **R7.1**). By not allocating hardware evenly throughout the District, students may not derive the optimal benefit from instructional technology. According to OPPAGA, school districts should equitably distribute technology resources to all schools within the district. Equitable distribution of technology resources can be accomplished by linking each school's educational plan with the technology plan, and by reviewing the resource allocation levels to meet planning and curriculum needs through the development of an annual technology budget.

Table 7-6 compares the frequency with which students are exposed to instructional software at Painesville TLSD with the State and peer averages as reported through the 2006 BETA survey.

Table 7-6: Student Usage of Software

Reporting Measure	Painesville TLSD	State of Ohio Average	Peer Average
How often do your students use the computer to build mastery of desktop publishing tools?			
At least once per month	13%	15%	18%
At least once per week	10%	6%	7%
Daily	2%	2%	2%
Total	25%	23%	27%
How often do your students use the computer to build mastery on drill and practice of basic services?			
At least once per month	23%	19%	22%
At least once per week	20%	22%	25%
Daily	8%	14%	11%
Total	51%	55%	58%
How often do your students use the computer for simulation software to make decisions and see consequences?			
At least once per month	15%	14%	16%
At least once per week	9%	9%	10%
Daily	2%	4%	4%
Total	26%	27%	30%

Source: eTech Ohio 2006 BETA Survey

Table 7-6 shows that the District has a similar percentage of students using instructional technology on a monthly and weekly basis in comparison to the State and peer averages, which is one indication that the District is trying to integrate software in the curriculum. However, the District's daily percentages are lower for two of the questions. This can be attributed, in part, to an inequitable distribution of computers throughout the District, an insufficient number of teacher computers, and a lack of professional development (see **R7.15**).

Although all teachers are provided usernames and passwords to log on the District's network, not all teachers are assigned a District computer. In addition, respondents to the AOS survey of District employees commented that not all teachers have access to a computer. According to the FY 2005-06 EMIS Reports, Painesville TLSD has a total of 255 teachers, not including counselors, library staff or other educational staff. However, information provided by the District indicates that only 199 computers are available for teachers. Therefore, the District averages 1.3 teachers per computer. According to the Director of Technology, the lack of computers for teachers contributes to the following issues:

- **Lack of communication:** Painesville TLSD uses e-mail to communicate and inform staff of necessary developments. Without a computer in the classroom, some teachers do not receive timely updates regarding important issues.
- **Decreased efficiency:** Teachers in grades four through twelve are required to enter student grades online. The lack of computers requires that some teachers must either find a vacant computer in the building or enter grades from home.
- **Increased duplication of work:** Currently, the District e-mails student absence lists to each teacher several times a day. However, because a number of teachers do not have computers in the classroom, the District must also distribute paper copies of the absence lists to each teacher.
- **Inability to supplement teaching methods:** Teachers who do not have a computer in the classroom cannot use the Internet or video clips to provide additional instructional opportunities for students.

Additionally, in response to the following question from the 2006 BETA teacher survey: "Does your school provide a computer for your use (that is, a computer for you, not for your students)", 27 percent of District respondents reported "none." This is higher than the peer and state averages of 19 and 17 percent, respectively. Furthermore, teachers in two of the ten peer districts reported that they all had a computer for their use, while only two percent of the respondents in another peer district reported "none." Along with the lack of a technology training program (see **R7.15**), these survey responses could, in part, contribute to only 55 and 64 percent of respondents in the 2006 BETA teacher survey indicating that they use computers to examine student performance trends to plan instruction and to support standards-based learning, at least once per month. By comparison, the peer and state averages were 73 and 67 percent, respectively.

It should be noted that the figures reported in **Table 7-5** were gathered by the District in November, 2005 for reporting through the BETA survey. According to the Director of Technology, Painesville TLSD has purchased additional computers during the course of

this audit, most notably at the middle school level (LaMuth), which are not accounted for in **Table 7-5**. Therefore, the student-to-computer ratios and computer allocations reported in **Table 7-5** may not reflect current conditions.

Financial Implication: Using the information from **Table 7-5** and assuming the District still needs to purchase an additional 104 instructional computers and 56 teacher computers to achieve the desired benchmarks, it will need spend approximately \$72,800 for instructional computers and \$39,200 for teacher computers, or a total of \$112,000. This is based on the District's current average price of \$700 for a new computer.

Policies and Procedures

R7.10 The District should consider coordinating technology purchases with neighboring school districts and using competitive bidding and bulk purchasing as additional methods that can be used to achieve price discounts. In addition, prior to making future technology purchases, the District should require that the Director of Technology maintain documentation showing that the prices negotiated with individual vendors are lower than those that can be obtained through the statewide contracts. This would provide the District with assurance that it is receiving the best price for technology purchases. Filling the vacant part-time Elementary Technology Coordinator with a full-time technology employee (see R7.4) should also help the District improve the technology purchasing function. Lastly, lowering the dollar threshold for requiring multiple quotes, adopting formal policies and procedures for requests for proposals (RFP), and expanding its membership in consortiums would further help ensure the District obtains the "best" price for technology products (see R2.13 in financial systems).

Painesville TLSD has a centralized purchasing process for technology purposes. Typically, the building principals present a technology purchase request to the Director of Technology for review. The Director of Technology reviews the proposed purchase to ensure that the equipment/software is compatible with the District's current technology and that the purchase is necessary. Assuming the proposed purchase is satisfactory, the Director of Technology signs the purchase order and forwards it to the Superintendent and Treasurer for their consideration. All technology purchases are required to have the Director of Technology's signature on the purchase order. The centralized purchasing process also ensures that the technology staff can provide appropriate support for technology related purchases.

Despite using a centralized process to make technology purchases, the District has not used certain strategies to help reduce the cost of acquisition. For example, although it has previously used RFPs for large technology projects such as upgrading building connectivity, the District has not used bulk purchasing to obtain discounted prices on new

computers and equipment. The District's purchasing policies indicate that the Board promotes volume buying as it tends to maximize value and, therefore, encourage administration to seek advantages in savings that may accrue through joint purchasing agreements with other governments. The Director of Technology attributed the lack of bulk purchasing to difficulties associated with installing a large number of computers in a timely manner based on the existing technology staffing levels (see **R7.4**). The Director of Technology indicated that most technology purchases are made after obtaining price quotes from the manufacturers and negotiating directly with them. **Table 7-7** compares Painesville TLSD's technology procurement strategies to various practices recommended by eSchool News online:

Table 7-7: Technology Procurement Strategies

Recommended Practice	Painesville TLSD's Response to Recommended Practice	Standard Met
Taking advantage of statewide contracts.	The Director of Technology states that the current computer prices the District receives from various vendors are cheaper than the statewide contracts. However, the Director does not maintain documentation to support this conclusion.	No
Teaming up with neighboring districts for volume discounts or purchasing consortiums.	Painesville TLSD has not coordinated its technology purchases with neighboring districts to receive volume discounts.	No
Taking advantage of special academic pricing through vendors to achieve discounts on computer software.	Painesville TLSD uses special academic pricing offered through Microsoft to purchase its Microsoft Office suite.	Yes
Entering into multi-year agreements to reduce costs.	Painesville TLSD has used multi-year agreements to obtain price discounts for its Internet connectivity services, printer services and hardware maintenance.	Yes
Using bulk purchasing to obtain price discounts.	Painesville TLSD uses bulk purchases for smaller cost items, normally for purchases under \$50. The District does not use bulk purchasing to acquire computers and other large scale equipment at discounted prices.	Partially
Establishing a personal relationship with account representatives.	The Director of Technology has established relationships with certain vendors.	Yes

Source: E-school News Online and Painesville TLSD

Table 7-7 shows that Painesville TLSD is using only some of the recommended practices for making technology purchases. By coordinating its technology purchases with other districts, using bulk purchasing, and regularly comparing prices to the statewide contracts and maintaining supporting documentation, the District could reduce costs and would better ensure that it receives the "best" price for technology purchases.

R7.11 The Director of Technology should create a uniform hardware and software policy, which includes detailed lists of products that the District's network and technical staff can support. Once developed, the District should post the policy on the web-

site so that it is available for all employees to reference. Making this information available to staff would facilitate an understanding of what constitutes an acceptable purchase. The policy should also make it easier for the employees to understand when the Director of Technology has to reject their purchase request due to non-compliance. Furthermore, using the same operating system throughout the District would allow for more uniform technology purchases in the future (see R7.8).

Painesville TLSD does not have a written list of standardized hardware and software for staff or for instructional purposes. Although the District has some specifications for certain hardware such as computers and projectors, this information is not contained in one readily accessible document that is available for staff review before making a purchase request. Because the purchasing process is centralized through the Director of Technology, the District has reasonable assurance that it is purchasing standardized hardware and software. However, a centralized listing of the hardware and software requirements would save time in addressing staff purchase requests that do not comply with the standards.

According to *eSchool News Online*, schools that standardize computer systems can reduce technology support and computer training costs. When all users are working with the same software, it increases productivity, simplifies licensing, and improves training. As a result, when a district uses one computer model, it pays a lower cost per unit, is not required to stock a variety of parts, and does not need to support different models. As an example, the Faribault (Minnesota) Public School District has a list of standardized equipment that is published every year. The equipment list contains detailed specifications and requirements for the following equipment:

- Workstations;
- Laptops;
- Printers;
- Monitors;
- Scanners;
- Mouse/Keyboard;
- Fax/Modems;
- Internal/External CD Burners and DVD Burners;
- Personal Digital Assistants;
- Digital Cameras;
- Multimedia Projectors;
- Video Equipment;
- Network-Related Devices;
- External Storage Devices; and
- A comprehensive supported software list.

In addition, there are forms attached which can be used to request the purchase of non-standardized equipment. As a result, teachers in the Faribault Public Schools are provided with an exhaustive list of acceptable equipment that the District will support.

R7.12 The District should consider developing specific guidelines regarding acceptable technology donations and proper disposal procedures. This would help ensure the compatibility and usefulness of donated equipment while minimizing additional support costs. This would also help ensure the appropriate disposal of obsolete material. In addition, written guidelines would help ensure consistent application of donation and disposal practices in the event of a long-term absence by the Director of Technology and/or turnover in the District's administrative positions. The District should also consider requiring Board approval prior to disposing of any equipment. Once adopted, the District should post these guidelines on the web-site.

Painesville TLSD has a written policy on equipment donations. However, the policy does not indicate the types of technology that will be accepted or the specific type of documentation which must accompany donated equipment. The Director of Technology indicated that during his two-year tenure, the District has received approximately forty Pentium III computers, eight laptop computers, and eight Dell Servers courtesy of Progressive Insurance. In addition to these donations, the Director of Technology indicated that the District receives at least one call a week from a local citizen wishing to donate equipment. Despite the equipment offerings by community members, donated technology equipment is often refused by Painesville TLSD. The Director of Technology stated that most equipment donations are denied due to incompatibility with current District software and the age of the offered equipment.

According to *eSchool News Online*, key issues to consider when implementing a donation program include compatibility with the existing hardware and network, ability to run core instructional programs, and Internet access at an acceptable speed. It also indicates that schools need a policy that defines goals, criteria and technology specifications, as well as a process for handling donations. ISTE states that an entity can be considered exemplary if donated equipment is accepted, but only if it meets specific brand, model, performance and system requirements.

Further, the District also lacks specific policies governing the disposal process for computer equipment. Although the District currently has written instructions entitled "Disposition of Real Property/Personal Property," the policy primarily discusses disposal procedures for assets costing more than \$10,000 and does not mention computer specific information such as equipment life cycle, EPA compliant disposal methods, or specific documentation requirements. According to the Director of Technology, the criteria used when deciding whether or not to dispose of technology equipment are based on the functionality and age of the equipment. For example, any computers older than Pentium

III's, which are not functioning, are slated for disposal. However, the District does not dispose of functioning computers regardless of age. Therefore, the District could have computers in circulation which are considered obsolete by industry standards (see **R7.3**). The Director of Technology maintains a list of all non-functioning and older equipment which has been identified for disposal. The information includes the identification tag number, the age of the equipment, and the date the equipment was removed from inventory. This information is then shared with the Treasurer, and building principals are notified when equipment will be removed. The American Waste Management Company retrieves equipment for disposal and provides the District with an EPA disposal certificate. The Board's policy does not require the District officials to notify the Board prior to disposing of computer equipment.

The Meridian Independent School District (Texas) has a comprehensive Technology Equipment Obsolescence Policy, which includes the following components:

- Computer Life Cycle – Defines the optimal life cycle of a computer and discusses options for older computers.
- Disposition Options – Technology can be donated to non-profit organizations or a contract with a computer recycling organization can be created.
- Disposal Options – Environmentally hazardous components are to be handled carefully, and useful components are removed from machines for possible use in the future.
- Documentation – School District personnel are required to document all equipment disposal events, and report this information to the school board on a regular basis. The documentation includes the method and date of disposal, the sales price (if applicable) and the purchaser. In addition, all inventory tags are removed from the equipment before disposal. .

R7.13 The District should develop a comprehensive manual that discusses its practices in the areas of systems operations, systems development and maintenance standards, documentation standards, operations policies, and security access. In addition, the manual should include a comprehensive disaster recovery plan that requires daily file back-ups at all locations. A disaster recovery plan will help ensure a consistent delivery of services and network security in the event of a disaster or a long-term absence by the Director of Technology.

Painesville TLSD has developed technology internal controls in the following areas:

- The District uses Norton Anti-Virus Corporate Edition for its virus protection software, and the District's Firewall is managed by LGCA.
- The District uses a filter system called Smart Filter, which records all websites that have been accessed via Painesville TLSD computers. Any websites that violate District guidelines and appear on the Smart Filter list will be blocked.
- The District has room locks for classrooms containing computers.
- Staff, with the exception of bus drivers, and students are each provided with a user name and password to use in accessing the Novell server where information is stored. The District requires that passwords be changed every 90 days for interactive accounts such as e-mail and accounting software programs.
- The only type of confidential data maintained by the District is student information contained in eSIS. LGCA currently maintains eSIS for the District.
- When new equipment is purchased, the Director of Technology records the make, model, memory, software, date of purchase, and primary user of the technology. The Director of Technology annually performs a physical inspection to verify the technology inventory records.

In addition to the Firewall and Smart Filter packages, Painesville TLSD relies on LGCA to provide technology services including the State software packages (accounting, payroll) and EMIS. In 2004, AOS conducted a review of LGCA's internal controls in the following areas: information technology security, security management, system level access controls, application level access controls, system software and utilities access controls, physical security, system administration and maintenance, and back-ups. In each case, LGCA met all the requirements set forth in the control test. As a result, the controls in place were found to be adequate and it was determined that LGCA had implemented proper strategies to ensure system integrity.

Despite Painesville TLSD having appropriate internal controls in the areas of systems access, systems development, and maintenance, the District does not have a comprehensive manual that specifies its practices and procedures in these areas. According to OPPAGA, all of the technology practices and procedures should be synthesized into a written procedures and standards manual. This manual should have information on specific procedures related to systems operations, systems development and maintenance standards, documentation standards, operations policies, and security

access policies. In addition, the District indicated that the current disaster recovery plan consists of the following:

- Two elementary servers are not backed up.
- LaMuth Middle School server is backed up daily. Tapes are taken off site each night.
- Novell server at the Riverside Campus is backed up daily. Tapes are taken off site each night.
- SuccessMaker Math Server is manually backed up to a local PC.
- Nutri-Kids point of sale server is backed up manually to a local PC.

According to the Texas School Performance Review, there are several key elements of an effective disaster recovery plan, which are presented in **Table 7-8**.

Table 7-8: Key Elements of a Disaster Recovery Plan

Build a disaster recovery team	<ul style="list-style-type: none"> Identify a disaster recovery team that includes key policy makers, building management, end-users, key outside contractors and technical staff.
Obtain and/or approximate key information	<ul style="list-style-type: none"> Develop an exhaustive list of critical activities performed within the District Develop an estimate of the minimum space and equipment necessary for restoring essential operations. Develop a time frame for starting initial operations after a security incident. Develop a key list of personnel and their responsibilities.
Perform and/or delegate duties	<ul style="list-style-type: none"> Create an inventory of all assets including data, software, hardware, documentation, and supplies. Set up reciprocal agreements with comparable organizations to share each other's equipment in an event of an emergency at one site. Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay. Establish contractual agreements with back-up sites. Identify alternative meeting and start-up locations to be used in case regular facilities are damaged or destroyed. Prepare directions to all off-site locations. Establish procedures for obtaining off-site back-up records. Gather and safeguard contact information and procedures. Arrange with manufacturers to provide priority delivery of emergency orders. Locate support resources that might be needed (e.g. trucking and cleaning companies). Establish emergency agreements with data recovery specialists.
Specify details within the plan	<ul style="list-style-type: none"> Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done. Define actions in advance of a disaster. Define actions to be taken at the onset of a disaster to limit damage, loss and compromised integrity. Identify actions to be taken to restore critical functions. Define actions to be taken to re-establish normal operations.
Test the plan	<ul style="list-style-type: none"> Test the plan frequently and completely. Analyze test results to determine further needs.
Deal with the damage appropriately	<ul style="list-style-type: none"> If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.
Give consideration to other significant issues	<ul style="list-style-type: none"> Do not make the plan complicated. Make one individual responsible for maintaining the plan, but have it structured so that others are authorized and prepared to implement if necessary. Update the plan on a regular basis, especially whenever changes are made to the system.

Source: Texas School Performance Review

The development of an effective, written disaster recovery plan, with all of the appropriate elements, would permit Painesville TLSD to be more organized and operate efficiently if a disaster were to occur in the system. In addition, developing an appropriate disaster recovery plan would force the District to address other pertinent issues, such as backing-up information at all locations. System backups can protect the

District in the event of hardware failure or if accidental changes are made to file contents. NCES states that backup files need to be created at appropriate intervals and must be protected from damage and destruction. The District can help ensure a cost-effective recovery in the event of a disaster by having back-up procedures occur at all locations on a daily basis.

R7.14 The District should strengthen the existing Internet Acceptable Use and Safety Policy guidelines by addressing legal issues such as copyright, privacy and legal uses for digital materials. In addition, the District should specify the appropriate uses for other equipment such as FAX machines and copiers, including disciplinary action for inappropriate use.

Painesville LSD has developed a staff and student internet acceptable use policy to help ensure that technology is used for appropriate purposes. **Table 7-9** compares the District's acceptable use policy to the standards recommended by OPPAGA and the National Center for Educational Statistics (NCES).

Table 7-9: Painesville TLSD Acceptable Usage Policy

Industry Standard	Does Painesville TLSD Meet Industry Standard?	Explanation
District staff, teachers, students, and parents are provided written and verbal guidelines describing the appropriate and inappropriate uses of technology, such as school computers, the Internet, copiers, FAX machines, etc. (OPPAGA)	Partially	Painesville TLSD provides an Internet Acceptable Use and Safety policy for students and staff that describes e-mail and computer use. However, the policy does not discuss appropriate usage guidelines for other equipment such as copiers and FAX machines.
The District has implemented policies and procedures to prevent access to inappropriate Internet sites. (OPPAGA)	Yes	Painesville TLSD has developed policies and procedures for appropriate Internet usage. The District also uses software to block inappropriate websites
The District monitors or audits its personal computers to determine violations of its use policies. (NCES)	Yes	The Director of Technology reviews monthly bandwidth reports and determines whether any inappropriate websites have been accessed. The Director has the authority to block inappropriate websites.
The District provides stakeholders with written and verbal guidelines describing legal uses of digital materials, both instructional and non-instructional (e.g., copyright) (OPPAGA)	No	Painesville TLSD's acceptable usage guidelines do not describe legal uses for digital materials
A notice of the rights and responsibilities of computers and network users. (NCES)	Yes	Painesville TLSD's Internet Acceptable Use and Safety Policy describe the use of the Internet and responsibilities for appropriate behavior.
Notice of legal issues such as copyright and privacy. (NCES)	No	Painesville TLSD's Internet Acceptable Use and Safety Policy does not describe these legal issues
Notice of acceptable content and conduct on the network. (NCES)	Yes	Painesville TLSD's Internet Acceptable Use and Safety Policy describe using libraries, databases, bulletin boards, e-mails, and chat rooms.
Description of behaviors that could result in disciplinary action. (NCES)	Yes	Painesville TLSD's Internet Acceptable Use and Safety Policy states that disclosure of personal information and unauthorized access as behaviors that could lead to disciplinary actions.
Description of the range of disciplinary options, including the removal of access privileges. (NCES)	Yes	Painesville TLSD's Internet Acceptable Use and Safety Policy states that privileges may be suspended or revoked, or other disciplinary actions could occur.

Source: OPPAGA and NCES

Table 7-9 shows that Painesville TLSD meets six of nine industry acceptable use standards, and partially meets another standard. However, the areas which are not reflected in the District's acceptable use policy could lead legal liability if violations were

to occur. In addition, by not having policies pertaining to other District equipment such as FAX Machines and copiers, staff may not be using the equipment as intended. Further, the ability to discipline employees for inappropriate use may be hampered by the absence of clear policy statements.

District Professional Development

R7.15 The District should develop a technology training program that identifies a core curriculum and a minimum number of training hours employees should receive each year. The core curriculum should be designed to cover critical aspects of an employee's responsibilities, and could be completed either in-house or externally. To facilitate this process, the District should devote an appropriate percentage of the technology budget to professional development activities. In addition, the District should begin tracking the total number of hours and types of training an employee receives, and should seek feedback from participants about topics covered. Developing a formal technology training program that empowers staff to perform basic procedures may assist in improving the troubleshooting function and limit the need to hire additional technology staff beyond filling the vacant part-time Elementary Technology Coordinator position with a full-time employee (see R7.4). It would also help enable staff to fully use the functions available in the District's software.

Painesville TLSD has neither a comprehensive technology development program for staff, nor a mechanism to assess the effectiveness of professional development activities. Furthermore, the District has not historically tracked information concerning technology training activities. For example, the District does not track the amounts spent on technology training, employee attendance, seminar topics, or employee feedback. The only documented technology training that the District could provide was for a 2006 Smart Board Training, which was offered to certain certificated staff members. According to District records, 55 certificated staff attended the training and were compensated \$25 for participating. The staff members who attended this training were chosen by the Assistant Superintendent for Curriculum and Instruction, upon consultation with the building principals.

In addition to this training, the Assistant Superintendent for Curriculum and Instruction noted that several District staff members have been sent to the State technology conference. However, the District could not provide supporting documentation regarding the number of participants or the content of the training. The Director of Technology also stated that none of Painesville TLSD's technical staff have attended any recent training seminars. According to the AOS employee survey, the average response for whether training meets users' needs was 3.5 for administrative software training and 3.4 for instructional software training, with less than half of the respondents indicating the

respective training met their needs. The AOS employee survey also shows that only 49 percent of respondents agreed that training programs are useful, with an average response of 3.5.

Painesville TLSD's technology plan states that "a District-wide plan to assure that every teacher receives the needed technology training is essential in the coming years." However, despite this statement, the District does not require staff members to attend ongoing technology training. The lack of technical training potentially limits the ability of staff to troubleshoot their own problems. Consequently, the Director of Technology and the Building Representatives must devote time to issues that could be easily resolved, which diverts their energies from more complex issues. As shown in **Table 7-3**, the District's employees are generally unsatisfied with the timeliness of technical service. The lack of a comprehensive training program could contribute to the overall neutral survey responses regarding knowledge, functionality and use of software (see questions 1, 2, 3, 5, 6 and 7 in **Appendix 7-A**). In addition, 26 percent of respondents disagreed that users of instructional software know all major functions of the software, while 23 percent disagreed that instructional software is used efficiently and effectively.

According to ISTE, an exemplary technical organization has a comprehensive staff development program in place that impacts all staff. The program is progressive in nature and balances incentive, accountability, and diverse learning opportunities. In addition, the Consortium for School Networking's *A School Administrator's Guide to Planning for the Total Cost of New Technology* (2001) states that training costs should represent a large component of a district's technology budget. If staff members are not properly trained, teachers will not understand how to integrate technology into the curriculum, support staff will not be up-to-date on hardware and software developments, and the district will fail to achieve the maximum return on its technology investment. The publication further states that a "TCO-savvy district" devotes anywhere from 15 to 30 percent of its technology budget to staff development and training. However, quantifying the financial impact of training specifically for the District is difficult without conducting an employee needs assessment and determining the District's ability to complete training sessions in-house. The District's lack of technology account codes within USAS and the lack of a centralized technology budget also make it difficult to quantify the financial impact of offering additional training (see **R7.1** and **R7.2**).

Communication

R7.16 The District should use e-mail to in place of meetings when appropriate. More frequent use of e-mail can save valuable resources associated with copying and distributing paper reports. Additionally, assigning a computer for each classroom teacher can help further increase the use of e-mail throughout the District (see R7.9).

Painesville TLSD uses web technology such as the Internet and intranet, as well as e-mail to improve and enhance communication between groups such as schools, districts, the State, parents and the community. The District provides e-mail access to all staff and students with the exception of bus drivers. Bus drivers are supplied with a user name and password upon request. The District uses e-mail to send weekly staff updates listing important updates for the current and upcoming week. Student absence reports are also e-mailed to teachers several times during the day. E-mail is also used to coordinate large faculty meetings and provide general communications between administrators and staff. However, District does not use the full capabilities of e-mail communication. As illustrated in **R7.9**, not all teachers are provided with a computer, which impacts their ability to receive administrative e-mails and reference Internet materials in the classroom. Although providing computers to each teacher would increase costs, not doing so also increases some costs and work load requirements for employees. For example, Painesville TLSD e-mails student absence reports to each teacher several times during the day. However, due to the lack of computer access by many teachers, staff must also print and distribute paper copies of the absence reports

Despite the lack of computers for all teaching staff, only 18 percent of the teaching employees indicated on the 2006 BETA survey that e-mail was not being used to communicate with parents, similar to the peer average of 17 percent. In contrast, 29 percent of teachers statewide stated that e-mail was not used as a means of communication with parents. Furthermore, approximately 85 percent of respondents to the AOS survey indicated that e-mail is widely used in the District. It should be noted that the three peer districts that reported almost all of their teachers being assigned a computer in the 2006 BETA survey (two reported 100 percent, one reported 98 percent – see **R7.9**) also had the lowest percentage of teachers reporting that they do not use email to communicate with parents (2, 3 and 5 percent, respectively). In addition, 92 percent of Painesville TLSD's teachers indicated that they have Internet access during non-school hours using either a school provided computer or their own home computer. Consequently, some teachers appear to be overcoming the lack of a classroom computer by devoting additional hours at home or after school to communicate with parents through e-mail. The lack of access to a classroom computer help to explain teachers' dissatisfaction with District technical assistance (see **R7.9**, **Table 7-3** and question 25 in **Appendix 7-A**).

According to OPAGGA school districts should strive to use technology in the following ways:

- Using web technologies such as the Internet and Intranet sites, and e-mail to improve and enhance communication between groups such as schools, districts, the state, parents, and the community.

- Using e-mail to supplement communications of policies and information to schools.
- Using e-mail to circumvent costly meetings whenever feasible and to increase the frequency and speed of communications to parents and teachers.

Painesville TLSD has effectively used technology to improve and enhance communication with the public and has used e-mail to communicate policies and information. However, according to the Director of Technology, the District mainly uses e-mail to distribute information rather than as a means to limit scheduled meetings. The Director also indicated that the use of e-mail has not reduced meetings because very few memos are distributed via e-mail. Sending more information through e-mail rather than conducting face-to-face meetings, where appropriate, can free up employees to concentrate more on their primary job functions.

R7.17 Painesville TLSD should consider redesigning its web site to allow for more parent interaction in the education process. Specifically, the web site should be designed to allow parents to access their child's grades, homework assignments, absence information, and any other information that may be beneficial to the District and the parents. The District should take the necessary actions to ensure that student information is protected as it is redesigning the web site and before allowing full parental access.

Currently, Painesville TLSD has an accessible website which can be navigated easily by users. The website has information on each school, Board policies, and other pertinent information such as school nutrition information. In addition, parents can access classroom assignments and future subjects that students will study. Despite the variety of information contained on the website, parents cannot access student grades or absence information. Making this type of information available on the website would provide parents with another tool for participating in their child's education process.

The Denton School District (North Texas) has developed a program that allows parents to access student grades, course schedules and attendance information. The system allows access to overall grades, along with individual student assignment scores. Therefore, if a parent has questions concerning a student's overall grade, the parent can view tests, homework assignments, quizzes, and other projects. Also, to ensure that student information is properly protected, Denton has implemented the following controls: parents are required to register online and must provide the student's six digit identification number, have a valid e-mail address, and answer questions based on information that the District maintains for each student. The information parents must verify includes a home telephone number, address, and other basic data. In addition, parents must agree to the terms of usage upon registration.

R7.18 Painesville TLSD should follow through with its plan to acquire an I/P telephony system (also referred to as Voice over Internet Protocol). Although there will be an upfront cost to purchase the system, the long-term savings should more than offset the initial costs. However, prior to selecting a service provider, Painesville TLSD should ensure there are no limitations with placing 911 calls and that the District will receive consistent service during power outages.

Although the District does not have an I/P telephony system in place, it is moving forward with its plans to acquire a system in the summer of 2007. Currently, District officials are in the process of putting together bid specifications. An I/P telephony system, also known as Voice over Internet Protocol (VoIP), converts analog audio signals, which one hears when talking on the phone, to digital data that can be transmitted over the Internet. As a result, organizations can use this technology to place free phone calls. The software, unlike telephone hardware, is easily upgraded and enhanced without work disruption and equipment costs. Therefore, the phone company and associated charges will be bypassed because voice and data are combined on one network that can be centrally maintained while eliminating toll expenses for calls between locations. According to Total Systems Integration, Inc. (TSI), *A Case For Inter-Building Fiber Optic Networks on OSFC Projects* (2003 PowerPoint presentation), centralizing telephone services on a network can reduce the quantity of other expensive phone lines and can provide a significant reduction in monthly phone and telecommunications charges. TSI states that entities can expect to save between 70-80 percent in monthly telecommunication charges through centralization of services.

Although the District could realize substantial savings by implementing an I/P Telephony system, the Federal Communications Commission (FCC) indicates that some VOIP service providers may have limitations related to 911 services and may not offer directory assistance or white page listings. and the FCC also cautions that some VOIP services do not work during power outages and the service provider may not offer backup power. However, the FCC indicates that these factors may change based on new technological developments, and recommends that entities check with potential services providers to confirm any limitations.

Financial Implication: Because the District would have to work closely with an I/P telephony supplier to determine District needs and compatibility with Painesville TLSD technology, a price for purchasing a system could not be determined. However, based on a current yearly telecommunication charge of about \$51,000, the District could save approximately \$36,000 annually by purchasing an I/P telephony system. The savings are based on the TSI estimate of a 70 percent reduction in telecommunication costs when an I/P telephony system is implemented.

Financial Implications Summary

The following tables summarize the estimated annual cost savings and implementation costs associated with the recommendations in this section of the performance audit. For purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Technology

	Annual Cost Savings	Implementation Cost (One Time)	Implementation Cost (Annual)
R7.3 Replace computers on a five-year cycle			\$162,000
R7.4 Hire 1.0 FTEs			\$46,000
R7.9 Purchase 104 instructional computers to achieve a ratio of 5 students per 1 computer.		\$72,800	
R7.9 Provide a computer for each teacher in the District		\$39,200	
R7.19 Purchase an I/P Telephony System to reduce telecommunication charges	\$36,000	Undeterminable at this time	
Total	\$36,000	\$112,000	\$208,000

Appendix 7-A: Employee Survey Responses

AOS administered an employee survey to obtain feedback and perceptions concerning technology use in the District. One hundred and thirty-eight (138) employees completed the survey. Survey responses were based on the following scale: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 7-10** presents the results.

Table 7-10: AOS Technology Survey Results

Survey Questions	Painesville TLSD Results
<i>Administrative Software Users</i>	
1) Users know all major software functions used in their departments. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	0% 16% 10% 30% 6% 3.5
2) Software meets the needs of the users. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	2% 9% 12% 35% 5% 3.6
3) Software is used effectively and efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	2% 13% 10% 34% 5% 3.5
4) Users can get help when needed. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	5% 14% 10% 28% 7% 3.3
<i>Instructional Software Users</i>	
5) Users know all major software functions used in their departments. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	6% 20% 17% 36% 10% 3.3

Survey Questions	Painesville TLSD Results
6) Software meets the needs of the users. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	8% 10% 20% 39% 11% 3.5
7) Software is used effectively and efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	10% 13% 20% 36% 10% 3.4
8) Users can get help when needed. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	13% 22% 13% 33% 10% 3.1
<i>All Users – Software Training</i>	
9) Administrative/office software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	3% 14% 13% 35% 5% 3.5
10) Instructional/classroom software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	7% 15% 16% 39% 7% 3.4
11) Training facilities meet user needs. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	5% 13% 16% 41% 9% 3.6
12) Training programs are useful. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	5% 12% 17% 42% 7% 3.5

Survey Questions	Painesville TLSD Results
13) Users feel more training is needed. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	2% 6% 14% 47% 20% 4.0
<i>All Users – General Computer Operation/Data</i>	
14) Computer systems are reliable. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	22% 25% 16% 30% 6% 2.8
15) Speed of data processing is satisfactory. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	8% 20% 24% 38% 7% 3.3
16) Access to a printer is adequate. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	13% 27% 16% 37% 6% 3.0
17) Systems contain accurate and complete data. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	3% 11% 26% 44% 7% 3.6
18) Data from computer systems is useful for decision making or monitoring. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	2% 6% 28% 43% 7% 3.9
<i>All Users – Technical Assistance</i>	
19) Technical assistance department (if applicable) is easily accessible. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	17% 36% 16% 22% 5% 2.7

Survey Questions	Painesville TLSD Results
20) Requests for assistance are answered in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	16% 33% 21% 22% 6% 2.8
21) Computer repair services are easily accessible. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	16% 39% 20% 16% 6% 2.7
22) Computer repair requests are answered in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	18% 36% 23% 16% 4% 2.6
23) Technology staff is able to solve hardware problems. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	10% 20% 25% 36% 6% 3.2
24) Number of technology personnel is adequate to provide support. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	36% 33% 11% 15% 1% 2.2
25) I am satisfied with the technical assistance provided by the District. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	20% 37% 16% 20% 3% 2.6
<i>All Users – Software Applications</i>	
26) Electronic mail is widely used. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree Average Response	1% 3% 7% 37% 48% 4.4

Survey Questions	Painesville TLSD Results
27) The internet is used to access information.	
1) Strongly Disagree	0%
2) Disagree	0%
3) Neutral	8%
4) Agree	40%
5) Strongly Agree	48%
Average Response	4.5

Note: Due to some individuals either having no opinion or not responding to a question, survey percentages will not add up to 100 percent.

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PAINESVILLE TOWNSHIP SCHOOLS

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585 Riverside Drive • Painesville • OH 44077

Phone (440) 352-0668 • FAX (440) 639-1959

www.townshipschools.com

Dr. Michael G. Shoaf, Superintendent

March 2, 2007

Auditor of State
Mary Taylor
Performance Audit Division
Lausche Building, 12th Floor
615 West Superior Avenue
Cleveland, OH 44113

Dear Auditor Taylor,

The Painesville Township Board of Education, district department directors, and central office administrators sincerely appreciate receiving the performance audit on February 27, 2007. Although our school district is not in fiscal caution, we did seek this performance audit so that we can continue making responsible financial decisions. Certainly, this performance audit is very important and will lead to many positive changes for our school district.

After receiving the draft copy of the audit, our department directors and administrators immediately started to discuss the recommendations and determine meaningful changes. For example, district administrators, along with the transportation department's administrative assistant and director interviewed three routing software companies. Per the audit, we plan to purchase and implement a new routing package this spring. Subsequently, the additional recommendations in transportation, such as the reduction of school buses and future equipment purchases, will be directly related to this important routing change. Aligned with our transportation efforts, the financial systems area recommendations are being addressed. Training is already scheduled for the end of March to start implementing the on-line purchasing at the schools and departments.

Another area that will require significant attention is the area of human resources. A major recommendation from the audit was to consider reducing the number of custodial employees while slightly increasing maintenance staff. This change will necessitate a study of job responsibilities and operational hours of the buildings. Our future decisions will reflect these recommendations. Moreover, our personnel director is working to implement an automated substitute calling system at this time.

It was also noted in the audit as well as during the presentation that our facilities need to be addressed. With the increase in student enrollment our buildings are currently at, or approaching, capacity. The recommendations offered in the audit will be discussed and recommendations will be made to the Board of Education to alleviate overcrowded conditions.

Finally, the recommendations for technology are very meaningful. The district has already employed one additional technology assistant and has pursued leasing equipment. The goal of keeping equipment up-to-date and operable is very important. The additional technology assistant coupled with the new equipment leases will help our district achieve the recommendations noted in the audit.

The recommendations from this audit are important for the future of the Painesville Township Local School District. We will use them for future fiscal planning, negotiations, facility planning, and related areas. This performance audit has provided a rich opportunity for our district to improve. Thank you!

Sincerely,

A handwritten signature in cursive script that reads "Michael Shoaf". The signature is written in black ink and is positioned above the printed name.

Michael Shoaf,
Superintendent