



Dave Yost • Auditor of State



Dave Yost • Auditor of State

To the Residents and Board of the Youngstown City School District:

In May 2010, the Youngstown City School District (YCSD or the District) contracted with the Auditor of State (AOS) to conduct a performance audit for the purpose of providing an external review of current conditions and to assess the implementation status of the recommendations in the 2008 performance audit. Based on the contract with the District, the functional areas assessed during the audit were financial systems, human resources, facilities and transportation.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations contained in the audit report are resources intended to assist in improving operational efficiency and effectiveness, the District is encouraged to continue to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes background information; a financial outlook; the methodology and scope for the performance audit; noteworthy accomplishments; a summary of the follow-up to the 2008 performance audit, assessments not yielding recommendations, key recommendations, issues for further study and financial implications; and the audit objectives. This report has been provided to the District and its contents discussed with the Board and administration. The District has been encouraged to use the results of the performance audit as a resource for further improving 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 "Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 5, 2011

This Page is Intentionally Left Blank.

Table of Contents

Executive Summary	1
Financial Systems	11
Human Resources	33
Facilities	62
Transportation	74
District Response.....	93

Executive Summary

Background

In May 2010, the Youngstown City School District (YCSD or the District) contracted with the Auditor of State (AOS) to conduct a performance audit for the purpose of providing an external review of current conditions and the implementation status of the recommendations in the 2008 performance audit. Based on the contract with the District, the following areas were reviewed in this performance audit:

- Financial Systems;
- Human Resources;
- Facilities; and
- Transportation.

District Overview

YCSD is located in Mahoning County, operates under a seven-member Board of Education (the Board), and is responsible for providing education to students. The District's enrollment has declined steadily in recent years, from 8,819 in Fiscal Year (FY) 2005-06 to 6,918 in FY 2009-10. District officials attribute the declining enrollment to a loss of students to area community schools and neighboring districts through open enrollment. As of September 1, 2010, YCSD employed approximately 1,008 full-time equivalent (FTE) employees. At the time of the 2008 performance audit, the District employed approximately 1,330 FTEs. In addition, YCSD recently completed a \$170 million Ohio School Facilities Commission (OSFC) project through which most of its buildings were either renovated or rebuilt, with the last new building opening in FY 2010-11. The District's local share of the project was approximately \$34.4 million, with the remainder coming from the State.

YCSD has been declared to be in a state of fiscal emergency since November 2006. YCSD had previously been in fiscal emergency from September 1996 through March 2001. Due to the District's fiscal emergency status, a five-member Financial Planning and Supervision Commission (the Commission) was appointed for the purpose of overseeing the District's financial affairs. In February 2008, AOS issued a performance audit to assist the District in achieving fiscal solvency and resolving the conditions that led to the fiscal emergency designation. The 2008 performance audit contained recommendations which, if fully implemented, were estimated to save the District approximately \$17.8 million per year.

Pursuant to Ohio Revised Code (ORC) § 3302.03, YCSD was declared in academic emergency by the Ohio Department of Education (ODE) in FY 2008-09 after meeting 2 out of 30 academic performance indicators. An Academic Distress Commission was put in place pursuant to ORC § 3302.10 and issued a recovery plan in August 2010, which required the District to take a number of actions to achieve specific academic goals, including hiring new kindergarten and first grade teachers to achieve student-teacher ratios of 15:1 in those grades. As a result, YCSD hired 27 new K-1 teachers for FY 2010-11.

Financial Outlook

The District's October 2010 five-year forecast projects annual positive ending fund balances from FY 2010-11 through FY 2014-15. However, the non-renewal of the 2008 emergency operating levy would significantly reduce the ending fund balances, from approximately \$15.3 million to \$2.3 million by FY 2014-15. Additionally, while the District's projections and assumptions for State funding are reasonable, the general uncertainty surrounding future State funding for school districts poses another significant challenge for YCSD. Specifically, the amount of State funding beyond FY 2010-11 remains unknown and can be impacted by the State's structural deficit, which has been estimated to be as high as \$8 billion in the FY 2012-13 biennium. The adoption of the next State biennium budget in 2011 will eliminate the current uncertainty related to State funding levels for education in FYs 2011-12 and 2012-13. This, in turn, could significantly impact the District's five-year forecast (see **Table 1-2** in the **financial systems** section). Lastly, the performance audit adjusted projections in three categories, which would reduce the projected ending fund balances. However, the District is still projected to maintain positive ending fund balances when accounting for the suggested revisions and assuming renewal of the 2008 emergency levy. Even when assuming non-renewal of the 2008 emergency levy and including the suggested revisions, the District is still projected to maintain positive ending balances each year, with the exception of FY 2014-15. However, any changes to the forecast assumptions could adversely impact the projections, such as State funding. Therefore, proactively implementing strategies to reduce costs, such as those recommended in this performance audit, would ensure a strong financial standing in the future.

Although the performance audit identifies several strategies that would reduce costs, the abovementioned overall positive financial outlook is largely due to actions implemented by the District to reduce and control costs. Most notably, the District has reduced the size of its workforce by approximately 24 percent since the 2008 performance audit, frozen base wages for four consecutive years, and either fully or partially implemented 78 percent of the recommendations in the 2008 performance audit.

Audit Methodology and Scope

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The performance audit of YCSD was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives. In addition, AOS and the Performance Audit Section (PAS) are aware of, and have considered, the potential independence issue regarding undertaking performance audits of fiscal watch and emergency entities that are also being monitored by the AOS' Local Government Services Section (LGS) as financial supervisor. LGS is statutorily required by ORC § 3316.05 to serve as financial supervisor. However, LGS has delegated its oversight responsibilities as financial supervisor to ODE. Likewise, LGS is neither performing any management functions nor making management decisions for the District. Consequently, no impairment exists which would limit AOS' ability to conduct this performance audit.

Audit work was conducted between May 2010 and December 2010, and data was drawn primarily from FYs 2008-09 and 2009-10. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from YCSD, peer school districts, and other relevant sources. Peer school district data and other information used for comparison purposes were not tested for reliability.

AOS used five primary districts as peers for benchmarking purposes: Alliance CSD (Stark County), Barberton CSD (Summit County), Elyria CSD (Lorain County), Garfield Heights CSD (Cuyahoga County), and Hamilton CSD (Butler County). These districts were selected based upon demographic and operational data, and input from the Superintendent and Treasurer. Additionally, at the District's request, AOS used a second group of peers in the **financial systems** section for the purpose of comparing expenditures, which consisted of Dayton CSD (Montgomery County), East Cleveland CSD (Cuyahoga County), Lorain CSD (Lorain County), and Warren CSD (Trumbull County). External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

The performance audit process involved significant information sharing with YCSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, YCSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

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

2008 Performance Audit Follow-up

Each section of the report contains an appendix which summarizes the 2008 Performance Audit recommendations and the current implementation status. Recommendations were categorized as implemented, partially implemented, not implemented or no longer applicable. Of the 54 recommendations contained in the 2008 performance audit, YCSD fully implemented 17 recommendations, partially implemented 25 recommendations, did not implement 11 recommendations, and 1 recommendation is no longer applicable. The 2010 performance audit addresses the recommendations in the 2008 performance audit if they fell within the current audit scope.

Actions implemented by the District which are in line with recommendations from the 2008 performance audit include the following:

- **Staffing:** The 2008 performance audit recommended numerous reductions in staffing levels, which comprised approximately 84 percent of the total estimated annual savings identified in the 2008 performance audit. In total, the 2008 performance audit recommended eliminating nearly 386 FTEs. By comparison, the District eliminated approximately 322 FTEs (as of September 1, 2010). As a result, YCSD's salary expenditures declined by approximately \$13.6 million or 24 percent from FY 2006-07 to FY 2009-10.
- **Salaries:** The District froze salaries for all staff from FY 2006-07 to FY 2009-10, with the exception of step increases. Consequently, **Table 2-2** shows that District-wide average salaries are 3.6 percent lower than the peer average.
- **Energy Management:** YCSD has improved energy management by increasing the use of technology and installing thermo paned glass at all new buildings. In addition, the

District has its own gas wells at several sites. Taken collectively, these actions have helped reduce utility costs by approximately \$1.2 million, or 35 percent from FY 2007-08 to FY 2009-10 (see **Table 3-2**).

- **Routing Efficiency:** YCSD transported an average of 110 riders per bus in FY 2009-10, significantly higher than the average of 74 riders per bus in FY 2006-07. This is due to increasing the number of routes for each bus and riders per route. As a result, the District eliminated 20 active buses over this period, and now operates with lower costs per rider and per routine mile than the peer districts (see **Noteworthy Accomplishments**).
- **Workers Compensation:** The District implemented the 10-step business plan and other measures to optimize cost reductions for the workers compensation program (see **Noteworthy Accomplishments**).

Collectively, these actions helped the District improve its financial condition (see **Financial Outlook** on page 2).

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following presents YCSD's noteworthy accomplishments identified during the course of the audit.

- **Workers Compensation:** The District has taken measures to reduce the costs related to the workers compensation program. Specifically, the District implemented the 10-step business plan, as recommended in the 2008 performance audit. In addition, YCSD is a member of the Bureau of Workers Compensation's (BWC) safety council, which entitles the District to a 2 percent rebate on premiums. Further, the District negotiated salary continuation and vocational rehabilitation programs for certificated staff which result in cost savings. As a result, the District's experience modifier decreased each year from 2006 (1.59) to 2009 (1.16). According to BWC, the District's participation in the Retrospective Rating Plan has saved approximately \$3.7 million since 2002.
- **Transportation Costs:** **Table 4-2** shows that YCSD spends significantly less per rider and per routine mile than the peers. The lower costs are primarily due to the District transporting more riders per bus.

Assessments Not Yielding Recommendations

The following summarizes the assessments not yielding a recommendation. Additional detail is presented in each section.

Financial Systems

- Financial Advisory Committee,
- District Website,
- Stakeholder Involvement, and
- Purchasing.

Human Resources

- Certificated Salaries

Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the District with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report.

Financial Systems

- Develop formal forecasting policies and procedures.
- Revise and update forecast assumptions.
- Consider creating an internal audit function.

Human Resources

- Consider reducing staffing levels by 64.5 FTEs.
- Reduce health insurance costs.
- Develop a staffing plan and annually update enrollment projections.

- Reduce sick leave use.

Facilities

- Consider reducing staffing levels by 41.0 FTEs.
- Reduce overtime costs.
- Improve energy management.

Transportation

- Improve data reporting.
- Upgrade routing software and eliminate at least six active buses.
- Reduce costs of special needs services.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were 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. The following summarizes the issues for further study. Additional detail is presented in each section.

Human Resources

- Speech and Language Therapist Staffing Levels; and
- Special Education.

Transportation

- Alternative Transportation Options.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	Impact
1.7 Consider creating an internal audit function.	(\$106,000)
2.1 Consider reducing staffing levels by 64.5 FTEs.	\$2,300,000
2.2 Reduce health insurance costs.	\$1,710,000
2.5 Reduce sick leave use.	\$197,000
3.1 Consider reducing staffing levels by 41.0 FTEs	\$1,423,000
3.2 Reduce overtime costs	\$71,000
3.3 Improve energy management	\$235,000
4.2 Upgrade routing software and eliminate at least six active buses	\$74,000
4.4 Reduce costs of special needs services	\$467,000
Total Cost Savings from Performance Audit Recommendations:	\$6,371,000

Audit Objectives

The following detailed audit objectives were used to conduct the performance audit of the Youngstown City School District.

Financial Systems

- What has been YCSD's financial history?
- Does the five-year financial forecast reasonably project the future financial position of the District?
- Does the District maintain an effective process for preparing financial forecasts?
- How do the District's revenues and expenditures per student compare with the peers (two sets of peers)?
- Is the District's budgetary process consistent with recommended or leading practices?
- Is the District's purchasing process consistent with recommended or leading practices?
- What is the implementation status of each recommendation from the 2008 performance audit?

Human Resources

- Is the District's current allocation of personnel efficient?
- Is the District's EMIS data valid and reliable?
- What are the enrollment trends in the District and how do they impact operations?
- Are District salaries in line with the peer averages?
- How does the structure and costs of the District's medical and prescription insurance benefits compare with industry benchmarks?
- Are the District's negotiated agreements in line with peers and/or leading or recommended practices?
- Is the workers' compensation program cost-effective?
- Is the District's use of sick leave comparable with industry benchmarks?
- What is the implementation status of each recommendation from the 2008 performance audit?

Facilities

- Are the District's custodial, maintenance and groundskeeping staffing levels, and expenditures per square foot comparable to industry benchmarks and/or peers?
- Are the District's energy management practices comparable to leading or recommended practices?

- Are the District's facility related overtime costs comparable to peers and/or benchmarks?
- What is the implementation status of each recommendation from the 2008 performance audit?

Transportation

- Do the District's transportation policies meet leading practices and ensure efficient operations?
- Are the District's transportation-related financial indicators in line with peer averages and/or industry benchmarks?
- Is the District's T-form data valid and reliable?
- Is the District providing regular needs and special needs transportation in a cost-effective and efficient manner?
- Are the District's contracting processes for transportation services in line with leading or recommended practices?
- What is the implementation status of each recommendation from the 2008 performance audit?

Financial Systems

Background

This section focuses on the financial management systems in the Youngstown City School District (YCSD or the District) and analyzes the current financial condition of the District. Operations were evaluated against leading or recommended practices, operational standards, and selected peer districts.¹ Leading or recommended practices and operational standards were drawn from various sources, including the American Institute of Certified Public Accountants (AICPA), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), and the United States Government Accountability Office (GAO).

Treasurer's Office Operations

Eight full-time staff members perform activities for the Treasurer's Office, which includes three secretaries who also perform functions for the Business Office. The Treasurer serves as the Chief Financial Officer of the District and is responsible for establishing financial policies and procedures, financial forecasting and reporting, processing payroll and accounts payable, and assisting the Superintendent with budget preparation. The Executive Secretary is responsible for taking minutes at Board meetings, processing mail, keeping records, and processing checks. There are three accounting clerks who are responsible for overseeing payroll and budgeting, and distributing work to the three secretaries. The secretaries are responsible for data entry, payroll, etc. The Business Office assists the Treasurer's Office with paying bills and other overlapping responsibilities. There are three secretaries in the Business Office who spend approximately 75 percent of their time on Treasurer's Office duties.

Financial Condition

In March 2006, YCSD was placed in fiscal caution due to projected deficits in FYs 2005-06 and 2006-07 of \$4.4 million and \$10.8 million, respectively. By November 2006, the District had been placed in fiscal emergency due to its failure to submit an acceptable recovery plan as required by Ohio Revised Code (ORC) § 3316.031 and 3316.04. In 2008, the Auditor of State

¹ See the **executive summary** for a listing of the peer districts and an explanation of the selection methodology. This section includes comparisons to two separate peer groups: a five-peer average and four-peer average.

(AOS) released a performance audit of YCSD, due to its fiscal emergency designation, which contained recommendations that if fully implemented, were estimated to save the District approximately \$17.8 million per year. YCSD had previously been in fiscal emergency from September 1996 through March 2001 and AOS released two other performance audits of the District (1996 and 1999).

As part of its efforts to emerge from fiscal emergency, the District developed a plan for FY 2010-11 which included approximately \$1.7 million in reductions in the following areas:

- **HVAC** - a previous contract change resulted in savings of \$30,000;
- **Administrative Reductions** - three administrator positions were planned for elimination and two others for replacement, yielding a total savings of nearly \$368,000;
- **Utilities** - savings from the closing of the Alpha school building, estimated to be \$66,000;
- **Teachers** - 14 teacher retirements for savings of approximately \$860,000;
- **Trades** - three trades staff positions (two carpenters and a painter) were scheduled for elimination, resulting in savings of nearly \$193,000; and
- **Sub Laborers** - eight sub laborer positions were scheduled to be eliminated for savings of nearly \$213,000.

At the time of this audit, the District implemented the abovementioned actions, with the exception of the sub laborer reductions. The District had just completed its final school construction project and, according to the Superintendent, was planning to establish a tiered timeline to implement the sub laborer reductions (see **facilities** for additional discussion of the school construction project and associated staff).

In addition, during the course of the audit, YCSD was working with the State Financial Planning and Supervision Commission (due to the fiscal emergency designation), the State Academic Distress Commission (due to the District's status of academic emergency), and the Ohio Department of Education (ODE) Pupil Transportation Office (see the **transportation** section). While the role of the State Financial Planning and Supervision Commission is focused on implementing strategies to improve the District's financial condition, the role of the State Academic Distress Commission is intended to improve the District's educational outcomes. Consequently, these roles can be conflicting. For example, in July 2010, the Academic Distress Commission released a report which required a number of actions, including reducing the District's student-to-teacher ratios in grades K-1 to 15:1. As a result, the District hired 27 new teachers in grades K-1 for FY 2010-11.

Table 1-1 presents the District's October 2010 five-year forecast, which includes historical and projected revenue and expenditure information.

Table 1-1: YCSD Five-Year Forecast (in 000s of dollars)

	Actual				Forecasted			
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Real Estate Property Tax	16,281	17,236	19,823	19,766	19,766	17,462	15,124	15,151
Tangible Personal Property Tax	3,183	1,762	278	172	0	0	0	0
Unrestricted Grants-in-Aid	64,762	67,045	74,696	74,582	74,582	74,582	74,582	76,073
Restricted Grants-in-Aid	14,005	14,252	1,005	1,006	1,006	1,026	1,046	1,067
Restricted Federal-SFSF	0	0	5,025	8,468	0	0	0	0
Property Tax Allocation	4,729	4,084	8,789	7,481	7,609	7,609	7,609	7,761
Other Revenues	3,312	4,353	2,896	3,046	3,046	3,046	3,046	3,046
Total Operating Revenues	106,271	108,733	112,513	114,519	106,007	103,724	101,406	103,098
Salaries & Wages	50,845	45,459	42,026	42,162	43,427	44,730	46,072	47,454
Employees' Retirement/Insurance Benefits	20,417	18,395	19,116	18,122	18,485	18,855	19,232	19,617
Purchased Services	35,613	37,896	37,886	38,671	36,644	37,377	38,125	38,887
Supplies and Materials	2,766	1,607	1,745	1,854	1,910	1,967	2,026	2,087
Capital Outlay	94	142	36	259	270	280	291	303
Debt Service	7,513	12,703	8,079	2,889	1,323	1,323	0	0
Other Expenditures	1,092	1,026	1,081	1,024	1,044	1,065	1,086	1,108
Total Operating Expenditures	118,339	117,227	109,970	104,982	103,103	105,597	106,833	109,456
Net Transfers/Advances	(612)	65	(856)	636	(40)	(40)	(40)	(40)
Note Proceeds	0	5,290	0	0	0	0	0	0
State Emergency Loans & Advancements	10,380	3,000	0	0	0	0	0	0
Other Financing	(82)	39	0	0	0	0	0	0
Net Financing	9,687	8,394	(856)	636	(40)	(40)	(40)	(40)
Result of Operations	(2,381)	(100)	1,686	10,173	2,864	(1,913)	(5,466)	(6,398)
Beginning Cash Balance	3,795	1,414	1,314	3,000	13,173	16,038	14,124	8,658
Ending Cash Balance	1,414	1,314	3,000	13,173	16,038	14,124	8,658	2,260
Encumbrances	353	243	3	0	0	0	0	0
Ending Fund Balance	1,061	1,071	2,997	13,173	16,038	14,124	8,658	2,260
Replacement/Renewal Levies (Cumulative)	0	0	0	0	0	2,600	7,800	13,000
Revised Ending Fund Balance	1,061	1,071	2,997	13,173	16,038	16,724	16,458	15,260

Source: YCSD October 2010 five-year forecast

Note: Totals may vary dues to rounding.

Table 1-1 shows that in FY 2009-10, YCSD's revenues exceeded its expenditures after two years of deficit spending. In FY 2009-10, the District experienced increased revenue, primarily from the 2008 emergency levy and federal stimulus funding (American Recovery & Reinvestment Act of 2009)² and reduced operating expenses, mainly from reductions in salaries and wages, and debt service payments. From FY 2006-07 through FY 2008-09, YCSD received loans totaling approximately \$28 million from the State due to its fiscal emergency designation, and borrowed approximately \$5.3 million against an internal bond fund. The debt service line reflects repayment of these loans, which is projected to be complete by FY 2013-14.

The forecast also highlights challenges facing YCSD in future years. Specifically, the Restricted Federal-SFSF funding is scheduled to end in FY 2011-12. In addition, the District's 2008 emergency operating levy, which generates approximately \$5.2 million per year, will expire December 31, 2012. Unless the levy is renewed, the District will lose half of the revenue in FY 2012-13, and all of it in FY 2013-14. The Replacement/Renewal Levies line of **Table 1-1** shows the impact of the levy revenue. Without the levy, YCSD's cash balance is projected to fall to approximately \$2.3 million by the end of the forecast period, while a renewal of the levy would maintain the cash balance at approximately \$15.3 million.

The uncertainty around State funding (unrestricted and restricted grants-in-aid) poses another significant challenge for YCSD's fiscal condition. The Treasurer noted in his assumptions to the forecast that he worked closely with the Financial Supervision & Planning Commission, the AOS Local Government Services Division, and ODE to project these categories. State funding for school districts is appropriated as part of the State's biennial budget, with the current biennium ending June 30, 2011. As a result, the amount of funding beyond that point remains unknown. Coupled with the State facing a structural deficit in the FY 2012-13 biennium, it is difficult to project the impact of any budget decisions on education funding. In consultation with the State officials described above, the Treasurer projected funding to remain flat at the FY 2010-11 level until FY 2014-15, when he projects a 2.0 percent increase. While this projection is reasonable for the purpose of forecasting, the Treasurer is aware that any reductions to State funding could have a significant impact on YCSD's financial condition. Furthermore, the Treasurer's projections for Unrestricted Grants-In-Aid, Restricted Grants-In-Aid, and Restricted Federal-SFSF in FY 2010-11 are supported by ODE's settlement report.

Table 1-2 shows the impact on YCSD assuming various levels of State funding in FY 2011-12, and further assuming that the funding levels will remain constant each year thereafter. **Table 1-2** maintains the remainder of the Treasurer's assumptions regarding the District's forecast and does not attempt to predict the impact of reduced funding on student enrollment, tuition payment to other districts and community schools, or any other factors.

² While unrestricted grants-in-aid increased significantly in FY 2009-10, restricted grants-in-aid decreased significantly. The combined revenue from these two categories dropped in FY 2009-10.

Table 1-2: Impact of Potential State Funding Cuts

	2011-12	2012-13	2013-14	2014-15
Unrestricted Grants-In-Aid Projections				
<i>Forecast Projection (0 Percent)</i>	<i>\$74,581,550</i>	<i>\$74,581,550</i>	<i>\$74,581,550</i>	<i>\$76,073,181</i>
3 Percent Reduction	\$72,344,104	\$72,344,104	\$72,344,104	\$72,344,104
5 Percent Reduction	\$70,852,473	\$70,852,473	\$70,852,473	\$70,852,473
10 Percent Reduction	\$67,123,395	\$67,123,395	\$67,123,395	\$67,123,395
Impact on Ending Fund Balances				
<i>Forecast Projection (0 Percent)</i>	<i>\$16,037,535</i>	<i>\$14,124,182</i>	<i>\$8,657,834</i>	<i>\$2,259,697</i>
3 Percent Reduction	\$13,800,089	\$9,649,289	\$1,945,495	(\$8,181,720)
5 Percent Reduction	\$12,308,458	\$6,666,027	(\$2,529,399)	(\$14,148,244)
10 Percent Reduction	\$8,579,380	(\$792,128)	(\$13,716,631)	(\$29,064,554)
Impact on Ending Fund Balances With Levy Renewal				
<i>Forecast Projection (0 Percent)</i>	<i>\$16,037,535</i>	<i>\$16,724,182</i>	<i>\$16,457,834</i>	<i>\$15,259,697</i>
3 Percent Reduction	\$13,800,089	\$12,249,289	\$9,745,495	\$4,818,280
5 Percent Reduction	\$12,308,458	\$9,266,027	\$5,270,602	(\$1,148,244)
10 Percent Reduction	\$8,579,380	\$1,807,872	(\$5,916,631)	(\$16,064,554)

Sources: YCSD October 2010 five-year forecast and AOS calculations

Note: Forecasted fund balances do not include adjustments made by AOS as shown in **Table 1-7**.

As shown in **Table 1-2**, the District would experience a negative ending fund balance with a three percent reduction in State Funding by FY 2014-15, assuming the 2008 property tax levy is not renewed. When assuming the renewal of the 2008 levy, the District would experience negative ending fund balances at some point under the 5 and 10 percent State Funding reduction scenarios. Consequently, the adoption of the next State biennium budget in 2011, which will eliminate the current level of uncertainty related to State funding levels for education in FYs 2011-12 and 2012-13, can significantly impact the District’s five-year forecast.

Expenditures & Revenues

Table 1-3 compares YCSD’s expenditures in FYs 2008-09 and 2009-10 to the peer averages in FY 2008-09.³

³ According to ODE’s Handbook, “the purpose of the Expenditure Flow Model (EFM) is to categorize and report expenses related to the education of students. Because districts often handle funds unrelated to the instruction of students, not all expenditures accounted for by a school district are included in the model.”

Table 1-3: Expenditure per Pupil Comparison

	YCS D		Peer Average 1 FY 2008-09		Peer Average 2 FY 2008-09	
	FY 2008-09	FY 2009-10	Per Pupil	Percent Difference	Per Pupil	Percent Difference
Administration	\$1,465	\$1,333	\$1,011	44.9%	\$1,703	(14.0%)
Operations	\$2,989	\$3,075	\$1,885	58.6%	\$2,573	16.1%
Staff Support	\$701	\$861	\$363	93.0%	\$672	4.3%
Pupil Support	\$1,564	\$1,570	\$1,063	47.1%	\$1,123	39.2%
Instruction	\$6,564	\$6,984	\$5,718	14.8%	\$6,335	3.6%
Total	\$13,283	\$13,823	\$10,041	32.3%	\$12,407	7.1%

Source: ODE expenditure flow model reports

Note: Peer Group 1 includes Alliance CSD, Barberton CSD, Elyria CSD, Garfield Heights CSD, and Hamilton CSD. Peer Group 2 includes Dayton CSD, East Cleveland CSD, Lorain CSD, and Warren CSD.

As **Table 1-3** shows, YCS D spent 32 percent more per pupil than the average for peer average 1, and 7 percent more per pupil than the average for peer average 2 in FY 2008-09. In addition, the District's expenditures per pupil increased by approximately 4 percent in FY 2009-10, due primarily to a decline in enrollment. Specifically, total expenditures increased by only 0.9 percent from FY 2008-09 to FY 2009-10. The following explains the spending variances by category:

- **Administration:** In FY 2008-09, YCS D spent nearly 45 percent more per pupil than peer average 1, but 14 percent less than peer average 2 on administrative expenditures. Additionally, the District's per pupil expenditures in administration declined by approximately 9 percent in FY 2009-10. Nevertheless, the higher per pupil expenditures when compared to peer average 1 is due to higher central-based administrator staffing levels (see **human resources**). Furthermore, this category can include clerical staff costs. As a result, the District's higher clerical staffing and salary levels can also contribute to the higher administration costs per pupil when compared to peer average 1 (see **human resources**).
- **Operations:** In FY 2008-09, YCS D's operations costs were nearly 59 percent more per pupil than peer average 1, and 16 percent higher than peer average 2. By reducing custodian, maintenance and bus driver staffing levels (see **facilities** and **transportation**), and reducing costs related to special needs transportation (see **transportation**), the District would reduce the operations expenditures per pupil. Likewise, taking steps to address the high salary levels would help the District control and/or potentially reduce operations expenditures per pupil (see **human resources**).
- **Staff Support:** In FY 2008-09, YCS D spent 93 percent more per pupil than peer average 1 and 4 percent more per pupil than peer average 2 on staff support expenditures. This category includes costs related to special education aides and curriculum development

(see **human resources**), as well as staff needs, such as professional development and training.

- Pupil Support:** In FY 2008-09, YCSD’s pupil support expenditures per pupil were significantly higher than both peer averages. These expenditures are related to student needs outside of the classroom, such as guidance counseling, help in the media center or library, speech pathology and audiology services, nurse services, college advising, field trips, and psychological testing. See the **human resources** for a discussion of library, nurse, and speech and language therapist staffing levels.
- Instruction:** In FY 2008-09, YCSD spent nearly 15 percent more per pupil on instruction than peer average 1 and nearly 4 percent more than peer average 2. This is primarily due to special education teacher, teacher aide, and instructional paraprofessional staffing levels (see **human resources**).

Furthermore, altering the health insurance program would provide a significant opportunity for reducing the District’s expenditures (see **human resources**).

Table 1-4 compares YCSD’s revenue per pupil by source in FYs 2008-09 and 2009-10 with the peer averages for FY 2008-09.

Table 1-4: Revenue by Source Comparison

	YCSD		Peer Average 1 FY 2008-09		Peer Average 2 FY 2008-09	
	FY 2008-09	FY 2009-10	Per Pupil	Percent Difference	Per Pupil	Percent Difference
Local Revenue Per Pupil	\$3,396	\$3,496	\$3,261	4.1%	\$3,652	(7.0%)
Local Revenue as a Percentage of Total	22.3%	21.3%	31.0%	(28.1%)	28.1%	(20.5%)
State Revenue Per Pupil	\$9,343	\$10,328	\$5,995	55.9%	\$8,181	14.2%
State Revenue as a Percentage of Total	61.4%	62.9%	57.5%	6.8%	56.5%	8.6%
Federal Revenue Per Pupil	\$2,480	\$2,594	\$1,221	103.1%	\$2,205	12.5%
Federal Revenue as a Percentage of Total	16.3%	15.8%	11.5%	42.1%	15.4%	5.8%
Total Revenue Per Pupil	\$15,219	\$16,418	\$10,477	45.3%	\$14,037	8.4%

Source: ODE expenditure flow model reports

Note 1: Peer Group 1 includes Alliance CSD, Barberton CSD, Elyria CSD, Garfield Heights CSD, and Hamilton CSD. Peer Group 2 includes Dayton CSD, East Cleveland CSD, Lorain CSD, and Warren CSD.

Note 2: Because districts often account for funds that are unrelated to the instruction of school-age students (e.g., special trust funds or adult education), not all money received by a school district is included in ODE’s revenue report.

As shown in **Table 1-4**, YCSD received approximately 45 percent more revenue per pupil than peer average 1 and 8 percent more than peer average 2 in FY 2008-09. In addition, the District received a higher percentage of its revenue from State and Federal sources than both peer averages. Finally, the District's revenue per pupil increased by nearly 8 percent in FY 2009-10.

Assessments Not Yielding Recommendations

The following assessments yielded no recommendations:

Financial Advisory Committee: The District has a Financial Advisory Committee which functions as an audit committee. The District's Board Policy (section 6835) notes that the committee is responsible for:

- Reviewing the District's quarterly financial reports;
- Reviewing the results of the District's financial and compliance audits;
- Reviewing documentation to ensure that audit recommendations are appropriately addressed;
- Assuring auditors' independence from the Board; and
- Serving as a liaison between the Board and the independent auditors.

The committee has six members, three community members (appointed by the Board) and three Board members. The Financial Advisory Committee meets quarterly or more often if needed.

District Website: The District shares financial information with management and the community through its official website. The District's website contains a wide variety of financial information, including:

- The mission statement for the Treasurer's Office;
- A list of key contacts;
- Expenditure data for funds included in the Five-Year Forecast;
- The Five-Year Forecast and related notes and assumptions;
- Expenditure data and forecasts for the self-insurance, workers compensation, and cafeteria funds;
- Expenditure pie charts;
- Transportation expenditure data;
- Records retention schedule;
- Audit and LGS reports and information on how recommendations have been or will be addressed; and
- Meeting information and reports.

According to the Treasurer, the District is planning to add forms (e.g., asset transfer forms, electronic timesheets, etc.) to the website. In addition, the administrative guidelines, manuals, and policies will be added as they are created/updated. The Treasurer would like to add “how to” videos for completing some of the forms.

Purchasing Policies: The District has comprehensive purchasing policies that have been approved by the Board and contain elements of leading practices (e.g., use of consortiums, competitive bidding, selection, relations, purchasing authority, approval, cards, etc.). In addition, the District uses the Uniform School Accounting System (USAS) software for purchasing. The software is used for all purchasing functions, including creating purchase orders and requisitions. The District's purchasing process is handled by the Treasurer's Office and Business Office. The USAS software has automated controls and can enable the District to make payments in a timely manner.

Stakeholder Involvement: The District takes measures to actively involve stakeholders in its decision making activities. According to the Treasurer, the District has two Board meetings per month and schedules two Finance Committee meetings per month (when committee members are available). The Board meetings are held on the 2nd and 4th Thursday of each month and the Finance Committee is scheduled to meet the Wednesday before each Board meeting. The Finance Committee and Board meetings are advertised in the newspaper and on the District's website. The meetings are open to the public and community members are welcome to share their views. The District also uses the following methods to target stakeholder involvement:

- The District newsletter (The Beacon),
- Community forums,
- News releases,
- Community partnerships,
- Parent transition meetings,
- Annual notices to parents, and
- The Parent Patrol.

Recommendations

1.1 Develop formal forecasting policies and procedures.

YCSD should adopt formal policies and procedures for developing its five-year forecast. These policies and procedures should address responsible parties and roles, the development of assumptions and related documentation to support them, as well as the review process. Formal policies and procedures would promote accountability and transparency, and serve as tools for financial decision-making.

With the exception of a policy that requires the Board to adopt a five-year forecast for the General Fund, the District does not have formal policies and procedures on financial forecasting. However, according to the Treasurer, the District is working to develop and document its forecasting policies and procedures. The Treasurer is primarily responsible for developing the forecast, using a spreadsheet which he updates on a monthly basis. The Treasurer presents forecast updates to the Board every month as a tool to improve financial decision-making, and the Board reviews and approves the forecast before it is published. The Treasurer works with the Board and senior administrators when updating the forecast, and accounts for reduction plans and recommendations from the Financial Planning and Supervision Commission, the Academic Distress Commission, and AOS.

According to the *Guide for Prospective Financial Information* (AICPA, 2008), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- Key factors should be identified as a basis for assumptions. Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported.
- The process used to develop financial forecasts should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority.

According to the National School Boards Association (NSBA), school board policies establish direction for a district, set goals, assign authority, and establish controls that make school

governance and management possible. Additionally, NSBA notes that policies are the means by which educators are accountable to the public.

By developing forecasting policies and procedures, the District would promote consistency in financial practices. Additionally, policies and procedures can be used as a tool for financial decision-making, improve the ability of the District to take timely action, and aid in the overall management of finances and achievement of long-range goals.

1.2 Revise and update forecast assumptions.

YCSD should consider revising its five-year forecast assumptions for the following lines: Real Estate Property Tax, Salaries and Wages, and Employees' Retirement/Insurance Benefits (ERIB). Specifically, the Real Estate Property Tax line should reflect recent trends and short-term outlooks for property values. In addition, the Salaries and Wages and ERIB projections for FY 2010-11 should reflect actual staffing levels, and known increases to base wages and steps/longevity. To aid in this effort, the Treasurer should reconsider the methodology of plotting out each employee. After this is completed the first year, each subsequent year should require less effort and time because the tool would just need to be updated, instead of recreated, each year. Further, the Treasurer should review the assumptions for Property Tax Allocation to ensure reasonableness, and consider including more detail in the notes to help a reader understand the projections.

In general, the Treasurer's five-year forecast is well supported by his notes and assumptions, and represents reasonable projections of the District's future revenue and expenditures. However, reviewing and updating the following assumptions would help further ensure reasonable projections:

Real Estate Property Taxes: In November 2008, YCSD voters approved an operating levy which generates approximately \$5.2 million per year for four years. The District received half of this total in FY 2008-09 due to the way property taxes are collected, and began receiving the full amount in FY 2009-10. Similarly, if the levy is not renewed, the District will receive half the revenue in FY 2012-13, and the revenue from the emergency levy will expire altogether in FY 2013-14.

The impact of revenue from the emergency levy makes it difficult to track the historical and projected trends for real estate property tax collections. Consequently, to identify the trend, auditors removed the revenue from the levy in FYs 2008-09 through 2012-13. This analysis shows that the Treasurer projected the remaining property tax revenue to decrease slightly (0.4 percent) in FY 2010-11, remain flat in FY 2011-12, and begin increasing in FYs 2012-13 (2.4 percent), 2013-14 (2.1 percent), and 2014-15 (0.2 percent). A projection of increased real estate property taxes assumes increases in overall property values and/or new construction, which are not supported by the Treasurer's published assumptions and recent trends. For instance, after

accounting for the impact of the November 2008 levy, real estate property tax revenues declined in each of the last three years, by 3.2 percent in FY 2007-08, 10.4 percent in FY 2008-09 and 0.4 percent in FY 2009-10. Consequently, AOS revised the Treasurer's projections for real property taxes to be more conservative and remain flat (excluding revenue from the 2008 emergency levy) in FY 2011-12 and through the remainder of the forecast period.

Table 1-5 illustrates the impact of the revised projection for the Real Estate Property Tax line.

Table 1-5: YCSD vs. Revised Projections - Real Estate Taxes

	2010-11	2011-12	2012-13	2013-14	2014-15
YCSD Forecast	\$19,765,711	\$19,765,711	\$17,462,197	\$15,124,130	\$15,150,992
Revised Forecast	\$19,765,711	\$19,765,711	\$17,120,211	\$14,474,711	\$14,474,711
Difference	\$0	\$0	(\$341,986)	(\$649,419)	(\$676,281)

Source: YCSD October 2010 five-year forecast and AOS calculations

Property Tax Allocation: According to ODE's *How to Read a Five-Year Forecast* (2007), the Property Tax Allocation line includes funds received by school districts for revenue lost from elimination of the tangible personal property tax and from electric deregulation. It also includes payments to districts under the State's Homestead Exemptions and Property Tax Rollback (forms of exemptions to local property taxes). In FY 2009-10, YCSD's Property Tax Allocation line increased by 115.2 percent, largely due to a \$1.7 million Homestead and Rollback payment that should have been received in FY 2008-09. This payment artificially lowered the amount of this line for FY 2008-09 and artificially increased it for FY 2009-10.

While YCSD's forecast projects a reduction in this line in FY 2010-11, it does not cover the full amount of the extra \$1.7 million payment received in FY 2009-10. This could be due to the reimbursements related to the loss of revenue from the tangible personal property tax phase-out. In addition, the forecast assumes an increase in FY 2011-12, with flat funding after that point until FY 2014-15, when it projects the line to increase by 2.0 percent. Because this category contains multiple revenue sources, the reader is unable to discern the projected trends among the specific revenues, and the Treasurer's notes and assumptions do not provide that level of specificity. Pursuant to State law, school districts are to be held harmless for the loss of revenue from the tangible personal property tax phase-out, partially through the reimbursement funding included in the Property Tax Allocation line. However, beginning in FY 2013-14, this reimbursement will be phased out over a six-year period. This trend does not appear to be reflected in the forecast based on the FY 2013-14 projection being the same as FY 2012-13, and the forecasted increase in FY 2014-15. However, without additional detail in the notes and assumptions, it is impossible to know whether the other revenues in this line item offset the future reductions in personal property tax reimbursements, which would then support the District's overall projections for Property Tax Allocation. As a result, AOS did not attempt to re-project this line.

Salaries and Wages: The Salaries and Wages line is projected to increase 0.3 percent in FY 2010-11, and then 3.0 percent annually thereafter. According to the Treasurer, the 3.0 percent increase accounts for a 2.5 percent increase to negotiated base wages and 0.5 percent for longevity/step increases. At the time the forecast was prepared, the District's bargaining units had not yet agreed to new contracts for the period FY 2010-11 through FY 2012-13. However, both the certificated and classified bargaining units tentatively agreed to 1.0 percent annual increases in base wages during the contract period. While the Treasurer projected a higher amount for base wage increases than the tentative agreement, assuming a 0.5 percent increase for steps/longevity appears low based on data in the 2008 performance audit. Specifically, the 2008 performance audit reported that based on staffing data at the time of the assessment, the average step increase for certificated staff amounts to 1.5 percent when considering all certificated employees. Nevertheless, using an overall increase of 3.0 percent still appears reasonable and somewhat conservative, because it is higher than the combined 2.5 percent increase resulting from the tentative 1.0 percent increase for base wages and a 1.5 percent step increase noted in the 2008 performance audit. According to the Treasurer, he previously forecasted salaries and benefits on an employee-by-employee basis, but he now takes a more overall approach.

The smaller forecasted increase (0.3 percent) in FY 2010-11 appears to be based on the District's reduction plan. However, the reduction plan was not fully implemented, so the entire savings will not be realized. Moreover, YCSD hired 27 new teachers for kindergarten and first grade to comply with the requirements of the Academic Distress Commission (see **executive summary** for additional discussion). In all, salaries for new hires were lower than the approved retirements and resignations by approximately \$699,000 for FY 2010-11. As a result, AOS revised the Salaries and Wages projection to increase by 3.0 percent in FY 2010-11 after accounting for the estimated aforementioned savings of approximately \$699,000, based on the actual expenditures in FY 2009-10. Likewise, Salaries and Wages are increased 3.0 percent each year thereafter, based on the aforementioned factors. Furthermore, the updates to Salaries and Wages require updates to **Employees' Retirement/Insurance Benefits (ERIB)** because certain benefits are directly linked to Salaries and Wages. Specifically, benefits are re-projected at 43.0 percent of Salaries and Wages for each year, based on the Treasurer's projection for FY 2010-11. The Treasurer forecasts the benefits-to-salaries ratio to decline each year after FY 2010-11 based on implementing certain actions to reduce insurance costs. However, because the performance audit identifies strategies to reduce health insurance costs which will be incorporated in the District's five-year forecast, the ERIB line item is set at 43.0 percent of salaries to avoid duplicating the impact of such strategies.

Table 1-6 illustrates the impact of the revised projection for the Salaries and Wages and ERIB lines.

Table 1-6: YCSD vs. Revised Projections - Salaries and Wages, and ERIB

	2010-11	2011-12	2012-13	2013-14	2014-15
Salaries and Wages					
YCSD Forecast	\$42,162,100	\$43,426,963	\$44,729,771	\$46,071,665	\$47,453,815
Revised Forecast	\$42,567,340	\$43,844,361	\$45,159,691	\$46,514,482	\$47,909,917
Difference	\$405,240	\$417,398	\$429,920	\$442,817	\$456,102
ERIB					
YCSD Forecast	\$18,122,199	\$18,485,451	\$18,855,160	\$19,232,263	\$19,616,908
Revised Forecast	\$18,303,956	\$18,853,075	\$19,418,667	\$20,001,227	\$20,601,264
Difference	\$181,757	\$367,624	\$563,507	\$768,964	\$984,356

Source: YCSD October 2010 five-year forecast and AOS calculations

Table 1-7 compares YCSD’s forecasted ending fund balances to the revised balances resulting from the aforementioned changes.

Table 1-7: YCSD vs. Revised Projections - Salaries and Wages, and ERIB

	2010-11	2011-12	2012-13	2013-14	2014-15
Ending Balance Without Levy Renewal					
YCSD Forecast	13,173	16,038	14,124	8,658	2,260
Revised Forecast	12,586	14,666	11,417	4,089	(4,426)
Ending Balance With Levy Renewal					
YCSD Forecast	13,173	16,038	16,724	16,458	15,260
Revised Forecast	12,586	14,666	14,017	11,889	8,574

Source: YCSD October 2010 five-year forecast and AOS calculations

As shown in Table 1-7, the District would still be projected with positive ending balances with the revised forecast, with the exception of FY 2014-15 when excluding the impact of the levy renewal. However, any changes to the forecast assumptions could adversely impact the projected fund balances, such as State funding (see Table 1-2). Therefore, proactively implementing strategies to reduce costs, such as those recommended in this performance audit, would ensure a strong financial standing in the future.

1.3 Enhance financial policies.

YCSD should update its financial policies and create additional policies, based on recommendations from the 2008 performance audit and other applicable sources. Once the policies are revised and added, the District should ensure that its financial and budgetary practices are consistent with these policies, and periodically review the policies for potential updates.

The District has established some financial management policies. However, the District has yet to update these policies and develop additional policies as recommend in R2.12 from the 2008

performance audit, with one exception. Specifically, the District has not updated its fees and charges policy to include how its fees are to be calculated; its facility usage policy to include how fees are set for the use of District facilities; and its policy on debt to include debt limits, debt capacity, and debt management. Likewise, the District has not yet developed policies that address fund stabilization, use of one-time revenues, use of unpredictable revenues, balancing the operating budget, and contingency planning. During the course of the audit, the District developed an investment policy that includes revenue diversification, which was recommended in **R2.12** from the 2008 performance audit, and overall was working on updating its financial policies.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) suggests developing policies in the aforementioned areas. YCSD can refer to this publication and the 2008 performance audit for additional detail.

1.4 Expand financial reporting.

At a minimum, YCSD should develop a popular annual financial report (PAFR) to provide stakeholders with a general understanding of its financial condition and related matters. The District should also consider developing a comprehensive annual financial report (CAFR). The District should publish such reports on its website and publicize them through other appropriate means, such as postings at public libraries, mailings to major businesses, and press releases to the local media.

According to the Treasurer, the District has issued a CAFR in the past, but stopped due to cost and time commitment concerns. In addition, YCSD has experienced high employee turnover within the Treasurer's office, leaving the District with relatively inexperienced staff who needed to focus on other duties. The Treasurer is considering developing a CAFR in the future. In the meantime, he tries to share financial information with the community by issuing notes on the forecast and developing Board reports. Additionally, the District does not develop a PAFR.

Governmental Accounting, Auditing, and Financial Reporting Practices (GFOA, 2006) states that government entities should not be satisfied with issuing only the basic financial statements required by Generally Accepted Accounting Principles (GAAP), but should instead publish CAFRs. According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a CAFR is an unparalleled means of demonstrating financial accountability, as recognized by the National Council of Governmental Accounting (NCGA) and reiterated by the Governmental Accounting Standards Board (GASB). This publication also indicated that a government effectively using its website to convey financial information can realize a number of benefits including increased public awareness, increased public usage of the information, and availability of information for use in public analysis. The Westerville City School District in Franklin County develops both a CAFR and PAFR, and posts both documents

on its website for public viewing.⁴

According to *Preparing Popular Reports* (GFOA, 2001), government entities should also issue PAFRs. A PAFR is designed to assist those who need or desire a less detailed overview of government financial activities than the CAFR. A PAFR can take the form of consolidated or aggregated presentations, or a variety of other forms.

Creating a CAFR and PAFR would allow stakeholders to gain a better understanding of the District's operations and financial condition. Additionally, the District can minimize the costs related to preparing a CAFR and PAFR by using its forecasting software and publishing these documents on its website.

1.5 Develop a budgeting policy that reflects goals and measurement.

YCSD should develop a Board policy to govern its budgeting process. The policy should address the relationship between the budget and District goals, the importance of setting strategies to achieve goals, and performance evaluation (see 1.6).

The District has improved its budgeting process since the 2008 performance audit. Prior to 2008, the District did not have staff with extensive budgeting experience, so departmental budgeting was mainly handled by the Treasurer's Office and incorporated into the five-year forecast. However, the Treasurer indicated that he is working to make the budgeting process more site-based. YCSD recently developed administrative guidelines for budget preparation that designate the District's budget officers, provide detailed instructions on how the budget process should work, and establish a timeline for budget preparation. However, the guidelines do not address the relationships between overall District goals and the budgeting process, incorporate strategies for meeting those goals, or include any type of measurement to link budget decisions to results. Moreover, the District is still working to develop a Board policy that governs the budgeting process.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that as a part of their budgeting practices and policies, government entities should establish broad goals to guide decision-making; develop approaches to achieve goals (including the adoption of financial policies – see **1.1** and **1.3**); develop a budget consistent with approaches to achieve goals; monitor, measure, and evaluate performance (also see **1.6**); and make adjustments as needed.

According to GFOA, a good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved

⁴ Westerville CSD's website does not contain a PAFR after FY 2007-08.

program efficiency and effectiveness. In developing an administrative guideline that includes a formal budgeting process and timeline, YCSD has taken a first step toward more effective budgeting. By developing a Board policy to govern the budgeting process that reflects GFOA-recommended principles and creating a formal performance measurement system (1.6), the District would move toward creating a process that focuses on outcomes and results.

1.6 Create a formal performance measurement system.

YCSD should develop a formal performance measurement system, which is documented as part of the Board policies and administrative guidelines, and linked to the District's budgeting process (see 1.5). By developing a formal performance measurement system, the District would promote accountability, be able to objectively assess its accomplishments, and improve its long-term planning and goal-setting processes.

Overall, the District does not have a formal performance measurement system. However, the Treasurer benchmarks current expenditure line items against past performance and shares this information with the Board members via monthly reports.

According to *Performance Management: Using Performance Measurement for Decision Making* (GFOA, 2002), program and service performance measures should be developed and used as important components of long-term strategic planning and decision-making, and should be linked to governmental budgeting. Performance measures should:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program outcomes;
- Provide for resource allocation comparisons over time;
- Measure efficiency and effectiveness for continuous improvement;
- Be verifiable, understandable, and timely;
- Be consistent throughout the strategic plan, budget, accounting, and reporting systems, and to the extent practical, be consistent over time;
- Be reported internally and externally;
- Be monitored and used in managerial decision-making processes;
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.

GFOA encourages all governments to utilize performance measures as integral parts of the budget process. Over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals, and objectives of each

department. Governments in the early stages of incorporating performance measures into their budget processes should strive to:

- Develop a mission statement for government and its service delivery units by evaluating the needs of the community;
- Develop its service delivery units in terms of programs;
- Identify goals, short- and long-term, that contribute to the attainment of the mission;
- Identify program goals and objectives that are specific in timeframe and measurable to accomplish goals;
- Identify and track performance measures for a manageable number of services within programs;
- Identify program inputs in the budgeting process that address the amount of resources allocated to each program;
- Identify program outputs in the budgeting process that address the amount of service units produced;
- Identify program efficiencies in the budgeting process that address the cost of providing a unit of service;
- Identify the program outcomes in the budgeting process that address the extent to which the goals of the program have been accomplished;
- Take steps to ensure that the entire organization is receptive to evaluation of performance;
- Integrate performance measurements into the budget that, at a minimum, contain the goals and measures (input, output, efficiency, and outcome) by program; and
- Calculate costs and document changes that occur as a direct result of the performance management program in order to review its effectiveness.

According to *Best Practices in Performance Measurement - Developing Performance Measures* (NSAA, 2004), performance measurement is a critical element of accountability for public resources. It is important to know and understand the public resources used to provide government services and whether these resources were spent in accordance with laws, rules, and regulations. It is also important to know that managers of governmental programs have adequate control procedures to safeguard the assets they are responsible for managing. Equally important is the ability to show what was received from the use of these resources and whether the public is receiving an acceptable benefit.

According to GFOA, performance measurement, when linked to the budget and strategic planning process, can assess accomplishments on an organization-wide basis. When used in the long-term planning and goal-setting processes and linked to the entity's mission, goals, and objectives, meaningful performance measurements assist government officials and citizens in identifying financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

1.7 Consider creating an internal audit function.

YCSD should consider creating an internal audit position to monitor and review operations and programs. If the District creates this position, it should determine the appropriate reporting structure by weighing the pros and cons of various scenarios.

The District does not have an internal auditor or someone serving that function. It does have a Financial Advisory Committee which functions as an audit committee. The committee is responsible for, among other things, reviewing the results of the District's audits and ensuring that audit recommendations are appropriately addressed. The Treasurer stated that he would be interested in looking into the idea of developing an internal audit function, but is concerned about the potential cost and return on investment. Nevertheless, an internal audit function can benefit the District in several areas. For example, an internal auditor can help ensure that financial and management controls are functioning properly, and audit recommendations are addressed. An internal auditor can also help with the strategic planning process and performance measurement (see 1.6). Such functions can subsequently help the District minimize the risk of for future financial difficulties. For instance, over the past 15 years, the District has been declared in fiscal emergency two separate times.

According to the *Internal Control Management and Evaluation Tool* (GAO, 2001), every government agency should have mechanisms in place to monitor and review operations and programs. One such mechanism is the creation of an internal audit function. This publication notes that an internal audit function should review the agency's activities and systems; provide information, analyses, appraisals, recommendations, and counsel to management; and report to the agency head.

According to GFOA, every government entity should consider the feasibility of establishing a formal internal audit function. GFOA also states that if it is not feasible to establish a separate internal audit function, a government is encouraged to consider either assigning internal audit responsibilities to its regular employees or obtaining the services of an accounting firm (other than the independent auditor) for this purpose.

Cleveland Metropolitan School District (Cleveland MSD), Columbus CSD, Cincinnati CSD and Dayton CSD employ internal audit functions. Cleveland MSD and Dayton CSD include the internal audit function as a part of the Treasurer's Office. Conversely, Columbus CSD has an Office of Internal Audit comprised of five positions that report directly to the Board of Education, while Cincinnati CSD employs an internal auditor who reports administratively to the Treasurer and functionally to the Audit Committee of the Board of Education. According to Cincinnati CSD's website, "On February 20, 2008, the Board of Education made a pledge to Cincinnati voters that funds raised by the passage of the March 2008 levy would be used to continue to improve student achievement, and that the Board would ensure fiscal accountability. The goal is to conduct the financial operations of the school district in an efficient, effective and

transparent manner. To accomplish this, the Board established an audit committee and an internal audit position, with a commitment to report quarterly to the public on financial management.”

According to GFOA, internal auditors can be of great value to state and local governments in a variety of ways. In particular, they commonly assist management in monitoring the design and proper functioning of internal control policies and procedures. In this capacity, internal auditors themselves function as an additional level of control and thus help to improve the government’s overall control environment. Internal auditors can also play a valuable role by conducting performance audits, as well as special investigations and studies.

Financial Implication: If the District hired a full-time internal auditor, the estimated annual costs could be approximately \$106,000. This is based on YCSD’s average administrator salary and the benefit-to-salary ratio in FY 2009-10.

Appendix 1: 2008 Performance Audit Follow-up

Table 1-8 summarizes the 2008 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, not implemented, or no longer applicable. Of the 19 recommendations contained in the 2008 performance audit, YCSD fully implemented 8 recommendations, partially implemented 7 recommendations, did not implement 3 recommendations, and 1 recommendation is no longer applicable. The 2010 performance audit addresses the recommendations in the 2008 performance audit if they fell within the current audit scope.

Table 1-8: 2008 Performance Audit Recommendations

Recommendation	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
R2.1 Adopt formal policies and procedures for developing the five-year forecast.			X (see 1.1)	
R2.2 Adjust property tax assumptions.			X (see 1.2)	
R2.3 Update assumptions and projections for tangible personal property tax.	X			
R2.4 Update the unrestricted grants in aid assumptions.				X
R2.5 Review and revise five-year forecast for property tax allocation.		X (see 1.2)		
R2.6 Adjust projections for other revenues.	X			
R2.7 Adjust the projections for personal services.		X (see 1.2)		
R2.8 Revise assumptions for benefits.	X			
R2.9 Review and adjust purchased service forecast assumptions.	X			
R2.10 Identify the amounts necessary to meet future set-aside requirements, consider them in the forecast methodology, and disclose the requirements and potential exemptions in the assumptions.	X			
R2.11 Develop a comprehensive set of budget policies and procedures.		X (see 1.5)		
R2.12 Develop comprehensive financial policies.		X (see 1.3)		

R2.13 Maintain and publish a clearly written, multi-year strategic plan.		X ¹		
R2.14 YCSD should set performance measures and benchmarks for the operational units within the District, which are linked to the strategic plan.			X (see 1.6)	
R2.15 Consider supplementing its comprehensive annual financial reports (CAFR) with popular annual financial reports (PAFR).		X ² (see 1.4)		
R2.16 Provide published documents on its web site.	X			
R2.17 Increase the means of communication with stakeholders, particularly the community.	X			
R2.18 Discontinue the current warehouse operation and begin the transition to a just-in-time (JIT) delivery system.		X ³		
R2.19 Analyze and use the financial recovery plan outlined in Table 2-28 to evaluate the effect of recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition.	X			

Source: 2008 Performance Audit

¹The District has created a multi-year strategic plan; however, it did not incorporate a CCIP, master plan, or other operational areas into the plan. This portion of **R2.13** is still applicable to the District.

²The District has considered a PAFR but ceased publishing a CAFR.

³The District is using JIT for some items.

Human Resources

Background

This section of the performance audit analyzes the Youngstown City School District (YCSD or the District) human resource (HR) operations. For benchmarking purposes, YCSD's HR operations are compared against five peer school districts,⁵ and leading or recommended practices and operational standards from applicable sources. Sources include the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Administrative Services (DAS), the State Employment Relations Board (SERB), and the Society for Human Resource Management (SHRM). In addition, the implementation status of the recommendations in the 2008 performance audit was reviewed (see **Appendix 2**).

Organizational Structure

Three departments complete YCSD's human resource functions. The HR Department is responsible for hiring, scheduling substitutes, assisting in the collective bargaining negotiations, monitoring Title I personnel expenditures⁶, and resolving grievances and legal matters. The Treasurer's Office administers the workers' compensation and employee benefit programs, and oversees sick leave and payroll. YCSD's D.A.T.A. Department is responsible for data processing functions, such as student report cards, transcripts, and Educational Student Information System (eSIS). The D.A.T.A. Department also manages student testing, data analysis, and information accountability, including the oversight, reporting, verification and submission process of information through the Education Management Information System (EMIS) (see **2.4** for an additional analysis on YCSD's processing of EMIS information).

Enrollment

YCSD has experienced significant enrollment decline in recent years. For example, from fiscal year (FY) 2005-06 through FY 2009-10, YCSD's actual student enrollment declined 21.6 percent, or 1,901 students. Furthermore, enrollment projections completed by a consultant show a continuation of this trend. Declining enrollment is an area of risk because it directly impacts

⁵ See the **executive summary** for a listing of the peer districts and an explanation of the selection methodology.

⁶ Title I is a series of programs under the Federal Elementary and Secondary Education Act to distribute funding that targets students from low-income families

staffing requirements and State funding. Consequently, student enrollment projections and monitoring are important planning tools (see 2.3).

Staffing

Table 2-1 compares YCSD’s full-time equivalent (FTE) staffing levels per 1,000 students as of September 1, 2010 with the peer average for FY 2009-10.

Table 2-1: Staffing Level Comparison (FTEs per 1,000 Students)

Staffing Category	YCSD	Peer Average	Difference
Administrative ¹	6.7	5.9	0.8
Office/Clerical ²	9.9	8.3	1.6
Classroom Teachers ³	62.7	55.6	7.1
Educational Service Personnel (ESP) ⁴	8.1	8.0	0.1
Educational Support ⁵	8.5	8.4	0.1
Other Certificated ⁶	2.8	1.3	1.5 ⁷
Non-Certificated Classroom Support ⁸	15.3	9.9	5.4
Other Technical/Professional Staff ⁹	1.9	1.8	0.1
Other Student Services ¹⁰	5.8	3.6	2.2
Operations ¹¹	28.7	23.4	5.3
Total Staff	150.5	127.0	23.5

Source: YCSD and peer EMIS data. YCSD data has been adjusted to be current as of September 1, 2010 and include 27 newly hired teachers to satisfy the Academic Distress Commission’s recovery plan.

Note: Student counts in **Table 2-1** differ from the enrollment (headcount), in that they reflect the percent of time students are receiving educational services from the respective districts.

¹ Administrative Staff includes central office and building-level administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the districts.

² Office/Clerical Staff includes all EMIS position codes in the 500s except Teaching Aides (505), and also includes Administrative Assistants (101), Accounting (301) and Attendance Officers (901).

³ Classroom Teachers include General Education, Special Education, and Career-Technical Teachers.

⁴ Educational Service Personnel include K-8 Art, Music, and Physical Education Teachers; as well as Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC § 3317.023(A)(2).

⁵ Educational Support Staff includes Remedial Specialists, Tutors/Small Group Instructors, and Supplemental Service Personnel.

⁶ Other Certificated Staff includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentors/Evaluators, and Other Education Professionals.

⁷ This peer average excludes Elyria City School District because of an EMIS reporting anomaly.

⁸ Non-Certificated Classroom Support Staff includes Teaching Aides, Paraprofessional Instructors, and Attendants.

⁹ Other Technical/Professional Staff includes Library Aides, Computer Support Staff, and all other professional and technical staff.

¹⁰ Other Student Services include Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc.

¹¹ Operations includes Carpenters, Electricians, General Maintenance Staff, Mechanics, Plumbers, Foremen, Other Crafts and Trades Personnel, Dispatchers, Vehicle Operators, Other Operative, Custodians, Food Service Workers, Guards/Watchmen, Monitors, Groundskeepers, and Other Service Worker/Laborers.

Table 2-1 shows that despite the reduction of approximately 322 FTEs since the 2008 performance audit, YCSD's total staffing per 1,000 students (150.5) is 18.5 percent higher than the peer average (127.0), and exceeds the peer average in every category. This is due to the District experiencing a continued decline in enrollment and not fully implementing the staffing reductions in the 2008 performance audit. See **2.1** for additional assessments of staffing levels in these categories: administrative, office/clerical, other certificated, non-certificated classroom support, other technical/professional⁷, and other student services. In addition, the higher staffing levels per 1,000 students in the classroom teacher category is primarily due to special education, while the higher staffing levels per 1,000 students in the other student services category is partially due to speech and language therapists (see **Issues for Further Study**). Finally, see the **transportation** and **facilities** sections for further assessment of the higher staffing levels per 1,000 students in the operations category.

Salaries

Table 2-2 compares the District's average salary and salary cost per student as of September 1, 2010 with the peer average for FY 2009-10. Beginning wage rates, years of service, negotiated salary schedules, and education or skill level attained impact average salaries. Both salaries and the number of staff employed impact the salary cost per student. Therefore, a district can have higher average salaries but fewer people employed, and thus a lower salary cost per student. Conversely, a district could have lower average salaries but more staff than the peers, causing its salary cost per student to be higher than the peers.

⁷ Although higher by only 0.1 FTEs per 1,000 students, this variance is mainly due to employing more library aides. Similarly, the District employs 0.1 more librarian FTEs per 1,000 students than the peer average, which contributes to the slightly higher ESP FTEs per 1,000 students.

Table 2-2: Salary Cost Comparison

	Average Salaries			Salaries Per Student ¹		
	YCS D	Peer Average	Percent Difference	YCS D	Peer Average	Percent Difference
Administrative	\$73,075	\$80,132	(8.8%)	\$491	\$467	5.1%
Office/Clerical	\$37,577	\$32,559	15.4%	\$370	\$270	37.0%
Teaching	\$50,821	\$55,347	(8.2%)	\$3,185	\$3,056	4.2%
Educational Service Personnel (ESP)	\$53,064	\$54,859	(3.3%)	\$432	\$430	0.5%
Educational Support	\$53,531	\$50,003	7.1%	\$454	\$420	8.1%
Other Certificated	\$58,298	\$67,561	(13.7%)	\$165 ²	\$80 ²	106.3%
Non-Certificated Classroom Support	\$17,026	\$17,357	(1.9%)	\$261	\$169	54.4%
Other Technical/Professional Staff	\$32,187	\$29,455	9.3%	\$62	\$53	17.0%
Other Student Services	\$44,439	\$53,717	(17.3%)	\$259	\$180	43.9%
Operations	\$27,835	\$22,256	25.1%	\$797	\$517	54.2%
Total Staff	\$43,051	\$44,663	(3.6%)	\$6,476	\$5,636	14.9%

Source: YCS D and ODE

Note: Totals may vary due to rounding.

¹ Student counts in **Table 2-2** differ from the enrollment (headcount), in that they reflect the percent of time students are receiving educational services from the respective districts.

² This peer average excludes Elyria City School District because of an EMIS reporting anomaly.

In response to its financial difficulties (see **financial systems** section), YCS D froze salaries for all staff, except step increases, since FY 2006-07. As a result, **Table 2-2** shows that District-wide average salaries are 3.6 percent lower than the peer average. However, the salary costs per student are 14.9 percent higher than the peer average, partially due to employing more FTEs per 1,000 students (see **Table 2-1** and **2.1**). Additionally, the higher average salaries for office/clerical, other technical/professional, and operations staff contribute to the higher salary costs per student (see **2.6**). **Table 2-2** also shows that the average salary for educational support staff is 7.1 percent higher than the peer average, thus driving the cost per student to be 8.1 percent higher than the peer average. However, based on the lower rates in the certificated salary schedule (see **Assessments Not Yielding Recommendations**), the higher average salary for educational support staff is likely due to higher tenure. Furthermore, educational support comprises only 5.6 percent of total staffing levels.

Negotiated Agreements

The 2008 performance audit analyzed the District's collective bargaining agreements (CBA) with the Youngstown Education Association (YEA), the American Federation of State County and Municipal Employees (AFSCME), and the various Trades Unions (Trades). During the 2008 performance audit, the District negotiated new tentative agreements with the YEA, Trades and AFSCME Local 1143, 1143-A, and 1143-B. At the time of this audit, AOS assessed new

tentative agreements in order to identify the District's efforts to address recommendations from the 2008 audit. See **2.2**, **2.7**, **2.8** and **Appendix 2** for assessments of provisions in the collective bargaining agreements. The AFSCME Local 1143-C agreement expired on December 31, 2010 and had not been renegotiated at the time of this audit.

Benefits

YCSD provides a comprehensive health insurance benefit package to eligible employees. As a self-insured entity, YCSD does not pay traditional premiums to a health insurance provider. Rather, the District pays monthly "premiums" into a separate District fund established for health insurance claims. The fund uses the "premiums" to pay for actual employee claims. A review of the self-insurance fund indicated the District has been able to maintain a reserve balance as required by ORC § 9.833 (C)(1), which states that the self-insurance "funds shall be reserved as are necessary, in the exercise of sound and prudent actuarial judgment, to cover potential cost of health care benefits for the officers and employees of the political subdivision."

In FY 2009-10, the District paid \$13,471,791 in medical and prescription medication claims. The employees' contributions towards those claims totaled \$407,701, or approximately three percent of the total claims costs. This is significantly lower than industry benchmarks. Likewise, the District provides generous plan benefits in comparison with these benchmarks. See **2.2** for further analysis of health insurance.

Assessments Not Yielding Recommendations

The following assessments yielded no recommendations:

Certificated Salaries: As shown in **Table 2-2**, the District's average salary for teachers was 8.2 percent lower than the peer average. This is due to the negotiated salary schedules, which has been impacted by the four-year freeze in base wages. Specifically, a review of the District's salaries at various parts of the schedule revealed that its salaries are lower than the peer and County averages. This has a positive effect on the financial condition of the District.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were 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 as issues requiring further study:

Speech and Language Therapist Staffing: YCSD employs 2.1 speech and language therapist FTEs per 1,000 students compared to the peer average of 1.2. According to OAC § 3301-51-09,

each school district shall provide services at a ratio of 1 speech and language therapist per 2,000 students. This requires the District to maintain a minimum of approximately 3.5 therapist FTEs. YCSD employs 14.0 speech and language therapist FTEs, which is significantly higher than the minimum. However, OAC § 3301-51-09 contains additional staffing requirements that are based on the number of students with disabilities. Therefore, the District should review the additional requirements and contact ODE for further clarification on which requirements take precedence from a compliance standpoint. This would fully ensure compliance with State law and help the District determine whether it should consider staffing reductions in these areas.

The 2008 performance audit also presented speech and language therapist staffing levels as an issue for further study. However, the District's documentation regarding the follow-up to the 2008 performance audit does not disclose the status of the issues for further study.

Special Education: The 2008 performance audit recommended that YCSD consider eliminating 35.0 special education FTEs, specifically special education teachers and supplemental service personnel. Since that time, YCSD eliminated 13.0 FTEs (supplemental service personnel). Additionally, YCSD's special education population has declined by 156 students since the 2008 performance audit. The 2008 performance audit reported that the District averaged 9.3 special education students per special education FTE. In FY 2009-10, YCSD averaged 9.0 special education students per special education FTE. OAC prescribes different ratios depending on each child's disability type, ranging from 6 to 24 students per teacher. The lower overall ratio in FY 2009-10 can be due, in part, to serving more students with autism and traumatic brain injuries. However, without considering the other disability categories, this alone would account for only approximately four more special education teachers than required in the 2008 performance audit.⁸ Furthermore, ODE⁹ reported that YCSD spent 81.4 percent more than the minimum requirements on special education in FY 2008-09 (most recent available data), significantly higher than the peer average (32.1 percent)¹⁰.

⁸ Changes in the other disability categories could offset the four additional teacher positions. Consequently, the total number of special education teachers required would depend upon a comprehensive review of the students in all disability categories.

⁹ This data is taken from ODE's *Special Education Weighted Funds Fiscal Accountability Report* for FY 2008-09, which states, in part, that "Ohio law requires each city, exempted village, local, and joint vocational school district to spend at least the amount of assumed local costs plus the state foundation and special education weighted funding provided for any special education pupil. The expenditures are to be made for approved special education and related services expenses." The performance audit did not review whether Ohio law changed based on House Bill 1, which includes a new state funding formula for FYs 2009-10 and 2010-11.

¹⁰ As noted in the **financial systems** section, a second group of peers was selected for additional comparisons and included the following school districts: Dayton City School District, East Cleveland City School District, Lorain City School District, and Warren City School District. These peers spent an average of 50.6 percent more than their required spending levels in FY 2008-09.

Due to the abovementioned factors and YCSD's financial condition, the District should closely review its special education program for potential cost savings, including staffing levels. When doing so, the District should ensure compliance with related requirements in law, including potential impacts related to the House Bill 1 funding formula.

Recommendations

2.1 Consider reducing staffing levels by 64.5 FTEs.

The District should consider reducing staffing levels as follows:

- **5.5 central-based administrator FTEs;**
- **10.5 office/clerical FTEs;**
- **2.5 nurse FTEs;**
- **5.0 curriculum specialists/other professional-educational FTEs;**
- **36.5 teaching aide/instructional paraprofessional FTEs; and**
- **4.5 library FTEs.**

However, YCSD should weigh decisions to reduce the staffing levels dedicated to instruction against the impact the reductions may have on the quality of education. Likewise, the District should consult with ODE to determine whether the applicable provisions in the new funding formula will correspond to new staffing requirements and ensure all proposed reductions will permit compliance with the new requirements. In order to ensure maximum savings for the General Fund, the District should review funding sources for these positions because of the potential for changes in funding sources since FY 2009-10. Subsequently, the District should actively monitor its enrollment, its financial condition, and educational outcomes to identify potential staffing reductions in the future. These factors should be incorporated into the District's staffing plan (see 2.3).

The 2008 performance audit recommended eliminating nearly 386 FTEs. As of September 1, 2010, the District eliminated approximately 322 FTEs. However, **Table 2-1** shows that because not all reductions were made as recommended in the 2008 performance audit and the District has experienced continued enrollment declines, the District's staffing levels are still higher than the peer averages. This exemplifies the importance of monitoring enrollment trends and incorporating them in a staffing plan (see 2.3).

The following details the positions in which the District employs significantly more FTEs per 1,000 students than the peer average, with the exception of classroom teachers (see **Issues for Further Study**) and operations (see the **facilities** and **transportation** sections):

- **Administrative and Clerical:** **Table 2-1** shows that the District employs 0.8 more administrator FTEs per 1,000 students than the peer average, due to employing more central-based administrators. Likewise, **Table 2-1** shows that YCSD employs 1.6 more office/clerical FTEs per 1,000 students than the peer average. To be more in line with the respective peer averages, the District would need to reduce staffing levels by 5.5 administrative FTEs and 10.5 office/clerical FTEs.

- **Other Student Services:** **Table 2-1** indicates that YCSD employs 2.2 more other student service FTEs per 1,000 students, due primarily to employing more speech and language therapists (see **Issue for Further Study**) and practical nurses. The District does not employ any registered nurses (RNs), but does employ 10 licensed practical nurses (LPNs) FTEs who function as school nurses. When combining RNs and LPNs, YCSD employs 1.5 FTEs per 1,000 students, compared with the peer average of 1.0. If the District eliminated 2.5 LPN FTEs, it would employ 1.1 FTEs per 1,000 students, more in line with the peer average. In addition, it would employ 0.63 nurse FTEs per building, closer to the peer average of 0.57¹¹.
- **Other Certificated:** As shown in **Table 2-1**, YCSD has 2.8 FTEs per 1,000 students in this category, which is 1.5 more than the peer average¹², or 10.1 FTEs. This category comprises curriculum specialists (14.0 FTEs) and other professional-educational staff (5.0 FTEs) for YCSD. However, the General Fund supports only 5 of the 19 FTEs.
- **Non-Certificated Classroom Support:** YCSD employs 15.3 non-certificated classroom support FTEs per 1,000 students, which is 5.4 more than the peer average. This is despite employing slightly more educational support FTEs per 1,000 students (see **Table 2-1**). The higher non-certificated classroom support staffing levels are due to employing more teaching aides and instructional paraprofessionals. Eliminating 36.5 FTEs would result in staffing levels that are more comparable to the peer average. Additionally, these positions are supported by the General Fund and not associated with special education.

Furthermore, **Table 2-1** shows that YCSD employs slightly more FTEs per 1,000 students in the other technical/professional staff category, which is mainly due to employing more library aides. Similarly, the District employs 0.1 more librarian FTEs per 1,000 students than the peer average, which contributes to the slightly higher ESP FTEs shown in **Table 2-1**. When combining librarian and library aid positions, the District would need to reduce staffing levels by 4.5 FTEs to be more in line with the combined peer average FTEs per 1,000 students. Likewise, this would result in employing 0.71 library FTEs per building, similar to the peer average of 0.69. However, only 3.0 library aide FTEs could be reduced without further negotiation because of the contractual floor (see **2.3**). As a result, the District would need to eliminate some librarian positions to achieve a total reduction of 4.5 FTEs. The District employs 5.0 librarian FTEs.

Financial Implication: By eliminating the 64.5 FTE positions detailed above, YCSD could save approximately \$2.3 million in salaries and benefits costs. These estimated savings are based on

¹¹ The peer averages exclude Garfield Heights City School District because it did not report RNs or LPNs.

¹² The peer average is based on four peers. Elyria City School District was excluded from the peer average because of an EMIS reporting anomaly.

the lowest salaries for each group shown in **Table 2-1** and the ratio of District-wide benefits to salaries in FY 2009-10 that are encompassed in the five-year forecast¹³.

2.2 Reduce health insurance costs.

YCSD should implement strategies for improving the cost-effectiveness of its health insurance program. Potential strategies include negotiating to increase the employee contributions toward premiums, base employee contributions on actual premium costs, increase the number of hours worked for classified staff to qualify for full healthcare benefits, and institute a prorated contribution schedule for part-time classified staff. Additionally, YCSD should negotiate to increase deductibles, out-of-pocket maximums, prescription and office visit co-payments, and the number of tiers in the prescription program; as well as offer opt-out incentives to all staff. The District should also negotiate to implement the same plan for all employees, with plan benefits that align with industry benchmarks. However, if the District maintains separate plans, the employee contributions toward premiums should account for the varying level of benefits in the separate plans. Furthermore, the District should periodically bid for broker services, perform eligibility audits, and actively involve the benefits committee. Lastly, in order for the District to immediately make changes to its medical coverage for all staff, it should consider eliminating the Memorandum of Understandings (MOUs) with the YEA and Local 1143. However, prior to enacting changes, YCSD should carefully review the provisions under the Patient Protection and Affordable Care Act, and ensure that it would realize a net cost savings by implementing the aforementioned changes.

YCSD offers health insurance to certificated staff that work 7.5 hours per day, and classified staff that work 5 hours per day. The District's certificated CBA notes that certificated employees working less than 37.5 hours per week will be offered healthcare at prorated amounts, based on the number of hours worked per day. In contrast, the District lacks a prorated schedule for classified staff, with the exception of bus drivers working four hours per day, five days per week who have to pay 40 percent of the premium costs to obtain health insurance coverage.

Since the 2008 performance audit, the District has moved to one insurance carrier for all employees by signing a formal MOU with the bargaining units. While the MOU enabled YCSD to switch to one carrier, it prevents the District from changing the plan design until 2012 for staff represented by YEA and AFSCME Local 1143. In addition, similar to the 2008 performance audit, the District offers plans with varying benefits: a PPO plan for classified employees and two separate plans for certificated employees: a modified traditional PPO plan and a PPO plan with base and supplemental benefits.

¹³ To be conservative, benefit savings were calculated only for full-time staff reductions.

Table 2-3 compares the District’s monthly health insurance premiums to data published by SERB for governments in Ohio and nationwide data published by Kaiser.

Table 2-3: Monthly Health Insurance Premium Comparison

<i>Comparison to SERB</i>				
	YCSD	SERB¹	Dollar Variance	Percent Variance
Single Coverage	\$512.18	\$463.00	\$49.18	10.6%
Family Coverage	\$1,280.45	\$1,172.00	\$108.45	9.3%
<i>Comparison to Kaiser</i>				
	YCSD	Kaiser²	Dollar Variance	Percent Variance
Single Coverage	\$512.18	\$483.36	\$28.82	6.0%
Family Coverage	\$1,280.45	\$1,227.48	\$52.97	4.3%
<i>Comparison to SERB Average – Prescription Coverage Premium Portion Only</i>				
	YCSD	SERB³	Dollar Variance	Percent Variance
Single Coverage	\$133.62	\$117.00	\$16.62	14.2%
Family Coverage	\$334.04	\$268.00	\$66.04	24.6%

Source: YCSD’s health insurance and prescription premiums as of January 1, 2010, SERB 2010 18th Annual Report on the Cost of Health Insurance in Ohio’s Public Sector, and the Kaiser Family Foundation Employer Health Benefits 2009 Survey.

¹ The SERB average reflects premiums for Ohio school districts and ESCs with 2,500 – 9,999 students.

² The Kaiser average reflects premiums for state and local governments. In addition, the Kaiser reported average premiums were increased to reflect estimated 2010 costs, based on a historical average increase from prior reports.

³ SERB data for prescription coverage premium is an average reported premium of state and local governments.

Table 2-3 shows that the District’s monthly health insurance premiums are higher than the SERB and Kaiser benchmarks, which is partially due to offering generous coverage levels. For example, the District requires employees to pay deductibles of \$0 to \$100 for network and non-network services, respectively, and has out-of-pocket maximums at \$0 or \$225 for single coverage, \$ 0 or \$450 for family plan in-network coverage, or \$225 per covered person. In contrast, SERB reports that for school districts/ESC, 52 percent of single plans have deductibles equal or greater than \$125 and 52 percent of family plans have deductibles equal or greater than \$250. SERB also reports the school district/ESC median out-of-pocket maximum for in-network is \$750 for single coverage and \$1,500 for family coverage. In addition, the District requires employees to pay 10 percent of the cost for physician visits, while Kaiser reports an average co-pay of 18 percent for physician visits in all plans and in PPOs for those employees that pay a percentage.¹⁴ While the certificated staff first have to fulfill the deductible prior to the plan paying 90 percent for physician visits, classified staff are not subject to the deductible for physician benefits. Moreover, the modified traditional PPO plan covers all in-network services at 90 percent after the deductible, with three exceptions. Conversely, the classified PPO and other certificated PPO plan cover numerous in-network services at 100 percent with no deductible required.

¹⁴ SERB did not report data on co-pays for physician visits.

The District's prescription coverage co-payments are comparatively low, thus contributing to the higher prescription premiums. Specifically, YCSD does not require a co-payment for generic drugs. Likewise, YCSD requires some employees (e.g., administrators and certificated staff) to pay a 10 percent co-payment for brand name drugs for retail and mail order, while other employees only pay a 10 percent co-payment for retail brand name drugs and no co-payment for mail order brand name drugs. SERB did not report co-payments for two-tier plans in 2010, indicating that "the majority of plans have three or four-tier prescription plans." In 2009, SERB reported the median co-payments for a two tier plan was 10 percent for generic and 20 percent for brand name in both the retail and mail order programs. For three or four tiered plans, SERB reported higher percentages for employee co-payments in 2009.

In addition to generous coverage levels, the District does not use the following strategies that could help lower its health insurance costs:

- **Employee Contributions** – YCSD's CBA provisions indicate that employee contributions toward health insurance premiums are based on annual salaries, rather than the actual premium costs. In addition, two CBAs indicate that employees cannot pay more than \$400 per year for single coverage and \$750 for family coverage. As a result of these provisions, the average employee contribution over the last three years amounts to less than 4.0 percent of the single and family plan premium costs, with the high being 5.4 percent in FY 2008-09. According to the Treasurer, administrators contribute 10 percent of premium costs. By comparison, SERB reports that the average school district employee contribution towards single plan premiums is 9.5 percent while the family plan contribution rate is 10.7 percent. Additionally, Kaiser reports that the average single and family plan contribution rates for a PPO plan are 17.0 and 26.0 percent, respectively.
- **Opt-out Incentives** – The District does not offer its certificated employees incentives to waive medical coverage, while it does offer \$110 per month (or \$1,320 per year) for classified staff to waive family coverage. SERB reports that approximately 50 percent of school districts offer an opt-out incentive, with the average equaling \$1,211 for single and \$1,694 for family incentive payments.
- **Dependent Eligibility Audits** – According to the Treasurer, the District does not conduct dependent eligibility audits. SERB indicates that dependent eligibility audits identify individuals who do not qualify to be on the employer's medical plan. This limitation may include children of employees who have reached a cut-off age or their student status has changed, or ex-spouses of employees. SERB reports that approximately 65 percent of school districts have conducted dependent eligibility audits within the last 3 years.
- **Other Alternatives** – According to the Treasurer, the District contracts with an insurance broker to help structure, review, and select its health care plan. However, the Treasurer indicated that the District has used the same broker for several years, and does not

regularly use competitive bidding or requests for proposals to ensure it is receiving the best price for these services. *Renegotiate Benefit Contracts and Cut Costs* (SHRM, 2009) suggests that employers seek competitive bids each year for health insurance, surveying providers in order to make meaningful comparisons and selection. It also recommends that employers shop around for brokers. Different brokers are sometimes able to get different rates from the same providers.

- **Insurance Committee** – According to the Treasurer, the District has a benefits committee; however, the committee has not met for over a year. During the latter portion of this performance audit, the Assistant Superintendent of Human Resources noted that the District created a joint health care committee that is looking at ways to reduce costs, such as increased employee contributions, dependent eligibility audits, and other alternatives. *Could You Benefit from an Employee Benefits Committee?* (SHRM, 2009) explains that giving employees a say in the process results in a benefits package that they will truly value. The role of an insurance committee is two-fold: sharing employee input with plan administrators, and helping to educate and inform other employees about benefits issues. Best practices to boost the value of this type of input include: make roles clear; rotate committee membership; populate committees with diverse employee representation; share and simplify information; and be armed with answers.

The Patient Protection and Affordable Care Act (PPACA) was signed into Federal law in March 2010. Aspects of PPACA can impact employers' decisions regarding the provision of health insurance benefits. More specifically, PPACA allows for plans to be exempt from some of the new regulations, as a grandfathered plan. According to Medical Mutual of Ohio, grandfathered plans are exempt from certain requirements in PPACA, such as the following:

- Covering preventive services without cost-sharing;
- Covering adult children with other employment-based coverage available;
- Mandating coverage of emergency services without prior approval and in-network requirements;
- Prohibiting the required approval or referral to see an OB-GYN;
- Covering federally defined "essential health benefits" under individual and small group plans (effective 2014); and
- Limiting deductibles to \$2,000 for single coverage and \$4,000 for family coverage under small group health plans (effective 2014).

According to healthcare.gov,¹⁵ plans will lose their grandfathered status if they choose to make significant changes that reduce benefits or increase costs to consumers. Compared to their policies in effect on March 23, 2010, grandfathered plans cannot:

¹⁵ Healthcare.gov is a federal government website managed by the U.S. Department of Health and Human Services.

- Significantly reduce benefits;
- Increase co-insurance charges;
- Significantly increase co-payment charges¹⁶;
- Significantly increase deductibles¹⁷;
- Significantly lower employer contributions¹⁸;
- Add or tighten an annual limit on what the insurer pays; and
- Change insurance companies. However, this does not apply to collective bargaining agreements or when employers that provide their own insurance to their workers switch plan administrators. Subsequently, the Society for Human Resource Management reported that an amendment announced on November 15, 2010 will allow group health plans to switch insurance companies without losing grandfathered status. However, if a group health plan switched insurers effective before November 15, they would still lose grandfathered status.

Healthcare.gov also notes that fully-insured health plans subject to collective bargaining agreements will be able to maintain their grandfathered status until their agreement terminates. After that point, they will lose their grandfathered status if they make any of abovementioned changes. However, healthcare.gov does not indicate whether entities would lose grandfathered status if they modify insurance benefits through existing agreements, rather than waiting for the agreements to expire. Healthcare.gov further states that if a plan loses its grandfathered status, consumers in these plans will gain additional new benefits, including coverage of recommended prevention services with no cost sharing and patient protections such as guaranteed access to OB-GYNs and pediatricians. USI Insurance estimates that providing full coverage for preventive care represents a cost increase of up to approximately 2.0 percent for employers.

According to a survey conducted by Mercer in July 2010, 53 percent of respondents indicated that they will maintain grandfathered status for all plans in 2011, while 32 percent indicated that they will lose grandfathered status for all plans in 2011 and 15 percent indicated that they will lose grandfathered status for at least one plan. Approximately half of the survey respondents that expect to have a grandfathered plan in 2011 believe they will have to forgo grandfathered status before 2014, and 63 percent of respondents indicated that it would be more cost effective to make changes and lose grandfathered status. Furthermore, organizations that employ fewer than

¹⁶ Compared with the copayments in effect on March 23, 2010, grandfathered plans will be able to increase those copays by no more than the greater of \$5 (adjusted annually for medical inflation) or a percentage equal to medical inflation plus 15 percentage points.

¹⁷ Compared with the deductible required as of March 23, 2010, grandfathered plans can only increase these deductibles by a percentage equal to medical inflation plus 15 percentage points.

¹⁸ Grandfathered plans cannot decrease the percent of premiums the employer pays by more than 5 percentage points (e.g., decrease their own share and increase the workers' share of premium from 15 percent to 25 percent).

500 employees predict that costs will increase by 3.0 percent in 2011 because of PPACA provisions.

In addition to the abovementioned cost implications, PPACA contains a significant tax implication for high cost plans. Specifically, the Kaiser Family Foundation indicates that effective in 2018, employers will be subject to a 40 percent tax on the cost of coverage in excess of a \$10,200 for single coverage and \$27,500 for family coverage. The amounts are higher for retirees and those in high-risk positions (\$11,850 and \$30,950, respectively)¹⁹. By comparison, YCSD's current monthly premiums amount to annual costs of approximately \$6,200 for single coverage and \$15,400 for family coverage.

Negotiating to increase the number of hours worked by part-time classified staff to receive full healthcare benefits, raise employee contributions, redesign the level of medical coverage provided by the plan, and offer opt-out incentives will assist the District in achieving insurance costs that are more comparable to industry benchmarks. Likewise, regularly bidding for insurance providers and conducting dependent eligibility audits can also result in cost savings. Lastly, actively using the benefits committee would help educate employees about health insurance issues and related costs. This, in turn, can help the District implement cost-saving strategies.

Financial Implication: If YCSD is successful in negotiating to increase employee contributions to 15 percent of the premiums, the District would recognize an annual savings of approximately \$1.5 million. Lowering premiums to the SERB projected average would provide an annual savings of approximately \$756,000. If the District were successful in lowering premiums and increasing the employee contributions simultaneously, the annual savings would equate to approximately \$2.1 million. The savings would decline to approximately \$1.9 million if the District implements the potential staffing reductions presented in the performance audit. Depending upon the actions implemented by YCSD and the interpretation of the requirements in PPACA, the District could be subject to additional costs under PPACA. Although it is difficult to precisely quantify these additional costs, this financial implication will be lowered by 10 percent to \$1.7 million in an effort to account for the potential additional costs. Based on the aforementioned information from USI Insurance and Mercer, this represents a conservative estimate.

2.3 Develop a staffing plan and annually update enrollment projections.

YCSD should develop a formal plan to address current and future staffing needs. The

¹⁹ These thresholds will be indexed to the consumer price index for urban consumers for years beginning in 2020, may be adjusted upwards if health care costs rise more than expected prior to implementation of the tax in 2018, and will be increased for firms that may have higher health care costs because of the age or gender of their workers.

District should also update its enrollment projections to reflect actual data and subsequently update the projections on an annual basis. The staffing plan should include benchmarks and account for the enrollment trends/projections, current State requirements and collective bargaining provisions (see 2.8), and potential changes to such requirements (e.g., House Bill 1). Further, the staffing plan should link to the District's budget and five-year forecast.

YCSD does not have a formal staffing plan. According to the Assistant Superintendent of Human Resources, this is in part because staffing levels have been guided by the State's Financial Planning and Supervision Commission (see **financial systems**). Because of the District's fiscal emergency declaration in 2006, the Financial Planning and Supervision Commission has recommended staffing level reductions to aide in the District's financial recovery. Based on these recommendations, the Superintendent, Assistant Superintendent of Human Resources, Treasurer, and building principals meet to discuss position reductions. Additionally, the District must abide by the Academic Distress Commission's staffing recommendations, which was created in response to YCSD's academic emergency designation in FY 2008-09. The Academic Distress Commission developed an academic recovery plan in FY 2009-10, which included hiring more teachers in an effort to reduce the class sizes of grades K-1 to a student to teacher ratio of 15:1. The Academic Distress Commission's recovery plan was approved by the State Superintendent and implemented at the beginning of FY 2010-11 through the hiring of 27 teachers.

House Bill 1 (HB1) was passed at the start of FY 2009-10, which provides a new State funding formula for school districts and accounts for new teacher staffing standards. For instance, to determine funding levels for "core" teacher positions, the legislation uses a ratio of 25 students per teacher in 4th through 12th grades, and 19 students per teacher in kindergarten through 3rd grades for FY 2009-10 and FY 2010-11. The student-to-teacher ratio for kindergarten through 3rd grades declines to 17:1 for FYs 2011-12 and 2012-13, and further declines to 15:1 thereafter. The aforementioned student ratios are based on formula ADM. However, as of November 2010, the HB1 standards only impact the State funding formula and have not yet been adopted as the required operating standard.

The District's CBAs include staffing restrictions. For example, YCSD's agreement with AFSCME Local # 1143 notes custodial staffing assignments by building, position, and square feet cleaned. Such restrictions limit the District's ability to alter staffing levels and adapt to changing environments, such as a continual trend in declining enrollment (see **2.8**). The Assistant Superintendent of Human Resources noted that the District considers student enrollment when reviewing staffing levels. However, YCSD does not perform annual enrollment projections nor has updated prior projections. The most recent YCSD enrollment projection was performed by a consultant in January 2006. The consultant projected that YCSD's student enrollment would decline by approximately 1,205 students, or 18.7 percent from FY 2010-11 through FY 2017-18. By comparison, YCSD's actual enrollment declined 21.6 percent, or by 1,901 students from FY

2005-06 through FY 2009-10. In addition, the District's actual enrollment was 6,918 in FY 2009-10, similar to the consultant's projection of 6,944.

The Tulsa Public Schools (Oklahoma) has established guidelines for determining the appropriate staffing levels within the regular and special education teacher, administrative, other instructional, clerical, custodial, transportation, and food service classifications. The instructional and administrative allocations are based on student enrollment or student caseload for special education teachers. The other staffing levels are based on a consideration of various workload measures. For example, the custodial staffing levels are based on a calculation that considers the number of teachers, students, rooms, and the total area of the buildings. The food service staffing allocations are based on a minimum target for meals per labor hour established by the district. The staffing plan also outlines the procedures for developing the allocations in each area. Similarly, the Cincinnati City School District established a staffing plan that is closely linked to the concept of student based budgeting. The process for developing the staffing plan begins in November, when the October ADM count is finalized and initial enrollment projections are developed. Following the determination of revenue, each school receives guidelines on how their buildings must be staffed in line with base staffing allocations. These guidelines change based on the availability of funds, state requirements, and contract language. Staffing levels for regular and special educational teachers, site-based administrators, and clerical support, and the salaries for each category are included on the staffing template. This information is used to allocate available resources.

Although the District does not have full control over staffing decisions because of the aforementioned commissions and the consultant's projection is close to the actual enrollment for FY 2009-10, developing a staffing plan and reviewing and updating enrollment projections as necessary would help ensure that the YCSD allocates personnel in an appropriate and cost-effective manner. It would also help the District address potential changes to State operating standards. This is particularly important as salaries and benefits comprise a significant portion of the District's budget. For instance, in FY 2009-10, YCSD's General Fund expenditures for employee salaries and benefits were approximately 55 percent of total expenditures.

2.4 Develop policies and procedures for EMIS reporting.

YCSD should develop policies and procedures for preparing and reviewing data that is submitted to the Educational Management Information System (EMIS), including identifying positions involved in the process and their responsibilities. In addition, the District should identify the position(s) responsible for reviewing the EMIS data for accuracy prior to submission to the Superintendent and Treasurer, and require reviews beyond generating the EMIS error reports. As the District develops policies and procedures, it should consider centralizing the data entry process with one department. Taking these steps would better ensure the accuracy, reliability, and utility of the EMIS data for decision-making purposes.

The District does not have policies and procedures for preparing and reconciling staff or student data prior to submission to EMIS. However, YCSD's D.A.T.A. Supervisor indicated that the District uses the EMIS Manual, which is produced annually by ODE, as a guideline for processing and submitting EMIS data. Additionally, YCSD uses an internally-developed Summary of Yearly Events, which chronologically details specific processes that need to be addressed for EMIS submissions throughout the year. Furthermore, according to the D.A.T.A. Supervisor, there is regular interaction with the District's Information Technology Center (ACCESS) for EMIS updates and submission issues.

The D.A.T.A. Supervisor noted that YCSD's procedures for entering and submitting employee EMIS data is spread among several departments. When an employee is initially hired, the HR Department, in coordination with the Superintendent, is responsible for determining the full-time employee (FTE) count and EMIS position code for each employee. The HR Department also enters the demographic information for the employee. The Treasurer's Office enters payroll and coding data. The D.A.T.A. Department is primarily responsible for gathering all required elements for EMIS reporting, timely submitting the information to ODE, and verifying data for accuracy and error correction.

Due to the decentralized EMIS data entry process and lack of policies and procedures delineating the responsible parties for each component, YCSD struggled during the course of this audit to provide specific staffing information and answer follow-up questions in a timely manner. Moreover, although the overall EMIS data was determined to be sufficiently reliable, AOS found errors within the FY 2009-10 EMIS reports²⁰. For example, the D.A.T.A. Supervisor was reported in two different position codes and an accountant was classified in the wrong position code. When auditors tried to determine the reason for these errors, they were directed and redirected to numerous District personnel who could not provide the rationale as to why or how the coding errors occurred. However, YCSD's staff was ultimately able to fix the majority of the errors after they were identified by the auditors.

The D.A.T.A. Supervisor noted that she reviews errors that are generated from the EMIS error report and sends the reports back to the responsible party to be fixed. Error reports flag certain mistakes and reject the submitted data until corrections are made. Once the errors are cleared, the Treasurer and Superintendent sign off on the data prior to submission. However, there are no procedures in place to perform a review of data errors that were not caught by the error reports, such as those noted above.

In 2006, the Ohio Association of EMIS Professionals (OAEP) presented EMIS in Perspective –

²⁰ While the performance audit identified some staffing errors, YCSD's EMIS staffing and student count data are deemed sufficiently reliable for assessment purposes. This is based on sample testing of EMIS staff and student data. Furthermore, the identified errors were corrected.

Pertinent Issues for New EMIS Coordinators. This presentation discussed why accurate EMIS reporting is vital for every school district. Specifically, EMIS data is directly related to District funding and accountability, public relations and district image, and professional reputation.

In addition, OAEP provides tips and recommendations to help ensure accurate EMIS data. It recommends EMIS staff periodically check the ODE/EMIS web site to see if the reporting guidelines (in the EMIS manual) have been updated or changed²¹. OAEP also recommends data reports be shared with district administrators before the close of the reporting period so that they can assist in identifying incorrect or missing data.

Developing policies and procedures that formally assign roles for each aspect of EMIS reporting, including reviews beyond those automatically generated by EMIS, would better ensure that the data is accurate and can be easily used to help make important decisions. This is particularly important for YCSD in order to make decisions that align with the projected decline in enrollment.

2.5 Reduce sick leave use.

YCSD should take measures to reduce sick leave use by developing a District-wide policy that addresses excessive use, misuse, and abuse, including disciplinary actions. In addition, the District should actively monitor sick leave use and require physician statements for extended absences to help identify potential abuse or misuse. Monitoring efforts can be aided by reviewing recommended practices in *Absence Management: Strategies for Curbing Absenteeism in the Workplace*. Furthermore, the District should consider negotiating to eliminate or reduce the attendance incentive for certificated and classified staff. Finally, YCSD should regularly conduct an employee satisfaction survey to determine if morale issues are affecting attendance.

Table 2-4 compares the District’s average sick leave use to the State Council of Professional Educators, Ohio Education Association (SCOPE/OEA) (for certificated staff) and the American Federation of State, County, and Municipal Employees (AFSCME) (for classified staff) averages reported by the Ohio Department of Administrative Services (ODAS).

Table 2-4: Sick Leave Hours per Employee in FY 2009-10

	YCSD	ODAS Averages	Excess Hours Used
Certificated	79.43	64.80	14.63
Classified	88.87	65.98	22.89

Source: YCSD and Ohio Department of Administrative Services

²¹ The EMIS manual is released annually, with periodic updates.

Table 2-4 shows that the District's certificated and classified staff averaged 14.63 and 22.89 more sick leave hours per employee when compared to the respective ODAS averages. Although the CBAs indicate appropriate instances for using sick leave and allows physician's statements to be requested after five consecutive absences, they do not define when the use of sick leave is considered excessive nor do they specify possible consequences for sick leave abuse, with the following exception in the classified agreement: "the abuse, excessive or patterned use of sick leave shall subject the employee to disciplinary action."

In addition, the District does not have any sick leave policies that address matters of excessive use or sick leave abuse. Furthermore, in practice, YCSD does not monitor sick leave and does not typically request a physician's statement to justify extended absences. District officials speculated that the high sick leave usage is due to low employee morale. However, the District has not conducted employee satisfaction surveys in the past to confirm that morale issues are affecting attendance.

The District offers an attendance incentive for certificated and classified staff members who use limited or no sick days during the fiscal year. Certificated and classified employees who qualify for the attendance incentive are eligible to receive financial compensation²². As shown in **Table 2-4**, this incentive appears ineffective in minimizing sick leave use.

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

- Employers should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.
- Document employees' absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism among specific individual employees or whether absenteeism is a chronic problem throughout the organization.
- Hold supervisors accountable for good attendance. Managers should be aware of each

²² For perfect attendance, certificated employees receive \$150 per academic semester; AFSCME 12 month employees receive \$400, 9 month employees receive \$320 annually; and Crafts and Trades employees receive \$400 annually. For 1 day of sick leave, certificated employees receive \$100 per academic semester.

employee's attendance patterns and be instructed to look for performance problems. Supervisors should document chronic absenteeism, and speak privately with repeatedly absent employees as soon as possible after their absence, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.

- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.

By developing a sick leave policy that incorporates pertinent elements, monitoring sick leave use, and requiring physician statements for extended absences, the District will be better equipped to address sick leave abuse and misuse, and potentially reduce sick leave usage. Moreover, conducting employee surveys would help determine whether employee morale is contributing to the high sick leave use and, in turn, develop improvement strategies. By reducing sick leave use, YCSD would reduce costs related to substitutes, overtime, and lost productivity.

Financial Implication: If the District reduced certificated sick leave usage to the ODAS average, it could save approximately \$197,000 in certificated substitute costs per year, based on the daily substitute rates. Cost savings are not readily quantifiable for classified staff, but will depend upon related impacts on the use of substitutes and overtime.

2.6 Continue to consider strategies to reduce compensation levels.

The District should continue to consider strategies for reducing the compensation of office/clerical, operations, and other professional/technical staff. For instance, given that YCSD has frozen base wages the last four years and is limiting base wage increases in the next two to three years, the District should consider negotiating to restructure the salary schedules/rates for these groups. In addition, the District should postpone longevity payments until an employee attains at least 10 years of service and lower the dollar amounts, or eliminate longevity pay altogether.

The 2008 performance audit analyzed the District's FY 2006-07 average salaries and found that the salaries for secretaries, teaching aides, maintenance staff and mechanics, and technical staff were higher than the peer averages (see **R3.10**). Additionally, the 2008 performance audit revealed that the District's negotiated salary schedules/rates for the secretaries, teaching aides, maintenance staff and mechanics were higher than peer averages of districts in close proximity to YCSD. Despite a four-year freeze to base wages that began in FY 2006-07, **Table 2-2** shows that

YCSD's current average salaries²³ when compared to the peer average were high in the following areas:

- **Office/Clerical** – The District's average annual salary for this employee group, which includes secretaries, was \$37,577 compared to the peer average of \$32,559, or 15.4 percent higher. This category comprises 6.5 percent of total staffing.
- **Other Technical/Professional Staff**– The District's average salary for this employee group was \$32,187 compared to the peer average of \$29,455, or 9.3 percent higher. However, this category comprises only 1.3 percent of total staffing.
- **Operations** – The District average salary for this employee group, which includes maintenance staff and mechanics, was \$27,835 compared to the peer average of \$22,256, or 25.1 percent higher. This category comprises 19.0 percent of total staffing.

In contrast, the District's average salary for non-certificated classroom support, which includes teaching aides, was 1.9 percent lower than the peer average. Additionally, the District's overall average salary of \$43,051 was 3.6 percent lower than the peer average.

During the course of the performance audit, the District was finalizing its FY 2010-11 to 2011-12 AFSCME and Trades CBAs and its FY 2010-11 to 2012-13 YEA CBA. . The District's tentative CBAs provide for a 1 percent wage increase in each year of the contract. Additionally, according to the HR Director, staff not covered by the District's collective bargaining agreements will also receive a 1 percent wage increase.

In addition to the higher step schedules and rates that were noted in the 2008 performance audit, YCSD continues to pay classified personnel longevity payments. According to YCSD's new tentative AFSCME and Trades CBAs, except for employees hired after February 1, 2010, longevity payments will begin at the 5th year of service, and range from \$350 to \$1,000 annually. However, the new tentative CBAs reduce these amounts by 3.5 percent during the first year of the contract and an additional 3.5 percent in the second year, effectively reducing the longevity pay ranges to between \$326 and \$931, respectively. Employees hired after February 1, 2010 are not eligible for longevity payments until the beginning of the 7th year. The 2008 performance audit noted that Girard CSD did not provide longevity pay to classified staff, and Lowellville CSD's longevity payments were lower than YCSD and are still lower. Specifically, the 2008 performance audit noted that Lowellville CSD's longevity pay ranges from \$250 to \$450, depending on years of service. Additionally, Lowellville CSD's longevity pay did not begin until

²³ YCSD salaries were adjusted for staffing retirements, reductions and additions through September 1, 2010. In addition, higher tenure is likely causing the higher average salaries for educational support staff (see the analysis accompanying **Table 2-2**).

10 years of service. These provisions were still in effect in Lowellville's most recent contract that expired on August 31, 2010, with the max longevity pay increasing to \$500.

The District has frozen base salaries the last four years and is providing limited increases to base wages in the next two to three years. However, providing higher salaries for the aforementioned groups increases the expenditures associated with support services. This is further compounded by providing longevity to employees earlier in their careers and at higher rates. See **R3.10** in the 2008 performance audit for additional information.

2.7 Reduce retirement payout.

During future negotiations, the District should seek to reduce the cap on the amount of sick leave paid at retirement. The District should also negotiate to reduce the percentage for the payouts to 25 percent, similar to classified staff hired after February 1, 2010 and certificated staff. Taking these steps would lower the District's future financial liability. Lastly, the District should consider negotiating to provide the same level of payout for all staff in order to instill fairness.

The District's tentative CBA provides payment for 25 percent of up to 275 sick leave days for certificated staff at the time of retirement, with a cap of 68.5 days. This is the same as the prior agreement assessed in the 2008 performance audit. In addition, the tentative classified CBAs (Locals #1143, #1143-A, and #1143-B, and Trades) provide payment for 60 percent of up to a cap of 180 days in the first year of the contract; and reduces the payout to 55 percent with a cap of 170 days in the second year. The caps are higher than in prior CBAs (144) while the payout percentage (55 percent) is lower. Conversely, classified employees hired after February 1, 2010 receive 25 percent of accrued sick time up to a maximum of 75 days paid. The current agreement with AFSCME Local # 1143 C (security staff) provides for 50 percent of sick hours accumulated, with a cap of 920 hours (115 days)²⁴. ORC § 124.39 states that sick leave payout is based on 25 percent of the value and shall not exceed the value of 30 days of accrued sick leave. However, section (C) permits political subdivisions to compensate employees for more than 25 percent and 30 days.

Although the District has significantly lowered sick leave payouts for classified staff hired after February 1, 2010, the sick leave payouts for remaining staff are much higher than the 30 days in ORC § 124.39. Likewise, the percentages for the payouts for the other classified staff are much higher than 25 percent. Further lowering the percentage payout for other classified staff and the caps on the amount of sick leave paid out at retirement for all staff would help the District reduce its long-term costs, while providing a severance payment that could still be well above the minimum requirements in ORC § 124.39.

²⁴ YCSD's Local #1143-C agreement expired on 12/31/2010 and has not yet been renegotiated.

Financial Implication: The financial impact of reducing the cap in sick leave paid at retirement is not readily quantifiable. It is dependent on which and when employees retire, and the amount of their accumulated sick leave at that time.

2.8 Eliminate restrictions on staffing levels and instructional time.

During future negotiations, YCSD should eliminate the 400 employee floor for reductions in force, and restrictions on library aide and custodial positions, and instructional periods. Additionally, the District should negotiate to reduce the planning time provided to teachers.²⁵ Renegotiating these provisions would enable YCSD to alter staffing levels based on relevant factors (e.g, student enrollment and financial needs), increase direct instruction time provided by each teacher, and ensure an appropriate level of teaching staff.

YCSD's tentative certificated CBA includes a reduction in force clause stipulating that certificated personnel cannot be reduced below 400 full-time equivalents (FTEs). Additionally, the District's tentative AFSCME Local #1143-A CBA establishes a minimum staff of 5.0 library aide floater positions²⁶. Furthermore, the tentative AFSCME Local #1143 CBA contains a provision stipulating custodial staffing assignments by building, position, and square feet cleaned. The 2008 performance audit also reported these issues because they were present in prior CBAs.

In addition, YCSD's prior and tentative certificated CBA limits the number of periods each teacher can instruct to a maximum of 6 periods for up to 75 percent of the junior/middle school teachers and 67 percent of high school teachers (excluding career-technical teachers). The remaining teachers can teach no more than five periods. No teacher can be assigned to six instructional periods for more than three consecutive years for junior/middle school teachers and two consecutive years for high school teachers, unless the teacher volunteers to do so or teaches a foreign language. The agreement further indicates that while two daily preparation periods is ideal, three is the maximum. Moreover, the certificated agreement provides elementary school teachers with at least 135 planning minutes plus 125 "preparation" minutes before or after lunch, for a total of 260 preparation/planning minutes per week.

According to OAC § 3301-35-05, teachers shall be provided sufficient time for designing their work, evaluating student progress, conferencing, and team planning. The schedule of full-time equivalent classroom teachers assigned to a school with a teacher day of six hours or longer, excluding the lunch period, shall include 200 minutes per week for these purposes. As a result,

²⁵ This, in part, assumes that the language in the CBA requires the District to provide at least two planning periods for middle/junior/high school teachers. The CBA language for planning time for elementary school teachers is clear.

²⁶ The tentative new AFSCME Local #1143-A agreement reduces the library aide floater positions from 8.0 to 5.0 FTEs.

YCSD provides elementary school teachers with 60 more planning/preparation minutes per week than required by OAC § 3301-35-05. Assuming only 30 minutes per period for junior/middle school and high school to be conservative, two preparation periods would equal 300 planning minutes per week for these teachers. This is also higher than the minimum requirements in OAC § 3301-35-05 and assumes that the “ideal” language in the CBA requires the District to provide each teacher with a minimum of two planning periods per day.

Restrictions on staffing levels and instructional periods limit the District’s ability to reduce staffing levels commensurate with enrollment declines and other factors. Additionally, providing more planning time, coupled with the restrictions on instructional periods, reduces the amount of direct instruction provided by each teacher and can cause the District to employ more teachers.

Appendix 2: 2008 Performance Audit Follow-up

Table 2-5 summarizes the 2008 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. Of the twenty recommendations contained in the 2008 performance audit, YCSD fully implemented three recommendations, partially implemented eleven recommendations, and did not implement six recommendations. The 2010 performance audit addresses the recommendations in the 2008 performance audit if they fell within the current audit scope.

Table 2-5: 2008 Performance Audit Recommendations

Recommendation	Implemented	Partially Implemented	Not Implemented
<p>R3.1 Consider eliminating the following administrative positions by combining roles and responsibilities:</p> <ul style="list-style-type: none"> - 10.0 FTE site based administrators; - 8.0 FTE central based administrators paid from the General Fund; and - 8.0 FTE teachers on special administrative assignment (TSA) that are paid by local funds. 		<p>X¹ (see 2.1)</p>	
<p>R3.2 Consider reducing curriculum specialist staffing levels by up to 18.8 locally funded FTEs by combining and reassigning duties. The District should also review funding sources for the curriculum specialist positions to determine whether eliminating an additional 1.2 FTEs would have a positive impact on the General Fund.</p>		<p>X² (see 2.1)</p>	
<p>R3.3 Consider eliminating 50 FTE education service personnel (ESP) positions paid from the General Fund. This would result in staffing levels that are still slightly higher than State minimum requirements. If the District chooses to eliminate librarian positions, it should review the corresponding impact on overall library staffing levels (see R3.6). Additionally, the District should consider eliminating 10 FTE licensed practical nurse (LPN) positions to be comparable to the peer average.</p>		<p>X³ (see 2.1)</p>	
<p>R3.4 Consider eliminating 83 FTE regular education teacher positions.</p>		<p>X⁴</p>	
<p>R3.5 Review its special education programs and related staffing levels.</p>		<p>X⁵ (see Issues for Further Study)</p>	
<p>R3.6 Consider eliminating 8.0 FTE library aide positions. However, if the District decides to eliminate librarian positions as a part of the ESP reductions (see R3.3), it should reduce the number of library aide reductions accordingly. Although the District can make these reductions under the current collective bargaining</p>		<p>X⁶ (see 2.1 and 2.8)</p>	

agreement, it should negotiate to eliminate the minimum staffing of 8.0 FTE library aide floater positions.			
R3.7 Consider reducing staffing levels in the teaching aide classification by up to 43.0 FTEs supported by the General Fund.		X ⁷ (see 2.1)	
R3.8 Consider reducing clerical staffing levels by 32 FTEs.		X ⁸ (see 2.1)	
R3.9 Establish a staffing plan to address current and future staffing needs.			X (see 2.3)
R3.10 During future negotiations, consider restructuring step schedules for secretary, teacher aide, maintenance worker, and mechanic positions. The District should also periodically review all salary rates and schedules to determine appropriateness and necessary adjustments. In addition, the District should consider postponing longevity payments until an employee attains at least 10 years of service or eliminating longevity pay altogether.		X ⁹ (see 2.6)	
R3.11 Consider options to bring administrator compensation more in line with the County and peer averages. These options include eliminating the administrative step schedules or at least reducing annual step increases, limiting negotiated wage increases, and reducing or eliminating longevity payments.	X ¹⁰		
R3.12 Negotiate to require certificated and classified employees to contribute at least 10 percent toward the premium costs for health insurance. Furthermore, basing the employee contributions on the health insurance premiums rather than salaries would help offset inflationary increases in healthcare. Lastly, the District should consider eliminating the classified health plan and instead offering classified staff the same plans offered to the certificated staff, after determining the related impact on current premium costs.			X ¹¹ (see 2.2)
R3.13 Consider increasing employee cost sharing for health insurance benefits, including physician visits, annual deductibles, prescription coverage, out of pocket maximums, and hospital care. Also, the District should negotiate an increase in the hours worked threshold for classified employees to qualify for full benefits and institute a prorated contribution for part-time classified staff, similar to the certificated employees. Furthermore, the District should seek competitive proposals for health insurance on a periodic basis to help ensure that it receives the best rate and coverage.		X ¹² (see 2.2)	
R3.14 Solicit proposals from dental insurance providers to help determine whether it can lower premium costs. Additionally, the District should consider requiring employees to contribute more toward the costs of providing dental coverage, especially if premium costs cannot be lowered by soliciting competitive proposals.			X

<p>R3.15 Coordinate with the BWC to implement the 10-step business plan and the Drug-Free Workplace Program (DFWP). At the conclusion of this performance audit, the District indicated that it has instituted a drug free workplace policy.</p>	<p>X¹³ (see Noteworthy Accomplishments)</p>		
<p>R3.16 Develop a formal policy on collective bargaining that outlines the roles and responsibilities of designated team members. The District should provide periodic training to team members to enhance their knowledge of the negotiation process, issues, and legislative mandates. In addition, the District should formally determine the impact of potential provisions prior to agreeing to them with the bargaining units. Finally, the District should maintain appropriate records of the collective bargaining process, including the impact of potential provisions.</p>			<p>X¹⁴</p>
<p>R3.17 Do not update or formalize the collective bargaining agreement with the administrators.</p>	<p>X¹⁵</p>		
<p>R3.18 Negotiate to eliminate the 740 employee floor for reductions in force and restrictions on instructional periods from the certificated agreement.</p>			<p>X (see 2.8)</p>
<p>R3.19 During future negotiations with the certificated and classified personnel, seek to reduce the cap on the amount of sick leave paid at retirement. The District should also consider negotiating to provide the same level of payout for all staff in order to instill fairness.</p>		<p>X¹⁶ (see 2.7)</p>	
<p>R3.20 During future negotiations, attempt to reduce the number of holidays and vacation days for its classified employees.</p>			<p>X</p>

Source: 2008 Performance Audit

¹ Since the 2008 performance audit, the District eliminated 28 administrative FTEs. However, it only eliminated 13 central administrator FTEs, fewer than the combined 16 recommended.

² Since the 2008 performance audit, the District eliminated 10.0 curriculum specialist FTEs.

³ Since the 2008 performance audit, the District eliminated 42.5 ESP FTEs and 6.0 LPN FTEs.

⁴ Following the 2008 performance audit, the District eliminated 72 regular teacher FTEs. However, during the course of the 2010 performance audit, YCSD hired 27 kindergarten and first grade teachers to comply with a requirement of the District’s Academic Distress Commission (see the **financial systems** section). As a result, the net reduction from the 2008 performance audit was 45 FTEs.

⁵ Since the 2008 performance audit, the District eliminated 13.0 supplemental service personnel FTEs.

⁶ Since the 2008 performance audit, the District eliminated 9.0 library aide FTEs, which exceeds the 2008 performance audit. However, due to declining enrollment, YCSD’s FY 2009-10 library aide staffing levels exceeded the peer average. Additionally, YCSD did not remove the floor from the negotiated agreement, although the floor was lowered to 5.0 FTEs.

⁷ The District reports 56.2 fewer teaching aide FTEs from the 2008 performance audit; however, the District now reports 53.0 instructional paraprofessional FTEs while the 2008 performance audit reported 0 FTEs in this category. When combining teaching aides and instructional paraprofessionals, the District employs 102.8 FTEs, slightly lower than the 106 FTEs reported in the 2008 performance audit.

⁸ Since the 2008 performance audit, the District eliminated 15.0 clerical FTEs.

⁹ The District implemented a 4-year freeze to base salaries, thus freezing wages in the salary schedules. However, employees were still eligible to receive step increases (for years of service) as outlined in the respective salary schedules. The categories with higher salaries include the positions identified in the 2008 audit, with the exception

of teaching aides.

¹⁰ Administrator salaries are lower than the peer average, even when accounting for longevity pay.

¹¹ The District was able to negotiate a small increase in premium contributions; however, contributions do not meet industry benchmarks.

¹² Based on a review of certain plan benefits, each plan now requires a 10 percent co-pay for physician visits, while two of the three plans in the 2008 performance audit did not require any co-pay for physician visits.

¹³ The District did not implement BWC's Drug-Free Workplace Program. According to BWC, the District would not receive any additional savings by implementing this program. Furthermore, YCSD has a drug free workplace policy.

¹⁴ The District is in the process of investigating policies that outline specific roles and responsibilities of collective bargaining team members. However, at the time of this audit, YCSD did not have a policy.

¹⁵ According to the District, it does not have a collective bargaining agreement with Administrators. Instead, they are on individual contracts.

¹⁶ The District negotiated some reductions in sick leave caps (see **2.7**).

Facilities

Background

This section of the performance audit focuses on Youngstown City School District's (YCSD or the District) custodial, maintenance, and grounds operations. For benchmarking purposes, the District's operations are evaluated against five peer school districts²⁷ (peer average) and leading or recommended practices and operational standards from applicable sources, including the American Schools and University Magazine (AS&U) and the National Center for Educational Statistics (NCES). In addition, the implementation status of the recommendations in the 2008 performance audit was reviewed (see **Appendix 3**).

Summary of Operations

YCSD is comprised of 12 school buildings: seven elementary schools (pre-K through 5th grade), three middle schools (6th grade through 8th grade), and two high schools (9th grade through 12th grade). Additionally, the District operates the Choffin Career Center (vocational school) and an administration building (I.L. Ward), and owns 11 modular units. Over the past few years, the District has closed four buildings, which are under consideration for demolition (Alpha, Harrison, Hayes, and Mary Haddow).

The District recently completed an Ohio School Facilities Commission (OSFC) project that had been ongoing since FY 2000-01 and consisted of 12 building projects. The District opened its last newly-constructed school building in the fall of 2010. Funding for the projects was split between YCSD (\$34,413,476 or 20.3 percent) and the State (\$135,353,272 or 79.7 percent). Due to declining enrollment, OSFC indicated that one new elementary building was eliminated from the original plan and the square footage for several buildings was reduced.

YCSD has significantly reduced staffing levels in its Maintenance and Operations (M&O) function since the 2008 performance audit. Specifically, the District currently employs a total of approximately 107 FTEs, which is nearly 52 fewer FTEs than reported in the 2008 performance audit. In addition, the District's FY 2010-11 Reduction Plan includes staffing reductions of 11 maintenance positions (3 trades and 8 sub laborers), resulting in an estimated savings of approximately \$406,000. According to the Superintendent, the District subsequently eliminated the 3.0 trades FTEs, which is reflected in the 107 FTEs. However, at the time of this

²⁷ See the **executive summary** for a listing of the peer districts and an explanation of the selection methodology.

audit, the District had not eliminated the 8 sub laborer positions. See **financial systems** section for additional discussion regarding the District's Reduction Plan.

The Chief of Maintenance and Operations oversees custodians, maintenance, trades, mechanics, grounds, truck drivers, and food service employees. Additionally, the Chief of Maintenance and Operations completes business affairs and purchasing activities, and oversees the Transportation Department. The Chief of Maintenance and Operations estimated that he spends approximately 33 percent of his time on M&O (custodians, maintenance, grounds, trades, etc.), 33 percent on business affairs, and the remainder on the other activities.

M&O staff includes maintenance workers, custodians and groundskeepers. The maintenance worker function consists of tradesmen, laborers, and sub laborers. The tradesmen include carpenters, electricians, painters, plasterers, and plumbers. The laborer functions include assisting the tradesmen, mowing grass, and maintaining athletic fields. In addition to performing laborer duties, the sub laborers perform night cleaning duties. The custodial function consists of head custodians, night custodians, licensed helpers, custodial helpers, substitute custodial helpers, student helpers, and utility firemen. The District has head custodians at each building who directly oversee all custodial personnel assigned to their respective buildings. The head custodians are ultimately responsible for the cleanliness of the buildings, while night custodians and licensed helpers assist the head custodians in the performance of their duties. Additional duties of the head custodian include ordering the necessary supplies and equipment, submitting work order requests for maintenance work, performing minor maintenance, and operating and maintaining the boilers. Custodial and student helpers are responsible for general cleaning in the buildings. Utility firemen work as custodians in the event of an absence and they can be assigned to maintenance, delivery, or laborer functions as needed. The full-time groundskeeper's functions include grass cutting, preparation and cleaning of District' grounds and fields, and equipment upkeep.

The custodial, maintenance, and groundskeeper workers are members of the American Federation of State, County, and Municipal Employees (AFSCME) collective bargaining unit. The skilled trades workers are members of the trades union, which includes local chapter representation for each of the five trade categories (painters/allied trades, electricians, plumbing/pipefitting, plasterers/finishers, and carpenters).

Financial Data

Table 3-1 shows YCSD's actual expenditures to maintain and operate its facilities (all funds) for FY 2007-08, FY 2008-09, and FY 2009-10.

Table 3-1: YCSD Maintenance and Operations Expenditures

Category of Expenditure	FY 2007-08	FY 2008-09	FY 2009-10
Personal Services	\$5,774,158	\$5,435,225	\$4,739,825
Benefits	\$2,367,289	\$2,443,210	\$2,549,912
Purchased Services	\$1,119,963	\$1,017,787	\$1,144,083
Utilities	\$3,527,625	\$2,602,933	\$2,303,370
Supplies and Materials	\$476,586	\$400,212	\$406,511
Capital Outlay	\$52,124	\$115,884	\$32,646
Capital Outlay - Replacement	\$8,435	\$0	\$0
Other Objects	\$130,885	\$175,048	\$83,668
Total	\$13,457,064	\$12,190,298	\$11,260,015

Source: YCSD financial reports

YCSD's total expenditures decreased by approximately nine percent in FY 2008-09 and another eight percent in FY 2009-10. The declines are primarily due to reductions in personal service and utility expenditures. Staffing and overtime reductions account for the declines in personal services in both years, while a reduction in gas expenses contributed to the decline in utility costs. The increases in benefits in both years are due, in part, to increases in health insurance (see **human resources** for a review of health insurance).

Table 3-2 compares YCSD's total maintenance and operations expenditures per square foot in FY 2008-09 and FY 2009-10 to the peer average and AS&U National Median.

Table 3-2: Expenditures per Square Foot Comparison

Expenditure Category	YCSD FY 2008-09	YCSD FY 2009-10	AS&U National Median FY 2008-09	Peer Average FY 2008-09 ¹
Personal Services	\$5.08	\$4.50	\$2.07	\$3.10
Purchased Services	\$0.66	\$0.71	\$0.23	\$0.70
Utilities	\$1.68	\$1.42	\$1.43	\$1.87
Supplies & Materials	\$0.26	\$0.25	\$0.33	\$0.34
Capital Outlay	\$0.07	\$0.02	N/A	\$0.16
Other	\$0.11	\$0.05	\$0.36	\$0.00
Total	\$7.87	\$6.96	\$4.42	\$6.18

Source: YCSD, peer data, and AS&U 2009 National Survey.

Note: Totals may vary from actual due to rounding.

¹ The peer average expenditures are based on ODE's expenditure flow model (EFM), which excludes certain expenditures. In FY 2008-09, ODE excluded approximately \$29,000 from YCSD's EFM for the facilities function. Assuming that the excluded costs for the peers are also immaterial and based on the other identified contributors to the expenditure variances, using the EFM for the peers likely does not have a significantly impact on these comparisons.

Table 3-2 shows that despite the District's decline in expenditures since FY 2007-08 (see **Table 3-1**), YCSD's total M&O expenditures per square foot in FY 2008-09 (\$7.87) and in FY 2009-10 (\$6.96) were significantly higher than the AS&U national median (\$4.42) and the peer average (\$6.18), mainly due to personal service expenditures. The higher personal service expenditures are due to higher staffing levels (see **3.1**), overtime costs (see **3.2**), and health insurance costs (see **human resources** section). Although the District's utility costs per square foot in FY 2008-09 were much lower than the peer average and in FY 2009-10 were similar to the AS&U national median in FY 2008-09, the strategies in **3.3** would help YCSD control and potentially further reduce utility costs.

Recommendations

3.1 Consider reducing staffing levels by 41.0 FTEs.

YCSO should consider reducing overall M&O staffing levels by 41.0 FTEs (37.5 custodian and 3.5 maintenance FTEs).²⁸ The District should also review the level of maintenance for the closed buildings, which can be facilitated through the development of a plan for addressing vacant buildings and properties (see 3.4). Assuming the maintenance requirements are insignificant relative to the open buildings, the District should be able to eliminate up to 2.6 more maintenance FTEs. Additionally, the District should negotiate to eliminate the staffing requirements from the collective bargaining agreement. Based on the requirements in the current collective bargaining agreement and the specific positions selected for elimination, staffing reductions may be subject to negotiations.

Table 3-3 compares YCSO's M&O staffing levels to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) and averages reported by the *Maintenance and Operations Cost Study*²⁹. According to the Superintendent, the District eliminated 3.0 trades FTEs, as proposed in its FY 2010-11 Reduction Plan. **Table 3-3** assumes that the District implemented these staffing reductions. The Superintendent noted the District has not yet implemented the other proposed staffing reductions related to maintenance.

²⁸ During the latter portion of this performance audit, the Business Manager indicated that custodial staff maintains and cleans "over 1,463,928 square feet." Since this is not a precise figure and the District did not provide supporting documentation, auditors did not update recommendation 3.1. However, assuming the square footage total is 1,463,928, the District would need to lower the recommended staffing reductions by 3.5 custodial FTEs.

²⁹ The *Maintenance and Operations Cost Study* is an annual publication and the AS&U averages in **Table 3-3** are based on the averages of the last five years.

Table 3-3: YCSD Maintenance and Operations Staffing Analysis

District Staffing	
Total FTE Maintenance Staffing ¹	22.50
Total FTE Custodian Staffing ²	83.78
Total FTE Grounds Staffing	1.00
Total Maintenance & Operations FTE Staffing	107.28
District Statistics	
Square Footage Maintained	1,618,962
Acreage Maintained	104.1
Square Footage Cleaned	1,359,084
Maintenance & Groundskeeping Staffing Benchmark	
<i>AS&U Five Year Avg. Sq. Ft. per FTE Maintenance</i>	<i>95,000</i>
Calculated FTE Maintenance Need	17.04
<i>AS&U Five Year Avg. Acres per FTE Groundskeeper</i>	<i>40</i>
Calculated FTE Groundskeeping Need	2.60
Custodian Staffing Benchmark	
<i>NCES Square Footage per FTE</i>	<i>29,500</i> ³
Calculated FTE Custodian Need	46.07
Total District M&O FTEs	107.28
Total Benchmark M&O FTEs	65.72
Difference	41.56

Source: YCSD, NCES, and AS&U.

Note: The District also employs 7.0 truck driver FTEs, 2.0 storeroom FTEs, and 4.0 mechanic FTEs within its Maintenance Department. However, based on the benchmarks used for this staffing comparison, these positions are excluded from **Table 3-3**.

¹Maintenance staffing includes skilled trades (10.0 FTEs), laborers and sub laborers (8.0 FTEs), utility man/central kitchen (1.0 FTE), and the portion of time estimated by the Chief of Maintenance and Operations that head custodians spend on maintenance duties (3.5 FTEs).

²Custodial staffing includes head custodians (10.5 FTEs), assistant custodians (2.0 FTEs), licensed helpers (11.0 FTEs), custodial helpers (41.75 FTEs), utility firemen (5.0 FTEs), night custodians (6.0 FTEs), and student workers (7.53 FTEs). Student helpers are paid a minimum wage and do not receive benefits.

³This reflects the midpoint of the normal standard for most school facilities of 28,000 to 31,000 square feet per FTE custodian.

As illustrated in **Table 3-3**, YCSD's total M&O staffing levels exceed the benchmarks by nearly 42 FTEs. Custodial staffing levels exceed the NCES benchmark by 37.71 FTEs, while maintenance staffing levels exceed the AS&U five-year average national median by 5.46 FTEs. In addition to allocating more internal resources to the maintenance function, the District is contracting for more maintenance and repair services when compared to the AS&U data. Specifically, YCSD spent at least \$0.33 per square foot in both FYs 2008-09 and 2009-10 on maintenance and repair activities, which is much higher than the AS&U national median of \$0.23 in FY 2008-09. Furthermore, **Table 3-3** includes square footage related to maintaining

closed buildings. Based on the AS&U benchmark of 95,000 square feet per maintenance FTE, the total square footage for the closed buildings requires 2.6 maintenance FTEs. However, this assumes that the closed buildings require the same level of upkeep as the open buildings.

In contrast to the custodial and maintenance staffing levels, YCSD's groundskeeper staffing levels are lower than the five-year AS&U average national median by 1.60 FTEs. However, this is due, in part, to the use of other staff for grounds duties. However, the District was not able to quantify the time allocation for these duties.

The 2008 performance audit noted that the collective bargaining agreement required the District to assign at least 1 regular custodian to each building and other cleaning staff based on certain square footage guidelines. The District has yet to finalize and approve a new classified AFSCME agreement. As such, the contract provisions continue to contribute to the higher staffing levels.

By eliminating 37.5 custodial staff and 3.5 maintenance staff FTEs, the District would be in line with the respective staffing benchmarks. Additionally, these reductions would ensure that the District has sufficient staff to allocate to the groundskeeping function and assumes that maintenance staff performs the majority of the groundskeeping functions.

Financial Implication: If the District eliminated 37.5 custodial FTEs and 3.5 maintenance FTEs, it could save a total of approximately \$1,423,000 in salary and benefits costs. These estimates are based on an average of the least tenured custodial and maintenance staff's salaries, and the ratio of District-wide benefits to salaries in FY 2009-10 that are encompassed in the five-year forecast. Additionally, to remain conservative, this financial implication assumes the elimination of the student helper program (29 positions or 7.53 FTEs) and reflects only 3 full-time positions for maintenance.

3.2 Reduce overtime costs.

YCSD should reduce its Maintenance and Operations overtime costs by formally and regularly monitoring overtime use and addressing the collective bargaining agreement provisions identified in the 2008 performance audit (weekend and holiday building checks, emergency callouts, contractor assistance, and after school activities). Renegotiating the provisions would enable YCSD to take more effective strategies to limit overtime, such as using its computerized monitoring system and staggering staff schedules.

YCSD's overtime costs as a percent of salaries was 7.12 percent in FY 2006-07, 6.43 percent in FY 2007-08, 6.67 percent in FY 2008-09, and 6.06 percent in FY 2009-10. By comparison, the peer average was 4.22 percent in FY 2008-09. In addition, *Best Practices: Maximizing Maintenance* (Building Operating Management, 2003) indicates that overtime in an efficiently-maintained organization should comprise no more than 2 percent of the total time spent on building maintenance issues.

The District noted that due to the completion of the OSFC project, overtime costs are expected to decrease significantly going forward. The Chief of Maintenance and Operations indicated that he approves all overtime requests and provisions in the collective bargaining agreement drive overtime use. However, overtime use for M&O functions is not formally tracked.

High overtime use was identified in the 2008 performance audit, which cited various bargaining agreement provisions as contributing factors, including weekend and holiday building checks, emergency callouts, contractor assistance, and after school activities. As the District has yet to finalize and approve a new agreement, the same contract provisions can contribute to higher overtime usage.

An article by Workforce Management, *10 Keys for a Sensible Overtime Policy* (2010) provides the following tips for reducing overtime usage that are applicable for YCSD:

- Beware of the "excessive overtime cycle": when overtime use is high, absenteeism sometimes increases, which causes other workers to use more overtime.
- Set a cap: this can be a monthly or annual cap, which can help avoid the excessive overtime cycle.
- Watch out for "overtime hogs": certain employees may try to work overtime excessively when compared with other workers.
- Emphasize cross-training: this allows more people to shift between duties, thereby decreasing the amount of overtime needed.

By addressing the collective bargaining provisions, YCSD would be better able to implement other strategies that could control and reduce overtime costs. Likewise, formally monitoring overtime use would help the District identify causes, such as absenteeism (see **human resources**) and collective bargaining provisions.

Financial Implication: If the District reduced its overtime use to the peer average, it could save approximately \$71,000 annually, based on expenditures in FY 2009-10.

3.3 Improve energy management.

The District should regularly compare its natural gas prices against those available through consortiums (e.g., the Ohio Schools Council). In addition, YCSD should assign an employee to regularly monitor District-wide and building-level utility consumption. For example, centrally tracking energy use as reported on monthly invoices would provide trend comparisons that could be used to identify potential waste and/or inefficient equipment, and to determine which energy management programs or practices are having the greatest impact. By implementing the aforementioned suggestions, the District would be in a better position to control and potentially reduce utility costs.

The District has recently taken some steps to improve energy use and reduce costs. The Chief of Maintenance and Operations noted that the District's new and renovated buildings now include technology to assist with energy management, including occupied/unoccupied times for heating and cooling, night setback for heating and cooling, timers on all lights, motion sensors in all rooms, set points in room thermostats, new fixtures, and low flow bathrooms. According to the Chief of Maintenance and Operations, he worked closely with the architects to ensure that all new buildings have automated systems for lighting, bathroom fixtures, and HVAC (heating, ventilating, and air conditioning). Additionally, YCSD has reduced natural gas costs by installing thermo paned glass at all new buildings. Furthermore, the District has its own gas wells at several sites: Volney, Kirkmere, Chaney, and Sheridan, which reduces natural gas costs. Taken collectively, these actions have helped the District reduce gas costs (see **Table 3-1**).

In 2007, the District tracked energy costs to determine how the buildings constructed through the OSFC project were affecting utility expenditures. The District compared similarly-sized old and new buildings for electric and natural gas costs by month over the period of a year. It found that the new buildings' electric costs were higher due to air conditioning and more technology, but the natural gas costs were lower when compared with the older buildings, which resulted in an overall net savings. However, YCSD has not tracked, benchmarked or reported its energy costs by building since 2007.

According to *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004), collecting, recording, and tracking monthly energy costs allows staff to compare energy performance in all buildings and identify problems at individual facilities. The publication goes on to state that although these tasks require the most staff resources when compared to other energy management options, they provide the most opportunity to target saving opportunities at specific buildings. Furthermore, completing these tasks can identify potential billing errors, allow for continual tracking of building performance, and be helpful for planning and budgeting purposes.

In addition to not tracking its energy costs, YCSD does not regularly compare natural gas prices against consortiums to ensure it is receiving the best available price. The former Business Manager negotiated a fixed gas rate of \$7.28 per MCF with the District's gas provider in 2010 that is in effect for two years. By comparison, the Ohio Schools Council (OSC) purchasing consortium advertises that participation in the natural gas program is open to non-members and the FY 2010-11 rate is \$6.60 per MCF, which includes transportation costs. The OSC rate is 9.3 percent lower than YCSD's rate. If YCSD's rate excludes transportation costs, the variance would be greater.

Financial Implication: Based on YCSD's FY 2008-09 consumption (most current data that was readily available) and the difference in pricing when compared to the OSC consortium, the District could save approximately \$235,000 in FY 2010-11 by joining the OSC consortium. The estimated savings could be greater if the District's abovementioned rate excludes transportation

costs. Likewise, actual savings could vary depending upon current consumption.

3.4 Develop a plan for vacant buildings and properties.

YCSD should develop a plan to appropriately address its vacant buildings and properties by considering the advantages and disadvantages related to various options. In this plan, YCSD should document its rationale for decisions made concerning the vacant buildings and properties, such as operating and maintenance costs, legal liability, and potential impacts related to community schools. Subsequently, the Board should use the plan to adopt a supporting resolution, thus ensuring compliance with ORC.

Throughout the past few years, the District has demolished numerous buildings, including Bennett, Cleveland, Hillman, Jackson, John White, Martin Luther King (old), Rayen, Todd, Washington, and West. These demolitions have left only vacant lots to maintain. Additionally, the District maintains four closed buildings (Alpha, Harrison, Hayes, and Mary Haddow). During the course of the audit, YCSD reopened the Hayes building to temporarily house the University Project Learning Center (UPLC) program. According to the District, this was partially in response to the Academic Commission's class ratio requirements of 15:1 for kindergarten and first grades (see the **financial systems** section for additional detail). However, the District has not decided whether to keep Hayes open after FY 2010-11 or to close it as originally planned. Although the District noted that it has frequent discussions regarding building closures and demolition, it has not created a plan to address its vacant buildings and properties.

ORC § 3313.41(G)(1) states, in part, that before a school district can auction or sell real property, it must first offer the sale of the property to a community school. Section (G)(2) further indicates that if the District has not used real property that is suitable for classroom space for more than one school year, and the Board has not adopted a resolution outlining a plan for using the property within the next three school years, the Board shall offer that property for sale to a community school.

According to the *Guide for the Adaptive Use of Surplus Schools* (Columbus Landmarks Foundation, 1981), keeping a school building an active, vital part of the community in the face of declining enrollments is very important to the psychology of that community. This can be accomplished by using the school for alternative educational programs, leasing the building to other public or private non-profit organizations, or leasing or selling the building to the private sector. According to this publication, many schools are boarded up and "mothballed." However, the vandalism and physical decay related to this practice and the effect on the neighborhood makes this less than a perfect choice. Rather than mothballing or completely demolishing a building, there are also leasing and selling options which have advantages and disadvantages. These are outlined as follows:

Leasing Advantages:

- Building can be reclaimed again if needed since ownership is retained;
- Inexpensive space can be made available to governmental, non-profit, and community organizations;
- Leasing is a hedge against fluctuating enrollments; and
- Income is obtained from unused space.

Leasing Disadvantages:

- Many ownership costs, such as maintenance, continue;
- Property still generates no tax revenue; and
- School districts are usually not prepared to be property managers.

Selling Advantages:

- Upkeep costs to the school district are eliminated;
- The property is returned to the community tax rolls;
- If reuse of the building is specified at the sale, preservation of the building is ensured;
- New use of the building can provide a psychological advantage to the community; and
- The school district obtains a financial return on space which is no longer needed.

Selling Disadvantages:

- School buildings usually have low market values;
- The zoning of school property is often limited;
- The school district might need the building again as a school; and
- The school district may be unable to determine a building's impact on the community after the sale.

YCSD noted that numerous buildings are not sellable due to safety hazards, specifically the presence of asbestos. Additionally, the District prefers to not offer any properties for sale due to surrounding competition from community schools. Nevertheless, a vacant school site and empty buildings are district liabilities. They still require upkeep, maintenance, security, and insurance coverage. By adequately planning to address current and future building and property vacancies, the District would better ensure that it makes cost-effective decisions and considers the impact of potential actions on the community.

Appendix 3: 2008 Performance Audit Follow-up

Table 3-4 summarizes the 2008 performance audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. Of the seven recommendations contained in the 2008 Performance Audit, YCSD fully implemented three recommendations, partially implemented two recommendations, and did not implement two recommendations. The 2010 performance audit addresses the recommendations in the 2008 performance audit if the related issues fell within the current audit scope.

Table 3-4: 2008 Performance Audit Recommendations

Recommendation	Implemented	Partially Implemented	Not Implemented
R4.1 Eliminate a total of 67 custodial FTEs and 3 maintenance FTEs. Once the OSFC project is complete, reduce an additional 16 custodial FTEs and 2.5 maintenance FTEs, and identify the number of acres maintained to determine whether additional FTEs are needed for grounds care.		X (see 3.1)	
R4.2 Negotiate to eliminate or reduce overtime for building inspections on weekends and holidays, emergency callouts, building access for contractors, and after school activities.			X ¹ (see 3.2)
R4.3 Purchase an automated work order system. Adopt a preventive maintenance plan to track data for productivity.		X ²	
R4.4 Develop a custodial procedures manual.	X		
R4.5 Review job descriptions.	X		
R4.6 Create a plan to appropriately address the vacant properties. ³			X (see 3.4)
R4.7 Establish formal policies and procedures outlining energy efficient practices, and subsequently train staff and students. Consider adjusting temperature settings and review Ohio natural gas program.	X ⁴ (see 3.3)		

Source: 2008 Performance Audit

¹The District has been in negotiations with the classified and trades collective bargaining units and reached tentative agreements that include reductions in call-out time and other labor-related issues. As of October 2010, the District had yet to finalize its bargaining agreements with the classified or trades unions.

²Although the District purchased an automated work order system, it has a tentative implementation date of January 2011.

³**R4.6** also recommended ensuring the use of formal agreements with entities leasing its facilities. According to the District’s *Progress to 2008 Performance Audit*, “at the current time no lease agreements exist between Youngstown City Schools and any outside entities.”

⁴While the District implemented **R4.7**, it could further improve energy management via the strategies in **3.3**.

Transportation

Background

This section of the performance audit analyzes the Youngstown City School District's (YCSD or the District) transportation operations. For benchmarking purposes, YCSD's transportation operations are compared against five peer school districts³⁰, and leading or recommended practices and operational standards from applicable sources that include the American Association of School Administrators (AASA) and the Ohio Department of Education (ODE). In addition, the implementation status of the recommendations in the 2008 performance audit was reviewed (see **Appendix 4**).

Summary of Operations

According to Ohio Revised Code (ORC) § 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." ORC § 3327.01 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." YCSD's transportation policy states that transportation will be provided for "students in grades kindergarten through eight, if their residences are beyond a one-mile radius of their regular schools of attendance" and for "students in grades nine through twelve, if their residences are beyond a four-mile radius of their regular school of attendance." Although YCSD's transportation policy exceeds the State's minimum requirements, House Bill 1 (the State's operating budget bill for FYs 2009-10 and 2010-11) was enacted in July 2009 and includes significant changes to the State's school transportation funding formula. Under the new formula, the primary funding factors are number of riders, daily route miles, and efficiency measures adjusted by pupil density. In addition, ORC § 3327.01 requires each school district to transport its native students who are enrolled in community schools or nonpublic schools on the same basis as it transports its enrolled students.

Each school district in Ohio is required to report information about transportation operations to ODE on an annual basis. The T-1 form is used to report information on students, buses, and miles. The T-2 form is used to report the actual expenses incurred in the transportation of

³⁰ See the **executive summary** for a listing of the peer districts and an explanation of the selection methodology.

eligible students to and from their school. In the case of a district that contracts for transportation services, detailed contractor expenditures are reported on the T-2C form. The contractor is required to complete and submit the T-2C form to the district, The district then uses the information from the T-2C form for its T-2 report which is submitted to ODE.

At YCSD, the Chief of Transportation and Treasurer are responsible for completing the transportation reports. In completing the T-forms, the Transportation Department receives ridership information from bus drivers based on forms that are completed each morning during the October count week. According to the District, various school principals verify the student counts. The Chief of Transportation reviews the miles and the routes. The Treasurer and Superintendent sign off on the completed T-forms before they are submitted to ODE. According to the District's T-forms filed with ODE, YCSD provided Type I pupil transportation services to 4,505 riders in FY 2009-10. Type I services are those provided on District-owned yellow buses.

YCSD contracts for the provision of transportation services to most of its special needs riders and some of its regular needs riders. The same company has been transporting YCSD's special needs population for many years. In FY 2009-10, the District reported 677 contractor-transported (Type II) riders. The cost of the contract is based on a daily rate for 178 days. In FY 2009-10, that rate was \$20.40 per student below a minimum threshold of 450 students. Any students above the minimum floor were transported at a daily rate of \$8.61 per student.

The daily operations of the YCSD Transportation Office are completed by four employees. The Chief of Transportation³¹ oversees all activities of the Transportation Department. A Transportation Office Clerk tracks all of the transportation billing for fieldtrips and after school programs. She also inputs all requests for transportation services into the computer system. The District employs a Mechanic who, in addition to his traditional role of providing maintenance and repair services for the District's bus fleet, also assists the Clerk in her duties, answers phones, and contacts substitutes if a driver is absent. The Mechanic has been in this hybrid position since 1997. The Transportation Department also has a Routing Secretary, who is a 10-month (full-time) employee. She completes routing for the buses, makes calls to parents to provide route times and bus scheduling, and answers phones. She also maintains a fuel log where bus mileage is tracked, and pays any bills from the Mechanic's requests for parts. Finally, she assists parents and students with school transfers and changes of address, and enters these updates into the Department's routing software.

³¹ At the time of the performance audit, the Chief of Transportation position was vacant, but the District was seeking to fill it. The source of information attributed to the Chief of Transportation in this report is the prior individual who served in this position.

In July 2009, the District, in an effort to improve its transportation efficiency, issued a Request for Proposals (RFP) for a contractor to review its transportation services and provide feedback on how to improve operations. The provisions of any resulting contract were to include equipment, software, and support services for its school bus operations. The scope from the RFP required the contractor to establish efficient routing, including route planning and analysis, possible changes to bell times, and route audits to determine accuracy of student counts and reconcile any differences between actual and planned route activities and operations.

After bids were received in response to the RFP, the District selected one proposal and attempted to move forward with a contract. However, the Financial Planning and Supervision Commission (see the **financial systems** section) rejected the consulting engagement for the District's regular needs transportation services in February 2010 over concerns with how the RFP was developed and handled. Subsequently, the ODE Office of Pupil Transportation agreed to study YCSD's transportation operations in an effort to identify cost savings. As part of this study, ODE audited the District's T-forms and identified errors which resulted in ODE retracting funding it had disbursed to YCSD in the prior year. The errors were related to overstating the number of special needs riders transported by the contractor (see **4.1**). As a result of this reporting error, the District was required to reimburse ODE approximately \$320,000 in transportation funding.

In an interview with auditors, ODE's Associate Director for Pupil Transportation expressed significant concern with the accuracy of YCSD's ridership counts, which would impact any assessments of the transportation operation's efficiency and expenditure levels. In addition, the District could not fully explain variances in its ridership trends from FY 2006-07 to FY 2009-10. Specifically, the number of riders transported on the District's yellow buses increased by 8.6 percent in FY 2007-08, increased by another 5.6 percent in FY 2008-09, and decreased by 12.8 percent in FY 2009-10. The T-1 forms show that the increase in FY 2007-08 is primarily due to public and community school riders, the increase in FY 2008-09 is due to non-public and community school riders, and the decrease in FY 2009-10 is due to public, non-public and community school riders. For purposes of this performance audit, auditors tested the District's compliance with ODE instructions in counting riders for FY 2009-10. Based on available documentation and a sample of five buses, auditors found that the District complied with these instructions for the riders transported on its buses. Furthermore, the total number of riders reported on the T-1 as being transported by the contractor appears sufficiently reliable, based on information from two other sources. Likewise, tests of the expenditures reported on the T-2 form for FY 2008-09 revealed that the data is sufficiently reliable for comparison purposes. However, because the ODE study was not yet complete, AOS could not use any information from that audit to further evaluate the reliability of the ridership and expenditure data, and validate the concerns expressed by ODE's Associate Director for Pupil Transportation. Therefore, any information in the ODE study that discredits the ridership and expenditure data would affect the assessments made in this performance audit (see **4.2** and **4.4**).

According to District officials, any and all efforts to move forward with their decision-making as it pertains to transportation services have been placed on hold until the results of the ODE audit are released.

Table 4-1 compares the District's overall transportation costs, ridership, and operational statistics with the peer average (comprises four districts) and Elyria CSD. Unlike YCSD and the other peers, Elyria CSD contracts for all transportation services. Type I services reflect District operations while Type II reflects contracted services.

Table 4-1: YCSD Transportation Cost Comparison

	YCSD FY 2008-09	YCSD FY 2009-10	Peer Average FY 2008-09	Elyria CSD FY 2008-09
Riders	5,819	5,182	1,781	2,532
Type I Regular Needs	5,117	4,505	1,630	N/A
Type I Special Needs	51	0	151	N/A
Type II	651	677	0	2,532
Buses¹	82	70	35	53
Active ¹	53	41	23	45
Spare ¹	29	29	12	8
Spare Buses as Percentage of Fleet ¹	35.4%	41.4%	32.6%	15.1%
Special Needs Active Buses	21	23	4	4
Riders Per Square Mile	112.3	97.9	141.2	97.4
Riders Per Active Bus ¹	97.5	109.9	76.3	56.3
Annual Routine Miles¹	749,340	684,000	228,555	524,700
Per Active Bus	14,138	16,683	8,738	11,660
TOTAL TYPE I EXPENDITURES	\$3,066,372	2,848,144²	\$1,344,810	N/A
Per Type I Rider	\$593	\$632 ²	\$712	N/A
TOTAL TYPE II EXPENDITURES	\$1,705,221	\$1,513,319²	\$14,394³	\$3,245,087
Per Type II Rider	\$2,619	\$2,235 ²	N/A ⁴	\$1,282
GRAND TOTAL EXPENDITURES Types I and II	\$4,771,593	\$4,361,463²	\$1,359,204	\$3,245,087
Per Rider	\$820	\$842 ²	\$763	\$1,282

Source: ODE T-1 and T-2 Forms, FY 2008-09 and FY 2009-10

¹With the exception of Elyria CSD, these figures reflect district-owned buses.

² This includes cost data that has been submitted by the District to ODE, but not yet approved by ODE. The performance audit tested the cost data for FY 2008-09 and deemed it sufficiently reliable.

³Alliance CSD is the only peer that reported Type II expenditures.

⁴Alliance CSD did not report Type II riders.

As illustrated in **Table 4-1**, YCSD's in-house (Type I) transportation operation experienced reductions in both ridership and expenditures between FY 2008-09 and FY 2009-10. However, because the reduction in riders (12.8 percent) was greater than the reduction in expenditures (7.1 percent), the District's cost per rider increased in FY 2009-10. While the District's total expenditures per rider in FYs 2008-09 and 2009-10 were higher than the peer average in FY 2008-09, its in-house expenditures per rider in both years were lower than the peer average in FY 2008-09. Consequently, the higher total costs per rider are due to its contracted services (see **Table 4-2** and **4.4**). In addition, the lower in-house costs per rider are primarily due to YCSD transporting more riders per bus than the peers in both FY 2008-09 and FY 2009-10. The District's ridership per bus increased by 12.7 percent in FY 2009-10, due to the District eliminating 12 active buses. **Table 4-1** also shows that YCSD maintains a higher percentage of spare buses when compared with the peers (see **4.2**).

Table 4-2 compares the District's FY 2008-09 and FY 2009-10 cost ratios with the FY 2008-09 peer averages. **Table 4-2** includes only Type I expenditures, with the exception of Elyria CSD which outsources its entire transportation operation.

Table 4-2: Expenditure Comparison FY 2008-09

	YCSD FY 2008-09	YCSD FY 2009-10¹	Peer Average FY 2008-09	Elyria CSD FY 2008-09
Salaries	\$1,429,762	\$1,381,447	\$725,033	\$1,114,074
· Per Rider	\$277	\$307	\$366	\$440
· Per Active Bus	\$26,977	\$33,695	\$27,342	\$24,757
· Per Routine Mile	\$1.91	\$2.02	\$3.09	\$2.12
Benefits	\$773,135	\$784,124	\$261,557	\$997,496
· Per Rider	\$150	\$174	\$130	\$394
· Per Active Bus	\$14,587	\$19,125	\$9,674	\$22,167
· Per Routine Mile	\$1.03	\$1.15	\$1.07	\$1.90
Maintenance & Repairs²	\$286,156	\$327,520	\$199,790	\$274,171
· Per Rider	\$55	\$73	\$127	\$108
· Per Active Bus	\$5,399	\$7,988	\$9,231	\$6,093
· Per Routine Mile	\$0.38	\$0.48	\$1.17	\$0.52
Fuel	\$277,016	\$227,984	\$99,814	\$231,896
· Per Rider	\$54	\$51	\$52	\$92
· Per Active Bus	\$5,227	\$5,561	\$3,882	\$5,153
· Per Routine Mile	\$0.37	\$0.33	\$0.45	\$0.44
Bus Insurance	\$60,515	\$65,000	\$24,111	\$71,461
· Per Rider	\$12	\$14	\$17	\$28
· Per Active Bus	\$1,142	\$1,585	\$1,200	\$1,588
· Per Routine Mile	\$0.08	\$0.10	\$0.16	\$0.14
All Other Costs³	\$239,788	\$62,039	\$34,505	\$555,989
· Per Rider	\$46	\$14	\$22	\$220
· Per Active Bus	\$4,524	\$1,513	\$1,622	\$12,355
· Per Routine Mile	\$0.32	\$0.09	\$0.21	\$1.06
Total Expenditures	\$3,066,372	\$2,848,144	\$1,344,809	\$3,245,087
· Per Rider	\$593	\$632	\$712	\$1,282
· Per Active Bus	\$57,856	\$69,467	\$52,952	\$72,113
· Per Routine Mile	\$4.09	\$4.16	\$6.15	\$6.18
Special Needs Costs Per Rider	\$3,498⁴	\$3,631⁴	\$2,623	\$6,561

Source: T1 and T2 reports.

¹ This includes cost data that has been submitted by the District to ODE, but not yet approved by ODE. The performance audit tested the cost data for FY 2008-09 and deemed it sufficiently reliable.

² Includes mechanic salaries.

³ Includes utilities, facility rent, bus leases, and other.

⁴ This only reflects the cost per special needs rider up to 450 riders. The cost per rider decreases for students transported above the threshold of 450. However, the contractor transported fewer than 450 special needs riders in FY 2009-10 (see 4.4).

YCSD's total Type I expenditures in FY 2008-09 and FY 2009-10 were lower than the peer average and Elyria CSD in FY 2008-09 on a per rider and per mile basis. The lower costs per rider are mainly due to transporting more riders per active bus (see **Table 4-1**). However, the District only transported regular needs riders in FY 2009-10 and only 51 special needs riders in FY 2008-09, while the peer average and Elyria CSD transported 151 special needs riders. Although this helps YCSD to transport more riders per bus than the peers, the District still transported more riders per active bus in both years than the peer average (90.5) and Elyria CSD (59.5) when excluding the special needs riders at the peers. In contrast to the lower costs per rider and per mile, **Table 4-2** shows that YCSD's costs per active bus in both years were higher than the peer average. This is primarily due to the higher benefit costs per active bus in both years and the higher salary costs per active bus in FY 2009-10. YCSD increased the number of hours worked for some employees, due to the reduction of routes, from FY 2008-09 to FY 2009-10. This made these employees eligible for full-time health insurance benefits, which contributed to the significant increase in benefit costs per active bus in FY 2009-10. **Table 4-2** also shows that salaries per active bus increased considerably in FY 2009-10. See the **human resources** section for an assessment of health insurance and compensation levels.

In addition, the District's fuel costs per mile in both years were lower than the peer average and Elyria CSD. Fuel usage is more relative to mileage driven, rather than the number of riders and active buses. Furthermore, YCSD's all other expenditures declined significantly in FY 2009-10 due to terminating the lease agreement for bus storage (see **Appendix 4**). Lastly, the special needs costs per rider for transporting up to 450 students exceeds the peer average (see **4.4**).

Issues For Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were 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 alternative transportation as an issue requiring further study:

The District can offer payment-in-lieu of transportation by following ORC § 3327.02. More specifically, a school district may determine that it is impractical to transport a pupil after considering certain factors, such as the time and distance required to provide transportation and the cost of providing transportation. Once a determination of impracticality has been made, the Board must offer payment-in-lieu of transportation to the pupil's parent/guardian. According to the FY 2008-09 T-reports,³² 28 students used this service at a cost to the District of \$1,892. This yields a cost per rider of \$68, which is much lower than the Type I cost per rider of \$593 in FY 2008-09 and \$632 in FY 2009-10.

³² The District did not include payment-in-lieu of transportation and public transit (i.e., WRTA) costs in the T-2 report for FY 2009-10 (see **4.1**).

Additionally, the Chief of Transportation noted that the District uses Western Reserve Transit Authority (WRTA) to transport students who attend the Life Skills Center, due to constantly changing bell schedules. According to the T-reports, the District spent approximately \$22,000 on WRTA bus passes in FY 2008-09 for 63 students, which results in a cost per rider of \$349. This is much lower than YCSD's Type I cost per rider of \$593 in FY 2008-09 and \$632 in FY 2009-10. Moreover, the Chief of Transportation stated the District now purchases coupon books and the principal gives each student a bus pass to and from school each day, to address past inappropriate uses of WRTA bus passes.

Payment-in-lieu and public transit are options that could help the District reduce transportation costs, under the right circumstances. Although the District is using these alternatives, it has not studied the potential to expand their use. Therefore, YCSD should complete such a study by considering relevant factors, such as eligible students, costs, and State law.

Recommendations

4.1 Improve data reporting.

YCSD should establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE, and accordingly update job descriptions where necessary. In developing these policies and procedures, the District should require the Treasurer's Office and the Chief of Transportation to use ODE's guidelines when completing the T-forms and complete a thorough review of the T-reports prior to submission to ODE, including information submitted by the special needs transportation contractor. The policies and procedures should also require the reconciliation of the expenditures reported on the T-2 report to the District's financial statements and explanation of significant variances from prior year reports, including ridership changes. Additionally, if YCSD continues to contract for certain services, it should include provisions in the agreement that require the contractor to provide documentation to substantiate data (e.g., riders and costs) and reflect penalties for misreported information by the contractor (see 4.4).

Each school district in Ohio is required to report detailed information about transportation operations to ODE on an annual basis. The T-1 form is used to report information on students, buses, and miles. The T-2 form is used to report the actual expenses incurred in the transportation of eligible students to and from their school. In the case of a district that contracts for transportation services, detailed contractor expenditures are reported on the T-2C form. The T-2C form is completed by the contractor and submitted to the district.

The District does not have formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled prior to submission to ODE. Likewise, the District does not routinely use ODE guidelines when completing the T-forms. Instead, the Treasurer stated that it is a common sense task to complete the T-2 form using available financial records. Nevertheless, tests of the T-2 data during this performance audit showed that the District's cost data is sufficiently reliable for assessment purposes (see **background** for more information).

According to the District, the Chief of Transportation is responsible for completing the T-1 form using the bus drivers' completed head counts documented during the first full week of October. The Treasurer is tasked with completing the T-2 form, although the Chief of Transportation's job description includes a requirement to complete all transportation-related State forms. The contractor's specific expenses are reported on the T-2C form. According to the Chief of Transportation, the contractor also provides data for the District's T-1 form.

Per ODE's T-2C guidelines, school bus contractors providing route service for public schools must complete the T-2C and submit a signed original to their public school districts prior to July

15. The public school districts then enter that data on their T-2 forms to report their Type II expenses to ODE. ODE's T-2C instructions specifically state the report shall reflect:

- Expenses for cost of services and for items invoiced and installed on all vehicles;
- Transportation expenses for all pupils as reported on T-1;
- Special education transportation costs; and
- Annual miles for non-routine trips.

In 2010, ODE identified students who were mistakenly classified as special needs. Specifically, the District's T-1 form reported all students transported by the contractor in FY 2008-09 as special needs riders. However, the contractor transports a number of non-special needs students for YCSD (see 4.4), who do not qualify for the additional State reimbursement provided for special needs transportation. As a result, YCSD was required to reimburse ODE \$320,000 for the overstatement of special needs riders. Likewise, the District's T-1 form for FY 2009-10 reported all students transported by the contractor as special needs riders. Therefore, the District will likely be required to reimburse ODE for excess funding. Although it is unknown whether the contractor provided data that would have enabled the District to accurately report the number of riders on the T-1 form, the current agreement with the contractor lacks provisions that address the reporting of data to ODE.

Additionally, the District estimated non-routine miles for FY 2009-10 based on the prior year's figures, rather than actual operations in FY 2009-10. This is despite the District tracking non-routine miles and expenditures. The data was estimated because the staff member who had the actual non-routine miles was on leave. The Treasurer's Office did not request the actual numbers from the Transportation Department for the T-2 until the day the T-2 form was due. ODE's T-2 instructions indicate that only expenditures related to routine miles are to be reported. The District's failure to internally communicate in a timely manner about the data reported to the State underscores the need for policies and procedures for completing its T-forms.

Finally, a review of the District's FY 2009-10 T-1 form and FY 2008-09 T-2 form revealed the following discrepancies:

- The District listed Type III (public transit) and Type IV (payment in lieu) students on the T-1 form, yet reported no related costs on the T-2 form.
- The District did not report the number of riders on the fifth day of the October count week for a particular bus.
- The District's average daily miles reported on the T-1 form was materially lower than what was reflected in the supporting documentation for two of the five tested buses. If the actual miles reflected in the supporting documentation are the correct figures, it would reduce the District's cost per routine mile ratios in **Table 4-2**. Based on the current comparisons in **Table 4-2**, these discrepancies do not significantly impact the

comparisons in the performance audit.

By adopting policies and procedures, the District would strengthen its management controls and minimize the inherent risk associated with compiling and reporting data. This, in turn, can minimize the potential for incorrect State reimbursements, particularly as the State’s new transportation funding formula is fully implemented and funding is more directly tied to reported data (see discussion of House Bill 1 in the **background**). Policies and procedures would also help train applicable staff in the event of turnover and serve as a guide for current staff.

4.2 Upgrade routing software and eliminate at least six active buses.

The District should upgrade its routing software and then use it to identify methods of improving efficiency and increasing bus utilization. Comparisons to industry benchmarks show that YCSD should consider eliminating at least six active buses. As the District implements reductions to its active fleet, it should determine the potential for reductions to its spare fleet, and account for active and spare reductions in its bus replacement plan (see financial systems).

Alternatively, the District could use the routing software along with the financial analysis in 4.3 to maintain the current fleet size and instead improve efficiency and cost-effectiveness by expanding service levels. However, this option would require the State transportation formula to be fully implemented and funded.

The 2008 performance audit recommended that YCSD eliminate at least 10 active buses or up to 27 active buses, primarily by upgrading its routing software and modifying its bell schedules to more fully utilize multi-tiered routing. **Table 4-3** compares YCSD's key ridership ratios in FY 2006-07 to FY 2009-10.

Table 4-3: Ridership Comparison (Type I)

	FY 2006-07	FY 2009-10
Riders Per Bus	73.9	109.9
Routes Per Bus	2.5	3.2
Riders Per Route	29.6 ¹	34.4

Source: YSCD

¹ This is calculated by dividing the number of riders per bus by the routes per bus, like the ratio for FY 2009-10. The 2008 performance audit reported approximately 32 riders per route in FY 2006-07, based on averaging the number of riders per run for each bus.

Table 4-3 shows that YCSD significantly increased its ridership per bus, from 73.9 in FY 2006-07 to 109.9 in FY 2009-10. This is primarily due to increasing the number of routes for each bus by 27.8 percent, from an average of 2.5 routes per bus to an average of 3.2 routes. The number of riders per route increased by 16.3 percent, which also contributed to the higher number of riders

per bus in FY 2009-10. As a result, the District was able to eliminate 20 active buses over this period. Although YCSD has improved its routing efficiency from FY 2006-07 to FY 2009-10, transporting an average of 34 riders per route falls below industry benchmarks.

Hidden Savings in Your Bus Budget (American Association of School Administrators (AASA), December 2005)³³ indicates that “an 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.” Similarly, Management Partnership Services (MPS)³⁴ recommends that districts maintain a minimum of 15 percent of available capacity per bus to create flexibility and reduce potential disruptions in operations. In order to further assess bus utilization, AOS created a target efficiency calculation that assumes three students per seat for regular elementary transportation, and two students per seat for regular middle and high school transportation. This is based on bus manufacturer’s rated capacity and other industry sources. Subsequently, an 80 percent utilization factor is applied to the bus capacity calculations, based on the information from AASA and MPS. These target efficiency calculations show that YCSD should average 48.9 riders on each route, which requires 12 fewer buses. However, if the District was able to eliminate at least 6 active buses, it would average 40.3 riders per each route.

Table 4-3 shows that the District has expanded its number of tiers, which was recommended in the 2008 performance audit. However, at the time of this audit, it had not updated its routing software, which was purchased in the early 1990s and is DOS-based. As described in the 2008 audit, one advantage of updated routing software is the ability to track more complex routing situations (e.g., multiple destinations). This could benefit a district like YCSD that transports a high percentage of non-public school students. More specifically, non-public school students comprised 36.9 percent of riders at YCSD in FY 2008-09 and 35.2 percent in FY 2009-10, compared to the five-peer average of 8.3 percent in FY 2008-09.

YCSD has made significant progress in improving routing efficiency since the 2008 performance audit, doubling the minimum number of bus reductions recommended in the audit. However, upgrading the routing software to increase ridership per each route can help the District further improve efficiency and reduce costs.

Lastly, **Table 4-1** shows that YCSD maintains a higher percentage of spare buses than the peer average and Elyria CSD. Likewise, the District’s composition of spares exceeds ODE’s benchmark of 20 percent. However, the age and condition of the fleet can contribute to the higher percentage of spares. For example, the District accumulated an average of 14,138 and

³³ The author of this article is a private school transportation firm that conducts audits for more than 30 school districts, including Cleveland, Ohio, New York City, New York and Kansas City, Missouri.

³⁴ MPS provides professional management services to student transportation and government fleet management organizations.

16,683 routine miles per active bus in FYs 2008-09 and 2009-10, respectively. These figures are much higher than the peer average (8,738) and Elyria CSD (11,660) in FY 2008-09. Accumulating more routine miles per active bus increases the need for more frequent repairs and maintenance, which subsequently can increase the need for additional spare buses. Nevertheless, reviewing the size of the spare fleet alongside potential reductions in the active fleet and bus replacement planning (see **financial systems**) would ensure that the District does not maintain an excessive number of spare buses.

Financial Implication: If the District could eliminate at least six active buses, it could save a minimum of approximately \$74,000 per year. These savings are based on the lower salaried bus drivers and routes, and insurance per bus to reflect a conservative estimate. However, if the District is able to reduce the number of miles driven, it could realize additional savings in fuel, maintenance and repairs, as well as salaries and benefits. For example, the District reduced the number of routine miles by 8.7 percent from FY 2008-09 to FY 2009-10 without the use of upgraded routing software. If the use of upgraded software enabled the District to reduce the annual routine miles by another 10 percent, it could generate approximately \$285,000 in annual cost savings, based on the average cost per routine mile in FY 2009-10. In addition, the District worked with its software provider in 2010 and noted it would cost approximately \$13,000 for software upgrades and training.

4.3 Evaluate policy and service levels.

The District should conduct a formal cost analysis of its transportation policy and associated services levels, in relation to State minimum requirements and the State's new transportation funding formula. Doing so would ensure that the District fully understands the financial implications of its existing policy and any potential changes, and help YCSD communicate these implications to the public. To help capture all potential cost implications, the District should consider surveying residents to gauge their reactions regarding State minimum standards and service expansion. The survey should include parents of students who have already transferred out of the District to help determine whether an expansion of transportation services would lead any students to return to YCSD.

The District's current transportation policy exceeds State minimum standards. The District's transportation policy states that the Youngstown Board of Education shall provide transportation to students between their residences and their regular schools of attendance if they are eligible based upon the following criteria:

“Students in grades K-8 will be transported if they live beyond one mile of their regular school and students in grades 9-12 will be transported if they live beyond four miles of their regular school with 'safety hazards and health factors' as exceptions.”

According to the ORC § 3327.01, school districts must, at a minimum, provide transportation to pupils in kindergarten through eighth grade who live more than two miles from school. When compared with ORC § 3327.01, the District's policy exceeds State minimum standards in the following areas:

- Transporting kindergarten through eighth grade students living less than 2 miles from school; and
- Transporting high school students.

The 2008 performance audit recommended that YCSD consider moving towards minimum transportation standards, if it first determined that it would achieve significant cost savings by doing so. The District did provide evidence that it studied the option of moving to the minimum transportation levels, but ultimately decided against it. The District stated that if it moved to State minimums, it would lose more students to community schools and the related State funding for those students.³⁵ Moreover, the District indicated that in many cases, it would still be required by law to provide transportation for those students to their community schools. However, at the time of the audit, the District was unable to provide evidence that it had completed any financial analysis to help determine the impact on its funding by moving toward State minimums.

As described in the **background**, House Bill 1 (the State's operating budget bill for FY 2009-10 and 2010-11) was enacted during 2009 and included significant changes to the State's school transportation funding formula. Although not fully funded, the new formula rewards districts for specific factors, including increased service levels and high efficiency ratings. As a result, YCSD could lose some funding by reducing its service levels.

By developing a formal cost analysis, the District would be able to document its rationale for decisions regarding its transportation policy and service levels.

4.4 Reduce costs of special needs services.

YCSD should negotiate the following changes to its contract for special needs transportation:

- **Lower the daily rate charged per student; and**
- **Lower the minimum number of students required to be transported and include a provision that requires this minimum level to be reviewed annually and updated accordingly.**

³⁵ The District would still receive transportation reimbursement; however, it would lose State funding since the student would be attending a school outside of YCSD.

Along with lowering the minimum number of students required to be transported by the contractor, the District should transport all regular needs riders on its own buses and incorporate them into its routes, rather than using the contractor. In addition, the District's Special Needs Coordinator and Chief of Transportation should work together to ensure that appropriate transportation options are considered to meet the needs of students with Individualized Education Programs (IEPs) in the safest and most efficient manner, including whether it is necessary to use the contractor to provide the transportation services. The District should also include language in future contracts that requires the contractor to substantiate its riders and costs, and contains a penalty provision to hold the contractor liable for any errors. Subsequently, the District should verify the data reported by the contractor (see 4.1).

Considering that the current contract can terminate on June 30, 2011, YCSD should seek competitive proposals for special needs transportation in conjunction with evaluating the costs and benefits of bringing the transportation of its special needs riders in-house. For instance, YCSD should determine the initial capital costs (e.g., new buses, which could be offset by 4.2) that would be required to make such a change, as well as whether it could provide ongoing special needs transportation at a lower cost when compared to the competitive proposals from contractors.

YCSD contracts with an outside vendor to provide special needs transportation. The District's current contract for special needs transportation commenced on July 1, 2008, continues through June 30, 2011, and is renewable for an additional three years with terms and conditions mutually satisfactory to both the District and the contractor. By contract, the contractor is responsible for transporting at least 450 students, which is lower than the prior contract (699). Since approval of the current contract, the number of contractor-transported riders increased by approximately 12 percent from FY 2007-08 to FY 2008-09, and another 4 percent from FY 2008-09 to FY 2009-10). As a result, although the minimum number of riders decreased from the prior contract, the District has increased its reliance on the contractor to provide transportation services.

The District noted that because the number of special needs riders has been less than the 450 minimum, the current contract allows the contractor to transport regular needs riders as well. **Table 4-4** shows the contractor's compensation in FYs 2008-09, 2009-10, and 2010-11.

Table 4-4: Three Years Contracted Student Transportation Costs

	FY 2008-09	FY 2009-10	FY 2010-11
Daily Rate 0 – 450 Students	\$19.65	\$20.40	\$21.17
Annual Cost Below 450 Students	\$3,498	\$3,631	\$3,768
Daily Rate Above 450 Students	\$8.29	\$8.61	\$8.93
Annual Cost Above 450 Students	\$1,476	\$1,533	\$1,590

Source: YCSD's special needs contract.

As illustrated in **Table 4-4**, the District pays approximately \$2,000 less for students transported beyond the minimum threshold of 450, with the costs increasing by close to four percent in both categories for FYs 2009-10 and 2010-11. Additionally, the daily rates of \$19.65 and \$8.29 in FY 2008-09 are 11 and 20 percent higher than the corresponding rates in the prior contract for FY 2007-08. In FY 2009-10, the contractor transported 359³⁶ special needs riders, and the remaining 361 riders comprised pre-school and regular needs riders. Using the contractor to transport regular needs riders and preschool riders is more costly when compared to the District's in-house operations. Specifically, the District spent \$593 per rider in FY 2008-09 and \$632 per rider in FY 2009-10, both of which are much lower than the contractor's rates in **Table 4-4**. Furthermore, because the contractor transported only 359 special needs riders, any rider above this figure and below the 450 threshold was being transported at the base rate of \$3,631 in FY 2009-10, which is 5.7 times higher than YCSD's cost per rider in FY 2009-10. Likewise, the rates for transporting up to 450 students are much higher than the peer average cost per special needs rider in FY 2008-09 (\$2,623).

YCSD's student enrollment has been declining (see **human resource** section). Conversely, the 450 rider minimum for three consecutive years in the contract implies a stable enrollment. When coupled with the contractor transporting 91 fewer special needs riders than the minimum of 450 in FY 2009-10, the minimum threshold of 450 does not appear reasonable. Although the District could realize a net savings by transporting the preschool and regular needs riders on its buses, most of the regular riders transported by the contractor attend an alternative school at YCSD. According to the District, these riders require some special accommodation. Because of this, the District maintains these students on separate buses and contracts for their transportation, rather than mainstream them with its general student ridership.

Finally, the District does not include the Chief of Transportation in decisions about transporting special needs students. OAC 3301-51-10 states that school district transportation personnel shall be consulted in the preparation of an individualized education program 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. However, the Special Education Coordinator stated her goal is to mainstream as many students as possible, when she does recommend special needs transportation services. Including the Chief of Transportation in the decision-making process could assist the District in recognizing better cost-containment approaches that would also address the needs of the students.

Financial Implication: If the District transports the regular needs riders and preschool students previously transported by the contractor, it could save approximately \$286,000 per year. Based

³⁶ This figure was provided by the Educational Director of Pupil Personnel to show the breakout of riders transported by the contractor in FY 2009-10.

on YCSD claiming that the riders attending the alternative school require some special accommodation, it may not be possible for the District to achieve its overall cost per rider for these students. Therefore, these potential cost savings are based on doubling the District's FY 2009-10 cost per rider (from \$632 to \$1,264) in order to account for any additional costs, such as lower ridership per bus or adding aides to the bus routes. In addition, if YCSD is able to reduce its special needs expenditures per rider by half the difference of the FY 2008-09 peer average, it could save approximately \$181,000. This is based on the District's rate for 0-450 riders in FY 2009-10 because the rider count reflects FY 2009-10. Although the peer data is for FY 2008-09, this financial implication assumes eliminating only half of the difference to be conservative, which also accounts for the differences in years.

Appendix 4: 2008 Performance Audit Follow-up

Table 4-5 summarizes the 2008 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. YCSD either fully or partially implemented all eight recommendations. Recommendations from the 2008 performance audit are reissued in the current audit if they fell within the scope of this audit.

Table 4-5: 2008 Performance Audit Recommendations

Recommendation	Implemented	Partially Implemented
<p>R5.1 Consider eliminating at least 10 active buses through several means, such as by upgrading routing software and having buses complete more runs.</p>		<p>X¹ (see 4.2)</p>
<p>R5.2 Negotiate several changes to the current contract for special needs transportation; review the disability types of the special needs students and determine whether they can be transported on regular routes, with regular riders; verify all riders transported by the contractor; and seek competitive proposals for special needs transportation on a periodic basis.</p> <p>Alternatively, the District could cease contracting for special needs transportation and instead, transport special needs riders on its buses. However, prior to considering this option, the District should formally determine whether it can transport special needs riders at a lower cost than contracting for the service. Regardless of the process used to transport special needs riders, the District should provide its own buses to transport all regular riders and incorporate them into its routes. Lastly, the District should include the Chief of Transportation in individualized education program (IEP) meetings.</p>		<p>X² (see 4.4)</p>
<p>R5.3 Establish formal policies and procedures to ensure accurate T-reports and adopt a policy that addresses tracking, billing, and reimbursement for non-routine transportation services.</p>		<p>X³ (see 4.1)</p>
<p>R5.4 Develop a replacement plan for its buses.</p>		<p>X⁴</p>
<p>R5.5 Develop a formal preventive maintenance (PM) plan and consider purchasing an automated work order system.</p>		<p>X⁵</p>
<p>R5.6 Eliminate at least four spare buses, and review the buses classified as out-of-service and determine whether they still need to be kept for parts or could be sold to generate revenues.</p>	<p>X</p>	
<p>R5.7 Periodically solicit multiple lease proposals for housing its buses and consider other alternatives for storing its buses.</p>	<p>X⁶</p>	
<p>R5.8 Review transportation policies to determine if a cost savings can be achieved by adopting state minimum transportation requirements. If significant cost savings are achievable and the District continues to experience financial</p>	<p>X⁷ (see 4.3)</p>	

difficulties, it should consider reducing transportation closer to State minimum requirements.		
--	--	--

Source: 2008 Performance Audit

¹ The District did not upgrade its transportation software package. However, the District eliminated 20 active buses from FY 2006-07 to FY 2009-10, largely by expanding its use of multi-tiered routing.

² The District reduced the contractual minimum number of students transported from 699 to 450 for the current contract.

³ The District has a non-routine mile policy, and tracks and bills non-routine miles to the respective departments.

⁴ Although the District has developed a bus replacement plan, it is missing a few key elements (see **R5.4** from the 2008 performance audit for specific criteria to include in a bus replacement plan). Additionally, the District has yet to fund its bus replacement plan (see **financial systems** section).

⁵ The District has a preventive maintenance plan and an automated work order system (see **facilities** section). However, transportation is not included in that software.

⁶ The District eliminated its bus warehouse lease, and this impacted the All Other Costs category of transportation expenditures (see **Table 4-2**).

⁷ The District stated that it completed a review of the transportation policy; however, it was not able to provide evidence of a financial analysis (see **4.3**).

District Response

The letter that follows is YCSD's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When District officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised. The District's official response did not require any modifications to the performance audit report.

Youngstown City School District

20 West Wood Street • P.O. Box 550 • Youngstown, Ohio 44501-0550 • Phone: 330-744-6900 • Fax: 330-743-1157

Office of the Superintendent

March 8, 2011

Dave Yost
Auditor of State
Youngstown Regional Office
Performance Audit Section
Voinovich Government Center
242 Federal Plaza West, Suite 302
Youngstown, OH 44503

Dear Mr. Yost:

On behalf of the Youngstown City Schools, we would like to thank the entire performance audit team for their time and effort in completing our performance audit. Your team's knowledge and commitment was evident in each and every step of the process in providing us with valid and useful information for our district.

We have begun to research and implement many of the suggestions you offered in your report. Other suggestions you recommended will be studied and implemented in a second phase. We are very confident that by implementing the strategies recommended will provide a better service to our district and community.

The goal of this Performance Audit was to evaluate our district's business practices for efficiency of operation and compliance. Your audit will give this district the tools in order to meet this goal.

Therefore, with the strategies provided by the audit the district will strive to continue to work, improve and develop methods to move us forward.

Sincerely,



Connie Hathorn, Ph. D.
Superintendent



William Johnson
Treasurer