



Dave Yost • Auditor of State



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To the Residents, Board and Administration of the Monroe Local School District:

At the request of the Ohio Department of Education, and in cooperation with the Monroe Local School District, the Auditor of State initiated a performance audit of certain areas within the District due to the projected deficits in its five-year forecast. The functional areas assessed during the audit were financial management, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its educational mission. Improvements in these areas can assist the District in improving its financial condition.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of the operations of the Monroe Local School District. While the recommendations contained in the audit report are resources intended to assist Monroe Local School District, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

The report includes Results in Brief: why AOS conducted the audit and financial implications; Synopsis: scope, objectives, methodology, benchmarks, and noteworthy accomplishment; Background; Recommendations; and Appendix.

This report has been provided to the Monroe Local School District and its contents discussed with the appropriate officials. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. This performance audit can be accessed online at the Auditor of State of Ohio website (<http://www.ohioauditor.gov>) and using the "Search for Audits" tool.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

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Results in Brief

Why AOS Conducted This Audit

Ohio Revised Code (ORC) 3316.042 permits the Auditor of State (AOS) to conduct performance audits of any school district in a state of fiscal caution, watch, or emergency and review any programs in which it believes that greater operational efficiency, effectiveness, and accountability can be achieved. On October 1, 2011, the Ohio Department of Education (ODE) declared the Monroe Local School District (Monroe LSD or the District) to be in a state of fiscal caution based on the potential for deficits. AOS declared Monroe LSD in fiscal watch on February 2, 2012. This declaration was based upon the failure to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution.

When a district is declared to be in fiscal watch the board of education is required to prepare and submit an initial financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the current operating deficit and avoid incurring future operating deficits. Monroe LSD failed to submit an acceptable recovery plan and was placed in fiscal emergency in accordance with ORC 3316.03(B) on May 9, 2012. The recovery plan anticipated a deficit of \$2,204,000 for the fiscal year ending June 30, 2012.

Based on the fiscal designation and discussions with ODE, AOS initiated a performance audit of Monroe LSD. After a review of relevant information and discussions with the District, the following functional areas were selected for detailed review in the performance audit:

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

Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Recommendations regarding employee pay and benefits are subject to negotiations with the District's certificated and classified employees. Additionally, some of the cost savings illustrated in the following table are mutually exclusive and therefore the level in which the recommendations are implemented may impact other recommendations and in turn will influence total savings. For example, staffing reductions would decrease estimated savings from recommendations regarding salary or benefit adjustments. Detailed information concerning the implications is contained in the respective recommendation within the performance audit.

Summary of Performance Audit Financial Implications

Recommendations	Impact
Negotiate a freeze on step increases for certificated staff. (R.1)	\$140,000
Enhance revenue or decrease expenditures for sports-oriented extracurricular activities. (R.7)	\$137,000
Reduce regular teaching positions by 2.4 FTE. (R.3)	\$122,000
Reduce Education Service Personnel (ESP) positions by 2.0 FTE. (R.4)	\$102,000
Negotiate to increase the employee health insurance premium contribution to 15 percent.(R.5)	\$95,000
Eliminate two active school buses. (R.12)	\$85,000
Negotiate a salary freeze for classified staff, including base and step schedule increases. (R.2)	\$27,500
Explore options to increase participation in the High Deductible Health Plan. (R.6)	\$18,000
Develop formal sick leave policies to assist in reducing leave to the State average. (R.8)	\$13,500
Total Cost Savings from Performance Audit Recommendations	\$740,000

In addition to financial implications, the performance audit contains non-financial recommendations that may improve operations, such as policy development, monitoring outside contracts, and improving bus routing systems.

Synopsis

What is Good Performance: Scope, Objectives, and Benchmarks

Applicable standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

Scope and Objectives of the Audit

Through a review of the operations of the District, AOS selected the following areas for detailed assessment: financial management, human resources, facilities, and transportation.

Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. AOS developed objectives designed to identify efficiencies that could be gained from the operational areas listed above.

The following detailed audit objectives were used to conduct the performance audit of Monroe LSD:

Financial Management

- What is the District's current financial state?
- Does the District have financial policies and procedures that meet recommended practices?

Human Resources

- What is the organizational structure and function of the human resource operations at the District?
- Does the District have a staffing plan and process that is consistent with its educational goals, its available resources, State requirements, and best practices?
- How do the staffing levels at the District compare to the peer district average and State standards (when applicable)?
- How does the District's salary schedules for classified and certificated staff compare to the surrounding district average?
- How does the District's supplemental staffing positions and accompanying compensation compare to the surrounding district average?
- How do future salary increases for certificated and classified employees compare with the surrounding districts (pay freeze, percent increase on the base, etc.)?
- How do the insurance benefits offered by the District compare with state averages and industry benchmarks?
- Does the District's Workers' Compensation risk rating and mitigation practices meet recommended practices?

- How does the District's leave policies and usage compare to State averages?
- How does the District's contribution to the employee's portion of State Teachers Retirement System/State Employees' Retirement System compare to State minimums?
- Is the District's Early Retirement Incentive (ERI) effective in reducing overall personnel costs?
- Does the District maintain an effective collective bargaining process for each group of unionized employees?
- Are there contractual issues within the certificated and classified employee collective bargaining agreements that could be costly for the District?

Facilities

- Do building capacities and enrollment projections suggest that the District should change how it plans to use its buildings?

Transportation

- Is the District properly monitoring its private contractor? Are there provisions in the contract that are costly and/or can be more detailed to benefit the District?
- Is the District providing fuel for the buses and other District owned vehicles? Does the District's procedure for purchasing fuel meet recommended practices to ensure the lowest possible cost?
- Is the District providing the best mix of parameters for its private contractor to determine the most efficient routing system?
- Is the private contractor operating in a way that maximizes bus capacity?

Methodology and Benchmarks

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.

AOS conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on 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.

Data was drawn from FY 2009-10, FY 2010-11, and FY 2011-12. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. The performance audit involved significant information sharing with Monroe LSD, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues

impacting selected areas, and shared proposed recommendations to improve operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

Based upon demographic and operational data and in conjunction with the District, the following 10 Ohio school districts were identified as peers for benchmarking purposes: Madison Local School District (Butler County), Talawanda City School District (Butler County), Perkins Local School District (Erie County), Rossford Exempted Village School District (Wood County), Streetsboro City School District (Portage County), Vandalia-Butler City School District (Montgomery County), Woodridge Local School District (Summit County), Ontario Local School District (Richland County), Shawnee Local School District (Allen County), and Clark-Shawnee Local School District (Clark County).

Employee compensation can be impacted by factors outside District management's direct control, such as geographic location and surrounding district competition. For this reason, employee salaries were compared to a select group of five districts, referred to as the surrounding districts. The surrounding districts include: Mason City School District and Franklin City School District (Warren County) and Madison Local School District, Edgewood City School District and Lakota Local School District (Butler County). Peer and surrounding school district data used for comparison purposes were not tested for reliability.

External organizations and sources were also used to provide comparative information and benchmarks. They include the State Employment Relations Board (SERB), the Kaiser Family Foundation, the Society for Human Resource Management (SHRM), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), and the Government Accountability Office (GAO).

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

Noteworthy Accomplishment

Monroe LSD has engaged in shared service opportunities that have reduced direct costs while still providing an acceptable level of service. Effective FY 2012-13, the District is sharing its Business Manager with Middletown City School District. Through this agreement, the position was reduced from 1.0 FTE to 0.5 FTE.

Background

District Overview

In September of 1999, the Ohio State Board of Education approved a resolution to create the Monroe Local School District by consolidating territory located within the Middletown City School District and the neighboring Lebanon City School District.

Monroe LSD encompasses the City of Monroe and a portion of Lemon Township. The District is located approximately 20 miles north of Cincinnati and approximately 30 miles south of Dayton. It is situated between two counties, the northeast corner of Butler County and the western section of Warren County. The District serves an area of approximately 18 square miles.

The District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. Monroe LSD operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms, and is responsible for providing public education to students.

In FY 2011-12, the District served 2,497 students (headcount) and employed approximately 204 full-time equivalent (FTE) employees. Based on the State Report Card for FY 2010-11, the District met 26 of 26 indicators and received an "Excellent" designation from ODE.

Monroe LSD operates two school buildings for educational purposes: one primary school serving Pre-K through first grade and another school building which services elementary, junior, and high school students. In FY 2011-12, the District provided transportation services to 1,733 students.

Financial Status

The District has experienced a recent history of financial trouble. In FY 2010-11, it was confirmed by AOS that General Fund debt had been paid out of the District's Bond Fund over the previous seven years, beginning in FY 2004-05. The debt was comprised of four loans for capital improvements and amounted to approximately \$3.1 million. Furthermore, as a result of improper accounting practices, the District's FY 2010-11 financial audit uncovered additional transactions amounting to \$1.4 million that should have been recorded in the General Fund. When the audit adjustments were made, this altered the General Fund balance to a deficit exceeding \$2.2 million on June 30, 2012. After the declaration of fiscal emergency in May 2012, the District borrowed \$2.2 million from the State's Solvency Assistance Fund in order to end the fiscal year with a positive fund balance.

On November 6, 2012, Monroe LSD passed a 7.05-mill emergency operating tax levy. The levy will generate approximately \$2.5 million per year for the District over the next five years. In addition to the additional tax revenue it will receive, the District also made numerous reductions in expenditures during FY 2011-12 and FY 2012-13 in an attempt to avoid future operating

deficits. The following table shows the District's October 2012 five-year forecast which reflects both the new revenue generated by the emergency levy and the results of the expenditure reductions.

Monroe LSD October 2012 Five Year Forecast

	Actual	Forecasted				
	2012	2013	2014	2015	2016	2017
Total Revenue	\$25,741,542	\$19,222,877	\$18,327,935	\$18,537,946	\$18,753,031	\$18,973,315
Total Expenditures	\$25,382,551	\$20,928,966	\$21,319,469	\$20,737,335	\$20,723,733	\$21,079,812
Revenue over (under) Expenditures	\$358,991	(\$1,706,089)	(\$2,991,534)	(\$2,199,389)	(\$1,970,702)	(\$2,106,497)
Beginning Cash Balance	\$271,373	\$630,364	(\$1,075,725)	(\$4,067,259)	(\$6,266,648)	(\$8,237,350)
Ending Cash Balance	\$630,364	(\$1,075,725)	(\$4,067,259)	(\$6,266,648)	(\$8,237,350)	(\$10,343,847)
Outstanding Encumbrances	\$194,212	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Fund Balance June 30 for Certification of Appropriations	\$436,152	(\$1,375,725)	(\$4,367,259)	(\$6,566,648)	(\$8,537,350)	(\$10,643,847)
Cumulative Balance of New Levies	N/A	\$1,376,929	\$3,880,437	\$6,383,945	\$8,887,453	\$11,390,961
Unreserved Fund Balance June 30	\$436,152	\$1,204	(\$486,822)	(\$182,703)	\$350,103	\$747,114

Source: ODE

Recommendations

R.1 Negotiate a freeze on step increases for certificated staff.¹

Financial Implication: Implementing a freeze on certificated step increases in FY 2013-14 would generate a savings of approximately \$140,000.

Due to Monroe LSD's fiscal emergency status, District administrators must consider all areas of operations when attempting to reduce expenditures. One area that should be focused on is employee salaries and wages as this expenditure classification represented 50.0 percent of total expenditures in FY 2011-12.

Certificated employee compensation rates, including base rates, step increases, and maximum pay, were examined in comparison to the surrounding district average. Base rates for staff with a bachelor's degree and master's degree were higher than the surrounding district average by 6.3 percent and 11.3 percent, respectively. However, Monroe LSD's career compensation for a certificated employee with a bachelor's degree or master's degrees was 5.1 percent lower than the surrounding district average.² The **Appendix** provides detailed charts illustrating the results of the compensation comparisons.

Despite having lower than average career compensation, Monroe LSD should consider negotiating a freeze on the step schedule to free up additional General Fund resources. A step schedule freeze was found to be a common cost reduction measure taken in the District's region. An examination of the surrounding districts found that four of the five are currently on a pay freeze for certificated employees and will not be providing base or step increases to certificated staff in FY 2012-13 or FY 2013-14.

R.2 Negotiate a salary freeze for classified staff, including base and step schedule increases.

Financial Implication: Implementing a freeze on base and step increases for classified staff in FY 2013-14 could generate a savings of \$27,500.³

Salaries and wages accounted for 50.0 percent of the District's expenditures in FY 2011-12 and 45.7 percent of projected expenditures in FY 2012-13. FY 2011-12 classified staff compensation rates, including base rates, step increases, and maximum pay, were examined in comparison to the surrounding district average in the following categories: custodians, clerical secretaries, and paraprofessionals.

¹ Certificated staff agreed to a base rate freeze through FY 2013-14. However, step increases are still provided to eligible employees.

² Career compensation is calculated by totaling the salary at each step between 0 and 30, to capture a total career salary over a 30 year period of employment.

³ During the course of the performance audit Monroe LSD entered into a purchased service contract for maintenance and custodial services. Therefore, custodians are no longer on the District's payroll. These employees were not included in the projected savings.

Each comparison showed that Monroe LSD’s hourly rates were higher than the surrounding district average at each step in the salary schedule. The **Appendix** provides a detailed illustration for each position compared to the surrounding district average. In addition, four of the five surrounding districts have implemented a pay freeze on both the base and step increases for classified employees in FY 2012-13 and FY 2013-14.

Freezing salary schedules for classified staff would allow the District to achieve compensation levels comparable to the surrounding district average as well as free up additional General Fund resources to use elsewhere, such as reinstating staffing positions the District reduced due to financial constraints.

R.3 Reduce regular teaching positions by 2.4 FTE and continue to operate within the State minimum requirement.

Financial Implication: Reducing 2.4 FTE regular teachers would save approximately \$122,000 in salaries and benefits annually. This savings is calculated using the base salary for a teacher with a bachelor’s degree. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) 3301-35-05 requires the ratio of general education teachers to students, district-wide, to be at least 1.0 FTE classroom teacher for every 25 students in the regular student population. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel (ESP).

Table 1 compares Monroe LSD’s regular teaching staff ratio to the State minimum requirements for FY 2011-12.

Table 1: FY 2011-12 Regular Teacher Comparison to State Minimums

General Education Teachers FTEs	92.8
Regular Student Population	2,123
Regular Students to Regular Teacher	22.9
State Minimum Required Regular Teachers (based on 25:1 ratio)	84.9
Regular Teachers Above State Minimum Requirement	7.9

Source: Monroe LSD and OAC

During the course of the performance audit, the District approved the reduction of 5.5 regular teacher FTE positions effective for FY 2012-13. These reductions were made along with many other measures in an attempt to address the District’s financial deficit. After this staffing reduction, Monroe LSD will be operating at 2.4 FTEs above the State minimum requirement.⁴ This staffing level is within 3.0 percent of State minimum requirements.

⁴ The 2.4 FTEs is calculated using the regular student population reported in FY 2011-12. If the District determines that further staffing reductions are necessary it should work with ODE once the FY 2012-13 regular student population numbers are finalized to ensure that it continues to staff teachers within the State minimum requirements.

While it is not a common practice in Ohio to operate at or near State minimums, Monroe LSD may need to make further staffing reductions if savings cannot be identified and achieved in other areas of operation. If the District determines further staffing reductions are necessary, it should first consult with ODE to ensure it maintains compliance with State requirements.

R.4 Reduce Education Service Personnel (ESP) positions by 2.0 FTE and continue to operate within the State minimum requirement.

Financial Implication: Reducing 2.0 FTE ESP would save Monroe LSD approximately \$102,000 in salaries and benefits annually. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

ESP positions include art, music, and physical education teachers, counselors, librarians, media specialists, school nurses, and social workers. OAC 3301-35-05 requires that school districts employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population.

Table 2 compares Monroe LSD’s ESP staffing to the State minimum requirements.

Table 2: FY 2011-12 ESP Comparison to State Minimums

ESP Teacher FTEs	11.2
Counselor FTEs	4.0
Librarians / Media Specialist FTEs	1.0
School Nurse FTEs	1.0
Total ESP FTEs	17.2
State Minimum Required ESP	10.6
ESP Above State Minimum Requirement	6.6

Source: Monroe LSD and OAC

During the course of the performance audit, the District approved the reduction of 4.5 ESP FTE positions effective for FY 2012-13. The 4.5 FTEs reduction included 2.5 ESP teachers; 1.0 FTE Counselor and 1.0 FTE Media Specialist. These reductions were made along with many other measures in an attempt to address the District’s financial condition. After the staffing reduction, Monroe LSD will be operating at 2.0 FTEs above the State minimum requirement.⁵

While it is not a common practice in Ohio to operate at or near State minimums, Monroe LSD may need to make further staffing reductions if savings cannot be identified and achieved in other areas of operation. If the District determines further staffing reductions are necessary, it should first consult with ODE to ensure it maintains compliance with State requirements.

⁵ The 2.0 FTEs are calculated using the regular student population reported in FY 2011-12. If Monroe LSD determines that further staffing reductions are necessary it should work with ODE once the FY 2012-13 regular student population numbers are finalized to ensure that it continues to staff ESP within the State minimum requirements.

R.5 Negotiate to increase the employee health insurance premium contribution to 15 percent.

Financial Implication: Increasing employee contributions to 15 percent for all health insurance plan options could save approximately \$95,000 annually.

Monroe LSD is a member of the Butler Health Plan (BHP), a consortium of surrounding school districts that purchases medical and dental insurance. The District offers eligible employees all plan options available through the BHP. For medical coverage, this includes a Preferred Provider Organization (PPO) plan and a High Deductible Health Plan (HDHP). See **Table 7** and **Table 8** for coverage descriptions of the PPO and HDHP. Each plan type includes three tiers of coverage: single, employee plus one, and family. Monroe LSD’s insurance coverage is based on a January to December calendar year.

The District and employee contributions to health insurance premiums are based on negotiated provisions within the employee collective bargaining agreement. **Table 3** provides a detailed illustration of the 2012 insurance premiums, including District and employee contributions.

Table 3: Monroe LSD 2012 Monthly Insurance Premiums and Contributions

Preferred Provider Organization (PPO) Plan						
	Single Employee Coverage		Employee + 1 Coverage		Family Coverage	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total	Dollar Amount	% of Total
District Contribution	\$455.05	95%	\$785.70	90%	\$1,111.50	90%
Employee Contribution	\$23.95	5%	\$87.30	10%	\$123.50	10%
Total Premium	\$479.00		\$873.00		\$1,235.00	
High Deductible Health Plan (HDHP)						
	Single Employee Coverage		Employee + 1 Coverage		Family Coverage	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total	Dollar Amount	% of Total
District Contribution	\$360.05	95%	\$620.10	90%	\$875.70	90%
Employee Contribution	\$18.95	5%	\$68.90	10%	\$97.30	10%
Total Premium	\$379.00		\$689.00		\$973.00	

Source: Monroe LSD

The State Employment Relations Board’s (SERB) *20th Annual Report on the Cost of Health Insurance in Ohio’s Public Sector* (2012) survey reports that when employees pay a portion of the medical premium, the average employee monthly contribution was 12.3 percent (\$63.00) for single coverage and 12.9 percent (\$173.00) for family coverage. According to the 2012 Kaiser Family Foundation Survey, premium contributions by covered workers averaged 18 percent for single coverage (\$79.00 monthly contribution) and 28 percent for family coverage (\$360 monthly contribution).⁶

⁶ This annual survey of employers provides a detailed look at trends in employer-sponsored health coverage, including premiums, employee contributions, cost-sharing provisions, and other relevant information. The 2012 survey included 3,326 randomly selected public and private firms nationwide with three or more employees (2,121 of which responded to the full survey).

R.6 Explore options to increase participation in the High Deductible Health Plan including developing and contributing to a Health Saving Account (HSA) on behalf of employees participating in the High Deductible Health Plan.

Financial Implication: If the District were able to switch 17 employees (10 percent) from the PPO to the HDHP it could save \$35,000 in reduced premiums. If the District coupled the HDHP with a HSA of \$1,000 it could still save \$18,000 annually.

In 2012, 176 employees participated in the District’s insurance program and received coverage. This accounted for approximately 83 percent of the District’s eligible employees.

Table 4 illustrates the breakout of participating employees by plan type and tier of coverage.

Table 4: Monroe LSD 2012 Health Insurance - Participating Employees

	Single Employee Coverage	Employee + 1 Coverage	Family Coverage	Total
Preferred Provider Organization	64	32	76	172
High Deductible Health Plan	3	1	0	4
Total	67	33	76	176

Source: Monroe LSD

As illustrated in **Table 4**, only 2.2 percent of participating employees chose the HDHP. According to the 2012 SERB survey, HDHPs are growing in popularity (22.3% of medical plans) as they feature lower premiums compared to other managed care and traditional insurance plans. Many HDHPs are coupled with Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs) that the employer partially or fully funds. HRAs and HSAs are tax-advantaged accounts used to pay enrollees’ health care expenses, and unused balances may accrue for future use, potentially giving enrollees an incentive to purchase health care more prudently.

HDHPs typically result in lower health insurance premiums because the enrollee bears a greater share of the initial cost of care. According to *Consumer-Directed Health Plans* (Government Accountability Office (GOA) (2006)), individuals are more likely to enroll in a consumer directed health plan such as a HDHP when the employer offers a generous contribution to the premium and associated savings account, offers more comprehensive benefits, and effectively educates employees about the plans.

With lower premiums (see **Table 3**), Monroe LSD should explore options to increase participation in the HDHP. Offering an HSA and proactively educating employees about health insurance may assist the District in increasing participation.

R.7 Enhance revenue or decrease expenditures to bring sports-oriented extracurricular activities more in line with the surrounding district average.

Financial Implication: An enhancement in revenue or decrease in expenditures bringing the net cost of sports oriented extracurricular activities in line with the surrounding district average could save approximately \$137,000 annually.

During the course of the performance audit, the District made several changes to reduce the overall net cost of sport oriented extracurricular activities for FY 2012-13. Supplemental coaching positions were reduced as part of a recovery plan and estimated to save approximately \$52,000. The supplemental salary schedule was frozen. The District’s Athletic Director will be changed from a District employee to a contracted employee in order to eliminate employee benefit expenditures. Additionally, the Board approved pay-to-participate fee increases for FY 2012-13 to \$250 per sport for high school and \$200 per sport for junior high with no maximum per family or multi-sport deduction. This increase is expected to generate \$95,000 in pay to participate fees for FY 2012-13.

In FY 2011-12, Monroe LSD spent approximately \$490,000 General Fund dollars on sports oriented extracurricular activities. This equates to approximately \$207.00 per student, 62 percent higher than the FY 2010-11 surrounding district average of \$128 per student. The District’s General Fund extracurricular expenditures included the salaries and benefits of athletic coaches as well as the Athletic Secretary, Athletic Facilities Manager, and Athletic Director.

Monroe’s pay-to-participate fee structure in FY 2011-12 was \$100 for the first high school sport and \$75 for each sport after and \$75 for the first junior high sport and \$50 for each thereafter. There was a \$300 cap for each family. In FY 2011-12, the District reported total pay-to-participate receipts of approximately \$50,000.

Table 5: Monroe LSD Sport Oriented Extracurricular Expenditure Comparison¹

Sports Oriented Activities - Expenditure Per Pupil	\$207
Sports Oriented Activities - Revenue Per Pupil	(\$21)
Sports Oriented Activities - Net Cost Per Pupil	\$186
Surrounding District Average Expenditure Per Pupil	\$128
Difference Per Pupil	\$58
Revenue Enhancement/Expenditure Reduction to the Peer Average	\$137,170

Source: Monroe LSD FY 2011-12 year-end financial statements and surrounding district FY 2010-11 ODE Expenditure Flow Model (EFM) reports. Data showing Monroe LSD’s FY 2010-11 extracurricular expenditures were determined to be unreliable and the surrounding district FY 2011-12 EFM reports were not available at the time of the assessment.

Note: This analysis does not take into account the impact that peer pay-to-participate revenue could have on the surrounding district average net cost.

¹Pupils used in this assessment for Monroe LSD reflect the FY 2011-12 total percent of time enrollment.

Bringing costs in line with the surrounding district average may be achieved by reevaluating its supplemental salary schedules, reducing the number of supplemental positions, reducing the number of athletic teams, or increasing its pay-to-participate fees.

Supplemental salary schedules were compared to the surrounding districts for a sample of coaching positions.⁷ Monroe LSD's head coaches starting salary was 27 percent higher than the surrounding district average. While the District's maximum salaries for coaches were 6 percent below, Monroe coaches reach the maximum pay at a much faster pace: 5 years compared to up to 27 years at the surrounding districts.

Pay-to-participate structures were also compared to the surrounding districts. Structures ranged from no fee for athletics to pay-to-participate schedules much higher than Monroe LSD. According to Lakota LSD's 2011-12 athletic handbook, all athletes in grades 7 and 8 pay \$350 per sport while all athletes in grades 9 through 12 pay \$550 per sport. Lakota LSD does not have fee waivers or a family cap.

R.8 Develop formal policies that communicate specific sick leave expectations, define patterns of abuse, and communicate disciplinary actions with employees.

Financial Implication: Reducing certificated sick leave usage to the State average could save approximately \$13,500 in teacher substitute costs.

In FY 2011-12, Monroe LSD's average certificated employee leave use was 76.5 hours per employee. This was 8.7 hours per employee more than the Ohio Department of Administrative Services (DAS) average of 67.8 hours.

According to *Sick Leave Abuse: A Chronic Workplace Ill?* (International Personnel Management Association, 2002), determining if and why employees overuse or abuse leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively:

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

⁷ The sample included the following six positions for Monroe LSD and the surrounding districts: head football coach, assistant football coach, head boys basketball coach, head girls basketball coach, baseball coach, and wrestling coach.

- Document everything to learn from past mistakes.

The District does not have effective control measures to ensure sick leave abuse does not occur. By developing a sick leave policy that incorporates controls and elements of best practices, the District will be better equipped to monitor and potentially reduce sick leave usage.

R.9 Renegotiate provisions within the collective bargaining agreement (CBA) which exceed State minimum requirements and common practices of Ohio school districts.

Monroe LSD's certificated and classified employees are covered under the agreement between the Monroe Board of Education and Monroe Education Association OEA/NEA. This CBA is effective June 30, 2011 through June 30, 2014. A review of the CBA identified certain provisions that exceeded State minimum standards and typical provisions in Ohio school districts. The following provisions exceed State minimum standards:

- **Sick Leave Accrual:** The CBA allows employees to accrue a maximum of 220 sick days. This provision exceeds the State minimum requirement of 120 days and represents the potential for increased financial liability when sick leave is paid out to retiring employees.
- **Sick Leave Payout:** The CBA allows eligible employees to receive sick leave payout equal to 25 percent of accumulated but unused sick leave accrued at retirement. With a maximum accrual of 220 days, employees could receive up to 55 days paid out at retirement. This payout is higher than the State minimum requirement of 30 days. The additional 25 days of sick leave pay out could cost the District close to \$10,000 in additional payout for each retiring employee in FY 2012-13. This amount would increase as salaries increase from one year to the next.
- **Paid Holidays:** The CBA provides 12-month employees with 11 paid holidays, which is in excess of the 7 paid holidays required by the State. Providing employees with additional holidays can reduce overall productivity as it decreases the overall number of days devoted to District operations.
- **Vacation:** The CBA entitles employees with 1 to 5 years of service to 2 weeks of vacation per year; employees with 6 to 15 years are entitled to 3 weeks; and employees with 15 or more years are entitled to 4 weeks. State minimum requirements are as follows: employees with 1 to 9 years are entitled to 2 weeks of vacation per year; 10 to 19 years are entitled to 3 weeks; and 20 years or more are entitled to 4 weeks.

In addition to contract provisions which exceed State minimums, the District should attempt to adjust or remove provisions in its CBA that exceed what similar districts in the area offer or that unnecessarily restrict management's ability to efficiently manage the District.

- **"Superseverance":** The CBA provides for a one-time superseverance payout (i.e., retirement incentive) if an employee retires in the first year of eligibility. Eligible certificated employees receive \$15,000 and classified employees receive \$7,500.

Superseverance, or any similar benefit, was not present in any of the five surrounding district collective bargaining agreements.

- **Compensation Bonus at Time of Resignation:** The CBA provides that any employee who submits his/her letter of resignation for retirement purposes in accordance with the required dates (January 15th if retiring at the completion of the second semester and June 15th if retiring at the end of first semester) shall be eligible to receive a compensation bonus of \$1,000.
- **Overload Payments:** The CBA provides certificated staff with additional compensation if classroom sizes go above the District agreed upon maximum stipulated in the CBA.⁸ Teachers in grades K-6 receive \$8.00 per day for each student over the maximum while teachers in grades 7-12 receive \$1.50 per day for each student over the maximum. In FY 2011-12, the District spent approximately \$85,000 on overload payments.

Provisions within CBAs that provide benefits beyond what is required or typically offered in other school districts can create an unnecessary financial burden on the District and limit management's ability to control costs.

Adjustment of certain provisions can be difficult as they are specified in the District's CBA. As a result, changes need to be agreed upon by the bargaining unit. However, any progress made through negotiations that would make contract provisions more cost effective or restore management rights would be beneficial to the Board and the District's financial position. Successful renegotiations to limit or remove these contract provisions would increase Monroe LSD's ability to control costs and successfully plan for the District's future financial needs.

R.10 Ensure that District-wide management functions are being properly managed and formally assign all related duties to appropriate personnel and departments.

In FY 2011-12, Monroe LSD employed 12.2 administrator FTEs consisting of the Treasurer, Superintendent, building principals (4.0 FTEs), assistant principals (1.5 FTEs), coordinators (1.2 FTEs), and directors (3.5 FTEs).

During the course of the performance audit there were several administrative changes. In April 2012, Monroe LSD's administrators agreed to a 1 percent pay reduction. Administrative resignations throughout the year left vacancies that the District was not able to fill because of financial conditions. These unfilled positions include a building principal, the Data Specialist, and the Curriculum Director. While the responsibilities of these positions have been distributed to other staff, there have not been formal adjustments to job descriptions to reallocate functions of these positions.

In addition to vacant positions, the structure and responsibilities of some administrative positions has changed. Monroe LSD's former Director of Personnel and Business Affairs resigned at the end of the 2011-12 school year. Instead of filling this position, the District entered into a shared

⁸ Classroom maximums stipulated in the CBA are as follows: 25 students per class for K-2, 27 students per class for grades 3-6, and 160 students per day for grades 7-12.

service agreement with a neighboring school district where one person performs the corresponding responsibilities for both districts (equivalent to 0.5 FTE for Monroe LSD). In addition, the Board approved a reduction in force that eliminated the position of Athletic Director. This function is now provided through a contract.

With the significant changes in the administrative staff, the District should ensure personnel and other District-wide management functions are being handled by the appropriate staff. Recommendations related to human resource responsibilities include: potential salary freezes (**R.1** and **R.2**), staffing adjustments (**R.3** and **R.4**), and oversight and adjustment to the District's the health insurance program (**R.5** and **R.6**). In addition, many educational areas may be impacted by the reduction of the administrative team.

R.11 Develop a comprehensive staffing plan that addresses current and future staffing needs.

Monroe LSD does not have formal procedures to determine appropriate staffing levels across the District. Instead, the District determines staffing levels on an as needed basis based on student population and available financial resources.

Strategic Staffing Plans (Society for Human Resource Management (SHRM), June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. A strategic staffing plan forms an infrastructure to support effective decision-making in an organization. In addition, *Estimating Future Staffing Levels* (SHRM, 2006) highlights the need for a staffing plan. This publication notes that the most important question for any organization is what type of workforce it will need in order to successfully implement its business strategy. Once this question is answered, the organization must focus on recruiting, developing, motivating, and retaining the number and mix of employees that will be required at each point in time.

Two area school districts have developed effective staffing plans that Monroe LSD administrators may wish to consult when developing the District's plan. Lakota Local School District (Butler County), a peer district used for the audit, established a staffing plan that incorporates staffing allocation factors such as State and federal regulations as well as workload measures. In general, staffing benchmarks in this plan are calibrated to available General Fund revenue. In addition, Cincinnati City School District (Hamilton County) has developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals into a process that includes central and site based administrators and other personnel.

A formalized staffing plan will help Monroe LSD openly communicate staffing strategies and priorities, as well as contingency plans should the District fail to secure sufficient revenue again in the future. Furthermore, the District can explain or defend its decisions to hire or reduce personnel based on the objective analysis and clear reasoning that a staffing plan offers.

R.12 Eliminate two active school buses by increasing the number of riders on regular District routes and exploring shared service opportunities for non-public routes.

Financial Implication: A reduction of two active buses would yield savings of approximately \$85,000. This includes driver salaries, insurance, fuel, lease, bus insurance, and other costs related to busing. Actual realized savings may fluctuate depending on the negotiated agreement with the vendor.

Monroe LSD contracts with a vendor to provide transportation service to students. In FY 2011-12, the District spent approximately \$1.4 million on student transportation. At the start of FY 2012-13, the vendor operated 23 active buses to run 45 daily routes in order to transport 1,868 riders. Included in this ridership are 40 non-public students that are transported to schools outside of Monroe LSD.

Twenty-two of the buses have a rated capacity of 72 passengers, while one bus has a rated capacity of 54 passengers. This is calculated by the manufacturer and is based on three students to each seat on the bus. However, the National Association of State Directors of Pupil Transportation Services (NASDPTS) differs in its view of capacity suggesting that three pre-k/elementary and two junior high/high school students can safely accommodate a single school bus seat. Based on NASDPTS's suggested capacity and the number of riders on each route, Monroe LSD maintains a 72 percent utilization rate.

Three of the active buses are used to provide transportation services to 40 non-public riders living in the District but attending schools located outside of the District. The Mid-Ohio Regional Planning Commission (MORPC) and the Educational Service Center of Central Ohio studied the potential of shared transportation services around Columbus, Ohio in partnership with The Ohio State University Fisher College of Business. The study focused specifically on two private schools, the Columbus School for Girls and Saint Charles Preparatory School. These two schools draw students from 16 different school districts, with 43 buses transporting approximately 350 students to and from the two schools. Estimations concluded that shared services between districts would reduce the number of buses to 19 and decrease ride time by an average of four minutes per student. Overall, cutting 24 buses would create an average annual savings of roughly \$1.2 million.

Monroe LSD compensates the vendor based on a daily rate of \$305 per double tier route bus. The vendor provides the vehicles, bus drivers, and maintenance of buses while Monroe LSD is responsible for the cost of fuel. In order to reduce contractor payments and fuel costs associated with the transportation of students, Monroe LSD should explore options to reduce the number of active buses used to provide transportation services to students.

Reconfiguring routes and increasing the District's bus utilization rate from 72 percent to 74 percent would allow the District to reduce one active bus. A utilization rate of 77 percent would eliminate two active buses and a utilization rate of 81 percent would eliminate three active buses. In addition, Monroe LSD has the potential to reduce active buses by negotiating a shared services agreement with surrounding school districts for the transportation of non-public riders.

R.13 Ensure service contracts with outside vendors are properly monitored.

According to Monroe LSD's Student Transportation Service Agreement, (the transportation contract) the vendor provides transportation to students in conjunction with certain parameters established by the District. Monroe LSD's former Business Manager was charged with ensuring that service contracts were properly monitored. However, in FY 2012-13 the District moved to a shared services model through the Butler County Educational Service Center, and now shares its Business Manager with Middletown City School District (equivalent to 0.50 FTE). According to the job description from the Butler County ESC, one of the essential functions of the Business Manager is to "work with the transportation provider in the supervision of the pupil transportation system." Thus, while the Business Manager is to supervise the pupil transportation system, responsibilities of monitoring the terms of the contract is not clearly defined.

During the course of the performance audit Monroe LSD entered into a purchased service agreement with an outside vendor to provide custodial services for the District. This newly established agreement will allow Monroe LSD to ensure services are provided at a lower cost. Similar to the transportation contract, responsibilities of monitoring the terms of the custodial contract are not clearly defined.

According to *Best Practices in Contracting for Services* (National State Auditors Association (2003)), contract monitoring is an essential part of the contracting process. Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved.

To properly monitor a contract, the District should:

- Assign a contract manager with the authority, resources, and time to monitor the project;
- Ensure the contract manager possesses adequate skills to properly manage the contract;
- Track budgets and compare invoices and charges to contract terms and conditions;
- Ensure that deliverables are received on time and document acceptance or rejection;
- Withhold payments to vendors until deliverables are received;
- Retain documentation supporting charges against the contract; and
- Evaluate the contract against established criteria.

Improved contract monitoring for all vendor contracts will allow Monroe LSD to maintain quality services while ensuring that costs are reasonable and expectations are being met. Further, contract monitoring will be useful as the District seeks to reduce costs through further reconfiguring routes and exploring shared service opportunities for transportation (see **R.12**).

R.14 Explore routing methods and techniques to assist in efficiently routing buses.

During the course of the audit, Monroe LSD implemented a policy that requires parents to submit a transportation registration form before the start of the school year. The form includes information regarding the students' transportation needs as well as parent and emergency contact information and medical information.

According to Monroe LSD's Business Manager, the vendor formulates bus routes based on the number of eligible riders in the District and adjusts routes throughout the year on an as needed basis. The District does not have a system or policy in place to require students to opt into transportation services. In FY 2012-13, the vendor routed buses to accommodate 2,313 riders. However, the District's FY 2012-13 T-1 Report indicates that actual ridership was approximately 1,868 riders, a difference of 445 riders.

Sycamore Community Schools (Hamilton County) is a local example of a school district that requires parents to submit a transportation registration form on a yearly basis to indicate whether their student will require school transportation. Further, the form also allows parents to communicate the student's transportation method, daycare center, emergency contact information, and authorized guardians.

Adopting a policy requiring all parents to submit a transportation request form will allow Monroe LSD and the vendor to more efficiently plan for the number of actual riders each bus will have and adjust routes accordingly.

Appendix

Staffing

Table 6 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at Monroe LSD and the average of the peer districts. According to the *FY 2012 EMIS Reporting Manual* (Ohio Department of Education (ODE), 2012) instructions for reporting staff data, FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time.

Peer data is from FY 2010-11 as reported to the ODE through the Education Management Information System (EMIS) while Monroe LSD’s data is from FY 2011-12. The staff levels in **Table 6** have been presented on a per 1,000 student basis as staffing levels are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases variances attributable to the size of the peers. It should be noted that adjustments were made to Monroe LSD EMIS data to reflect accurate staffing at the time of the assessment.

Table 6: Monroe LSD FY 2011-12 Staffing Comparison

	Monroe LSD		Peer Avg.	Difference		Monroe LSD Staffing Adjustments
Students ¹	2,242		2,275	33		
Staffing Categories	Monroe LSD FTEs	Monroe LSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ²	FTE Adjustments Made During Audit ³
Administrative	12.2	5.5	7.1	(1.6)	(3.4)	(4.5)
Office/Clerical	13.8	6.1	7.7	(1.6)	(3.4)	(2.0)
General Education Teachers	92.8	41.4	46.3	(4.9)	(10.4)	(5.5)
All Other Teachers	20.0	8.9	10.3	(1.4)	(3.0)	(1.0)
Education Service Personnel (ESP)	17.2	7.7	8.3	(0.6)	(1.3)	(4.5)
Educational Support	2.3	1.0	3.3	(2.3)	(4.9)	(1.0)
Other Certificated	3.0	1.4	0.7	0.7	1.5	(1.0)
Non-Certificated Classroom Support	11.0	4.9	8.2	(3.3)	(7.0)	(1.0)
Operations	25.8	11.5	26.9	(15.4)	(32.7)	(11.0)
All Other Staff	6.0	2.7	3.7	(1.0)	(2.1)	-
Total Staff	204.1	91.1	122.5	(31.4)	(66.7)	(31.5)

Source: Monroe LSD FY 2011-12 and peer district FY 2010-11 staffing data as reported to ODE

Note: FTEs are calculated to the tenth position and therefore may vary due to rounding.

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

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

³ Reflects staffing changes made for FY 2012-13 and approved during the course of the performance audit. These changes are explained in each respective staffing category in the subsequent text.

While this comparison provides an overall picture of the District's staffing in relation to the peer average, analyses were conducted in individual categories, when appropriate, to better examine staffing levels. During the course of the audit, Monroe LSD's fiscal condition required the Board to approve staffing adjustments in an effort to reduce expenditures. The following summarizes the results of the additional comparisons conducted as well as the staffing changes approved by the Board during the course of the audit:

- **Administrative:** Monroe LSD's administrative staffing was 3.4 FTEs below the peer average. This category includes central office and building-level administrators, directors and coordinators, and other personnel responsible for the planning, management, evaluation, and operation of the District.

During the course of the audit, administrative resignations left 3.0 FTE vacancies that Monroe LSD did not fill because of financial conditions. These unfilled positions include a building principal, the Data Specialist, and the Curriculum Director. In addition, Monroe LSD's former Director of Personnel and Business Affairs resigned at the end of the 2011-12 school year. Instead of replacing the position, the District entered into a shared service agreement with a neighboring school district where this position and corresponding responsibilities are now shared (equivalent to 0.5 FTE for Monroe LSD). Finally, the Board approved a reduction in force of 1.0 FTE that eliminated the District's Athletic Director. This position and corresponding responsibilities are now provided through a contractual agreement.

- **Office/Clerical:** Monroe LSD's Office/Clerical staffing was 3.4 FTEs below the peer average. This category includes administrative assistants, secretaries, clerks, bookkeepers, and other personnel responsible for clerical duties. During the course of the audit, 2.0 clerical FTEs were eliminated for FY 2012-13. These positions consisted of a high school secretary and the Superintendent's secretary.
- **General Education Teachers:** Monroe LSD's general education teacher staffing was 10.4 FTEs below the peer average. During the course of the audit the District reduced General Education teachers by 5.5 FTEs. A detailed analysis to State minimum standards was conducted as part of the performance audit (see **R.3**).
- **All Other Teachers:** Monroe LSD's all other teachers staffing was 3.0 FTEs below the peer average. This category includes Career-Technical Programs/Pathways, Gifted and Talented, Limited English Proficient (LEP) teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, and Preschool Handicapped Itinerant. During the course of the audit, the District reduced 1.0 FTE special education teacher position for FY 2012-13.
- **Education Service Personnel:** Monroe LSD's ESP staffing was 1.3 FTEs below the peer average. This category includes art, music, and physical education teachers, counselors, librarians, media specialists, school nurses, and social workers. During the course of the audit the District reduced ESP by 4.5 FTEs. A detailed analysis to State minimum standards for ESP was conducted as part of the performance audit (see **R.4**).

- **Educational Support:** Monroe LSD's educational support staffing was 4.9 FTEs below the peer average. This category includes the positions of remedial specialists and tutors/small group instructors. These staffing positions are certificated employees who assist with student education either through tutoring or small group instruction. For this reason, this category of employees should be considered along with the District's teaching staff. During the course of the audit, the District reduced 1.0 FTE tutor.
- **Other Certificated:** Monroe LSD's other certificated staffing was 1.5 FTEs above the peer average. This category represents the remaining certificated positions at the District. Further analysis of this category indicated that the positions consisted of 1.0 FTE curriculum specialist, 1.0 FTE permanent substitute, and 1.0 FTE media specialist. During the course of the audit the District approved the elimination of the curriculum specialist. According to the District, the permanent substitute was a coding error where this specific employee is a LEP teacher and will be included in the Other Teacher category in future reporting.
- **Non-Certificated Classroom Support:** Monroe LSD's non-certificated classroom support staffing was 7.0 FTEs below the peer average. This category represents classified employees who assist with the education of students in the classroom setting that include teaching aides, instructional paraprofessionals, and attendants. Monroe LSD employs 7.0 fewer FTEs in this category. Similar to the educational support category, non-certificated classroom support is examined with the teaching staff because these employees assist in the classroom with education. During the course of the audit, the District reduced 1.0 FTE instructional paraprofessional.
- **Operations:** Monroe LSD's operational staffing was significantly below the peer average on a per 1,000 students basis. This category captures all operations positions including bus drivers, custodians, maintenance workers, and food service employees. Because the District contracts for transportation services, bus drivers are not employees of Monroe LSD and therefore are not captured in this analysis. During the course of the audit, Monroe LSD entered into a purchased service contract for its custodial and maintenance operations. As of FY 2012-13, custodians and maintenance staff will no longer be employees of the District.
- **All Other Staff:** Monroe LSD's all other staff staffing was 2.1 FTEs below the peer average. This category includes psychologists, occupational therapists, and speech and language therapists. Many of these positions serve students with disabilities and therefore are tied to individual education plans (IEPs). The District receives some of these services through contracted employees at the Education Service Center.

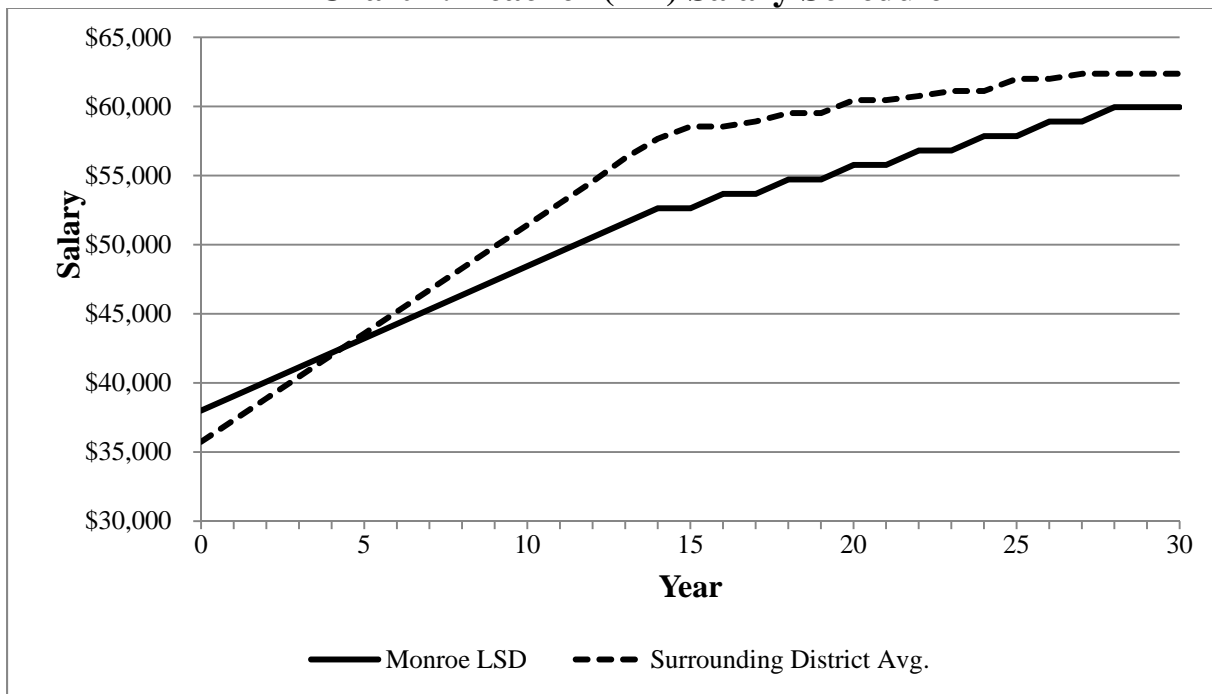
Salary Comparison

Monroe LSD’s starting wages and step increases were compared to the surrounding district average.⁹ This was completed using negotiated salary schedules from FY 2011-12 employee bargaining agreements for Monroe LSD and the surrounding districts. The following positions were included in the comparison:

- Teacher (Bachelor’s Degree, and Master’s Degree);
- Custodian;
- Clerical / Secretary; and
- Paraprofessionals

The following charts represent the results within each of the comparisons. Certified compensation is shown as annual salary while classified compensation is shown in hour rates. Both categories show salaries and wages at step 0 through step 30 of the salary schedules.

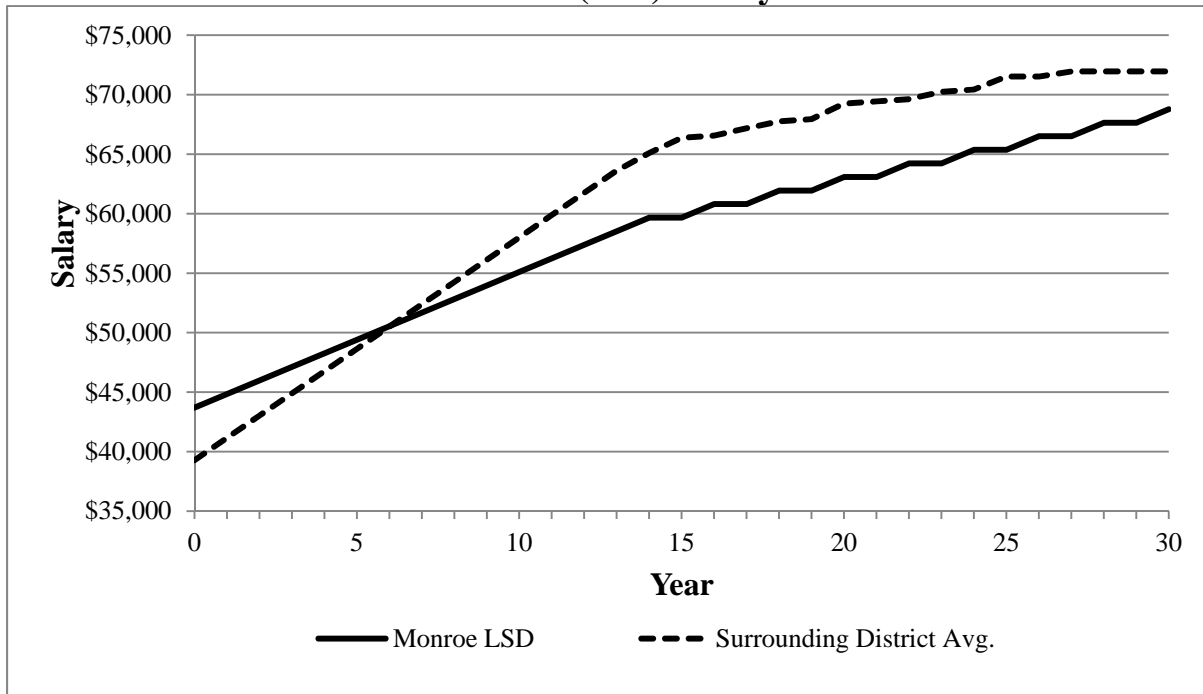
Chart 1: Teacher (BA) Salary Schedule



Source: Monroe LSD and surrounding districts’ FY 2011-12 salary schedules

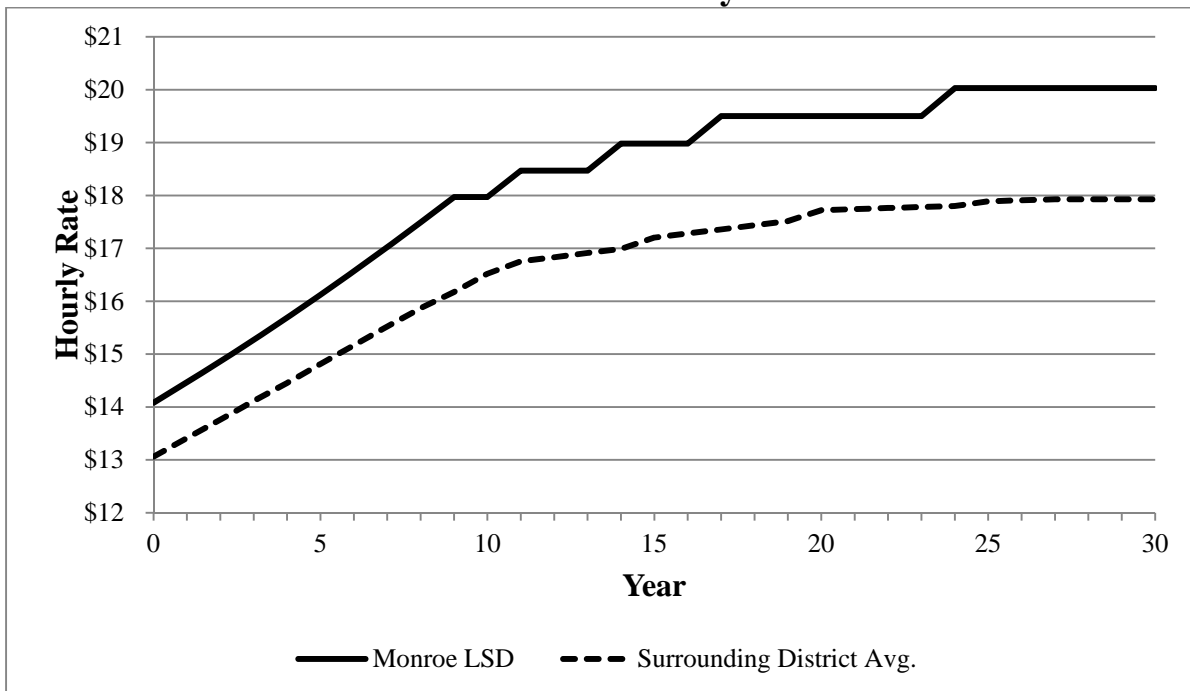
⁹ The surrounding districts include: Mason City School and Franklin City School District (Warren County) and Madison Local School District, Edgewood City School District and Lakota Local School District (Butler County).

Chart 2: Teacher (MA) Salary Schedule



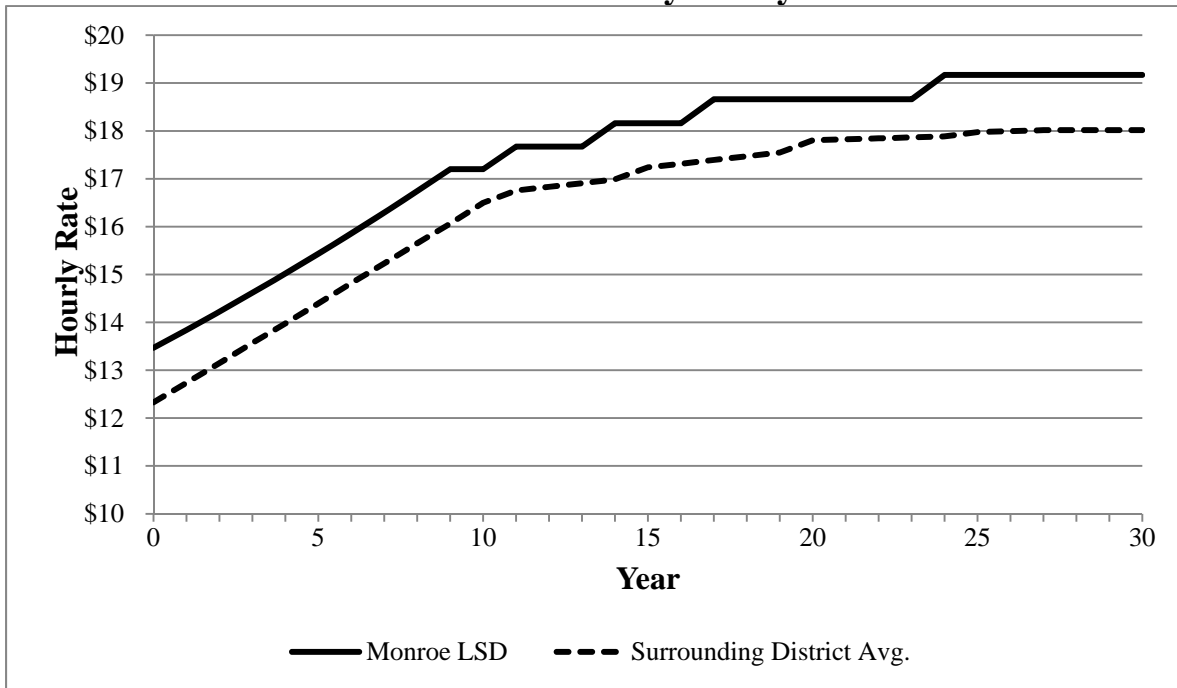
Source: Monroe LSD and surrounding districts' FY 2011-12 salary schedules

Chart 3: Custodian Salary Schedule



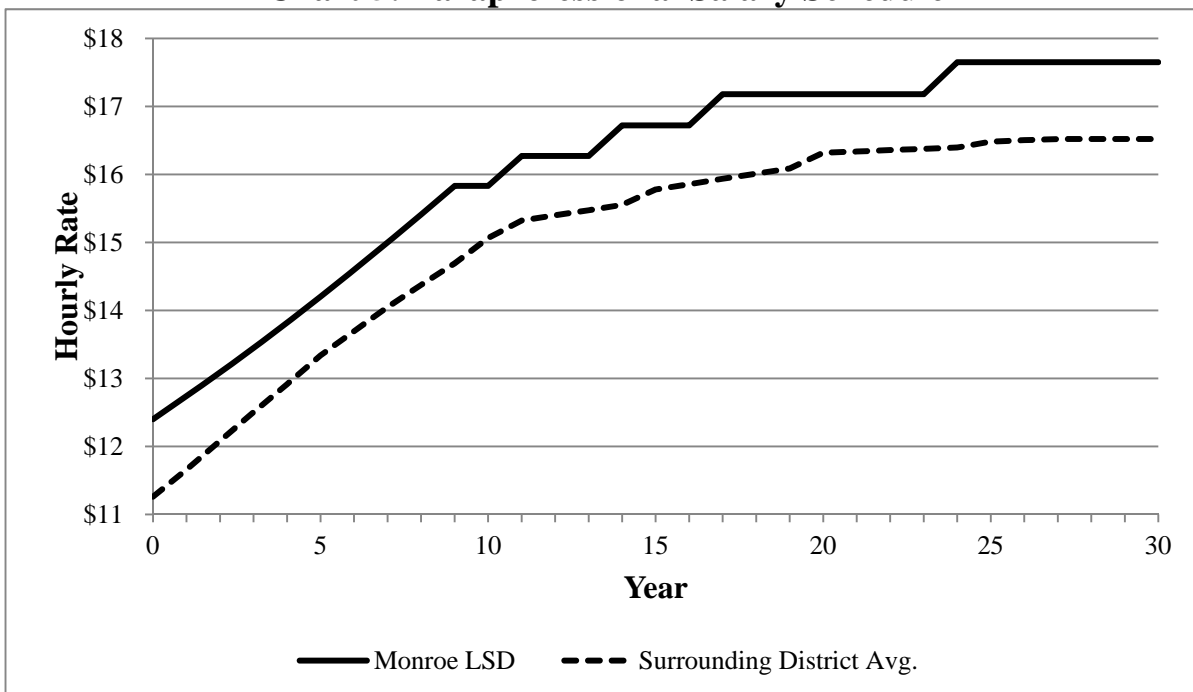
Source: Monroe LSD and surrounding districts' FY 2011-12 salary schedules

Chart 4: Clerical/Secretary Salary Schedule



Source: Monroe LSD and surrounding district FY 2011-12 salary schedules

Chart 5: Paraprofessional Salary Schedule



Source: Monroe LSD and surrounding districts' FY 2011-12 salary schedules

Health Insurance

Table 7 and Table 8 illustrate Monroe LSD’s 2012 in-network and out of network medical coverage for the Preferred Provider Organization (PPO) plan and the High Deductible Health Plan (HDHP).

Table 7: Monroe LSD 2012 PPO Plan Coverage

Coverage Area	PPO In-Network Coverage	PPO Out-of-Network Coverage
Deductible (Individual/ Employee +1/Family)	\$500/\$1,000/\$1,500	\$1,500/\$3,000/\$4,500
Out-of-Pocket Maximum (Individual/ Employee +1/Family)	\$2,000/\$4,000/\$6,000	\$5,000/\$10,000/\$12,000
Preventive Care Services	100% Deductible waived	50% After Deductible
Physician Office Visits (Primary Care)	\$25 co-payment	50% covered
Physician Office Visits (Specialty Care)	\$40 co-payment	50% covered
Urgent Care	\$40 co-payment	\$40 co-payment
Emergency Room Services	\$150 co-payment- Deductible waived	\$150 co-payment- Deductible waived
Prescription Drugs (30 day Supply)	\$15/\$35/\$55/\$75	\$15/\$35/\$55/\$75
Prescription Drugs-Mail Order (90 day Supply)	\$35/\$85/\$135	\$35/\$85/\$135

Source: Monroe LSD

Table 8: Monroe LSD 2012 HDHP Plan Coverage

Coverage Area	HDHP In-Network Coverage	HDHP Out-of-Network Coverage
Deductible (Individual/ Employee +1/Family)	\$2,500/\$4,000/\$5,500	\$5,000/\$8,000/\$10,500
Out-of-Pocket Maximum (Individual/ Employee +1/Family)	\$2,000/\$4,000/\$6,000	\$4,000/\$8,000/\$12,000
Preventive Care Services	100% Deductible waived	50% After Deductible
Physician Office Visits (Primary Care)	100% After Deductible	50% After Deductible
Physician Office Visits (Specialty Care)	100% After Deductible	50% After Deductible
Urgent Care	100% After Deductible	100% After Deductible
Emergency Room Services	\$150 co-pay; then paid 100% after Deductible	\$150 co-pay; then paid 100% after Deductible
Prescription Drugs (30 day Supply)	\$15/\$35/\$55/\$75	\$15/\$35/\$55/\$75
Prescription Drugs-Mail Order (90 day Supply)	\$35/\$85/\$135	\$35/\$85/\$135

Source: Monroe LSD

Client Response

The letter that follows is Monroe LSD's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.



Philip Cagwin, Ph.D., Superintendent

Holly J. Cahall CPA, Treasurer

Central Office 500 Yankee Road Monroe, OH 45050 513-539-2536

February 21, 2013

David Yost
Auditor of State
88 East Broad Street, 5th Floor
Columbus, OH 43215

Dear Auditor Yost,

On behalf of the Monroe Local School District, we wish to thank the Performance Audit team for their efforts in preparing the audit report for our District. The audit is required for all Districts in Fiscal Emergency. Monroe LSD was placed in Fiscal Emergency on May 9th, 2012.

It was a difficult audit because as we moved into Fiscal Emergency, members of the audit team were required to study and document practices which were quickly changing as we made every effort to mitigate our financial deficit. We eliminated positions, and contracted out major functions. There were also changes in key administration during the audit. We appreciate their patience and perseverance in their work to identify ways to help us improve and reduce costs. The final report is and will continue to be a valuable tool to support continuous improvement.

While we have addressed some recommendations, there are others identified which we will adopt or strongly consider as we move forward. Following is a more detailed of how we intend to use the recommendations.

R.1 and R.2: Freeze on the base and step increases for certified and classified staff:

Contract negotiations will not begin until FY 2014, but freezing both the base and step increases will be discussed with the Monroe Educational Association. For FY 2013, the base was frozen. However, staff did receive a step increase. Staff at the top of the pay scale received a 1% one-time payment.

A new salary schedule was implemented for certified staff in FY 2012. It raised the base but reduced steps from an average of 5% to 2.5%. There was a cost to this the first year, but there is the expectation that the District will benefit from the slower growth in salary expense in the future.

Classified custodial staff are no longer employed by the District. Instead, Sodexo was contracted to provide these services. The analysis of this transaction revealed that their Sodexo pay scales are lower for these positions. While they promised to keep the current employees whole, the expectation is that as those positions are replaced, the cost for these services will be contained.

R.3: Reduce regular teaching staff by 2.4 FTE and continue to operate within the State minimum standards:

We are not in favor of reducing teaching staff further especially in light of additional State mandates. The new instructional requirements are a challenge given the resources we have now, and we think it would be impossible to meet the challenges of the new standards with even less staff. Put aside the fact that we have already had to increase student/teacher ratios, we enjoy the benefits of an open enrollment program that brings in additional students and revenue to our school district. The significant personnel cuts that were implemented this past year greatly reduced the number of elective offerings at our high school. Further reductions will have a negative impact on attracting future students through our open enrollment program. We are looking at other ways of reducing our costs in a way will not impact instruction more than it already has.

R.4: Reduce Educational Service Personnel by 2.0 FTE:

This is something we are exploring, especially in our media center. We agree that reducing staff in media, or replacing with lower cost staff would be a good decision, and not compromise services.

We think that given the needs of our students, that we are underserved in the area of guidance, and may take steps to increase our resources in that area, once we recover from Emergency.

R. 5 and R. 6 Negotiate to increase the employee insurance premium contribution to 15% and encourage greater participation in the High Deductible Health Plan

Increasing the premium contribution from the current 10% to 15% will be proposed during the next round of negotiations. We would still be competitive with other Districts if further cost sharing of health insurance were achieved. In addition, we will explore cost sharing with higher deductibles and coinsurance through our health plan design.

We will also consider ways to encourage employees to move to the high deductible option. One reason for low participation is lack of adequate education. We will explore ways to better educate about this option. Health Savings accounts are something we will consider. We are planning to implement a benefits committee comprised of staff, and evaluating these alternatives that will reduce our cost, and still provide for staff, will be one objective of the committee.

R.7 Enhance revenue or decrease expenditures to bring sports-oriented extracurricular activities more in line with the surrounding district average

The report states that the Athletic Director is now a contracted employee. According to the IRS, he could not be contracted but had to continue being employed. He is now part-time and his salary was reduced from \$65,000 to \$35,000. In addition he does not receive health or other insurance from the District. His retirement (14%) is paid by the Athletic Boosters.

Pay to participate fees are \$250 per sport. Over \$92,000 has been collected and will be used to supplement coaching salaries.

We will continue to evaluate athletic offerings, and eliminate those with low participation. In addition, we will discuss the supplemental salary schedule during the next contract negotiations with the MEA.

R8 Develop formal policies that communicate specific sick leave expectations define patterns of abuse and communicate disciplinary actions with employees:

We agree with this recommendation. We will evaluate controls over sick leave and revise them to communicate expectations to employees, and effectively address sick leave abuse.

Sick leave accrual and payout, we think, is consistent with other Districts competing for our employees. Since our custodial staff are no longer employed by the District, the number of our twelve month employees who are supported by the General Fund has been significantly reduced. Reducing the number of paid holidays will have less of an impact since the remaining twelve month staff do not require substitutes. This is also true for vacation benefit.

We will review super severance and compensation bonus during the next contract negotiations, especially considering that neighboring districts do not offer this benefit.

R.10 and R11- Ensure that District-wide management functions are being properly managed and formally assign all related duties to appropriate personnel and departments; and develop a comprehensive staffing plan

We agree that job descriptions no longer reflect reality. We also agree that some functions are not being given the attention they need. However, the current demands make it difficult to revise job descriptions and evaluate policies in writing to more formally realign functions to current staff. We have spent more time deciphering what is important, and what is not, and how we can achieve the same results with fewer steps. We have also spent more time communicating with each other as to best how to achieve what needs to be done now.

The reduction in administrative staff at a time when State mandates have required more from administrators has made it impossible to conduct formal planning as it relates to responsibilities.


However, per your suggestion, we will consult with Lakota LSD and review their staffing plan, to gain a better understanding of how we can reallocate responsibilities in a more structured way. As you indicate, this will help us identify and communicate to others about areas that lack adequate support, and also generate ideas and help us plan for resolving those deficiencies.

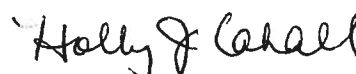
R12- Eliminate two active school buses by increasing the number of riders on a regular District routes and exploring shared opportunities for nonpublic routes:

The district utilizes an outside contract management company to assist the district with transportation. Throughout the 2012-2013 school year we have identified ways to improve operational efficiency. In the Spring of 2013 we will be rebidding our transportation services. When rebidding occurs we hope to incorporate cost saving measures into the new contract for the 2013-2014 school year. The district will also complete an evaluation of all nonpublic routes to determine if more of them can be combined. In addition the district will determine if service to any of the private/parochial schools should be declared impractical.

We will continue to analyze the information gained from the audit process to help us direct and manage the delivery of quality educational services. Thank you for your time and efforts on our behalf.

Sincerely,


Dr. Phil Cagwin
Superintendent


Holly J. Cahall, CPA
Treasurer



Dave Yost • Auditor of State

MONROE LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2013**