Mary Taylor, CPA
Auditor of State

SALEM CITY SCHOOL DISTRICT
PERFORMANCE AUDIT

JUNE 26, 2007

Mary Taylor, CPA
Auditor of State

To the Residents and Board of Education of the Salem City School District:

Consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, funding was provided for comprehensive performance audits of selected Ohio school districts. Salem City School District (Salem CSD or the District) was also placed in fiscal caution on September 30, 2005, and subsequently placed in fiscal watch on March 2, 2006. Pursuant to ORC §3316.031, and §3316.042, a performance audit was initiated.

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

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

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

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

Sincerely,

Mary Taylor

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June 26, 2007

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency. ORC § 3316.031(B)(1) further stipulates that the State Superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved. Salem City School District (Salem CSD or the District) was placed in fiscal caution by the Ohio Department of Education (ODE) on September 30, 2005 because of projected operating deficits in FY 2005-06 and beyond. On February 8, 2006, ODE requested AOS to place the District in fiscal watch pursuant to ORC § 3316.031(E) to prevent further decline. AOS placed Salem CSD in fiscal watch on March 2, 2006. In response to the fiscal watch declaration, the District submitted a fiscal watch recovery proposal to ODE on May 26, 2006, which was accepted by ODE on June 2, 2006.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of Salem City School District. Based on a review of the District's information and discussions with the Superintendent and Treasurer, the following six functional areas were included in the performance audit:

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

Overview of the Salem City School District

Salem CSD has a five-member elected Board of Education (BOE) responsible for providing education to District residents. Salem CSD is located in Columbiana County in eastern Ohio. As reported to the Ohio Department of Education (ODE), Salem CSD's average daily membership (ADM) totaled 2,337 students in FY 2005-06, down from 2,397 in FY 2004-05. ODE has designated Salem CSD as "Effective," for the 2004-05 school year, because it met 15 of the State's 23 indicators. In addition, the District's Performance Index Score for 2004-05 was 92.7, an improvement from the FY 2003-04 score of 87.4. Furthermore, voters of the District passed a 4.3 mill emergency operating levy in May 2006.

According to the 2000 U.S. Census, the area that encompasses Salem CSD has a population of 26,973, including 2,043 residents (7.6 percent) under 18 years of age. The median household income is $36,726 compared to the national average of $41,994, while 7.4 percent of the families live below the poverty line compared to the national average of 9.2 percent. In addition, 84.6 percent of the area's residents have at least a high school education while 16 percent of the residents have a bachelors degree or greater.

During FY 2005-06, Salem CSD operated six schools: four elementary schools, one middle school, and one high school. The District also operates an administration building/warehouse separate from the other facilities, a bus garage, and a sports stadium. The District elected to close Prospect Elementary and the Middle School prior to the start of FY 2006-07, in response to its financial situation.

Table 2-12 presents the AOS financial recovery plan for the District and incorporates the proceeds from the new operating levy, the impact of AOS revised assumptions, and the effect of the recommendations made in this performance audit. **Table 2-12** shows that even with the implementation of the recommendations, the District will need to consider additional measures to eliminate projected deficits and achieve financial recovery. This includes determining whether the District can continue operating well above State minimum standards for regular education teachers and education service personnel (ESP).

Objectives

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

- **Financial Systems,** including an evaluation of forecasting methods and assumptions, revenue sources and expenditures, and budgeting and purchasing processes;

- **Human Resources,** including assessments of staffing levels, salaries and benefits, and key contractual items;

- **Facilities,** including analyses of facility utilization, maintenance and general upkeep;

- **Food Service,** including assessments of financial status, operations, staffing, and meal participation;

- **Transportation,** including assessments of transportation costs and operational efficiency; and

- **Technology,** including an evaluation of staffing levels, planning, hardware, and software.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that Salem CSD can consider in its continuing effort to improve financial and operating conditions.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between March 2006 and January 2007, and data was drawn from FY 2004-05 and FY 2005-06. To complete this report, auditors gathered and assessed data from various sources pertaining to District operations, and conducted interviews with District personnel.

Throughout this report, the District's operations are assessed in comparison to a ten district peer average. The peer average is comprised of Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified in the same demographic category as Salem CSD (Urban – low median income, high poverty) by the Ohio Department of Education (ODE). In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Information from ODE, the State Employment Relations Board (SERB), and other applicable sources were also used for comparison purposes.

The performance audit process involved significant information sharing with the District, 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 audit issues, 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, the District was invited to provide written comments in response to report recommendations. These comments were taken into consideration during the reporting process and, where warranted, the report was modified.

The Auditor of State and staff express their appreciation to the Salem CSD and other organizations for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

- The District employs a variety of methods to convey financial information to the community. These include the use of newsletters, the annual forum, Board meetings, community surveys, and outside speakers. The District also works with a variety of organizations to encourage stakeholder participation and to help obtain alternative funding for student activities.

- Salem CSD's professional development committee monitors and enforces standards of employment, including teacher certification. The District has developed a database that identifies teachers whose certification is about to expire. Once identified, the committee is in constant communication to ensure the certification is renewed in a timely manner.

- The District's utility expenditures per square foot were approximately 24 percent lower than the peer average and both AS&U medians. Salem CSD took advantage of HB 264 in an effort to make its buildings more energy-efficient. Furthermore, the Maintenance Supervisor has developed energy conservation policy that is in line with industry standards. In addition, Salem CSD is part of a purchasing consortium for electricity. Lastly, the Maintenance Supervisor noted that the District monitors energy use through its computerized system, which also centrally controls temperature settings.

- The District's average cost of $165 per payment-in-lieu-of transportation agreement was much lower than the peer average of $202. The peer average only includes the three districts that reported both payment-in-lieu-of transportation riders and expenses. In addition, Salem had 31 students using payment-in-lieu-of transportation. In contrast, the peer average includes only 5 students in FY 2004-05, and reflects only the four districts that reported payment-in-lieu-of transportation riders.

- Salem CSD is efficiently transporting special needs students by mainstreaming them on specially equipped buses with regular needs students.

- Salem CSD is providing exemplary technical support with minimal resources. Despite a computer-to-technician ratio that exceeds industry standards, the 2006 BETA survey results show that 81 percent of Salem CSD's teachers responded that they receive technical support by the next day, which is much higher than the peer and State averages (53 and 49 percent, respectively). In addition, an AOS survey of District employees (**Appendix 7-A**) shows that 85 and 80 percent of the respondents agreed that requests for assistance are answered in a timely manner and that technical assistance is easily accessible, respectively. Overall, 73 percent of respondents are satisfied with the technical assistance provided.

- The District has exceeded the State's student to computer ratio goal of 5 students per computer.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several operational areas that did not warrant recommendations because the District was performing at a level comparable to peers or industry standards. These areas are summarized below. Additional detail pertaining to these areas is presented in each section of the report.

- **Financial Systems:** Staffing qualifications, educational evaluations, accounting and financial procedures, fixed assets, risk management, ethics, controls for cash receipts and grants, and internal financial reporting and oversight.

- **Human Resources:** Regular and ESP staffing levels, salaries, human resource information system, certificated staff training, Board and administration roles, special education program, Title I program, and accelerated program.

- **Facilities:** Maintenance staffing, overtime use and expenditures, health and safety, and building closures.

- **Food Service:** Claims reimbursement, cost control techniques, staffing levels, salaries, point of sale technology, and past financial audit issues.

- **Transportation:** Non-routine bus usage, contract provisions, preventive maintenance procedures, bus driver salaries, and fuel and bus insurance costs.

- **Technology:** Organization, use of students, network, software management, use of laser printers, management applications, security, information technology (IT) controls, communications, and voice over internet protocol (VOIP) system.

Key Recommendations

The performance audit contains several recommendations pertaining to District operations. The following are the key recommendations from the report. Additional recommendations are included in each section of the report.

Financial Systems

- Salem CSD should analyze and use the financial recovery plan outlined in **Table 2-12** to evaluate the effect of recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should consider implementing the recommendations in this performance audit and taking other appropriate actions to improve its financial condition. In addition, the District should update the financial recovery plan on an on-going basis; closely monitor revenue and expenditure activity; continually examine enrollment trends and implement measures to minimize the impact of declining enrollment on its financial condition; and actively review its performance against budgeted and projected figures.

- The Board should create specific policies and procedures for developing and reviewing the five-year financial forecast that encompass the American Institute of Certified Public Accountants (AICPA) forecasting guidelines. In addition, the Treasurer should explain the basis for the District's projections in the assumptions accompanying the five-year forecast and disclose problems that may affect the validity of financial data impacting the forecast. The Treasurer should also maintain documentation that supports the forecast methodology and assumptions. In order to ensure and help improve the reliability of the forecasts, the Treasurer should compare forecasts to actual results, and review the AOS revised methodology and assumptions for projecting real estate property tax, benefits, purchased services, supplies and materials, and transfers and advances.

- The District should establish and communicate procedures to help coordinate the budget process. This should include a comprehensive budget calendar which specifies timelines and completion dates for budget tasks along with general policy guidelines and budget preparation instructions. The District should also seek input from the Board and community throughout the budget preparation and review process. Furthermore, the District should prepare a formal budget that includes the key items suggested by GFOA.

- Salem CSD should fully use the purchasing module of the uniform school accounting system (USAS) software and integrate it with the financial management module. Subsequently, the District should provide staff with training on how to use the procurement system to its fullest capacity.

- Salem CSD should discontinue the current warehouse operation and begin the transition to a just-in-time (JIT) delivery system. In addition, the District should complete a physical inventory to determine which items should be distributed to school buildings and the excess inventory that should be sold to suppliers. Furthermore, the District should review its custodian, maintenance and grounds duties along with the staffing assessment conducted in the facilities section of this audit to appropriately assign new duties to the position currently assigned to manage the warehouse.

Human Resources

- In future negotiations, Salem CSD should eliminate the contract provision requiring it to pay a portion of the employees' retirement contribution. The District should do likewise for the non-bargaining positions.

- The District's insurance committee should meet on a regular basis (e.g., quarterly) to help monitor health insurance costs and coverage, including claims, plan design, employee cost sharing, and fund reserve levels. The insurance committee should also annually review pricing and related plan benefits from multiple sources, and develop formal cost/benefit analyses to ensure the District selects the most cost-effective health insurance provider. Furthermore, the District should negotiate employee contributions as a percentage of the premium costs rather than as fixed dollar amounts. Also during future negotiations, the District should consider requiring employee co-pays for physician visits; increasing employee co-pays for prescription drugs and hospital visits; increasing employee annual deductibles and out-of-pocket maximums; and increasing the hours required for fully-paid benefits to 30 hours for all staff

- Salem CSD should continue to work with the Bureau of Workers' Compensation (BWC) to develop and implement a safety plan that includes the items detailed in ORC 3313.536. Salem CSD should also continue to work with the BWC to obtain training and implement a transitional work program. The District should also consider implementing the Drug-Free Workplace Program and participating in the Premium Discount Program. Ultimately, the District should strive to participate in a group rating plan to achieve maximum savings.

- In future negotiations, Salem CSD should eliminate the retirement incentive language in its negotiated agreements, or modify it to enable the District to determine when to offer

retirement incentives based on cost/benefit analyses. The District should also consider reducing the maximum number of sick days paid at retirement.

- The District should develop a comprehensive leave policy that includes prohibitions against pattern abuse and disciplinary actions for staff misusing or abusing sick leave. In addition, the District should monitor sick leave use for all employees and negotiate a provision in the certificated contract that requires a physician's statements for extended absences, similar to the classified contract.

- Salem CSD should evaluate the costs and benefits of participating in the Alliance Vocational Education Planning District (Alliance VEPD). In particular, the District should work with Alliance VEPD on methods to reduce costs without impacting course offerings and enrollment. Additionally, Salem CSD should annually review and update the 1987 contract with Alliance VEPD, and review and renegotiate it, if necessary, to ensure that it meets District needs. Alternatively, the District should consider whether to provide the vocational program in-house; through the Columbiana County Career Technical Center (CCCTC), which offers a wide array of programs and some that are similar to Alliance VEPD; or a combination thereof. To aid in this process, the District should survey students and parents to identify the programs and courses in highest demand, and present the pros and cons related to each option.

Facilities

- Initially, Salem CSD should consider reducing at least 1.0 custodial FTE and reassigning another 2.0 custodial FTEs to the grounds keeping function. Thereafter, the District should determine whether contracting for its grounds keeping function would be more cost effective than providing the service with in-house staff. By contracting for the grounds functions, the District would be able to eliminate at least 3.0 custodial FTEs and 1.0 maintenance FTE.

- In conjunction with the development of a comprehensive facilities master plan, the District should develop and formally adopt a 5 to 10-year forecast methodology for projecting student enrollment. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and update the enrollment projections on a yearly basis, compare them with building capacities to address potential capacity issues and, if necessary, determine possible building additions, closures, and/or reconfigurations. The enrollment projections should also be considered when projecting future state funding allocations and making staffing decisions.

Food Service

*   Salem CSD should periodically (e.g., at least annually) solicit input and feedback about food services from customers and stakeholders (students, parents, and District staff). As the Food Service Department administers subsequent surveys, it should track progress in addressing the issues identified in them and incorporate survey results in its strategic plan. Soliciting feedback from customers and stakeholders would help the Food Service Department identify appropriate measures to increase meal participation.

*   The District should implement direct certification of student eligibility for the free and reduced price lunch program by using the Ohio Department of Job and Family Services (ODJFS) and ODE eligibility information. This would help improve participation rates, reduce the labor required by the District to determine eligibility, and comply with upcoming federal regulations.

*   The Food Service Supervisor should work with the Treasurer to ensure that all appropriate expenditures are charged to the Food Service Fund. In addition, the Food Service Supervisor should work with the Treasurer to develop a formal budget for the Food Service Department, along with a five-year financial projection for the District's Food Service operations and an allowable reserve balance within the Food Service Fund.

Transportation

*   Based on the two-tiered bell schedule enacted at the start of the 2006-07 school year, the District should consider reducing at least two of its costliest buses to maintain by using its routing software to revise routes. This would result in a bus capacity use rate of 69 percent, which is in line with the District's capacity standard of 66 percent. However, the District should review its routing and student ride times, and ensure the safety of students on buses to determine if bus usage can be set at a goal of 80 percent. Salem CSD should also consider reinstituting a three-tiered bell schedule, which would require renegotiating the teachers' schedule. Taking these additional measures could further improve efficiency and allow for reductions of up to six buses. In order to provide the District with flexibility in managing and making appropriate operational changes, it should consider eliminating language from future certificated collective bargaining agreements that dictates teachers' starting and ending times at each school. Furthermore, the District should provide the necessary training for staff on effectively using the routing system, so that buses are routed in an efficient manner and according to appropriate capacity standards.

- The District should establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE. The Treasurer's Office should verify all T-form data prior to approval and submission to ODE. In addition, the Treasurer's Office and Transportation Department should be responsible for reconciling the expenditures reported on the T-2 report to the 4502 financial statements, and identifying and explaining significant variances from prior year reports, including ridership trends. Furthermore, the District should consult with ODE on any questions that arise in the reporting process.

Technology

- Salem CSD should update its technology plan by linking it to an up-to-date District strategic plan; developing measurable objectives; performing annual plan assessments and formal updates; seeking broader input from stakeholders; incorporating total cost of ownership (TCO) calculations; adopting and funding a computer replacement policy; ensuring funds are committed for all necessary projects; and defining technical support staffing needs and benchmarks.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following issues for further study. Additional detail pertaining to these areas is presented in each section of the report.

- **Human Resources:** Staffing levels for psychologists, speech and language therapists, and monitors; and
- **Food Service:** Impact of the District's building closures and grade reconfigurations, and increased meal participation on serving times and staffing levels.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Salem CSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	Estimated Annual Cost Savings	Estimated One-Time Costs / Revenues
Financial Systems: Revised Assumptions [1]		
R2.3 Revise Property Tax	($780,443)	
R2.4 Revise Benefits	($271,352)	
R2.5 Revise Purchased Services	($1,290,904)	
R2.6 Revise Supplies and Materials	($221,487)	
R2.7 Revise Net Transfer/Advances	($70,000)	
Total Impact of Revised Assumptions [1]	($2,634,186) [1]	
Recommendations Not Subject to Negotiation		
R3.3 Reduce administrators by 1.0 FTE	$97,000	
R3.4 Purchase a substitute calling system	$4,000	($900)
R3.5 Cease paying the employee retirement contribution for administrators	$107,000	
R3.22 Reduce General Fund expenditures for vocational education.	$120,800	
R4.1 Reduce at least 1.0 custodial FTE	$30,200	
R4.2 Purchase a computerized maintenance management system		($19,600)
R4.4 Purchase a custodial methods and procedure manual		($60)
R4.12 Join the National Energy Educational Development for energy conservation training	($4,700)	
R5.1 Increase participation rates	$28,500	
R6.1 Reduce two active bus drivers	$33,000	
R6.1 Reduce bus insurance	$1,700	
R6.1 Dispose of 3 buses		$16,200
R6.5 Avoid replacing two buses (Cost Avoidance)		$120,000
R6.6 Join purchasing consortiums and add another threshold to purchasing policies.	$4,700	
R7.3 Replace computers on a five-year cycle	($75,000)	
R7.7 Purchase trouble ticket software	($3,000)	
R7.8 Hire 0.3 FTE Technical Support Staff	($15,300)	
Total Recommendations Not Subject to Negotiations	**$328,900**	
Recommendations Subject to Negotiation		
R3.5 Cease paying the employee retirement for certificated and classified staff	$373,000	
R3.8 Increase hours threshold for full benefits for part-time staff	$79,000	
R3.8 Alter plan design, and use the insurance committee and wellness programs	$200,000	
R3.9 Participate in the DFWP program	$22,000	
R3.13 Eliminate the sick leave incentive	$15,000	
R3.15 Reduce sick leave use by strengthening policies and monitoring use [2]	$13,000	
Total Recommendation Subject to Negotiation	**$702,000**	
Total Financial Implications (Excludes Revised Assumptions)	**$1,030,900**	**$115,640**

Source: AOS Recommendations
Note: Excludes **R5.4** in food service because it is a transfer of charges, with no net impact on total District finances.
[1] Represents average annual change of AOS revised assumptions compared to the District's original assumptions from FY 2006-07 to FY 2009-10.
[2] Entire savings may not be fully dependent on negotiations.

Financial Systems

Background

This section of the performance audit focuses on financial systems in the Salem City School District (Salem CSD or the District). The objective is to analyze the current and future financial condition of Salem CSD by reviewing the District's five-year financial forecast and testing supporting assumptions for reasonableness, developing recommendations for improvements in financial processes, and identifying opportunities to increase efficiency.

The District's operations are evaluated against a ten district peer average. The peer average is comprised of Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified in the same demographic category as Salem CSD (Urban – low median income, high poverty) by the Ohio Department of Education. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Recommended practices and standards from applicable sources, including the American Institute of Certified Public Accountants (AICPA), Government Finance Officers Association (GFOA), and the Voinovich Center for Leadership and Public Affairs, were also used for comparison purposes.

Ohio Revised Code (ORC) § 3316.03 establishes fiscal caution, watch and emergency classifications for Ohio school districts. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

On September 30, 2005, the Ohio Department of Education (ODE) declared Salem CSD to be in a state of fiscal caution in accordance with ORC § 3316.031, based on anticipated deficits in FY 2005-06 and the potential of deficits in future years. In addition, ODE notified the Auditor of State (AOS) that Salem CSD failed to submit an acceptable written proposal required by ORC § 3316.031(C) to correct the conditions that prompted the fiscal caution declaration and requested the District be placed in fiscal watch to prevent further decline. As a result, the Auditor of State designated Salem CSD to the fiscal watch status on March 2, 2006 in accordance with ORC § 3316.03(A)(3). In response to the fiscal watch declaration, the District submitted a fiscal watch recovery proposal to ODE on May 26, 2006 that took into consideration proposed expenditure reductions and the effects of the 4.3 mill five-year emergency operating levy approved by voters on May 2, 2006 that will generate approximately $1.3 million annually. This proposal was accepted by ODE on June 2, 2006. Based on expenditure reductions, passage of the new 4.3 mill

levy, and the Treasurer's forecast assumptions, Salem CSD is projecting positive fund balances throughout the forecast period (see **Table 2-1**).

Organization Structure and Function

Salem CSD's Treasurer's Office consists of five employees, including the Treasurer and four Treasurer's Assistants (TA). The Treasurer is primarily responsible for managing and tracking District revenues and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the District's five-year forecast. The TA's are responsible for accounts payable, accounts receivable, payroll processing, and purchase order processing.

Financial Forecast

Table 2-1 presents the Salem CSD five-year financial forecast submitted to ODE in May 2006. It was prepared by the Treasurer, adopted by the Salem CSD Board of Education (BOE or the Board), and is intended to assist Board members, administrators and other stakeholders in assessing the fiscal ramifications of decision making for the District. AOS reviewed the assumptions that have a significant impact on the forecast, such as tax revenue, state funding, and salaries and benefits. Where appropriate, changes were made in the District's assumptions and/or methodology to present more reliable projections of future revenues and expenditures (see **Table 2-12**). The projections are accompanied by two years of historical information, general assumptions, and explanatory comments.

According to the Treasurer, the District's financial data prior to FY 2003-04 appears unreliable because of past coding errors. As a result, the Treasurer did not use the FY 1999-00 to FY 2002-03 financial data when preparing her first five-year forecast for the District in October 2004. Additionally, based on a comparison of total actual revenues and expenditures presented in prior forecasts to actual data in the District's financial reports, the data did not reconcile with the exception of total expenditures for FY 2002-03. Although total expenditures varied by up to 2 percent, total revenues varied by 6, 2, 17 and 5 percent in FY 1999-00, FY 2000-01, FY 2001-02 and FY 2002-03, respectively. Likewise, when comparing actual financial data reported in prior five-year forecast documents, the total actual revenues reported varied for the same reported year. For example, the total revenues reported in the October 2002 (for FY 2002-03) five-year forecast document for FY 2001-02 were approximately $16.5 million, compared to total actual revenues of approximately $19.2 for FY 2001-02 reported in the October 2003 five-year forecast document. In contrast, total actual expenditures for each year from FY 1999-00 to FY 2002-03 were identical in the different five-year forecast documents.

Based on the above comparisons and the Treasurer's assertion, more reliance was placed on the District's reported financial data after FY 2002-03 when testing the Treasurer's assumptions and adjusting some of the projections, particularly for revenues.

Table 2-1: Salem CSD Financial History and Forecast (in 000's)

Line Items	Actual		Forecast				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
General Property Tax	$5,886	$6,079	$6,283	$6,947	$8,247	$8,687	$8,774
Tangible Personal Property Tax	$2,954	$2,859	$2,612	$2,243	$1,639	$1,065	$466
Income Tax	$0	$24	$12	$0	$0	$0	$0
Unrestricted Grants-in-Aid	$6,690	$6,550	$6,702	$6,568	$6,502	$6,437	$6,405
Restricted Grants-in-Aid	$70	$121	$121	$120	$119	$119	$118
Property Tax Allocation	$861	$873	$1,051	$1,828	$2,449	$2,899	$2,932
All Other Revenues	$714	$675	$652	$646	$640	$633	$627
Total Revenues	$17,174	$17,182	$17,433	$18,351	$19,597	$19,841	$19,322
Proceeds from Sale of Notes	$0	$0	$3,164	$0	$0	$0	$0
Operating Transfers-In	$1,623	$863	$0	$0	$0	$0	$0
Advances-In	$76	$14	$4	$0	$0	$0	$0
All Other Financing Sources	$0	$1	$0	$0	$0	$0	$0
Total Other Financing Sources	$1,699	$877	$3,168	$0	$0	$0	$0
Total Revenues and Other Financing Sources	$18,873	$18,060	$20,601	$18,351	$19,597	$19,841	$19,322
Personal Services	$10,728	$10,469	$10,440	$9,004	$9,590	$10,213	$10,570
Employees' Retirement/Insurance Benefits	$4,910	$4,987	$6,008	$4,928	$4,987	$5,311	$5,391
Purchased Services	$2,301	$2,119	$2,675	$2,648	$2,635	$2,621	$2,608
Supplies and Materials	$305	$212	$199	$197	$201	$203	$205
Capital Outlay	$4	$2	$1	$0	$0	$0	$0
Intergovernmental	$0	$0	$0	$0	$0	$0	$0
Debt Service (All Principal)	$0	$0	$1,877	$0	$650	$650	$0
Debt Service (Interest and Fiscal Charges)	$0	$0	$22	$56	$42	$28	$0
Other Objects	$344	$352	$392	$396	$408	$421	$433
Total Expenditures	$18,591	$18,141	$21,615	$17,230	$18,512	$19,447	$19,208
Other Financing Uses	$0	$0	$0	$0	$0	$0	$0
Operating Transfers-Out	$1,646	$6	$82	$0	$0	$0	$0
Advances-Out	$14	$4	$0	$0	$0	$0	$0
All Other Financing Uses	$163	$0	$0	$0	$0	$0	$0
Total Other Financing Uses	$1,823	$10	$82	$0	$0	$0	$0
Total Expenditures and Other Financing Uses	$20,413	$18,151	$21,697	$17,230	$18,512	$19,447	$19,208
Other Financing Uses	($1,540)	($91)	($1,097)	$1,121	$1,084	$395	$114
Beginning Cash Balance	$1,667	$126	$35	($1,062)	$60	$1,144	$1,539
Ending Cash Balance June 30	**$126**	**$35**	**($1,062)**	**$60**	**$1,144**	**$1,539**	**$1,653**
Estimated Encumbrances June 30	$3	$25	$20	$20	$20	$20	$20
Fund Balance	$123	$10	($1,082)	$40	$1,124	$1,519	$1,633
Revenue from Replacement/Renewal Levies	$0	$0	$0	$0	$0	$0	$0
Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	$123	$10	($1,082)	$40	$1,124	$1,519	$1,633
Unreserved Fund Balance June 30	$123	$10	($1,082)	$40	$1,124	$1,519	$1,633

Source: Salem CSD, Ohio Department of Education Website.

One of the primary objectives of this performance audit is to test the reasonableness of the District's forecasting methodology and assumptions in order to develop a reliable financial recovery plan. Accordingly, the methodology and major assumptions used by the District in preparing the financial forecast are presented below. The audit conclusions regarding the reasonableness of the assumptions and methodology are also presented below or in the applicable recommendations.

Revenues

Real Estate Property Taxes

The Treasurer's assumptions for real estate property tax do not appear reasonable based on historical trends (see **R2.3**).

Tangible Personal Property Taxes

In accordance with HB 66 that became effective on July 1, 2005, tangible personal property tax will begin a four-year phase out period starting in FY 2005-06. However, school districts will be "held harmless" during this four year phase out period through State reimbursements for lost revenue. The Ohio Department of Taxation (ODT) provided the District with a schedule of reimbursement amounts. For forecasting purposes, these reimbursements are included in property tax allocation.

The Treasurer used the reimbursement schedule from ODT project tangible personal property tax collections from FY 2005-06 through FY 2009-10. Therefore, they appear reasonable. However, public utility property tax collections will be included in real estate rather than in tangible personal property tax in future years. This reclassification will be addressed in the other adjustments to real estate projections (see **R2.3**).

Income Tax

Salem's income tax expired during FY 2000-01. The Treasurer noted that the amounts received in FY 2004-05 and FY 2005-06 were residual collections due to delinquencies, penalties, or interest. The Treasurer is projecting no income tax collections in future years because amounts from delinquencies, penalties, or interest cannot be predicted. This appears reasonable. Additionally, the amounts collected in FY 2004-05 and FY 2005-06 were immaterial.

State Funding (Unrestricted & Restricted Grants-in-Aid)

The Treasurer projected state funding for FY 2005-06 based on actual receipts through May 2006. The District's actual total state funding received for FY 2005-06 was only 0.3 percent lower than the Treasurer's projection. The projection for FY 2006-07 appears reasonable because

the Treasurer's forecasted amount is similar to the most recent SF-3 Report available from ODE at the time of this performance audit. The Treasurer forecasts state funding to decrease by one percent annually in FY 2007-08 and FY 2008-09, and by 0.5 percent in FY 2009-10. This is based on the District's declining enrollment. The District's formula funding ADM (average daily membership) has decreased every year from FY 1999-00 through FY 2005-06, at an average of 1.7 percent annually. Since the state foundation funding is tied to ADM and is based on the historical trend in ADM, the Treasurer's projections from FY 2007-08 to FY 2009-10 appear reasonable. This is further supported by recent trends in collections. While the District's unrestricted grants-in-aid, which comprise the majority of total State funding, increased by 2.6 percent in FY 2005-06, they decreased by 2.1 percent in FY 2004-05. Based on the District's SF-3 report from ODE, these funds are projected to decrease by 2.0 percent in FY 2006-07, despite the fact that the per pupil formula amount increased by 2.3 percent from FY 2005-06 to FY 2006-07.

Property Tax Allocation (PTA)

The Treasurer projected PTA from FY 2005-06 through FY 2009-10 to be 14.5 percent of real estate, plus the State reimbursements for the accelerated phase-out of tangible personal property taxes. The Treasurer had two years, FY 2003-04 and FY 2004-05, of reliable historical figures on which to base PTA projections. As PTA collections were 14.63 percent and 14.36 percent of real estate collections during FY 2003-04 and FY 2004-05, respectively, the projections appear reasonable. Furthermore the actual PTA collections in FY 2005-06 ($1,050,915) were in line with the projections ($1,050,688). However, as adjustments were made to real estate projections (see **R2.3**), PTA projections will be adjusted accordingly.

Other Revenues

The Treasurer projected other revenue to decrease by 3.5 percent in FY 2005-06 and by approximately one percent each year thereafter. The District actually collected $651,765 in other revenues in FY 2005-06, which was $19,870, or 3.0 percent, higher than the Treasurer's projection. Additionally, other revenues decreased in both FY 2004-05 and FY 2005-06. The large increase in FY 2003-04 was due to a reclassification of tuition revenues from State funding to other revenues. Based on these trends, the Treasurer's projections appear reasonable.

Expenditures

Personal Services (Salaries & Wages)

From FY 2002-03 to FY 2003-04, personal service expenditures decreased by approximately two percent due to attrition and not filling the vacated positions. Personal services again decreased by approximately two percent in FY 2004-05 due to charging certain wages to other allowable

funds. In addition, staff did not receive cost of living adjustments (COLA) in FY 2004-05 or FY 2005-06.

The Treasurer projected FY 2005-06 personal services based on actual expenditures through the payroll of May 19, 2006. Salaries projected for FY 2005-06 were approximately $96,000, or less than one percent, lower than the actual expenditures. During the course of this performance audit, the District completed negotiations with the certificated bargaining unit, which impacted the Treasurer's original assumptions for the remaining years. In addition, the District recalled some staff since the Treasurer's initial forecast which reflected the staffing reductions made in April 2006. While no COLA was offered in FY 2006-07, COLAs of 2.5 percent are provided in both FY 2007-08 and FY 2008-09 for certificated staff in the new agreement. The Treasurer was originally projecting a COLA of 4 percent annually in FY 2007-08 and FY 2008-09. The classified staff has agreed to no COLA during FY 2006-07 and a new classified salary schedule will be negotiated at the end of FY 2006-07. The Treasurer assumes that the classified staff will negotiate to receive the same COLAs as the certificated staff, which seems reasonable. New contracts will be negotiated in FY 2009-10 for both certificated and classified staff, and the Treasurer projects a one percent COLA increase in FY 2009-10. The Treasurer's projected COLAs, in general, appear reasonable as they are in-line with the new certificated collective bargaining agreement.

Along with the COLAs, the Treasurer assumes an annual increase of 2.5 percent attributable to salary step increases. While no supporting documentation was provided to confirm the 2.5 percent (see **R2.4**), it appears reasonable. More specifically, based on a review of bachelor and masters degree salary schedules for FY 2005-06 through 2008-09, the average step increase for both groups was 2.24 percent. Teachers comprise 57 percent of total District staff. In addition, a step schedule assessment of clerical staff indicated that the average step increase was 2.0 percent.

Since the newly negotiated certificated bargaining agreement altered the Treasurer's original projections and the District recalled some staff, adjustments will be made to this line item. Specifically, personal services will be projected based on the new assumptions of 2.5 percent for both COLA and step increases, with the exception of a one percent COLA for FY 2009-10. The FY 2006-07 projections are based on staffing data provided by the Treasurer and account for both the staffing reductions at the end of FY 2005-06 and the subsequent recall of some staff at the beginning of FY 2006-07. These adjustments due to timing issues are reflected in **Table 2-12**.

Fringe Benefits

Because the Treasurer bases the projection of all benefits on salary costs, the District's forecast does not appear reasonable (see **R2.4**).

Purchased Services

The Treasurer's projections for purchased services appear to be understated based on historical trends (see **R2.5**).

Supplies, Materials & Textbooks

While the District's projected increases for supplies and materials initially appear to be reasonable based on historical trends, the projections do not appear to account for future set-aside requirements (see **R2.6**).

Capital Outlay

The Treasurer projected capital outlay at only $806 for FY 2005-06. Thereafter, the Treasurer does not project any General Fund expenditures for capital outlay because the majority of capital improvements will be charged to the permanent improvement (PI) fund. The Treasurer assumes that the District will be able to renew the PI Levy in 2008. The Treasurer's assumption appears reasonable as the General Fund capital outlay expenditures amounted to only $4,000 in FY 2003-04, $2,200 in FY 2004-05, and $1,400 in FY 2005-06. In addition, ORC § 3315.18 establishes the minimum spending threshold for capital purposes at three percent of the preceding years' state funding formula amount. As the capital set-asides from FY 2002-03 to FY 2004-05 comprised approximately half of the revenues generated by the PI fund, and assuming future set-aside requirements remain fairly stable based on the District's state funding projections, the District should be able to comply with future capital set-aside requirements. Furthermore, the District exceeded the capital set-aside requirements in each year from FY 1999-00 to FY 2004-05.

Debt Service

From FY 2001-02 to FY 2004-05, the District did not incur any debt service expenditures in the General Fund. The Treasurer's assumptions for debt service include the tax anticipation note (TAN) of $1.864 million received in FY 2005-06 and paid back in May 2006. In addition, the District issued a new TAN of $1.3 million for FY 2005-06. The Treasurer included the principal and interest payments related to this TAN in the forecast. According to the Treasurer, there is no pre-payment penalty and the interest rate is 4.24 percent. As the interest payments tie to the principal payment schedule as indicated by the Treasurer, the projections for debt service appear reasonable.

Other Expenditures

The Treasurer's projections for other expenditures in FY 2005-06 are based on actual expenditures through May 2006. However, the Treasurer included expenditures related to the HB

264 line item in other expenditures, which are actually accounted for in debt service (see **R2.2** for improved forecasting procedures). Even though the Treasurer included HB 264 expenditures, other expenditures totaled $401,425 in FY 2005-06, which is slightly higher than the projection of $392,440. The Treasurer projects other expenditures to increase by one percent in FY 2006-07 and three percent each year thereafter.

Other expenditures comprised only approximately two percent of total operating expenditures in FY 2003-04 and FY 2004-05. In addition, the Treasurer's assumptions are generally in line with the trend from FY 2002-03 to FY 2004-05. Furthermore, **Table 2-12** reflects the impact of actual expenditures in FY 2005-06 to account for the correct classification of HB 264 amounts. Based on these factors, the Treasurer's projections for other expenditures appear reasonable.

Transfers and Advances

The Treasurer's assumptions for the forecast period indicate that transfers out will occur only during FY 2005-06. However, this assumption is not consistent with historical trends and is not supported by any documentation (see **R2.7**)

Assessments Not Yielding Recommendations

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

- **Staffing Qualifications:** Current employees within the Treasurer's Office have the appropriate qualifications and experience to perform their jobs based on current job descriptions and actual job responsibilities.

- **Educational Evaluations:** The District conducts annual evaluations of its educational programs in tandem with results of proficiency tests and the annual report cards. The Superintendent briefs the Board on the District's annual report card scores, and communicates the results to all certificated and classified staff. In addition, the Superintendent indicates that partial in-service days are planned to develop strategies to focus staff efforts on improving District results.

- **Accounting and Financial Procedures:** The District's accounting procedures encompass practices recommended by GFOA. The District prepares financial statements in accordance with generally accepted accounting practices (GAAP), and obtains an independent audit of its financial statements performed in accordance with generally accepted government auditing standards (GAGAS). The District also uses the uniform school accounting system (USAS) to prepare its financial reports, which helps ensure that restricted sources of revenue are used and recorded in the appropriate funds, functions, and object codes. Additionally, the

District updates its policy and procedures manual every year to reflect changes made to the financial reporting processes. Lastly, the District has taken steps to ensure that the financial staff is cross-trained in the various financial functions.

- **Fixed Assets:** The District maintains policies and procedures for the management of fixed assets. These procedures help the District ensure compliance with financial reporting requirements stipulated by GAAP. This is supported by the District's FY 2004-05 financial audit which shows no material citations regarding the District's fixed asset procedures.
- **Risk Management:** The District has formal policies and procedures regarding risk management. In addition, it performs annual comparisons of insurance costs and plan designs to other districts within its consortium.

- **Ethics:** The District has an ethics policy that requires employees to conduct themselves, at all times, in a manner that avoids favoritism, bias, and the appearance of impropriety. In addition, the Superintendent and Treasurer are required to meet Ohio Ethics Commission reporting requirements.

- **Controls for Cash Receipts and Grants:** Salem CSD maintains appropriate controls for receipting and depositing cash. In addition, the financial audit classified the District as a low risk client for grants management and noted that the internal controls were reliable for financial reporting purposes.

- **Internal Financial Reporting and Oversight:** Salem CSD provides the Board with monthly financial reports that convey the following information:

  o Total revenues and expenditures for all funds, and the District's allocation of revenues and expenditures for the General Fund;
  o Cash reconciliation;
  o Beginning balance, receipts, expenditures, and ending balances for each fund;
  o Revenue account information that provides a summary of the receipts of specific revenue line items; and
  o Appropriation account summaries that provide a reference to the budget status of specific-line items.

  The District supplements the reports to the Board with discussions about any major concerns or changes to its finances. In addition, the Treasurer's Office provides financial data when the District considers major decisions involving areas such as contract negotiations. Furthermore, the District uses the services of a finance committee to provide input on key financial areas.

Noteworthy Accomplishment

During the course of this performance audit, the following noteworthy accomplishment was identified at Salem CSD:

- **Community and Stakeholder Involvement** The District employs a variety of methods to convey financial information to the community. This includes the use of newsletters, the annual forum, Board meetings, community surveys, and outside speakers. The District also works with a variety of organizations to encourage stakeholder participation and to help obtain alternative funding for student activities. For example, Salem CSD has an active parent teachers association (PTA), athletic boosters, and alumni associations that provide additional resources and funding for a wide range of District initiatives. In addition, a Community Foundation has provided Salem CSD with additional funding for projects (see the **technology** section for more information).

Recommendations

Strategic and Financial Planning

R2.1 **The District should use its continuous improvement plan (CIP) as a basis for developing a strategic plan. It should then link the strategic plan to the budget and five-year forecast. In addition, Salem CSD should include time frames for completion and performance measures for the goals in the strategic plan. Doing so would help the District assess the progress in achieving stated goals, prioritize goals and resource allocation, and ensure goals are completed in the expected time frames.**

Salem CSD does not currently have a strategic plan that includes performance measures to help assess its progress in achieving goals and objectives, timeframes for completion of goals, and links to the budget and five-year forecast. However, the District is in the process of updating the CIP to better meet its needs and has begun to develop performance indicators for each goal. Once completed, the Superintendent and the Board of Education plan to incorporate the goals identified in the CIP into a District wide strategic plan. Furthermore, the Superintendent indicated that when the CIP is fully in place, the District will begin to use the results of its performance measures to aid in management decisions.

According to Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA), a district should have a multi-year strategic plan with annual goals and measurable objectives. The plan should delineate the entities responsible for implementing the strategies in the plan and establish the time frames for implementation. In developing the strategic plan, the board should instruct staff on how priorities should be considered in making program and budgetary decisions. According to GFOA, governmental entities should use some form of strategic planning to provide long-term perspectives for service delivery and budgeting. GFOA recommends that entities monitor progress toward the attainment of goals at regular intervals. Organizations should develop systematic review processes to evaluate the extent to which strategic goals have been met. In the strategic planning process, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities, or at least as verifiable statements. Performance measures provide a means for determining whether goals and objectives are being met, and establish an important link between the goals in the strategic plan and activities funded in the budget. GFOA divides performance measures into the following four basic types:

- **Input measures**: Input indicators measure the volume of resources, both monetary and non-monetary, that are used in delivering a program or service. For example, total expenditures arising from the provision of a program or service are a frequently used a monetary input measure.

- **Output measures**: Output indicators report the quantity or volume of products and services provided by the program.

- **Effectiveness/Outcome Measures**: Effectiveness indicators measure the results, accomplishments, or quality of the item or service provided (e.g., responsiveness, timeliness, compliance, accuracy, and customer satisfaction).

- **Efficiency measures**: Efficiency indicators quantify the relationship between input and output. They can be expressed as productivity ratios or as unit cost ratios.

By including measurable objectives and related performance measures, as well as timeframes for completion, the District would be better able to gauge goal attainment and ensure critical goals are prioritized and addressed in a timely manner. Additionally, linking the strategic plan to the budget and five-year financial forecast would better ensure that resources are tied to the District's goals and that it considers the financial impact of prescribed goals.

R2.2 **The Board should create specific policies and procedures for developing and reviewing the five-year forecast that encompass AICPA forecasting guidelines. In addition, the Treasurer should explain the basis for the District's projections in the assumptions accompanying the five-year forecast and disclose problems that may affect the validity of financial data impacting the forecast (see R2.3 through R2.7). The Treasurer should also maintain documentation that supports the forecast methodology and assumptions. In order to ensure and help improve the reliability of the forecasts, the Treasurer should compare forecasts to actual results.**

Salem CSD does not have formal, written forecasting policies or procedures. However, the District does have policies on fiscal planning, appropriations, and spending plans. The appropriation and spending plan policy indicates that the District will adopt a five-year forecast of revenue and expenditures related to various funds. However, the policies do not explain how the forecast or the plan for maintenance and replacement of facilities and equipment will be developed and reviewed. Furthermore, the policies do not contain many practices recommended by GFOA or AICPA.

According to the *Guide for Prospective Financial Information* (AICPA 2006), 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. **Table 2-2** compares Salem CSD practices to the AICPA guidelines for developing forecasts.

Table 2-2: Comparison of Current Forecasting Procedures

AICPA Guidelines	Salem CSD's practices
1. Forecasts should be prepared in good faith by making a diligent effort to develop appropriate assumptions.	1. The Treasurer includes some assumptions in the forecast and explains some key issues impacting the forecast, although some assumptions did not appear reasonable (see **R2.3** to **R2.7**).
2. Forecasts should be prepared with care by qualified personnel using appropriate accounting principles.	2. The Treasurer follows the process outlined by the Ohio Department of Education to complete the forecast.
3. The process used to develop financial forecasts should provide for seeking out the best information that is reasonably available at the time and relevant to developing assumptions that are appropriate in relation to the presentation.	3. The Treasurer used historical information to generate the forecast. However, while the Treasurer indicated that all data prior to FY 2003-04 is assumed to be incorrect due to past practices prior to the current Treasurer, this disclaimer was not disclosed in the forecast.
4. The information used in preparing financial forecasts should be consistent with the plans of the entity.	4. The District does not complete a strategic plan (see **R2.1**), does not have a formal budget process (see **R2.8**) and lacks some financial policies (see **R2.10** and **R2.11**) to guide financial practices
5. Key factors should be identified as a basis for assumptions. Key factors are those significant matters upon which an entity's future results are expected to depend. In addition, assumptions used in preparing financial forecasts should be appropriate.	5. The Treasurer provides the user with assumptions about changes in legislation that affect the District's revenues, information about any levies that are projected to occur during the forecast period, and a brief note that explains the forecasting process. However, in some instances, the assumptions did not explain the basis for the projections (see **R2.3** to **R2.7**).
6. The process used to develop financial forecasts should provide adequate documentation of both the financial forecasts and the process used to develop them.	6. In some instances, the Treasurer could not adequately document the process used to forecast a line item and could not provide numerical support. Therefore, AOS adjusted some projections (see **R2.3 to R2.7**)
7. The process used to develop financial forecasts should include, where appropriate, the regular comparison of the financial forecasts with the attained results.	7. No documentation was provided by the District showing that past projections are compared to actual results. Furthermore, the District does not use performance measures (see **R2.1**)
8. The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority.	8. The Treasurer and Superintendent are involved in the forecasting process, and the Board approved the May 2006 forecast. The Superintendent reviews the supporting spreadsheets for the assumptions and works with the Treasurer to provide feedback on the assumptions.

Source: AICPA, District interviews and financial statements

As shown in **Table 2-2**, the District does not follow some of the AICPA forecasting guidelines. By not disclosing issues with data reliability for historical years and not explaining the basis for projections, the District inhibits key stakeholders from fully understanding its projected financial situation and key factors influencing the forecast. The lack of a strategic plan increases the potential for neglecting to consider important variables that could impact the future financial condition of the District. The lack of documentation hinders the District ability to support its assumptions and projections, and exposes the District to a higher likelihood for errors or material misstatements. Moreover, the failure to compare prior projections to actual results prevents the District from gauging the reliability of its forecasts. This, in turn, prevents the District from identifying methods to improve the accuracy of future forecasts.

Developing formal policies and procedures for the development and review of the forecast would enhance the District's compliance with AICPA guidelines for forecasting. This could subsequently improve the reliability of future forecasts and the District's overall planning process.

R2.3 **The Treasurer should review the methodology used to project real estate property tax collections. In particular, the Treasurer should consider historical annual growth rates of real estate property tax revenue when forecasting future real estate collections, including the effect of past updates and reappraisals. Along with historical growth rates, the Treasurer should ensure that the impact of new levies is accurately accounted for in the projections. Similarly, the Treasurer should ensure that the public utility property tax (PUP) is adequately accounted for in future forecasts by basing projections on historical trends and other sources (e.g., County Auditor and State Taxation Department). Taking these measures would provide the District with a more reliable forecast for use in making informed decisions. This is especially important as real estate property taxes comprised 35 percent of total revenues in FY 2005-06.**

The District's assumptions for projecting real property tax receipts are based on the following factors, as expressed in the assumptions accompanying the forecast:

- All of the real property tax for FY 2005-06 has been received, along with an advance of $166,833 on next fiscal year's real estate tax revenue which was necessary for current cash flow needs.

- Actual real estate collections for the 1st half of 2005 were significantly increased compared to second half 2004 collections, due to delinquencies.

The Treasurer's projections show real estate property taxes increasing 3.35 percent from FY 2004-05 to FY 2005-06, due to the 2004 reappraisal and delinquent collections.

According to the Treasurer, the reappraisal in 2004 did not increase real estate property tax collections until FY 2005-06. However, the District's actual real estate collections were approximately $418,000 higher than the projected real property tax collections. This is due to the inclusion of public utility property (PUP) tax revenue in real estate property tax collections. The Treasurer stated that the PUP is distributed to the District through real estate property tax collections and plans are to continue including PUP in real estate. In prior years, PUP was included in tangible personal property.

The Treasurer did not detail either the method used to forecast FY 2006-07 through FY 2009-10 real estate property tax collections in the forecast assumptions, or the specific increase rates used to project future real estate collections. Nevertheless, the majority of the $664,000 increase from FY 2005-06 to FY 2006-07 can be attributed to the District receiving half of the $1.3 million ($650,000) emergency operating levy that was passed in May 2006. The Treasurer projects real estate collections to increase by $1.3 million in FY 2007-08. The District should realize an increase of $650,000 from FY 2006-07 to FY 2007-08 attributable to collection of the full amount of the new levy during FY 2007-08. Consequently, the Treasurer's projection implies that the additional increase of $650,000 or 9.35 percent in FY 2007-08 is due to growth in property valuation. For FY 2008-09, the Treasurer projected that the 2007 update will result in real estate property tax collections increasing by 5.34 percent.

The Treasurer's assumptions for real property tax do not appear reasonable based on historical trends. According to AOS Bulletin 98-015, "Property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year by the county auditor. Rates of assumed growth should be disclosed as well as update and reappraisal years. The property tax figures should be based on historical collection levels."

Based on the County Auditor's settlement reports that separately account for real estate and PUP collections, real estate revenues increased by an average of 4.2 percent annually from FY 2003-04 to FY 2005-06. More specifically, real estate property taxes increased by 2.8 percent in FY 2003-04 and 2.1 percent in FY 2004-05. In FY 2005-06, real estate property taxes increased by 7.6 percent, which appears to be due to the reappraisal in CY 2004. However, the District received advances of approximately $167,000 in FY 2005-06 from FY 2006-07 collections, and approximately $202,000 in FY 2004-05 from FY 2005-06 collections. The average increase after adjusting for these known advances is 4.5 percent from FY 2003-04 to FY 2005-06. This is only slightly higher than the actual average annual increase of 4.2 percent. Further, it is not known whether advances were taken from FY 2004-05 collections and received in FY 2003-04. Lastly, PUP decreased by an average of 1.3 percent annually from FY 2003-04 to FY 2005-06.

Considering that the three year trend when accounting for the known advances is only 0.3 percentage points higher than the actual trend, adjustments to the District's real estate projections will be based on the actual trends and made in a conservative manner. Specifically, the District's real estate taxes will be projected to increase in the non-update years (FY 2006-07, FY 2007-08 and FY 2009-10) by 2 percent annually. In addition, the advance of approximately $167,000 taken in FY 2005-06 from FY 2006-07 collections will be excluded in the FY 2006-07 projection. In FY 2008-09, real estate tax revenue will be projected to increase by 4 percent due to the update in CY 2007. Approximately half of the actual increase in FY 2005-06 is attributable to the reappraisal. Collections attributable to the new levy passed in May 2006 are also included in the projections. Based on the trends from FY 2003-04 to FY 2005-06, PUP will be forecasted to decrease by 1.3 percent annually. This is also similar to information obtained by the Treasurer from the State Taxation Department, which shows PUP remaining constant based on estimated amounts in FY 2006-07 ($413,600).

Table 2-3 shows the impact of the adjustments to real estate property tax revenue projections. Because real estate property tax collections are directly related to property tax allocation revenues, **Table 2-3** shows the corresponding impact on property tax allocation collections. Based on the Treasurer's assumption which appears reasonable (see page 2-5), property tax allocations are projected at 14.5 percent of the adjusted real estate property tax projections. **Table 2-3** also shows the impact on tangible personal property tax projections resulting from the inclusion of PUP in real estate.

Table 2-3: Revised Property Tax Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
REAL ESTATE PROPERTY TAX				
Salem CSD Projections	$6,946,938	$8,246,938	$8,687,080	$8,773,951
Revised Projections	$7,171,042	$8,108,859	$8,360,249	$8,488,803
Difference – Real Estate	**$224,104**	**($138,079)**	**($326,831)**	**($285,148)**
TANGIBLE PERSONAL PROPERTY TAX				
Salem CSD Projections	$2,242,637	$1,639,154	$1,065,491	$465,750
Revised Projections	$1,829,595	$1,230,795	$661,762	$66,598
Difference – Tangible Personal	**($413,042)**	**($408,359)**	**($403,729)**	**($399,152)**
PROPERTY TAX ALLOCATION				
Salem CSD Projections	$1,827,577	$2,448,935	$2,899,364	$2,931,891
Revised Projections	**$1,705,931**	**$2,181,202**	**$2,604,932**	**$2,644,167**
Difference – Property Tax Allocation	**($121,646)**	**($267,734)**	**($294,431)**	**($287,724)**

Source: District and AOS revised assumptions

R2.4 **The Treasurer should review the forecast methodology used to project benefits and salaries. Specifically, the Treasurer should analyze health insurance costs separately from other expenditures that comprise benefits because they account for the majority of benefits expenditures (62 percent in FY 2005-06) and are**

independent of salary increases. Accordingly, Salem CSD should develop a more detailed methodology and supporting assumptions for projecting benefit expenditures. While the forecasted step increase of 2.5 percent per year appears reasonable (see page 2-6), the Treasurer should consider preparing a spreadsheet that tracks step increases by employee during the forecast period. This would provide the District with the actual, documented impact that step increases will have on its total salary expenditures.

The Treasurer's benefit projection for FY 2005-06 was based on actual expenditures through the May 19, 2006. It was only 1.7 percent lower than the actual benefit expenditures for FY 2006 ($6,111,500). According to the District's assumptions, the projection for FY 2006-07 reflects savings from the reductions in force, retired employees and the negotiated insurance co-pay. The Treasurer forecasted the FY 2007-08 and FY 2008-09 benefit expenditures at 52 percent of the personal services expenditures, based on the projected ratio of benefits to salaries in FY 2006-07. The Treasurer expects a slight decrease in insurance premiums by FY 2009-10 and, therefore, forecasted FY 2009-10 benefits expenditures at 51 percent of the personal services expenditures.

Because the Treasurer bases the projection of all benefits on salary costs, the District's forecast methodology does not appear to be reasonable, which can potentially result in unreliable projections. Specifically, holding the percentage constant in FY 2007-08 and FY 2008-09, and forecasting a slight decrease in FY 2010 is not consistent with historical trends in health insurance. Based on State Employment Relations Board (SERB) data, health insurance costs for single and family plans increased by an average of 10 and 11 percent per year, respectively, from 2000 to 2005. In addition, the District's medical and prescription premiums increased by a weighted average of 10.2 percent from FY 2004-05 to FY 2005-06. Furthermore, the District allocated approximately $800,000 in FY 2005-06 to the insurance fund to help address the related deficit.

According to AOS Bulletin 98-015, the amounts for salaries and benefits should be based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases should be used. Any significant additions or deletions should be addressed, such as the opening of a new building, the implementation of an early retirement incentive program or a significant reduction in force.

The following explain the adjustments made to the District's benefit projections from FY 2006-07 to FY 2009-10:

- Health insurance projections for FY 2006-07 are based on the plan participants and premiums costs in effect for FY 2006-07. Healthcare will be forecasted to increase 11 percent annually thereafter based on FY 2006-07 costs, which accounts for the newly

negotiated employee healthcare contributions. This is based on the 5 year average historical increase in total healthcare benefits report by SERB. This is slightly higher than the District's weighted average increase in medical and prescription premiums of 10.2 percent from FY 2004-05 to FY 2005-06 to provide a conservative projection. The projections also include $300,000 to eliminate the deficit in the health insurance fund.

- From FY 2007-08 to FY 2009-10, retirement will be forecasted using the weighted average contribution rates for retirement of 19.5 percent based on staffing levels in effect for FY 2006-07 (see **human resources** for discussion of the District paying a portion of the employee retirement contribution). For FY 2006-07, retirement is projected based on salary-related expenses in effect for that year.

- Medicare will be forecasted by using the required contribution rate of 1.45 percent of salary costs.

- Workers compensation costs will be forecasted by using the three-year average premium rate of 1.5209 percent of salaries. This provides a conservative projection as the District is beginning to implement measures to improve the workers compensation program (see **human resources**).

- The unemployment cost line item will be forecasted as 0.04 percent of salaries based on the trend from FY 2002-03 to FY 2005-06, with the exception of FY 2006-07 which is projected at 0.08 percent of salaries to account for the staffing reductions.

- Other reimbursements will be increased three percent annually based on inflation.

Table 2-4 illustrates the adjustments and corresponding impact when compared to the District's projections.

Table 2-4: Revised Benefit Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Salem CSD Projections	$4,928,280	$4,986,647	$5,310,779	$5,390,952
Revised Projections	$4,734,031	$5,209,088	$5,652,876	$6,106,071
Difference	**($194,249)**	**$222,441**	**$342,097**	**$715,120**

Source: District and AOS revised assumptions

R2.5   When developing future forecasts, the Treasurer should review the major components comprising purchased services and apply the appropriate forecast methodology separately for each major component. The Treasurer should also consider the District's degree of control in these categories. Furthermore, the Treasurer should review historical trends when developing the forecast

methodology and assumptions. When deviating from the historical trend, the Treasurer should provide detailed support and explanation notes in the forecast assumptions. In addition, Salem CSD should closely monitor the number of students leaving to attend other schools and take actions to minimize the impact on its financial condition.

The Treasurer forecasted purchased services to increase by approximately 26 percent in FY 2005-06, primarily due to increases in utility costs, open enrollment, community school enrollment, and special education excess costs. The Treasurer projected a one percent decrease in purchased services expenditures for FY 2006-07 due to lower legal fees associated with contract negotiations and court cases. Although utility prices will likely increase from FY 2005-06 to FY 2006-07, the closure of two buildings will help decrease the District's overall utility usage. The Treasurer projected purchased services to decrease by 0.5 percent annually from FY 2007-08 to FY 2009-10 due to the decrease in communications and property services costs with the closing of two buildings.

The Treasurer's purchased service projection of approximately $2.6 million was five percent lower than the actual figure of approximately $2.8 million for FY 2005-06. In addition, the Treasurer's projections thereafter are not consistent with historical trends and the forecast methodology does not appear to account for major variables impacting purchased services, such as significant increases in tuition expenditures the last three years. As a result, the District's projections appear to be understated. Moreover, the Treasurer does not provide detailed assumptions to support the projections. For example, in an interview, the Treasurer explained that the basis for the increase in FY 2005-06 was due to specific increases of $72,441 for electricity and $59,324 for gas, and that tuition for FY 2005-06 was projected at $1,795,237. However, this detail was not provided in the assumptions accompanying the forecast and the assumptions do not disclose the methodology used to arrive at these figures. In addition, the assumptions accompanying the five-year forecast do not explain the methodology for purchased service projections from FY 2007-08 to FY 2009-10. According to AOS Bulletin 98-015, "purchased services should be projected based upon historical increases. Variations from historical patterns should be identified and explained."

In order to help analyze historical trends and, in turn, develop reasonable projections, **Table 2-5** shows the District's actual purchased services expenditures from FY 2002-03 to FY 2005-06.

Table 2-5: Purchased Services (General Fund)

	FY 2002-03	FY 2003-04	FY 2004-05	FY2005-06
Prof & Tech Services	$189,495	$290,003	$271,384	$238,403
Property Services	$320,190	$347,630	$191,404	$216,273
Travel Meeting Expense	$23,176	$16,617	$12,252	$27,506
Communications	$71,551	$49,244	$50,055	$46,062
Utilities	$496,017	$515,317	$424,951	$551,573
Contracted Services	$1,316	$1,681	$1,188	$1,186
Tuition	$767,436	$1,076,318	$1,165,874	$1,714,592
Pupil Transportation	$6,709	$3,784	$0	$10,719
Other Purchased Services	$0	$98	$1,414	$1,959
Total Purchased Services	**$1,875,892**	**$2,300,693**	**$2,118,522**	**$2,808,274**

Source: District Financial reports.

Table 2-5 illustrates that the District has experienced large fluctuations in purchased services over the last four years. Purchased services increased considerably from FY 2002-03 to FY 2003-04, primarily due to increases in professional and technical services, utilities and tuition. According to the Treasurer, the increase from FY 2002-03 to FY 2003-04 was due to an increase in legal fees related to personnel matters. This resulted in professional and technical services increasing by $100,507 or 54.0 percent in FY 2003-04. Also, tuition expenditures related to open enrollment increased by $308,881, or 40.3 percent, in FY 2003-04. The bus garage was also being built in FY 2003-04, which contributed to property services increasing by $27,440 or 8.6 percent. The Treasurer noted that the ESC county deduction increased in FY 2003-04. The decrease from FY 2003-04 to FY 2004-05 was largely due to reductions in property service expenditures of $156,227, or 44.9 percent, because the bus garage was finished. Utility expenditures also decreased in FY 2004-05 ($90,366 or 17.5 percent), which the Treasurer attributed to a decline in electricity usage. However, tuition payments increased by $89,557, or 8.3 percent, which partially offset these savings. The increase in purchase service expenditures between FY 2004-05 and FY 2005-06 is primarily due to increases in utilities ($126,622, or 29.8 percent) and tuition ($548,717, or 47.1 percent).

The District's projections are inconsistent with historical trends and lack sufficient explanation and basis to support the deviations from those trends. As a result, the projections from FY 2006-07 to FY 2009-10 will be adjusted as follows:

- Utilities will be increased 6 percent annually based on the average annual increase from FY 2002-03 to FY 2005-06. The closure of the middle school and Prospect Elementary has also been factored into the analysis. The square footage of the closed buildings comprised 23.5 percent of the total building square footage. The revised projection reduces the utility costs by half of this percent to account for the closed buildings and remain conservative.

- Tuition expenditures will be increased by 30 percent in 2006-07, 20 percent in 2007-08, and 10 percent for FY 2008-09 and FY 2009-10. As the percentages are lower than the average increase of 32 percent from FY 2003-04 to FY 2005-06, this projection assumes that the number of students leaving the District will naturally level-off at some point in the future and the District will begin to take action to minimize the financial impact of future increases. For instance, if tuition expenditures continue to increase at historical rates, the District can take action to reduce other costs related to serving fewer students (e.g., personnel costs).

- The remaining line items will be increased 3 percent annually, based on inflation. Although the remaining line items fluctuated widely from FY 2002-03 to FY 2005-06, total expenditures decreased by an annual average of approximately two percent during this time period. Therefore, a three percent increase provides a conservative projection.

Table 2-6 shows the impact of these adjustments to the Treasurer's forecast.

Table 2-6: Revised Purchased Services Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Salem CSD Projections	$2,647,794	$2,634,555	$2,621,382	$2,608,275
Revised Projections	$3,303,310	$3,796,813	$4,114,359	$4,461,139
Difference	**$655,517**	**$1,162,259**	**$1,492,977**	**$1,852,864**

Source: District and AOS revised assumptions

R2.6 **The District should adequately plan its yearly textbook and instructional material purchases to comply with the spending requirements in ORC §3315.17, or it should submit a waiver request. This would prevent the District from accruing a large liability that will place an unnecessary burden on future budgets and ensure that the students are provided with updated instructional materials. In addition, the District should review spending in all funds that may qualify to meet the set-aside requirements and determine whether it can reallocate spending in non-General Fund sources to meet future set-aside obligations. Furthermore, the Treasurer should explain the basis used to develop the projections for supplies and materials within the assumptions accompanying the forecast.**

The Treasurer's assumptions for projecting supplies and materials are as follows:

- Supplies and materials expenditures have remained fairly consistent with slight fluctuations between years.

- FY 2005-06 reflects a decrease from the previous year, due to the Treasurer's belief that there has been an increase in staff awareness of the necessity to reduce costs.

- FY 2006-07 expenditures are projected to decrease by one percent, FY 2007-08 is projected to increase by two percent, and FY 2008-09 and FY 2009-10 are both projected to increase by one percent.

The Treasurer's projection for FY 2005-06 was $15,154, or 7 percent, lower than the actual FY figure of $214,325. The treasurer provided additional explanations for the amounts projected in future years, but they were not stated in the assumptions included with the forecast. Specifically, according to the Treasurer, the projected decrease of one percent in FY 2006-07 is due to an anticipated need for fewer supplies and materials for the bus garage, while the two percent increase in FY 2007-08 and one percent annual increases thereafter are due to inflation.

In recent years, the District has reduced General Fund spending for supplies and materials. More specifically, supplies and materials decreased by 43 percent in FY 2003-04, primarily due to the decrease in plant maintenance and repairs of approximately $81,000. The decrease of 13 percent in FY 2004-05 was mainly due to a reduction in general supplies and materials of approximately $76,000. The Treasurer attributed the large decrease in FY 2004-05 to the general awareness of District staff that supplies and materials are on an as-needed basis only. Supplies and materials increased by only one percent in FY 2005-06.

While the District's projected increases initially appear reasonable based on historical trends, the projections do not appear to account for future set-aside requirements. ORC §3315.17 establishes additional accountability standards for school districts to maintain a minimum level of spending in relation to its state funding formula amount for textbooks and instructional materials. This statute establishes the minimum spending threshold at three percent of the preceding years' state funding formula amount. OAC §3301-92-01 (A) defines the qualifying expenditures for the above statute as textbooks, instructional materials, instructional software and equipment. According to ORC §3315.17(B), if school districts spend more than the required minimum for set-asides, they may deduct the excess from future year requirements. ORC §3315.17(A) states that funds not used to meet the set-aside requirement shall be carried forward to future years. According to ORC 3315.17 (3), a school district in fiscal watch or fiscal caution status may apply to the superintendent of public instruction for a waiver from the set-aside requirements, enabling the district to spend fewer or no funds for textbook and instructional materials in that year. School districts in fiscal emergency are not required to submit a waiver and instead, can independently decide to spend fewer or no funds for the set-aside requirements. According to the Treasurer, the District has not submitted a waiver request to the superintendent of public instruction.

Although Salem CSD did not meet the yearly set aside requirements in FY 2003-04 and FY 2004-05, it was able to use the carry-forward balance from prior years to offset the respective set-aside requirements. However, the District is projected to incur a deficit set-aside balance in FY 2005-06 as a result of depleting the carry forward balance. This is based on information from ODE showing set-asides of approximately $361,000 in FY 2005-06 for the District. This also assumes qualifying expenditures for set-asides of approximately $167,000 for FY 2005-06, which is an estimate based on the relationship of qualifying expenditures to total General Fund supply and material expenditures in FY 2003-04 and FY 2004-05. In fact, the District's total General Fund supply and material expenditures of $214,325 in FY 2005-06 fall well below the set-aside requirement of $361,000. Likewise, because the District is only projecting approximately $200,000 in total supply and material expenditures during the forecast period from the General Fund, it is not projected to meet the set-aside requirements during the remaining years. Assuming set-aside requirements remain constant at FY 2005-06 levels to be conservative but still relatively in line with the District's assumptions for state funding, the District would need to spend at least $361,000 annually from FY 2006-07 to FY 2009-10 to meet the set-aside requirements.

As no waiver request was submitted by the District, the projections will be adjusted by forecasting the supply and material expenditures at the estimated set-aside amount of approximately $361,000 per year and increasing the amount by three percent annually. As the General Fund only accounted for 22 to 32 percent of total expenditures for supplies and materials from FY 2003-04 to FY 2005-06, this provides a conservative projection and should allow for spending on other areas within the General Fund supplies and materials (e.g., facility needs). More specifically, the District may be able to meet the future set-aside requirements by reviewing the composition of spending in non-General Fund sources, and reallocating resources accordingly.

Table 2-7 shows the impact of these adjustments to the Treasurer's forecast.

Table 2-7: Revised Supplies and Materials Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Salem CSD Projections	$197,179	$201,123	$203,134	$205,165
Revised Projection	$509,882 [1]	382,629	394,108	405,932
Difference	**$312,703**	**$181,507**	**$190,974**	**$200,766**

Source: District and AOS revised assumptions
[1] FY 2006-07 is higher than other years because it includes the projected amount needed to make up for potentially not meeting the set-aside requirement in FY 2005-06.

R2.7   The Treasurer should develop a methodology for appropriately forecasting transfers. The methodology should include a review of historical trends and anticipated changes, which should be used as the basis for the forecasted expenditures.

The Treasurer's assumptions for the forecast period indicate that transfers out will occur only during FY 2005-06. However, this assumption is not consistent with historical trends and is not supported by any documentation. According to AOS Bulletin 98-015, anticipated expenditures in the areas of other, advances and transfers are normally based on historical patterns.

While the District has entered into a contract for the management of the Food Service Department and has purchased a point of sale system for the high school, these measures may not result in immediate improvements and will represent some initial cost to the District (see the **food services** section). The Treasurer projected no advances-out and $82,000 of transfers in FY 2005-06 to cover food service and uniform supply expenditures. However, the General Fund actually transferred $90,300 and advanced $50,636 to other funds in FY 2005-06, primarily to food services. In addition, the uniform supply fund required a transfer of approximately $17,000 from the General Fund. According to the Treasurer, this was due to the fact that fees charged for the school year did not cover expenditures. Also, according to the Treasurer, transfers to the uniform supply fund had not happened in previous years. This is confirmed by the District's financial reports in FY 2002-03, FY 2004-05 and FY 2005-06 (an accurate report for FY 2003-04 showing uniform supply fund information was unavailable). Furthermore, the General Fund experienced other transfers in and out in FY 2003-04 and FY 2004-05 that appear to reflect one-time occurrences, mainly related to the PI fund and bond proceeds.

Since the District has historically made transfers from the General Fund to food services and the impact of the management contract and point of sale system are not yet known, it is more reasonable to project future transfers. Therefore, to be conservative, the forecast will be adjusted to include transfers of $70,000 per year: $50,000 to food services based on the four-year average General Fund subsidy, and $20,000 to the uniform supply fund based on the amount transferred in FY 2005-06. Because the advance-out should be repaid in FY 2006-07 as an advance-in and advances should result in no net-effect because of the subsequent repayments, the adjustments will not include advances in and out during the forecast period.

Table 2-8 shows the impact of these adjustments to the Treasurer's forecast.

Table 2-8: Revised Net Transfer/Advance Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Salem CSD Projections	$0	$0	$0	$0
Revised Projections	($70,000)	($70,000)	($70,000)	($70,000)
Difference	**($70,000)**	**($70,000)**	**($70,000)**	**($70,000)**

Source: District and AOS revised assumptions

Budgeting

R2.8 **The District should establish and communicate procedures to help coordinate the budget process. This should include a comprehensive budget calendar which specifies timelines and completion dates for budget tasks along with general policy guidelines and budget preparation instructions. This would ensure the budget is prepared in a manner consistent with District policies, statutory requirements, collective bargaining agreements, and the desires of the Board and stakeholders. The District should also seek input from the Board and community throughout the budget preparation and review process. Furthermore, the District should prepare a formal budget that includes the following items suggested by GFOA:**

- **A description of key policies, plans and goals;**
- **Identification of key issues;**
- **A financial overview, which can be partially obtained from the District's five-year forecast;**
- **A guide to District operations;**
- **An explanation of the budgetary basis of the District's accounting system;**
- **Key performance measures (see R2.1); and**
- **A budget summary.**

By including the above items in its budget document, the District would provide stakeholders with a more clear and thorough understanding of the budget and its relationship to the strategic plan and five-year forecast.

According to the Treasurer, the District does not have a formal budgeting process. The District also does not assess current community condition, needs, priorities, challenges and opportunities when creating the budget. According to the Superintendent, the Board is not actively involved in the budget process because Board members are not trained in finance. Instead, they raise questions after the budget has been prepared. Furthermore, the District does not prepare a formal budget document that covers key items suggested by the GFOA.

According to *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, (GFOA 2000), a government should establish an administrative structure that facilitates the preparation and approval of a budget in a timely manner. More specifically, GFOA recommends the following in regards to the budget process:

- Develop a budget calendar that specifies when budget tasks are to be completed and that identifies timelines for those tasks.

- Prepare general policy guidelines and budget preparation instructions for each budget cycle to help ensure that the budget is prepared in a manner consistent with government policies, and the desires of management and the legislative body. Instructions are necessary so that all participants know what is expected, thereby minimizing misunderstanding and extra work.

- Develop mechanisms for coordinating budget preparation and review, and assign responsibilities.

- Develop procedures to facilitate budget review, discussion, modification, and adoption.

- Identify opportunities for stakeholder input.

GFOA also recommends that governments prepare and adopt a budget that includes the following elements:

- A description of key programmatic and financial policies, plans, and goals;
- Identification of key issues and decisions;
- A description of the short-term and long-term financial plan of the government;
- A guide to the programs the government operates and the organizational structure in place to provide those programs;
- A description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report; and
- A concise summary of key issues, choices and financial trends (GFOA recommends governments prepare a summary of both the proposed and final budget).

GFOA further recommends that budget documents and related materials made available to stakeholders be presented in a clear and readily comprehensible format and that performance measures be presented in basic budget materials and available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward the achievement of previously developed goals and objectives (see **R2.1**).

The lack of a formal budget document and a formalized process can hinder the District from effectively addressing its needs, priorities, and goals; and obtaining sufficient input from the Board and community.

Revenue and Expenditures Analysis

R2.9 **Salem CSD should closely examine the spending patterns illustrated in Tables 2-9 and 2-10, as well as the cost reductions/revenue enhancements recommended in the human resources, facilities, transportation, and food service sections of this report. The District should consider using a strategic plan to help prioritize the allocation of funds.**

Table 2-9 compares Salem CSD's General Fund revenues by source and expenditures by object on a per student basis to the peer average for FY 2004-05.

Table 2-9: Revenue by Source, Expenditures by Object

	Salem CSD	Peer Average
Property & Income Tax	$3,809	$3,219
Intergovernmental Revenues	$3,244	$3,777
Other Revenues	$607	$681
Total Revenue	**$7,659**	**$7,677**
Wages	$4,433	$4,268
Fringe Benefits	$2,119	$1,569
Purchased Service	$900	$941
Supplies & Textbooks	$90	$265
Capital Outlays	$2	$145
Debt Service	$2	$8
Miscellaneous	$148	$181
Other Financing Uses	$4	$235
Total Expenditures	**$7,699**	**$7,612**

Source: Salem CSD and peer District's 4502

As shown in **Table 2-9,** Salem CSD's total revenue is similar to the peer average. While the District received significantly more per student in property and income taxes than the peer average, it received considerably less per pupil in state funding. Although the District only spent one percent more per pupil in total expenditures, it spent more per pupil in the following areas:

- **Wages** – The District spent $165, or nearly four percent, more per student on wages in comparison to the peer average. This is due to high staffing levels in the following areas: special and vocational education, custodians, and bus drivers (see the **human resources, facilities,** and **transportation** sections for further discussion). The District's higher average salaries in the educational staff classification also contribute

to the higher wages per student in **Table 2-9**. However, this appears to be due to Salem CSD staff having higher years of service (see **human resources**).

- **Benefits** – The District spent $550, or nearly 35 percent, more per student on benefits in comparison to the peer average. This is due to the District paying a portion of employees' share of retirement contributions, maintaining high health insurance premiums, and not requiring employee contributions towards the premium costs prior to FY 2006-07 (see the **human resources** section).

Table 2-10 compares governmental fund expenditures per student and the percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes at Salem CSD to the peer average for FY 2004-05, and includes Salem CSD's FY 2003-04 expenditures.

Table 2-10: Governmental Expenditures by Function

	Salem CSD FY 2004		Salem CSD FY 2005		Peer Average FY 2005	
	$ per Student	% of Total	$ per Student	% of Total	$ per Student	% of Total
Instructional Expenditures:	$5,240	60.32%	$5,480	62.89%	$4,984	60.32%
Regular Instruction	$3,821	43.99%	$3,894	44.68%	$4,076	49.28%
Special Instruction	$932	10.73%	$946	10.86%	$772	9.37%
Vocational Education	$185	2.13%	$235	2.70%	$39	0.48%
Extracurricular Activities	$0	0.00%	$0	0.00%	$15	0.18%
Other Instruction	$302	3.47%	$405	4.65%	$83	1.01%
Support Service Expenditures:	$3,105	35.74%	$2,930	33.61%	$2,963	35.64%
Pupil Support Services	$399	4.59%	$393	4.50%	$344	4.19%
Instructional Support Services	$389	4.48%	$377	4.32%	$404	4.81%
Board of Education	$15	0.18%	$13	0.15%	$34	0.40%
Administration	$821	9.45%	$710	8.14%	$685	8.18%
Fiscal Services	$274	3.15%	$269	3.08%	$241	2.89%
Business Services	$14	0.16%	$4	0.05%	$8	0.10%
Plant Operation & Maintenance	$872	10.04%	$820	9.41%	$864	10.42%
Pupil Transportation	$309	3.56%	$324	3.72%	$341	4.17%
Central Support Services	$12	0.13%	$20	0.23%	$41	0.47%
Non-Instructional Services	$35	0.40%	$36	0.41%	$66	0.80%
Extracurricular Activities	$307	3.54%	$270	3.10%	$274	3.25%
Total Governmental Fund Operational Expenditures	$8,687	100.00%	$8,716	100.00%	$8,286	100.00%
Total Operating Expenditures	$8,687	98.04%	$8,716	98.81%	$8,286	89.67%
Total Govern. Expenditures	8,861	100.00%	8,821	100.00%	9,630	100.00%

Source: Salem CSD and peer 4502s
Note: Governmental funds include the general fund, and special revenue, debt service, and capital project funds.

As shown in **Table 2-10,** Salem CSD's total governmental fund expenditures per pupil in FY 2004-05 were lower than the similar district average by approximately 8 percent. In addition, **Table 2-10** shows that the District allocated a higher percentage of expenditures to instruction than the peer average in FY 2004-05. Further, the District's governmental fund operating expenditures and total governmental fund expenditures per student remained relatively constant from FY 2003-04 to FY 2004-05. However, the District's governmental fund operating expenditures per pupil in FY 2004-05 were approximately five percent higher than the peer average, due to the following:

- *Vocational Education* – The District spent $196 more per student than the peer average on vocational education in FY 2004-05. This is mainly due to higher vocational education staffing and average salary levels, and the District paying a portion of the employee's retirement contribution (see **human resources**).

- *Special Education* – The District spent $174 more per student than the peer average on special education in FY 2004-2005. This is primarily due to payment of a portion of the employee's retirement contribution (see **human resources**).

- *Other Instruction* – The District spent $322 more per student than the peer average on other instruction. This line-item accounts for the District's tuition payments for students attending other school districts through open enrollment. The District spent approximately $583,000 on open enrollment tuition in FY 2004-05.

- *Pupil Support* – The District spent $49 more per student than the peer average. This is primarily due to the employment of more speech and language therapists and psychologists, and payment of a portion of the employees' share of retirement contributions (see **human resources**).

- *Administration* – The District spent $25 more per student than the peer average. This is a result of the District employing slightly more administrators than the peer average and paying a portion of the employees' share of retirement contributions (see **human resources**). Additionally, while administrative per pupil expenditures decreased by 14 percent from FY 2003-04 to FY 2004-05, they increased by 19 percent to $844 in FY 2005-06. This is $159 or 23 percent higher than the peer average in FY 2004-05.

- *Fiscal Services* – The District spent $28 more per student than the peer average on fiscal services. The Treasurer attributed the higher costs to County Auditor Fees, audit fees, and a payment to the Area Cooperative Computerized Education Service System (ACCESS). In FY 2004-05, the District spent a total of $336,742 on dues and fees. The higher County Auditor and Treasurer fees can be attributed, in part, to the District collecting more property taxes than the peers, assuming that the fees are

directly correlated to the level of collections. For example, **Table 2-9** shows that the District receives $3,809 per student in property taxes while the peer average is $3,219.

Lastly, Salem CSD met 15 of 23 performance indicators in FY 2004-05, while the peer districts met an average of 21. In addition, the District's FY 2004-05 performance index score (92.7) was lower than peer average (98.18).

Financial Policies and Procedures

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

- **Stabilization of funds;**
- **Debt issuance, level and capacity (see R2.11 for more information);**
- **Use of one-time revenues for ongoing expenditures (including identification of unpredictable revenues and how these may be used);**
- **Diversification of revenue sources;**
- **Balancing the operating budget;**
- **Contingency planning in the event of emergencies, natural disasters, or other unexpected events; and**
- **Fees and charges.**

In addition, the District should periodically review and, when necessary, update its financial policies.

The District has not developed a comprehensive set of financial policies. It has established a policy for student fees, but this policy does not highlight the manner in which the fees are set and the extent to which they cover the cost of the services provided. The District has also established a policy for borrowing; however, it does not outline the issuance and management of debt or debt level and capacity. Furthermore, the District has not developed policies for stabilization funds, one-time revenues, unpredictable revenues, revenue diversification, and contingency planning.

According to GFOA, a government should develop a comprehensive set of financial policies. Financial policies should be consistent with broad goals; the outcome of sound analysis; and an integral part of the development of service, capital and financial plans, and the budget. All other adopted budgetary practices of a government should be consistent with these policies. GFOA provides specific guidance in developing policies for the following areas:

- **Stabilization of funds:** A government should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used.

- **Fees and charges:** A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. Policies that require identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.

- **Debt level and capacity:** A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body (see **R2.11** for debt management policy).

- **Use of one-time revenues:** A government should adopt a policy limiting the use of one-time revenues for ongoing expenditures. One-time revenues, and allowable uses for those revenues, should be explicitly defined.

- **Use of unpredictable revenues:** A government should identify major revenue sources it considers unpredictable and define how these revenues may be used. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.

- **Balancing the operating budget:** This policy should provide clear definition as to how budgetary balance is to be achieved. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) should be explicitly identified. All funds should be included. The policy also should identify the circumstances when deviation from a balanced budget may occur. Such policies help to ensure that a government's use of resources for operating purposes does not exceed available resources over a defined budget period.

- **Revenue diversification:** A government should adopt a policy that encourages a diversity of revenue sources. The policy should identify approaches that will be used

to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues.

- **Contingency planning:** A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective.

Once developed, GFOA notes that financial policies should be publicly available and reviewed periodically.

R2.11 **Salem CSD should develop formal debt management policies and procedures. The policies and procedures should include types, limitations, structural features of debt, as well as legal and statutory limitations on debt issuance. In addition, the policies and procedures should be updated periodically and made available to the public and other stakeholders.**

The District does not have comprehensive policies and procedures covering debt management. This is partially due to the fact that the District has very little debt. The Treasurer indicated that although there are no formal policies, the District is aware of debt management issues and state and federal guidelines. However, the District requires the Treasurer to obtain permission from the Board for all borrowed funds. In addition, the FY 2004-05 financial audit did not include any material citations regarding debt management.

According to GFOA, a government should adopt policies to guide the issuance and management of debt. Elements of policies on debt issuance and management include:

- Purposes for which debt may be issued;
- Matching of the useful life of an asset with the maturity of the debt;
- Limitations on the amount of outstanding debt;
- Types of permissible debt;
- Structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints;
- Refunding of debt; and
- Investment of bond proceeds

In addition, GFOA indicates that debt policies should be made available to the public and other stakeholders. Because these policies are essential to budget decision making, particularly capital budgets, they should be reviewed by decision makers during the annual budget process and summarized in the budget document.

Financial Reporting

R2.12 **The Treasurer should consider preparing a comprehensive annual financial report (CAFR), as well as a popular annual financial report (PAFR). The District should publish these reports online to ensure all stakeholders are informed of its financial condition. This would help foster increased accountability through more formal financial reporting and would encourage greater community involvement in and understanding of District finances and operations.**

The District does not prepare CAFRs and PAFRs, choosing instead to issue only general purpose financial statements. GFOA encourages every state and local government to issue a CAFR that conforms with GAAP. Based on CAFRs from Eastwood LSD and Norton CSD, two districts that received GFOA's certificate of achievement for excellence in financial reporting in FY 2003-04, CAFRs include the opinion of the independent auditor and are presented in three sections: introductory, financial, and statistical. The introductory section includes a transmittal letter, an organizational chart, and a list of principal officers. The financial section includes the independent accountants report, management discussion and analysis, basic government-wide financial statements and fund financial statements, combining statements, individual fund schedules and changes in fund balances. The statistical section includes historical revenues by source and expenditures by function, property tax rates, legal debt margin, debt ratios, and demographic and other miscellaneous statistics.

GFOA also encourages governments to supplement their CAFRs with simpler, "popular" reports designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant.
- The scope of the popular report should be clearly indicated.
- The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information.
- The popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format and be written in a concise and clear style.

- The popular report should avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics.
- The narrative should be used, as appropriate, to highlight and explain items of particular importance.
- Comparative data should be used constructively to help identify trends useful in the interpretation of financial data.
- Popular reports should be distributed in a number and manner appropriate to their intended readership.
- Popular report preparers should strive for creativity.
- Users of popular reports should be encouraged to provide feedback.
- The popular report should establish credibility with its intended readers by presenting information in a balanced and objective manner.

Eastwood LSD in Wood County publishes a CAFR within its financial audits to "provide the taxpayers of the Eastwood LSD with comprehensive financial data in a format which will enable them to gain an understanding of the school district's financial affairs." Moreover, Eastwood LSD submits its CAFR to neighboring jurisdictions (e.g., villages, townships, and municipalities) and libraries. In addition, Dublin CSD and Westerville CSD (Franklin County) publish their CAFRs and PAFRs online as recommended by GFOA.

In the absence of a CAFR and PAFR, the District is not using all available tools to communicate its financial condition to stakeholders. As a result, Salem CSD may inadvertently discourage those unfamiliar with accounting and financial reporting from reviewing and understanding District finances and operations.

R2.13 The District should consider updating its website to include financial information that could be useful to local citizens and other interested parties. By making financial information available on its website, the District would be using a relatively inexpensive method to help people better understand its financial condition. In addition, a redesigned website could potentially reduce the time and costs associated with public records requests.

The District does not include the annual budget or other financial information on the website that may be useful to interested parties. However, the District does have a link on their website to the Board's financial policies.

According to GFOA, a government should publish its budget documents and its comprehensive annual financial report directly within the website. GFOA also recommends that a government should follow guidelines when presenting these documents on its website, including the following:

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

The Westerville City School District provides the community with several key financial reports that pertains to district operations via its website. The website consists of five major components, as follows:

- **Levy information** – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calculator, Income Tax Calculator, Ohio School District Income Tax, Glossary of Terms;
- **Budget/Appropriations** – Current Five-Year Forecast, Understanding the Five-year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year-end Analysis;
- **Taxes/Millage/Valuation** – Tax Calculator, Presentation of Governor's Blue Ribbon Task Force on Student Success, Area School Districts Effective Tax Rates (Historical Information), Historical Tax Rates, Q&A Questions on Taxes and Millage.
- **Annual Report** – Two years of historical information for both the comprehensive annual financial report and popular annual financial reports, and the most recent comprehensive annual report;
- **Miscellaneous** – State Performance Audit, School Finance Terms, State Financial Designations, and Local Report Cards.

Purchasing

R2.14 Salem CSD should fully use the purchasing module of the uniform school accounting system (USAS) software and integrate it with the financial management module. Subsequently, the District should provide staff with training on how to use the procurement system to its fullest capacity. In order to identify and address issues before using the electronic process District-wide, the Treasurer should develop a pilot program. Furthermore, the new process should be included in a purchasing manual (see R2.17). As the District becomes accustomed to its internal electronic purchasing system, it should explore online purchasing with suppliers as a mechanism to expand competition and receive additional bids and price quotes.

Salem CSD's purchasing cycle is manual and paper-driven. The District does not fully use the purchasing function of USAS. This increases the time required for purchase

orders to be issued upon receipt of purchase requisitions. The current purchasing process is as follows:

- The building principals or department heads submit a requisition to the Treasurer's Office.
- The Treasurer's Assistant puts the account number on the requisition and gives requisition to the Treasurer.
- The Treasurer spot checks that account information is correct, the requisition is proper use of public funds, certifies the funds, and then signs the requisitions.
- The requisition is then sent to the Superintendent for final approval.
- A purchase order (PO) is generated after the Superintendent signs the requisition.
- The Treasurer's Office keeps the POs until they are ready to be paid.
- The Treasurer's assistant performs the final check on the PO before a check is issued to pay the PO.

The Treasurer's Office uses USAS software, which has accounting, budgeting, and purchase processing functions. While the District is using the USAS system for accounting, payroll, and budgeting, the purchasing module is not used. This can be due, in part, to the lack of a comprehensive technology training program (see the **technology** section).

The USAS procurement software module is compatible with the USAS financial management system. Using the procurement software with the financial management software would help integrate the District's Business Office with the Treasurer's Office. In addition to creating purchase orders, the purchasing module enables the District to do the following electronically:

- Create new requisitions;
- Convert requisitions into purchase orders;
- Create future purchase orders;
- Delete new purchase orders;
- Modify requisitions and existing purchase orders;
- Charge a purchase order item to more than one account;
- Print new or existing purchase orders;
- Load existing purchase orders into new purchase orders;
- View purchase orders; and
- Find existing purchase orders.

The USAS purchasing module would allow the District to determine the status of an order at any point in the process. When processing requisitions, the USAS purchasing module informs the individual of current fund availability by checking cash,

appropriations, and budget accounts and issues warnings when remaining balances have been exceeded.

According to *"The E-Commerce Quandary"* (American School and University (AS&U) Magazine, 2002), schools taking advantage of an electronic purchasing system increase the efficiency of the whole procurement operation. Streamlining the purchasing procedure could save schools time, money, and aggravation. The AS&U article also notes that many institutions have moved their procurement systems online and found that the change has delivered what was promised: less bureaucracy, more efficiency, and better prices. Besides reducing red tape, online purchasing removes the barrier of geography for schools. In a traditional bid arrangement, it might not be practical for firms from outside the region to submit a bid. Online procurement companies often seek out relationships with suppliers to provide schools with a greater variety of purchasing options.

R2.15 **The District should consider implementing a purchasing card (p-card) system and establishing appropriate controls on their use. Doing so would help expedite purchase order processing and reduce the related costs. In addition, the District should consider the compatibility of the p-card system with USAS software during the selection of a p-card provider.**

The District has policies for the use of purchasing cards and credit cards. According to the purchasing card policy, "the Board of Education recognizes that bank credit cards ("purchasing cards") offer an alternative to existing procurement processes and provide a convenient, efficient method of purchasing minor goods and services with a value of less than $1,000". However, the District does not use purchasing cards, but does have one credit card that can be used only by the Treasurer and Superintendent for seminar expenses, hotel stays and food for meetings.

In an effort to help governments across Ohio provide the best services and accountability to citizens, AOS has developed a publication entitled *Best Practices.* Volume 1, Issue 2 (Winter 2004) of *Best Practices* highlights model policies with regard to government purchasing cards. According to this issue, p-cards are designed to streamline the acquisition process by issuing one check to a credit card company instead of multiple checks to a supplier. Consequently, governments realize significant savings in transaction costs and personnel resources. This issue also notes that other benefits associated with p-card programs, including those identified by the GFOA, are:

- Simplified authorization, payment, and review processes;
- Expedited delivery of goods;
- Less paperwork and documentation;
- Expanded options of suppliers, merchants, and vendors;
- Enhanced ability to establish and enforce purchasing limits and other restrictions;

- Immediate electronic authorization and verification at the point-of-purchase;
- Facilitated reviews of purchased items via online account information;
- Improved reporting capabilities via management information systems; and
- Fewer items to stock and inventory.

According to the GFOA, p-card programs should be designed to be simple and easy to use; however, governments need to maintain appropriate controls, in accordance with their purchasing policies, to ensure the ongoing success of a purchasing card. These controls should include:

- Written agreements with banks, which include fee schedules and processing procedures;
- Written policies and procedures for internal staff;
- Instructions on employee responsibility and written acknowledgments signed by the employee;
- Spending and transaction limits for each cardholder on both a per transaction and monthly basis;
- Written requests for higher spending limits;
- Recordkeeping requirement, including review and approval processes;
- Clear guidelines on the appropriate uses of purchasing cards, including approved and unapproved Merchant Category Codes (MCC);
- Guidelines for making purchases by telephone and fax or over the Internet;
- Periodic audits of card activity, retention of sales receipts and documentation of purchases;
- Procedure for handling disputes and unauthorized purchases;
- Procedures for card issuance and cancellation, lost or stolen cards, and employee termination; and
- Segregation of duties for payment approvals, accounting, and reconciliations.

The Ohio Office of Budget and Management (OBM) payment card program is designed to empower state employees to make small-dollar purchases. The program allows employees to acquire goods and certain services, as they are needed for operations without undue delay. It is designed primarily for the purchase of tangible materials, equipment, supplies, and approved services that cost less than $1,000. Any state entity can participate in the OBM program with proper authorization and approval. The AOS Winter 2004 *Best Practices* contains a summary of the internal controls for the state program.

R2.16 The Treasurer and Superintendent should work with the Board to develop policies and procedures that outline the request for proposal (RFP) process to ensure accountability for the purchase of goods and services. These policies and procedures

should be housed in a comprehensive District purchasing manual (see R2.17). Accordingly, the District should implement a formal process for developing and evaluating RFPs. The District should also work with its Legal Counsel to develop appropriate RFP templates and identify key items for inclusion, such as terms, conditions, evaluation process, performance expectations, and reporting requirements.

The District has a policy and procedure for competitive bidding and a policy on how to plan for major projects. However, it lacks a formal policy and process for developing RFPs. Without a policy and process for developing RFPs, the District can potentially be exposed to increased liability, poor workmanship, and unfinished jobs. Moreover, formalized templates for RFPs are not currently being used by department supervisors. Instead, the District follows ORC procedures for developing RFPs on an as needed basis. Although not all RFPs will be the same, the lack of a formalized template could increase the possibility of some RFPs not containing key standard elements.

According to the *Contract Management Manual* (Voinovich Center for Leadership and Public Affairs, 2001), an RFP is a form of a bid and is generally used for services that cannot be summarized in written bid specifications. It recommends numerous elements for inclusion in an RFP, including the following:

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

The *Contract Management Manual* also indicates that a team should be formed to conduct advanced planning for an RFP, and a team leader should be identified to manage the effort of creating an RFP and determining the evaluation process. In creating evaluation criteria, the team should identify the significant points in the RFP to evaluate and assign relative weights to each point. The team also needs to develop a system for scoring the proposals. Additionally, a team should be identified to evaluate the proposal submissions, which may be the same team that conducted the advanced planning.

Furthermore, one person should be appointed as the contact for potential vendors to ensure consistency in responses.

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

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

R2.17 The Treasurer and Superintendent should work with the Board to develop and maintain a comprehensive purchasing manual that explains the purchasing process from start to completion. The manual should include formal policies and procedures in the following areas:

- **Approved and preferred suppliers, including supplier relations, and the selection and removal process;**
- **Information required for monitoring supplier performance;**
- **Documentation required to enable reviews of compliance with policies and procedures (e.g., documentation of price quotations and monitoring of supplier performance).**
- **Receiving and distribution procedures;**
- **Cooperative purchasing which can help lower costs via increased economies of scale;**
- **Requisition and purchase order process, along with procedures to guide the purchasing process used in the USAS system (see R2.14) and any additional forms to be used; and**
- **Requests for proposals (see R2.16).**

Salem CSD should provide each operational unit with at least one copy of the purchasing manual and it should be placed on the District's Intranet.

The District has developed and implemented purchasing policies and procedures for the following areas:

- Purchasing goals and objectives;
- Purchasing authority;
- Disposition of obsolete and surplus property;

- Bidding requirements;
- Purchasing cards;
- Credit cards; and
- Payment of claims.

However, the District does not have policies and procedures on the following:

- Supplier selection and relations;
- Receiving;
- Distribution;
- Cooperative purchasing;
- Requisition and purchase order process; and
- Request for proposals.

In addition, the Treasurer indicated that it is the District's practice to maintain a supplier list at the beginning of the year. However, the supplier list was not maintained for the 2005-06 school year, nor is there a policy or procedure for establishing a preferred suppliers list. In addition, policies or procedures for maintaining records of price quotations and supplier performance reviews are not in place.

According to the *Financial Accountability System Resource Guide Update 10.0* (Texas Education Agency, January 2003), every school district, large and small, should have a written manual describing its purchasing policies and procedures. It should be designed to assist campus level and department level personnel in the purchasing of supplies and services. Rules and guidelines for those purchases consistent with relevant statutes, regulations and board policies are a vital part of the manual. Such a manual can either be a stand alone or be made a part of a financial and accounting manual. A school district's purchasing manual typically will address the following items:

- Purchasing goals and objectives;
- Statutes, regulations and board policies applicable to purchasing;
- Purchasing authority;
- Requisition and purchase order processing;
- Competitive procurement requirements and procedures;
- Supplier selection and relations;
- Receiving;
- Distribution; and
- Disposal of obsolete and surplus property

The *Financial Accountability System Resource Guide Update 10.0* further indicates that, overall, a good purchasing manual establishes rules for making school district purchases.

It provides guidance to school district employees at the campus and departmental levels in requisitioning purchases and often is used to acquaint vendors and suppliers with the school district's policies and procedures. Internally, the manual helps in training school district personnel in purchasing policy and procedures. Finally, it promotes consistency in purchasing applications throughout the school district.

In the absence of a comprehensive purchasing manual, District personnel may not be fully aware of their responsibilities and the process in general. This lack of awareness can allow for different interpretations and application of purchasing practices among departments. This, in turn, creates greater risk in the purchasing process, including the possibility of unauthorized purchases and the expenditure of District funds for supplies and services that may not be needed.

Payroll Functions

R2.18 Salem CSD should segregate the duties related to processing and reviewing payroll information. Doing so would strengthen the District's internal controls over this process and in turn, minimize the risk of error or potential fraud.

Salem CSD has procedures in place to verify payroll and deductions. More specifically, it has developed payroll processing policies and procedures for its Treasurer's Office that explain time sheet procedures, employee absence reports and submission of appropriate forms. Furthermore, the Payroll Supervisor tracks deductions and other payroll information, and prepares reconciliations every payroll period to ensure accuracy. Employees are paid bi-weekly and the District has limited special payroll runs. Additionally, attendance and leave forms must be approved before the information is entered into the payroll system. The payroll supervisor also reviews attendance information to ensure that it matches the information listed in the payroll report. The District has controls in place to prevent unauthorized users from entering information into the payroll system. The payroll system is password protected and the only employees who have access to payroll files are the Payroll Supervisor and the Treasurer. Furthermore, time cards and time sheets are signed and approved by building principals and department heads before being sent to the Treasurer's Office for processing by the Payroll Supervisor. Lastly, reconciliations are built into the payroll computer system.

While the District has procedures and some controls in place for payroll processing, the Payroll Supervisor is in charge of processing and reconciling payroll information. According to *Standards for Internal Control in the Federal Government* (Government Accountability Office, 1999), key duties and responsibilities should be divided among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No individual should control all key aspects

of a transaction or event. Similarly, *Internal Control Practices for Payroll* (University of California, 2006) indicates that a major step school districts can take to ensure proper payroll processing is to have different people performing key payroll duties. Employees should not process or approve actions affecting their own pay. School districts should have different people perform the following tasks:

- Prepare and update payroll and personnel data;
- Approve payroll actions;
- Review monthly payroll expense reports;
- Review and reconcile financial records on a monthly basis; and
- Distribute the payroll.

By having the same individual process and review payroll information, the District weakens the internal controls governing this process.

R2.19 The District should expand the use of direct deposit and consider negotiating mandatory direct deposit in future collective bargaining agreements. The use of direct deposit reduces the cost of processing payroll and helps minimize security risks associated with lost or stolen checks.

Although it is not mandatory, the Payroll Clerk indicated that approximately 60 to 70 percent of District employees are using direct deposit. While the District requires new employees to use it, employees that have been with the District before direct deposit was available were never required to participate.

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

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

Besides avoiding some of the steps involved with issuing paychecks, it carries the additional advantage of putting money in employee bank accounts at once. However, paper-based notification of direct deposit payment may still need to be sent to employees. While this would require printing and distribution steps, there would be no need for signing the notifications or tracking pay checks not yet cashed by employees. *Accounting*

Best Practices further indicates that if properly implemented, direct deposit can be a clear advantage to both the accounting department and employees.

Warehouse

R2.20 Salem CSD should discontinue the current warehouse operation and begin the transition to a just-in-time (JIT) delivery system. In addition, the District should complete a physical inventory to determine which items should be distributed to school buildings and the excess inventory that should be sold to suppliers. Implementing a JIT system would eliminate the costs related to maintaining a warehouse and the manual system used to track inventory. A JIT system may also help the District increase its ability to purchase in bulk and as a result, realize volume discounts because it will not be limited to the capacity of the warehouse to store items. Furthermore, the District should review its custodian, maintenance and grounds duties along with the staffing assessment conducted in the facilities section of this audit to appropriately assign new duties to the position currently assigned to manage the warehouse.

In addition to incurring avoidable costs by operating a warehouse, Salem CSD does not operate the warehouse in accordance with many recommended practices. This may be due, in part, to staff lacking experience with warehouse operations and the absence of formal training on proper warehouse procedures. In addition, the District does not have a job description including qualifications for the position that manages its warehouse operation. The person currently responsible for managing the warehouse also functions as a custodian.

Table 2-11 compares Salem CSD's current warehouse practices to those suggested by OPPAGA and the Texas Education Agency (TEA).

Table 2-11: Comparison of Warehouse Operations

Best Practice	Salem CSD Current Practice
1) The District periodically identifies and evaluates the costs to maintain inventory. (OPPAGA)	No. The District has not evaluated the cost of maintaining an actual warehouse versus a JIT system or the cost of ordering paper products in bulk versus JIT system.
2) Inventory requisitions are delivered timely. (OPPAGA)	No. There are no written policies or procedures regarding warehouse operations or supplier delivery requirements to ensure timely delivery.
3) Users receive inventory items they ordered, and they have appropriate receiving documentation.(OPPAGA)	No.. Staff physically checks the buildings' inventories against the requisitioned inventory when buildings submit questionable requisitions. The Maintenance Supervisor marks down the amount to be delivered on the building requisition or reject the requisition if it is questionable.
4) Inventory control to accurately account for items received and disbursed. Also, does monitoring of inventory turnover with legal disposition of items which are inactive occur? (TEA)	No. Inventory control and inventory monitoring are not performed by the warehouse. Documented policies and procedures along with evaluations of physical inventories have not been established.
5) Periodic (at least annual) physical inventories are done as an independent means of establishing accountability for the inventories that should be on hand. (TEA)	No. Documentation of physical inventories of the warehouse could not be provided, and the Treasurer has never been provided with a report detailing the warehouse inventory
6) Items stored in warehouse are those that the user most frequently asks for. (OPPAGA)	Yes. The warehouse obtains building and department orders for all the supplies and materials needed for the following school year.
7) Effective reorder points are used for stock replenishment.(OPPAGA)	No. The District does not have any established reorder points.
8) Warehouse space planning which uses available space efficiently (such as ten foot aisles). (TEA)	No. There is a general lack of organization in the warehouse, and proper space planning is not being evaluated.
9) Separate areas for receiving, storing, and shipping of inventories. (TEA)	No. The same area is used for each activity.
10) Proper segregation of duties of warehouse personnel which seeks to prevent sole custody of inventories. (TEA)	Yes. Duties are segregated among warehouse personnel

Source: Florida's Office of Program Policy and Government Analysis (OPPAGA), "Financial Accountability Resource Guide" (Texas Education Agency (TEA), 2003), and District interviews.

As shown in **Table 2-11**, the District follows only two of the eleven suggested practices. The failure to monitor inventory and the lack of inventory controls means that Salem CSD cannot properly ensure all supplies purchased are being used solely for District operations. Furthermore, the District does not have data detailing inventory histories, which inhibits the planning process for making future purchasing decisions. Also, the

District cannot properly identify discrepancies in remaining inventory because there is no record of supplies ordered or supplies used.

According to the Rockford Consulting Group (RCG), a firm that specializes in manufacturing, distribution and supply chain management consulting that includes purchasing and distribution, JIT techniques provide the cost effective production and delivery of only the necessary quality parts in the right quantity, at the right time and place, while using a minimum of facilities, equipment, materials, and human resources. JIT techniques can be applied to the full cycle of procurement, manufacturing, and delivery. RCG notes that improved work place organization and visibility of operations are characteristics of JIT techniques. Furthermore, material-related costs are reduced by decreasing the number of suppliers with which a company deals through the use of long-term contracts. This eliminates the need to count individual parts and stock inventory, reduces order scheduling, eliminates expediting, simplifies receiving systems, and eliminates inspection at receiving.

Financial Recovery Plan

R2.21 Salem CSD should analyze and use the financial recovery plan outlined in Table 2-12 to evaluate the effect of recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should consider implementing the recommendations in this performance audit and taking other appropriate actions to improve is financial condition. In addition, the District should update it financial recovery plan on an on-going basis as critical financial issues change, closely monitor revenue and expenditure activity, and actively review its performance against budgeted and projected figures.

Even by including the financial impact of all of the performance audit recommendations, the District is projected with negative ending fund balances from FY 2006-07 to FY 2009-10. Therefore, the District should consider various options to further reduce expenditures, which can include determining whether to reduce regular and educational service personnel (ESP) staffing (see human resources), and bring transportation services (see transportation) closer to State minimum standards. The District should discuss such options with the community to determine stakeholder needs and desires regarding service levels. If the community prefers that current service levels be maintained, additional revenues may be necessary to stabilize the District's financial condition.

Lastly, the District should continually examine its student enrollment trends, particularly students leaving to attend other schools, because the District's tuition expenditures have increased significantly in recent years. Salem CSD should implement measures to minimize the impact of declining enrollment on its financial

condition (see R2.5). For example, if the District continues to experience reductions in student enrollment, it can implement staffing reductions that correspond to the decrease in enrollment but still operate above State minimum standards. The District should also determine whether it can use other funds to help meet instructional supply set-aside requirements, to help offset the projected deficits in Table 2-12 (see R2.6).

Table 2-12 presents a potential financial recovery plan for use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. **Table 2-12** also includes the revised projections outlined in **R2.3** and **R2.7** to present a more appropriate forecast of these items. Additionally, **Table 2-12** includes the cumulative effect of the audit recommendations. Approximately 70 percent of the savings attributable to the performance audit recommendations are subject to negotiation with the collective bargaining units.

For Salem CSD to maintain an acceptable level of financial stability, it will need to make difficult management decisions regarding potential means for increasing revenue and/or reducing expenditures. This includes determining whether the District can afford to continue operating well above State minimum standards for regular education teachers and ESP personnel. More specifically, the District employed 24.0 more FTE regular education teachers and 6.3 more FTE ESP staff as of June 2006, when compared to the applicable minimum staffing requirement in OAC 3301-35-05. The District would eliminate the negative ending fund balances in **Table 2-12** if it eliminated 24 regular teaching positions, based on teachers with the lowest salaries. For instance, it is estimated that Salem CSD would attain a positive ending fund balance of approximately $1.3 million in FY 2009-10 by reducing 24 regular teaching positions.

Furthermore, it should be noted that the revised assumptions for purchased services vary the most when compared to the District's original projections (see **R2.3** to **R2.7**). Specifically, the revised assumptions for purchased services are higher than the District's original projections by an annual average of approximately $1.3 million from FY 2006-07 to FY 2009-10. This is primarily due to projecting tuition expenditures to increase by 30 percent in FY 2006-07, 20 percent in FY 2007-08, and 10 percent for FY 2008-09 and FY 2009-10 (see **R2.5**). If purchased service expenditures do not increase at the forecasted rates, it could have a material impact on the projected ending fund balances in **Table 2-12**. For example, if total purchased service expenditures increased by only three percent annually and the other revised assumptions and performance audit recommendations are implemented, Salem CSD would maintain positive ending fund balances in FY 2007-08 and FY 2008-09. Although there would still be a negative ending fund balance of approximately $736,000 in FY 2009-10, it would be, substantially lower than the amount shown in **Table 2-12** ($4.3 million).

This performance audit provides a series of recommendations Salem CSD should consider. However, the audit is not all-inclusive, and other cost saving and revenue enhancing options should be continually assessed and incorporated into the financial recovery plan.

Table 2-12: Proposed Recovery Plan (in 000s)

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
General Property Tax	$7,171	$8,109	$8,360	$8,489
Tangible Personal Property Tax	$1,830	$1,231	$662	$67
Income Tax	$0	$0	$0	$0
Unrestricted Grants-in-Aid	$6,568	$6,502	$6,437	$6,405
Restricted Grants-in-Aid	$120	$119	$119	$118
Property Tax Allocation	$1,706	$2,181	$2,605	$2,644
Other Revenues	$646	$640	$633	$627
Other Financing Sources	$0	$0	$0	$0
Total Revenues	**$18,041**	**$18,782**	**$18,816**	**$18,350**
Personal Services	$8,869	$9,313	$9,778	$10,120
Employees' Retirement/Insurance Benefits	$4,734	$5,209	$5,653	$6,106
Purchased Services	$3,303	$3,797	$4,114	$4,461
Supplies and Materials	$510	$383	$394	$406
Capital Outlay	$0	$0	$0	$0
Debt Service: Principal-Notes	$0	$650	$650	$0
Debt Service: Interest and Fiscal Charges	$56	$42	$28	$0
Other Objects	$396	$408	$421	$433
Other Financing Uses	$70	$70	$70	$70
Total Expenditures and Other Financing Uses	**$17,939**	**$19,871**	**$21,108**	**$21,597**
Excess of Revenues over (under) Expenditures	**$102**	**($1,089)**	**($2,292)**	**($3,247)**
Beginning Cash Balance	($1,142) [1]	($1,040)	($2,129)	($4,420)
Ending Cash Balance	($1,040)	($2,129)	($4,420)	($7,667)
Estimated Encumbrances	($20)	($20)	($20)	($20)
Ending Fund Balance	**($1,060)**	**($2,149)**	**($4,440)**	**($7,687)**
Cumulative Impact of AOS Recommendations [2]	N/A	$1,059	$2,195	$3,376
Fund Balance Including AOS Recommendations	**($1,060)**	**($1,090)**	**($2,245)**	**($4,311)**

Source: Salem CSD and AOS
Note: The performance audit recommendations are increased each year based on the Treasurer's assumptions or AOS revised assumptions.
[1] Reflects the actual ending cash balance in FY 2005-06.
[2] Excludes the cost avoidance of bus replacements because the Treasurer does not include bus replacements in the forecast. Also excludes the food service recommendations as the net impact is close to zero for the food service fund.

Human Resources

Background

This section of the performance audit focuses on Salem City School District's (Salem CSD or the District) human resource (HR) operations. The objective is to analyze the human resource function and develop recommendations for operational improvements and reductions in expenditures. For benchmarking purposes, comparisons are made to a ten district peer average and to other applicable sources, including the State Employment Relations Board (SERB) and the Society for Human Resource Management (SHRM). The peer average is comprised of Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified in the same demographic category as Salem CSD (Urban – low median income, high poverty) by the Ohio Department of Education (ODE). In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, the audit staff administered a survey of Salem CSD's employees regarding human resource services and the results were used throughout this section of the report. **Appendix 3-A** at the end of this section contains the full results of the human resource survey.

Organizational Structure and Function

Salem CSD does not have a separate department dedicated to HR functions. Instead, the primary HR responsibilities are completed by the Superintendent, Treasurer, school principals, and department heads. The Superintendent organizes activities and programs used to recruit and select employees, and administers and negotiates the collective bargaining agreements. The Treasurer conducts payroll functions and reviews budgetary items, in addition to receiving, depositing, and accounting for all District funds. The principals and department heads complete evaluations, and address performance issues for staff in their buildings and departments. Lastly, the clerical staff has HR data entry responsibilities.

Staffing

In FY 2005-06, Salem CSD employed 248.89 FTEs. During the course of this audit, the District underwent a reduction in force (RIF), in addition to staff retirements. This led to the elimination of 29 positions, including 13 teaching positions, as of June 21, 2006. Twelve of the teaching positions were recalled during the summer.

Table 3-1 illustrates the FY 2005-06 actual District full-time equivalent (FTE) staffing levels, staffing levels adjusted for the RIF, and the peer average, as reported to ODE through the Educational Management Information System (EMIS). While **Table 3-1** excludes the 12 teaching positions recalled during the summer, these positions have been accounted for when assessing teacher staffing levels (see *Assessments Not Yielding Recommendations*). In addition, the FTEs in **Table 3-1** are presented on a per 1,000 average daily membership (ADM) basis because staffing levels are heavily dependent on student enrollment.

Table 3-1: FTE Staffing Levels for FY 2005-06

Classifications	Salem CSD			Peer Average	
	FTEs Reported	Adjusted FTEs Reported [1]	FTEs Per 1,000 Students [2]	FTEs Reported	FTEs Per 1,000 Students
Administrators:	**17.00**	**15.00**	**6.51**	**12.26**	**6.08**
Site Based Administrators	8.00	6.00	2.60	5.60	2.66
Central Administrators	9.00	9.00	3.91	6.66	3.43
Educational Staff:	**152.84**	**133.84**	**58.07**	**139.36**	**67.75**
Curriculum Specialist	0.00	0.00	0.00	0.10	0.04
Counselors	3.00	3.00	1.30	4.83	2.29
Librarian / Media	1.00	1.00	0.43	1.54	0.80
Remedial Specialist	8.07	6.07	2.63	4.38	2.12
Regular Teachers	103.40	90.40	39.22	100.79	48.99
Special Education Teachers	19.37	18.37	7.97	12.00	5.48
Vocational Teachers	4.00	3.00	1.30	1.04	0.60
Tutor/Small Group	0.00	0.00	0.00	2.01	1.07
ESP Teachers	12.00	10.00	4.34	9.36	4.67
Supplemental Special Ed.	0.00	0.00	0.00	3.12	1.57
All Other Educational Staff	2.00	2.00	0.87	0.20	0.11
Professional Staff:	**6.58**	**6.58**	**2.86**	**3.66**	**1.52**
Psychologists	1.65	1.65	0.72	0.67	0.25
Registered Nurses	2.00	2.00	0.87	1.00	0.52
Social Workers	0.00	0.00	0.00	0.20	0.07
Physical Therapists	0.00	0.00	0.00	0.10	0.04
Speech & Language Therapists	2.93	2.93	1.27	1.39	0.51
All Other Professional Staff	0.00	0.00	0.00	0.48	0.14
Technical Staff:	**2.00**	**2.00**	**0.87**	**6.47**	**2.69**
Computer Support	0.00	0.00	0.00	0.20	0.10
Practical Nurses	1.00	1.00	0.43	0.00	0.00
Library Technicians / Aides	1.00	1.00	0.43	2.71	1.25
Instruct. Paraprofessionals	0.00	0.00	0.00	3.08	1.19
All Other Technical Staff	0.00	0.00	0.00	.48	0.14
Office / Clerical Staff:	**15.00**	**14.00**	**6.07**	**23.78**	**10.68**
Clerical	11.00	10.00	4.34	12.18	5.55
Teaching Aides	0.00	0.00	0.00	10.42	4.60
Other Office / Clerical Staff	4.00	4.00	1.74	1.19	0.53
Maintenance Workers	**5.00**	**5.00**	**2.17**	**3.02**	**1.26**
Custodians/Ground keepers	**18.00**	**17.00**	**7.38**	**16.90**	**7.20**
Bus Drivers	**11.32**	**11.32**	**4.91**	**16.54**	**7.24**
Food Service Workers	**10.57**	**9.57**	**4.15**	**15.93**	**6.71**
Monitoring	**10.58**	**9.08**	**3.94**	**3.7 [3]**	**1.1 [3]**
All Other Reported Personnel	0.00	0.00	0.00	5.26 [3]	2.27 [3]
Total FTE Reported	**248.89**	**223.39**	**96.93**	**243.16**	**113.40**

Source: FY 2005-06 EMIS data reported to the ODE as of 03/05/06.
[1] Reflects staffing after the District made reductions in June 2006. See the **regular education personnel** section of the *Assessments Not Yielding Recommendations* for an analysis of the recalled teaching positions.
[2] Reflects adjusted FTEs on a per 1,000 student basis.
[3] Monitoring is also included in "All Other Reported Personnel" for the peer average.

As illustrated in **Table 3-1**, Salem CSD has higher FTE staffing levels per 1,000 ADM when compared to the peer average in the following categories:

- **Administrators:** Salem CSD employs seven percent more administrators per 1,000 ADM when compared to the peer average (see **R3.3**).

- **Remedial Specialists:** Salem CSD has 0.51 more remedial specialist FTEs per 1,000 ADM than the peer average. However, the remedial specialists are funded with Title I monies. In addition, Salem CSD does not classify any staff as "tutor/small group instructors," in contrast to the peers. When combining remedial specialists and tutor/small group instructors, the District's ratio of 2.6 FTEs per 1,000 ADM is lower than the peer average (3.2).

- **Special Education:** Salem CSD employs 2.49 more special education FTEs per 1,000 ADM when compared to the peer average. When including the supplemental special education category, Salem CSD's ratio of 8.0 special education FTEs per 1,000 ADM is still higher than the peer average (7.1). However, when including only special education students along with speech and language impairment students and related therapist positions, the District maintains a ratio of 16.0 students per teacher/therapist, which is only 3.7 percent lower than the peer average (16.6). Additionally, the District employs only 0.77 more special education teachers than the minimum staffing requirements in Ohio Administrative Code (OAC) Section 3301-51-09.

- **Vocational Education:** Salem CSD employs 0.7 more vocational FTEs per 1,000 ADM when compared to the peer average (see **R3.22**).

- **All Other Educational Staff:** Salem CSD employs 0.76 more FTEs per 1,000 ADM in this category than the peer average. Salem CSD codes the in-school suspension supervisor and computer applications instructor in this category.

- **Psychologists, and Speech and Language Therapists:** Salem CSD employs 0.47 more FTE psychologists per 1,000 ADM, and 0.76 more FTE speech and language therapists per 1,000 ADM when compared to the respective peer averages. Staffing levels in these areas are impacted, in part, by OAC Section 3301-51-09 (see *Issues for Further Study*).

- **Registered Nurses (RN) and Practical Nurses:** Salem CSD employs 0.35 more RN FTEs per when 1,000 ADM when compared to the peer average. In contrast to the peers, the District also employs 1.0 practical nurse FTE. However, RNs are included as a part of educational service personnel (ESP). When including all ESP classifications, Salem CSD employs fewer FTEs per 1,000 students when compared to the peer average (see *Assessments Not Yielding Recommendations*).

- **All Other Office/Clerical Staff:** Salem CSD employs 1.21 more other office and clerical FTEs per 1,000 ADM when compared to the peer average. However, when including all like clerical classifications in EMIS, Salem CSD employs 6.1 FTEs per 1,000 ADM, which is similar to the peer average.

- **Maintenance Workers, Custodians and Groundskeepers:** Salem CSD has 0.91 more maintenance worker FTEs per 1,000 ADM and 0.18 more custodian/groundskeeper FTEs per 1,000 ADM when compared to the respective peer averages (see the **facilities** section for further discussion).

- **Monitors:** Salem CSD employs 2.84 more monitor FTEs per 1,000 ADM when compared to the peer average. At Salem CSD, these positions are duty aides who monitor recess and lunchroom activity (see *Issues for Further Study*).

Collective Bargaining Agreements

The Salem CSD Board of Education has a collective bargaining agreement with certificated employees, which includes classroom/teaching personnel. The current contract went into effect September 1, 2006 and expires August 1, 2009. The Board of Education also has a collective bargaining agreement with classified employees, which includes cafeteria, custodial, transportation, secretary, library aide, duty aide, paraprofessional, maintenance, and supply clerk staff. The negotiated agreement is effective from July 1, 2005 to June 30, 2009.

Since contractual and employment issues directly affect the operating budget, they have been assessed and compared to related benchmarks and State legislative requirements. While a review of some of the provisions yielded no recommendations, some assessments resulted in recommendations that would require negotiation prior to implementation (see **R3.10** to **R3.14**).

Noteworthy Accomplishments

During the course of this performance audit, AOS identified the following noteworthy accomplishment related to human resources:

- **Professional Development Committee:** Salem CSD's professional development committee monitors and enforces standards of employment, including teacher certification. The District has developed a database that identifies teachers whose certification is about to expire. Once identified, the committee is in constant communication to ensure the certification is renewed in a timely manner. Also, at the time of this audit, the professional development committee was developing a website which would allow staff to access documents and information for certification.

Assessments Not Yielding Recommendations

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

- **Regular education personnel:** After accounting for the RIFs and subsequent recalls, Salem CSD maintains a ratio of 20.2 students per teacher, which is similar to the peer average (20.5). When considering only the regular student population, the District maintains an average of 18.9 students per teacher, which is higher than the peer average of 17.9 students per teacher. OAC § 3301-35-05 requires school districts to employ at least one FTE classroom teacher for every 25 regular education students on a district-wide basis. Based on this minimum standard, the District needs to employ 78 FTEs. Therefore, if necessitated by its financial condition, the District could reduce 24 regular teacher positions and still comply with OAC § 3301-35-05 (see **financial systems**).

- **Education service personnel (ESP):** Educational service personnel (ESP), as outlined in the OAC § 3301-35-05(A)(4), include art, music and physical education teachers; counselors; registered nurses; social workers; and library/media specialists. Salem CSD employs 3.6 ESP FTEs per 1,000 ADM, which is much lower than the peer average of 8.4. Similarly, based on the regular student population, Salem CSD employs 8.3 ESP FTE per 1,000 regular students, which is 1.3 FTEs fewer than the peer average. While Salem CSD has fewer ESP FTEs based on total ADM and the regular student population when compared to the peer average, it employs more ESP staff than required by OAC § 3301-35-05(A)(4). This statute requires school districts to maintain at least 5.0 ESP staff per 1,000 regular students, which results in the District needing to employ at least 9.9 ESP FTEs. This is approximately 6.3 FTEs less than the current staffing level of 16.0 FTEs. Therefore, if warranted by the District's financial condition, Salem CSD could reduce ESP staffing (see **financial systems**).

- **Salaries:** When compared to the peer average, Salem CSD's average salaries in FY 2005-06 were higher in the educational classification by 9.4 percent when compared to the peer average. This is due primarily to longer-tenured staff at Salem CSD. More specifically, 67.5 percent of the District's teachers have a length of service of 10 or more years, while the peer average is only 59.1 percent. Similarly, Salem CSD's average educational salary was 5.6 percent higher the average of the school districts in the county, based on information reported by ODE. This is due, in part, to 63.2 percent of teachers in the county exceeding 10 or more years of services, compared to 67.5 percent at Salem CSD.

- **Human resource information system (HRIS):** Salem CSD uses a component of state software to maintain human resource records. The Uniform School Payroll System

(USPS) stores information such as attendance and payroll history, allows viewable access to certain employees, and allows for conversion to the Educational Management Information System (EMIS) with minimal time and effort.

- **Collective bargaining agreements:** The following articles in the certificated agreement appear in line with applicable requirements in ORC or OAC, and/or other relevant benchmark standards and practices: school year; instructional time; class size; reduction in force; professional, personal, and sick leave days per year; and number of contract days. For the classified agreement, the following articles appear in line with applicable requirements in ORC or OAC, and/or other relevant benchmark standards and practices: workweek; minimum call-in hours; and personal, sick, and vacation leave days per year.

- **Certificated staff training:** Salem CSD has effectively implemented training programs for its certificated staff by completing needs assessments, maintaining formal staff development plans to meet state and Federal requirements, and allowing staff to provide feedback on training experiences. Furthermore, the District uses the County local professional development committee to offer training opportunities, maintain training records and provide entry year training programs. The District has also implemented controls over training for certificated staff. Specifically, staff are aware of their training responsibilities and have access to professional development funds, which they use to attend workshops and trainings. Pre-approval is required in order to gain access to the funds for employee training.

- **Board and administration roles:** The District has policies that clearly delineate the responsibilities of the Board, Superintendent, and the Treasurer. Historically, the Board has set goals for the Superintendent and the Treasurer within each individual contract, which are evaluated on a yearly basis. In addition, the Board, with assistance from the Superintendent, periodically reviews and updates district policies. Also, Board members are encouraged to pursue additional training during their term with the District.

- **Special education program:** Salem CSD has adopted policies and procedures developed by ODE for special education. These policies and procedures were developed to ensure districts are compliant with state and federal laws related the assessment, identification, placement, and servicing of special needs students. Although the District employs only 0.77 more special education FTEs than the minimum staffing requirements in Ohio Administrative Code (OAC) Section 3301-51-09, it spent an average of $6,530 per special needs student in FY 2004-05, which was 5.4 percent higher than the peer average. This is due, in part, to the District's payment of a portion of the employee retirement contribution (see **R3.5**). Furthermore, Salem CSD sends progress reports to parents every nine weeks and holds parent conferences twice a year. Lastly, due process and mediation is included in the *Model Procedures for the Education of Children with Disabilities* (ODE, 2003) and references specific ORC guidelines.

- **Title I program:** Salem CSD has written policies for the identification and assessment of Title I students that are in line with state and Federal law. District services are based on the needs of students, included in the District's Comprehensive Continuous Improvement Plan (CCIP). The District also conducts annual surveys of parents, teachers, and principals to solicit input on the program.

- **Accelerated program:** Salem CSD has procedures in place for the identification, placement, and education of gifted students. The District also uses County and State resources to help provide accelerated education.

Issues for Further Study

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

- **Psychologists, and Speech and Language Therapists:** Salem CSD has 0.72 psychologists per 1,000 ADM, which is higher than the peer average of 0.25. Five of the ten peer districts reported no psychologist FTEs. Additionally, OAC 3301-51-09 states that each school district shall provide services at a ratio of 1.0 FTE school psychologist per 2,500 students. By comparison, Salem CSD provides 1.8 school psychologist FTEs per 2,500 students. Furthermore, OAC 3301-51-09 (g) states that a school psychologist is to provide services to no more than 125 school-age children with disabilities and no more than 75 preschool-aged children with disabilities. Based on the District's total number of school-age and preschool children with disabilities, it averages 207 school-age children per psychologist and 23 preschool students per psychologist.

  Salem CSD also employs more speech and language therapists per 1,000 students when compared to the peer average. Speech and language therapy staffing levels are impacted by the number of students requiring these services. 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 employ a minimum of approximately 2.5 therapist FTEs. As shown in **Table 3-1**, Salem CSD employs 2.93 speech and language therapist FTEs, a number slightly higher than the minimum. OAC 3301-51-09 further indicates that a speech and language therapist is to provide services to no more than 80 school-age children with disabilities; or no more than 50 school-age children with multiple disabilities, hearing impairments, and/or orthopedic/other health impairments; or no more than 50 preschool children with disabilities. To be in line with the ratios by type of student disability, Salem CSD would have to employ at least 2.44 FTEs. This is based on the total number of students reported by the District in the related categories. This also

assumes that the ratio of one therapist to 80 students with disabilities in OAC 3301-51-09 is based only on the students classified with speech and language impairments.

According to ODE, a district's compliance with the specific ratios by student disability for psychologists and for speech and language therapists would be determined by the actual number of students served by these positions, rather than the total number of students reported in the respective categories. Therefore, the District should review the caseloads of its psychologists and speech and language therapists, and contact ODE for further clarification. Doing so would fully ensure compliance with the aforementioned ratios and help the District determine whether it should consider staffing reductions in these areas.

- **Monitors:** Salem CSD has more monitors (duty aides) per 1,000 students than peer districts. Additionally, of the ten peers, only three districts reported monitoring positions in EMIS. Due to potential discrepancies in EMIS reporting for this function, some duty aides at Salem CSD monitoring recess along with lunchroom activity, and the lack of information documenting the time spent for these respective activities, a valid and reliable staffing assessment could not be completed. As a result, the District should review monitor staffing levels to determine if they are appropriate. The higher monitor FTEs per 1,000 students could be partially due to the District's lower regular teacher FTEs per 1,000, assuming that regular teachers would be performing these functions in lieu of employing monitors.

Recommendations

Staffing

R3.1   **Salem CSD should establish a formal staffing plan to help address current and future staffing needs. By developing a formal staffing plan, the District would better ensure that it is meeting State requirements and has adequate staffing to serve its students. Furthermore, the District would have a better means for forecasting personnel costs. In order to help Salem CSD develop a formal staffing plan, it should review the other sections of this performance audit because they contain variables (e.g., workload measures and enrollment projections) that should be considered when analyzing staffing levels for the District's specific operations.**

Salem CSD does not have a formal staffing plan or method for allocating staff. However, it informally evaluates staffing levels to help anticipate District needs. Staffing for certificated personnel is governed by OAC § 3301-35-05 for regular education students, while OAC § 3301-51 establishes maximum student to teacher ratios for each classification of special needs students.

Tulsa Public Schools has established a staffing plan that outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. The instructional and administrative allocations are based on student enrollment or student caseload for special education. Also, custodial and food service staffing allocations are based on workload measures. For example, the determination of custodial staffing levels is based on the number of teachers, students, and rooms, and the total area of the buildings. Food service staffing allocations are based on minimum target meals per labor hour established by the district. The staffing plan also outlines the procedures for developing the allocations in each area.

By not establishing a formal staffing plan, the District increases the risk of being insufficiently or inefficiently staffed within its various operational areas and not meeting statutory requirements. Since personnel expenditures accounted for 85 percent of total expenditures in FY 2004-05, ensuring adequate and efficient staffing levels through a formal staffing plan can have a significant impact on the District's financial condition.

R3.2   **Salem CSD should develop policies and procedures to ensure that EMIS reports are accurately prepared and reconciled prior to submission to ODE. Staff responsible for collecting and reporting EMIS data should work closely throughout the year to address any data discrepancies. Additionally, the District should provide formal EMIS training to staff on a regular basis (e.g., annually) to account for changes in EMIS reporting. The District should also consider creating an EMIS team to review**

the reports and ensure their accuracy before final reporting. Taking these measures would help ensure that the District submits accurate EMIS reports to ODE.

Training on entering data into the EMIS databases has not been provided to all staff who participate in the data entry process. Additionally, EMIS reports are not reconciled with District records. The District's Payroll Clerk is responsible for providing EMIS staffing data to the Superintendent's Administrative Assistant for submission to ODE. Staff data is entered as part of the payroll system, where it is stored until it is transferred into the appropriate format for EMIS submission by the Administrative Assistant. In addition, the Superintendent's Administrative Assistant is responsible for collecting and submitting EMIS student data to ODE.

While staff attended some EMIS meetings in FY 2004-05, the Payroll Clerk never received formal EMIS training. Instead, the Payroll Clerk is notified of any changes in EMIS reporting by EMIS coordinators located at the District's Information Technology Center (ITC) and by the Assistant to the Superintendent. Additionally, it appears the two staff members responsible for collecting data assume that the other individual is responsible for ensuring accuracy.

The Ohio Association of EMIS Professionals (OAEP) recommends that data reports be shared with district administrators before the closing date of the reporting period to assist in correcting data and to provide missing data. Additionally, OAEP recommends that if staff data maintenance and EMIS reporting are handled by two different individuals or offices, the quality of the data depends upon how closely those individuals or offices work together and communicate. Staff must identify the risks when there are disconnects and correct any problems that may arise, as data errors are increasingly under scrutiny by ODE. Furthermore, a representative from the Stark Portage Area Regional Computer Consortium ITC recommends creating an EMIS team in a district to work together throughout the year on the EMIS data process. This team should include the following:

- EMIS professional;
- Superintendent;
- Treasurer;
- Curriculum director;
- Special education director;
- Vocational director;
- Technology coordinator;
- Building administrators; and
- Staff who are responsible for staff/payroll data.

The lack of formal policies and procedures for EMIS reporting that include reconciliation of data prior to submission, and the failure to provide adequate training on the EMIS data

reporting process, increase the potential for reporting inaccurate data to ODE. This, in turn, can impact the level of funding received by the District. OAEP indicates that EMIS data is directly related to district funding and accountability, district image, and professional reputation.

R3.3   Salem CSD should consider reducing 1.0 administrator FTE by reviewing and consolidating administrative duties with the remaining positions. Doing so would bring administrative staffing levels closer to the peer average. According to the Superintendent, one administrator resigned during the course of the performance audit and will not be replaced.

Table **3-2** illustrates the total school administrative staffing for Salem CSD and peer districts, based on the number of students, district staff, and school buildings.

Table 3-2: Administrative Staffing

	Salem CSD	Peer Average	Difference
Central Administrators [1]	9.0	6.7	2.3
Site Based Administrators	6.0	5.6	0.4
Total FTE Administrators	**15.0**	**12.3**	**2.7**
Site Based Administrators per Building	**1.2**	**1.2**	**0.0**
Total Employees Excluding Administrators	208.4	230.9	(22.5)
Employees per Administrator	**13.9**	**18.3**	**(4.4)**
Central Administrators per 1,000 Students	3.9	3.4	0.5
Site Based Administrators per 1,000 Students	2.6	2.7	(0.1)
Total Administrators per 1,000 Students	**6.5**	**5.9**	**0.6**

Source: Salem CSD interviews and FY 2005-06 EMIS data, as reported to ODE.
[1] This assessment was based on the District employing a food service director. Although Salem CSD contracted the supervision of food services to a private company during the course of this audit, this assessment still assumes 1.0 supervisor for food services because the District is still paying for this function. In addition, the contracted costs are only slightly lower than employing an in-house food service supervisor (see **R5.9** in food services).

As **Table 3-2** shows, Salem CSD's ratio of 13.9 employees per administrator is 4.4 employees (24 percent) lower than the peer average of 18.3 employees per administrator. In addition, Salem CSD employs 10 percent or 0.6 more administrator FTEs per 1,000 students when compared to the peer average. As the number of site-based administrator FTEs per 1,000 students and per building are similar to the respective peer averages, the higher administrator staffing levels are due to the central administrators. For instance, the District employs approximately 15 percent more central administrators per 1,000 students when compared to the peer average. Furthermore, the District's higher administrative staffing levels are not offset or explained by clerical staffing. More specifically, when including all like clerical classifications in EMIS, Salem CSD employs 6.1 FTEs per 1,000 ADM, which is equal to the peer average.

By reducing 1.0 administrator FTE, the number of administrators per 1,000 students would be 6.1, still slightly higher than the peer average. The number of employees per administrator would be 14.9, which would be 18.6 percent lower than the peer average. If the District chose to accomplish this reduction in the central classification, the number of central administrators per 1,000 students would be 3.5, still slightly higher than the peer average. Lastly, the District's actual enrollment decreased each year from FY 2001-02 to FY 2005-06. Assuming this trend continues in the future and the peer average remains constant, the District's administrator per student ratio would deviate further from the peer average.

Financial Implication: If the District reduced 1.0 administrator FTE, it could save approximately $97,000 annually based on the average administrator salary with benefits.

R3.4 **Salem CSD should consider implementing an automated substitute calling system that will meet the District's needs. In addition to automatically placing calls to substitutes based on the District's prioritized roster and enabling staff to focus on other tasks, an automated substitute system would provide management with reports concerning substitute placement rates, absenteeism and other useful information. Upon successful implementation of the automated system, the District should eliminate the substitute caller supplemental contract.**

The District does not have an electronic system to call substitute teachers. The Payroll Clerk receives a supplemental contract for calling substitutes for certificated staff and maintains a spreadsheet of substitutes. Another employee is responsible for locating substitute custodial and cafeteria staff from a pool of seven to ten individuals. Each building is responsible for finding its own substitute aides from a list of available substitutes for the building. In addition, only 37 percent of respondents in the employee survey agreed that the District's current system of placing substitutes is effective, with 30 percent disagreeing and 26 percent being neutral / unsure.

Automated substitute-calling systems are web-based or phone-based systems that automatically contact substitutes from a pre-established list of employees. Based on the features of a particular software system, an automated phone-based substitute calling system offers several benefits, including the following:

- Eliminates the labor intensive task of calling substitutes manually;
- Links teachers to preferred substitutes or substitute groups;
- Allows staff members who do not need substitutes to simply report absences;
- Establishes district-specific calling times;
- Allows individual substitutes to choose their own calling times;

- Prints a listing of absent teachers and arranged substitutes at a school each morning; and
- Allows prioritization of a school's substitute lists.

The lack of an automated substitute-calling system created the need to provide a supplemental contract to an employee who is responsible for finding substitute teachers. Also, more than one employee is responsible for locating substitutes for the District.

Financial Implication: An automated substitute calling system could cost approximately $900 for software, training, and a telephone device license fee, and $300 annually for maintenance and support. However, the District should be able to achieve savings by eliminating the substitute caller supplemental contract, for a net cost savings of $3,400 the first year and $4,300 annually thereafter.

Compensation

R3.5   **In future negotiations, Salem CSD should eliminate the contract provision requiring it to pay a portion of the employees' retirement contribution. The District should do likewise for the non-bargaining positions.**

The current certificated and classified collective bargaining agreements require Salem CSD to pay a portion of District employee retirement contributions. Specifically, the District pays half of the certificated and classified employee retirement contributions, which equates to 5 percent of employee salaries. Salem CSD also pays the full employee retirement contribution for all administrative personnel. **Table 3-3** compares the District's average salaries, with and without the payment of the employee retirement contribution, to the peer average.

Table 3-3: Average Salary Comparison

	Salem CSD Average Salaries	Salem CSD With Retirement	Peer Average Salaries
Administrators	$63,116	$69,428	$63,157
Educational Staff	$49,236	$51,698	$45,008
Professional Staff	$40,091	$42,096	$48,237
Technical Staff	$16,296	$17,111	$17,602
Bookkeeping	$30,595	$32,125	$32,527 [1]
Clerical	$20,983	$21,582	$25,373
Maintenance Workers	$31,203	$32,763	$35,803
Bus Drivers	$12,272	$12,886	$15,014
Custodian	$27,464	$28,837	$27,602
Food Service	$7,455	$7,828	$11,127
Monitoring	$9,735	$10,222	$7,697 [1]

Source: Salem CSD and peers
[1] Only one and three peer districts reported bookkeeper and monitor average salaries, respectively.

As shown in **Table 3-3**, the District maintains higher average salaries only in the educational classification when compared to the peer average, with the exception of monitors. The higher educational salaries are primarily due to longer-tenured staff at Salem CSD (see *Assessments Not Yielding Recommendations*). When including the impact of the District paying the respective employee retirement contribution, the District's average salaries for administrators and custodians become higher than the peer averages. The District has taken action to minimize salary increase by not providing COLAs in FY 2004-05, FY 2005-06 and FY 2006-07. However, the Treasurer is forecasting COLAs of 2.5, 2.5 and 1.0 percent in FY 2007-08, FY 2008-09, and FY 2009-10, respectively (see **financial systems**).

Given the anticipated COLAs and annual salary step increases, continuing to pay all or a portion of the employee retirement contribution would further increase the disparity in educational, administrative, and custodian overall compensation when compared to the peer average. Conversely, eliminating the payment of the employee retirement contribution would treat each staff classification equitably and improve the District's financial condition.

Financial Implication: By eliminating the District's payment of the employee share of retirement contributions for classified and certificated employees, the District would realize an annual cost savings of approximately $373,000 per year. Eliminating this payment for administrators would yield an additional cost savings of approximately $107,000, for a total annual savings of $480,000.

R3.6 Salem CSD should consider eliminating the increases in substitute pay for certificated staff after 20 and 40 days. In addition, the District should consider

maintaining classified substitute pay rates at current levels or potentially reducing them. Doing so will make Salem CSD's substitute compensation rates more comparable to other districts in Columbiana County. Furthermore, based on employee responses to the AOS survey, the District should ensure that it selects qualified substitutes.

Certificated substitutes in Salem CSD are paid on a tiered system, depending on how many consecutive days the substitute has been working at the District:

- 0 – 20 days: $75.00;
- 21 – 40 days: $90.00;
- 41 – 60 days: $115.00; and
- 61+ days: $150.12[1].

Salem CSD's substitute rate starts at $75 and goes to $150. By comparison, of the ten other districts in the County, seven offer substitute teachers a starting rate of $70 per day, (the remaining three districts offer a starting rate of $80 per day). Eight of the ten districts provide an increase after 60 days, one after 26 days, and one does not provide any increase. After 60 days, seven districts provide substitute teachers an increase in pay by placing them on the beginning of the salary schedule for the bargaining unit, similar to Salem CSD. However, unlike nine of the ten districts, Salem CSD also provides substitute pay increases after 20 and 40 days. Lastly, the starting substitute rate is approximately $100.00 per day for retirees functioning as substitutes in three districts.

Table 3-4 compares Salem CSD's classified substitute rates to County school district rates.

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[1] Wage rate is equal to starting BA salary.

Table 3-4: Salem Classified Substitute Rates by Position

District	Cafeteria	Duty Aide	Custodian	Secretary
Salem City	**$7.14**	**$7.14**	**$9.07**	**$9.80**
Leetonia Exe. Village	$6.15	NA[2]	$ 7.85	$6.15
Lisbon Exe. Village	$6.00	$6.00	$7.00	$7.00
United Local	$6.15	NA[2]	$6.40	$6.35
Crestview Local	$6.50	NA[2]	$8.00	$6.50
East Liverpool	$7.16-$7.43[1]	NA[2]	$8.43	$7.50
Beaver Local	$7.15	$5.15	$7.15	$7.15
Southern Local	$6.20	$6.20	$7.20	$6.45
Columbiana Exe. Village	$7.00	$7.00	$7.00	$7.00
East Palestine City	NA[1]	$7.00	$8.00	$8.00
Wellsville Local	$5.30	$5.30	$5.30	$5.49
Average	**$6.54**	**$6.26**	**$7.24**	**$7.04**
Difference	$0.60	$0.88	$1.83	$2.76

Source: Salem CSD and peer district interviews.
[1] Amount varies depending on if the person is a cashier or kitchen employee.
[2] District does not have this position.

> **Table 3-4** illustrates that Salem CSD pays its classified substitutes $0.60 to $2.17 more per hour when compared to the peer average for the four positions, a difference of 9.2 to 39.2 percent. By providing higher substitute rates, the District increases its personnel costs.

Health Care and Workers' Compensation

R3.7 **The District's insurance committee should meet on a regular basis (e.g., quarterly) to help monitor health insurance costs and coverage, including claims, plan design (see R3.8), employee cost sharing, and fund reserve levels. The insurance committee should also annually review pricing and related plan benefits from multiple sources, and develop formal cost/benefit analyses of such proposals to ensure the District selects the most cost-effective health insurance provider. Furthermore, the District should work with the bargaining units to develop written policies and procedures that help define the committee's role and guide its activities. The District should also consider establishing wellness programs to further help manage and control health care costs. Lastly, the District should negotiate employee contributions as a percentage of the premium costs rather than as fixed dollar amounts. Doing so would help offset inflationary increases in health care premiums.**

The District operates a self-insurance fund and provides medical and prescription benefits via a preferred-provider organization (PPO) plan through the Columbiana County School Employees Insurance Consortium (the Consortium). The District also uses the Consortium for life insurance benefits. In addition, the District negotiated the establishment of an insurance committee with the bargaining units, but the committee has

not been activated and there are no policies or procedures in place for the committee. While the District has not offered wellness programs, it is in the process of adopting policies encouraging a healthy lifestyle.

Table 3-5 compares FY 2005-06 health insurance monthly premiums for Salem CSD, the Kaiser Foundation 2005 Annual Survey, and applicable SERB averages for 2005.

Table 3-5: Monthly Healthcare Premiums

Salem CSDFY 2005-06	Kaiser Foundation2005 Survey	SERB 2005 Annual Report
MONTHLY PREMIUM COSTS		
Single: $470 [1] **Family: $1,225** [1]	**PPO** **Single: $346** **Family: $924** **State/Local Government** **PPO** **Single: $381** **Family: $922**	**All Plans:** **Single: $379.73** **Family: $966.28** **PPO** **Single: $373.87** **Family: $963.96** **1,000-2,499 ADM:** **Single: $386.76** **Family: $961.93** **Warren/Youngstown:** **Single: $419.20** **Family: $1,020.09**
FULL-TIME EMPLOYEE CONTRIBUTIONS		
Prior to new contract: 0% **After new contract:** **Single:** 11% **Family:** 12%	**Single:** 16% **Family:** 26%	**All Plans** **Single:** 8.4% **Family:** 10.4%

Source: Salem CSD, Kaiser Family Foundation 2005 Annual Report, SERB 2005 Annual Report.
[1] Salem CSD premiums do not include amounts needed to make up the deficit in the self-insurance fund (see the **financial systems** section for more information).

Table 3-5 shows that Salem CSD's monthly premiums are higher than the premiums reported in the Kaiser Foundation and SERB surveys. During the course of this performance audit, the Kaiser Foundation published its survey results for 2006, which showed single and family premiums of $365 and $980 for all PPO plans, and $407 and $994 for PPO government plans. Salem CSD's premiums are still higher than the premiums reported by the Kaiser Foundation for 2006. **Table 3-5** also indicates that employees did not contribute any portion of premium costs prior to the new contract. However, in the summer of 2006, the collective bargaining agreements were renegotiated and health care provisions were updated for both the certificated and classified staff, resulting in all full-time certificated and classified employees being required to contribute $54.00 per month for single coverage or $149.50 per month for family coverage. At the time of this performance audit, administrators were not required to pay any part of

premium costs. However, the Superintendent states that new contribution amounts for single and family coverage will be added to the contracts when they are renewed in 2007 and 2008.

The new employee contribution rates will result in average contributions of 11 percent for single and 12 percent for family coverage. While these percentages are lower than reported contribution percentages in the 2005 Kaiser survey, they are higher than the SERB state-wide averages for 2005. Furthermore, the District renegotiated the work hour threshold for full benefits and related contribution rates for some part-time staff. However, classified employees hired before September 2000 still need to work only 20 hours to receive full benefits (see **R3.8**).

Salem CSD provides dental and vision coverage plans outside of the Consortium. Instead, dental and vision claims are paid directly by Salem CSD to the provider with money allocated for claims within the District. **Table 3-6** compares premiums for dental, vision and life insurance at Salem CSD to 2005 SERB averages and premiums listed in the Consortium's renewal proposal.

Table 3-6: Ancillary Benefit Premiums

Coverage	Salem CSD	2005 SERB	Consortium Renewal Proposal
Dental Plan Premiums	**Single:** $25 **Family:** $70	**Single:** $32.83 **Family:** $69.55	**Single:** $21.27 **Family:** $53.60
Vision Plan Premiums	$117 per year or $10 per month	**Single:** $4.30 **Family:** $8.66 **2005 SERB Adjusted** **Single:** $11.74 **Family:** $21.31[1]	**Single:** $3.07 [2] **Family:** $6.44 [2]
Life Insurance Cost and Benefit Provided	$0.20 per $1,000 of coverage per employee per month, with a benefit of $50,000	**2004 SERB Report** $0.1892 per $1,000 of coverage per employee per month, with a mean benefit of $32,661 **2003 SERB Report** $0.2014 per $1,000 of coverage per employee per month, with a mean benefit of $32,168 **2002 SERB Report** $0.2076 per $1,000 of coverage per employee per month, with a mean benefit of $31,207 [3]	N/A – Salem CSD uses the Consortium for life insurance.

Source: Salem CSD, Kaiser Family Foundation 2005 Annual Report, SERB 2005 Annual Report.

[1] SERB reported vision decreasing by 60 and 56 percent for single and family premiums in 2005, respectively. According to SERB, this could be due to lower participation in the 2005 survey. The 2005 SERB Adjusted premiums are based on the average annual increases reported by SERB from 2001 to 2004 to provide a more reliable comparison.

[2] The Consortium's proposal did not indicate whether these vision premiums were specifically for Salem CSD or for all member districts.

[3] SERB did not collect life insurance premiums for its 2005 report. Therefore, AOS has included premiums for 2002 through 2004 for comparison.

> **Table 3-6** illustrates that the District's dental, vision and life insurance premiums are similar or lower than SERB averages. However, Salem CSD premiums for dental and vision premiums were higher than those listed in the Consortium's renewal proposal.
>
> The Government Finance Officers Association (GFOA) recommends that governments consider the following strategies to contain health care costs:
>
> - Plan design, which includes adjusting co-payments and co-insurance levels (see **R3.8**);

- Vendor management, which includes auditing claims to ensure that carriers or third party administrators pay benefits according to plan rules, verification of enrolled participants, and periodic rebidding of health care plan vendors;

- Aggregation of purchasing power, such as by forming health care insurance pools and intergovernmental agreements for procurement of prescription drugs, and using fewer insurance carriers to deliver benefits.

- Cost sharing, which includes implementing cost sharing through joint payment of premiums, co-payments and co-insurance; and

- Analyzing factors such as number of employees, ability to accept risk, and availability of stop-loss coverage before pursuing self-insurance.

Additionally, GFOA recommends that employees be involved in health care plan decisions, which benefits both the health plan sponsor and the participants. If a board or committee is chosen to participate in health care plan decisions, guidelines should be developed concerning the makeup of the group, selection and term of group members, procedures for review of health care plan changes, as well as the jurisdiction of the committee. Without an active insurance committee, the District does not have a formal mechanism to help implement the aforementioned strategies. For instance, the Treasurer indicated that the District does not prepare formal cost/benefit analyses of insurance coverage.

According "*Ohio Employers' Best Practices: Linking Employee Health to the Business Bottom Line*," (Ohio Chamber of Commerce, Healthy Ohioans Business Council, and Manufacturers' Education Council, 2006) a successful method of containing health care costs is implementing a wellness program for employees. Wellness programs reduce costs and keep employees at the "top of their game." The typical cost/benefit ratio of wellness programs is three to one, usually over a three year period. This translates into $3.00 in health care savings for every $1.00 spent on wellness programs. Employers are also documenting cost savings through reduced absenteeism. In the absence of wellness programs, the District increases the risk of higher claims and, in turn, higher premium costs.

Plan benefit levels (see **R3.8**), as well as the lack of wellness programs and an insurance committee to help oversee and analyze costs can contribute to the District's higher premiums. Although the District has currently negotiated reasonable full-time employee contribution rates, stating them as a fixed dollar amount rather than as a percentage of premiums prevents employee contributions from increasing as health insurance premiums increase in the future. Consequently, the employee contributions as a percentage of premiums can decrease over time. To illustrate, SERB reported that premiums increased

by a weighted average of approximately 12 percent from 2004 to 2005. See **R3.8** for possible financial impact of insurance committee and wellness programs.

R3.8 **Salem CSD, through its insurance committee (see R3.7), should closely monitor plan design and benefits. Specifically, during future negotiations, the District should consider requiring employee co-pays for physician visits; increasing employee co-pays for prescription drugs and hospital visits; and increasing employee annual deductibles and out-of-pocket maximums. The District should also consider increasing the hours required for full-paid benefits to 30 hours for all staff.**

Table 3-7 compares Salem CSD's health care plan benefits to the Kaiser Family Foundation 2005 Survey results.

Table 3-7: Insurance Coverage Comparison

Salem CSD	Kaiser Foundation 2005 Annual Survey
Co-Payments for Physician Visits [1]	
Not mentioned	2%: $5 per visit 17%: $10 per visit 29%: $15 per visit 32%: $20 per visit 12%: $25 per visit 5%: $30 per visit 3%: Other amount
Multi-Tier Drug Plan Co-Payments [2]	
$0 generic drug; $10 formulary brand, no generic available; $15 formulary brand, generic available; $20 non-formulary [4]	$10 generic drugs $22 preferred drugs $35 non-preferred drugs
Average Annual Deductible	

Network: Single/ Family
$125/ $250
 	
Non-network: Single/ Family
$250/ $500
	PPO (In Network)
	  Single **Family**
	  $323 $679
	*Average includes covered workers who do not have a deductible
	
	Excluding covered workers who do not face a deductible:
	                 Single **Family**
	PPO (In Network) $455 $952

Average Cost Sharing for Hospital Visits [3]	
10 percent Co-insurance	**Average Hospital Co-insurance:** 16%
Annual Out of Pocket Maximums	
Network: Single/ Family $375/ $1,000 **Non-network:** Single/ Family $500/ $2,000	**Single Coverage** **Family Coverage** 9%: $999 or less 10%: $1,999 or less 21%: $1,000 - $1,499 16%: $2,000 - $2,999 18%: $1,500 - $1,999 20%: $3,000 - $3,999 12%: $2,000 - $2,499 13%: $4,000 - $4,999 7%: $2,500 - $2,999 6%: $5,000 - $5,999 11%: $3,000 or greater 12%: $6,000 or greater 22%: No Limit 22%: No Limit

Source: Salem CSD and Kaiser Foundation 2005 Annual Surveys.

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

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

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

[4] Salem CSD also offers mail order prescriptions (90 day supply). Co-payments are the same for mail order and traditional coverage.

Table 3-7 indicates that Salem CSD requires lower employee cost sharing as detailed in the following:

- **Co-pays for physician and hospital visits:** While Salem CSD does not require employee co-pays for physician visits, Kaiser reports that 95 percent of workers face a co-pay or co-insurance for physician visits, with most workers paying $20 per physician visit. Likewise, Salem CSD requires a 10 percent employee contribution for hospital visits, compared to the Kaiser average of 16 percent.

- **Prescription co-payments and co-insurance:** While organized in a four tier system, Salem CSD requires lower employee co-pays for prescriptions when compared to Kaiser averages. Specifically, co-payments range from $0 for generic drugs to $20 for non-formulary drugs for Salem employees. Kaiser survey results show that co-payments range from $10 for generic drugs to $35 for non-preferred drugs. Winkelman Management Consulting (WMC), a firm with experience in prescription benefit design, recommends that the proper use of generic drugs is the best single strategy to control prescription costs. For example, an average generic prescription claim is $18, but an average brand name claim is $125. Therefore, generic usage should be encouraged and enforced through benefit plan design.

- **Average annual deductible:** Salem CSD's annual deductible is $198 lower for in-network single coverage and $429 lower for in-network family coverage when compared to all employers (including those that do not have an annual deductible) in the Kaiser Survey.

- **Annual out-of-pocket maximums** Salem CSD's maximum out-of pocket costs are much lower than data reported by Kaiser. For instance, Kaiser reports that 69 and 67 percent of workers' annual maximum exceed $1,000 and $2,000 for single and family, respectively. By comparison, Salem CSD's annual out of pocket maximums are only $375 and $1,000 for the in-network single and family plans, respectively.

During FY 2005-06 the District renegotiated its collective bargaining agreements, requiring full-time employees to begin to contribute towards the health insurance premium costs (see **Table 3-5**). However, the work hour threshold for providing full benefits to part-time employs is not consistent. More specifically, the new certificated agreement indicates that the District will only pay 50 percent of the premium for part-time employees from September 1, 2005 to August 31, 2006. A part-time employee is defined as working less than 50 percent of the scheduled work week. Based on the defined work day of approximately 7.5 hours, this would mean that part-time employees working at least 18.75 hours per week would be provided with full benefits in FY 2005-06. In addition, the new contract language does not indicate the part-time employee

contributions after FY 2005-06. Instead, it indicates that effective September 1, 2006, the "employee" will pay $54, $103.50, and $149.50 per month for single, employee plus one, and family coverage respectively. Changes to the classified contract included updating the number of hours required for full-time benefits, requiring the following:

- Employees hired before September 2000 must work 20 or more hours to receive 100 percent paid benefits;
- Employees hired after September 2000, but before July 2006 must work more than 25 hours to receive 100 percent paid benefits; and
- Employees hired after July 2006, must work more than 30 hours to receive 100 percent paid benefits.

Prior to the new agreement, all classified employees had to work only 20 hours to receive full benefits. Employees who worked less than 20 hours per week were required to contribute 50 percent of the total premium. While the District took steps to reduce the costs associated with paying full benefits, the new provision primarily impacts newly hired staff. Specifically, as of August 2006, 29 classified staff work 4 or less hours per day. Of the 29 classified employees, 14 employees receive full benefits at a cost to the District of approximately $206,000. All but one employee was hired before September 2000. Therefore, the new contract language will not allow the District to immediately reduce the costs of providing full insurance benefits to part-time classified employees.

Financial Implication: If the District was able to require all part-time classified staff working four or fewer hours to contribute half of the premium costs, it would save approximately $79,000 annually. As shown in **Table 3-5**, the District's premiums are $50 and $205 higher than the SERB reported average premium for the Youngstown/Warren region, which has the highest premiums when compared to the other SEBR and Kaiser benchmarks. Assuming the District realized a 50 percent reduction in these differences by altering its plan design, along with implementing an active insurance committee and wellness programs (see **R3.7**), it would save approximately $200,000 annually.

R.3.9 **Salem CSD should continue to work with the Bureau of Workers' Compensation (BWC) to develop and implement a safety plan. The District should ensure that the plan includes the items detailed in ORC 3313.536. Salem CSD should also continue to work with the BWC to obtain training and implement a transitional work program. The District should also consider implementing the Drug-Free Workplace Program and participating in the Premium Discount Program. Ultimately, the District should strive to participate in a group rating plan to achieve maximum savings.**

The District does not have a comprehensive safety plan or procedures. However, it is working with the BWC to develop a safety plan to reduce the costs of BWC premiums,

improve the District's rating, and reduce the number and cost of claims. BWC has also provided training to staff at no cost to Salem CSD, and is working with the District to develop a transitional work program. According to BWC, transitional work helps return employees to work as soon as safely possible, and before the worker is 100 percent recovered. The program uses real job-related tasks to accommodate the workers' medical restrictions for a specified time period and gradually returns them to their original duties. BWC further notes that its study showed that employers who used a transitional work program saved an average of $139 in medical costs per claim. In addition, employers returned their injured workers to the job ten days sooner than employers without a transitional work program.

A health and safety policy is pending before Salem CSD's Board of Education, and the District has created a safety team that meets on a monthly basis and represents all classes of employees. However, the District has not participated in BWC's Drug-Free Workplace Program (DFWP). In addition, the District was in a group rating plan in 2003, but could not participate in the plan thereafter, likely due to its relatively high experience modifier (see **Table 3-8**). While the District participated in the Premium Discount Program (PDP) in the second half of 2004, it has not been in the PDP or participated in other programs since then. **Table 3-8** presents the District's three year workers compensation history.

Table 3-8: Workers' Compensation Premium History

Year	Total Claims Filed	Amount Paid by Provider	Average Cost per Claim	Workers Compensation Premium	BWC Experience Modifier [1]
2003	10	$8,996	$900	$37,683	1.02
2004	13	$17,301	$1,331	$149,282	0.96
2005	11	$23,767	$2,161	$224,452	1.28
Three-Year Average	**11**	**$16,688**	**$1,464**	**$137,139**	**1.09**

Source: Salem CSD Treasurer's office.

[1] The experience modifier is based upon factors such as the number of total claims in any previous period, the anticipated losses incurred by the employee as a result of those claims, and the extent that loss claims went into effect. An experience modifier greater than 1.00 reveals that the District had more losses than anticipated.

Table 3-8 shows that the average cost per claim more than doubled from 2003 to 2005. Likewise, the actual premium rose $111,500, or more than 200 percent, from $37,683 in 2003 to $149,282 in 2004, and further increased by 50 percent to $224,452 in 2005. **Table 3-8** also shows that the District's experience modifier increased by 33 percent from 2004 to 2005.

Employers in Ohio can participate in a group rating plan, which allows those who operate similar businesses to group together to potentially achieve lower premium rates. According to BWC, the largest possible discount for a group-rating program is 93 percent and in 2002, the average discount was 70 percent. Employers need to meet certain

requirements to be eligible for group rating, such as being current on all undisputed premiums and costs owed to BWC. BWC also offers a Drug-Free Workplace Program (DFWP). BWC offers a premium discount to eligible employers who implement a program addressing workplace use and misuse of alcohol and other drugs, including prescription, over-the-counter, and illegal drug abuse. Safety grants are also available for employers participating in the DFWP to help offset costs. At level 1 of the DFWP, which requires a written policy and certain types of testing, savings are ten percent of the employer's premium. Levels 2 and 3 provide a 15 and 20 percent discount, respectively, and depend on certain factors. For example, employers must implement all ten steps in BWC's business plan as a part of the requirements for level 3.

BWC's PDP is an incentive program designed to help entities with a 0.9 or greater experience modifier establish a safer, more cost effective workplace. Entities participating in the PDP, which requires implementation of BWC's 10-step business plan, can save up to 10 percent of their premium costs in the first two years of participation and up to five percent in the third year. As additional incentives, an entity can earn bonuses of 10 percent if they can achieve a 15 percent reduction in claim severity in a given year, a five percent rebate if they achieve a 15 percent claims frequency reduction, and another five percent rebate if they achieve both incentives.

ORC 3313.536 states that safety plans must include protocols for addressing serious threats to the safety of school property, students, employees, or administrators; and for responding to any emergency events that do occur and that compromise the safety of school property, students, employees, or administrators. The development of the plan should include community members (i.e. law enforcement, safety officials, parents, building employees). Lastly, a copy of the safety plan is to be filed with each law enforcement agency that has jurisdiction over the school building.

By continuing to work with BWC to develop a safety plan, obtain training, and implement programs like the transitional work program, DFWP, and PDP, the District should be able to control and begin to reduce its workers compensation costs.

Financial Implication: If the District participated in the DFWP, it could save approximately $22,000 annually based on the 10 percent discount at level 1 to provide a conservative estimate.

Negotiated Agreements

R3.10 **The Superintendent should work with the Board to formally assign and define roles and responsibilities for collective bargaining and develop a formal policy on negotiations. The policy should be reviewed regularly and updated when necessary. The District should ensure assigned staff members receive appropriate training on a regular basis (e.g., annually) to enhance their knowledge of the negotiating process, issues, and legislative mandates. Additionally, Salem CSD should maintain records of the collective bargaining process, including the research and related analysis. Doing so would allow the District to determine what worked well and what can be improved for the next collective bargaining process. Lastly, in future negotiations, the District should limit the "just cause" clause to staff who have completed their probationary period and consider eliminating the date required to notify teachers of involuntary transfer.**

The District lacks a formal policy covering the collective bargaining process. Roles and responsibilities are undefined and not supported with formalized, annual training in labor relations and contract negations. During past years, Salem CSD did not have a designated group to represent the District during contract negotiations, nor are there any substantial written records from previous negotiations. These issues can affect the District's ability to successfully negotiate with its collective bargaining units (see **R3.11** through **R3.14**) and maintain management rights. For example, the certificated contract has a "just cause" clause, which states that no bargaining unit member will be disciplined or suspended without just cause. However, the clause does not exclude probationary teachers. Additionally, the August 1 deadline, with the exception of emergencies (undefined in the agreement), for involuntary transfer of certified staff could inhibit the District's ability to make needed staffing adjustments throughout the year.

According to the study *Collective Bargaining for Schools* (The Mackinac Center for Public Policy, 1998) many school boards seem not to understand the implications of the "just cause" standard. This is evidenced by the number of contracts that extend this standard to all employees in the bargaining unit, including probationary teachers who are still being evaluated. The "just cause" standard and the resulting due process proceeding for employee discipline or discharge is a burdensome and time-consuming process for districts that wish to remove ineffective, unproductive, or even criminal teachers from the classroom. Under the "just cause" standard, a school board can face increased and unplanned expenses in processing employee discipline and discharge matters, including substantial liability for teacher re-instatement or back pay in the event of an unfavorable arbitration or tenure ruling. This study recommends that school boards limit the "just cause" standard to include only tenured teachers, and provide a less rigid standard for probationary teachers still being evaluated for their competence.

However, the District is taking proactive steps to improve its bargaining processes. In FY 2006, the newly hired Superintendent created negotiating teams to work with each bargaining unit. The District Attorney is on both negotiations teams, and has training in collective bargaining. The District Attorney, Superintendent and Treasurer and union representatives attended training provided by the Federal Mediation and Conciliation Service in September 2005. Furthermore, the Treasurer calculates the costs/savings for each bargaining issue both before and during contract negotiations. Additionally, bargaining proposals are used to calculate new 5-year forecasts to study the long term effects of contract clauses.

According to OPPAGA, district negotiators should receive training to enhance negotiation knowledge and skills, and the roles and responsibilities of the negotiator, superintendent, and school board during the negotiating process should be clearly defined. Districts should identify and review issues to be considered during the negotiation process, and determine the estimated fiscal impact as well as the advantages and disadvantages of each issue. The negotiating team should have access to an attorney trained in collective bargaining law and procedure, and records of negotiations should be retained for a period of time set by the district. OPPAGA further states that it is important that a district approach collective bargaining in a professional manner, and therefore the credentials of the district's bargaining team are important.

Collective Bargaining and Labor Relations (Herman, 1998) notes the effectiveness of a bargaining team is determined by its ability, knowledge, and experience. A team well-versed in tactics, strategy, and timing will be in a better position to avoid impasses and strikes, and will end up with a better agreement than a team composed of inexperienced people.

Several organizations provide training in negotiations. The State Employment Relations Board (SERB) will provide organizations with training in the rules and techniques of collective bargaining. In addition to providing mediation services, SERB's Bureau of Mediation offers training for the establishment of effective labor management committees as well as interest-based or modified traditional bargaining. The Ohio School Boards Association (OSBA) also offers different types of training for school boards, including collective bargaining and issues related to collective bargaining. OSBA has also released *Collective Bargaining Outlook for 2006* which looks at current trends in the bargaining process.

Formally assigning and defining roles and responsibilities for the team designated to represent the District during contract negotiations, providing relevant and regular training, and maintaining written records from previous negotiations will help Salem CSD avoid agreeing to costly or problematic provisions in future negotiations.

R3.11 Salem CSD should eliminate the retirement incentive language in its negotiated agreements, or modify it to enable the District to determine when to offer retirement incentives based on cost/benefit analyses. In addition, the District should set goals when offering the incentive, and complete thorough cost/benefit and budgetary analyses. This would better ensure that the retirement incentives are cost-effective for the District.

Salem CSD's bargaining agreements state the year a bargaining unit member reaches first-time eligibility for retirement under their respective retirement fund (STRS and SERS) guidelines, they receive a one-time bonus of 35 percent of their total annual salary. They must retire effective at the end of the school year in which they qualify. The classified bargaining agreement also stipulates a one-time "second chance" retirement bonus of 30 percent of the annual salary for those eligible to retire at the end of the 2005-2006 school year and who did not take the 35 percent incentive when first eligible.

A document is produced by the Treasurer's Office for each employee eligible for the incentive that shows how much the recipient would receive. However, the District does not track the total amount spent on retirement incentives separately. Instead, the amount paid to employees for retirement incentives is included in a total for all payouts (i.e. severance, leave, and retirement incentives).

GFOA states that governments occasionally offer early retirement incentives (ERIs) to employees as a strategy to reduce payroll costs or stimulate short-term turnover among staff. ERIs are temporary, offered during a window that usually covers a period of months. They increase the economic value of the standard retirement benefit. Historically, ERIs rarely have succeeded, since costs are often greater than initially anticipated by the government offering the incentive, and savings are lower than projected. GFOA recommends that extreme caution be exercised if considering ERIs. Organizations should take several actions prior to the decision to offer an ERI, including the following:

- **Goal-setting:** Organizations should be explicit in setting documented goals for the incentive.

- **Cost/benefit analysis:** In judging whether an ERI should be offered, governments should assess the potential costs and benefits of ERI proposals, and the cost/benefit analysis should be linked to the goals of the ERI.

- **Budgetary analysis:** In order to develop accurate budgetary estimates for the ERI, it is necessary to estimate the incremental cost of the ERI, which will vary according to the level of employee participation. Any budgetary analysis should project multiple scenarios for employee participation levels.

GFOA notes that governments should also develop an implementation plan.

Since the retirement incentive is required by the contract, Salem CSD is prevented from using the practices recommended by GFOA to determine whether the incentive would be best for the District.

R3.12 Salem CSD should negotiate to reduce the time to file a grievance to five days for all staff. Doing so will allow grievances to be addressed in a more timely fashion.

Certificated employees are allotted 15 days between the occurrence of a perceived violation of the contract and the filing of a grievance form with the appropriate supervisor. Additionally, the timeline can be waived over the summer until the following school year in some instances. Classified employees are allowed 10 days between the occurrence of a violation and the filing of a grievance form with the appropriate supervisor. In contrast, a sample grievance procedure from the Society of Human Resources Management (SHRM) allows for five working days for the initial grievance filing, significantly fewer than Salem CSD.

R3.13 In future negotiations, the District should consider reducing the maximum number of sick days paid at retirement. In addition, Salem CSD should consider eliminating the sick leave incentive offered to classified employees (see R3.15). In order to treat employs equitably, the District should also consider eliminating the dollar payment provided to classified employees for unused personal days after reaching the accrual cap.

After 10 or more years with the District, certificated and classified employees are entitled to be paid for up to 25 percent of accumulated but unused sick leave, up to 75 days, at time of retirement. However, according to ORC § 124.39, if an individual retires from active service, they are entitled to be paid for 25 percent of the value of their accrued but unused sick leave credit, up to 30 days. While ORC § 124.39 allows boards of education to develop a policy allowing an employee to receive payment for more than 30 days, Salem CSD pays more than twice the minimum number of sick days at retirement. This increases the District's future financial liability.

Furthermore, certificated employees can convert each unused personal day into one-half day of accumulated sick leave at the end of the school year. Additionally, the certificated contract states that if an employee has accumulated the maximum 270 days, they will receive $50 for each unused personal day thereafter. In contrast, classified employees are provided a sick leave incentive. The classified agreement indicates that in the event an employee does not use any sick leave during any quarter, the employee shall receive an award in the amount of 1.25 days pay at their regular rate. If an employee uses 1 sick leave day or less, the employee shall receive an award in the amount of 0.75 days pay at

their regular rate. This incentive cost the District $17,700 during the 2005-06 school year. As classified employs use a relatively high amount of sick leave (see **R3.15**), the incentive does not appear to be effective at minimizing sick leave use.

Financial Implication: By eliminating the sick leave incentive, the District can save approximately $15,000 annually. This is less than the incentive payments of $17,700 in FY 2005-06 to provide a conservative estimate.

R3.14 In future negotiations the District should consider reducing the number of paid holidays. By doing so, it could benefit through increased productivity.

Salem CSD's classified employees receive more holidays than required by the ORC. **Table 3-9** illustrates the holidays offered to Salem CSD's classified employees, compared to the ORC § 3319.087.

Table 3-9: Holiday Comparison

Salem CSD	ORC § 3319.087
• **Eleven or twelve month employees:** 11 days • **Nine or ten month employees:** 11 days • **Less than nine month employees:** shall be entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment	• **Eleven or twelve month employees:** 7 days • **Nine or ten month employees:** 6 days • **Less than nine month employees:** shall be entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment.

Source: Classified collective bargaining agreement and ORC § 3319.087.

Table 3-9 illustrates that Salem CSD offers four more paid holidays offered for 11 and 12 month employees, and five more for 9 or 10 month employees when compared to ORC § 3319.087. While the District still pays full-time staff regardless of whether they work or take time off, providing more paid holidays decreases the number of work days. This, in turn, reduces productivity.

Leave Usage

R3.15 The District should develop a comprehensive leave policy that includes prohibitions against pattern abuse and disciplinary actions for staff misusing or abusing sick leave. In addition, the District should monitor sick leave use for all employees and negotiate a provision in the certificated contract that requires a physician's statements for extended absences, similar to the classified contract.

Salem CSD has a general employee attendance policy. However, neither the attendance policy nor the negotiated agreements provide guidelines to limit pattern abuse and neither mentions disciplinary action for employees found to be abusing leave. The classified collective bargaining agreement contains a clause requiring a doctor's statement for using

four or more consecutive days of sick leave. There is no such clause in the certificated contract. In FY 2005-06, the District spent approximately $216,000 on certificated substitutes and $46,700 on classified substitutes.

Table 3-10 compares Salem CSD sick leave use to data compiled by the Ohio Department of Administrative Services (DAS).

Table 3-10: Comparison of FY 2005 Sick Leave Use, in Hours

		Salem CSD Sick Leave per Employee	DAS SCOPE / AFSCME Sick Leave Per Employee [1]	Difference
FY 2003-04	Certificated	55.53	57.45	(1.92)
	Classified	75.29	58.25	17.04
FY 2004-05	Certificated	71.67	51.92	19.75
	Classified	66.55	57.78	8.77

Source: Salem CSD Treasurer's office, DAS
[1] Salem CSD certificated staff are compared to DAS' average for the State Council of Professional Educators, Ohio Education Association (SCOPE), while classified staff are compared to DAS' average for the Ohio Civil Service Employees Association, Local 11 American Federation of State, County and Municipal Employees (AFSCME).

Table 3-10 shows that in FY 2004-05, certificated and classified staff used more leave hours than the respective DAS averages. Although classified leave use per employee decreased by 11.6 percent in FY 2004-05, use per employee was higher than the DAS AFSCME average in both years. Furthermore, sick leave use by certificated staff increased by 29.1 percent from FY 2003-04 to FY 2004-05.

Contrary to Salem CSD's attendance policy and collective bargaining agreements, both the SCOPE and AFSCME collective bargaining agreements (2003-2006) with the State of Ohio contain a provision regarding pattern abuse, defined as consistent periods of sick leave use. Both agreements provide the following as examples of pattern abuse:

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

According to the article *Sick Leave Abuse: A Chronic Workplace Ill* (American Society for Public Administration, April 2002), legal experts indicate that having a clearly written policy that specifies the organization's standards and employee requirements, including

disciplinary actions for policy violation, is necessary to discipline employees with attendance problems. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave use is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively:

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

Financial Implication: Assuming that the District reduces sick leave by at least five percent as a result of implementing this recommendation, the corresponding decrease in substitute costs would be approximately $13,000 per year. As this is based on FY 2005-06 substitute costs, it assumes similar leave use and costs from FY 2004-05 to FY 2005-06. Considering that the District's sick leave used per classified and certificated employee was 15.2 and 38.0 percent higher than the respective DAS averages in FY 2004-05, this provides a conservative estimate of potential savings and attempts to account for the impact of other types of leave (vacation, personal, etc.) on substitute costs.

Human Resources Issues

R3.16 Salem CSD should develop job descriptions for all staff, along with a formal schedule to review all position descriptions and update them as needed. This will ensure that qualifications, responsibilities, and work hours are accurate and current.

According to the Superintendent, job descriptions have not been updated since 1989. Furthermore, the District either does not have job descriptions for some positions, or the job descriptions no longer accurately reflect the position duties. For example, the Maintenance Supervisor indicated that the current job descriptions do not accurately portray the duties of the custodians and maintenance staff. Also, no job descriptions have been developed for the Technology staff. However, the current Superintendent is in the process of revising job descriptions.

According to the publication *Job Descriptions: a Resource for School Management* (Ohio School Boards Association, 1998), a job description is a written statement that specifies the requirements, responsibilities and working conditions of a particular job. Job descriptions should clarify responsibilities within the district, define relationships among individuals/departments, and facilitate communication.

Without updated job descriptions for all positions, the District is unable to effectively communicate expectations and responsibilities, and can have difficulty evaluating staff performance. Likewise, employees may not understand expectations and responsibilities.

R3.17 The District should regularly complete performance evaluations for all staff, and the Superintendent should monitor the process. Based on the AOS survey of District employees, Salem CSD management should ensure that they follow up with staff on recommendations for improvements made in the evaluations.

According to the Superintendent, Salem CSD did not always complete evaluations for staff in the past, but indicated that the District will be taking measures to ensure they are completed going forward. The certificated collective bargaining agreement states that evaluations shall be done in accordance to Ohio Revised Code (ORC) 3319.111 and Policy 3220.03 outlines the evaluation of teachers on a limited contract, which requires at least two evaluations during the school year, as stipulated by ORC 3319.11. The classified bargaining agreement does not address evaluations. Policy 4220 does address classified employee evaluations, but states only that the assistant superintendent shall prepare the procedures. At the time of this audit, Salem CSD did not have an assistant superintendent. The Superintendent indicated that the District was aware of this discrepancy and was planning to update policies. Classified evaluations are addressed in Ohio Administrative Code (OAC) 3301.35.01, which requires classified staff be evaluated in accordance with laws applicable to their positions and at regular intervals.

In the AOS survey of employees, 79 percent of the respondents said they are evaluated annually, while 77 percent said the evaluation process provided timely and relevant feedback. However, only 56 percent said that management responds and acts on recommendations made in evaluation sessions (see **Appendix 3-A**). According to OPPAGA, a district's system for formally evaluating employees should improve and reward excellent performance and productivity. Also, evaluations identify and address performance that does not meet the district's expectations for the employee.

By failing to complete performance evaluations on a regular basis, the District is not providing formal feedback to employees regarding their performance. As a result, poor and exemplary performance can go unaddressed and unrecognized.

R3.18 Salem CSD should develop a human resource manual to distribute to employees that contains all relevant policies and procedures, and references all relevant personnel provisions in the collective bargaining agreements. Once developed, the District should require employees to sign a form acknowledging the receipt and understanding of the District's personnel policies and procedures as well as applicable provisions in the negotiated agreements. Consolidating all personnel policies and procedures in one manual would better ensure that employees can easily access and review that information.

While some human resource policies are available online and the collective bargaining agreements address some human resource issues, the District does not have a human resources manual that contains all applicable policies and procedures. Without a manual that addresses all human resource issues, the District increases the likelihood of employees being unaware of applicable policies. The article *How to Set Up an HR Department in a Small Company* (SHRM, 1996) indicates that each employee should have a copy of the employee manual, and sign an acknowledgment of receipt. This document should be retained in personnel files.

Recruitment, Retention and Training

R3.19 Salem CSD should develop a formalized recruiting plan that incorporates suggestions from the National Education Association (NEA) and other applicable sources. This would better ensure that the District uses a uniform process and hires the most qualified applicants.

The District does not use formal recruiting practices and does not have a formal group responsible for assessing or hiring prospective employees. The District usually places job advertisements in the local newspaper to attract candidates. Additionally, the AOS survey of District employees revealed that 37 percent of respondents were neutral and only 28 percent agreed when asked if the District's overall recruitment process was effective, while 69 percent agreed that the District's procedures regarding job posting and hiring were effective.

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

- **Gather a Team:** In its *Five Steps to Improve Recruitment*, the National Teacher Recruitment Clearinghouse (NTRC) suggests that gathering "a committed and diverse planning team to help collect data, evaluate district needs, identify

resources, and recommend a list of desired changes in policies and practices" is the first step toward improved recruitment.

- **Assess Needs:** A thorough assessment will examine anticipated retirements, expected attrition rates, and student demographics to determine just how many new teachers will be needed. It will also consider how diverse the teaching staff should be, define what kinds of skills and knowledge new teachers should possess, and specify which grade levels, subject areas, and school buildings are likely to have the most need.

- **Examine Existing Culture:** Determining what might keep applicants from coming to a particular school district is often overlooked in developing a successful recruiting plan. In its publication *Finding and Keeping High Quality Teachers*, the Education Research Service indicates that "The quality of the school as a workplace is the best possible recruitment tool. Teachers share the reputation of their school with the community, the university, and even the media."

- **Clarify the Mission:** Successful recruiters know the district's mission and can communicate it clearly to potential candidates. They also determine what characterizes their district's and community's culture and how this will affect the kinds of applicants they seek out.

- **Identify the Target Audience:** Identifying a target audience requires not only knowing who you are looking for, but determining how best to appeal to those people. Effective recruiters ask themselves how they are going to sell teaching as an attractive profession and their school district as the most attractive place to teach.

- **Involve the Community:** Successful recruitment campaigns develop a comprehensive package that sells not only a district's schools, but the surrounding community to potential applicants. An essential component of such a campaign is persuading businesses and community leaders to buy into recruitment initiatives.

- **Collect Data:** Having accurate data is essential throughout the recruitment process. The data enables a recruitment team to conduct an initial needs assessment, to be sure its program is working, and to assess future needs. It also provides a district with the figures necessary to make a compelling case when soliciting legislative support for recruitment programs.

Ten Practices for Non-Profit Hiring (Bob Corlett, 2003), published by SHRM, offers the following practices to develop a strong and committed staff:

- Establish the schedule for the hiring process;
- Hire for talent and skill, not personality;
- Network;
- Market the job accurately;
- Establish a hiring team for objectivity in the process;
- Listen in the first interview, talk in the second;
- Focus the interview on the desired attributes and competencies;
- Avoid hiring from a field of one;
- Review performance expectations; and
- Follow through with a decision.

The lack of a formal recruiting plan increases the potential of hiring a candidate that is not the best fit for the District.

R3.20 **Salem CSD should begin to track employee turnover, conduct employee exit interviews, and survey employees to gauge satisfaction levels. Taking such measures would enable the District to effectively address concerns and problems with job satisfaction, and help minimize turnover. Furthermore, the District should review the survey administered by AOS (see appendix 3A) and corresponding recommendations, and begin to address problem areas. Salem CSD could use the AOS survey to help in developing a more customized and detailed future survey of its human resource operations. As the District administers subsequent surveys, it should track progress in addressing the issues identified in them.**

According to the Superintendent and the Treasurer, the District does not have a problem with turnover in staff. Salem CSD hired three teachers during the 2004-05 school year. However, the District does not review actual turnover rates. Likewise, the District does not complete exit interviews or surveys.

According to the article *Tracking Turnover* (ZweigWhite Consulting, 2004), tracking turnover enables employers to look for trends. Tracking turnover data also provides insight not only into how many people are leaving, but who is leaving and why they are leaving. Additionally, employers may want to track turnover rates for full-time employees versus part-time employees, hiring source, and hiring manager.

Tips and Techniques for Effective Exit Interviews (Pamela Holloway, 2000), published on Workforce.com, contains the following strategies for developing and performing effective exit interviews:

- Select carefully and train the people that are going to be doing the interviews;
- Do not ask people to fill out a 10-page questionnaire and mail it to an anonymous mailbox;
- Where separations are not voluntary and/or where the exiting employee is "emotionally charged," delay the interview two-three months;
- Make it about the employee by discussing their job and accomplishments;
- Use the exit interview to build a "parting relationship;" and
- Use the information and knowledge collected.

According to *Developing and Delivering Climate Surveys and Employee Satisfaction Surveys via Corporate Intranet* (Connelly, 2001), published by SHRM, employee satisfaction surveys can be conducted with all staff to reveal current employee thoughts on the general work environment in order to maximize employee performance and minimize turnover. AOS administered an employee survey to obtain feedback and perceptions concerning human resource services and 163 employees completed the survey. **Appendix 3-A** at the end of this section presents the human resource portion of the survey. The following highlights key points from the survey that have not been specifically mentioned in the other assessments in this section:

- **Overall Satisfaction with Human Resources**: Only 27 percent of respondents agree or strongly agree with the overall effectiveness of the District's human resource management policies and procedures, with 24 percent disagreeing and 31 and 18 percent having no or neutral opinions, respectively. Likewise, only 28 percent are satisfied with how human resource activities are managed in the District, with 26 percent disagreeing and 26 and 20 percent having no or neutral opinions, respectively.

- **Employee Satisfaction:** Only 28 percent of the respondents feel that employee satisfaction and moral is positive, with 50 percent disagreeing and 19 percent having neutral opinions.

- **Goals:** Only 42 percent of the respondents are aware of the Board's achievement with goals, with 28 percent disagreeing and 20 percent with neutral/not sure responses. Similarly, only 38 percent of respondents agreed that the Board monitors its performance and achievement of goals, with 15 percent disagreeing and 32 percent being neutral/not sure. See **financial systems** for information on strategic planning and goals.

- **Substitutes:** Only 37 percent agreed that the District's substitutes are qualified and effective, with 25 percent disagreeing and 30 percent being neutral/not sure.

By failing to track employee turnover, conduct exit interviews, and survey employees, the District may be prevented from identifying and addressing employee concerns about job satisfaction, which can subsequently impact its ability to retain quality and productive employees. Additionally, survey results, while reflecting District employee opinions, can be used to help identify areas that should be reviewed for improvement in human resource operations. Furthermore, the recommendations in the performance audit could help address some of the issues noted in the AOS survey.

R3.21 Salem CSD should develop and implement a formal process for training administrative and classified staff, including orientation, mentoring, and job specific training. See the facilities, technology, food service, and transportation sections for more information on training programs. Furthermore, the District should solicit employee feedback on training, and use this information to adjust and tailor training opportunities.

While the District has an effective training program in place for its certificated staff (see *Assessments Not Yielding Recommendations* section), it does not have a formal training process in place for its administrative employees. Further, the District does not have a formal mentoring and orientation program classified employees; however, they receive some training to meet Bureau of Worker's Compensation (BWC) and Occupational Safety and Health Administration requirements (see **R3.9** for further discussion of BWC training). The District is also working to create an on-line training module for annual training of classified staff.

While classified employees and administrators have an opportunity to provide feedback on training, the District does not request formal feedback. Conversely, the District has a formal document for certificated employees to rate training experiences. This form covers topics from the knowledge of the instructor to the understanding by participants of the topic. The Manager of Operations hopes to begin collecting feedback when on-line training is in place. Since feedback is not collected, the District cannot sufficiently identify methods to improve professional development for administrative or classified staff. The AOS employee survey indicates that 53 percent of employees agree that staff training is effective, with 28 percent disagreeing. However, only 24 percent agree that cross-training has been implemented in their departments, with 27 percent disagreeing and 27 percent with neutral/not sure responses.

According to OPPAGA, a school district should facilitate on-going training and maintain records for all staff. Districts should also solicit employee feedback on in-service training activities, especially high-cost or recurring training efforts. This feedback should be used to evaluate the quality of the training; performance of the trainers; the extent to which training efforts have met identified long-term training objectives; and the relative benefits produced in view of the costs. Training for non-instructional employees should contain a

balance of training for new and veteran employees, helping new employees learn the basic skills necessary to do the job, and providing veteran employees opportunities to improve and expand their skills. Additionally, the classified training program should include:

- A periodical review of safety training program materials and sign-in sheets to ensure safety training is taking place;
- A review of the district's procedures for ensuring that Material Data Safety Sheets are displayed for employees; and
- An annual review of workers' compensation reports to identify possible deficiencies in the training program.

OPPAGA notes that districts should conduct orientation programs for all new employees, and recommends mentoring programs for new non-instructional, instructional, and administrative employees. Mentoring programs should be relationship-based with minimal paperwork requirements and should provide opportunities to learn the additional skills necessary to be successful in specific school environments. Mentors should receive training at least bi-annually and there should be a separate mentoring component for new teachers. See the **facilities, transportation, technology,** and **food service** sections for further discussions of classified staff training.

Programs

R3.22 Salem CSD should evaluate the costs and benefits of participating in the Alliance Vocational Education Planning District (Alliance VEPD). In particular, the District should work with Alliance VEPD on methods to reduce costs without impacting course offerings and enrollment. For example, rather than offering the same program at multiple locations, Salem CSD could work with Alliance VEPD in assessing the related costs and benefits of offering one program at only one of the three locations (e.g., potential to reduce teachers weighed against potential for increased transportation costs). Additionally, Salem CSD should review and update the 1987 contract with Alliance VEPD, and annually review and renegotiate it, if necessary, to ensure that it meets District needs.

Alternatively, the District should consider whether to provide the vocational program in-house; through the Columbiana County Career Technical Center (CCCTC), which offers a wide-array of programs and some that are similar to Alliance VEPD; or a combination thereof. To aid in this process, the District should survey students and parents to identify the programs and courses in highest demand, and present the pros and cons related to each option. For instance, although an extra tax burden would be placed on residents as a result of using the

CCCTC, the District would avoid the cost of duplicating programs available elsewhere.

If the District decides to provide programs in-house, it should determine how to efficiently staff the vocational programs to meet the demand. This would help the District improve cost-effectiveness (e.g., avoid offering programs with low enrollment) while simultaneously meeting the needs of students and parents. Prior to deciding to join CCCTC, Salem CSD should review the course offerings to ensure they meet the needs and desires of its students and parents, as identified in the survey discussed above. The District also should weigh the cost savings against the extra tax burden placed on residents, which would be required to join CCCTC. As the District may no longer incur vocational education expenditures directly attributable to instruction (it may still incur indirect costs like transportation), it should determine the possibility of reducing other taxes if it joins CCCTC.

In FY 2004-05, Salem CSD spent $235 per pupil on its vocational program, much more than the peer average of $39 per pupil. This is due primarily to the employment of of more vocational staff at higher average salaries. The District has been a member of the Alliance Vocational Education Planning District (Alliance VEPD) since its inception in 1987. The Alliance VEPD currently offers workforce development programs to 1,250 students from the three member districts, which include Salem CSD, Marlington Local School District, and Alliance City School District. Salem CSD has a rolling contract with the Alliance VEPD, each period lasting five years. However, considering that Salem CSD provided the contract signed in 1987 as evidence of its participation with Alliance VEPD, the District does not appear to be periodically assessing the costs and benefits of continuing to contract with the Alliance VEPD for vocational education services.

As part of Alliance VEPD, Salem CSD offers three vocational programs in-house: career based intervention, business and administrative services, and manufacturing technologies. However, one or both of the other participating districts also offer these programs (see **Table 3-13**). Salem CSD also offers courses in industrial technology, including mechanical drawing, small engine repair, technology preparation, woodworking, and metal casting. These courses are independent of Alliance VEPD. Additionally, these specific courses do not appear to be offered through the Alliance VEPD.

Table 3-11 compares the District's vocational education spending and revenues to the peer average.

Table 3-11: Comparison of Vocational Education Spending, FY 2004-05

Categories	Salem CSD	Peer Average
Total Adjusted Revenue	$312,078	$74,552
Total Vocational Education Expenditures [1]	$553,696	$66,473
Expenditures as a Percent of Total Revenues	177%	89%

Source: Salem CSD financial records for FY 2005, as reported to ODE.
[1] Represents governmental funds. According to the 4502 Statement Q, Salem CSD spent a total of $576,092 on vocational education from all funds, with $553,696 coming from the General Fund.

Table 3-11 illustrates that Salem CSD receives significantly more revenue for its vocation education program than the peer average. However, expenditures are close to two times the total revenues, while the peer average revenues cover all of the expenditures. As a result, the District spent approximately $241,600 from the General Fund for the vocational education program in FY 2004-05.

Table 3-12 illustrates the total vocational education staffing and average vocational teacher salaries for Salem CSD and the peer average.

Table 3-12: Vocational Teachers

	Salem CSD	Peer Average	Difference
Vocational Teachers	3	1	2
Total Vocational Teachers per 1,000 Students	1.3	0.6	0.7
Average Vocational Teacher Salary	$55,404	$44,795	$10,609

Source: FY 2005-06 EMIS data, reported to the ODE as of 03/05/06.
Note: Reflects the District's elimination of 1.0 FTE in FY 2005-06.

Although the District eliminated 1.0 vocational FTE in FY 2005-06, **Table 3-12** shows that Salem CSD employs 0.7 more FTEs per 1,000 students than the peer average. If the District employed a total of 1.5 FTEs, it would maintain 0.65 vocational FTEs per 1,000 students, similar to the peer average. In addition, the District's average vocational teacher salary is 23.7 percent higher than the peer average. This is likely due, in part, to years of experience (see *Assessments Not Yielding Recommendations*).

According to the high school principal, enrollment in courses offered in-house is reviewed annually by the District and used to determine the following year's course offerings. **Table 3-13** illustrates student enrollment in Salem CSD's vocational programs that are a part of the Alliance VEPD.

Table 3-13: Salem CSD Vocational Programs and Enrollment: FY 2005-06

Salem CSD Program	Salem CSD Vocational Enrollment[1]	Salem CSD Vocational Enrollment as a % of Regular Student Enrollment [2]	Total Alliance VEPD Enrollment [3]
Career Based Intervention	26.0	1.3	116.0
Business and Administration Services	10.0	0.5	29.0
Manufacturing Technologies	11.0	0.6	27.0
Total	**47.0**	**2.4**	**172.0**

Source: Salem CSD career-technical EMIS report, as submitted to ODE.
[1] Represents total enrollment in courses offered by Salem CSD-employed vocational teachers.
[2] Reflects percent of regular education students enrolled in Salem CSD that are enrolled in vocational courses.
[3] Represents total enrollment of students in the course, in all locations from all Alliance VEPD member districts.

Table 3-13 illustrates that vocational students represent only 2.4 percent of the entire regular student population in Salem CSD. The District instructs a total of 47 vocational students at Salem CSD. For FY 2005-06, only one student from another district attended one of Salem CSD's vocational courses. The remaining 125 students attend similar workplace experience courses at Alliance or Marlington High Schools. **Table 3-13** also shows that Salem CSD instructs only 10 and 11 students in two of the programs. This enrollment is low when compared to the District's ratio of 20 students per regular education teacher and the maximum regular education teacher-to-student ratio of 1:25 stipulated in Ohio Administrative Code Section 3301-35-05(A)(3).

CCCTC offers a wide variety of courses to member districts in four major areas: agriculture, family careers, information technology, and trade and industry. Within these areas, fifteen courses are offered, including:

- Turf Management Landscaping;
- Vocational Readiness Program;
- Workforce Readiness Program;
- Careers in the Teaching profession / Tech Prep;
- Para-Educator / Tech Prep;
- Culinary Arts;
- Interactive Media;
- Networking Technologies;
- Automotive Collision Repair;
- Auto Technology;
- Cosmetology;
- Health Service Academy;
- Industrial Manufacturing Technician;

- Construction Technologies / Tech Prep; and
- Welding and Metal Fabrication.

Courses in automotive, cosmetology, and welding are also offered through the Alliance VEPD. In addition, both Alliance VEPD and CCCTC offer courses related to workforce readiness, machine trades, technology preparation, and metal working. Based on the above listing, CCCTC does not offer specific courses in woodshop, small engine repair, mechanical drawing, or metal casting, which are offered in-house at Salem CSD. However, CCCTC indicates that students learn about woodworking, metal working, mechanics, and turf care in the Vocational Readiness Program, which is a one-year program designed to prepare at-risk students for a two-year career path program at CCCTC or a return to their respective high school to complete their final two years. In addition, Salem CSD offers an administrative/office course (business and administrative services) through Alliance VEPD, which does not appear to be offered at CCCTC.

All CCCTC member districts are required to contribute 2.0 mills from property tax revenue received each year to help offset CCCTC costs. However, Salem CSD does not contribute because it is not a formal member of the CCCTC. Based on information provided by the County Auditor, a 2.0 mill levy would cost District taxpayers approximately $638,000 annually.

By not assessing the costs and benefits of the Alliance VEPD, Salem CSD can not be certain that the cooperative is cost-effective. For instance, offering the same program at multiple locations can increase the number of teachers required to staff each program.

Financial Implication: If the District was able to reduce the General Fund expenditures for vocational education by 50 percent of the FY 2004-05 level through the aforementioned strategies, it would save approximately $120,800 annually. This would decrease its vocational expenditures per pupil to $184, which would still be much higher than the peer average ($39). Additionally, the percentage of expenses offset by revenues would increase to 72 percent, which is still lower than the peer average.

Salem CSD may be able to eliminate its total vocational expenditures by joining CCCTC. However, the actual savings will vary depending on the agreement reached between the District and Columbiana County, and other factors, such as transportation services to CCCTC and the number of programs that the District continues to provide because they are not provided by elsewhere.

R3.23 The District should develop formal policies and procedures that help identify, serve and measure progress of students requiring assistance learning English. The District should also develop formal policies and procedures that address student drop-out prevention.

While the District has polices and procedures in place for the special education, Title I program, and accelerated/gifted programs (see *Assessments Not Yielding Recommendations*), it lacks policies that address drop-out prevention and the selection and servicing of students needing assistance learning English. However, at the time of this audit, Salem CSD was in the process of developing polices to address the selection and servicing of students needing additional assistance learning English. For students that do not have English as a first language, teachers will look informally at the student's level of language skill and understanding. Additionally, Salem CSD administered the Ohio Test of English Language Acquisition (OTELA) in the Spring of 2006.

OPPAGA states that districts should have programs in place to meet the diverse needs of their students, especially those students who need academic and/or social skill interventions to help them perform well. Key documentation should include policy and procedures manuals for all at-risk programs, including the English Speakers of Other Languages (ESOL) program, descriptions of parent programs and training, drop-out prevention, and a description of indicators (both academic and nonacademic) used for the assessment of the success of a district's at-risk programs.

Teachers of English to Speakers of Other Languages recommends (TESOL) outlines key indicators for a successful ESOL program:

- Students will use English to participate in social interactions.
- Students will interact in, through, and with spoken and written English for personal expression and enjoyment.
- Students will use learning strategies to extend their communicative competence.
- Students will use English to interact in the classroom.
- Students will use English to obtain, process, construct, and provide subject matter information in spoken and written form.
- Students will use appropriate learning strategies to construct and apply academic knowledge.
- Students will use the appropriate language variety, register, and genre according to audience, purpose, and setting.
- Students will use nonverbal communication appropriate to audience, purpose, and setting.
- Students will use appropriate learning strategies to extend their sociolinguistic and socio-cultural competence.

Financial Implications Summary

The following tables are summaries of estimated annual cost savings, one-time costs, and annual costs for this section. The financial implications are divided into two groups: those that are, and those that are not, subject to negotiation. Implementation of those recommendations subject to negotiation requires agreement from the affected bargaining units.

Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.5 Cease paying the employee retirement for certificated and classified staff	$373,000
R3.8 Increase hours threshold for full benefits for part-time staff	$79,000
R3.8 Alter plan design, and use the insurance committee and wellness programs	$200,000
R3.9 Participate in the DFWP program through BWC	$22,000
R3.13 Eliminate the sick leave incentive	$15,000
R3.15 Reduce sick leave use by strengthening policies and monitoring use [1]	$13,000
Total	**$702,000**

[1] Entire savings may not be fully dependant on negotiations.

Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings	Implementation Costs (One Time)	Annual Costs
R3.3 Reduce administrators by 1.0 FTE	$97,000		
R3.4 Purchase a substitute calling system	$4,300	$900	$300
R3.5 Cease paying the employee retirement contribution for administrators	$107,000		
R3.22 Reduce General Fund expenditures for vocational education	$120,800		
Total	**$329,100**	**$900**	**$300**

Appendix 3-A: Employee Survey Responses

AOS administered a survey of Salem CSD employees to obtain feedback and perceptions concerning human resource services. 155 employees completed the survey. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 3-A1** illustrates the results.

Table 3-A1: AOS Human Resources Survey Results

Survey Questions	Salem CSD Results
1) **I am of the duties required in my job description.**	
Average Response	4.69
1) Strongly Disagree	0%
2) Disagree	1%
3) Neutral/Not Sure	1%
4) Agree	27%
5) Strongly Agree	71%
No Opinion	1%
2) **My job description accurately reflects my actual daily routine.**	
Average Response	4.38
1) Strongly Disagree	2%
2) Disagree	4%
3) Neutral/Not Sure	7%
4) Agree	31%
5) Strongly Agree	53%
No Opinion	3%
3) **Our department could effectively maintain productivity in the event of a short-tern absence.**	
Average Response	3.98
1) Strongly Disagree	4%
2) Disagree	13%
3) Neutral/Not Sure	5%
4) Agree	37%
5) Strongly Agree	37%
No Opinion	3%
4) **The Board of Education monitors its performance and achievement of its goals.**	
Average Response	3.72
) Strongly Disagree	3%
2) Disagree	12%
3) Neutral/Not Sure	32%
4) Agree	29%
5) Strongly Agree	9%
No Opinion	14%
5) **I am aware of the Board of Education's achievement goals.**	
Average Response	3.45
1) Strongly Disagree	7%
2) Disagree	21%
3) Neutral/Not Sure	20%
4) Agree	33%
5) Strongly Agree	9%
No Opinion	10%

Survey Questions	Salem CSD Results
6) Cross training has been implemented in my department.	
Average Response	3.66
1) Strongly Disagree	3%
2) Disagree	24%
3) Neutral/Not Sure	27%
4) Agree	17%
5) Strongly Agree	7%
No Opinion	21%
7) Staff training is effective in my department.	
Average Response	3.46
1) Strongly Disagree	6%
2) Disagree	22%
3) Neutral/Not Sure	14%
4) Agree	39%
5) Strongly Agree	14%
No Opinion	4%
8) I am evaluated annually.	
Average Response	4.23
1) Strongly Disagree	4%
2) Disagree	10%
3) Neutral/Not Sure	2%
4) Agree	31%
5) Strongly Agree	48%
No Opinion	5%
9) The evaluation process provides timely and relevant feedback.	
Average Response	4.14
1) Strongly Disagree	2%
2) Disagree	10%
3) Neutral/Not Sure	7%
4) Agree	35%
5) Strongly Agree	42%
No Opinion	3%
10) Evaluations are done in accordance with collective bargaining contracts.	
Average Response	4.36
1) Strongly Disagree	4%
2) Disagree	7%
3) Neutral/Not Sure	33%
4) Agree	44%
5) Strongly Agree	9%
No Opinion	3
11) The evaluation form used is relevant to my job duties.	
Average Response	4.25
1) Strongly Disagree	2%
2) Disagree	6%
3) Neutral/Not Sure	12%
4) Agree	33%
5) Strongly Agree	40%
No Opinion	7%
12) Management responds and acts on recommendations made in evaluation sessions.	
Average Response	4.00%
1) Strongly Disagree	2%
2) Disagree	11%
3) Neutral/Not Sure	19%
4) Agree	33%

Survey Questions	Salem CSD Results
5) Strongly Agree	23%
No Opinion	12%
13) The District's employee sick leave policy is too lenient.	
Average Response	2.38
1) Strongly Disagree	26%
2) Disagree	44%
3) Neutral/Not Sure	15%
4) Agree	4%
5) Strongly Agree	6%
No Opinion	6%
14) The District's employee substitutes are qualified and effective.	
Average Response	3.38
1) Strongly Disagree	4%
2) Disagree	21%
3) Neutral/Not Sure	30%
4) Agree	27%
5) Strongly Agree	10%
No Opinion	7%
15) Current substitute system is effective in placing substitutes.	
Average Response	3.31
1) Strongly Disagree	5%
2) Disagree	25%
3) Neutral/Not Sure	26%
4) Agree	28%
5) Strongly Agree	9%
No Opinion	7%
16) I am aware of few lapses in certificate/licenses due to lack of management oversight.	
Average Response	3.82
1) Strongly Disagree	4%
2) Disagree	17%
3) Neutral/Not Sure	26%
4) Agree	20%
5) Strongly Agree	12%
No Opinion	21%
17) I am satisfied with how human resources activities are managed in the District.	
Average Response	3.62
1) Strongly Disagree	6%
2) Disagree	20%
3) Neutral/Not Sure	27%
4) Agree	21%
5) Strongly Agree	7%
No Opinion	20%
18) I am satisfied with the overall effectiveness of human resources management policies and procedures.	
Average Response	3.60
1) Strongly Disagree	6%
2) Disagree	18%
3) Neutral/Not Sure	31%
4) Agree	20%
5) Strongly Agree	7%
No Opinion	18%
19) I am informed of changes in District policies and procedures.	
Average Response	3.80

Survey Questions	Salem CSD Results
1) Strongly Disagree	1%
2) Disagree	12%
3) Neutral/Not Sure	17%
4) Agree	47%
5) Strongly Agree	20%
No Opinion	2%
20) The District's overall recruitment process is effective.	
Average Response	3.73
1) Strongly Disagree	5%
2) Disagree	10%
3) Neutral/Not Sure	37%
4) Agree	23%
5) Strongly Agree	5%
No Opinion	20%
21) The District's procedures regarding job posting and hiring are effective.	
Average Response	3.78
1) Strongly Disagree	4%
2) Disagree	10%
3) Neutral/Not Sure	15%
4) Agree	49%
5) Strongly Agree	20%
No Opinion	2%
22) I am satisfied with procedures regarding health benefits.	
Average Response	3.96
1) Strongly Disagree	0%
2) Disagree	10%
3) Neutral/Not Sure	17%
4) Agree	45%
5) Strongly Agree	23%
No Opinion	5%
23) Current grievance procedures are fair and effective.	
Average Response	4.05
1) Strongly Disagree	2%
2) Disagree	9%
3) Neutral/Not Sure	19%
4) Agree	39%
5) Strongly Agree	17%
No Opinion	15%
24) Current discipline procedures are fair and effective.	
Average Response	3.80
1) Strongly Disagree	5%
2) Disagree	10%
3) Neutral/Not Sure	20%
4) Agree	39%
5) Strongly Agree	14%
No Opinion	11%
25) I feel overall District employee's satisfaction and morale is positive.	
Average Response	2.71
1) Strongly Disagree	21%
2) Disagree	29%
3) Neutral/Not Sure	19%
4) Agree	23%
5) Strongly Agree	5%
No Opinion	3%

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

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Facilities

Background

This section of the performance audit focuses on Salem City School District's (Salem CSD or the District) custodial, maintenance, and building operations. The objective is to analyze these areas and develop recommendations for operational improvements and reductions in expenditures. The District's operations are evaluated against best practice and operational standards from applicable sources that include the American Schools and University (AS&U) *Maintenance & Operations Cost Study*, the National Center for Educational Statistics (NCES), the Florida Office of Program Policy and Government Accountability (OPPAGA) and a 10 district peer average. The peer average is comprised of Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified as "Type 4" (Urban – low median income, high poverty) by the Ohio Department of Education and are the same classification as Salem CSD. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. During the course of this audit engagement, the Auditor of State (AOS) administered a survey of Salem CSD employees regarding custodial and maintenance services. The results of the survey are used throughout this report. **Appendix 4-A** at the end of this section contains the full results of the survey.

Organizational Structure and Function

During FY 2005-06, Salem CSD operated six schools: four elementary schools, one middle school, and one high school. However, the District closed Prospect Elementary and the Middle School prior to the start of FY 2006-07, in response to the current financial situation. The District also operates an administration building/warehouse separate from the other facilities, a bus garage, and a sports stadium. Additionally, the District maintains approximately three acres of farm land, which is used for athletic activities. The Maintenance Supervisor is responsible for the oversight of all maintenance employees and the building administrators are responsible for the oversight of all custodial employees.

Staffing

The goal of the custodial and maintenance staff is to provide the students with a safe, attractive and clean place in which to learn, play and develop. The Maintenance Supervisor is responsible

for the day-to-day care and upkeep of all facilities. The Supervisor also assigns and recommends priorities on repair projects; inspects the work of maintenance staff; assigns and supervises maintenance personnel; orders materials as needed; and coordinates, supervises, and participates in grounds maintenance. The maintenance workers perform tasks assigned by the Maintenance Supervisor, which may include repairs to buildings and equipment, fabrication and installation of equipment, snow removal, and maintenance of athletic fields and grounds. Maintenance workers may also be used to perform custodian duties in emergencies.

The District has three levels of custodians that are assigned to clean each building: a head custodian, a custodian I, and a custodian II. To achieve head custodian status, a custodian must possess a valid low pressure boiler operator's license. Head custodians are responsible for relaying performance information concerning other custodians to the applicable supervisor and assisting the custodial staff in maintaining the buildings at a proper level of cleanliness and sanitation. The Maintenance Supervisor noted that the custodial staff may also be required to perform minor maintenance duties, such as changing light bulbs. However, a majority of the maintenance tasks are handled by the District's maintenance workers.

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

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2006-07

Classification	Total Number of Positions	Number of Full-time Equivalents
Maintenance Supervisor	1	1.0
Total Administration	**1**	**1.0**
Custodian	16	16.0
Total Custodial	**16**	**16.0**
Maintenance	5	3.7
Total Maintenance	**5**	**3.7**
Total Grounds[1]	**0**	**1.4**
Total	**22**	**22.0**

Source: Salem CSD
[1] FTEs were adjusted based on some maintenance staff spending approximately 45 percent of their time on grounds keeping functions.

Key Statistics

Key statistics related to facility maintenance and operations (M&O) are presented in **Table 4-2**, and are based on the District's staffing and building data for FY 2006-07. In addition, results from the *35th Maintenance and Operations Cost Study* [Annual American School and University (AS&U) 2006], and statistics from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) are included in **Table 4-2** and throughout this section of the report.

Table 4-2: Key Statistics and Indicators

Number of School Buildings	6
- Elementary Schools	3
- High School	1
- Other	2
Total Square Feet Maintained	370,091
- Elementary Schools	149,276
- High School	171,100
- Other[1]	49,715
Square Feet Per FTE Custodial Staff Member (16)	**21,856**
- Elementary Schools (9.0)	16,586
- High School (6.0)	28,517
- Other (1.0)	29,315
NCES Standard Square Feet per FTE [2]	28,000
Square Feet Per FTE Maintenance Staff Member (3.7)	**100,025**
AS&U 35th Annual Cost Survey (1,000 - 3,499) Students Median	116,272
AS&U 35th Annual Cost Survey National Median	100,720
Acres (58.1) per Groundskeeper FTE (1.4)	**42**
NCES Standard Acres per FTE	18

Source: Salem CSD, AS&U 35th Annual Maintenance and Operations Cost Survey, NCES

[1] Custodians are only responsible for cleaning the administration building at 29,315 square feet. Maintenance employees are responsible for maintaining the entire 49,715 square feet.
[2] NCES Level 3 cleaning standard (the normal standard for most school facilities) is 28,000 to 31,000 square feet per custodian.

As illustrated in **Table 4-2,** Salem CSD's square footage per custodial FTE is lower than the NCES standard (see **R4.1**). Conversely, the District's acre per groundskeeper FTE is higher than the NCES standard (see **R4.1**), while their square footage per maintenance FTE is comparable to the AS&U national median.

Financial Data

Table 4-3 illustrates all fund expenditures incurred to maintain and operate Salem CSD facilities for FY 2003-04, FY 2004-05 and budgeted FY 2005-06.

Table 4-3: Maintenance and Operations Expenditures

Line Items	FY 2003-04 Total	FY 2004-05 Total	FY 2004 to FY 2005 Percent Change	FY 2005-06 Estimated Expenditures	FY 2005 to FY 2006 Percent Change
Salaries and Leave	$878,013	$836,825	(4.7%)	$797,038	(4.8%)
Benefits	$471,916	$466,659	(1.1%)	$465,084	(0.3%)
Utilities	$515,317	$424,951	(7.5%)	$413,346	(2.7%)
Purchased Services	$126,086	$106,511	(15.5%)	$99,646	(6.4%)
Supplies and Materials	$58,932	$51,181	(13.2%)	$10,957	(78.6%)
Capital Outlay	$12,825	$50,790	296.0%	($987,243)	(2043.8%)
Other	$1,600	$15	(99.1%)	$15	0.0%
Total	$2,064,689	$1,936,931	(6.2%)	$798,842	(58.8%)

Source: Salem CSD financials

Explanations for significant variances in **Table 4-3** are as follows:

- **Salaries and Benefits:** Salaries and benefits decreased approximately five percent in FY 2004-05, due primarily to staffing changes. More specifically, the Treasurer indicated that retirements and resignations occurred in FY 2003-04 and during the middle of FY 2004-05. The decrease projected in FY 2005-06 is also the result of the retirement and resignation of two custodians during FY 2005-06.

- **Utilities:** The Treasurer attributed the decrease in utilities for FY 2004-05 to a decline in electricity usage. Based on the anticipated savings resulting from membership in the Ohio Schools Council consortium during FY 2004-05 and the upgrades to the school buildings from HB 264, the Treasurer is projecting utilities to further decrease in FY 2005-06.

- **Purchased Services:** According to the Treasurer, purchased services decreased approximately 16 percent in FY 2004-05 because of a one-time expenditure that occurred in the permanent improvement fund in FY 2003-04. Specifically, the District completed some grounds work on land used for elementary athletic events at a cost of $24,423.

- **Supplies and Materials:** The Treasurer indicated the decrease in FY 2004-05 was the result of transferring expenditures to a special cost center set up for textbook expenditures. In addition, the District repaired some water damage caused from a storm in FY 2003-04. Due to the financial condition of the District, the Treasurer is projecting supplies to decrease based on the District limiting purchases.

- **Capital Outlay:** The majority of the District's capital outlay expenditures are from the Permanent Improvement Fund. The District's capital outlay expenditures increased approximately 300 percent from FY 2003-04 to FY 2004-05. During FY 2004-05, the District used money from HB 264 to replace windows, roofs, and upgrade its boilers.

According to the Treasurer, the negative appropriation amount projected for capital outlay expenditures is the result of transferring expenditures to a special cost center for purchases of software and computers that qualify toward set-aside requirements.

- **Other:** The Treasurer indicated that the decrease in other expenditures for FY 2004-05 was the result of a one-time expenditure in FY 2003-04 for wiring diagram schematics. Normally, the District pays only a $15 fee for boiler licenses.

Table 4-4 compares Salem CSD's General Fund and total fund expenditures related to custodial and maintenance operations on a per square foot basis to the peer average and AS&U.

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

Object Code	Salem CSD [1]	Peer Average	Difference	AS&U National Median [2]	AS&U (1,000 - 3,499 students) [2]
Salaries and Benefits	$2.85	$2.86	0%	$1.79	$2.05
Purchased Services	$0.19	$0.57	-67%	$0.24	$0.17
Utilities	$0.93	$1.34	-30%	$1.35	$1.36
Supplies and Materials	$0.11	$0.36	-69%	$0.27	$0.25
Capital Outlay	$0.00	$0.26	-100%	N/A	N/A
Miscellaneous	$0.00	$0.02	-100%	$0.19	$0.11
Total General Fund	**$4.08**	**$5.40**	**-24%**	**$3.84**	**$3.94**
All Funds Utilities	$0.93	$1.35	-31%	N/A	N/A
Total All Funds	**$4.24**	**$5.66**	**-25%**	**$3.84**	**$3.94**

Source: Salem CSD, the peer districts, and AS&U
[1] The District's data reflects the costs and square footage of the buildings in operations during FY 2004-05.
[2] This is data from the 34th AS&U study because it reflects budgeted expenditures for the 2004-05 school year.

Table 4-4 shows that Salem CSD's total General Fund and total fund expenditures per square foot are approximately 24 and 25 percent lower than the peer average, respectively. In contrast, the District's total fund expenditures per square foot are approximately 10 and 8 percent higher than the AS&U national median and median for similar-sized districts, respectively. This discrepancy is due to the District's salary and benefit expenditures per square foot being approximately 59 and 39 percent higher when compared to the AS&U national median and median for similar-sized districts, respectively.

In addition to General Fund expenditures, Salem CSD has a Permanent Improvement Fund for facility operations and some other small miscellaneous funds. The District's total expenditures from these funds in FY 2004-05 were approximately $69,700. The majority of those expenditures were charged either to purchased services or capital outlay. However, after factoring in these expenditures, the District's purchased services expenditures per square foot and capital outlay expenditures per square foot are approximately $0.23 and $0.11 which are

much lower than the peer averages. Furthermore, the total purchased service expenditures per square foot are in line with the AS&U national median.

Noteworthy Accomplishment

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

- **Energy Costs and Management:** As shown in **Table 4-4**, the District's utility expenditures per square foot were approximately 24 percent lower than the peer average and both AS&U medians. Salem CSD took advantage of HB 264 to make its buildings more energy-efficient. By making the appropriate upgrades to its facilities and reducing electricity usage, the District has been able to significantly reduce its utility expenditures (see **Table 4-3**). Furthermore, the Maintenance Supervisor is proposing an energy conservation policy that is in line with industry standards. In addition, Salem CSD is part of a purchasing consortium for electricity. According to the Maintenance Supervisor, Salem CSD purchases natural gas through a broker because the District has received better rates than from a consortium. The Maintenance Supervisor also indicated that a portion of the District's rate is fixed, while the other portion is variable. Lastly, the Maintenance Supervisor noted that the District monitors energy use through its computerized system, which also centrally controls temperature settings.

Assessments Not Yielding Recommendations

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

- **Maintenance Staffing:** As shown in **Table 4-2**, Salem CSD maintains 100,025 square feet per maintenance FTE. Although this is lower than the AS&U median for similar-sized school districts (116,272), it is similar to the AS&U national median (100,720).

- **Overtime Use and Expenditures:** The District's overtime costs represent less than five percent of the total custodial and maintenance salaries in FY 2003-04 and FY 2004-05. In addition, the District reduced overtime costs by approximately 32 percent from FY 2003-04 to FY 2004-05, which reduced the percentage of salaries attributable to overtime from 4.9 to 3.5 percent. The Treasurer credited the reduction to improved monitoring. The District requires that overtime be requested and approved prior to the work taking place, limits overtime by using substitutes to cover for absences, and has a fee schedule in place to cover the costs of custodial overtime and utility costs for after school events.

- **Health and Safety:** The District is in the process of developing a health and safety policy that will address health and safety conditions and student safety. The District is also currently working with the Bureau of Workers' Compensation to develop a safety plan (see the **human resources** section). In addition, the District has recently developed a safety committee and a comprehensive School Safety Plan that explains emergency operation team responsibilities and procedures for handling major emergencies.

- **Building Closures:** After the closing of two buildings and the reconfiguration of grades, the District still has enough space in the remaining buildings, with the use of modular units at Buckeye Elementary, to accommodate its enrollment. Based on criteria from DeJong and Associates for determining building capacity, the elementary schools are operating at a capacity of approximately 90 percent. Without the modular units, Buckeye Elementary would be operating at over capacity (approximately 120 percent of building capacity). With the modular units, Buckeye Elementary is operating at approximately 89 percent of capacity. Therefore, the District will need to continue to use the six modular units at Buckeye Elementary. In addition, the building utilization rate at the high school is approximately 98 percent. However, given the decline in enrollment each year from FY 2001-02 to FY 2005-06 (see **Table 4-7**) and assuming similar trends in the future, the high school should be able to accommodate grades 7 through 12 without exceeding total capacity. Based on the above, there is not enough excess capacity at the remaining schools to allow for additional building closures.

Recommendations

Staffing

R4.1   **Initially, Salem CSD should consider reducing at least 1.0 custodial FTE and reassigning another 2.0 custodian FTEs to the grounds keeping function. Thereafter, the District should determine whether contracting for its grounds keeping function would be more cost effective than providing the service with in-house staff. By contracting for grounds functions, the District would be able to eliminate at least 3.0 custodial FTEs and 1.0 maintenance FTE.**

According to the Maintenance Supervisor, the District's maintenance staff devotes 45 percent of the year to the grounds-related functions of mowing, plowing snow, and maintaining athletic fields, and 55 percent of the year to maintenance functions. Although the custodians may be required to perform minor maintenance (e.g., changing light bulbs), the custodial staff spends 100 percent of their time on custodial tasks. The District assigns three custodians to each of the elementary schools, one custodian to the administration building, and six custodians to the high school.

The Planning Guide for Maintaining School Facilities (NCES, 2003) presents a five-tiered system of expectations to help guide school districts in their decision-making as to the level of cleanliness maintained throughout the buildings. It indicates that Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues. Using this standard, a custodian can clean approximately 28,000 to 31,000 square feet in eight hours. Taking the mid-point of the standard, a custodian can maintain 29,500 square feet in an eight hour period. NCES further notes that the actual number of square feet a custodian can clean per shift will depend on additional variables, including the type of flooring, wall covers, and number of windows, all of which must be taken into account when determining workload expectations. Nevertheless, **Table 4-2** shows that the District's custodians clean an average of 21,856 square feet per FTE, which is 26 percent lower than the NCES Level 3 average of 29,500. The lower square footage per FTE is due to the custodial staffing at the elementary schools.

Table 4-5 presents the District's current custodial staffing assignments, and one example of reducing and then reallocating custodial staffing levels in a manner that provides a more equitable distribution of square footage per custodian while simultaneously achieving NCES' Level 3 cleaning benchmark.

Table 4-5: Comparison of Square Feet Maintained per Building

Building	Square Feet	Current FTEs	Current Sq. Ft / FTE	NCES Standard Sq. Ft. /Per FTE	Revised FTEs	New Sq. Ft. Maintained
Buckeye Elementary (Grades K-2)	52,960	3.0	17,653	29,500	2.0	26,480
Reilly Elementary (Grades 3-4)	53,800	3.0	17,933	29,500	2.0	26,900
Southeast Elementary (Grades 5-6)	42,516	3.0	14,172	29,500	1.5	28,344
High School (Grades 7-12)	171,100	6.0	28,517	29,500	6.0	N/A
Administration	29,315	1.0	29,315	29,500	1.0	N/A
Total	349,691	16.0	21,856	29,500	12.5	27,975

Source: Salem CSD and NCES

As indicated in **Table 4-5**, Salem CSD's current square footage per custodial FTE at the elementary schools is significantly lower than at the high school and administration buildings, as well as the NCES Level 3 benchmark. **Table 4-5** shows that the District could eliminate 3.5 FTEs to come closer to NCES' Level 3 cleaning benchmark. In addition, reassigning custodial staff as shown in **Table 4-5** would make the square footage per FTE more equitable among all of the buildings.

In consideration of the fact that the District employs only full-time custodians, the varying square footage at each of the buildings, and the potential impact of other non-quantifiable variables (e.g., flooring, wall covering, etc.), the District may only be able to initially eliminate 3.0 FTEs. This would result in the remaining custodians cleaning an average of 26,899 square feet per FTE, which is approximately nine percent lower than NCES' Level 3 average benchmark of 29,500. Therefore, this provides a conservative estimate of potential custodial reductions. Lastly, implementing formal custodial procedures (see **R4.4**) would assist the custodial staff in becoming more efficient and productive, and ensure that school buildings are maintained consistently.

In addition to custodial staffing guidelines, NCES *Planning Guide for Maintaining School Facilities* (2003) presents the following guidelines for grounds staffing levels, according to level of service for basic grounds:

- Acceptable: 1 FTE per 20 acres
- Standard: 1 FTE per 18 acres
- High: 1 FTE per 15 acres

As shown in **Table 4-2**, Salem CSD maintains approximately 42 acres per grounds FTE, which is over two times higher than NCES benchmarks. Currently, the District does not have any full-time grounds keepers. Instead, three maintenance employees are responsible for maintaining the District's grounds. Although the staffing levels related to maintenance functions appear adequate (see *Assessment Not Yielding Recommendations*), the District can address the lower grounds functions by reassigning custodial FTEs to grounds keeping. If the District reassigned 2.0 custodial FTEs to grounds, it would maintain approximately 17 acres per grounds FTE, which would be in line with the NCES benchmark of 18 acres per grounds employee. This would, in turn, result in a net reduction of 1.0 custodian FTE, based on the preceding custodial assessment.

The Maintenance Supervisor indicated that the District has also considered contracting out the grounds keeping function. It has obtained cost estimates for contracting out its mowing function, with the lowest cost being approximately $46,000. However, the District has not yet obtained cost estimates for snow plowing. Due to the unpredictable nature of the weather during the winter months, the Maintenance Supervisor indicated that it would be difficult to obtain a reasonable estimate for the cost of contracting out the District's snow plowing functions. In addition, the District would need to consider the maintenance of its athletic fields when contracting for grounds work. As a result, the total cost savings to the District from contracting out its grounds keeping function can not be determined. However, the District would be able to eliminate at least 3.0 custodial FTEs by contracting for all grounds work. It would also be able to eliminate at least 1.0 maintenance FTE, based on the current time maintenance staff devotes to grounds and comparisons to AS&U medians. More specifically, reducing 1.0 and 2.0 maintenance FTEs would result in square footage per maintenance FTE ratios of 92,523 and 123,364, respectively. By comparison, AS&U reported a median square footage per maintenance FTE for similar-sized school districts of 116,272 and a nation-wide median of 100,720 square feet per maintenance FTE for the 2005-06 school year.

Financial Implication: If the District eliminates 1.0 custodial FTE, it would save approximately $30,200 annually in salaries and benefits. This is based on the average salary of $19,342 for the three lowest paid employees and total facility employee benefits comprising 56 percent of total salaries in FY 2004-05.

If Salem CSD elects to contract out its grounds keeping function, the District could reduce 3.0 custodial FTEs and 1.0 maintenance workers. Based on an the average salary of lower-paid staff and benefits comprising 56 percent of salaries, reducing these positions would result in annual cost savings of approximately $134,400 in salaries and benefits. Although a net financial impact can not be determined due to unknown contracting costs, the total cost estimate for outsourcing the grounds keeping function would need to be below these associated savings to provide a net savings for the District.

Work Orders and Preventive Maintenance

R4.2 **Salem CSD should consider purchasing a computerized maintenance management system (CMMS) that is compatible with its other operating systems and software. A CMMS would allow the District to more effectively schedule and track preventive and general maintenance tasks, as well as track and monitor the cost and amount of supplies, materials and labor used on projects (including staffing levels and overtime use). Tracking such data would be helpful in measuring the productivity and performance of assigned personnel, estimating future costs and timeframes for potential projects, and anticipating needed facility and equipment repairs and replacements. Furthermore, tracking labor time and costs would help the Maintenance Supervisor better quantify the amount of time spent by staff on maintenance activities, especially since the District does not have staff strictly devoted to maintenance. This would, in turn, help to ensure that the time spent is sufficient to adequately maintain the District's facilities.**

The District does not have an automated system to maintain facilities information, and instead uses a manual work order system. Once a work order request is approved by the building principals, it is sent to the Maintenance Supervisor for approval. The Maintenance Supervisor then assigns the task to a staff member based on the qualifications needed to complete the work. When the task has been completed, staff members sign off on the work order and note the date of completion. The Maintenance Supervisor then stores the work orders in a building file for up to three years. However, the Maintenance Supervisor indicated that the District only tracks the materials used for major repairs and does not keep track of staff time. Additionally, the Maintenance Supervisor indicated that the District does not keep track of preventive maintenance activities through its work order system, including related staff time or the cost of the supplies. However, the District has a written preventive maintenance schedule that is provided to each maintenance employee listing the tasks to be completed on a daily, weekly, and monthly basis. Maintenance staff signs off on the schedule to indicate the completion of tasks, and the Maintenance Supervisor updates the schedule monthly.

According to *The Planning Guide for Maintaining School Facilities* (NCES, 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. A work order system can be a manual, paper-based, tracking tool. More efficient (depending on the size of the organization) work order systems come in the form of computerized maintenance management systems (CMMS). Their purpose is to manage work requests as efficiently as possible and meet the basic information needs of a district. CMMS software must also be user friendly so that it can be implemented with minimal training.

NCES further indicates that a CMMS should be network or Web-based, be compatible with standard operating systems, have add-on modules (such as those incorporating the use of hand held computers), and be able to track assets and key systems. Source codes must be accessible so that authorized employees are able to customize the system to fit their needs as necessary. In terms of utility, a good CMMS program will do the following:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Allow the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included; and
- Allow labor and parts costs to be captured on a per-building or per-task basis.

At a minimum, work order systems should account for:

- The date the request was received;
- The date the request was approved;
- A job tracking number;
- Job status (received, assigned, ongoing, or completed);
- Job priority (emergency, routine, or preventive);
- Job location (where, specifically, is the work to be performed);
- Entry user (the person requesting the work);
- Supervisor and craftsperson assigned to the job;
- Supply and labor costs for the job; and
- Job completion date/time.

Lastly, NCES indicates that a CMMS is necessary when staff manages more than about 500,000 square feet of facility space and that many smaller organizations may not have the need or resources to automate data systems. Although Salem CSD falls below this threshold at approximately 370,000 square feet, using a CMMS would help improve its ability to easily track a wealth of useful data at a relatively low implementation cost. This could help the District better manage its facility operations.

Financial Implication: The cost of a computerized maintenance management system ranges from $195 to $19,600 depending on the number of selected features. This does not include the cost to provide training to maintenance personnel.

Operational Procedures

R4.3 **Using the preventive maintenance schedule as a starting point, Salem CSD should establish written guidelines and operating procedures for addressing and prioritizing emergency maintenance, routine maintenance, and preventive maintenance. This would help ensure the most serious problems are addressed first (i.e., those affecting life, health, and safety). Additionally, a CMMS can help the District prioritize maintenance tasks (see R4.2).**

Although the District provides a preventative maintenance schedule to each maintenance employee, it does not have formal written policies and procedures for the prioritization of maintenance needs. Instead, the Maintenance Supervisor is responsible for prioritizing the maintenance tasks. The Maintenance Supervisor indicated that the prioritization is based on the District's needs and tasks are assigned based on the qualifications of the staff. According to the Maintenance Supervisor, the only recent major repair occurred two years ago when lightning damaged the high school electrical system.

According to Florida's Office of Program and Policy Analysis and Government Accountability (OPPAGA), school districts should establish a work authorization system that prioritizes maintenance needs. OPPAGA also indicates that school districts need to establish written guidelines and operating procedures for addressing emergency maintenance, routine maintenance and preventive maintenance. Some maintenance issues are more important than others; however, even routine maintenance can become an emergency if it is not addressed in a timely manner. The maintenance priority system should address the most serious problems first – those affecting life, health and safety; then address those that could become major problems in the future (e.g., roof leaks affecting air quality). The priority system should also address routine and ongoing preventative maintenance. Work priority guidelines need to be clearly understood and adhered to by employees and customers. By having a priority system in place, maintenance and custodial employees are given direction and focus despite the competing requests for time and resources.

R4.4 **Salem CSD should develop and implement a policy and procedures manual for the custodial staff that stipulates the proper cleaning procedures that should be used by the custodial staff. Subsequently, the Maintenance Supervisor should work with the Superintendent and Board to establish a schedule to review the manual (e.g., annually) and update them as needed. Updated policies should include a "last updated" field to help users ensure that they have the most up-to-date information. Developing a policy and procedures manual will ensure that all personnel are familiar with work expectations and employment protocols.**

The District does not have a policy and procedures manual for its custodial operations. Conversely, the District provides maintenance employees with a manual that outlines the District's preventive maintenance schedule, including the equipment that needs to be maintained and what tasks should be completed daily, weekly, monthly, annually, etc. However, the Maintenance Supervisor indicated that the District is a little behind schedule in updating the preventive maintenance schedule. Furthermore, the District lacks formal guidelines and operating procedures for some maintenance functions (see **R4.3**).

The *Custodial Methods and Procedures Manual* [Association of School Business Officials International (ASBOI), 2000] can serve as a guideline for developing procedures for custodial and maintenance personnel. It outlines staffing standards; daily duties and tasks; job descriptions; job schedules; evaluations; and cleaning procedures and methods for various job tasks. In addition, the International Sanitary Supply Association (ISSA) has developed a program manual to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning

Without formal policies and procedures, the District increases the risk that staff will inconsistently, inefficiently, or ineffectively perform job functions. For instance, 30 percent of the respondents to the AOS survey of Salem CSD employees indicated that the facilities are not properly cleaned.

Financial Implication: The cost of ISAA's manual is $60 for non-members and $45 for members. In addition, ISSA has several other training programs for custodial staff.

R4.5   **Salem CSD should develop and implement formal performance standards and measures that will be used to consistently evaluate the efficiency and effectiveness of maintenance and custodial operations. The District should use these performance standards and measures to communicate job expectations, assess staff performance, and develop performance evaluation forms that specifically assess the performance of custodial and maintenance employees. Some examples of maintenance and operations department performance measures include cost per square foot and cost per student by category (e.g., salaries, benefits, supplies and materials, etc.), and number of square feet per FTE. Additionally, the District should consistently evaluate the performance of all maintenance and operations staff yearly.**

By using performance standards and measures, the District would be assessing organizational and staff performance based on objective data. This would also enable the Salem CSD to periodically compare established benchmarks, which can include peer district performance and national standards, to the District's actual performance. This, in turn, would help the District identify improvements to its facility operations. Lastly, the District should update the job descriptions for custodial and maintenance staff to more accurately reflect the working environment and help serve as the basis of the performance evaluations. See the human resources section for more information on job descriptions and performance evaluations.

The District uses evaluations to measure the performance of the maintenance and custodial employees, although the Superintendent indicated that evaluations of the classified staff were not always completed in the past. According to the Superintendent, the District is in the process of ensuring that the classified staff receives an evaluation each year. The District lacks formal performance measures and standards, as well as performance evaluation forms designed specifically for custodial and maintenance employees to objectively evaluate organizational and staff performance. Lastly, the job descriptions for the maintenance and custodial staff have not been updated since 1989. Therefore, the Maintenance Supervisor indicated that the current job descriptions do not accurately portray the duties of the custodial and maintenance staff. However, the Superintendent indicated that he is in the process of updating the job descriptions for the maintenance and custodial staff.

According to OPPAGA, districts should implement accountability mechanisms to ensure the efficiency of the maintenance and operations program, which includes the development of a comprehensive set of measures to evaluate overall effectiveness. In addition to periodically comparing established benchmarks to actual performance, comparative cost data among peers and national standards can also serve as benchmarks for evaluating the performance and cost effectiveness of maintenance and custodial operations. Furthermore, GFOA recommends the use of performance measures to

evaluate program efficiency and effectiveness (see **financial systems** for more information).

OPPAGA also indicates that districts should establish performance standards in writing with input from maintenance and custodial employees. Performance standards serve as a basis for measuring how well the maintenance and custodial employees meet or adhere to board policies, standards, and objectives. They set clear expectations for job performance and give managers consistent tools for evaluating performance. In addition, *The Planning Guide for Maintaining School Facilities* (NCES, 2003), states that in order to assess staff productivity and ensure that all schools are maintained equitably, districts must establish performance standards and evaluation criteria. This publication also contains suggested guidelines for custodial and grounds staffing based on square footage and acres (see **Table 4-2** and **R4.1**).

By failing to use performance standards and measures, and up-to-date job descriptions, the District hinders its ability to objectively evaluate staff and organizational performance, and increases the risk of making uninformed decisions. Also, in the absence of updated job descriptions, employees may not be fully aware of job expectations and duties.

Planning

R4.6 **Using the current preventive maintenance schedule, continuous improvement plan, and the OSFC Assessment Report as a starting point, the District should work with a cross-section of school personnel, parents, students and community members to develop a comprehensive facilities master plan to reflect current building configurations and needs, as well as other essential components, such as updated enrollment projections (see R4.7) and capacity analyses. The master plan should serve as a roadmap for addressing the District's current and future facility needs and planned educational programs.**

To help develop the basis for the facility master plan, the District should also develop a formal five-year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work or equipment replacement is accomplished. The capital improvement plan should include a project categorization and prioritization system that provides management with cost estimates, timelines for projects, and a breakdown between maintenance tasks and capital projects. Doing so would help ensure work is completed in a timely manner, and minimize both safety hazards and facility deterioration. In addition, the Superintendent, Treasurer, and Maintenance Supervisor should work together to identify the District's facility and equipment needs. Lastly, the District should assign staff responsibilities, action steps, timelines, and other necessary resources to the facility

goals in its continuous improvement plan, which should be linked to the facility master plan and CIP.

In 2001, the Ohio School Facilities Commission (OSFC) completed an Assessment Report of the District's facilities. The report included a ten-year enrollment projection, a detailed assessment of the condition of the District's buildings and needs, and corresponding recommendations for the District. The District appears to have addressed some of the recommendations through H.B. 264 (e.g., upgrading roofs and boilers. The District entered into an Expedited Local Partnership Agreement (ELPA) with OSFC in 2003. Under the ELPA, OSFC would have provided Salem CSD with a district-wide assessment and a facilities master plan. However, in January 2006, the District decided to terminate the agreement and instead, elected to close two school buildings (Prospect Elementary and the Middle School) prior to the start of FY 2006-07. Furthermore, Salem CSD is in the process of updating its five-year continuous improvement plan. The continuous improvement plan includes a goal to provide a well-maintained, progressively improving system of kindergarten to grade 12 (K-12) schools that are safe and healthful, grade-appropriately organized, technology enhanced, aesthetically pleasing, and which maximize the effectiveness of the teaching and learning environment. However, the strategic plan does not define the action steps, assigned staff, timeline for completion, and other resources necessary to help achieve this goal.

While the District has the OSFC study and the continuous improvement plan, it does not have a comprehensive facilities master plan. In addition, the District does not have a formal and current CIP in place to address maintenance and capital needs. The Maintenance Supervisor indicated that he has little control over the selected capital projects in the District. The Maintenance Supervisor receives input from all the buildings as to what tasks the staff would like to see completed. He then prioritizes the tasks based on needs and makes a recommendation to the Board. The Board ultimately decides what capital projects will be completed. All of the District's capital projects are funded through the Permanent Improvement Fund.

According to *School Planning & Management, Creating a Successful Facility Master Plan* (DeJong and Staskiewicz, 2001), school districts should have a step by step method established for facilities planning. A district-wide facility master plan is typically a 10-year plan. The plan should be developed on a foundation of sound data and community input and should be a road map for addressing the district's facilities needs. Furthermore, this publication notes the following criteria for crafting effective master plans:

- The plan should clearly state what buildings are going to be kept, which should be discontinued, which are going to be renovated and what new buildings are going to be built.

- The plan should specify the projects that have been identified, the timing and sequencing of the projects, and their estimated cost.

- The plan should be the convergence of the condition of existing facilities, the desired educational program, the demography of the district and a vision of the future.

- The plan should be updated periodically to incorporate improvements that have been made, and changes in demographics or other educational directions.

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

This publication also identifies the following as essential components of a facilities master plan:

- Historical and projected student enrollment figures;
- Demographic profile of the community / school district;
- Facility inventory;
- Facility assessment (condition and educational adequacy of buildings);
- Capacity analysis;
- Educational programs;
- Academic achievement; and
- Financial and tax information.

According to GFOA (2000), governments should have a process for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and be fully integrated into the government's overall financial plan. The capital improvement plan should also be included in a budget document, either in a single document describing both the operating and capital budgets or in a separate document describing the capital improvement plan and capital budget. The process for developing the plan should allow ample opportunity for review and stakeholder involvement in prioritizing projects. GFOA further recommends that governments have the capital plan approved by the governing body.

Developing these plans would help the District anticipate and identify needed facility and equipment repairs, prioritize projects and related funding, and communicate its facility needs to the public.

R4.7 **In conjunction with the development of a comprehensive facilities master plan (see R4.6), the District should develop and formally adopt a 5 to 10-year forecast methodology for projecting student enrollment. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues and, if necessary, determine possible building additions, closures, and/or reconfigurations. This is particularly important as the high school is currently operating at 98 percent of capacity and modular units are used at Buckeye Elementary to avoid operating above capacity. The enrollment projections should also be considered when projecting future state funding allocations and making staffing decisions.**

In 2001, a consultant developed Salem CSD's most recent enrollment projections as part of the OSFC Facilities Assessment Report. The ten-year projections were developed through the analysis of live birth data, historical enrollment, housing data, and historical and projected building permit information. **Table 4-6** presents this ten-year enrollment projection.

Table 4-6: Salem CSD Enrollment Projections

School Year	Projected Enrollment	Percentage Change from Previous Year
2001-02	2,442	N/A
2002-03	2,429	-0.5%
2003-04	2,419	-0.4%
2004-05	2,432	0.5%
2005-06	2,435	0.1%
2006-07	2,440	0.2%
2007-08	2,449	0.4%
2008-09	2,463	0.6%
2009-2010	2,484	0.9%
2010-2011	2,500	0.6%
2011-2012	2,525	1.0%
2012-2013	2,550	1.0%

Source: Consultant, 2001

Table 4-6 shows the District's enrollment is projected to increase slightly each year after FY 2003-04, with projected enrollment reaching 2,550 in FY 2012-13. As a way of determining the reasonableness of the enrollment projections, **Table 4-7** compares Salem CSD's actual head count for the last five years to the enrollment projections.

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

School Year	Projected Enrollment	Actual Student Head Count	Difference Between Actual and Projected	Percent Difference
2001-02	2,442	2,505	63	2.58%
2002-03	2,429	2,472	43	1.77%
2003-04	2,419	2,445	26	1.07%
2004-05	2,432	2,397	(35)	-1.44%
2005-06	2,435	2,337	(98)	-4.02%

Source: Salem CSD Enrollment Report and Consultant 2001 projections

Table 4-7 indicates that the enrollment projections fluctuated between being approximately one percent lower to four percent higher than the actual enrollment over the last five years. Contrary to the projected increases each year after FY 2003-04, the District's actual enrollment declined in FY 2004-05 and FY 2005-06. In fact, the District's actual enrollment decreased each year from FY 2001-02, by approximately one to two percent per year. Therefore, the enrollment projections no longer appear reasonable. The Superintendent indicated that the District is working with another consultant to prepare updated enrollment projections that more accurately capture current enrollment trends.

R4.8   Salem CSD should use OSFC's report as a starting point to initiate an audit of its facilities. The District should annually audit its facilities to ensure accurate and appropriate levels of inventory and to provide information for short- and long-term decisions, including the appropriate time to replace aging equipment.

Salem CSD had a facility audit completed in June 2001, as part of the OSFC report. OSFC analyzed the condition of all schools in the District, including capacity and building utilization. In addition, the Maintenance Supervisor indicated that in the past, the maintenance and custodial staff conducted room-by-room evaluations to identify potential problems and evaluate building condition. However, the Maintenance Supervisor indicated that due to reductions in staffing, the custodial and maintenance staff is not regularly evaluating the condition of the facilities.

The Planning Guide for Maintaining School Facilities (NCES, 2003) indicates that facility audits should be a routine part of the facilities maintenance program. A facility audit is a comprehensive review of the District's assets. The audits are a standard method for establishing baseline information about the components, policies, and procedures of existing facilities. Facility audits are important because they help planners, managers, and staff know the condition of facilities, service history, maintenance needs, and location. The audits rely on facts, not guesswork, to establish plans for maintaining and improving school facilities, and allow in-depth analyses of product life cycles to occur on

a routine basis, measuring actual life versus expected life. Once initiated, audits must be performed on a regular basis (e.g., annually) because conditions change constantly. If facility audit reviews are an ongoing feature of maintenance management, each year's data can inform the process and make the next year's audit task easier.

NCES further notes that by integrating the findings of annual audits over time, planners can ascertain realized product life cycles, the impact of various maintenance strategies and efforts on product life cycles, and future demands the aging process might place on the infrastructure of a school district. This information can be used to increase the efficiency and cost-effectiveness of facility use and maintenance efforts in the future.

R4.9 **Salem CSD should survey teachers, students, parents, administrators, and Board members at least annually to determine the strengths and weaknesses of custodial, grounds and maintenance operations, and help identify needed improvements. The District should then share the survey results with its stakeholders, and reevaluate operations to ensure that they have improved. In addition, the District should review the survey administered by AOS (see Appendix 4-A) and begin to address problem areas. Salem CSD could use the AOS survey to help in developing a more customized and detailed future survey of its maintenance, grounds and custodial operations. As the District administers subsequent surveys, it should track progress in addressing issues identified in them.**

Salem CSD does not have a customer feedback system designed to identify customer perceptions and necessary program improvements. The Maintenance Supervisor indicated that the District has conducted surveys in the past, but the participation rate was low and as a result, the surveys were not helpful to the District.

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

AOS administered a survey to obtain employee feedback and perceptions concerning custodial and maintenance services. A total of 164 employees completed the survey (see

Appendix 4-A at the end of the audit report for the entire survey results). The following highlights overall satisfaction levels and key areas for improvement from the survey:

- **Overall Satisfaction:** 63 and 68 percent of respondents are overall satisfied with the maintenance and custodial departments, respectively, with 14 and 12 percent not being satisfied.

- **Cleanliness and Custodial Efficiency:** Only 52 percent of respondents agreed that facilities are properly cleaned, with 30 percent of respondents disagreeing. By comparison, 22 percent of respondents indicated that custodial tasks are not completed efficiently, while 60 percent felt that they were completed efficiently.

- **Work Order Timeliness:** Only 44 percent of respondents agreed that work orders are completed in a timely manner, with 28 percent disagreeing.

- **Emergencies:** Only 47 percent of respondents agreed that emergency work orders are given top priority, with 10 percent disagreeing.

Survey results, while representing District employee opinions, can be used to help identify areas that should be reviewed for improvement. Furthermore, formalizing custodial and maintenance procedures (see **R4.3** and **R4.4**), developing performance standards and measures to objectively evaluate operations (see **R4.5**), and purchasing an electronic work order system (see **R4.2**) could help address the survey issues noted above.

Energy Management

R4.10 **Assuming Board approval, Salem CSD should use the energy policy created by the Maintenance Supervisor to train and educate staff and students about energy conservation strategies, including the reasons behind energy conservation. Additionally, the District should review the option of obtaining outside training from organizations and associations that are known for their effective energy conservation programs. These programs could provide staff and students with additional measures to help conserve energy and control or potentially reduce energy costs.**

Salem CSD does not have energy conservation training programs in place for employees and students. However, the Maintenance Supervisor is currently in the process of obtaining approval from the Board of Education for an energy conservation policy that will provide teachers, administrators, and staff members with effective energy conservation measures that are comparable to industry standards.

National Energy Educational Development (NEED), a nonprofit education association, works with state and local partners to provide over 600 energy education workshops and in-services to teachers and students throughout the school year. NEED workshops are designed to help educators implement energy programs in their classrooms, while developing student knowledge and leadership skills. The NEED program includes innovative curriculum materials, professional development, evaluation tools, and recognition. NEED teaches the scientific concepts of energy and provides objective information about conventional and emerging energy sources – their use and impact on the environment, the economy and society. The program also educates students about energy efficiency and conservation, and provides tools to help educators, energy managers and consumers use energy wisely. The Elyria City School District contracted with a consultant in 2004 to provide training to school district employees about energy conservation. The training did not require additional funds since the fees were paid from guaranteed savings. If the savings were not sufficient to cover the fees, the company would have reimbursed the district for the difference.

Although the District's total utility expenditures decreased by approximately 18 percent from FY 2003-04 to FY 2004-05, they increased by approximately 30 percent in FY 2005-06. It should be noted that the District's total utility costs per square foot ($1.21) in FY 2005-06 is still much lower than the peer average and AS&U benchmarks for FY 2004-05 (approximately $1.35 – see **Table 4-4**). Nevertheless, training staff on the proposed energy policy and considering outside training opportunities would help ensure the District takes appropriate measures to control energy costs in the future and help minimize the potential of large increases in future utility expenditures.

Financial Implication: The membership fee to join NEED is $35. Based on a total of 134 educational staff, the total cost to the District would be approximately $4,700 annually. However, in many states and localities, membership is sponsored for interested teachers by federal or state energy agencies and other NEED corporate sponsors. Furthermore, it may not be necessary for the District to obtain a membership for every educational staff person. For example, the District could decide to obtain memberships for a select number of teachers, who can then help train other District staff.

Training

R4.11 Salem CSD should develop written training policies that require annual training courses for new employees and current staff. The District should also consistently provide training for new and current custodial and maintenance staff, including when new or revised equipment, technology, or procedures are introduced. To aid in this effort, the District should follow through on the implementation of its on-line training program and review training information from relevant sources (e.g., the National Education Association and NCES). Ongoing training of employees will

help ensure that they have a complete understanding of procedures and how to use new equipment, products, and technologies. In addition, the District should document the training sessions and include the documentation in employee files. See the human resources section for additional information on training.

The District does not consistently train employees when standards change due to new equipment, technology, or procedures. The Maintenance Supervisor indicated that in the past, the District conducted in-house training or brought vendors in to conduct training on new equipment. However, the Maintenance Supervisor indicated that the lack of specific training policies prevents the District from implementing training for all facility staff. In addition, the District does not have a program in place to train new facility staff. The District has recently offered electrical safety training to the safety team.

The *Custodial Methods and Procedures Manual* (ASBOI, 2000) recommends a regular program for custodial staff training as a matter of district policy. In addition to initial training for new staff, districts will need to offer special training as new products, equipment, and techniques become available. It will not benefit the staff or district if staff members are given new products to use without the necessary training. For that reason, school districts should consider sending the custodial and maintenance staff to new product and equipment workshops.

OPPAGA further recommends that management have a well thought out annual training plan directly related to the maintenance department's identified needs and scope of services – covering custodial/janitorial functions, grounds maintenance, and other trades-related maintenance functions. However, it is not sufficient for training to simply be available on a voluntary basis. All employees should be required to complete at least a minimum level of safety and handling of hazardous material training and emergency procedures training. Opportunities for job-related training should be extended to all employees, and training programs should be evaluated so that feedback can be used to improve future training. Administrators should also ensure that all custodial staff members are trained in departmental procedures, as well as established cleaning practices for varying types of educational buildings and equipment. In instances where custodians are required to perform minor maintenance tasks, they should be afforded the necessary level of training to do so.

According to *The ESProfessionals: An Action Guide to Help in Your Professional Development* [National Education Association (NEA), 2003], professional development for custodians and maintenance employees should include some of the following elements:

- Building security, including neighborhood watch programs;
- Asbestos training, including information about state and federal regulations pertaining to the handling and removal of such material;
- Blood borne pathogens training, including the potential risks of blood and human waste cleanups, and information about the blood borne pathogen standard drafted by the U.S. Occupational Safety and Health Administration;
- Hazardous equipment, including how to operate all machinery;
- Hazardous chemicals, including extensive training in the use of cleaning chemicals to reduce injuries;
- Ergonomics, including how to properly lift to avoid back injury and information about new cleaning tools and products that can minimize back strain; and
- Time management, including how workers can prioritize their tasks so they can accomplish them efficiently and effectively.

The Planning Guide for Maintaining School Facilities (NCES, 2003) recommends newly hired personnel receive the following types of training as soon as possible after joining the organization: orientation tour of the organization's facilities and the person's work area; equipment instructions; task-oriented lessons, including instructions on how best to perform the individuals work tasks; job expectations; and evaluation information, including evaluation criteria. NCES also recommends proven methods of offering training to custodial and maintenance staff during tight budget times, including:

- Sharing training costs with other organizations on a collaborative basis (e.g. training may be sponsored by several neighboring school districts or jointly by the school facilities department and the public works department in the same community);

- Hiring expert staff or consultants to provide on-site supervision during which they actively help staff improve their skills while still on-the-job;

- Developing training facilities, such as a custodial training room in which equipment (e.g., vacuums) and techniques (e.g., mopping) can be demonstrated and practiced. Providing this type of training will pay for itself in more efficient and better work from the trainee. Larger school districts, which are more likely to find such specialized facilities to be worth the investment, can do a good deed (and generate goodwill) by hosting training events for smaller districts in the area;

- Offering tuition reimbursement programs which provide educational opportunities to staff who might not otherwise be motivated to improve their knowledge and skills; and

- Building training into contracts so that vendors are obligated to provide training at either an on-site or off-site training center as a condition of the purchase of their products.

The District is in the process of implementing a new on-line training program on health and safety issues. The program offers training on blood borne pathogens, tuberculosis, hazardous chemicals, and other safety issues. The Maintenance Supervisor has devised a schedule that shows the frequency of the training course and which staff members are required to attend. By fully implementing the on-line training program and corresponding training policies, and by reviewing training information from industry sources, the District would better ensure that custodial and maintenance employees work in the most efficient and effective manner, and know how to address potential health and safety risks.

Security

R4.12 Salem CSD should establish one main entrance for visitors with appropriate signs directing visitors to that entrance, and lock all other doors from the outside. The District should continually warn students and staff against unlocking the doors from the outside, and institute appropriate measures to discipline students and staff for doing so. In addition, the District should consider using the Permanent Improvement Fund to implement an intercom/buzzer system at the main entrance of each building and provide related training to staff. This should help the District better monitor access to school buildings and ensure that visitors sign in at the office before being allowed to walk around the building. The District should also ensure that visitors sign in and out and are escorted when leaving the buildings. Furthermore, the District should consider using the Permanent Improvement Fund to upgrade fire safety equipment, especially in the elementary buildings, and ensure that equipment is working properly.

In order to further enhance building security throughout the District, Salem CSD should train staff and students on security and building access procedures, and educate parents about them as well. Lastly, the District should consider assigning staff to monitor the cameras throughout the day rather than just when specific problems occur. This should help reduce the possibility of thefts and improve the District's building security.

During the course of this performance audit, the Maintenance Supervisor indicated the District is in the process of implementing extensive training on security measures for staff and students, including practicing lock down methods. The Maintenance Supervisor further indicated that Salem CSD has installed an intercom/buzzer system throughout the District.

The District does not have an intercom/buzzer system in place to monitor the entrance of visitors. The Maintenance Supervisor indicated that there are supposed to be designated entrances for visitor use during school hours; however, there are some problems with keeping doors locked, particularly in the high school. More specifically, high school students sometimes leave doors open when exiting the building. The Maintenance Supervisor also noted that all of the buildings have signs indicating that visitors must sign in at the office; however, no one is monitoring the designated entrances to ensure that all the visitors sign in. In addition, the Superintendent indicated that due to the design of the school buildings, it is difficult to monitor visitor entrance and ensure visitors sign in unless a person specifically enters the building by the office. The Maintenance Supervisor further noted that in the past, the District did not do much in the way of training on security measures for students, staff or parents.

The District does have cameras installed throughout the buildings that are equipped with video tapes to record the daily interaction in the buildings. However, the Superintendent indicated that information obtained from the cameras is only monitored when specific problems arise due to the lack of staff availability. In addition, all of the school buildings are equipped with fire alarms and monthly fire drills are performed to ensure that the alarms are working properly. The high school also has smoke detectors. However, the Maintenance Supervisor indicated that some of the fire systems in the elementary schools are old and need to be upgraded. For instance, the fire alarm system at Reilly Elementary school was installed in the 1940s.

Although the school buildings are easily accessible, the District does have locks and monitors for the bus garage and warehouse. The bus garage is protected by a lock and key system, and monitored by staff. Furthermore, the District has a well developed emergency preparedness plan that is accessible to every school. This plan includes policies and procedures for handling emergencies, such as weapons in the building, fire evacuation, hostage situations, tornadoes, and medical emergencies. The plan clearly outlines the responsibilities of staff members and provides staff with guidance for a variety of different emergency situations.

According to the National School Safety and Security Services (NSSSS), a leading national consulting firm specializing in school security, access control to school campuses and buildings is a top concern for most school officials. Some practical steps for improving school access control include:

- Establish one main entrance and put up a sign identifying it as the main entrance. Maintain visible signs on campus and on all school doors directing visitors to the main entrance door.

- Create a visitor sign-in, sign-out, and escort procedures.

- Reduce the number of doors which may be opened from the outside. This does not mean changing doors or creating a fire hazard. It does mean using doors that cannot be opened from the outside, but which from those inside can exit in the event of a fire or other emergency.

- Train all school staff, including supporting personnel, to greet and challenge strangers. Staff should be trained to at least report strangers to the office if they do not feel safe in approaching someone they believe to be an intruder.

- Train students not to open doors to strangers, other students, or even adults they may know.

- Educate parents about access control strategies and the importance of them following the rules.

- Consider use of a camera, intercom, and buzzer at the school main entrance, especially at elementary schools. Be sure to have the controls for these doors at the desk of each secretary rather than only at that of one person, if you have main office secretaries controlling the doors. Train the secretaries on proper procedures for allowing access.

- Use surveillance cameras. Many schools, especially high schools and other larger facilities, use surveillance cameras to monitor and record entrance points. While most schools do not have adequate funding to staff full time monitoring of surveillance cameras, these cameras can serve as a deterrent and should be used so as to at least provide a record of who was in the area.

Without the proper measures to monitor visitors entering the school buildings and periodic training on security procedures, the District increases the risk of allowing potentially harmful or unauthorized persons into its buildings.

Financial Implications Summary

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

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings	Estimated Annual Costs	Estimated One Time Implementation Cost
R4.1 Eliminate at least 1.0 custodial FTE position.	$30,200		
R4.2 Purchase a computerized maintenance management system.			$19,600
R4.4 Purchase a custodial methods and procedure manual.			$60
R4.12 Join the National Energy Educational Development for energy conservation training.		$4,700	
Total	**$30,200**	**$4,700**	**$19,660**

Appendix 4-A: Employee Survey Responses

An employee survey was distributed to Salem CSD employees during the course of this audit and there were 159 respondents for this portion of the survey. The purpose of the survey was to obtain employee feedback and perceptions of customer service and related issues. This part of the survey solicited responses to statements concerning custodial and maintenance services. Survey responses were made on a scale of 5 to 1: where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 4-A1** illustrates the results.

Table 4-A1: AOS Facilities Survey Results

Survey Questions	Client Results
1) **Work orders are responded to in a timely manner.**	
Average Response	3.55
1) Strongly Disagree	3%
2) Disagree	25%
3) Neutral/Not Sure	18%
4) Agree	34%
5) Strongly Agree	10%
No Opinion	11%
2) **Custodial and maintenance employees deliver quality services.**	
Average Response	3.67
1) Strongly Disagree	3%
2) Disagree	13%
3) Neutral/Not Sure	19%
4) Agree	48%
5) Strongly Agree	15%
No Opinion	2%
3) **Emergency work orders are given top priority.**	
Average Response	4.20
1) Strongly Disagree	1%
2) Disagree	9%
3) Neutral/Not Sure	18%
4) Agree	36%
5) Strongly Agree	11%
No Opinion	25%
4) **Schools are notified in advance of work to be performed.**	
Average Response	4.01
1) Strongly Disagree	4%
2) Disagree	16%
3) Neutral/Not Sure	24%
4) Agree	20%
5) Strongly Agree	5%
No Opinion	31%

Survey Questions	Client Results
5) Schools are advised of incomplete work orders.	
Average Response	4.28
1) Strongly Disagree	3%
2) Disagree	14%
3) Neutral/Not Sure	25%
4) Agree	14%
5) Strongly Agree	1%
No Opinion	43%
6) Work is scheduled so it is not disruptive.	
Average Response	3.81
1) Strongly Disagree	5%
2) Disagree	18%
3) Neutral/Not Sure	15%
4) Agree	33%
5) Strongly Agree	9%
No Opinion	19%
7) Workers are careful near children.	
Average Response	4.30
1) Strongly Disagree	2%
2) Disagree	2%
3) Neutral/Not Sure	13%
4) Agree	46%
5) Strongly Agree	23%
No Opinion	14%
8) Overall, I am satisfied with the maintenance department.	
Average response	3.75
1) Strongly Disagree	3%
2) Disagree	11%
3) Neutral/Not Sure	18%
4) Agree	50%
5) Strongly Agree	13%
No Opinion	6%
9) The regular cleaning schedule appears to be appropriate.	
Average Response	3.67
1) Strongly Disagree	6%
2) Disagree	14%
3) Neutral/Not Sure	11%
4) Agree	52%
5) Strongly Agree	11%
No Opinion	6%
10) Custodial tasks are completed efficiently.	
Average Response	3.61
1) Strongly Disagree	8%
2) Disagree	14%
3) Neutral/Not Sure	13%
4) Agree	47%
5) Strongly Agree	13%
No Opinion	6%

Survey Questions	Client Results
11) Facilities are properly cleaned.	
Average Response	3.42
1) **Strongly Disagree**	8%
2) **Disagree**	22%
3) **Neutral/Not Sure**	13%
4) **Agree**	41%
5) **Strongly Agree**	11%
No Opinion	6%
12) Custodians are polite and have a good work ethic and attitude.	
Average Response	4.08
1) **Strongly Disagree**	1%
2) **Disagree**	5%
3) **Neutral/Not Sure**	15%
4) **Agree**	47%
5) **Strongly Agree**	26%
No Opinion	5%
13) There appears to be a sufficient number of custodians in my building.	
Average Response	3.62
1) **Strongly Disagree**	5%
2) **Disagree**	17%
3) **Neutral/Not Sure**	15%
4) **Agree**	42%
5) **Strongly Agree**	15%
No Opinion	6%
14) School grounds are properly maintained.	
Average Response	3.75
1) **Strongly Disagree**	3%
2) **Disagree**	12%
3) **Neutral/Not Sure**	12%
4) **Agree**	55%
5) **Strongly Agree**	15%
No opinion	3%
15) Custodial staff cooperates with other staff regarding safety of equipment and school grounds	
Average Response	4.21
1) **Strongly Disagree**	0%
2) **Disagree**	4%
3) **Neutral/Not Sure**	9%
4) **Agree**	59%
5) **Strongly Agree**	19%
No opinion	9%
16) Work appears scheduled according to priorities	
Average Response	4.10
1) **Strongly Disagree**	1%
2) **Disagree**	5%
3) **Neutral/Not Sure**	22%
4) **Agree**	45%
5) **Strongly Agree**	10%
No opinion	17%

Survey Questions	Client Results
17) Workers show respect for school property.	
Average Response	4.21
1) Strongly Disagree	0%
2) Disagree	3%
3) Neutral/Not Sure	7%
4) Agree	62%
5) Strongly Agree	22%
No opinion	6%
18) Playground equipment is properly maintained.	
Average Response	4.51
1) Strongly Disagree	0%
2) Disagree	5%
3) Neutral/Not Sure	18%
4) Agree	31%
5) Strongly Agree	13%
No opinion	33%
19) Overall, I am satisfied with the custodial staff's work.	
Average Response	3.86
1) Strongly Disagree	4%
2) Disagree	8%
3) Neutral/Not Sure	14%
4) Agree	50%
5) Strongly Agree	18%
No opinion	6%

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Food Service

Background

This section focuses on the food services operation of the Salem City School District (Salem CSD or District). The objective is to analyze the current and future financial condition of food service operations, develop recommendations for improvements in processes, and identify opportunities to increase efficiency and reduce expenditures.

The District's operations are evaluated against averages from ten peer school districts. The peer group is comprised of Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified in the same demographic category as Salem CSD (Urban – low median income, high poverty) by the Ohio Department of Education. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Recommended practices and standards from applicable sources, including the National Food Service Management Institute (NAFSMI) and the Government Finance Officers Association (GFOA), were also used for comparison purposes.

Organizational Structure and Function

The Food Service Supervisor is responsible for management of the District's food service operation, and has the following job functions: purchase and maintain an inventory of all food, supplies and equipment, create menus, assist in planning in-service training for staff, supervise all food service employees, oversee the collection and deposit of all monies from the cafeterias, and complete and submit all required reports. **Table 5-1** shows the building-level staffing allocation for the District's six school buildings prior to the closing of two buildings.

Table 5-1: Salem CSD FY 2005-06 Food Service Building Staffing Levels

School	Total Positions	Total Daily Labor Hours
Salem High School	7	38.75
Salem Middle School	3	7.5
Buckeye Elementary	4	7.1
Prospect Elementary	3	6.1
Reilly Elementary	4	8.1
Southeast Elementary	4	7.85
Total	**25**	**75.40**

Source: Salem CSD

As illustrated by **Table 5-1**, the District had a total of 25 food service positions working 75.4 hours per day at the school buildings. When including the Food Service Supervisor, Salem CSD had 26 positions working 83.4 hours per day. The District had a total of 19 employees working within the food service operation: 5 employees worked in the central kitchen preparing meals while 14 employees worked part time positions serving meals, collecting and counting money at the elementary schools, or completing cashier duties at the middle school and high school. These 19 employees filled a total of 25 positions/functions due to some employees serving breakfast and lunch, which represented two positions/functions in **Table 5-1**. During FY 2005-06, the District eliminated three cafeteria positions, thereby reducing the total daily work hours to 67.90.

Financial Condition

Food service is organized within the District as an enterprise operation. The operation is intended to function in a manner similar to a private sector business by relying on charges for services to help support the costs of operation. **Table 5-2** shows the Food Service Fund expenditures for FYs 2003-2005.

Table 5-2: Salem CSD Food Service Fund FY03 through FY05

Line Items	FY 2002-03	FY 2003-04	FY 2004-05
Total Revenue	$509,041	$523,598	$566,481
Total Expenditures	$590,634	$572,530	$567,077
Revenues Over (Under) Expenses	**($81,593)**	**($48,932)**	**($596)**
Net Transfers/ Advances	$116,000	$14,648	$0
Beginning Fund Balance	$9	$34,416	$131
Ending Fund Balance	$34,416	$131	($465)

Source: Salem CSD 4502 Statement E

Table 5-2 indicates that the Food Service Fund received transfers from the General Fund in FY 2002-03 and FY 2003-04 due to expenses exceeding revenues in both years, while revenues covered 99.9 percent of the expenditures in FY 2004-05. During the course of this performance audit, actual revenues and expenditures for FY 2005-06 became available for the Food Service Fund. Expenses exceeded revenues by approximately $108,000 in FY 2005-06. As a result, the Food Service Fund has exhibited a consistent trend of failing to operate within available resources. Additionally, the District has not charged program-related utility and trash removal expenses to the Food Service fund as these charges are not separated by function (see **R5.4**).

Student charges and federal grants-in-aid account for the majority of revenue in the Food Service Fund. For instance, in FY 2004-05, student charges and federal grants-in-aid comprised 48 and 49 percent of total revenues, respectively. The majority of expenses in the Food Service Fund are attributable to salaries, benefits, and supplies and materials. In FY 2004-05, salaries, benefits, and supplies and materials comprised 31, 32, and 36 percent of total expenses, respectively.

Operating Statistics

Table 5-3 compares revenues and expenditure per student and per meal in respective categories at Salem CSD to the peer average.

Table 5-3: Operational Statistics FY 2004-05

	Salem CSD	Peer Average
Revenues per Student		
Total Operating Revenue per Student	$114.29	$149.04
Total Non-Operating Revenue per Student	$123.13	$102.80
Total Revenue per Student	**$237.42**	**$251.84**
Expenditures per Student		
Salaries	$74.56	$86.70
Fringe Benefits	$76.68	$42.54
Purchased Services	$0.44	$17.52
Supplies and Materials	$85.63	$94.50
Capital Outlay	$0.05	$3.29
Other	$0.31	$0.17
Total Expenditure per Student	**$237.67**	**$244.73**
Total Gain or (Loss) per Student	**($0.25)**	**$7.11**
Revenues per Meal Equivalent		
Total Operating Revenue	$1.22	$1.38
Total Non-Operating Revenue	$1.31	$0.94
Total Revenue per Meal	**$2.53**	**$2.33**
Expenditures per Meal Equivalent		
Salaries	$0.80	$0.80
Fringe Benefits	$0.82	$0.42
Purchased Services	$0.00	$0.15
Supplies and Materials	$0.91	$0.88
Capital Outlay	$0.00	$0.03
Other	$0.00	$0.00
Total Expenditure per Meal	**$2.54**	**$2.28**
Total Gain or (Loss) per Meal	**($0.01)**	**$0.05**

Source: MR Reports, ODE Enrollment Reports
Note: Meals served/equivalents used in **Table 5-4** and are calculated according to the National Food Service Management Institute's *Financial Management Information System* (2005). One lunch = one meal equivalent; three breakfasts = two meal equivalent; and a la carte sales / (Free Lunch Reimbursement + Commodity Value per Meal) = one meal equivalent

According to the data in **Table 5-3**, the District generates less operating revenue per student and per meal equivalent than the peer average. However, this is offset by the District's higher non-operating revenues per student and per meal equivalent, which results in the District generating more total revenues per meal equivalent when compared to the peer average. Furthermore, the District's expenditures per student are lower than the peer average in all categories except fringe benefits and other expenditures, which are 80 percent and 82 percent higher per student. However, other expenditures totaled only $745 in FY2004-05 and represented less than one percent of the District's total expenditures. When compared on a per meal equivalent basis, the District's expenditures are lower than, or equal to, the peer average in all areas except fringe benefits and supplies and materials, which are 95 percent and 3 percent higher than the peer average, respectively.

The District's health care premium costs and employee contribution levels contribute to the higher fringe benefit costs per student and per meal equivalent (see **human resources** for a discussion on health care). The higher supply and material costs per meal equivalent is impacted, in part, by the District's low participation rate. By increasing participation, the District could lower its supplies and materials cost per meal equivalent through increased economies of scale (see **R5.1**, **R5.2**, and **R5.3**). Supplies and materials may also be impacted by the lack of a preventive maintenance program (see **R5.7**) and purchasing procedures (see **R5.11** and **financial systems**). By addressing these areas, Salem CSD could better ensure that the Food Service Fund will not require General Fund support in the future.

Assessments Not Yielding Recommendations

- **Claims Reimbursement:** For FY 2004-05, the District submitted its claims for meal reimbursement well under the Ohio Department of Education's (ODE) maximum of 60 days following the claimed month.

- **Cost Control Techniques:** The District has implemented a number of cost control techniques, including the following:

  - Minimizing waste by offering the left over elementary school meals to the middle and high school students as additional menu options;
  - Purchasing through the Metropolitan Educational Council (MEC), which is a consortium offering discounted food items to members;
  - Using disposable items like Styrofoam trays, plates and bowls to help minimize the cost of dishwashing; and
  - Using a just-in-time process for all items purchased outside of governmental commodities and bread products.

- **Staffing Levels**: During the 2004-05 school year, the Food Service Department's operational efficiency related to serving meals to students was above the national standard of meals per labor hour (MPLH) developed by the National Food Service Management Institute (NAFSMI). According to this standard, efficiency can be determined by the MPLH within each building or for the entire district through a combination of individual building ratings. The District achieved a combined rating 97.9 MPLH, which is higher than the benchmark of 88.0 MPLH based on NAFSMI's standards for high productivity. In addition, the District's average MPLH per day (17.24) is approximately nine percent higher than the peer average (15.83). During FY 2005-06, the District completed a reduction in workforce, which resulted in the elimination of 7.5 labor hours. Based on this reduction and the number of meals served in FY 2004-05, the District would be serving a combined 110.2 MPLH, which is 25 percent higher than NAFSMI's benchmark. In addition, the District would average 19.14 MPLH, which is 21 percent higher than the peer average. However, two of the ten peer districts served a similar number of MPLH (18.75 and 19.44). While the District may be able to operate effectively with the staffing levels in effect after the reductions by implementing a point of sale system (POS), increasing meal participation may require a future increase in labor hours (see *Issues for Further Study*).

- **Salaries:** The average District salary for food service staff in FY 2005-06 ($11,696) was 5.1 percent higher than the peer average ($11,127). However, based on a comparison of salary schedules, this appears to be due to the employment of more senior staff. More specifically, based on a comparison of Salem CSD's salary schedules to Boardman CSD, Dover CSD and Lowellville LSD, salaries at the entry, middle and ending steps of the schedule are lower than each of these peers. Of the ten peer districts, these three districts were chosen for comparison because they are in closest proximity to Salem CSD.

- **Point of Sale Technology**: During the course of this audit, the District purchased point of sale (POS) technology for Salem High School and will purchase it for the three elementary schools during the 2007-08 school year. Using this approach, the District can spread the cost of the technology over multiple years. Furthermore, the phase in approach will allow the elementary schools to benefit from High School employee experiences in use of the POS system. According to the *School Foodservice Management for the 21st Century* (inTeam Associates, 1999), benefits of a well thought-out computerized system with "checks and balances" and accurate data entry include increased efficiency, more reliable and accurate information, comprehensive management reports and analyses, and reduced food and labor costs. Additionally, use of POS can increase participation as students will be able to use prepaid swipe cards to purchase meals, particularly in the free and reduced price lunch program because the system privately processes meal transactions. The use of swipe cards also eliminates that time associated with making cash transactions, which in turn reduces the amount of time it takes to move students

through the lunch line. Furthermore, the implementation of POS technology may allow the District to reorganize job functions or eliminate staffing positions in the future.

- **Past Financial Audit Issues:** The District has responded to the issues identified in the in the FY 2005 financial audit that pertained to food service operations and has taken the appropriate actions to correct the internal control problems pertaining to manual data collection. Specifically, the Treasurer indicated that the Federal Grant Coordinator was informed of the financial audit issues, and is now going to start signing the free and reduced price lunch applications and the Denial/Approval Notification Letters. The Treasurer also noted that the Lunch Coordinator is going to start keeping copies of all Denial/Approval Notification Letters. Lastly, the Treasurer indicated that District has started to ensure that the cash register tapes are attached and reconcile with the CN-7 report (ODE cash reconciliation report) as well as the Site Claim Forms.

Issues for Further Study

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

AOS has identified the impact of the District's building closures and grade reconfigurations, and increased meal participation on serving times and staffing levels as issues for further study. During the performance audit, the District closed Salem Middle School and Prospect Elementary. **Table 5-4** compares the number of lunches per serving minute at each building before and after the closures.

Table 5-4: Lunches per Serving Minute

Building	Prior to Closures	After Closures
Salem High School (previously grades 9-12, now grades 7-12)	5.2	7.7
Buckeye Elementary [1] (previously grades K-3, now grades K-2)	1.7	2.3
Reilly Elementary [1] (previously grades K-3, now grades 3-4)	1.4	1.6
Southeast Elementary [1] (previously grades 4-6, now grades 5-6)	1.5	1.6

Source: ODE Reports and Salem CSD
Note 1: It is assumed the District will employ the same number of servers before and after the closures. Therefore, the number of servers does not impact the comparison in **Table 5-4**.
Note 2: Lunches per serving minute are based on the number of serving minutes available per lunch period and the number of lunch periods, as provided by the District. In addition, the number of lunches served in FY 2004-05 is used in both scenarios.
[1] As lunches served by grade can not be determined, elementary lunches for FY 2006-07 (after closures) are estimated by equally allocating them between grades K-5.

Table 5-4 shows that lunches per serving minute increase significantly at the high school and Buckeye elementary after the school closures. The District is implementing a POS system in all schools, which should improve efficiency, allow students to pass through the lines more quickly, and help the District operate with lower staffing levels than in FY 2004-05. However, increasing meal participation (see **R5.1, R5.2** and **R5.3**) would further increase the lunches per serving minute in **Table 5-4**. Additionally, assuming an increase in the average daily participation rate to the peer average (see **R5.1**), the District's combined MPLH would increase to 121.3, which far exceeds NAFSMI's combined benchmark of 88 MPLH. Likewise, the District would average 21.1 MPLH, which is higher than the peer average of 15.8. This would also be higher than each peer district, with the highest peer MPLH at 19.44. Consequently, Salem CSD should continually monitor its serving times to ensure students have sufficient time to eat their meals, as well as the impact of POS on overall efficiency and staffing levels. If necessary, the District should explore changes to alleviate potential problems, such as adding serving lines, altering the length and/or number of lunch periods, reconfiguring the cafeterias, and potentially increasing labor hours.

Recommendations

Participation

R5.1   **Salem CSD should periodically (e.g., at least annually) solicit input and feedback about food services from customers and stakeholders (students, parents, and District staff), such as by developing an online survey on its website and instituting other measures recommended by inTeam Associates. As the Food Service Department administers subsequent surveys, it should track progress in addressing the issues identified in them and incorporate survey results in its strategic plan (see R5.5). Soliciting feedback from customers and stakeholders would help the Food Service Department identify appropriate measures to increase meal participation. Moreover, the District should consider implementing the recommendations from the ODE report to help increase meal participation. Implementing a POS system as planned (see Assessment Not Yielding Recommendations), using direct certification (see R5.2), and ensuring that meals are served at proper temperatures (see R5.3) can also help increase participation rates. Increasing overall participation in the food service program would increase revenues for the Food Service Fund and help to minimize the need for General Fund support in the future.**

The District has not developed a formal method to evaluate operational components of its food service program in order to address its low participation rate. **Table 5-5** indicates lunch participation rates in each of the District buildings, and compares overall participation rates to the peer average.

Table 5-5: Lunch Participation by Building FY 2004-05

Building Name	Average Daily Participation Based on Average Daily Attendance [1]	Total Participation [1]
Buckeye Elementary	45.2%	45.2%
Prospect Elementary	49.3%	49.3%
Reilly Elementary	49.5%	49.5%
Southeast Elementary	47.8%	47.8%
Salem Middle School	45.1%	59.8%
Salem High School	48.3%	60.4%
District-wide Average	**49.4%**	**53.9%**
Peer Average	**55.5%**	**69.1%**

Source: MR60 Report Salem CSD

[1]According to ODE, average daily participation shows the percentage of students buying reimbursable lunches. Total participation includes a la carte item sales and other non-reimbursable food sales to show the percentage of students supporting cafeteria operations. This appears to explain why both participation rates are the same for the elementary schools because a la carte items were only served at the middle and high schools.

As shown in **Table 5-5**, the District's participation rates are lower than the peer average, which may be attributable to the lack of formal feedback from customers and stakeholders, the absence of a POS system, not using direct certification (see **R5.2**), and the possibility that food is not maintained at appropriate temperatures (see **R5.3**). In addition, the District's participation rates in FY 2005-06 (49.7 and 54.3 percent) were similar to FY 2004-05. Furthermore, the 2006 evaluation by the ODE Office of Safety, Health and Nutrition suggested that the participation could be improved through menu revisions, student council interaction or through other promotions, yet only the menu revisions have been implemented by the District.

According to *School Foodservice Management for the 21st Century* (inTeam Associates 1999), there are five techniques for communicating with customers (students and parents) regarding their likes and dislikes, including formal questionnaires and surveys, informal interviewing of students and parents, small-group discussions, suggestion boxes and taste parties or sampling. The Food Service Department is not completing any of the five established practices to improve customer satisfaction.

According to *Recipes for Practical Research in Child Nutrition Programs* (National Food Service Management Institute, 1998), school foodservice and nutrition programs should begin their continuous improvement process by gathering customer feedback. The initial customer focus must be on students. Surveys are one method for gathering information from a large group of people in a short period of time at a moderate cost. Valid and reliable data gathered from students must be the basis for developing enhancements in school foodservice and nutrition programs. With the implementation of these practices, school food service and nutrition programs will ensure a sound customer base and financial stability. This publication outlines the following steps for developing and administering a food service survey:

- **Step I:** Determine the objective of the survey, and ensure the survey is valid and reliable (e.g., conduct focus groups to identify objectives, choose a survey design and measurement scale, and pilot-test the survey instrument);

- **Step II:** Gain approval from the school community (i.e., school administration, principals, teachers, and parents);

- **Step III:** Determine when the survey should be conducted;

- **Step IV:** Determine how many surveys are needed to obtain valid data (specific guidelines are available in the publication);

- **Step V:** Determine how the survey will be conducted [e.g., random sampling (ideal method), classroom administration (classes taken by a large portion of the student body), etc.]; and

- **Step VI:** Develop a support network for the survey process and continuous improvement, such as through the following:

  - ➢ Involve student organizations, food service staff, and parent/teacher organizations;
  - ➢ Inform school administrators and state agencies;
  - ➢ Solicit assistance as directors should not conduct surveys by themselves; and
  - ➢ Analyze survey data.

By failing to evaluate customer satisfaction with the current program, the Food Service Department hinders its ability to meet customers' needs, increase program participation, and ultimately increase revenue to avoid the need for General Fund support of food service operations. As shown in **Table 5-2**, the Food Service Fund required General Fund support in FY 2002-03 and FY 2003-04, although General Fund support was not needed in FY 2004-05. Furthermore, in FY 2005-06, the District's food service expenditures exceeded revenues by $107,000. While the District eliminated three food service positions, the savings amounted to only about $13,000. Therefore, additional revenues and/or expenditure reductions are needed to ensure the future solvency of the Food Service Fund.

Financial Implication: Assuming that Salem CSD increased its average daily participation rate to the peer average of 55.5 percent, it could increase revenues by approximately $57,000 annually. This estimate is based on the FY 2004-05 average revenue per meal equivalent of $2.53 (see **Table 5-3**). Although the District should be able to achieve improved efficiency with the implementation of POS, the impact of increased participation will be estimated at $28,500 or half of the above estimate to account for the potential need to increase staffing to accommodate increased participation (see *Issues for Further Study*).

R5.2 **The District should implement direct certification of students' eligibility for the free and reduced price lunch program by using the Ohio Department of Job and Family Services (ODJFS) and ODE eligibility information. This would help improve participation rates, reduce the labor required by the District to determine eligibility, and comply with upcoming federal regulations. Increasing participation in the free and reduced price meal program would increase reimbursements from state and federal sources, thereby helping to ensure that the Food Service Fund remains self-sufficient in the future.**

Salem CSD does not use direct certification to determine free and reduced price meal eligibility. Instead, it uses the direct verification method. The District's Free and Reduced Price Lunch Coordinator verifies food stamp identification numbers located on applicants' previously submitted applications with the Ohio Department of Job and Family Services (ODJFS) to determine whether the applicant is still receiving food stamp benefits. However, the Coordinator indicated that this verification can only be completed if a case number is provided by the parent or guardian.

According to ODE's Assistant Director of Safety, Health and Nutrition, direct certification is available to all districts to approve eligibility for free and reduced price meal applicants. ODJFS and ODE's Office for Safety, Health and Nutrition collaboratively compile a list of students that are automatically eligible for the free and reduced price meals. Districts can simply check to see if an applicant is listed, and no other documentation is needed to prove income. Direct certification is designed to reduce paperwork and increase participation. During the 2007-08 school year, the United States Department of Agriculture (USDA) will require all school districts with more than 10,000 enrolled students to use the direct certification method. By the 2008-09 school year, USDA will require all school districts to complete the verification of eligibility for free and reduced price meals using the direct certification method.

The District's decision not to use direct certification when verifying applicant eligibility for free and reduced meals results in collection and processing of unnecessary paperwork, operation of a cumbersome manual process, and a potential failure to identify all students eligible for the free and reduced price meal program.

R5.3 **The Food Service staff should ensure that the quality of the food served at the schools is appropriately maintained by regularly monitoring food temperature. To help accomplish this, the District should develop a formal procedure requiring that before food is sent to the schools, the temperature and quality of each food container should be recorded, and the food temperature should be recorded and monitored in 30 minute increments after arrival. Once approved, all Food Service Department personnel should be made aware of the policy and how it is to be implemented. Taking these measures would better ensure that meals remain at an acceptable temperature and do not negatively impact participation.**

The Food Service Department does not have a policy requiring the monitoring of food temperatures during the delivery process to elementary schools. This could contribute to food temperatures not being maintained at appropriate levels and result in cold food being served. According to the Superintendent, the food temperature at the elementary schools is inadequate which negatively impacts participation rates. According to the Head Cook, the informal process that is being used by Food Service personnel during the 2005-06 school year is as follows. Food is prepared from 6:30 am through 9:30 at Salem

High School's central kitchen and transported to the five school buildings in insulated food bags and insulated transportable food carriers to maintain food temperature. Once the meals arrive, they are placed in steam tables at the schools. Each school is supposed to have a steam table heated and ready for the food containers to be installed. Food containers remain covered until the steam tables are heated to a high enough temperature to keep the food hot for serving. During the explanation of the delivery process, however, a step to check the temperature of the meals at arrival and prior to being served was not mentioned.

According to *Serving it Safe* (NFSMI, 2002), food temperatures should be recorded every 30 minutes, and must be documented when food could be in the "temperature danger zone" at any point in the production process. Although the food service operation has not experienced documented issues with food safety, the failure to record and monitor temperatures could impact the quality of the food served to students.

Financial Operations

R5.4 **The Food Service Supervisor should work with the Treasurer to ensure that all appropriate expenditures are charged to the Food Service Fund. In addition, the Food Service Supervisor should work with the Treasurer to develop a formal budget for the Food Service Department, along with a five-year financial projection for the District's Food Service operations and an allowable reserve balance within the Food Service Fund. By increasing participation (see R5.1, R5.2 and R5.3), the Food Service Fund should be able to begin accumulating reserve balances. Additionally, by fully charging all costs related to Food Service operations, and developing budgets and financial forecasts, the District would have useful financial information to use in the decision-making process.**

Salem CSD does not charge all food service expenditures to the Food Service Fund and does not have effective planning processes in place. For example, utility, trash removal, and custodial supply costs are not charged to the Fund. In addition, Salem CSD does not charge the time spent by its eleven duty aides monitoring students during the lunch periods. Although the District develops forecasts of its overall revenues and expenditures (see **financial systems**), it does not forecast the financial condition of the Food Service Fund to aid in planning efforts and does not maintain a 2 to 3 month operating reserve as evidenced by its financial history (see **Table 5-2**). The Food Service Department also does not develop a formal budget, which is due, in part, to the District's lack of a formal budget process (see **financial systems**).

According to ORC 5705.10, money paid into any fund shall be used only for the purpose for which such a fund was established. In addition, the Government Finance Officers Association (GFOA) recommends that governments calculate the full cost of services.

The full cost includes all direct and indirect costs related to that service. Direct costs include employee expenses and other operating costs (e.g., utilities), while indirect costs include shared administrative expenses. GFOA also recommends that governments at all levels forecast major revenues and expenditures.

According to *School Foodservice Management for the 21st Century* (inTeam Associates, 1999), a budget helps a food service manager/director forecast revenue and expenses based on prior year's data, estimates and planned changes. The budget is an important management tool for the following reasons:

- Provides a constant reminder of revenue projections, throwing up red flags to identify potential problems (e.g., if estimated income is not being generated monthly, then expenditures may need to be reduced or a year-end deficit may result);
- Sets performance standards for management;
- Provides a basis for comparison (monthly profit and loss can be compared to budget);
- Controls erratic expenditures; and
- Helps a manager determine if a program can afford to make an expenditure (e.g., purchase a piece of equipment or attend a national convention).

The School Foodservice Management for the 21st Century also indicates that along with the yearly budget, forecasting revenue and expenditures over the following five-year period is recommended for long-range planning. Once a forecast is completed, this information can provide enough warning of upcoming problems that action can be taken to correct them prior to year-end. *School Foodservice Management for the 21st Century* further reports that since federal funding is on a reimbursement basis and may be received six to eight weeks after a meal is served, it is advisable to maintain a 2 to 3-month operating reserve. This balance enables a school food service operation to meet payrolls and pay suppliers on a timely basis without needing financial assistance from the General Fund.

By failing to allocate all appropriate costs to the Food Service Fund, the District is not presenting the true cost of its food service program and relying on the General Fund to support food services. This, in turn, diverts General Fund resources from other areas, such as direct instruction. The lack of budgeting and forecasting of food service revenues and expenditures restricts the District's ability to identify and address current and potential problems before they materialize. This can hinder the District's ability to improve the financial standing in the Food Service Fund, which subsequently prevents the Food Service Fund from generating a reserve balance that would help address potential emergencies and other unforeseen events in the future.

Financial Implication: If the District charged utility, trash removal, and custodial supply expenditures to the Food Service Operations, it would increase annual expenditures in the Food Service Fund by approximately $27,000 annually with a corresponding decrease in General Fund costs. This amount is based on a percentage of total building square footage attributable to cafeterias and kitchens. Due to the fact that some duty aides also monitor recess and the lack of information documenting the time spent by the duty aides monitoring lunchroom activity, the financial impact associated with charging lunchroom monitoring time to the Food Service Fund can not be readily quantified. However, the total salary and benefit costs of these eleven duty aides are approximately $215,000.

Strategic and Operational Planning

R5.5 Salem CSD should develop a five year strategic plan for food service operations as a component of the District's strategic plan, operational goals and finances. The food service strategic plan should also link to the financial forecasts and budgets (see R5.4), and include measurable goals and benchmarks, related costs and timeframes for goal attainment, and action steps to help achieve goals. This plan should be maintained and updated annually by the Food Service Supervisor in conjunction with the Board, Superintendent and Treasurer. See the financial systems section for more information on District-wide strategic planning.

The District has a five-year continuous improvement plan CIP) that covers many of its operational units and establishes educational goals. However, the Food Service Department is not mentioned in this plan, and the Department does not have a planning document that identifies needs, establishes quantifiable goals, allocates resources, and assigns accountability.

According to GFOA in its publication *Recommended Budgeting Practices* (1999), a government should prepare policies and plans to guide the design of programs and services. Service and program policies and plans translate broad goals into strategies for their achievement. GFOA also recommends that all governments use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. According to GFOA, a sound strategic planning process includes the following key steps:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors;
- Identify critical issues which should reflect stakeholder concerns, needs and priorities;
- Agree on a small number of broad goals;

- Develop strategies to achieve broad goals;
- Create an action plan;
- Develop measurable objectives;
- Incorporate performance measures;
- Obtain approval of the plan;
- Implement the plan;
- Monitor progress; and
- Reassess the strategic plan.

The absence of a strategic plan prevents the Food Service Department from effectively planning for and identifying needs, allocating resources, establishing and measuring the attainment of appropriate goals, and assigning accountability.

R5.6   The District should develop an expanded set of performance measures for food service operations in conjunction with a strategic plan (R5.5), formal budget, and five-year forecasts (R5.4). The performance measures should be linked to the District's overall mission, strategic plan and budget, and be used as a basis for making operational decisions. The Treasurer, Superintendent, and Food Service Supervisor should regularly evaluate these figures collectively. Examples of performance measures that could help with food service decisions include participation rates, average costs per meal and per student, and meals per labor hour (MPLH).

The Food Service Department does not use performance measures to track and evaluate operations. The Superintendent indicated that although the District collects operating information to fulfill state reporting requirements, this information is not aggregated into a report of general performance, nor is it considered when making operational decisions.

According to the Florida Office of Program Policy and Government Accountability (OPPAGA), school districts should have a performance measurement system that allows managers at both the district and program level to evaluate performance and make informed decisions regarding the use of limited resources. A comprehensive set of program measures should include input, output, outcome and cost-efficiency measures. Districts need to periodically verify that their performance information is reliable by testing its accuracy and should assure its validity by assessing whether it is useful. Managers also need to occasionally review performance benchmarks and efficiency standards for appropriateness. The degree of sophistication of the performance measurement system may vary with the size of the district; smaller districts may have a less formal reporting system and simpler methodology for development and validation of benchmarks. OPPAGA sites four indicators of effective performance management systems as follows:

- Program management has developed *program-level* performance and cost-efficiency measures such as net income margin, food cost margins, salary plus benefits margin, and participation rates (free and reduced price meal participation as percentage of eligible and overall participation).

- Program management has performance and cost-efficiency measures in-place to assist in managing *school-level* operations (e.g., meals per labor hour).

- Program management uses sound methodology to develop performance and cost-efficiency benchmarks, such as historical performance and comparison with peers.

- Program and district management periodically review performance and cost-efficiency measures and benchmarks to ensure reliability and relevance.

In an effective performance measurement system, managers can regularly measure food service program performance against established standards and use this information to identify and address high program costs and low productivity. Some examples of food service performance measures proposed by OPPAGA include:

- Gross margin (revenue less expenses);
- Participation rates (regular and free and reduced lunch);
- Labor margin (percentage of total expenses comprising labor and benefits);
- Food margin (percentage of total expenses comprising food and materials); and
- Average meals served per labor hour.

In addition, costs per meal and per student within various expenditure categories can be used as performance measures (see **Table 5-3**). Furthermore, according to GFOA in its publication, *Recommended Budget Practices* (*1999*), governments should develop and use performance measures for functions, programs, and/or activities. Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable terms.

Salem CSD has operational data readily available in current program records and reports required for state reporting, which will be enhanced with the implementation of an automated point-of-sale system. Program management can use this information to maintain a timely, comprehensive performance measurement system that allows for a comparison of actual performance with District and industry standards.

R5.7 The Food Service Supervisor should develop a preventive maintenance (PM) program for food service equipment. In addition, the District should develop a multi-year equipment replacement plan that includes disposal of obsolete/surplus

equipment according to District policy. This plan should be linked to the District's capital improvement plan and related policies (see the facilities section), as well as the strategic plan and budget for the Department (see R5.5). PM and equipment planning should help contribute to longer useful life and reduced equipment repair costs.

The District does not perform PM on food service equipment and has no equipment replacement program. However, fire suppression equipment and the ventilation system are checked by the Fire Marshal as often as required.

According to OPPAGA, at least annually, school district food service programs should inspect and evaluate operational components and the system as a whole, and then take action to initiate needed changes. Furthermore, OPPAGA states that an indicator of implementation of the best practice is that program management has a viable PM and long-range equipment replacement program in-place.

According to *School Foodservice Management for the 21st Century* (inTeam Associates 1999), school system PM programs should include exhaust systems, cooking equipment, hot water, grease removal, refrigeration and sanitation equipment. A record should be kept on each piece of equipment that tracks service calls, the cost of maintenance and the overall condition of the equipment. Sometimes the cost of the maintenance of the individual piece of equipment is greater than the remaining value of the equipment, indicating it should be replaced. Any replacement of equipment should be planned through a long-range equipment replacement plan.

The lack of PM and a long-term equipment replacement program prevent the District from fully evaluating the costs associated with repairing and replacing food service equipment. See the **facilities section** for further discussion capital planning and PM.

R5.8   The District should develop a comprehensive food services policy and procedures manual to be used as a training and reference tool for all employees. The manual should reflect Board approved policies, current regulations and operational procedures. This manual should be updated annually to address changes in operations, regulations or Board policies.

The Food Service Department does not have a comprehensive policy and procedures manual to guide operations. According to OPPAGA, program management should develop a comprehensive procedures manual and keep it current for cafeteria managers. The manual should cover essential areas of responsibility and communicate management intent. The manual should also cover the following topics:

- Cash control;
- Receipt of goods;
- Inventory procedures;
- Production record keeping;
- Sanitation and food safety;
- Employee safety;
- Procedures for emergencies or injuries; and
- Ordering food and supplies.

Additionally, according to the USDA, standard operating procedures (SOP) should be developed for all food service operations. These should include procedures for the following:

- Cleaning and sanitizing food contact surfaces;
- Controlling time and temperature during preparation;
- Cooking potentially hazardous foods;
- Cooling potentially hazardous foods;
- Date marking ready-to-eat, potentially hazardous foods;
- Handling a food recall;
- Holding hot and cold foods;
- Addressing personal hygiene;
- Preventing contamination at food bars;
- Receiving deliveries;
- Reheating foods;
- Serving foods;
- Storing and using poisonous or toxic chemicals;
- Transporting food to remote sites (satellite kitchens);
- Using and calibrating thermometers;
- Using suitable utensils when handling ready-to-eat foods;
- Washing fruits and vegetables;
- Washing hands; and
- Keeping records/logs for food safety.

The lack of a manual inhibits the Food Service Department's ability to provide staff with specific guidance in essential areas and ensure staff use the appropriate procedures. During the course of this audit, the Food Service Supervisor resigned, leaving the Department without vital operational information because it was never maintained in a procedures manual.

R5.9 **The District should negotiate a revised contract with its food service management company that is performance-based by including a set of well-developed performance standards establishing quality, timeliness and outcomes to be achieved, as well as a description of how the contractor's performance will be evaluated. The District should also use performance standards to evaluate internal management if it decides to hire an employee to supervise food services in the future. Performance-based contracts would encourage food service management to set and ultimately achieve operational goals in an effort to improve efficiency and effectiveness. Based on the management company's actual performance in FY 2006-07 and related actual costs, the District should evaluate the cost-effectiveness of contracting for management services versus employing an internal food service supervisor before renewing the contract with the food service management company for future years.**

The District has traditionally employed a food service supervisor to oversee the food service operation at a salary and benefit cost of approximately $68,000 during FY 2005-06. However, during the course of the performance audit, the Food Service Supervisor resigned and the District chose to contract out the management of its food service operation for the 2006-07 school year. The contract is for an initial one-year period, commencing August 1, 2006, and can be renewed upon submission of a written proposal to the District at renegotiated rates for four successive one-year periods. The contract indicates that the District will pay an annual management fee of $10,000, an annual administrative fee of $14,000, and an annual fee of $39,604 for the food service director salary and benefit costs. This results in a total payment of $63,604, which is slightly lower than the cost to employ an in-house food service supervisor. In addition, the contract states that the company guarantees that the return to the District for the 2006-07 school year will not be less than $49,623. If it is less, the company will be responsible for the difference, up to the management fee of $10,000. Therefore, if the return was only $5,000 or approximately $45,000 less than the company's guarantee, the company is only responsible for $10,000. Furthermore, the contract with the food service management company lacks the traits of a fully developed performance-based contract, including performance standards and incentives.

According to the General Accounting Office (GAO), Office of Federal Procurement Policy (OFPP) guidance, performance-based contracts should have the following attributes:

- Description of the requirements in terms of results required rather than the methods of performance of work.

- A set of measurable performance standards. Standards should be set in terms of quality, timeliness, and quantity among other things. The District should ensure that each standard is necessary, carefully chosen, and not unduly burdensome.

- Description of how the contractor's performance will be evaluated in a quality assurance plan, focusing on quality, quantity and timeliness of the performance outputs to be delivered.

- Include positive and negative incentives to induce better quality performance.

The lack of a fully developed performance-based contract that includes measurable standards prevents the District from ensuring that the food service management company performs at a high level and can improve the efficiency and effectiveness of operations to help avoid the potential need for future support from the General Fund.

R5.10 Salem CSD should periodically assess the benefits and costs of contracting for food services via a competitive request for proposal (RFP) that requires the District to evaluate multiple providers. It should determine whether contracting for food services would reduce costs and improve, or at least maintain, the current service quality. However, the District should review the recommendations in this performance audit and consider their implementation to improve internal food service operations, particularly in regards to increasing participation to ensure the self-sufficiency of the Food Service Fund in the future. Doing so would provide the District with a more cost-effective food service operation that subsequently can be better compared to the cost-effectiveness of contracting out for food services. If the District decided to outsource food service operations, it should develop a performance-based contract with the provider (see R5.9).

The Food Service Department does not solicit competitive proposals from external food service providers to evaluate the benefits and costs of privatizing food services. According to the Treasurer, Salem CSD has been hesitant to outsource food service operations because of concerns the District had when food services were last privatized (approximately 17 years ago). However, the District has outsourced the management of food services for the 2006-07 school year through a competitive proposal process (see **R5.9**).

According to GFOA, a government should develop programs and evaluate delivery mechanisms. A government should institute a process to develop new programs and services, and review existing ones in the context of how well they meet programmatic and operating policies and plans. The process should include an examination of how a government traditionally provides the service. It also should consider whether the service could be delivered more effectively or efficiently if provided in a different way, either by the government itself or by entities outside of the government. Considerations in evaluating service delivery mechanisms, whether provided directly by a government or contracted out, include:

- Cost of service, including short and long-term direct costs, costs to administer and oversee the service, impact on rates and charges, and impact on costs of other government services.

- Service quality and control, including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its own performance, ability to change the delivery mechanism in the future, and risk of contractual nonperformance and default.

- Management issues, including the quality of monitoring, reporting, and performance evaluation systems, public access to information, and ability to generate or sustain competition in service delivery.

- Financial issues, including the impact on outstanding debt and grant eligibility.

- Impact on stakeholders, including government employees, customers, and taxpayers.

- Statutory and regulatory issues, including the impact on federal and state legal and regulatory requirements, and liability.

By failing to periodically consider privatization, the District does not know whether other entities could operate its food services at a lower cost and at a higher level of quality. According to the Treasurer, an external food service provider recently presented some information to the Board, although it did not provide a price to operate the District's food services program.

Purchasing

R5.11 Salem CSD should incorporate supplier lists and the food service purchasing elements outlined by NAFSMI and USDA in a District-wide purchasing manual (see financial systems) to better ensure food service funds are properly spent. Additionally, adding another threshold to Salem CSD's purchasing policy that requires more items to be purchased in a competitive environment would better ensure that food service purchases are cost-effective (see the transportation section for more information).

Salem CSD's current Board policy requires two price quotations on purchases exceeding $25,000 for a single item. The Board policies also indicate that the District shall obtain competitive bids for purchases of supplies, materials or equipment amounting to $10,000 or more, and for building projects (e.g., repairs, enlargements, new buildings, etc.) that exceed $25,000. As an additional internal control, all food service purchase orders are

approved by the Food Service Supervisor and the Treasurer prior to the purchase of items. To help control food costs, the District is participating in the Metropolitan Education Council (MEC), a food purchasing consortium, and using federal government commodities.

While Salem CSD has policies governing thresholds for bidding and price quotations, it lacks a District-wide manual to document purchasing procedures (see **financial systems**). Similarly, the Food Service Department lacks formal purchasing procedures that incorporate current purchasing practices. Additionally, a supplier list with contact information could not be located after the Food Service Supervisor resigned. Without formal procurement procedures and supplier lists for the Department, purchasing items for the next school year can potentially be more time consuming.

According to *A Purchasing Systems Manual for School Food Service* (NAFSMI and USDA, 2002), developing written purchasing procedures ensures that proper procedures are followed, avoids confusion, and maintains continuity and effective planning. This publication also indicates that the purchasing function includes the following steps:

- Planning menus;
- Determining products necessary to produce menus;
- Estimating quantities needed;
- Developing acquisition plans;
- Developing quality standards;
- Determining product movement policies;
- Documenting the purchasing process;
- Analyzing market trends and evaluating vendors;
- Determining the appropriate purchasing system;
- Issuing requests for prices;
- Evaluating responses;
- Making vendor selection;
- Placing purchase orders;
- Receiving and storing the products; and
- Preparing the meals.

By documenting the purchasing process that covers the above steps, the Food Services Department would provide more guidance to staff and better ensure procedures are consistently followed, as well as ensure a greater level of control in the purchasing process. This would, in turn, provide greater assurance to the Board that purchasing decisions are made in an efficient and appropriate manner.

Training

R5.12 Salem CSD should implement a formal training program for Food Service Department staff to ensure that they obtain training in important areas. In addition, the District should begin documenting dates, instruction topics, and employee attendance at training sessions. The District should also obtain feedback from the staff about the effectiveness of the training, and monitor the integration of training into employee practices. A formal training program would enhance knowledge and ensure that staff is fully aware of their job tasks and applicable regulations.

Salem CSD does not have a formal training process in place for the Food Service Department. The Superintendent indicated that the majority of training is done through on-the-job training where information is passed down from one employee to another when substitutes are used. In addition, the District does not have a formal training plan for new employees (see **human resources** section).

ORC § 3313.815 requires that at least one employee who has received instruction in methods to prevent choking and has demonstrated an ability to perform the Heimlich maneuver to be present while students are being served food. The Superintendent indicated that the District does have employees present during lunch periods that have received training in performing the Heimlich maneuver. However, the District does not keep formal training records to document the training received by food service employees. Additionally, according to OPPAGA, all food service employees should be required to complete at least a minimum level of sanitation, safety, and food production/handling training. OPPAGA states that comprehensive training, though not necessarily required of all employees, should include essential program functions such as food safety, portion control, production control, special diets, inventory, meal count procedures, receiving and storing food and supplies, emergency procedures, and customer service. Districts should have an annual training plan that addresses routine and special needs. Care should be taken to ensure that all food service employees receive the appropriate level of training.

Without a formal training program for staff, the District risks variability in its processes. Likewise, staff may not be fully aware of their job requirements or governing regulations. See the **human resources** section for further discussion of District-wide training programs.

Financial Implications Summary

The following table represents a summary of estimated annual revenue enhancements and annual costs for food services. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications

	Estimated Annual Revenue Enhancements	Estimated Annual Costs
R5.1 Increase participation rates	$28,500	
R5.4 Charge appropriate expenses to the Food Service Fund		$27,000
Totals	**$28,500**	**$27,000**

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Transportation

Background

The transportation section of the performance audit focuses on the Salem City School District's (Salem CSD or the District) transportation operations. The objective is to analyze transportation operations for the purpose of developing recommendations for improvements and reductions in expenditures. For benchmarking purposes, comparisons are made to a ten district peer average and to other applicable sources. The peer average is comprised of data from Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified in the same demographic category as Salem CSD (Urban – low median income, high poverty) by the Ohio Department of Education. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, AOS administered a survey of Salem CSD's employees regarding transportation services. The results of the survey were used in this report. **Appendix 6-A** at the end of this section contains the full results of the transportation survey.

Transportation Policy

The Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in kindergarten through eighth grade (K-8) who live more than two miles from their assigned school. School districts are also required to provide transportation to community school and non-public students on the same basis as provided to their students. In addition, school districts must provide transportation to special needs students who are unable to walk to school, regardless of the distance, and to educable mentally challenged children in accordance with standards adopted by ODE. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

The policies of the Salem CSD Board of Education (the Board) state that transportation will be provided within the limitations outlined by ORC § 3327.01. In accordance with its policy and ORC § 3327.01, and due to its financial situation, the District ceased transporting all high school students and kindergarten through 8th grade (K-8) students who live within two miles of their assigned school in January 2006. However, exceptions are made by the District for special needs students regardless of grade or proximity to the school, as well as for vocational education students for attendance in a vocational education program outside the District.

During prior years, transportation was provided to high school, middle school and elementary school students who lived more than 1.75, 1.5, and 1 mile from their respective buildings. As a result of the voters approving an additional emergency operating levy in May 2006, the District increased services in the 2006-07 school year beyond State minimum requirements by transporting students in grades K-6 and 7-12 who live more than 1 and 1.5 miles from the respective buildings.

Expenditures

Transportation expenditures for FYs 2002-03, 2003-04 and 2004-05 are presented in **Table 6-1** as reported by the District to ODE. Transportation forms (T-forms) are used by each district in the State to report transportation related information, such as students transported, method of transportation, buses used, miles traveled and expenditures incurred.

Table 6-1: Transportation Expenditures by Service Type and Line-Item

	FY 2002-03	FY 2003-04	FY 2004-05	Three-Year Change
Bus Riders				
Type I Regular Needs [1]	1,243	1,074	980	(21.2%)
Type I Special Needs [1]	0	8	4	100.0%
Type IA [2]	0	6	7	100.0%
Type II [3]	0	0	0	0.0%
Expenditures				
Total Personnel [4]	$343,086	$387,103	$393,972	14.8%
Total General Operations [5]	$137,160	$222,952	$126,557	(7.7%)
Total Expenditures	$480,246	$610,055	$520,529	8.4%
Expenditures per Rider	$386.36	$560.71	$525.26	36.0%

Source: Ohio Department of Education
Note: Includes Type I, IA, and II riders and expenditures
[1] Board owned, leased and operated school buses
[2] Students transported by school bus service contracted from another school.
[3] Contractor owned, leased or operated school buses assigned exclusively to a given district.
[4] Personnel expenditures include salaries, benefits, drug testing and training costs.
[5] General operations expenditures include maintenance and repairs, tires and tubes, fuel, insurance, supplies, utilities and miscellaneous costs

According to **Table 6-1**, Salem CSD reported a 21.2 percent decrease in regular riders yet an 8.4 percent increase in total expenditures during the three year time frame. Although the number of regular riders decreased by 13.6 percent in FY 2003-04, the District reported an increase in total expenditures of 27.0 percent. As a result, the expenditures per rider increased by 31.1 percent in FY 2003-04. According to the Transportation Supervisor, the significant decrease in ridership between FY 2002-03 and FY 2003-04 could be due to incorrect T-form reporting in which students were counted twice when being shuttled to the elementary schools (see **R6.2**).

Table 6 -1 also illustrates that personnel expenditures increased 12.8 percent in FY 2003-04, but only 1.8 percent in FY 2004-05. The large increase in FY 2003-04 was due to the District hiring a transportation supervisor (who also functions as the mechanic). While general operations expenditures increased 62.5 percent in FY 2003-04, they decreased 43.2 percent in FY 2004-05. The large expenditures for FY 2003-04 are due to the purchase of a new bus garage and fuel storage tank, as well as repairs related to the annual inspections conducted by the Ohio State Highway Patrol (OSHP). While only 3 of 12 buses passed the initial inspections in FY 2003-04, all of the buses passed inspections in FY 2004-05. Additionally, the Transportation Supervisor instituted a preventive maintenance program on all of the buses beginning in FY 2003-04.

Operational Statistics and Cost Ratios

Table 6-2 compares key operating statistics and ratios for Type 1, 1A and Type II riders for FY 2004-05 at the District to the peer average.

Table 6-2: Key Operating Statistics for FY 2004-05

	Salem CSD	Peer Average	Percent Above (Below)
Riders	**991**	**1,534**	**(35.4%)**
• Type I Regular Needs	980	1,506	(34.9%)
• Type I Special Needs	4	42	(90.5%)
• Type IA	7	1	600.0%
• Type II	0	22	(100.0%)
Buses [1]	**21**	**23**	**(8.7%)**
• Active	12	18	(33.3%)
• Spare	9	5	80.0%
• Spare Buses as Percentage of Fleet	**42.9%**	**25.5%**	68.2%
• Special Needs Buses	0	**3**	(100.0%)
• Special Needs Buses as Percent of Active Buses	**0.0%**	**10.3%**	(100.0%)
• Riders Per Active Bus	82	**91.4**	(10.3%)
• Students per Regular Bus	82	**95.5**	(14.2%)
• Students per Special Needs Bus	0	**9.5**	(100.0%)
District Square Miles	18.0	38.7	(53.5%)
Annual Routine Miles [2]	**117,360**	**210,690**	**(44.3%)**
• Per Bus	6,904	**8,890**	(22.3%)
TOTAL TYPE I EXPENDITURES	**$520,529**	**$676,112**	**(23.0%)**
• Per Type I Rider	**$529**	**$460**	14.9%
TOTAL TYPE IA EXPENDITURES	$0 [3]	N/A	0.0%
• Per Type IA Rider	$0 [3]	N/A	0.0%
TOTAL TYPE II EXPENDITURES	$0	**$114,088**	**(100.0%)**
• Per Type II Rider	$0	**$5,186**	0.0%
GRAND TOTAL EXPENDITURES Types I-II	**$520,529**	**$687,521**	**(24.3%)**
• **Per Rider**	**$525**	**$462**	**13.6%**

Source: Ohio Department of Education

[1] Includes spare buses as they contribute to overall operating expenditures.

[2] Excludes non-routine miles because related expenditures are non-reimbursable and should not be reported. Routine miles are defined by ODE as those miles traveled for kindergarten, vocational, shuttling between schools and any miles associated with the attendance of children in the District's educational programs.

[3] Salem CSD uses the Columbiana County Education Service Center (ESC) to transport 7 Type IA special needs students. The ESC is reimbursed by the District for the cost in excess of the State reimbursement received by the District. The cost is $35.74 per day per child.

Table 6-2 shows Salem CSD transported 35.4 percent fewer students than the peer average and its buses traveled 44.3 percent fewer routine miles than the peer average, yet it maintained 80.0 percent more spare buses than the peer average. In addition, the District transported 82 riders per bus, which was 10.3 percent lower than the peer average. This primarily contributes to the District's total expenditures per rider exceeding the peer average by 13.6 percent.

Table 6-3 compares transportation costs per rider, per bus and per routine mile to the peer average.

Table 6-3: Operational Cost Analysis by Line Item

	Salem CSD	Peer District	Percent Above
Personnel [1]	**$393,972**	**$536,606**	**(26.6%)**
• Per Rider	**$398**	**$359**	10.9%
• Per Bus	$18,761	$23,203	(19.1%)
• Per Active Bus	$32,831	$31,276	5.0%
• Per Routine Mile	$3.36	$2.68	25.4%
Maintenance & Repairs [2]	**$50,092**	**$39,977**	**25.3%**
• Per Rider	**$51**	**$27**	88.9%
• Per Bus	$2,385	$1,833	30.1%
• Per Active Bus	$4,174	$2,221	87.9%
• Per Routine Mile	$0.43	$0.21	104.8%
Fuel	**$38,495**	**$61,164**	**(37.1%)**
• Per Rider	**$39**	**$43**	(9.3%)
• Per Bus	$1,833	$2,682	(31.7%)
• Per Active Bus	$3,208	$3,656	(12.3%)
• Per Routine Mile	$0.33	$0.31	6.5%
Bus Insurance	**$23,351**	**$22,523**	**3.7%**
• Per Rider	**$24**	**$17**	41.2%
• Per Bus	$1,112	$984	13.0%
• Per Routine Mile	$0.20	$0.12	66.7%
Total Expenditures [3]	**$520,529**	**$687,521**	**(24.3%)**
• **Per Rider**	**$525**	**$462**	**13.6%**
• **Per Bus**	**$24,787**	**$29,629**	**(16.3%)**
• **Per Active Bus**	**$43,377**	**$40,070**	**8.3%**
• **Per Routine Mile**	**$4.44**	**$3.42**	**29.8%**
Total Special Needs Expenditures	**$0.00**	**$112,184**	**(100.0%)**
• **Per Rider**	**$0.00**	**$3,416**	**(100.0%)**

Source: Ohio Department of Education
[1]Includes salaries and wages, as well as retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.
[2] Includes maintenance, repairs, and operating supplies.
[3] Includes additional miscellaneous expenditures for utilities, facility rent, bus leases, and other, as well as Type IA and Type II.

As indicated by **Table 6-3**, Salem CSD's total expenditures per bus are 16.3 percent lower than the peer average, while total expenditures per rider and per routine mile are 13.6 percent and 29.8 percent higher than the respective peer average. However, the significantly higher number of spare buses skews the ratio of expenditures per bus. When excluding spare buses, the

District's total expenses per active bus ($43,377) are 8.3 percent higher than the peer average expenditures per active bus ($40,070). The higher expenditure ratios are further explained by the following:

- *Personnel Expenditures:* The higher personnel expenditures per active bus, per rider and per mile are due to lower ridership per bus (see **Table 6-3**) which results in the employment of more bus drivers (see **R6.1**). Health insurance costs also contribute to the higher personnel expenditures (see the **human resources** section).

- *Maintenance and Repairs:* The higher maintenance and repair expenditures per rider, per bus, per active bus and per routine mile are due, in part, to the level of preventative maintenance and repairs required to maintain an operable fleet. However, the District's current purchasing practices and the lack of a formal bus replacement plan to help determine the most advantageous time to replace buses also contributes to the higher maintenance and repair expenditures (see **R6.5** and **R6.6**).

- *Bus Insurance:* According to the current bus insurance contract and a comparison to the District 4502 financial reports for 2004-05, this expenditure includes the current bus inventory and the current facility vehicle inventory, which contributes to the higher costs per mile, per bus and per student (see **R6.2**). When including only the insurance costs for the buses in FY 2005-06, Salem CSD's insurance cost per bus of $835 in FY 2005-06 is lower than the peer average of $984 in FY 2004-05.

- *Fuel expenditures:* The fuel expenditures include fuel used by the Transportation and Maintenance Departments, which may account for the higher costs compared to the peer average (see **R6.2**).

AOS administered a survey to obtain employee feedback and perceptions concerning transportation services. One hundred fifty-four (154) employees completed the survey and the complete results can be found in **Appendix 6-A** at the end of this section. The following highlights key points from the survey:

- **Quality of Service:** Fifty-five percent of respondents agreed that the quality of transportation services is good, with only five percent of respondents disagreeing and the remainder responding with no opinion or neutral.

- **Timely Service:** Sixty-four percent of respondents agreed that the transportation department provides timely transportation to and from school, and 58 percent agreed that timely transportation is provided to and from special events. Only five and four percent of respondents, respectively, disagreed that transportation was timely, with the remainder indicating no opinion or neutral responses.

- **Coordination of Services:** Thirty-nine percent of respondents agreed that there was effective coordination of routes and special trips with other District departments. Only 7 percent disagreed, with the remainder having no opinion or being neutral on the issue.

- **Addressing Complaints:** Twenty-eight percent agreed that the Transportation Department was effective in addressing complaints. Only 5 percent disagreed, with the remainder having no opinion or being neutral on the issue.

Noteworthy Accomplishments

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

- **Payment in-lieu-of Transportation:** The average cost of $165 per recipient for payment in-lieu-of transportation was much lower than the peer average of $202. The peer average includes only the three districts that reported both payment-in-lieu-of transportation students and expenses. In addition, Salem had 31 students using payment in-lieu-of transportation while the peer average was only 5 students in FY 2004-05, which only reflects the four districts that reported payment in-lieu-of transportation figures.

- **Mainstreaming Special Needs Students:** Salem CSD is efficiently transporting special needs students by mainstreaming them with regular needs students on specially equipped buses.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted on aspects of the District's transportation operations that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Non-routine Bus Usage:** Salem CSD is recovering the operational cost of non-routine bus trips according to the guidelines established in OAC § 3301-83-16. More specifically, the Transportation Department is billing individual departments for the costs associated with non-routine use of school buses. Additionally, Salem CSD's non-routine miles comprised 15 percent of total miles in FY 2004-05, slightly lower than the peer average (15.9). Furthermore, the District's non-routine miles per bus (966) and per student (8.5) in FY 2004-05 were below the peer averages of 1,576 non-routine miles per bus and 13.2 non-routine miles per student. Lastly, based on the FY 2004-05 non-routine miles and a reduction of the spare fleet from nine to five buses, the number of non-routine miles per bus increases to 1,193, which is still much lower than the peer average.

- **Contract Provisions:** The classified negotiated agreement includes language that states that bus drivers shall be guaranteed a minimum of two hours per trip for "extra trips," with an additional one-half hour added to all trips that exceed the two hour minimum. Boardman LSD's classified agreement has the same hour thresholds, although it indicates that the additional one-half hour is to "pre-trip and sweep the school bus" and for trips that extend beyond the regular school day or designated student days. According to Lowellville LSD's classified agreement, the District pays $40 for activity/athletic trips for the first five hours and $8 per hour thereafter. As the agreement stipulates the $8 per hour provision for trips exceeding five hours, $40 appears to be the minimum payment for every field trip under five hours. Lastly, Dover CSD provides a one-hour guarantee for trips that do not immediately precede or follow the regular work schedule. Considering the language in the Boardman and Lowellville LSD agreements, along with the District's relatively low use of buses for non-routine purposes and low average salaries for bus drivers, this provision does not appear to be costly or unusual to Salem CSD.

- **Preventative Maintenance Procedures:** The Salem CSD Transportation Supervisor has developed written preventative maintenance procedures, which helps ensure maintenance and repairs are completed in a timely manner. Additionally, timely preventative maintenance should help reduce costly major repairs resulting in reduced maintenance and repairs expenditures.

- **Bus Driver Salaries:** The District's average bus driver salaries ($12,727) are 15 percent lower than the peer average ($15,014).

- **Fuel and Bus Insurance Costs:** When considering the costs attributable to transportation operations, the District's fuel and bus insurance costs appear reasonable or lower when compared to the peer averages (see page 6-7).

Recommendations

R6.1 Assuming the District maintains the two-tiered bell schedule enacted at the start of the 2006-07 school year, the District should consider reducing at least two of its costliest buses to maintain by using its routing software to revise routes. This would result in a bus capacity use rate of 69 percent, which is in line with the District's capacity standard of 66 percent. However, the District should review its routing and student ride times, and ensure the safety of students on buses to determine if bus usage can be set at a goal of 80 percent. Salem CSD should also consider reinstituting a three-tiered bell schedule, which would require renegotiating the teachers' schedule. Taking these additional measures could further improve efficiency and allow for reductions of up to six buses. By reducing the fleet size through the above measures, Salem CSD would be able to realize annual cost savings and avoid future bus replacement costs (see R6.5).

In order to provide the District with flexibility in managing and making appropriate operational changes, Salem CSD should consider eliminating language from future certificated collective bargaining agreements that dictates teachers' starting and ending times at each school. Furthermore, the District should provide the necessary training for staff on effectively using the routing system, so that buses are routed in an efficient manner and according to appropriate capacity standards. As Salem CSD reduces its active fleet, it should also reduce the spare fleet. Assuming that District eliminates two active buses, the District should also eliminate at least one spare bus. Lastly, the District should update its transportation policy when it reinstates transportation services in the 2006-07 school year. During the course of this performance audit, the District updated its transportation policy to mirror its practice taking effect in 2006-07.

Despite using routing software, **Table 6-2** shows that Salem CSD transported an average of 82.0 riders per active bus in FY 2004-05, which was 10.3 percent lower than the peer average of 91.4 riders per active bus. This contributes to the District's higher transportation costs per rider and per mile when compared to the peer averages (see **Table 6-3**). In addition, the Transportation Department staff indicated that the District has established a maximum capacity of students transported per bus at 66 percent of the total capacity of a 71 passenger bus, or 47 students. Salem CSD has chosen this percentage because the District feels it is impossible to meet the manufacturer's total capacity figure as the manufacturer estimate is based on an assumption that 3 students can sit in a seat. However, based on the District's riders per bus and the number of bus runs for FY 2004-2005, the District used an average of only 38 percent of bus capacity, which is only about half its capacity standard. This could be due to a lack of training. More specifically, the Transportation Secretary indicated that the District has not provided training on use of the routing system.

Salem CSD's average number of riders per bus is lower than benchmarks published by the American Association of School Administrators. According to the article *"Hidden Savings in Your Bus Budget"* (American Association of School Administrators, December 2005), 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. Based on each bus completing three runs, an 80 percent capacity use factor, and a rated bus capacity of 71 riders, the District should be transporting an average of 170.4 riders per bus. During the course of this performance audit, the District began planning for the closing of two school buildings. With the building closures, the District approved going to a two-tier bell schedule: one tier for high school and middle school, and one for all of the elementary schools. Therefore, based on each bus completing two runs, an 80 percent capacity use factor, and a rated bus capacity of 71 riders, the District should be transporting an average of 113.6 riders per bus. This is 39 percent higher than the District's average of 82.0 riders per bus in FY 2004-05. The District currently has 12 active buses: eleven have a rated capacity of 71 riders or higher and 1 bus has a rated capacity of 54. Furthermore, the Transportation Supervisor indicated that the District still employs 12 regular bus drivers for FY 2006-07.

Even by following its own capacity standard and maintaining a two-tiered bell schedule, the District could eliminate two buses. This would result in an overall ratio of 98 riders per bus, which is approximately seven more riders per bus than the peer average. However, Salem CSD may be able to transport more riders per bus than the peer average because it serves a significantly smaller area. More specifically, **Table 6-2** shows that the peer average square mileage is over two times that of Salem CSD. Lastly, four of the ten peers transported more than 100 riders per active bus in FY 2004-05. By reinstituting a three-tiered bell schedule, setting capacity use at 80 percent, and using its routing software to alter routes, the District could further increase the number of riders transported per bus and, in turn, eliminate additional buses. However, the District's ability to reinstate a three-tiered bell schedule is impacted by the certificated collective bargaining agreement. **Table 6-4** presents the bell schedules at each school and the corresponding teacher schedule negotiated in the collective bargaining agreement.

Table 6-4: Start and End Times for Schools and Teachers at Salem CSD

School	Bell Times	Teacher Negotiated Schedule
Junior High / High School (grades 7-12)	7:40 am – 2:44 pm	7:25 am – 3:00 pm
Southeast Elementary (grades 5-6)	8:35 am – 3:15 pm	7:55 am – 3:20 pm
Reilly Elementary (grades 3-4)	8:45 am – 3:25 pm	8:05 am – 3:30 pm
Buckeye Elementary (grades K-2)	8:55 am – 3:35 pm	8:15 am – 3:40 pm

Source: Salem CSD and certificated collective bargaining agreement

Table 6-4 shows that the start and end times at the elementary schools are staggered by ten minutes. The junior high/high school starts 55 minutes before Southeast Elementary, which has the earliest start time of the elementary schools. As indicated in **Table 6-4**, the differences in bell times are partially due to the negotiated start and end times for the teachers. While the teacher start times are 40 minutes earlier than the bell times at the elementary schools, the end times are five minutes after the bell end times. In addition, the bell start and end times at the junior high/high school are only approximately 15 minutes prior to the teacher start and end times. As a result, changing the bell schedules to allow for a three-tiered routing system would require renegotiating the teachers' schedule, along with reviewing and changing routes to optimize bus capacity. Such changes could include further staggering the elementary start and end times, and/or starting the junior high/high school at an earlier time.

During the course of this audit, the District reduced the number of spare buses to five which places the ratio of active to spare buses to 29.4 percent. However, this is higher than the peer average of 25.5 percent and ODE's recommended standard of 20 percent. If the District eliminated two active buses and one spare bus, its spare fleet would equal 28.6 percent of the total fleet. This would still be higher than the peer average ODE's recommended benchmark. Additionally, based on the total miles (routine and non-routine) in FY 2004-05, the District would average 9,832 miles per bus, which would still be lower than the peer average (10,465). By comparison, eliminating two spare buses would result in spares comprising 23.1 percent of the total fleet and an average of 10,588 miles per bus.

Finally, the District practice of transporting students according to State minimum standards mirrored its practice, when this change took effect in January 2006. However, the District will increase services in the 2006-07 school year beyond State minimum standards by transporting students in grades K-6 and 7-12 who live more than 1 and 1.5 miles from their respective buildings. By updating its transportation policy, the District would ensure it clearly communicates this change and accurately reflects its level of service to the community.

Financial Implication: If Salem CSD eliminated at least two buses, it could achieve total cost savings of approximately $34,700. This estimate is based on FY 2005-06 average salaries and fringe benefits for the lowest-salaried bus drivers of approximately $33,000. The savings also include $1,700 for bus insurance based on the average cost per bus in these categories for FY 2004-05. Additional maintenance and repairs savings could also be achieved by eliminating older buses. However, these costs could not be quantified because they will depend on which buses are eliminated and whether the remaining buses incur additional maintenance because they travel more miles. This assumes that the District covers the same total miles as in FY 2004-05, but with a smaller fleet. Potential one-time revenue of $16,200 could be generated from the disposal of 3 older buses (2

active and 1 spare), based on an average of the reported value from Used-Bus.com for used 1993, 1994, and 1995 buses. However, other factors, including the amount of miles and condition of the vehicle, will also impact bus value and selling price. Lastly, eliminating two active buses would avoid future replacement costs (see **R6.5**).

R6.2 **The District should establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE. The Treasurer's Office should verify all T-form data prior to approval and submission to ODE. In addition, the Treasurer's Office and Transportation Department should be responsible for reconciling the expenditures reported on the T-2 report to the 4502 financial statements, and identifying and explaining significant variances from prior year reports, including ridership trends. Furthermore, the District should consult with ODE on any questions that arise in the reporting process. Taking these measures would help ensure that accurate data is submitted to ODE, which would subsequently ensure that the District receives the appropriate level of reimbursement. It would also help ensure that Salem CSD uses accurate and reliable data in making decisions regarding transportation operations**

The District does not have formal policies and procedures for reporting transportation data to ODE. T-2 expenditure information is compiled from a separate spreadsheet created by the Transportation Secretary without review or reconciliation by the Treasurer's Office to the District's financial statement information. The lack of a formal review and reconciliation of the District's T-form data increases the potential for inaccurate reporting. For example, the Transportation Supervisor noted the significant decrease in ridership between FY 2002-03 and FY 2003-04 could be due to incorrect T-form reporting which resulted in students being counted twice when shuttled to the elementary schools. Based on the T-form data reported by the District, the number of students transported from FY 2002-03 to FY 2004-05 decreased by 20 percent with no transportation policy changes occurring during this time. Additional reporting issues include:

- Seven Type IA students were counted in the ridership of the District and were also counted in the ridership at the Columbiana County Educational Service Center for FY 2004-05, resulting in students being counted and potentially being reimbursed twice for transportation services. While the District reported the Type IA students, it did not report the related expenditures. Although the T-2 instructions for reporting costs do not indicate which entities should be reporting costs when contracting with the ESC, they state that the T-2 report should include "transportation expenses for all pupils as reported on T-1." However, according to ODE, the District cannot claim either the students or the expenditures for the contract on any of its T-forms even though it is paying the ESC a contract amount.

- Insurance and fuel costs were also included for vehicles other than buses. According to the T-2 instructions, insurance and fuel costs should be reported only for transportation of pupils on routine routes.

Since the information reported on the T-forms has historically been used in determining a school district's state funding for transportation purposes, it is important that the information be accurate to ensure the correct allocation of funding from the state. However, according to House Bill (HB) 66 passed by the 126th General Assembly, transportation reimbursements for FY 2005-06 and FY 2006-07 will be two percent higher than the prior fiscal year for every District.   Nevertheless, by instituting appropriate policies and procedures, the District would strengthen its management controls and minimize the risk associated with compiling and reporting data. Policies and procedures would also help train applicable staff in the event of turnover.

R6.3   Salem CSD should consider establishing a formal program to encourage students to safely walk to school through the use of the Walking School Bus program. To facilitate this, the District should form a committee of local stakeholders who are willing to volunteer their time in an effort to design and implement concepts in line with the Walking School Bus program.

Salem CSD is not encouraging students to walk to school as a way to promote student health. The Walking School Bus Program was designed by the National Highway Traffic Safety Administration to make walking to school safer by providing adult supervision. This concept brings together a small group of students with one or more adults on their walks to and from school. Even if the children already walk to school, the benefit of the Walking School Bus Program is that it provides a consistent, supervised system in which children can walk to school under the watchful eye of an adult.

The key steps to forming a Walking School Bus Program include:

- Form a Walking School Bus Working Group which may include parents, students, the school principals, teachers and local businesses;
- Recruit Walking School Bus Drivers by communicating with neighbors and parents of the students that this group is forming and is looking for adult volunteers;
- Organize the Walking School Bus Drivers by working out a regular schedule among the drivers, determining who can walk with the students and when. Also include plans for substitute drivers if the regular drivers cannot take part on any given day;
- Designate Walking School Bus Routes by working with parents who know the neighborhood best and the police department to determine the safest route; and

- Promote the Walking School Bus locally by letting everyone in the neighborhood know about the project.

By encouraging students and parents to participate in a program like the Walking School Bus, the District can increase the safety and potentially the number of students walking to school. The benefits of this program include:

- Increases safe passage of students who already walk;
- Encourages students to walk by introducing them to an important easy form of exercise;
- Reduces auto traffic, particularly near schools during drop-off and pick-up times; and
- Strengthens communities by getting people, parents and students in particular, to work together for a common good.

R6.4 **Salem CSD should develop written policies and procedures related to the security of the transportation garage and its contents. These procedures should assign responsibilities to applicable staff and identify who is responsible in the event the Transportation Supervisor is absent.**

Salem CSD does not have formal policies to ensure the security of the transportation garage. However, the transportation garage is locked at night and is surrounded by a chain link fence. Key card and key access is provided only by the Transportation Supervisor. Use of the on-site fuel tank is secured through the issuance of numbered keys for each District vehicle. The keys are necessary to operate the pump. Fuel consumption is monitored by the department for all buses and other district vehicles using separate fuel consumption slips for each vehicle. However, if the Transportation Supervisor is absent, no one can get into the garage. According to *Standards for Internal, Control in the Federal Government* (General Accounting Office, 1999) key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. It also indicates that internal controls, all transactions, and other significant events should be clearly documented, appearing in management directives, administrative policies, or operating manuals.

By failing to document in writing the security measures and assigned responsibilities, including staff backup and cross-training, the District is exposed to possible security issues. It also potentially inhibits operations and prevents driver access to key supplies, if needed, when the Transportation Supervisor is absent.

R6.5 **The District should establish a formal bus replacement plan to ensure that it is properly planning and budgeting for new buses purchases. The plan should establish criteria for bus replacement beyond the age of the fleet and include items**

such as condition, mileage, maintenance costs, and estimated cost at the time of replacement. Bus replacement should be managed through the Transportation Supervisor and Treasurer. All bus and equipment replacement decisions should be based upon economic modeling that allows for replacement at the most advantageous point in the equipment's life cycle. By reviewing and updating the plan annually, the District should be able to anticipate future costs while maintaining its fleet. Lastly, the District should consider assigning older/higher mileage buses to routes with fewer miles to help extend their useful life.

The District's current bus replacement plan takes into account only the age of the fleet. In addition, Salem CSD has only replaced buses when funding was available through the Permanent Improvement Fund. There are no state guidelines for bus replacement beyond the requirement that a bus must be able to pass the annual Highway Patrol inspection in order to be used. As long as the bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage.

Table 6-5 displays Salem CSD's active fleet for FY 2004-05, and projects future mileage based on miles accumulated per bus in FY 2004-05.

Table 6-5: Active Bus Forecast

Bus Number	Model Year	Age	Mileage	Total Daily Miles	Miles per year	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1	2004	1	33,040	67	12,060	36,695	48,755	60,815	72,875	84,935
6	1990	15	139,949	45	8,100	148,049	156,149	164,249	172,349	180,449
10	1991	14	27,046 [1]	38	6,840	33,886	40,726	47,566	54,406	61,246
11	1992	13	123,180	35	6,300	129,480	135,780	142,080	148,380	154,680
12	1993	12	1,838 [1]	57	10,260	12,098	22,358	32,618	42,878	53,138
15	2003	2	162,776	45	8,100	165,231	173,331	181,431	189,531	197,631
16	2003	2	64,075	42	7,560	66,366	73,926	81,486	89,046	96,606
17	1998	7	30,880	50	9,000	33,607	42,607	51,607	60,607	69,607
18	1998	7	30,725	51	9,180	33,507	42,687	51,867	61,047	70,227
19	1999	6	68,569	68	12,240	72,278	84,518	96,758	108,998	121,238
23	1995	10	77,729	78	14,040	91,769	105,809	119,849	133,889	147,929
26H	1995	10	63,842	76	13,680	77,522	91,202	104,882	118,562	132,242
Average	N/A	8.3	68,637	54	9,720	78,357	88,077	97,797	107,517	117,237

Source: District 2004-05 T-1 forms, District Odometer Readings (June 2005) and Bus Inventory October 2004
[1]The odometer was replaced to address a technical problem, but no records were kept of the prior mileage amounts. When excluding buses 10 and 12, the average mileage of the active fleet increases to 79,477.

As indicated by **Table 6-5**, the average age of Salem CSD's active fleet was only 8 years. While 3 of the 12 active buses are 12 years or older, none of the buses is projected to reach 200,000 miles during the next five years. **Table 6-5** also shows that although the

District has assigned some of higher-mileage buses to shorter routes (e.g., bus 11), buses 17 and 18 have significantly fewer miles than buses 19 and 23 yet were assigned shorter routes in FY 2004-05.

According to National Association of State Directors of Pupil Transportation Services (NASDPTS), two independent studies in the mid-1980's of annual school bus operating costs indicated that after 12 years of use, the annual operating costs of school buses began to increase significantly and continued to increase each year thereafter. NASDPTS suggests that Type C (conventional buses) and D buses should be replaced after 12-15 years, and Type A and B buses (lighter duty buses) after 8-12 years. It also noted that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. Additionally, according to the Environmental Protection Agency (EPA) compiling information like bus age, manufacturer, engine model, usage and condition allows districts to plan for expenditures and also be prepared if funds become available through the federal government, state agencies, local communities or public/private entities.

While the District purchased four new buses in FY 2004-05 and one new bus in FY 2005-06, no bus replacement plan was completed to support this decision. By not adequately justifying the need for bus replacements, Salem CSD may not be spending its resources in the most appropriate manner. For instance, the District could have realized a cost avoidance of between $100,000 and $120,000 for a basic bus by reducing the size of its active fleet (see **R6.1**)

Financial Implication: If the District eliminated two active buses, it would avoid bus replacement costs of approximately $120,000 annually. This is based on an estimate from ODE and could vary depending on actual bus purchase specifications.

R6.6 **The District should consider adding another threshold to its purchasing policy that would require more items to be purchased in a competitive environment. For example, if the District adopted a policy that required all purchases in excess of $2,500 to have a minimum of three price quotations, it would have some assurance of receiving the best price for routine items like tires and maintenance supplies. The new threshold should be devised by the Board in consultation with the Treasurer and other personnel to ensure that more items are being subjected to price quotations while not being overly restrictive. The policy should also state whether vendor quotes are to be written or verbal and should require that the quotes be attached (noted on the p.o. if verbal) to the purchase order prior to submitting them to the Treasurer's Office for processing. Furthermore, the District should become a member of purchasing consortiums and review related pricing for transportation supplies. This would provide the District with a higher level of assurance that it is receiving favorable prices for transportation supplies.**

The District's purchasing policies only require price quotes (at least two) for purchases costing more than $25,000. Competitive bids are required for supplies, materials or equipment amounting to $10,000 or more, and for building enlargements, additions, demolitions, or repairs costing more than $25,000.

Table 6-6 shows total maintenance and repair costs for Salem CSD and the peer average.

Table 6-6: Maintenance and Repair Cost Comparison FY 2004-2005

	Salem CSD	Peer District Average	Percent Above (Below)
Maintenance & Repairs [1]	$50,092	$39,977	25.3%
• **Per Rider**	$51	$27	88.9%
• **Per Bus**	$2,385	$1,833	30.1%
• **Per Active Bus**	$4,174	$2,221	87.9%
• **Per Routine Mile**	$0.43	$0.21	104.8%
Supervisor, Mechanic and Mechanic Helper Salaries [2]	$41,538	$74,504	(44.2%)
• **Per Rider**	$42	$48	(13.0%)
• **Per Bus**	$1,978	$3,009	(34.3%)
• **Per Active Bus**	$3,462	$3,995	(13.3%)
• **Per Mile**	$0.35	$0.33	6.1%
Total Expenditures for Maintenance & Repairs	$91,630	$114,482	(20.0%)
• **Per Rider**	$92.46	$75.37	22.7%
• **Per Bus**	$4,363	$4,843	(9.9%)
• **Per Active Bus**	$7,636	$6,545	16.7%
• **Per Mile**	$0.78	$0.55	41.8%

Source: ODE
[1] Includes maintenance, repairs, maintenance supplies, tires, and tubes.
[2] As Salem CSD's supervisor also functions as the mechanic and a precise breakdown between tasks is unavailable, this category captures all supervisor, mechanic and mechanic helper salaries for the peer districts to provide a reliable comparison.

Table 6-6 shows that the District's maintenance and repair costs per rider, per bus, per active bus, and per routine mile are significantly higher than the peer averages. This could be partially due to the level of maintenance and repairs completed by in-house staff in the peer districts, as indicated by the District's lower supervisor/mechanic salaries per rider, per bus and per active bus. However, when combining maintenance and repair expenditures with supervisor, mechanic and mechanic helper salaries, the District's expenditures per rider, per active bus and per mile are still much higher than the peer averages. While the level of preventive maintenance and repairs required to maintain an operable fleet can contribute to the above variances, the lack of a formal bus replacement plan (see **R6.5**) and the District's purchasing policies that do not require competitive bids or multiple quotes for purchases under $10,000 can also contribute to higher cost ratios in **Table 6-6**. The Transportation Supervisor indicated that the District purchases repair

parts after a three vendor comparison; however, no documentation of the quotes is maintained.

According to the Voinovich Center for Leadership and Public Affairs at Ohio University, effective contract management assures the community that taxpayer dollars are spent strategically and wisely, which includes control over what is to be purchased, by whom, for what purpose, with what results, and at what price. The purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community. The **financial systems** section contains a detailed analysis of the District's purchasing practices.

By failing to require evidence showing that prices for supplies under $10,000 were compared to multiple suppliers, the District increases the risk that it is not obtaining supplies at the lowest and "best" cost. In addition, by relying on individual store comparisons of prices, the District may forgo lower prices that could be available from purchasing consortiums, which have the ability to increase the volume of purchases to lower the price of individual goods and services. For example, Salem CSD is a member of the Metropolitan Educational Council (MEC), which is used to purchase items for the food service department (see **food services**). However, MEC also provides a bus purchasing program, and offers vehicle tires and tubes to its members. While Salem CSD participates in the Ohio Schools Council's (OSC) purchasing program for electricity (see **facilities**), the District is not a member of OSC for other purchases. OSC is a member of the Ohio Council of Educational Purchasing Consortia (OCEPA), which offers transportation supplies such as batteries, fluids, tires, tubes and road services. Because it is not a member of OSC, the District can not access or purchase transportation supplies offered through OCEPA.

Financial Implication: The District would incur a cost of approximately $700 annually for membership in OSC. However, if the District was able to eliminate half of the variance in total maintenance and repair expenditures per bus when compared to the peer average by implementing this recommendation, it would save approximately $5,400 annually, for net annual savings of $4,700. These savings reflect the elimination of two active buses (see **R6.1**).

Financial Implications Summary

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

Summary of Financial Implications for Transportation

Recommendation	Estimated Annual Implementation Costs	Estimated Annual Cost Savings	Estimated One-Time Cost Avoidance	Estimated One-Time Revenue
R6.1 Reduce two active buses and one spare. • **Two drivers** • **Bus Insurance** • **Disposal of 3 buses**		$33,000 $1,700		$16,200
R6.5 Avoid replacing two new buses as a result of R6.1.			$120,000	
R6.6 Join purchasing consortiums and add another threshold to purchasing policies.	$700	$5,400		
Total	**$700**	**$40,100**	**$120,000**	**$16,200**

Appendix 6-A: Employee Survey Responses

AOS administered a survey of Salem CSD employees to obtain feedback and perceptions concerning transportation services. One hundred and fifty-four (154) employees completed the survey. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 6-A1** illustrates the results.

Table 6-A1: AOS Transportation Survey Results

Survey Questions	Salem CSD Results
1) Effective communication of transportation policies and routes exist.	
Average Response	4.53
1) Strongly Disagree	1%
2) Disagree	5%
3) Neutral/Not Sure	14%
4) Agree	**36%**
5) Strongly Agree	8%
No opinion	36%
2) Effective coordination of routes and special trips exist between departments.	
Average Response	4.58
1) Strongly Disagree	1%
2) Disagree	6%
3) Neutral/Not Sure	14%
4) Agree	32%
5) Strongly Agree	7%
No Opinion	40%
3) The transportation department provides timely transportation of students to and from school.	
Average Response	4.31
1) Strongly Disagree	2%
2) Disagree	3%
3) Neutral/Not Sure	12%
4) Agree	51%
5) Strongly Agree	13%
No Opinion	20%
4) The transportation department provides timely transportation to and from special events.	
Average Response	4.48
1) Strongly Disagree	1%
2) Disagree	3%
3) Neutral/Not Sure	10%
4) Agree	46%
5) Strongly Agree	12%
No Opinion	27%
5) The transportation department is effective in addressing complaints.	
Average Response	4.67
1) Strongly Disagree	1%
2) Disagree	4%

Survey Questions	Salem CSD Results
3) Neutral/Not Sure	21%
4) Agree	21%
5) Strongly Agree	7%
No Opinion	46%
6) Transportation routes are completed with regard to the safety of the children.	
Average Response	4.53
1) Strongly Disagree	1%
2) Disagree	4%
3) Neutral/Not Sure	12%
4) Agree	38%
5) Strongly Agree	13%
No Opinion	32%
7) The attitude, courtesy, and work ethic of the transportation department are positive.	
Average Response	4.35
1) Strongly Disagree	1%
2) Disagree	6%
3) Neutral/Not Sure	16%
4) Agree	38%
5) Strongly Agree	11%
No Opinion	28%
8) Overall, the quality of all transportation services provided is good.	
Average Response	4.35
1) Strongly Disagree	2%
2) Disagree	3%
3) Neutral/Not Sure	16%
4) Agree	44%
5) Strongly Agree	11%
No Opinion	25%

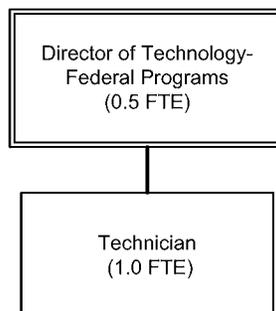**This page intentionally left blank.**

Technology

Background

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

Data from the BETA survey was compiled from 10 peer school districts, resulting in a peer average that is referenced in applicable portions of this report. The peer averages are comprised of data from Boardman Local School District, Dover City School District, Elida Local School District, Fairland Local School District, Heath City School District, Indian Creek Local School District, Lowellville Local School District, McDonald Local School District, Tiffin City School District, and Wheelersburg Local School District. These ten districts are classified in the same demographic category as Salem CSD (Urban – low median income, high poverty) by the Ohio Department of Education. In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, the Auditor of State (AOS) administered an employee survey regarding technology services. The survey results were used throughout this section (see **Appendix 7-A** for the full survey results).

Organizational Chart and Staffing

Salem CSD's Technology Department supports the District's instructional and administrative technology needs. The Technology Department's organization and staffing, in terms of full-time equivalent (FTE) employees, is shown in **Chart 7-1**.

Chart 7-1: Salem CSD Technology Department Organizational Chart

```
┌─────────────────────────┐
│  Director of Technology- │
│     Federal Programs     │
│        (0.5 FTE)         │
└─────────────────────────┘
             │
┌─────────────────────────┐
│                         │
│       Technician        │
│        (1.0 FTE)        │
│                         │
└─────────────────────────┘
```

Source: Director of Technology-Federal Programs – Salem CSD

As seen in **Chart 7-1**, the Technology Department is supervised by a 0.5 FTE Director of Technology (DT) who reports to the Superintendent. Position responsibilities include implementing the technology plan, developing the technology budget, and collaborating with curriculum committees to procure equipment and software. The DT's other responsibilities include District-wide grant writing, and managing District-wide academic testing. **Chart 7-1** also illustrates that the DT supervises 1.0 FTE Technician, who is a contract employee from the Columbiana County Educational Service Center (ESC). The Technician provides maintenance and support for hardware, software, and network technology.
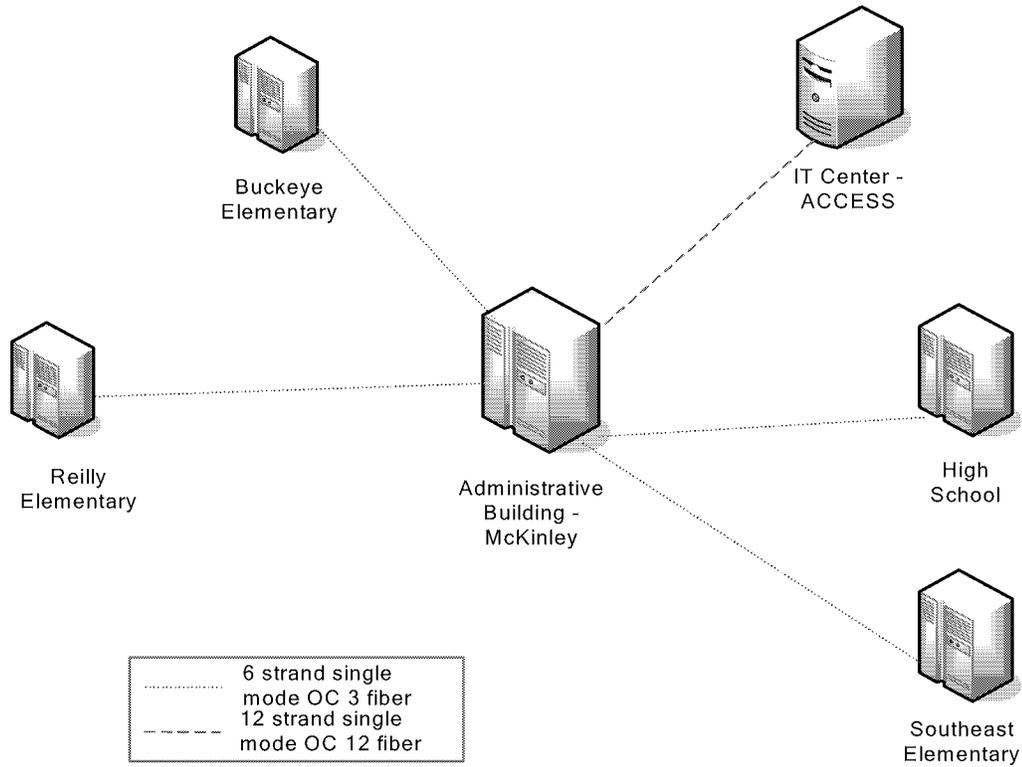
Summary of Operations

Key components of District technology operations include technical support, planning and budgeting, policies, professional development, security, network architecture, communications, hardware and software acquisition, and maintenance. Salem CSD developed a three-year technology plan (FY 2003-06) and has recently developed a new plan that extends from FY 2006-09. This plan contains technology operations self-assessments of instructional integration, goals, and strategies for improvement. In addition, the plan addresses technology policy, leadership, administration, infrastructure, management, and support.

The District has established various policies to ensure privacy and appropriate use of technology. Salem CSD provides student and staff access to the Internet and email. Before receiving system access, employees and students must sign an acceptable use and safety policy agreement. The student agreement is contained in the Student Handbook, and is signed by students entering the ninth grade or beyond. For all other students, parents must sign an acknowledgement indicating they have read the Student Handbook. The policy provides usage guidelines, defines inappropriate use, and addresses software issues, including copyright laws.

The District uses the Ohio Department of Education's (ODE) Area Cooperative Computerized Educational Service System (ACCESS) as its IT Center, providing Internet service and data acquisition. As Salem CSD's IT Center, ACCESS provides firewall protection, Internet filtering, and virus software to safeguard the system. Salem CSD has a web site which contains various information, such as District news, school events, contact information, forms, and lunch menus.

Salem CSD's administrative and school buildings are connected in a star configuration network via fiber optic lines. A fiber optic line connects the District to ACCESS. Salem CSD's wide area network (WAN) is illustrated in **Diagram 7-1**.

Diagram 7-1: Salem CSD Wide Area Network

Buckeye
Elementary

IT Center -
ACCESS

Reilly
Elementary

Administrative
Building -
McKinley

High
School

6 strand single
mode OC 3 fiber
12 strand single
mode OC 12 fiber

Southeast
Elementary

Source: Director of Technology/Federal Programs
Note: Diagram reflects closing of Prospect Elementary and Salem Middle schools.

Salem CSD has over 2,500 computer users accessing the network. Access to the network is controlled by usernames and passwords for all system users.

Noteworthy Accomplishments

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

- **Technical Support:** Salem CSD is providing exemplary technical support with minimal resources. Despite a computer-to-technician ratio that exceeds industry standards (see **R7.8**), the 2006 BETA survey results show that 81 percent of Salem CSD's teachers responded that they receive technical support by the next day, which is much higher than the peer and State averages (53 and 49 percent, respectively). In addition, the AOS employee survey (**Appendix 7-A**) shows that 85 and 80 percent of the respondents agreed that requests for assistance are answered in a timely manner and that technical assistance is easily accessible, respectively. Seventy-eight percent of the respondents agreed that computer repair requests are answered in a timely manner, 73 percent agreed that computer repair services are easily accessible, and 78 percent of the respondents agreed that technology staff is able to solve computer hardware problems. Furthermore, only two percent of administrative software users and three percent of instructional software users indicated that they can not get help when needed. Overall, 73 percent of respondents are satisfied with the technical assistance provided.

- **Computer Allocation:** The District has exceeded the State's student to computer ratio goal of 5 students per computer. According to the 2006 BETA survey, Salem CSD's overall student to instructional computer ratio is 4:1.

Assessments Not Yielding Recommendations

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

- **Organization:** Salem CSD's Technology Department is small and operates with limited resources, resulting in a streamlined and efficient organizational structure. The Technology Department's organizational chart depicts the organization and clear line of supervision within the Department.

- **Use of Students:** Salem CSD has intermittently used students to supplement technology support. In FY 2001-02, the District received a one-time grant of $10,000 from ASSIST, the All Student System Interns Supporting Technology program. While the specific grant was a one-time opportunity, the District maintained at least one part-time student until

November 2005 to provide technical support. The 2006 levy passage enabled the District to hire a part-time student to assist the Technology Department for the 2006-2007 school year.

- **Network:** The District has a solid fiber-optic network that provides users with quality high-speed connections throughout the District. For instance, bandwidth utilization rates for April 2006 never exceed 5 percent of total capacity, even during peak hours. This indicates the District has ample bandwidth capacity for current and future use. In addition, the District uses one operating system which conforms with ISTE's description of exemplary practices.

- **Software Management:** The District uses remote and cloning software for computer management. Cloning software provides the ability to copy the entire contents of a hard disk to another computer's hard disk or storage media, while automatically formatting and partitioning the target disk. This product is useful when one system is to be replicated on a number of computers or performing full back-ups by reducing the need to load and manage software on individual computers. The remote software enables the Technology Department to automatically configure, update, and troubleshoot workstations and servers from remote locations.

- **Use of Laser Printers:** The District currently uses a variety of printers including inkjet and laser printers. According to the DT, Salem CSD is phasing out the ink jet printers and relying primarily on laser printers. Phasing out old printers and replacing them with laser and multifunctional printers will save the District money in ink, maintenance and other equipment purchases such as faxes, scanners and copiers.

- **Management Applications:** The District uses the State-approved software for fiscal management; student and staff information which includes the mandated Education Management Information System (EMIS); and automated library services. Management software applications are of appropriate size for the District and integration among applications is not an issue. However, the District does not use the Uniform School Accounting System's (USAS) purchasing function (see the **financial systems** section).

- **Security:** The District is in the process of updating its acceptable use and safety policy agreement which addresses safe, ethical and appropriate use practices.

- **Information Technology (IT) Controls:** The Auditor of State's Information Systems Audit (ISA) section completed an evaluation of ACCESS in July 2005. The evaluation indicated the IT controls tested were adequate. ACCESS houses the District's financial and student data, and acts as Salem CSD's IT Center.

- **Communications**: Although the website can be upgraded (see **R7.16**), Salem CSD uses email and its website as a means of communicating with students, staff and the community. According to the AOS employee survey (see **Appendix 7-A**), 90 percent of respondents agreed that electronic mail was widely used with only 1 percent disagreeing. All staff members have email accounts and computer access. Important District information, policies, and procedures are available to the public on the District's website. Furthermore, 78 percent of the respondents to the AOS survey indicated that the Internet is used to access information.

- **Voice Over Internet Protocol (VOIP) System:** On June 29, 2006, Salem CSD's BOE approved a proposal to purchase a VOIP system. A VOIP system converts analog audio signals, which one hears when talking on the phone, to digital data that can be transmitted over the Internet. According to *A Case for Inter-Building Fiber Optic Networks on OSFC Projects* (TSI, 2003), centralizing telephone services on a network can provide a significant reduction in monthly phone and telecommunication charges.

Recommendations

Planning and Budgeting

R7.1   Salem CSD should update its technology plan by:

- **Linking the technology plan to an up-to-date strategic plan (see financial systems)**
- **Developing measurable objectives to help gauge attainment of goals in the technology plan;**
- **Performing annual assessments and formally updating the technology plan;**
- **Seeking broader input from stakeholders;**
- **Incorporating total cost of ownership (TCO) calculations into the planning process (see R7.2);**
- **Adopting and funding a computer replacement policy (see R7.3);**
- **Ensuring funds are committed for all necessary projects by linking all objectives and strategies to the budget; and**
- **Defining its technical support staffing needs, establishing staffing benchmarks and expected response times, and addressing the process for obtaining technical support and the involvement of students (see R7.8).**

During the course of the performance audit, Salem CSD developed a technology plan for FY 2006-09. It was developed in response to the Ohio School Net Commission eligibility requirements for various grants available through eTech Ohio, the State authority that approves school district technology plans. Plans are developed using a fill-in template and submitted to eTech Ohio for approval. Salem CSD's plan was approved on May 15, 2006.

While the District's technology plan meets State requirements, it lacks key items including measurable goals, anticipation of technology advances, and technical support requirements that can provide direction for administrative and instructional decision making. This can be partially attributed to the limited format of the Ohio SchoolNet technology plan template used by all districts. Further, the District does not have a comprehensive strategic plan and its Continuous Improvement Plan (CIP) is out-of-date. Both the FY 2003-06 and FY 2006-09 technology plans included some objectives and a proposed three-year budget. The template drove the plans' contents; however, funding limitations were not considered, resulting in unrealistic and unfunded budgets. In addition, the proposed technology budgets were not linked to the District's annual budget or five-year financial forecast.

The failure to link costs and budgets to the technology plan can be illustrated by the District's process for acquiring a voice over Internet protocol system (VOIP). During June 2006, the Executive Director of the ACCESS IT Center proposed a VOIP system to the Board of Education (BOE). The cost of the system was approximately $90,000 in one-time equipment costs plus approximately $27,000 in annual costs, or approximately $47,000 per year through the five-year lease option. The District described the VOIP system in the Board-approved technology plan for FY 2006-09 as a desired system that needed to be researched. Although the plan's three-year budget did not allocate any funds for a VOIP system, the BOE approved the purchase less than 45 days after approval of the technology plan.

According to the *Texas School Performance Review,* (Office of the Texas Comptroller, 2003), direct funding should be committed to each goal in a technology plan. Funds may have to be shifted or timelines stretched to fit, but these decisions should be the result of collaboration between the Board, technical, and managerial personnel. Furthermore, the *Administrative and Instructional Technology – Best Financial Management Practices (BFMP) and Indicators,* [(Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA), 2002)], recommends having measurable plan goals and objectives. It further states that a district's annual budget should provide funds for the major technology initiatives reflected in the technology plan.

The District's technology plan and related process also does not meet the following criteria from OPPAGA:

- *Districts should annually conduct an assessment to identify district and school-level technology needs.* Salem CSD does not conduct an annual assessment to identify District and school-level technology needs. While eTech Ohio requests an annual update of the 3 year technology plan and the DT pursues this goal, the plan is not formally updated.

- *Districts should solicit and use broad stakeholder input in developing the technology plan.* In the past, the District has put together an informal technology committee made up of the DT, administrators, Board members, students, teachers and community members, but the District did not solicit or regularly use broad external stakeholder input in developing the most recent technology plan. Instead, the FY 2006-09 technology plan was primarily developed by the DT.

- *Plans should address professional development for technology users.* While Salem CSD does discuss professional development in its plans, specific and measurable goals are not included (see **R7.13**).

Failure to link the budget to goals in the technology plan potentially prevents the District from effectively implementing the plan. Without specific and measurable objectives, gauging the status of its goals and objectives can be difficult for the District. Additionally, by omitting broad stakeholder input, the District increases the potential for omitting important and relevant goals from the technology plan. Increasing technology staffing would better ensure that the Technology Department devotes sufficient time to the technology plan (see **R7.8**).

R7.2 **Salem CSD should complete a Total Cost of Ownership (TCO) assessment of technology projects and purchases, and document them to inform the Board and District administration of the total potential costs related to technology projects and purchases. This would help ensure that the District adequately plans and budgets for purchases and support costs needed to meet the District's technology needs. To aid in calculating TCO, the District should consider using the free web-based software developed for this purpose.**

The District does not complete a TCO analysis prior to making technology purchases. According to *A School Administrator's Guide to Planning for the Total Cost of New Technology* [Consortium for School Networking (COSN), 2001], in this context, TCO includes all of the costs related to using and maintaining networked computers. These costs include the following:

- Retrofitting;
- Professional development;
- Software;
- Support;
- Replacement costs; and
- Connectivity.

The Consortium for School Networking (COSN), in conjunction with the research and advisory firm, Gartner, Inc., developed free web-based software (*www.classroomtco.org*) to help school leaders understand costs and adequately budget for the support of technology investments. Districts input data to form the basis for an analysis. While there is no one "right" number for TCO, the software enables district decision-makers to evaluate their own decisions over time and make comparisons to other similar school districts. Additionally, TechSoup.org, which is powered by CompuMentor, one of the nation's oldest and largest nonprofit technology assistance organizations, estimates that only 30 percent of the total cost of owning a computer system is the initial purchase of hardware, software and peripherals. By not completing TCO assessments, Salem CSD increases the risk of purchasing technology that it can not adequately support and maintain, and that does not meet its needs.

R7.3 **Salem CSD's should establish a formal replacement cycle for computers (e.g., every 5 years), and include it in future technology plan updates. This would assist the District in projecting future costs and better communicating the long-term costs of maintaining adequate and up-to-date technology to the community. As the District replaces computers, it should consider implementing measures to help improve connectivity (e.g., high speed Ethernet cabling). Furthermore, Salem CSD should balance computer and equipment replacements, and related measures to improve connectivity with its current financial condition and other priorities in the District. For example, the District could review its computer inventory to identify and replace "high use" computers, along with conducting TCO assessments (see R7.2) to target the costliest computers to maintain for initial replacement.**

The District has not adopted a formal computer replacement plan. According to the DT, an attempt is made to replace computers every five years. However, the DT also indicated that the District has failed to replace computers according to the five-year goal, due to budget limitations. In practice, the District typically replaces computers as they become too expensive to repair.

Table 7-1 compares Salem CSD's computer inventory to the peer and State averages.

Table 7-1: Computer Inventory Comparison

Instructional Computers:	Salem	Peer Districts	State
Pre-G3/Pre-Pentium III (Legacy)	79%	22%	13%
PPC G3/Pentium III (Aging)	14%	30%	46%
PPC G4/Pentium IV (Current)	7%	49%	42%
Total	100%	100%	100%

Source: 2006 BETA Surveys

According to **Table 7-1**, 79 percent of the District's instructional computers are considered "legacy" (anything less than a Pentium III or PPC G3), significantly higher than the peer and State averages of 22 and 13 percent, respectively. This results in only 7 percent of District computers being identified as "current," while peer and State averages are 49 and 42 percent, respectively. This data indicates that equipment is not being adequately replaced, thereby resulting in the District spending disproportionate resources to support older equipment. According to COSN and ElectronicSchool.com, schools should expect to replace computers at least every five years. In addition, while Salem CSD provides 10 and 100 MB Ethernet network connections, four of the ten peer school districts provide 1000 MB Ethernet connections in all of their school buildings.

The lack of a formal replacement plan could lead to increased maintenance costs and the use of outdated equipment that is no longer supported by manufacturers. In addition, the slower Ethernet connections can impact the speed of data processing. For example, only

56 percent of the respondents to the AOS survey indicated that speed of data processing is satisfactory, with 22 percent disagreeing.

Financial Implication: According to the 2006 BETA Survey, Salem CSD has 568 instructional computers. If one-fifth of the inventory were replaced each year on a rotating basis, it would cost the District approximately $75,000 per year for replacements, which includes monitors.

R7.4   **The DT should complete and formally document the research and evaluation related to technology purchasing proposals, and maintain such documentation indefinitely. This would help better ensure that hardware and software purchases meet the needs of the District, are cost effective, and provide value to Salem CSD. Maintaining the related documentation would also help Salem CSD evaluate and make future technology purchases. In addition, the District should consider increasing its memberships in applicable consortiums and the DT should include consortium pricing in the formal evaluations of technology purchases. This would help the District determine whether it would be more cost effective to purchase technology products from consortiums in the future.**

The District does not complete formal cost benefit evaluations prior to making technology purchases and does not use consortiums for these purchases. The DT is responsible for making all technology decisions, including purchases. According to the DT, he sends specification requirements for quotes from equipment providers. The best quote is chosen and quote documentation is maintained by the DT for up to six months. The DT indicated that while the District does not purchase technology products from any consortiums, State pricing, reported by eTech Ohio, is used as a basis for comparing the quotes it receives from equipment suppliers. The DT also indicated that the prices obtained from outside suppliers have always been lower than eTech Ohio pricing.

In May 2006, Salem CSD received multiple quotes for computer purchases. However, the quote ultimately selected by the District excluded monitors, while the other supplier's quote included monitors. This made comparing the quotes somewhat difficult. Based on the supplier's price for monitors (March 2007 prices) similar to the one included in the quote (May 2006) and the total cost difference in the two proposals, the District appears to have selected the lowest-cost proposal. Furthermore, the selected quote appears to be lower than applicable pricing from eTech Ohio. Nevertheless, the failure to complete and maintain formal cost benefit evaluations that account for differences in specifications hampers the District's ability to demonstrate that it selected the lowest-cost proposal.

OPPAGA recommends that districts use the results of research and evaluations of previous decisions to identify technology that will best meet instructional and administrative needs. Although Salem CSD appears to be receiving proposals that are

competitive with eTech Ohio, expanding membership in relevant consortiums can help ensure it obtains the "best price" for technology products in the future. For example, although Salem CSD is not currently a member, the U.S. Communities: Government Purchasing Alliance (USC) is a nonprofit entity that assists public agencies in reducing the cost of purchased goods through pooling the purchasing power of public agencies nationwide. USC offers technology products such as computer hardware, software, and peripherals. Salem CSD is a member of Ohio Schools Council's (OSC) purchasing program for electricity purchases only, although OSC's Cooperative Purchasing Program offers audio visual products. In addition, OSC, along with the Ohio Council of Educational Purchasing Consortia, joined with 17 other states to secure national pricing by forming the Association of Educational Purchasing Agencies (AEPA). Products available through AEPA include administrative software, copiers, and technology products. Lastly, Salem CSD is a member of the Metropolitan Educational Council (MEC), which is used to purchase items for the Food Service Department. MEC also offers technology products to its members.

By developing and maintaining formal cost benefit evaluations, expanding membership in consortiums, and assessing consortium prices within the cost benefit evaluations, the District will have a higher level of assurance that it is receiving the "best" prices for its technology purchases. Furthermore, documenting the evaluations and cost analyses for technology purchases will support the DT's decision making process and reduce the risk of purchasing costly equipment that does not meet District needs.

R7.5 **Salem CSD should seek additional grants from more diverse sources and provide sufficient staff resources to assist the DT with seeking and writing grants. This can be aided by increasing technology staffing (see R7.8). In addition, Salem CSD should review the functions assigned to its current administrators, and determine whether it would be appropriate and more effective to have one administrator devoted solely to seeking and applying for grants District-wide.**

The DT is responsible for seeking and writing grants for the entire District, in addition to responsibilities for State and federal student testing and IT. Most of the grant writing done by the District involves State and federal grants, which include Title I, Title II-A, Title IV, Title V, and eTech grants. Limited time has been devoted to seeking competitive grants.

Table 7-2 illustrates the grants received by Salem CSD in FY 2003-04 and FY 2004-05.

Table 7-2: Technology Grant Funding for FY 2004-2005

Grant	Purpose of Grant	FY 2003-04	FY 2004-05
Salem Community Foundation	Local grant for technology	$70,123	$0
Pierce Foundation	Local grant for technology	$10,465	$0
Professional Development - SchoolNet	Technology training for teachers and technicians	$4,140	$4,140
OneNet	Connectivity	$18,000	$18,000
SchoolNet Plus	Classroom computers	$0	$20,475
Telecom (E-Rate)	Federal reimbursements for telecommunications	$25,194	$17,276
Title II-D Technology	Section of Misc. Federal Funds that are available for technology	$12,767	$14,715
Total Grants Received		**$140,689**	**$74,606**

Source: eTech Ohio and District 4502 Reports provided by ODE
Note: Total Grants Received does not include amounts from Title V grants because technology expenditures made from this grant are not available.

Table 7-2 shows that while local grants comprised 57 percent of total grant funding in FY 2003-04, the District received no local grant funding in FY 2004-05. As a result, grant funding decreased by 47 percent. The District was awarded a $500,000 local grant from the Salem Community Foundation in FY 1998-99. The bulk of this money was spent on computers, infrastructure, and supplies over the course of five years. The lack of a more diverse revenue stream for technology and the considerable drop in grant funding could be due, in part, to the DT not having enough time to pursue grant funding specifically for technology.

According to the *Texas School Performance Review*, the aggressive pursuit of grants and other financial support is critical to funding school district technology programs. The *Texas School Performance Review* also notes that hiring a full-time grant writer to aggressively pursue grant money is important. The position will often pay for itself many times over. For example, in the Texas Hamilton ISD, a district with fewer than 1,000 students, the part-time computer science teacher/technology coordinator found it difficult to both teach and provide technology support. As a result the individual was made the district's full-time technology specialist and was asked to pursue technology grants. In one year, the technology specialist was able to secure about $500,000 in additional grant funds. In addition, centralized coordination of the grant writing process is also important. In some cases, grants cost more to secure than they bring in, particularly when matching funds are involved. In Wimberley, a small district outside Austin, a retired individual was hired on a part-time basis to pursue grants for technology and other purposes. In little more than a year, more than $670,000 in grants was generated. The grants paid for the grant specialist's salary a hundred times over.

In addition, the District employs more administrator positions per 1,000 students and a comparable number of clerical positions per 1,000 students when compared to the respective peer averages (see **human resources** analysis). As a result, the District has a sufficient level of staffing that could be used for grant-seeking purposes.

R7.6   Salem CSD should assign specific account codes and ensure data is entered accurately for all technology revenue and expenditures. Doing so would enable District officials to have an accurate and detailed understanding of all technology costs, and better plan and budget for future maintenance and replacement.

Although USAS identifies each financial transaction through the use of codes, Salem CSD does not use this system to record its technology expenditures. In addition to object code assignments, the District has the option to custom assign operational units or cost centers to track specific departmental expenditures. By not using the codes and assigning operational units, the District is not able to provide an accurate accounting of its technology costs.

The Treasurer provided several technology expenditure spreadsheets containing numerous discrepancies. For example, the spreadsheets indicated the technology expenditures for the District's IT Center were approximately $62,000 in 2004, $313,000 in 2005 and $350,000 in 2006. However, a review of contracts for these services showed payments of $115,922 in 2004, $108,366 in 2005 and $76,924 in 2006. In addition, there were partial credits made through E-Rate Ohio grants. When the Treasurer was asked about the discrepancy, a revised spreadsheet was provided with IT Center payments for services dropping in 2005 to just over $65,000, a difference of $248,000. The revised amount reported for the IT Center payments for FY 2006 decreased by $311,000 to approximately $39,000, which was not explained by the Treasurer.

Expenditure data from the Treasurer's Office also does not reflect all the expenditures recorded in the computer inventory. For example, in FY 2005, technology expenditures were approximately $32,000 while the computer inventory listing provided by the DT indicated almost $64,500 in computer purchases, resulting in a $32,500 discrepancy. Furthermore, over $50,000 of identifiable computer purchases were miscoded and found in general supplies and materials. Other computer equipment was coded as equipment when it should have been coded as computer equipment.

Performance, Staffing and Organization

R7.7   **Salem CSD should create documented policies and procedures for technical support that include a system to measure the performance of its technology staff and the reliability of its systems. In addition, the District should measure quality assurance by establishing an electronic trouble ticketing/work order system, either by creating an in-house system or purchasing a system. Once work orders are closed, a computerized customer satisfaction survey should be sent to and completed by the end user who requested assistance. The District should compile and analyze this performance data to make necessary adjustments in its technical support strategy.**

The District does not have detailed technical support policies and procedures, use an electronic trouble ticketing system, or formally measure customer satisfaction. When a technical problem occurs, the Technology Department receives an email requesting assistance, describing the problem and providing the location that needs support. The only measure of performance is through the BETA Teacher Surveys and word-of-mouth.

According to OPPAGA, districts should have a written procedures and standards manual which includes procedures related to systems operations, systems development and maintenance standards, documentation standards, operations policies and access security policies (see **R7.14** for security). In addition, the *Technology Support Index*, [(International Society for Technology in Education (ISTE), 2005)] states that exemplary practices for technical support include the following:

- Documentation for most technical tasks used by most user groups; and
- Delegation, tracking, and evaluation of all technical issues through an electronic trouble ticketing system.

ISTE also states that quality assurance should be measured by a random and automatic system that tracks customer satisfaction and measures data throughout the year. Specific questions concerning technical support staff should be asked, and the data used to make adjustments.

Although the AOS and 2006 BETA surveys show that the Technology Department is providing timely assistance and support (see *Noteworthy Accomplishments*), documented procedures for technical support would help ensure that users are aware of, and can reference, such procedures to help minimize potential interruptions in technology use. In addition, with "real time" responses regarding technology support, the Technology Department can quickly identify problems and continuously improve methods for providing technical support. This could also help evaluate the performance of support staff and gauge customer satisfaction throughout the year, rather than relying on biennial surveys. This could also help the District assess the reliability and speed of its technology

systems. For instance, 26 and 22 percent of respondents to the AOS survey disagreed that the District's computer systems are reliable and the speed of data processing is satisfactory, respectively. The older age of Salem CSD's computers can impact reliability and speed of processing. Ethernet connections can also impact the speed of data processing (see **R7.3**).

Financial Implication: The annual cost to purchase and maintain an electronic trouble ticketing system would be approximately $3,000. While trouble ticket software package prices vary, this estimate is based on costs from one company that offers basic trouble ticket software and the number of District staff.

R7.8 **Salem CSD should evaluate the impact of employing the student intern hired during the course of this performance audit on technology operations. While the Technology Department provided a high-level of service prior to employing a student intern (see *Noteworthy Accomplishments*), computer-to-technician staffing benchmarks suggest that the District could hire at least 0.3 more technician FTEs after accounting for the student intern. Providing a sufficient level of technician staffing would help the Technology Department implement operational improvements, including the following:**

- **Updating the technology plan (see R7.1);**
- **Developing TCO assessments (see R7.2);**
- **Researching and evaluating potential purchases and grant opportunities (see R7.4 and R7.5);**
- **Implementing an electronic work order system to monitor performance and customer satisfaction (see R7.7);**
- **Developing a standardized hardware and software policy (see R7.10);**
- **Providing in-house technology training for District staff (see R7.13), including helping teachers better integrate technology in the classroom (see R7.12); and**
- **Maintaining the District's website (see R7.16).**

Salem CSD should also define its technical support staffing needs in the technology plan (see R7.1) and establish staffing benchmarks to adequately plan for the proper amount of technical support (e.g., maximum of 500 computers per technology FTE). Furthermore, the technology plan should clearly state the process for obtaining technical support, expected response times, and the involvement of students in providing technical support. Finally, the District should track and use performance measures via an electronic work order system to help evaluate the performance of technical support staff (see R7.7).

The District's Technology Department is understaffed based on the number of computers per technology FTE. The Department consists of 1.0 Technician FTE providing end user support to approximately 738 computers within a closely managed network environment. However, during the course of this performance audit, the District hired a student intern who works approximately 7.5 hours per week (0.2 FTEs). When including the student intern, the District supports 615 computers per FTE. According to *Taking TCO to the Classroom,* (COSN, 2001), a TCO-Savvy district provides computer support at a ratio of at least one support person for every 500 computers in a closely managed network environment. This report also indicates that more centralized control of networks with network management software and reducing the number of operating systems and applications that are supported are ways to minimize the number of staff needed to support technology. The District uses remote and cloning software, and only one operating system (see *Assessment Not Yielding Recommendations*).

Despite the District's high computer-to-technician ratio, the Technology Department operates efficiently and provides a high level of service (see *Noteworthy Accomplishments*). This can be due, in part, to the use of remote and cloning software, and only one operating system throughout the District. Nevertheless, the District would need to employ a total of 1.5 technician FTEs or 0.3 more FTEs when accounting for the recently hired student intern, based on COSN's benchmark of at least one support person for every 500 computers. Although the Technology Department efficiently serves the District with current staffing levels, the high number of computers per FTE can inhibit the Technology Department from performing activities to ensure the long-term effectiveness of technology operations. This includes updating the strategic plan (see **R7.1**), using TCO assessments (see **R7.2**), actively researching technology grants (see **R7.5**), monitoring performance and customer satisfaction (see **R7.7**), and developing a comprehensive technology training program for District staff (see **R7.13**).

Taking TCO to the Classroom (COSN, 2001) further indicates that school districts should plan for adequate technical support for hardware, software, and local and wide area networks. The technology plan should state how teachers obtain technical support, the expected response time, the number of full-time staff needed for technical support, and whether and how students will be involved in providing technical support. If technical support will be provided in-house, districts are strongly encouraged to establish the maximum number of machines that each technical support person can maintain and ensure that as the amount of technology expands, the level of technical support is maintained according to the pre-determined ratio. Furthermore, according to the *Texas School Performance Review,* it is important that districts set standards for information technology staffing, such as how many Windows-based PCs and Macintosh computers one technician can support. Resource allocation, especially personnel, should fluctuate with changes in the student population, the number of administrative users and the

amount of equipment in use. To make this allocation process fair and equitable, it is important that schools monitor various ratios that measure the efficiency of staff.

Although the District has implemented strategies like employing student interns, and using remote software and one operating system to reduce support costs, it does not address adequate technical support for hardware, software and networks in its technology plan. Specifically, the technology plan lacks a staffing benchmark for computers per support staff, a formalized process for obtaining technical support, use of students in providing technical support, and expected response times. Also, the District does not measure the effectiveness of its support staff or student interns by reviewing and tracking performance measures via an electronic work order system (see **R7.7**), using measures such as the volume of calls for support, and timeframes for responding to service requests and repairing computers.

By inadequately planning for and formally defining technology support needs, the District increases the risk of dedicating insufficient resources to support and maintain its technology system. Without objective performance measures, the District could have difficulty evaluating the performance of technical support staff and ensuring high-quality and timely support services.

Financial Implication: Technology services purchased from the ESC cost approximately $51,000 in FY 2005-06 for 1.0 FTE. If 0.3 FTEs were added to the ESC contract, it is reasonable to assume an additional cost of $15,300. However, if additional students in the technology curriculum were used for technology support for 12.5 hours per week at minimum wage of $6.85 per hour, the District would pay approximately $4,500 annually for additional support costs.

R7.9   **In addition to developing a comprehensive technology training program for all staff (see R7.13), Salem CSD should consider increasing the professional development opportunities for Technology Department employees and work with the ESC to increase these opportunities. Salem CSD should evaluate the value of the expanded training opportunities by requiring staff to provide formal feedback on the training, and assessing the impact of training in employee performance evaluations and the overall quality of technology services (see R7.7).**

The District does not require or offer ongoing professional development programs for its technology staff, although the DT and Technician occasionally attend workshops and free meetings. Without an ongoing professional development program, the Technology Department staff may not be able to stay current with technology, improve operations, and gain exposure to different programs and systems. According to the DT, the Technician can receive training through the ESC, which would then cover the costs. However, the District can provide additional training for the Technician. The DT also

indicated that the ESC is responsible for evaluating the Technician, although the DT provides input.

The *Technology Support Index* defines the following as an exemplary practice: technical staff receives ample training as a normal part of their employment. OPPAGA *Best Practices and Indicators for Technology* suggests that districts should have a process to assess the effectiveness of professional development training to ensure competency in the skills targeted.

By offering and requiring ongoing professional development, the District would better ensure that technology staff is able to meet the current and future needs of the District, and operate efficiently and effectively through gaining additional knowledge and skills. For example, additional and ongoing training could help with technology upgrades.

Financial Implication: Although not readily quantifiable, the District may incur additional costs by increasing training opportunities for the Technology Department. This will depend, in part, on the amount of training provided by the ESC, the ability of Salem CSD to complete some training in-house, and the specific training needs of staff.

Software and Hardware

R7.10 Salem CSD should create a standardized hardware and software policy. This policy should include a list of uniform hardware and software products to guide technology purchases and avoid the costs of supporting multiple and disparate technology systems. This policy should also include or reference the documented procedures for selecting and purchasing hardware and software (see R7.4). Lastly, the policies and procedures, along with the list of standard hardware and software, should be updated at least annually to keep pace with technological advancements.

Salem CSD does not have written policies and procedures for selecting software and does not have a standardized list of hardware and software. However, in practice, any software recommended for the District is tested, approved and then purchased by the DT. By approving all hardware and software requests, the DT provides an unofficial standardization of software applications. Because the same person has been in charge of technology acquisitions for many years, the creation of formal policies and procedures to ensure uniform purchases has not been a priority. In addition, the DT handles equipment purchases and is very familiar with the system requirements.

According to *Twelve Steps to Trimming Your TCO,* (Administrative Assistants, Ltd., 2001), hardware should be standardized as much as possible to reduce complexity. It is both easier and less expensive to support a limited number of applications and computing environments than it is to support several disparate systems. If end users and technicians

can be trained to work with a specific set of hardware, they will become familiar – and proficient – with the equipment in a shorter period of time. Hardware repairs can be simplified by reducing the number of suppliers. Schools can also purchase spare computers that are interchangeable and keep them on hand, so end users can have replacement machines quickly. Also, according to *Taking TCO to the Classroom,* limiting software applications is a way to help control other parts of the TCO equation by limiting the amount of staff and training needed to support the application. Lastly, in the article *Seven Cost-Saving Strategies for the IT Funding Crunch* (Paul Nastu, 2005), it is reported that schools that standardize computer systems can save money and resources by reducing IT support and computer training costs. When everyone is working with the same software, it increases user productivity, simplifies licensing, and makes training easier.

As an example, the Faribault (Minnesota) Public School District has a list of standardized equipment that is published every year. The equipment list contains detailed specifications and requirements for the following equipment:

- Workstations;
- Laptops;
- Printers;
- Monitors;
- Scanners;
- Mouse/Keyboard;
- Fax/Modems;
- Internal/External CD Burners and DVD Burners;
- Personal Digital Assistants;
- Digital Cameras;
- Multimedia Projectors;
- Video Equipment;
- Network-Related Devices;
- External Storage Devices; and
- A comprehensive supported software list.

In addition, there are forms which can be used to request the purchase of non-standardized equipment. As a result, employees in the Faribault Public Schools are provided with an exhaustive list of acceptable equipment that the District will support. Conversely, Salem CSD's lack of a standard list of uniform hardware and software potentially creates situations where the Technology Department must spend time and effort communicating and explaining to staff what equipment and software is permitted.

R7.11 Salem CSD should create, regularly update, and communicate policy guidelines for acceptable technology donations. These guidelines would help ensure the compatibility and usefulness of donated equipment while minimizing additional support costs. Once developed, the District should consider posting the guidelines on its website. In addition to potentially increasing donations, this would help eliminate any confusion over what types of technology equipment the District will accept.

The District does not have technology donation and equipment disposal policies. On the rare occasion that a donation of equipment is offered, it is evaluated and usually rejected because of the age of the equipment. When Salem CSD is ready to dispose of equipment, it is stripped of any usable parts and then donated to the local federal prison for further processing.

According to *Seven Cost-Saving Strategies for the IT Funding Crunch,* key issues to consider when implementing a donation program include compatibility with the existing hardware and network, ability to run core instructional programs and Internet access at an acceptable speed. The article also indicates that schools need a policy that defines goals, criteria and technology specifications, as well as a process for handling donations. In addition, the *Technology Support Index* considers an organization as exemplary if donated equipment is accepted, but only if it is less than two years old, meets specific brand, model, performance and system requirements. An exemplary entity also encourages cash donations to purchase new equipment.

In the absence of policies that contain guidelines for accepting technology donations, the District increases the risk of accepting donations that do not meet the needs of staff.

R7.12 Salem CSD should continue to assess the functionality and integration of its instructional software in the curriculum. The District should use this assessment information to determine training needs (see R7.13) and define measurable goals to help teachers effectively use and integrate technology in the classroom.

According to the 2006 BETA Survey, the teachers are not sufficiently integrating instructional software into the curriculum. More specifically, 29 percent of Salem CSD's teachers indicated that they never use the computer to examine student performance trends in order to plan instruction. This is higher than the peer and State averages of 19 and 18 percent, respectively. Likewise, only 34 percent of Salem CSD's teachers are using the computer to examine student performance when planning for instruction on at least a weekly basis, much lower than the peer and State averages of 50 and 45 percent, respectively. An additional BETA survey question asks teachers how often they use technology to support standards-based instruction. Twenty-one percent of Salem CSD's teachers indicated "never," compared to the peer and State averages of only 12 and 13 percent, respectively. Furthermore, only 27 percent of Salem CSD's teachers indicated

that they use technology to support standards-based instruction on at least a weekly basis, which is much lower than the peer and State averages of 41 and 39 percent, respectively.

In response to the following question from the 2006 BETA teacher survey: "Does your school provide a computer for your use (that is, a computer for you, not for your students)", 14 percent of District respondents reported "none." This is in between the peer and State averages of 11 and 17 percent, respectively. As a result, the disparity in using technology for the above-mentioned instructional purposes does not appear to be due to a lack of teacher access to computers.

The lack of technology use for instructional purposes could be due, in part, to the lack of a comprehensive training program to inform teachers of software functionality (see **R7.13**). For instance, the AOS employee survey shows that only 46 percent of the instructional software user respondents agreed that they knew all the major software functions, while 13 percent disagreed and 19 percent were neutral. Additionally, only 41 percent of the administrative software users indicated that they knew major software functions in their departments, with 10 percent disagreeing and 18 percent being neutral. Furthermore, the use of old computers could inhibit the District from using the most effective software and applications for classroom purposes (see **R7.3**). The lack of a comprehensive technology training program and a formal computer replacement cycle can be partially attributable to the District's current financial condition. Nonetheless, poor integration and insufficient use of classroom software results in staff not taking advantage of available technology, which, in turn, causes the District to make inefficient use of the time and funds dedicated to technology. It should be noted that Salem CSD's technology plan for FY 2006-09 includes self-assessments of technology integration in the classroom.

District Professional Development

R7.13 Salem CSD should develop a comprehensive technology training program which describes the amount of required and ongoing training for staff members and identifies the technology issues in which staff must be competent, including basic trouble shooting. While the District should continue to seek the greatest value in development opportunities, it should devote more funds to technical training for all staff members. Employing additional technology staff would enable the Technology Department to provide more in-house training specifically targeted at technology used within the District (see R7.8). Providing additional training would better ensure that staff is aware of software functionality.

In order to help assess the quality of technology training programs for all staff and better ensure that training meets users' needs, the District should solicit feedback from staff and adjust the trainings accordingly. The Technology Department should

assess whether the technology training is retained and effectively applied by District staff via an electronic trouble ticketing system (see R7.7).

The District does not provide a comprehensive technology development program, does not require its staff to attend ongoing technology related training, and does not formally track or solicit feedback about technology training from staff. The AOS employee survey (see **Appendix 7-A**) results show that 54 percent of the respondents feel more software training is needed, while 8 percent disagreed and 19 percent were neutral. Additionally, only 42 and 53 percent of respondents indicated that administrative and instructional software training met user needs with 8 and 11 percent disagreeing, respectively. 15 percent were neutral on the issue for both administrative and instructional software training. Lastly, 54 percent of respondents indicated that training programs are useful, with 12 percent disagreeing and 15 percent neutral.

According to the DT, training is provided in-house on an as needed basis as financial constraints have necessitated reductions to expenditures that are considered non-critical to operations. To stretch available monetary resources, the District takes advantage of free or low-cost educational sessions offered by ACCESS, eTech Ohio, and federal agencies. In the technology plan for FY 2006-09, the FY 2005-06 budget for professional development was $7,000, significantly more than the identifiable training expenditure data provided by the Treasurer ($2,276). In FY 2006-07, an amount of $8,000, or 5 percent of the overall technology plan budget, is listed in the plan and increases by $500 each year through 2009. Although the budgeted dollar amount increases, the percentage of the overall technology budget actually decreases by approximately 1 percent each year.

According to *Weaving a Secure Web around Education,* [(National Center for Education Statistics (NCES), 2003)], professional development in an education agency should include all staff and student users, not just developers and programmers. All district users need to have basic technical skills and be updated on the rapidly changing environment. Budget allocations should address training and technology-related professional development as a necessary component of the agency's overall program.

According to the *Technology Support Index,* an exemplary organization meets the following standards:

- A comprehensive staff development program is in place that impacts all staff. The program is progressive in nature and balances incentive, accountability and diverse learning opportunities.

- Basic troubleshooting is built into the professional development program, and is used as a first line of defense in conjunction with technical support.

•   Online training opportunities are provided for staff both onsite and remotely, and represent a diversity of skill sets.

•   A process and delivery system has been established for just-in-time training and is used consistently.

•   Expectations for all staff are clearly articulated and broad in scope. Performance expectations are built into the work functions and are part of the organizational culture.

Technology in Schools, (NCES, 2002), states that the Elementary and Secondary Education Act (ESEA, No Child Left behind Act of 2001) includes a requirement that 25 percent of the funds for technology be devoted to professional development. Also, according to the *Taking TCO to the Classroom*, a TCO-Savvy district devotes 15 to 30 percent of its budget to staff development.

Maintaining a continuous and comprehensive technology development program would better ensure that District staff members receive sufficient technology training. This would provide staff with the necessary knowledge to troubleshoot basic problems and free up technician time to resolve more complex issues. Ongoing training could also enhance teachers' ability to fully and effectively use technology in the classroom (see **R7.12**).

Financial Implication: As the District is not currently tracking technology expenditures (see **R7.6**), a financial implication cannot be readily quantified. Furthermore, the level of training expenditures will depend on the specific training needs of staff and the ability of Salem CSD to complete these trainings in-house. This can be aided, in part, by increasing technology staffing levels (see **R7.8**).

Security

R7.14 The District should document its security controls, standards and procedures in a manual. In addition, the District should ensure that the inventory database is updated as software and hardware is purchased or eliminated. Keeping an accurate and up-to-date inventory of hardware and software is important for assessing TCO (see R7.2) and technology assets, and projecting future costs for maintenance, upgrades, and disposal.

The District has established network controls in the areas of access, systems development, and systems maintenance to promote proper functioning of the Technology Department. For instance, the District has anti-virus protection and adware filtering, and

the IT Center has a commercial firewall. To help safeguard sensitive information, the system is password protected and each network user is issued a personal password and username for limited access to the system. The District's computer users are prohibited from installing software and Windows' Group Policy Function is used to lock down the desktops of the computers. While the District has controls in place, they are not documented by the Technology Department. OPPAGA recommends districts have written procedures and a standards manual that includes procedures related to systems operations, systems development and maintenance standards, documentation standards, operations policies, and access security policies.

The District also lacks a policy and procedures to explain the inventory process; however, it does have an informal procedure in place. A physical inventory of all technology equipment is taken bi-annually to compile the required BETA Survey information. As new inventory is received, a tag number is assigned and manually recorded in a database along with pertinent information about the inventory, e.g., serial numbers, purchase date, inventory location, etc. The tag numbers are provided to the Treasurer, who records them in the financial software. While this informal procedure is in place, the Technology Department does not always update the inventory when new equipment is purchased. According to the Technology Director, a review of the database was conducted in April 2006, and none of the items purchased for 2006 had been added. Items that have been removed from the inventory have not been removed from the database. The updates may not have been completed on a regular basis as a result of the District being slightly understaffed in its Technology Department (see **R7.8**), and the Technology Director spending a majority of his time on issues unrelated to technology.

R7.15 **Salem CSD should create and test a written multi-step disaster recovery plan to protect its systems in case of a catastrophic event. This plan should contain all key elements of a disaster recovery plan mentioned by NCES. Furthermore, the District should consider storing its backup tapes at a location other than the DT's home.**

Salem CSD does not have a written disaster recovery plan that describes specific procedures and steps to be taken in case of an emergency. The District does create backup tapes every two weeks and stores them in a locked safe at the administrative building. Every three months, a full backup is performed and those tapes are stored off-site, at the DT's home. According to the DT, the high school has a safe which could be used for storage.

The Texas School Performance Review provides the key elements of a disaster recovery plan, which are shown in **Table 7-3**.

Table 7-3: Key Elements of a Disaster Recovery Plan

Build Disaster Recovery Team	• Identify a disaster recovery team that includes key policy makers, building management, end users, key outside contractors and technical staff.
Obtain and/ or approximate key information	• Develop an exhaustive list of critical activities performed within the district. • Develop an estimate of the minimum space and equipment necessary for restoring essential operations. • Develop a time frame for starting initial operations after a security incident. • Develop a key list of personnel and their responsibilities.
Perform and/or delegate duties	• Create an inventory of all assets, including data, software, hardware, documentation and supplies. • Set up reciprocal agreements with comparable organizations to share each other's equipment in an event of an emergency at one site. • Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay. • Establish contractual agreements with backup sites. • Identify alternative meeting and start-up locations to be in used in case regular facilities are damaged or destroyed. • Prepare directions to all off-site locations. • Establish procedures for obtaining off-site backup records. • Gather and safeguard contact information and procedures. • Arrange with manufacturers to provide priority delivery of emergency orders. • Locate support resources that might be needed (i.e. trucking and cleaning companies). • Establish emergency agreements with data recovery specialists.
Specify details within the plan	• Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done. • Define actions in advance of a disaster. • Define actions to be taken at the onset of a disaster to limit damage, loss and compromised integrity. • Identify actions to be taken to restore critical functions. • Define actions to be taken to re-establish normal operations.
Test the plan	• Test the plan frequently and completely. • Analyze test results to determine further needs.
Deal with the damage appropriately.	• If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.
Give consideration to other significant issues.	• Don't make the plan unnecessarily complicated. • Make one individual responsible for maintaining the plan, but have it structured so that others are authorized and prepared to implement if it is necessary. • Update the plan regularly and whenever changes are made to the system.

Source: Safeguarding your Technology (NCES), modified by Texas School Performance Review in the Eagle Pass School District Performance Audit

According to *Control Objectives for Information and related Technology* (COBIT) *3rd Edition,* (IT Governance Institute, 2000), the control objective for off-site backup storage states that the off-site storage facility should be environmentally appropriate to the media being stored and should have a level of security commensurate with that needed to protect the backup media from unauthorized access, theft, or damage.

Developing a formal disaster recovery plan and having appropriate off-site backup storage as part of the plan would help Salem CSD ensure that it has the proper IT resources in place to support recovery and school business continuity plans.

Communications

R7.16 Salem CSD should consider upgrading its website appearance and increasing its use for communications by ensuring a consistent format and functioning links. While the District can continue to use students to help develop and maintain the website, it should assign official website development and maintenance duties to the Technology Department. This can be aided by increasing technology staffing (see R7.8). Alternatively, the District should consider outsourcing the development and maintenance of its website, particularly if it does not increase in-house technology staffing levels. By not relying solely on students to maintain the web site, the District could better ensure that the site is uniformly and consistently maintained, including appearance and links to information.

The District's website was originally developed as a tool for improving community relations. It provides parents, students and staff with information about District requirements and policies. The general public can obtain detailed information on items such as services, schedules, classes, and graduation testing information. Currently, the website provides a comprehensive listing and links to regularly used forms, school ODE Report Cards, District news, and a calendar of events. However, a review of the website revealed several broken links and an inconsistent format. Furthermore, because the site is created and maintained each year by high school students taking web design classes, appearance and functionality are subject to change on an annual basis.

In *Weaving a Secure Web Around Education,* it is recognized that there is a direct correlation between the degree of programming difficulty and website complexity. To a degree, templates can be used to set up a website, but more knowledge is needed to develop a graphic design motif that will be used to represent entities on the World Wide Web. This publication further indicates that while entities may be able to use in-house talent, they may want to consider outsourcing the development and management of the website. Outsourcing can provide a more sophisticated design and more efficient file structure, leading to a higher level of reliability. In addition, without programming expertise, the organization is usually limited to standard features available in off-the-shelf web design programs. Many of these programs include powerful design options; however, a web design novice may not have the knowledge to fully apply the capabilities to enhance the site's speed, graphic quality and storage space efficiency.

Financial Implication: Although not readily quantifiable, the District would likely incur additional costs if it chose to outsource the development and maintenance of its website.

Financial Implications Summary

The following table summarizes the estimated annual costs identified in recommendations presented in this section of the report.

Summary of Financial Implications

Recommendation	Estimated Annual Cost
R7.3 Replace computers on a five-year cycle	$75,000
R7.7 Purchase trouble ticket software	$3,000
R7.8 Hire 0.3 FTE Technical Support Staff	$15,300
Total	**$93,300**

Appendix 7-A: Employee Survey Responses

AOS administered a survey of Salem CSD staff to obtain employee feedback and perceptions concerning technology. One hundred fifty-five (155) employees completed the survey. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 7-A1** illustrates the average response for each question based on this five-point scale along with the percentage of responses grouped within each applicable category.

Table 7-A1: AOS Technology Survey Results

Survey Questions	Salem CSD Results
Administrative Software Users	
1) Users know all major software functions used in their departments.	
Average Response	3.79
1) Strongly Disagree	2%
2) Disagree	8%
3) Neutral/Not Sure	18%
4) Agree	31%
5) Strongly Agree	10%
No Opinion	7%
2) Software meets the needs of the users.	
Average Response	3.96
1) Strongly Disagree	0%
2) Disagree	8%
3) Neutral/Not Sure	13%
4) Agree	34%
5) Strongly Agree	12%
No Opinion	7%
3) Software is used effectively and efficiently.	
Average Response	3.83
1) Strongly Disagree	1%
2) Disagree	9%
3) Neutral/Not Sure	15%
4) Agree	31%
5) Strongly Agree	10%
No Opinion	7%
4) Users can get help when needed.	
Average Response	4.22
1) Strongly Disagree	1%
2) Disagree	1%
3) Neutral/Not Sure	12%
4) Agree	34%
5) Strongly Agree	25%
No Opinion	5%

Instructional Software Users	
5) Users know all major software functions used in their departments.	
Average Response	**3.80**
1) Strongly Disagree	0%
2) Disagree	13%
3) Neutral/Not Sure	19%
4) Agree	40%
5) Strongly Agree	6%
No Opinion	11%
6) Software meets the needs of the users.	
Average Response	**3.91**
1) Strongly Disagree	0%
2) Disagree	7%
3) Neutral/Not Sure	18%
4) Agree	46%
5) Strongly Agree	9%
No opinion	8%
7) Software is used effectively and efficiently.	
Average Response	**3.84**
1) Strongly Disagree	1%
2) Disagree	9%
3) Neutral/Not Sure	18%
4) Agree	42%
5) Strongly Agree	8%
No opinion	9%
8) Users can get help when needed.	
Average Response	**4.20**
1) Strongly Disagree	1%
2) Disagree	2%
3) Neutral/Not Sure	13%
4) Agree	41%
5) Strongly Agree.	26%
No Opinion	5%
All Users – Software Training	
9) Administrative/office software training meets user needs.	
Average Response	**4.04**
1) Strongly Disagree	2%
2) Disagree	6%
3) Neutral/Not Sure	15%
4) Agree	35%
5) Strongly Agree.	7%
No Opinion	15%
10) Instructional/classroom software training meets user needs.	
Average Response	**3.85**
1) Strongly Disagree	3%
2) Disagree	8%
3) Neutral/Not Sure	15%
4) Agree	45%
5) Strongly Agree.	8%
No opinion	10%

11) Training facilities meet user needs.	
Average Response	3.84
1) Strongly Disagree	3%
2) Disagree	10%
3) Neutral/Not Sure	17%
4) Agree	41%
5) Strongly Agree	6%
No opinion	12%
12) Training programs are useful.	
Average Response	3.85
1) Strongly Disagree	4%
2) Disagree	8%
3) Neutral/Not Sure	15%
4) Agree	49%
5) Strongly Agree	6%
No opinion	11%
13) Users feel more training is needed.	
Average Response	4.00
1) Strongly Disagree	0%
2) Disagree	8%
3) Neutral/Not Sure	19%
4) Agree	42%
5) Strongly Agree	12%
No opinion	11%
All Users – General Computer Operation/Data	
14) Computer systems are reliable.	
Average Response	3.58
1) Strongly Disagree	5%
2) Disagree	21%
3) Neutral/Not Sure	12%
4) Agree	44%
5) Strongly Agree	12%
No opinion	6%
15) Speed of data processing is satisfactory.	
Average Response	3.68
1) Strongly Disagree	4%
2) Disagree	18%
3) Neutral/Not Sure	13%
4) Agree	45%
5) Strongly Agree	11%
No opinion	9%
16) Access to a printer is adequate.	
Average Response	3.71
1) Strongly Disagree	5%
2) Disagree	15%
3) Neutral/Not Sure	8%
4) Agree	54%
5) Strongly Agree	14%
No Opinion	5%

17) Systems contain accurate and complete data.	
Average Response	**4.05**
1) Strongly Disagree	1%
2) Disagree	8%
3) Neutral/Not Sure	14%
4) Agree	54%
5) Strongly Agree	14%
No opinion	11%
18) Data from computer systems is useful for decision making or monitoring.	
Average Response	**4.05**
1) Strongly Disagree	0%
2) Disagree	6%
3) Neutral/Not Sure	21%
4) Agree	47%
5) Strongly Agree	11%
No opinion	14%
All Users – Technical Assistance	
19) Technical assistance department (if applicable) is easily accessible.	
Average Response	**4.24**
1) Strongly Disagree	1%
2) Disagree	5%
3) Neutral/Not Sure	6%
4) Agree	55%
5) Strongly Agree	25%
No opinion	8%
20) Requests for assistance are answered in a timely manner.	
Average Response	**4.37**
1) Strongly Disagree	1%
2) Disagree	3%
3) Neutral/Not Sure	5%
4) Agree	50%
5) Strongly Agree	35%
No opinion	7%
21) Computer repair services are easily accessible.	
Average Response	**4.12**
1) Strongly Disagree	1%
2) Disagree	7%
3) Neutral/Not Sure	10%
4) Agree	51%
5) Strongly Agree	22%
No opinion	9%
22) Computer repair requests are answered in a timely manner.	
Average Response	**4.26**
1) Strongly Disagree	1%
2) Disagree	3%
3) Neutral/Not Sure	8%
4) Agree	50%
5) Strongly Agree	28%
No opinion	8%

23) Technology staff is able to solve hardware problems.	
Average Response	4.25
1) Strongly Disagree	1%
2) Disagree	2%
3) Neutral/Not Sure	12%
4) Agree	48%
5) Strongly Agree	30%
No opinion	7%
24) Number of technology personnel is adequate to provide support.	
Average Response	3.94
1) Strongly Disagree	5%
2) Disagree	8%
3) Neutral/Not Sure	13%
4) Agree	45%
5) Strongly Agree	22%
No Opinion	8%
25) I am satisfied with the technical assistance provided by the District.	
Average Response	4.12
1) Strongly Disagree	2%
2) Disagree	5%
3) Neutral/Not Sure	13%
4) Agree	45%
5) Strongly Agree	28%
No opinion	6%
All Users – Software Applications	
26) Electronic mail is widely used.	
Average Response	4.52
1) Strongly Disagree	0%
2) Disagree	1%
3) Neutral/Not Sure	2%
4) Agree	46%
5) Strongly Agree	44%
No opinion	6%
27) The internet is used to access information.	
Average Response	4.48
1) Strongly Disagree	0%
2) Disagree	1%
3) Neutral/Not Sure	5%
4) Agree	48%
5) Strongly Agree	40%
No opinion	7%

Note: Responses will not total 100 percent because some participants did not respond to every question..

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DISTRICT RESPONSE

District Response

The letter that follows is the official response of the Salem City School District 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 disagreements were noted and supporting documentation was provided, revisions were made to the audit report as appropriate.

The District's official response does not note any disagreements or unresolved factual matters. As a result, no additional report revisions were necessary.

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Salem City Schools

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Ms. Mary Taylor, Auditor of State
Performance Audit Division
Lausche Building, 12th Floor
615 W. Superior Ave.
Cleveland, OH 44113

18 June 07

Dear Auditor Taylor,

The Salem City School District Board of Education and Administration sincerely appreciate the performance audit that officially concluded this date. As you may recall, our District had requested this audit prior to entering Fiscal Watch in an effort to ensure we are giving due diligence to the expenditure of taxpayers' dollars. We have already implemented a number of the audit team's recommendations as this has been a "living" document these past sixteen months.

After receiving draft documents for review, the Administrative team was quite pleased to find that many of the recommendations were already in implementation status at the time, however, it was and continues to be critical to the District that the state auditor's office review our procedures and plans in our efforts to bring our District to fiscal solvency.

Each of the areas of the document, especially Transportation and Technology, serve as salient sections to the overall document. However when considering the impact of salaries and benefits, it is the Human Resources section that will most likely serve as the driving force in making further reductions in the Salem City Schools. One of the major recommendations of this audit was the reduction of custodial staff and potentially one maintenance position. We are already developing plans to do time studies in addition to reducing positions for future hiring from 8-hour positions to two 4-hour positions as those retirements and resignations are realized. This move alone should reduce health benefit expenditures by approximately $21,000 per current 8-hour position.

Before closing and in all sincerity, a special note of thanks of appreciation goes out to Senior Audit Manager Fred Bartz, Jr. and his team. Mr. Bartz has been invaluable throughout this process. He brings great credit upon himself, his team, and the Auditor of State, Ohio. Thank you, Mr. Bartz for a job exceptionally done!

Sincerely,

Stephen M. Larcomb
Superintendent