Mary Taylor, CPA
Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

SEPTEMBER 18, 2007

Mary Taylor, CPA
Auditor of State

To the Residents and Board of Education of the Southern Local School District:

Consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, the Ohio General Assembly provided funding for comprehensive performance audits of selected Ohio school districts. Based on a request from the Board of Education and the Ohio Department of Education, the Southern Local School District was selected as one of the initial school districts to receive a comprehensive performance audit.

The seven functional areas assessed in the performance audit were strategic management, financial systems, human resources, facilities, transportation, technology, and food service. These areas were selected because they are important components of the District's operations which support its mission of educating children, and because improvements and cost reductions in these areas can assist Southern Local School District in maximizing spending targeted at direct instruction.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Southern Local School District's financial situation. While the recommendations contained within the performance audit are resources intended to assist in improving its overall financial condition, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a district overview; objectives; the scope and methodology of the performance audit; and significant noteworthy accomplishments, key recommendations, financial implications, and issues for further study. This report has been provided to Southern Local School District and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource for further enhancing overall operations and service delivery.

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 "On-Line Audit Search" option.

Sincerely,

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

September 18, 2007

Executive Summary

Project History

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

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

Although Southern LSD has experienced declining fund balances and is projecting a $36,000 General Fund deficit for FY 2009-10, it has taken a number of steps to ensure continued operations and avoid being placed under fiscal caution, watch, or emergency. For example, the District consolidated services within one, campus-style facility, which has helped offset the negative impact of declining enrollment. Other noteworthy District practices are also highlighted in this section.

District Overview

Southern LSD – located in Corning, Ohio in Perry County – operates under an elected Board of Education consisting of five members (three of whom are newly elected) and is responsible for providing public education to residents of the District. Southern LSD consists of one primary building, which houses the elementary, middle, and high school grade levels (K through 12), and District administrative offices. The District also maintains a bus garage and a pre-school modular that are off-site, but located geographically near the primary campus (less than 0.5 miles away). According to the Ohio Department of Education (ODE), the District's Average Daily Membership (ADM) was 961 in FY 2005-06, down from 1,071 in FY 2000-01 (a 10.3 percent

decrease). The median income of Southern LSD residents has increased slightly (less than 1 percent) since FY 2000-01, but ODE reports that poverty as a percentage of ADM also increased by 1.4 percent. Students with physical and learning disabilities comprise 21.6 percent of the student population.

In FY 2005-06, the District employed approximately 130.1 full-time equivalent (FTE) employees consisting of approximately 10 administrator FTEs, 76 certificated teaching FTEs, and 44.1 classified and other support staff FTEs. The regular education student-to-teacher ratio for FY 2005-06 was 13.6:1, while the special education student-to-teacher ratio was 13.2:1. Because of its small size, fixed staffing requirements and other operational expenses tend to have a magnified effect on Southern LSD's operating and cost ratios.

In FY 2005-06, the District met 7 of 25 academic performance indicators established by ODE and was categorized as a "continuous improvement" district. This is an improvement from FY 2003-04, when the District only met 3 of 18 academic performance indicators. In FY 2006-07, Southern LSD continued to improve by meeting 11 of the State's 30 performance indicators, increasing its overall performance index score to 88.5.

Southern LSD receives approximately 12 percent of its revenues from local property taxes, 86 percent from the State of Ohio, and 2 percent from federal grants and other sources. In FY 2005-06, the District's total General Fund revenue per pupil was $8,168, up 8.3 percent from the previous year. Furthermore, the District's total General Fund expenditure per pupil of $8,228 represents an increase of 4.8 percent from FY 2004-05. It should be noted that in FY 2004-05, per pupil revenues were 2.7 percent below the peer average, while per pupil expenditures were 0.9 percent higher. Compared to other districts in Perry County, Southern LSD collects less local revenue per pupil and the District also receives considerably less funding per pupil than other "Type 1" districts.[1] The District has not placed an operating levy on the ballot since November, 2003, when voters approved a five-year, 3.9 mill renewal levy.

The District's year-end projected deficit as a percentage of the prior year's total operating revenue is 0.4 percent in FY 2009-10 and 9.1 percent in FY 2010-11. This is attributable to an accelerating projected operating loss of $197,250 in FY 2008-09, $442,800 in FY 2009-10, and $709,903 in FY 2010-11 based on the District's October 2006 forecast. Southern LSD's expenditures are comparably high in the categories of fringe benefits and purchased services. According to the former Treasurer – who resigned in FY 2006-07 to take a new position – fringe benefits are a major cost driver for the District. The District provides insurance to all full-time employees as well as aides, bus drivers, cooks, and other part-time employees working 20 hours

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[1] According to ODE, Type 1 districts are rural/agricultural districts and tend to be located in the Appalachian area of Ohio. As a group, Type 1 districts have higher-than-average poverty, the lowest average median income level, and the lowest percent of population with a college degree compared to all other types.

or more. High purchased services costs are attributed primarily to special needs instruction and utilities cost increases.

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 the Auditor of State (AOS) believes that greater operational efficiency, effectiveness and accountability of services can be achieved. The following major assessments were conducted in this performance audit:

- Key strategic and financial management practices such as Board member training and administrative performance evaluations, forecasting, management and stakeholder reporting, budgeting, purchasing, and payroll were reviewed in the **strategic management** and **financial systems** sections.

- District-wide staffing levels, collective bargaining agreements, and benefit costs were core areas assessed in the **human resources** section.

- Custodial and maintenance operations were examined in the **facilities** section.

- Operational and financial practices were reviewed in the **transportation** section to identify potential efficiency improvements and cost savings.

- Financial operations, purchasing, and operational efficiency were reviewed in the **food services** section.

- Planning and budgeting, policies and procedures, security, hardware, and instructional and management software were reviewed in the **technology** section.

A complete listing of audit objectives is located at the end of each report section. The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that Southern LSD can consider in its efforts to improve operational efficiency while maintaining financial stability.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between October 2006 and March 2007, and data was drawn mostly from FY 2004-05 and FY 2005-06. To complete this report, the auditors gathered a significant amount of data pertaining to Southern LSD, conducted interviews with individuals associated internally and externally with the various departments, and reviewed and assessed available information. Audit staff also participated in guided tours of district facilities, including classrooms and the bus garage, and conducted a formal survey of District employees.

Status meetings were held throughout the engagement to inform Southern LSD administrators of key issues impacting audited areas, and share proposed recommendations to improve or enhance operations. Finally, Southern LSD provided written comments in response to the various recommendations, which were taken into consideration during the reporting process.

For the Governor's Blue Ribbon Task Force performance audits, AOS developed a comparative group of 10 selected districts for peer comparisons.[2] These districts were selected based on demographic and operational data. Specifically, these 10 school districts are classified as Type 1 (rural/agricultural-high poverty, low median income) by ODE, the same type as Southern LSD. Moreover, these 10 peers meet a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil.[3] Furthermore, external organizations and sources were used to provide comparative information and benchmarks, including the Government Finance Officers Association (GFOA), the Ohio School Boards Association (OSBA), the National Center for Education Statistics (NCES), and the State Employment Relations Board (SERB).

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

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[2] East Holmes Local (Holmes County), Garaway Local (Tuscarawas County), Indian Valley Local (Tuscarawas County), Leipsic Local (Putnam County), New London Local (Huron County), New Riegel Local (Seneca County), Logan-Hocking Local (Hocking County), Southeast Local (Wayne County), Springfield Local (Mahoning County), and Loudonville-Perrysville Exempted Village (Ashland County).

[3] Due to the timing of release of financial data (e.g., 4502s) and the beginning of audit fieldwork, the **financial systems** section substitutes Celina City (Mercer County), Ridgewood Local (Coshocton County), and Symmes Valley (Lawrence County) in place of East Holmes Local (Holmes County), Logan-Hocking Local (Hocking County), and Loudonville-Perrysville Exempted Village (Ashland County).

Noteworthy Accomplishments

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

Financial Systems

- Southern LSD reduced discretionary spending by $169 per student and decreased discretionary expenditures as a percent of total expenditures by 2.5 percent.[4] In FY 2005-06, discretionary expenditures accounted for only 6.5 percent of total expenditures.

- The Treasurer prepares and presents financial scenarios to the Superintendent and Board of Education prior to making decisions which affect the District's financial state, such as collective bargaining negotiations. Doing so enables District management and elected officials to make informed decisions regarding the financial situation of the District and allows them to see the outcome of decisions prior to agreeing upon negotiated or contracted items. Although the Treasurer resigned in FY 2006-07, these practices are expected to continue.

Facilities

- Compared to the peer average, Southern LSD spends 16.9 percent less (per square foot) to clean and maintain its facilities. This can be attributed to the single, campus-style configuration which has helped create efficiencies through economies of scale. This can also be attributed to the institutional knowledge and experience of the Maintenance Employee, who has been with the District for over 30 years.

Transportation

- Southern LSD spends 23.5 percent less (per bus) to maintain and repair its fleet when compared to the peer average. The District also meets the American Association of School Administrators maintenance/repair expenditure benchmark of $0.25 per mile. This can be attributed to the institutional knowledge and experience of the Transportation Supervisor, who also serves as head mechanic and has been with the District for nearly 10 years. The District also maintains a detailed inventory of how much it costs to maintain each bus, as well as documentation of pre-trip inspections performed by bus drivers, as required by Ohio Administrative Code (OAC) 3301-83-14.

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[4] Discretionary expenditures are items not governed by negotiated agreements or contracts – a district can control these expenditures to some degree in the short term.

Technology

- The Technology Coordinator works with instructional staff to identify students with an interest and talent for technology to serve as interns. These students receive one full class credit for the internship, which lasts the entire school year. Interns are required to keep a weekly journal detailing their responsibilities which include software/graphics creation and hardware support. Interns are also required to write a report about their experiences at the end of the school year.

  Training students in technical support provides a mutually beneficial program for the District and its students. It prepares students for careers in technology and educates them in technology support and deployment. Furthermore, it allows the District to use low-cost resources for some of its technology support needs while creating an opportunity for the District and students to work toward mutual goals within the venue of technology use and support activities. Consequently, the District's practice can potentially make Southern LSD students more marketable after graduation by providing experience and technical training that students would not receive through the core curriculum.

Key Recommendations

The performance audit contains several recommendations pertaining to Southern LSD. The following are the key recommendations from the report:

In the area of strategic management, Southern LSD should:

- Review pertinent laws and District policies and procedures to identify areas where Board members feel they may need additional training. The Board should seek additional, low cost training opportunities, including free, online training programs offered by the OSBA. Finally, the Board should conduct annual performance evaluations of the Superintendent and Treasurer.

  During the course of the performance audit, the Board conducted evaluations of the Superintendent and Treasurer.

- Update its strategic planning process by combining its individual planning documents into one, District-wide strategic plan. These include the FY 2006-07 *District Plan*, the *Educational Technology Plan*, as well as the recommended staffing plan. The District should publish these documents and additional information on its website, including its five-year forecast and assumptions, Board meeting minutes, and upcoming Board meeting agendas.

During the course of the performance audit, the District updated its website to include Board meeting minutes, as well as its facilities use form and fee schedule.

- Formally assign contract management and monitoring responsibilities to the incoming Treasurer. Moreover, the Treasurer should ensure that all contracts for purchased services contain performance measures through which the District can monitor supplier compliance in meeting contract provisions. In addition, the Treasurer should ensure that a cost/benefit analysis is performed prior to soliciting bids from outsourced suppliers or issuing requests for proposals.

In the area of financial systems, Southern LSD should:

- Develop formal guidelines and procedures for the creation of the five year forecast. These procedures should include an evaluation of community conditions, a timeline for review and completion, and requirements for supporting documentation of assumptions which include methodology used for each line item. The guidelines and procedures should also address key forecast factors, including parties responsible for information, periods covered, and the development process.

  During the course of the performance audit, the new Treasurer attended training on forecasting software and is using learned techniques in the development of his forecasts.

- Review and modify its methodology for estimating unrestricted grants-in-aid revenues. The District should link its projections of unrestricted grants-in-aid with a formal enrollment projection as well as projections of assessed valuation.

- Include estimates for negotiated wage increases in the personal services line item in the forecast. These estimates should be based on historical increases and existing negotiated agreements. Although the District has not recently granted wage increases, it is unlikely the District will be able to sustain this practice indefinitely.

- Develop a comprehensive set of financial policies that are consistent with broad District goals. Comprehensive financial policies serve as a starting point for financial decisions, improve the ability of a school district to take timely action, and aid in the overall management of budgets. By adopting recommended policies in these areas, the District can strengthen its internal controls to better anticipate and plan for unforeseen contingencies.

In the area of human resources, Southern LSD should:

- Seek to negotiate an increase in the employee's share of health care premium payments and offer benefits to part-time employees that are prorated based on the number of hours worked by the employee.

- Examine key medical benefits, such as annual deductible and out of pocket maximums in an attempt to help contain health care costs to the District. Southern LSD should work with its broker, medical insurance supplier, and the insurance committee to identify the key benefit adjustments that would maximize health care cost savings efforts.

- Review its special education staffing levels and consider reducing the number of special education instructors it contracts with through the Perry-Hocking Educational Service Center by 2.0 FTEs.

- Reduce the amount of sick leave used by its employees by implementing a formal attendance policy. The policy should include provisions for discipline in the event that an employee engages in a "pattern of abuse" in attendance or punctuality.

In the area of facilities, Southern LSD should:

- Reorganize its maintenance and operations-related reporting structure by appointing a facilities operations manager to supervise custodial, maintenance, and grounds keeping functions.

- Implement a formal team cleaning approach for custodial duties. Team cleaning will allow the District to allocate additional staff resources to the grounds keeping function at minimal additional cost.

- Create a custodial and maintenance staff handbook to reflect formal standard operating procedures, as well as expected performance standards. The District should review this handbook annually to ensure it is up-to-date.

- Consider implementing a formal, computer-based work order system. The Maintenance Employee (or recommended facilities operations manager) can sustain such a system on a basic spreadsheet or database at minimal additional cost. This system will allow the District to monitor performance statistics while helping to facilitate the creation of a formal preventive maintenance program that tracks the priority of assigned work requests.

In the area of transportation, Southern LSD should:

- Revise Board policy 8600 to indicate that transportation services for high school students are optional – consistent with Ohio Revised Code (ORC) § 3327.01. The District should also revise this policy to include a list of identified hazards as listed in OAC 3301-83-20(I).

- Develop formal and comprehensive standard operating procedures that describe, in detail, those critical activities that personnel perform on a day-to-day basis. Although the District's transportation function operates relatively efficiently, standard operating procedures will help to facilitate cross-training and continued service delivery in the absence of employees with extensive institutional knowledge.

- Procure fuel through the Ohio Department of Administrative Services (ODAS) Cooperative Purchasing Program. The fee to join is negligible ($100) and participation will help to improve the District's purchasing power through competitive pricing and increased bulk/volume discounts.

  Upon Board approval in February 2007, Southern LSD joined the ODAS Cooperative Purchasing Program.

- Require drivers with access to the fuel tank to sign off on an acknowledgment form indicating that they will not use fuel for personal or otherwise inappropriate purposes.

- Consider options to improve routing efficiency and bring ridership ratios more in line with the peer average and industry benchmarks. Options include eliminating at least two active buses and accompanying regular bus drivers, implementing a single-tiered routing schedule, and making transportation services optional for high school riders. It should be noted that Southern LSD has already reduced two routes in the past three fiscal years.

- Develop a formal bus replacement plan that considers recent declines in enrollment and ridership, as well as ODE-established age and mileage replacement criteria. Furthermore, this plan should be linked to the District's five-year forecast.

In the area of technology, Southern LSD should:

- Develop a formal inventory of all its technology-related assets, including all hardware and software. This inventory should include the asset location, type, date of purchase, the fund used for purchase, and serial number.

In the summer of 2006, the Technology Coordinator began developing an inventory database that includes the location, type of machine, date and fund of purchase, and operating system required. The inventory was still in process at the time of reporting.

- Formally measure the total cost of ownership (TCO) of all its technology-related purchases, expenses, and anticipated outlays, including explicit and implicit costs. In addition, the Technology Coordinator should work with the Treasurer's Office to obtain all technology expenditure information to measure TCO, perhaps by creating a special object code within the Uniform School Accounting System (USAS) that is dedicated specifically to technology.

- Develop goals and objectives associated with seeking and identifying additional technology grants. This includes working with administration officials and Board members to ensure grant-related goals and objectives are included in the *Educational Technology Plan*. Southern LSD should also update the *Educational Technology Plan* component of the proposed District-wide strategic plan to include goals and objectives for replacing at least 29 computers each year.

- Establish a formal, centralized process for evaluating and purchasing administrative and instructional software that includes a uniform hardware and software equipment policy, as well as policies regarding equipment donation and disposal.

- When financially feasible, the District should also consider re-establishing and filling the Technology Assistant position.

- Formally document and track technical assistance and support issues such as maintenance/repair requests, computer/network downtime, time/cost associated with resolving issues, as well as any incidents requiring external support.

- Conduct a formal survey to assess the technology training needs of employees. The District's Technology Committee should identify and procure professional development training options for its administrative and instructional employees. This should include a requirement that the Technology Coordinator pursue additional technical certifications, such as Apple Certified Technical Coordinator.

- Develop and implement a formal disaster recovery plan that incorporates best practices outlined by NCES and AOS.

  Southern LSD indicated that this recommendation would be implemented once its Information Technology Center completed its update to its disaster recovery plan.

In the area of food service, Southern LSD should:

- Improve its ratio of meals per labor hour (MPLH) by reducing the number of daily labor hours used for food service operations. Reducing labor usage by 5.5 hours per day will bring the District in line with the national MPLH benchmark set forth by the National Food Service Management Institute (NFSMI).

- Ensure that all food service related expenses are charged to the Food Service Enterprise Fund. By correctly recording all food service expenses, a complete financial picture will be available and allow for revenue and program adjustments as needed.

- Develop a five year forecast of revenues and expenditures for its food service operation to ensure that it will remain self sufficient. Developing a five year forecast will ensure that long-range planning is in place and give the District the opportunity to proactively address factors that may lead to future deficits. In addition, the District should use the annual budget as a planning tool to identify potential issues and causes for operational deficits of the Food Service Enterprise Fund.

- Seek to eliminate the deficit in the Food Service Fund by reducing employee insurance costs. The District should consider prorating benefits for part time employees and consider implementing reductions to the hours of existing employees so that all food service employees work no more than 25 hours per week.

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 the auditors do not have the time or the resources to pursue. During the performance audit of Southern LSD, AOS identified the following issues:

Financial Systems

GAAP Financial Reporting: OAC 117-2-03(B) requires that Southern LSD file its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP). However, as indicated in its FY 2004-05 financial audit, the District prepares its financial statements in accordance with the cash basis of accounting. Therefore, audited financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined in a financial audit. According to the GFOA, "annual financial reports issued in conformity with GAAP are essential if governments are to meet their obligation to be accountable to their citizens." More importantly, ORC § 117.38 stipulates that Southern LSD can

be fined and subject to various other administrative remedies for its failure to file the required financial reports.

District officials indicate that preparing financial statements in accordance with GAAP is not cost beneficial. However, by reporting under the cash basis of accounting, the District may not be in the best position to identify deficits in as timely a manner as if they reported in accordance with GAAP. This is because, under cash accounting, expenditures that are incurred this year – but not paid until next year – are delayed; officially reported as next year's expenditures. This contrasts with GAAP, whereby expenditures are reported as they are incurred and not delayed, so that any potential deficit spending is more immediately noticed.

Extracurricular Activities: In FY 2004-05, Southern LSD's extracurricular activities expenditures were $342 per student compared to the peer average of $310 per student. In FY 2005-06, the District reduced these expenditures to $334 per student. This is due, in part, to Southern LSD having a substantially smaller student population across which to distribute expenditures in a per student comparison. However, the District should review its expenditures in extracurricular activities; including personal services, retirement and benefits, and supplies and materials and identify areas for additional reductions. Southern LSD might consider making reductions in the level of payment for activities (which would require negotiation), the number of personnel providing extracurricular activities, and the number and variety of activities. During interviews, Board members and administrators indicated that the District is in the process of reviewing a number of programs and additional reductions will likely be made throughout the next fiscal year.

Summary of Financial Implications

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

Summary of Performance Audit Recommendations

	Estimated Cost Savings and Avoidances	Estimated Annual Costs
Recommendations Subject to Negotiations		
R4.1 Increase employee's share of health care premium payments	$152,900	
R4.1 Prorate benefits for part-time employees	$110,600	
R4.4 Reduce sick leave	$7,000	
R8.1 Reduction of labor hours in accordance with national benchmarks[1]	$11,800[2]	
Subtotal	**$282,300**	
Recommendations Not Subject to Negotiation		
R4.3 Reduce 2.0 special education teaching FTEs	$111,700	
R6.3 Join ODAS Cooperative Purchasing Program for fuel	$6,200	
R6.5 Reduce bus fleet by 2 active buses	$163,700	
R7.5 Replace 29 computers annually		$29,500
R7.9 Re-establish and fill the part-time Technology Assistant position (0.75 FTE)		$25,000
R7.11 Obtain Apple Certified Technical Coordinator certification		$450
Subtotal	**$281,600**	**$54,950**
TOTAL	**$563,900**	**$54,950**

Source: AOS recommendations
Note: Excludes **R8.4** as these financial implications are calculated in **R4.1**.
[1] Will impact Food Service Enterprise Fund only.
[2] Excludes benefits as these are calculated in **R4.1**.

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

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Strategic Management

Background

This section is comprised of issues that have an impact across all of the functional areas examined for this performance audit: **financial systems, human resources, facilities, transportation, food service,** and **technology.** Furthermore, it evaluates the strategic management functions within Southern Local School District (Southern LSD or the District). **Appendix 2-B** provides a summary of the audit objectives for the **strategic management** section.

The District's operations are evaluated against leading practices and operational standards from the Government Finance Officers Association (GFOA), the National School Boards Association (NSBA), the National State Auditors Association (NSAA), the Ohio Department of Education (ODE), the Ohio School Boards Association (OSBA), and the Society for Human Resource Management (SHRM). Comparisons are also made to 10 peer districts,[1] which have been selected based on demographic data obtained from ODE. Finally, AOS administered a survey of District employees to gauge their overall satisfaction with strategic management practices. **Appendix 2-A** at the end of this section summarizes the results of this survey.

Management Structure

Southern LSD is governed by a five-member Board (three of which were serving their first term at the time of audit fieldwork), which serves as the taxing authority, contracting body, and policy maker. The Board is also responsible for ensuring that expenditure of the District's tax dollars is conducted in accordance with all other general laws of the State of Ohio. The Board also approves the annual appropriation resolution and tax budget and evaluates the Superintendent and Treasurer (see **R2.2**). While the Board's statutory responsibilities are formally outlined in Ohio Revised Code (ORC) Chapter 3313, the OSBA indicates that a board's primary function is policy-making. Specifically, a board is responsible for adopting clear and concise policies and administrative procedures and depends on its Superintendent to implement policy goals and objectives.

Pursuant to ORC § 3319.01, the Superintendent serves as chief executive officer for the Board and is responsible for directing and assigning teachers and other employees of the District, assigning pupils to the proper schools and grades, and performing other duties (e.g., developing administrative procedures) as determined by the Board. Additional duties of the Superintendent

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[1] See the **executive summary** for a list of the peer districts.

(enumerated in Board policies 1230, 1230.01, and 1400.03) include, but are not limited to, the following:

- Evaluating the progress of the professional and classified staff toward the attainment of educational goals (see **R2.3**);
- Developing personal capabilities in personnel strategies and facility management (see **facilities**);
- Analyzing the results of instructional programs as they apply to the Board's educational goals;
- Recommending changes in instructional or staffing patterns based on a staffing analysis (see **R2.3**) and program progress; and
- Working cooperatively with concerned parents and community groups.

ORC § 3313.31 outlines the duties of the Treasurer, who serves as chief fiscal officer, and is responsible for all the District's financial affairs. Additional duties of the Treasurer (included in Board policies 1320 and 1400.02) include, but are not limited to, the following:

- Developing the five-year forecast and accompanying assumptions (see **financial systems**);
- Ensuring the efficient use of resources toward the achievement of District goals;
- Providing for efficient management of the District's fiscal systems of purchasing and supply management;
- Overseeing the preparation of payroll and personnel data;
- Maintaining a system of control for inventories of equipment (see **technology**); and
- Managing District investments.

As stipulated in ORC § 3313.33, the Treasurer is also responsible for executing District conveyances and contracts (see **R2.6**). It should be noted that Southern LSD's Treasurer, an employee with the District for nearly 20 years, resigned mid-FY 2006-07.

Mission Statement and Board Goals

Ohio Administrative Code (OAC) 3301-35-02 states the following:

> The board of education, superintendent, and treasurer establish and communicate the district's mission, philosophy, direction, priorities and strategies for addressing stakeholder needs, especially those of students. To assure that the district operates as a successful organization, the board, superintendent, treasurer and staff should serve as positive role models, reinforce best practices, and provide strong leadership. The board of education shall be responsible for developing policies governing the schools' operations and educational programs, which are consistent with applicable local, State and federal law and regulations.

Southern LSD's mission, published on the District website, is to "provide a child-centered education where all students can succeed." Although Southern LSD has not published a District-wide, strategic plan that includes academic, financial, and operational goals and objectives (see **R2.3**), the Board has articulated the following goals in its policies:

- Better prepare students for college by promoting instruction which bears a meaningful relationship to present and future needs of students;
- Reduce administrative overhead costs through efficient and effective use of educational resources;
- Continue the professional growth of staff members;
- Improve communication with the community and encourage increased community involvement; and
- Improve performance on ODE report cards through individualized educational experiences that meet the differing needs of students.

An AOS survey of Southern LSD employees (see **Appendix 2-A**) indicates that respondents are aware of the District's mission and goals and agree that operating and educational decisions are in line with established goals and objectives. Moreover, survey respondents typically agree that they feel comfortable bringing potentially controversial or sensitive issues to District administrators, and also agree that both the Board and administration recognizes the value of public comment on educational issues and the importance of allowing members of the public to participate in District processes.

This can be attributed to District managers actively seeking feedback and input from staff through monthly leadership committee meetings. At these meetings, building principals – who serve as instructional leaders and site managers within their assigned school center –and District staff present any issues or topics for discussion. Furthermore, the District conducts annual staff surveys to gauge professional development needs (see **technology**). District administrators communicate with staff electronically and teachers are encouraged to use the Internet to communicate with students and parents.

While advanced in certain areas of strategic management, Southern LSD can enhance its strategic management and academic performance with the following:

- Improved Board orientation and training (see **R2.1**);
- More timely evaluations of the Superintendent and Treasurer (see **R2.2**);
- Comprehensive and District-wide strategic planning (see **R2.3**);
- More formalized performance measurement (see **R2.4**);
- Increased use of the website (see **R2.5**); and
- Centralized contract management that incorporates best practices (see **R2.6**).

Table 2-1 compares Southern LSD's local district report card with the peer average for FY 2005-06.

Table 2-1: FY 2005-06 Local District Report Card Comparison

Performance Indicator	Southern LSD	Peer Average
Academic Designation	Continuous Improvement	Excellent [1]
Standards Met out of 25	7	24
Adequate Yearly Progress (AYP)	Not Met	Met [1]
Performance Index Score	84.1	100.9
Attendance Rate	94.4	95.9
Graduation Rate	93.8	95.4

Source: ODE
Note: ODE indicates that in order to meet federal AYP requirements, every student group must be at or above the annual goals or make improvement over last year. Graduation or attendance goals must also be met for the District as a whole.
[1] Of the 10 peers, all but Logan-Hocking LSD were designated as "Excellent," and only New London LSD and Loudonville-Perrysville EVSD did not meet AYP.

In FY 2005-06, ODE designated Southern LSD as *Continuous Improvement*, as it met 7 of the State's 25 (or 28 percent) performance indicators. This is an improvement over FY 2004-05, when the District only met 22 percent of State indicators. Although below the peer average, the District's overall performance index score has improved from 80.2 to 84.1 since FY 2003-04. In FY 2006-07, Southern LSD continued to improve by meeting 11 of the State's 30 performance indicators, increasing its overall performance index score to 88.5.

Recommendations

Board Governance

R2.1 Board members should review pertinent laws and District policies and procedures to identify areas where they need additional training. The Board should seek additional, low cost training opportunities, including free, online training programs offered by the OSBA. This will help to ensure that all Board members, especially newly elected ones, are sufficiently and adequately capable of performing their duties.

Pursuant to District policy 142.3:

> The Board believes that the preparation of each Board member for the performance of Board duties is essential to the effectiveness of the Board's functioning...the Board shall encourage each new Board member to understand the functions of the Board, acquire knowledge of matters related to the operation of the schools, and learn Board procedures...the Board shall encourage the attendance of each new Board member at orientation and training meetings.

In FY 2006-07, Board members participated in a training course offered through the OSBA, but the responses were mixed. Some members found the training to be beneficial while others indicated that they could use more training on laws and on how to read and interpret the District's financial reports.

OSBA offers free, online training programs[2] for school board members on a variety of topics, including, but not limited to the following:

- Board-Leadership Team Relationships;
- Candidate: Roles and Responsibilities of a School Board Member;
- Effective Policies;
- Micromanagement;
- School Finance Basics;
- Five-Year Forecasts;
- Property Taxation and School Funding;
- Collective Bargaining;
- Speaking with One Voice – Communicating as a Board;
- School Law 101; and
- Sunshine Law and Executive Session.

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[2] http://www.osba-ohio.org/training.htm

Lakota LSD's (Butler County) newly elected Board members are provided with an opportunity for orientation training with the OSBA and experienced Board members are also offered ongoing training opportunities, which focus on self-identified professional development activities.

While Southern LSD's policy outlines a similar practice, Board members do not agree that the training they have received sufficiently addresses their needs, particularly in regards to financial reports. Consequently, the Board may not be in the best position to serve its constituents or collaborate with and provide value-added ideas to the Superintendent and Treasurer on financial issues facing the District. This is notable as the District has recently lost a tenured Treasurer with substantial institutional knowledge. As a result, it is critical that Board members receive appropriate initial and annual training. In addition, Board members should review available training opportunities and, in areas where they identify deficiencies, should access as much training as they feel is necessary to ensure continued District operations and uninterrupted service delivery to parents and students.

R2.2 **The Board should conduct annual performance evaluations of the Superintendent and Treasurer, pursuant to its policy. This will help ensure that management expectations are communicated effectively and that professional goals are formally monitored. Moreover, this will better ensure compliance with existing policy and mitigate any risks, legal or financial, associated with non-compliance.**

During the course of the performance audit, the Board conducted evaluations of the Superintendent and Treasurer.

Board policies 1240 and 1330 stipulate that "the Board shall annually evaluate the performance of the Superintendent," and that it shall observe the Treasurer "in the performance of assigned duties at least once annually." Nevertheless, the Superintendent indicates that although she has established annual goals for FYs 2005-06 and 2006-07, she has not been evaluated by the Board since her appointment to the position in 2005. Likewise, the former Treasurer indicated that the Board typically evaluated his performance every two years.

Becoming a Better Board Member (NSBA, 1996) recommends the following for evaluations of administrative personnel:

- Evaluations should be constructive and based on goals;
- The board should not limit itself to those items that appear on evaluation forms;
- Formal evaluations should occur at least once a year and at a scheduled time and place; and
- Board members should respond individually.

At Painesville Township Local School District (Lake County), superintendent and treasurer performance is evaluated by the Board at least once a year and expectations are tied to the evaluation process. Specifically, Painesville Township LSD policy stipulates that the board is responsible for determining the success of its superintendent "in meeting [annually] board-established goals through annual performance evaluations." In formulating its position with regard to the superintendent's performance, the board "shall rely…on the objective outcomes of its evaluations rather than on subjective opinions."

Southern LSD has implemented formal tools for evaluating the Superintendent and Treasurer, based on set goals. However, by not following its policy, the Board cannot effectively communicate its level of satisfaction or management expectations to those personnel who are statutorily required to oversee and carry out District functions. Furthermore, annual evaluations enable the Board to identify both the strengths and weaknesses of the administration. Without timely evaluations, the Board cannot promote professional excellence in its top managers or effectively monitor the quality of services delivered by the Superintendent and Treasurer. Finally, by not complying with written policy to conduct annual performance evaluations, the Board increases its potential risk of legal and financial liability through inadequate documentation of personnel issues.

District-wide Planning

R2.3 **Southern LSD should update its strategic planning process by combining its individual planning documents into a single, District-wide strategic plan. These include the FY 2006-07 *District Plan*, the *Educational Technology Plan*, as well as the recommended staffing plan.**

The District should develop a formal staffing plan that can be linked to its District-wide strategic planning process. This plan should link instructional and administrative staffing allocations to enrollment and should be monitored through formal workload measures (e.g., teachers per ADM and custodians per square foot).

The District should update this comprehensive, District-wide strategic plan to include academic, operational, and fiscal management goals that are developed with input from key stakeholders, linked directly to the five-year forecast, and able to be formally measured (see R2.4). Finally, Southern LSD should post its strategic plan online as this will help to ensure that District priorities are monitored, communicated effectively, and in line with ODE recommendations.

Southern LSD published its mission statement within the District's FY 2006-07 *District Plan*, which primarily focuses on academic goals (e.g., improved performance on ODE report cards). As such, this plan reflects ODE's recommendation[3] that school district decisions "focus on what is best for students." However, the ODE model does not permit districts to incorporate specific operational and financial goals and objectives.

Southern LSD has also developed and implemented a separate *Educational Technology Plan* (see **technology**) that addresses such operational goals as replacing computers every five years and improving computer-to-student ratios. Despite comparative understaffing in the area of technical support (see **R7.9**), the District does not have a formal staffing plan nor is staffing mentioned in its Technology Plan.

According to the District, its plans do not integrate academic, operational, and financial goals and objectives. Moreover, the District suggests that it is cumbersome to maintain its *District Plan* and *Educational Technology Plan*, let alone a combined, District-wide strategic plan.

ODE is beginning to promote district-wide academic, operational, and financial decision-making alignment through its electronic Comprehensive Continuous Improvement Plan (CCIP) system.[4] This system integrates financial data with planning data and requires that school districts budget the use of these resources in accordance with their stated goals and objectives.

According to R*ecommended Budget Practice on the Establishment of Strategic Plans* (GFOA, 2005), entities should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment and revenues. Accordingly, GFOA recommendations that entities take the following actions:

- Prepare a mission statement;
- Assess environmental factors and identify critical issues;
- Agree on a small number of goals and develop strategies to achieve these goals;
- Create an action plan;
- Develop measurable objectives and incorporate performance measures;
- Obtain approval of the plan and begin implementation; and
- Monitor progress and, at least annually, reassess the strategic plan, amending it as needed.

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[3] ODE. *A New Direction for Ohio's School Funding: Designing a System that Relates Resources to Results* (January, 2007).
[4] http://ccip.ode.state.oh.us/ccip/default.asp

Lake LSD (Wood County) uses many of the GFOA recommended components in its *Continuous Improvement Plan.*

According to *Staffing* (SHRM, 2007), staff planning is a systematic process that ensures an organization has an appropriate number of people with the right skills to fulfill business needs. Staffing plans usually contain job descriptions, job requirements, and employment considerations.

School districts like the Tulsa Public Schools (TPS) and Olentangy and Lakota Local School districts in Ohio have established staffing plans which incorporate staff allocation factors including: State and federal regulations, workload measures, and industry benchmarks. In general, staffing benchmarks in these plans are based on General Fund revenues; a practice which helps to maintain a focus on a balanced budget. Staffing plans are used as guides to determine staffing levels on an annual basis, and at mid-year to determine if the staffing levels need to be modified based on actual ADM (average daily membership). These districts usually do not negotiate class size or the staffing plan in contract agreements.

Without a fully-integrated, District-wide strategic planning process, Southern LSD cannot effectively link resources to intended goals and objectives nor can it effectively communicate these goals and objectives to stakeholders. It also cannot measure its performance against the District's goals. Finally, should the Treasurer's forecast assumptions change significantly due to declining enrollment and changes in State funding (see **financial systems**), Southern LSD will not be in the best position to anticipate staffing needs and realign priorities to meet its stated mission. Southern LSD could begin implementing an integrated District-wide strategic plan by linking business-related plans to its CCIP.

Performance Measures

R2.4   Southern LSD should develop formal academic, operational, and financial performance measures that can be linked to its mission and District-wide strategic planning process. This will help ensure that goals and objectives are effectively monitored and that progress is regularly communicated to stakeholders.

Southern LSD's *District Plan* and *Educational Technology Plan* contain a number of performance indicators intended to measure progress on goal achievement. For instance, the *District Plan* compares the performance of its students on standardized tests with that of other districts. The *District Plan* also compares Southern LSD's annual report card outcomes with the report cards of other districts within Perry County. However, the District does not issue evaluation reports analyzing its academic programs or discussing approaches for resolving problem areas. The *Educational Technology Plan* recognizes

the need to improve the computer-to-student ratio, but there are no specific measures in place to guide goal achievement. The indicators included in the plans are not true performance measures as they are broad and cannot be easily linked to the District's mission, or with academic, operational, and financial goals and objectives.

ODE suggests that the business of education is becoming increasingly data-driven, motivating efforts toward improving student outcomes (e.g., high school graduation rates and test scores). Although a wealth of financial data is available through the Uniform School Accounting System (USAS), State and local efforts to link such data to student performance outcomes is minimal. Formal performance measures allow a better understanding of how effectively and efficiently financial resources are used to support school district missions.

Using Performance Measurement for Decision Making (GFOA, 2002) indicates that a key responsibility of local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible, and to communicate the results of these efforts to stakeholders. When linked to the budget and strategic planning process, performance measures can be used to assess accomplishments on an organization-wide basis.

The following are examples of academic, operational, and financial goals/objectives and performance measures based GFOA models that Southern LSD can link to its District-wide strategic planning process, as well as to its budget and five-year forecast; strengthening the link between financial resources to goal achievement:

A.   **Academic**

If the District's goal is to improve performance on the 10th Grade Ohio Graduation Test, to meet the State requirement (75 percent), then specific objectives might be to increase reading scores by 6 percent, increase writing scores by 8 percent, increase mathematics scores by 8 percent, increase science scores by 27 percent, and increase social studies scores by 26 percent.

Examples of appropriate performance measures (input/outcome) include the number of 10th graders at the beginning of each academic year; annual General Fund instructional expenditures per 10th grader; and the number and percent of 10th graders passing the Ohio Graduation Test by section per year. Performance measures may lead the District to alter how it allocates instructional resources so as to better support students in meeting test requirements.

B.   <u>Operational</u>

If the District's goal is to reduce school bus transportation costs (see **transportation**), then a specific objective can be to reduce fuel use by 8 percent in each of the next five years (see **R6.3**). Another objective would be to increase school bus ridership capacity from 71 riders per bus to 100 (see **R6.4**). These objectives can be measured using fuel use per bus per year; riders per bus per year; percent reduction in fuel use per bus from previous year; and percent increase in riders per bus from previous year. Tracking measures might lead the District to re-route or to change its bell schedule in order to increase ridership or decrease miles driven.

C.   <u>Financial</u>

Finally, if the District's goal is to improve the predictive accuracy of five-year forecasts (see **financial systems**), then a specific objective can be to maintain a forecast-to-actual variance of less than 3 percent for General Fund line items over $100,000. Performance measures include General Fund actual/projected revenues; General Fund actual/projected expenditures; percent projected revenues exceed actuals; and percent projected expenditures exceed actuals. Measuring the fluctuations in line items with high degrees of variance over time might lead the Treasurer to identify better predictive factors for these areas.

When used in long-term planning and goal-setting processes and linked to the District's mission, meaningful performance measures can assist governments and citizens in assessing results, evaluating past resource decisions, and improving future decisions regarding resource allocation and service delivery. Without a system of formal performance measurement, Southern LSD cannot effectively monitor the achievement of its academic mission or operational and financial goals and objectives, nor can it effectively link financial resources to goal achievement.

Stakeholder Communication

R2.5   **The District should publish additional information on its website including its five-year forecast and assumptions, Board meeting minutes and upcoming meeting agendas, and District-wide plans. This will help to ensure effective communication among key stakeholders.**

      During the course of the performance audit, the District updated its website to include Board meeting minutes, as well as its facilities use form and fee schedule.

      The District uses a variety of media to communicate with members of the community including bi-monthly newsletters and community information sessions about school

finance. Moreover, the Superintendent believes parents are proactive in using the District's website. However, the District website does not include the five-year forecast and assumptions, Board meeting minutes and agenda, nor links to District-wide plans (see **R2.3**). This limits the Board's ability to effectively implement policy 7540.02, which states that "the information on the website should be used to educate, inform, and communicate."

Of the peers, Logan-Hocking LSD and Loudonville-Perrysville EVSD each make financial information available to stakeholders online through the districts' websites. Logan-Hocking LSD provides stakeholders with current and historical information on its website including the district's comprehensive annual financial reports from the past five years, as well as the most recent five-year forecast and assumptions. Similarly, Loudonville-Perrysville EVSD's website includes access to the District's five year forecast, a financial forecast graph, and revenue and expenditures. According to the GFOA, graphs and charts help improve the communication of difficult material to broad, general audiences.

Keeping the community informed would enable the District to increase community support and educate the community about the District finances, funding, and potential efforts from the community to help the District financially, such as tax levies. Depending on the commitment, both from the school and the community, such partnerships can result in an enriched learning environment for students. A strong public relations program can garner support even when the District faces adversity or fails to achieve high goals. Conversely, a weak public relations program will fail to bring to public attention District achievements even when the District is performing well.

Contract Management

R2.6 **Southern LSD should formally assign contract management and monitoring responsibilities to the incoming Treasurer. By centralizing contract management and monitoring, the District can better ensure that all outsourced services are necessary, efficient (costs vs. benefits), and in line with existing needs, goals, and objectives.**

As contract manager, the Treasurer should ensure that all contracts for purchased services contain performance measures with which the District can monitor contractor compliance in meeting contract provisions. In addition, the Treasurer should ensure that a cost/benefit analysis is performed prior to soliciting bids or issuing requests for proposals (RFPs). For example, Southern LSD should formally document its process for evaluating whether to contract with the ESC for certain services versus performing the services in-house. This will help to ensure the District is receiving the best value through outsourced services.

The District's purchased services expenditures in the General Fund increased just over 4 percent ($50,000) between FYs 2003-04 and 2005-06 (see **financial systems** and **facilities** sections). Excluding collective bargaining agreements (see **human resources**), Southern LSD maintains several contracts for outsourced purchased services. These services include special needs education (Perry-Hocking County Educational Service Center (ESC)), technology-related services with the Southeastern Ohio Voluntary Education Cooperative (SEOVEC) (see **technology**), as well as heating, ventilation, and air conditioning (HVAC) maintenance (see **facilities**), and food service-related services (see **food service**).

While all contracts are signed and up-to-date, Southern LSD employs a decentralized approach to contract management and monitoring. The Superintendent oversees contracts with the ESC and the HVAC maintenance contract, the Technology Coordinator oversees the SEOVEC agreement, and the Treasurer oversees the food service contract.

According to *Contracting for Services* (NSAA, 2003), contract monitoring is an essential part of the contracting process. This process should ensure that outsourced suppliers comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, a contracting agency, such as a school district, cannot guarantee that it is getting what it pays for.

To properly monitor a contract, an agency should:

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

As stipulated in ORC § 3313.33, the Treasurer is responsible for executing District conveyances and contracts, which makes this position a logical choice as contract manager. After contract completion, the contract manager can evaluate supplier performance against a set of pre-established, standard criteria and retain this record of contract performance for consideration in awarding future contracts.

Although Southern LSD solicits competitive bids and issues formal RFPs for food service and HVAC-related services, none of the District's contracts for purchased services include performance measures, nor do they contain evidence that the District conducts a formal cost/benefit analysis prior to signing the contract. For instance, there is no documentation that the District's contract with the ESC is more cost efficient than hiring staff directly.

When deciding on whether or not to outsource, the NSAA further suggests that an agency:

- Analyze its business needs, goals, objectives, and services and determine whether or not the service is necessary;
- Conduct a cost/benefit analysis and evaluate options, such as whether contracting is more or less expensive than using agency staff; and
- Determine whether state law either prohibits contracting for services or requires the agency to demonstrate its need to contract.

Then, after the decision to outsource has been made, the agency should develop performance requirements that will hold suppliers accountable for the delivery of quality services. Specifically, the contract should formally and clearly:

- Stipulate those services that are expected;
- Define performance standards and measurable outcomes;
- Identify how supplier performance will be evaluated;
- Include positive or negative performance incentives;
- Identify staff that will be responsible for monitoring the contract; and
- Define the procedures to follow should there need to be modifications to the contract.

One method the District can use in monitoring its food service contract is by requiring that a survey be disseminated to record student and parent feedback on cost and quality of service.

Outsourcing enables public organizations to overcome bureaucratic inefficiencies by providing access to economies of scale, bypassing costly labor and supply requirements, and by yielding efficiency gains through competition. However, the success or failure of an alternative service-delivery arrangement depends on how well governments can manage the contract process.

Without a centralized contract management process, Southern LSD cannot effectively communicate that outsourcing is the optimal choice, nor can the District effectively manage its suppliers with performance measures that are clearly stipulated within each contract. By centralizing contract management, the District can better document and support its decisions to outsource and, when outsourcing proves more costly or less effective, District management can make adjustments to the contract or service delivery method.

Appendix 2-A: Southern LSD Employee Survey Responses

The Auditor of State (AOS) administered a survey to 130 Southern LSD employees to obtain feedback and perceptions concerning strategic management. Of these 56 responded, for a survey response rate of approximately 43 percent. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral/No Opinion, 2 = Disagree, 1 = Strongly Disagree.

Strategic Management Survey Responses

Survey Questions	Client Results
Mission & Goals	
1. I am aware of the mission statement of Southern LSD.	
• Strongly Agree	**52%**
• Agree	26%
• Neutral	2%
• Disagree	4%
• Strongly Disagree	0%
• No Opinion	16%
2. I am aware of specific goals/objectives of Southern LSD.	
• Strongly Agree	**36%**
• Agree	**36%**
• Neutral	16%
• Disagree	2%
• Strongly Disagree	0%
• No Opinion	10%
3. The District's operating/educational decisions are in line with established goals/objectives.	
• Strongly Agree	18%
• Agree	**36%**
• Neutral	22%
• Disagree	10%
• Strongly Disagree	0%
• No Opinion	14%
4. The District's performance is monitored and measured to track progress in achieving its goals.	22%
	40%
• Strongly Agree	16%
• Agree	4%
• Neutral	0%
• Disagree	18%
• Strongly Disagree	
• No Opinion	

Communication with the Board of Education	
5. The primary channel of communication between the Board and staff is through direct contact.	
• Strongly Agree	6%
• Agree	18%
• Neutral	12%
• Disagree	22%
• Strongly Disagree	**27%**
• No Opinion	14%
6. The primary channel of communication between the Board and staff is through the Superintendent.	
• Strongly Agree	18%
• Agree	**47%**
• Neutral	14%
• Disagree	10%
• Strongly Disagree	4%
• No Opinion	6%
7. I feel comfortable bringing potentially controversial/sensitive issues to district administrators as necessary. (Example: principals or superintendent)	
• Strongly Agree	12%
• Agree	**45%**
• Neutral	20%
• Disagree	14%
• Strongly Disagree	4%
• No Opinion	4%
8. The Board recognizes the value of public comment on educational issues and the importance of allowing members of the public to express themselves.	
• Strongly Agree	16%
• Agree	**39%**
• Neutral	20%
• Disagree	8%
• Strongly Disagree	8%
• No Opinion	8%
9. Administrators recognize the value of public comment on educational issues and the importance of allowing members of the public to express themselves.	
• Strongly Agree	12%
• Agree	**45%**
• Neutral	20%
• Disagree	6%
• Strongly Disagree	6%
• No Opinion	10%

Source: AOS survey of Southern LSD employees
Note: Percentages may not equal 100 percent due to rounding.

Appendix 2-B: Summary of Objectives for Strategic Management

The following questions were used to evaluate Southern LSD strategic management practices:

- Does the Board operate in an efficient manner?

- Does the District have written policies that clearly delineate the roles and responsibilities of the Board, individual Board members, the Superintendent, and the Treasurer?

- Do Board members receive training?

- Does the Board evaluate its performance, the Superintendent's performance and the Treasurer's performance at least annually and are expectations tied to the evaluation process?

- Has the District developed a multi-year strategic plan with annual goals and measurable objectives based on identified needs (e.g., capital, staffing, and food service), projected enrollment, and revenues?

- Does the District formally set performance targets, evaluate the performance and cost of its major educational and operational programs and use evaluation results to improve program performance and cost-efficiency?

- Does the District provide reports to the community and stakeholders?

- Does the District actively involve parents and guardians, business partners, and community organizations in its decision-making and activities?

- Does the District actively manage its contractor relationships and evaluate the value of services provided for an appropriate cost?

FINANCIAL SYSTEMS

Financial Systems

Background

This section of the performance audit focuses on Southern Local School District's (Southern LSD or the District) financial systems. **Appendix 3-A** provides a summary of the audit objectives for the **financial systems** section. The District's operations have been evaluated against best practices and operational standards from organizations such as the Government Finance Officers Association (GFOA) and the American Institute of Certified Public Accountants (AICPA).[1] In addition, urban and suburban districts[2] with similar demographics, high Ohio Proficiency test scores, and low per-pupil expenditures were used as peer districts for comparison purposes.[3]

The Treasurer's Office consists of two employees, the Treasurer and the Assistant Treasurer. The Treasurer functions as the chief financial officer for the District and as the clerk of the Board of Education (the Board). Essential functions of the Treasurer include developing the five-year forecast, preparing the annual budget and annual appropriations, overseeing purchasing activities, and processing payroll and personnel data. The Assistant Treasurer is responsible for monitoring and maintaining student activity accounts, posting transactions to the Uniform School Accounting System (USAS), preparing financial reports, and serving as Education Management Information System (EMIS) Coordinator.

Financial Condition

The financial forecast in **Table 3-1** presents the Treasurer's projections of Southern LSD's present and future financial condition as of October 21, 2006. The forecast and accompanying assumptions are the representation of Southern LSD and are presented without verification. The projections reflect the General Fund and are accompanied by three years of comparative historical results, general assumptions, and explanatory comments. Assumptions that have a significant impact on Southern LSD's financial status have been reviewed for reasonableness.

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[1] Due to the timing of this audit and the release of financial information, FY 2004-05 data is used to compare Southern LSD to the peers, yet comparisons also include District data for FY 2005-06.
[2] As categorized by the Ohio Department of Education (ODE).
[3] See the **executive summary** for a list of the peer districts.

Table 3-1: Five-Year Financial Forecast (in 000's)

	Actual 2003-04	Actual 2004-05	Actual 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11
Revenues								
Real Estate Property Tax	$658	$649	$787	$813	$814	$815	$815	$815
Tangible Personal Property Tax	$32	$20	$38	$38	$38	$38	$39	$40
Unrestricted Grants-in-Aid	$6,105	$6,117	$6,196	$6,156	$6,291	$6,430	$6,571	$6,716
Restricted Grants-in-Aid	$332	$333	$372	$495	$506	$517	$528	$540
Property Tax Allocation	$52	$103	$105	$164	$106	$106	$106	$106
Other Revenues	$158	$128	$156	$156	$157	$158	$159	$160
Total Revenue and Other Financing Sources	**$7,337**	**$7,352**	**$7,654**	**$7,821**	**$7,911**	**$8,063**	**$8,218**	**$8,376**
Expenditures								
Personal Services	$4,141	$4,286	$3,996	$3,996	$4,141	$4,224	$4,308	$4,394
Fringe Benefits	$2,103	$1,867	$2,169	$2,104	$2,314	$2,546	$2,800	$3,080
Purchased Services	$1,079	$1,123	$1,128	$1,048	$1,090	$1,134	$1,179	$1,226
Supplies, Materials & Textbooks	$282	$275	$179	$211	$220	$229	$238	$247
Capital Outlay	$116	$46	$0	$85	$15	$20	$25	$25
Other Expenditures	$80	$53	$49	$54	$56	$58	$61	$63
Total Operating Expenditures	**$7,800**	**$7,651**	**$7,520**	**$7,498**	**$7,836**	**$8,210**	**$8,611**	**$9,036**
Total Other Financing Uses	$16	$0	$104	$50	$50	$50	$50	$50
Total Expenditures and Other Financing Uses	**$7,816**	**$7,651**	**$7,624**	**$7,548**	**$7,886**	**$8,260**	**$8,661**	**$9,086**
Result of Operations (Net)	($479)	($299)	$31	$273	$25	($197)	($443)	($710)
Beginning Cash Balance	$1,179	$700	$401	$431	$704	$729	$532	$89
Ending Cash Balance	**$700**	**$401**	**$431**	**$704**	**$729**	**$532**	**$89**	**($621)**
Outstanding Encumbrances	$115	$37	$54	$75	$125	$125	$125	$125
Ending Fund Balance	**$585**	**$363**	**$377**	**$629**	**$604**	**$407**	**($36)**	**($746)**
Unreserved Fund Balance	**$585**	**$363**	**$377**	**$629**	**$604**	**$407**	**($36)**	**($746)**

Source: Southern LSD and ODE
Note: Totals may not sum due to rounding.

Southern LSD's five-year forecast presents the projected revenues, expenditures, and ending fund balances for the General Fund for each of the fiscal years ending June 30, 2007 though June 30, 2011. According to the five-year forecast, the District's year-end projected deficit as a percentage of the prior year's total operating revenue is 0.4 percent in FY 2009-10 and 9.1 percent in FY 2010-11. This deficit can be attributed to projected operating losses of $197,250 in FY 2008-09, $442,800 in FY 2009-10, and $709,903 in FY 2010-11.[4]

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[4] During the course of the audit, the new Treasurer submitted an updated forecast to ODE dated May 26, 2007. In this forecast, he projects deficits of $246,844 in FY 2009-10 and $1.7 million in FY 2010-11

The assumptions and methodology disclosed in **Appendix 3-B** were developed by the Treasurer and are based on historical trends and supporting information. The Auditor of State (AOS) analyzed General Fund line items and assumption methodologies, with emphasis on property taxes, unrestricted grants-in-aid, restricted grants-in-aid, personal services, retirement and benefits, and purchased services. The Treasurer's assumptions, methodology, and projections for each of these line items were deemed reasonable with the exception of unrestricted grants-in-aid and personal services. For recommended revisions regarding these line items, see recommendations **R3.2** and **R3.3**. Additionally, the Treasurer could enhance financial forecast reporting by submitting detailed assumptions in electronic, portable document format (or PDF) to the Ohio Department of Education (ODE). See **Appendix 3-B** for detailed forecast assumptions. By nature, forecasting requires estimates of future events. Therefore, differences between projected and actual results are common, as circumstances and conditions assumed in projections frequently do not occur as expected.

Financial Operations

Tables 3-2 through **3-6** compares Southern LSD's operating revenues and expenditures in FY 2004-05 to peer averages to determine if the District obtains similar resource levels and allocates resources in an efficient and effective manner. In some cases, differences in the manner by which a district structures its expenditures may exist. For example, a district that collects a permanent improvement levy may allocate facilities-related expenditures to its Permanent Improvement Fund, thereby reducing these expenditures charged to the General Fund. Where relevant, these discrepancies are disclosed. In cases where significant discrepancies exist, Southern LSD's FY 2005-06 expenditures were also reviewed.

Table 3-2 compares local revenue received by Southern LSD to the peer average and to the average of other Perry County districts.

Table 3-2: FY 2004-05 Local Revenue Comparison

	Southern LSD	Peer District Average	County Average[1]
Average Daily Membership (ADM)	933	1,252	2,057
Assessed Value	$37,041,119	$135,073,251	$161,782,848
Assessed Value per ADM	$39,683	$103,379	$77,361
Property / Income Taxes Collected	$884,269	$4,450,640	$3,834,161
Tax Collections Per ADM	$947	$3,307	$1,837
Tax Collections as % of Assessed Value	2.4%	3.1%	2.4%

Source: ODE and the Ohio Department of Taxation
[1] Includes New Lexington City and Northern Local.

Table 3-2 shows that Southern LSD property values fall far below the peer average and other Perry County districts. As a result, the District collects considerably less local revenue per Average Daily Membership (ADM).

Table 3-3 compares Southern LSD FY 2004-05 expenditures per pupil to the peer average, using ODE's expenditure flow model (EFM). The EFM is designed to categorize and report expenses pertaining to direct instruction in a comparable manner among school districts. It does not include all the funds used by a school district. In some cases, the EFM does not capture expenditures for items such as debt services which may be a substantial component of a district's expenditures.

Table 3-3: FY 2004-05 Expenditure Flow Model

	Southern LSD FY 2004-05		Southern LSD FY 2005-06		Peer Average FY 2004-05	
Expenditure Category	**Total $**	**$ Per Student**	**Total $**	**$ Per Student**	**Total $**	**$ Per Student**
Administrative	$1,035,504	$1,105	$1,249,225	$1,342	$1,305,208	$998
Building Operations	$1,756,622	$1,875	$1,875,980	2,016	$2,129,672	$1,608
Staff Support	$68,054	$73	$24,692	$27	$186,441	$117
Pupil Support	$749,651	$800	$754,538	$811	$933,282	$684
Instructional	$4,799,407	$5,122	$4,996,794	$5,370	$6,174,094	$4,485
Total	**$8,409,238**	**$8,975**	**$8,901,229**	**$9,561**	**$10,728,697**	**$7,891**

Source: ODE

As shown in **Table 3-3,** the District's per pupil expenditures exceed the peer average in 4 of 5 categories: administrative, building operations, pupil support, and instructional. The examination of expenditures and the implementation of the performance audit recommendations should help the District reduce expenditures in these areas and bring its spending more in line with peers (see **R3.6**).

Table 3-4 compares Southern LSD's FY 2004-05 General Fund operating revenues and expenditures, by source and object respectively, to the peer average.

Table 3-4: General Fund Revenues by Source and Expenditures by Object

	Southern LSD FY 2004-05		Southern LSD FY 2005-06		Peer Average FY 2004-05	
ADM	933		893		1,252	
	$ Per ADM	% of Total	$ Per ADM	% of Total	$ Per ADM	% of Total
Property / Income Tax	$718	9.5%	$923	11.3%	$2,807	36.3%
Intergovernmental Revenues	$6,690	88.7%	$7,070	86.6%	$4,535	58.5%
Other Revenues	$138	1.8%	$175	2.1%	$412	5.2%
Total Revenue Per ADM	**$7,545**	**100%**	**$8,168**	**100%**	**$7,754**	**100%**
Wages	$4,356	55.5%	$4,258	51.8%	$4,295	55.3%
Fringe Benefits	$1,892	24.1%	$2,336	28.4%	$1,741	22.4%
Purchased Services	$1,203	15.3%	$1,263	15.4%	$952	12.2%
Supplies & Textbooks	$294	3.7%	$201	2.4%	$298	3.8%
Capital Outlay	$50	0.6%	$1	0.0%	$119	1.5%
Debt Service	$0	0.0%	$0	0.0%	$5	0.1%
Miscellaneous	$57	0.7%	$54	0.7%	$198	2.6%
Other Financing Uses	$0	0.0%	$116	1.4%	$178	2.2%
Total Expenditures Per ADM	**$7,852**	**100%**	**$8,228**	**100%**	**$7,785**	**100%**

Source: Southern LSD and the peers
Note: Totals may not sum due to rounding.

As shown in **Table 3-4**, Southern LSD falls below the peer average in total revenue per ADM and above the peer average in total expenditures per ADM. In FY 2005-06 the District's property and income tax revenues per ADM increased by 28.5 percent. This increase was the result of the County Auditor's triennial reappraisal of property values. This increase was significantly larger than what the District has historically received during prior updates or reappraisals. According to the County Auditor, property within the county had been significantly undervalued and the Ohio Department of Taxation required the County to adjust property values to be within 95 percent of estimated market value. Despite this increase, Southern receives a significantly lower percentage of its revenues from property and income taxes as well as a lower percentage of its revenue from other sources. Generally, Southern LSD is more reliant on State operating funds than the peer districts.

Compared to the peer average, Southern LSD has a significantly smaller student population and fewer available General Fund resources. Thus, discrepancies between Southern LSD and the peers appear magnified as fixed expenses (like capital improvements and utilities) are distributed among a smaller student population. Southern LSD's expenditures are significantly higher than the peer average in the categories of fringe benefits and purchased services. Compared to State and national benchmarks, the District pays a high amount for its family health insurance coverage, as well as for dental and vision benefits. Collective bargaining agreements also require the District to provide health insurance to aides, bus drivers, cooks, and other part-time employees who work 20 hours or more (see the **human resources** section).

Purchased services account for approximately 15 percent of General Fund expenditures, primarily attributable to special needs services outsourced to the Perry-Hocking County Education Service Center (ESC). See **Appendix 3-B** and the **strategic management** section for more discussion on special needs contracting and costs.

Table 3-5 compares Southern LSD's Governmental Fund expenditures per ADM to the peer average.

Table 3-5: Governmental Funds Operational Expenditures by Function

USAS Function Classification	Southern LSD FY 2004-05		Southern LSD FY 2005-06		Peer Average FY 2004-05	
	$ Per ADM	% of Exp.	$ Per ADM	% of Exp.	$ Per ADM	% of Exp.
Instructional Expenditures	**$5,860**	**62.1%**	**$6,363**	**61.7%**	**$5,230**	**59.8%**
Regular Instruction	$3,597	38.1%	$3,538	34.3%	$3,909	44.9%
Special Instruction	$2,143	22.7%	$2,734	26.5%	$972	11.0%
Vocational Education	$120	1.3%	$91	0.9%	$219	2.5%
Adult / Continuing Education	$0	0.0%	$0	0.0%	$2	0.0%
Other Instruction	$0	0.0%	$0	0.0%	$128	1.4%
Support Service Expenditures	**$3,200**	**33.9%**	**$3,582**	**34.7%**	**$3,150**	**36.2%**
Pupil Support Services	$234	2.5%	$258	2.5%	$335	3.8%
Instructional Support Services	$430	4.6%	$437	4.2%	$336	3.9%
Board of Education	$49	0.5%	$50	0.5%	$37	0.4%
Administration	$786	8.3%	$1,042	10.1%	$765	8.9%
Fiscal Services	$222	2.4%	$243	2.4%	$272	3.1%
Business Services	$0	0.0%	$0	0.0%	$13	0.1%
Plant Operation / Maintenance	$776	8.2%	$779	7.6%	$814	9.4%
Pupil Transportation	$640	6.8%	$699	6.8%	$561	6.4%
Central Support Services	$62	0.7%	$74	0.7%	$18	0.2%
Non-Instructional Services Expenditures	**$30**	**0.3%**	**$33**	**0.3%**	**$39**	**0.4%**
Extracurricular Activities Expenditures	**$342**	**3.6%**	**$335**	**3.2%**	**$310**	**3.6%**
Total Governmental Fund Operational Expenditures	**$9,433**	**100.0%**	**$10,312**	**100.0%**	**$8,730**	**100.0%**
Total Governmental Funds Operational Expenditures	$9,433	95.5%	$10,312	97.8%	$8,730	94.4%
Facilities Acquisition & Construction Expenditures	$274	2.8%	$52	0.5%	$176	1.8%
Debt Service Expenditures	$166	1.7%	$178	1.7%	$354	3.8%
Total Governmental Funds Expenditures	**$9,873**	**100.0%**	**$10,542**	**100.0%**	**$9,259**	**100.0%**

Source: Southern LSD, ODE, and the peers
Note: Totals may not sum due to rounding.

As shown in **Table 3-5**, Southern LSD exceeds the peer average in Governmental Fund expenditures per ADM. This is attributable, in large part, to special education expenditures. Special education expenditures are driven by the students' individualized education programs (IEPs) and expenditures within this category can vary considerably from year to year based on the needs of the student population. See **Appendix 3-B** and the **strategic management** section for further discussion.

Southern LSD also exceeds the peer average in instructional support services, administration, pupil transportation, central support services, and extracurricular activities. This can be attributed, in part, to salaries and benefits, retirements, and programmatic expenditures.

Table 3-6 compares Southern LSD discretionary spending compared to the peer average.

Table 3-6: Southern LSD and Peer Discretionary Expenditures

	Southern LSD FY 2004-05	Southern LSD FY 2005-06	Peer Average FY 2004-05
Professional. and Technical Service	0.9%	0.9%	1.9%
Property Services	2.2%	1.9%	2.1%
Mileage / Meeting Expense	0.2%	0.1%	0.2%
Communications	0.3%	0.3%	0.3%
Contract, Craft or Trade Service	0.0%	0.0%	0.0%
Pupil Transportation	0.1%	0.0%	0.2%
Other Purchased Services	0.1%	0.1%	0.1%
General Supplies	0.6%	0.4%	1.2%
Textbooks / Reference Materials	0.9%	0.1%	0.6%
Supplies & Materials for Resale	0.0%	0.0%	0.2%
Food & Related Supplies/Materials	0.0%	0.0%	0.0%
Plant Maintenance and Repair	0.7%	0.5%	0.8%
Fleet Maintenance and Repair	1.5%	1.5%	1.1%
Other Supplies and Materials	0.0%	0.0%	0.0%
Land, Building, & Improvements	0.1%	0.0%	0.3%
Equipment	0.5%	0.0%	0.6%
Buses / Vehicles	0.0%	0.0%	0.7%
Other Capital Outlay	0.0%	0.0%	0.0%
Dues and Fees	0.5%	0.5%	2.4%
Insurance	0.2%	0.2%	0.2%
Awards and Prizes	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%
Discretionary Expenditures % of Total Expenditures	**8.9%**	**6.5%**	**12.6%**

Source: Southern LSD and the peers
Note: Totals may not sum due to rounding.

As shown in **Table 3-6**, Southern LSD's discretionary spending as a percentage of all General Fund expenditures was lower than the peer average. The largest portion of discretionary spending was in the property services line item,[5] which accounts for approximately 2.2 percent and is generally in line with the peer average. The District exceeded the peer average in discretionary spending for textbooks/reference materials and fleet maintenance and repair. As the District's financial condition improves, Southern LSD anticipates increasing textbook budgets which were reduced in FY 2005-06 (see **Appendix 3-B**). Eliminating two active buses (see **R6.4** and **R6.5**) would help the District better manage fleet-related costs.

As a large proportion of expenditures related to school operations are governed by collective bargaining agreements and other contracts, the District is able to exercise the most control over the expenditures designated as "discretionary." Limiting discretionary expenditures to 6.5 percent of total General Fund expenditures in FY 2005-06 is an indication that Southern LSD is striving to control its expenditures.

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[5] Property services may include property insurance, repair and maintenance services, cleaning services, rentals, and lease purchase agreements.

Recommendations

Financial Forecasting

R3.1   Southern LSD should implement formal guidelines and procedures for the development of the five-year forecast. These procedures should include evaluating community conditions, the timeline for review and completion, and supporting documentation for assumptions which contain the methodology used for each line item. These guidelines and procedures should also address key forecast factors, including parties responsible for information, periods covered, and the development process. Southern LSD should, when appropriate, update the guidelines to reflect changes to the forecasting process. Furthermore, the Treasurer should submit detailed assumptions to ODE in electronic format (i.e. PDF) for publication online to ensure full disclosure of forecast assumptions.

During the course of the performance audit, the new Treasurer attended training on model forecasting software and is using learned techniques in the development of forecasts.

The Board Policy Manual contains policies regarding fiscal planning, tax budget preparation, and appropriations planning and implementation. Although the polices regarding fiscal planning, appropriations, and the spending plan provide some details regarding long term planning and the five-year forecast, the Board Policy Manual does not include detailed information regarding the creation and completion of the five-year forecast.

When creating the five-year forecast, the Treasurer reviews and creates projections for each individual line item of the forecast taking into consideration specific issues that will affect the line items. According to the Treasurer, the Superintendent and Board are included in the forecasting process through discussion and review of the assumptions and forecast amounts. The forecast is provided to the Superintendent and Board members approximately a month prior to the board meeting in which the five-year forecast is discussed, allowing the Superintendent and Board members adequate time to review the forecast and generate questions or request additional explanation.

General guidelines for forecasting are available from several sources including the GFOA and the American Institute of Certified Public Accountants (AICPA). Recommended practices state that the forecast should be:

- Prepared in good faith using the best information available at the time;
- Prepared with care by qualified personnel using appropriate accounting principles;

- Consistent with the long-range plans of the entity;
- Based on appropriate assumptions including identified key factors that impact the entity;
- Sensitive to variations in major assumptions;
- Adequate documented;
- Reviewed regularly for variances, comparing forecasted amounts with actual results; and
- Adequately reviewed and approved by the responsible party at the appropriate levels of authority is an essential component of the forecasting process.

According to the GFOA, the forecasting process should include opportunities for decision makers and stakeholders to participate. A general-purpose public hearing shortly before final decisions are made on the forecast is not adequate to solicit input from these individuals, especially on major issues. The District should ensure that information from outside sources is gathered in a timely manner so it is useful in financial decision-making.

When developing the five-year forecast, the Treasurer does not rely on written guidelines regarding key forecast factors, including parties responsible for information, periods covered, and the development process. By creating policies and procedures that govern the process used to develop District forecasts, Southern LSD will better define the roles of those involved in the forecasting process and provide a more consistent framework for District operations should employee turnover occur.

R3.2 Southern LSD should review and modify the methodology used to forecast unrestricted grants-in-aid. The District should link its projections of unrestricted grants-in-aid to a formal enrollment projection, as well as projections of assessed property values. Because the District's predominant source of revenue is State funds, it is critical that the forecast be based on the most detailed information available. As the District's ADM and assessed valuation are the primary variables used to calculate actual state funding, it is essential that these items be forecasted in detail to create reasonably accurate projections.[6]

The District is projecting unrestricted grants-in-aid to decrease 0.7 percent in FY 2006-07 and increase 2.2 percent each year thereafter. The District's first year of the forecast is based on the biennium State budget projections included in the District SF-3 reports. The unrestricted grants-in-aid calculation has many components within the funding formula, which fluctuate based on formulas that incorporate factors such as: ADM, State foundation amount per ADM, calculations of formula aid, parity aid, and special education weighted aid.

[6] Since the conclusion of audit work, the Ohio General Assembly passed HB 119 which contains FY 2007-09 school funding amounts. Southern LSD should update its October forecast to address these funding changes.

Southern LSD assumes enrollment will remain constant throughout the forecast period despite significant annual decreases since FY 2001-02.In the revised projections, ODE's Foundation Settlement Report was used as the basis for the FY 2006-07 projection. For future years, historical trends and known factors were considered. In FY 2005-06, parity aid, total formula aid, and special education weighted aid were the most significant elements of the Districts State foundation revenues. These factors accounted for 11.9 percent, 65.8 percent, and 11.3 percent of the total unrestricted grants-in-aid amount, respectively. All other factors within the line item accounted for a total of 8.9 percent of total unrestricted aid. These items were combined and projected cumulatively.

Both parity aid and total formula aid were calculated using trends in ADM as well as the actual calculations used by ODE (as detailed in the SF-3 line by line report). ADM was projected using historical ADM numbers and the current year projected ADM amount. It was assumed that ADM in Southern LSD would decrease at an average of approximately 3.0 percent per year, consistent with the five-year average annual rate of change. Also, FY 2007-08 is the first year that districts will not receive the cost of doing business factor. Therefore, additional adjustments were applied to the State foundation amounts. The remaining items that are calculated in the SF-3 were projected based on historic trends.

Table 3-7 shows the adjustment of unrestricted grants-in-aid based on historical growth estimates taking into consideration the current trend in District enrollment.

Table 3-7: Revised Unrestricted Grants-in-Aid Projections[1]

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Revised Unrestricted Grants-in-Aid	**$6,244,021**	**$6,036,147**	**$6,096,998**	**$6,141,406**	**$6,209,647**
Formula aid	$4,105,832	$3,850,611	$3,860,639	$3,850,611	$3,860,639
Special education weighted aid	$705,302	$725,927	$749,500	$776,145	$806,018
Parity aid	$739,766	$750,272	$760,927	$771,733	$782,693
Other Components	$693,121	$709,337	$725,932	$742,916	$760,297
District Forecasted Unrestricted Grants-in-Aid	**$6,155,680**	**$6,291,105**	**$6,429,509**	**$6,570,958**	**$6,715,520**
Difference	**$88,341**	**($254,958)**	**($332,511)**	**($429,552)**	**($505,873)**

Source: Southern LSD and AOS
[1] The FY 2006-07 unrestricted grants-in-aid estimation was taken from the ODE projections. Fiscal years 2007-08, 2008-09, and 2009-10 were calculated based on historic trends and line item component equations.

As shown in **Table 3-7**, declining enrollment will have a major impact on the amount of unrestricted grants-in-aid funding the District receives. If enrollment remains constant as projected in the District assumptions, the current forecast projection amounts for unrestricted grants-in-aid would be sufficiently accurate and appropriate. Because of the dramatic impact enrollment has on District funding, the District should create formal enrollment projections and use these in the projections when calculating unrestricted grants-in-aid.

R3.3   When developing future projections of the personal services line item, the Treasurer should include estimates for negotiated wage increases. These estimates should be based on historical increases and existing negotiated agreements. Although the District has not recently granted wage increases, it is unlikely that it will be able to sustain this practice throughout the forecast period. Therefore, wage increases should be incorporated into District projections of personal service expenditures so that it may adequately prepare for these likely future expenditures.

FY 2006-07 salaries and wages are projected based on the actual year to date salaries and wages paid for the year, as well as the additional amount left to be paid during the fiscal year. In FY 2007-08, the District projects a 3.6 percent increase to reflect a 2.0 percent step increase and an increase of $65,000 for severance payouts. For the final three years of the forecast, the District projects a flat 2.0 percent increase to account for step increases. However, these projections do not incorporate provisions for a negotiated wage increase; because Southern LSD was able to negotiate a zero percent wage increase in its collective bargaining agreement.

The forecast projections are for periods that extend beyond the current collective bargaining agreement. Based on analysis of the District's step schedule, the Treasurer's assumption that step increases will be approximately 2.0 percent during the last four years of the forecast appears conservative. However, by assuming that a wage freeze will occur for the entire forecast period, the Treasurer is likely understating personal services costs in these years.

Table 3-8 presents revised projections for salaries and wages. Projections assume a 1 percent wage increase for all employees in FY 2008-09 and a 2 percent increase for each year thereafter.   However, it should be noted that wage increases are subject to negotiations with the collective bargaining unit and actual costs may vary significantly from the projection for each year of the negotiated agreement. In addition to negotiated increases, step increases are estimated based on the current staffing levels and pay scale. Estimated increases from steps were 1.47 percent in FY 2008-09, 1.32 percent in FY 2009-10, and 1.36 percent in FY 2010-11. Estimated step increases were based on a sample of employees and fell slightly below the District's estimated increase of 2.0 percent each year.

Table 3-8: Net Effect of Revised Salaries and Wages (in 000's)

	Southern LSD Salaries and Wages Projections	Revised Salaries and Wages Projections	Net Impact on Forecast
FY 2006-07	$3,995,803	$3,995,803	$0
FY 2007-08	$4,140,719	$4,140,719	$0
FY 2008-09	$4,223,533	$4,242,995	($19,462)
FY 2009-10	$4,308,004	$4,383,862	($75,858)
FY 2010-11	$4,394,164	$4,531,160	($136,996)

Source: Southern LSD and AOS
Note: AOS projections assume a 1 percent wage increase for employees for FY 2008-09 and a 2 percent wage increase for employees in FY 2009-10 and FY 2010-11. These percentages were used as a conservative estimate based on historic negotiated wage increases.

During the last two fiscal years, the District has not had sufficient resources to offer wage increases. The forecast assumes that the District will not provide negotiated wage increases for seven consecutive years. This is unlikely, given historic practices, despite a projected deficit in the General Fund. By incorporating estimated negotiated increases into the forecast, Southern LSD can more reasonably account for the impact of a potential increase and plan accordingly.

Policies and Procedures

R3.4   The District should update its financial policies to include the following:

- **A stabilization fund policy which guides the creation, maintenance, and use of resources for financial stabilization purposes;**
- **A policy limiting the use of one-time revenues for ongoing expenditures (including identification of unpredictable revenues and how these may be used);**
- **A policy that encourages a diversity of revenue sources; and**
- **A policy to guide the financial actions the District will take in the event of emergencies, natural disasters, or other unexpected events.**

This will help ensure that Southern LSD has a comprehensive set of financial policies that serve as a starting point for financial decision-making. This, in turn, will help improve the District's ability to take timely action on financial issues and aid in the overall management of District finances. By adopting recommended policies in these areas, the District will strengthen its internal controls and be able to better anticipate and plan for unforeseen events.

The Board Policy Manual includes financial policies addressing the following activities:

- Investments;
- Borrowing;
- Fiscal Planning;
- Tax Budgeting;
- Appropriations;
- Financial Reporting; and
- Payroll.

Southern LSD has hired an outside consultant to continuously review and update its Board Policy Manual. The consultant reviews the policies and updates them in accordance with current laws and regulations. On a monthly basis, the consultant sends the District policy notices and updates regarding new regulations and supplies several different types of sample language for the District to review and select. The notices are discussed by the Board, Superintendent, and Treasurer. If Southern LSD decides to update its policy, it notifies the consultant regarding which language is preferred and the consultant subsequently finalizes the language. The policy is then reviewed by the Board and voted on for approval and insertion into the Board Policy Manual. While Southern LSD's policies cover a substantial number of critical financial processes, the policies are missing some recommended elements.

The Government Finance Officers Association (GFOA) recommends the following policies, which comprise comprehensive best practice financial policies and procedures.

- **Stabilization Fund Policy** – This policy should guide the creation, maintenance, and use of resources for financial stabilization purposes.

- **Use of One-Time Revenues** – A one-time revenue policy should prohibit the use of one-time revenues for ongoing expenditures because, by definition, one-time revenues cannot be relied on in future budget periods.

- **Contingency Planning** – Policy should guide the financial actions the District will take in the event of emergencies, natural disasters, and other unexpected events.

- **Diversity of Revenues Sources** – To encourage diversity of revenue sources as all revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on taxes and taxpayers.

Polices and procedures should be an integral part of the development and implementation of services, operations, capital management, financial plans, and the budget. Having effective financial policies that can be followed by District administrators serves as a starting point for financial decisions and improves the ability of a school district to take timely action and aids in the overall management of the budget. Southern LSD should consider implementing the recommended GFOA additions or using the recommended elements to enhance existing policies.

Direct Deposit

R3.5 **The District should expand the use of direct deposit and consider negotiating mandatory direct deposit for all employees in future collective bargaining agreements. The District should also extend direct deposit requirements to substitute teachers and exempt employees.**

Southern LSD offers direct deposit to its employees on a non-mandatory basis. As a result, only 50 percent of District employees use direct deposit. The District encourages the use of direct deposit by explaining the process to new hires and reviewing the benefits of direct deposit and the disadvantages of receiving paper checks. The Superintendent also sends out a District newsletter, which occasionally reminds employees about direct deposit.

According to the National Automated Clearing House Association (NACHA), direct deposit results in the following:

- Saves up to $1.25 per payment by using direct deposit instead of checks;
- Eliminates the cost of delivering checks to employees at different locations;
- Eliminates the chance of lost or stolen checks and the resulting charges for stopping payment and check replacement;
- Makes payroll reconciliation easier and streamlines tax reporting at the end of the year;
- Minimizes special check handling when employees are on vacation or out of the office;
- Reduces time spent storing and securing un-issued checks because check stock is not required for the payroll earnings record; and
- Reduces employee wait times by allowing access to payments one to four days earlier than a paper check.

Lake Local School District in Wood County has fully implemented direct deposit through negotiation with its bargaining units. Participants in direct deposit receive an earnings and deductions statement each pay date. All pay for certificated employees is deposited

directly into the bank selected by the employee. Likewise, all pay checks for newly hired classified employees are deposited directly into the financial institution selected by the employee.

Southern LSD and its employees could mutually benefit from participation in the direct deposit program. Employees would benefit from instant availability of funds, reduced time associated with cashing checks, and the elimination of the risk that a check is lost in the mail. The District could save money associated with bank-related fees; labor associated with the traditional process of print checks, and postage costs. In order to implement mandatory direct deposit, the District would have to negotiate this provision with its collective bargaining units.

Financial Recovery

R3.6   Southern LSD should evaluate and implement the recommendations presented within this performance audit. In addition, the District should update its forecast on a continuous basis as critical financial issues are addressed.

If Southern LSD is to achieve and maintain financial stability, it will be necessary for District administrators and elected leaders to make difficult management decisions. The recommendations included in this report should be considered for implementation by the District. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of Southern LSD.

Table 3-9 demonstrates the effects of the recommendation in this report and includes both the beginning fund balance for each year and the adjusted fund balance reflecting the effect of the recommendations.

Table 3-9: Revised Financial Forecast with Adjustments (in 000's)

	Actual 2003-04	Actual 2004-05	Actual 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11
Revenues								
Real Estate Property Tax	$658	$649	$787	$813	$814	$815	$815	$815
Tangible Personal Property Tax	$32	$20	$38	$38	$38	$38	$39	$40
Revised Unrestricted Grants-in-Aid	$6,105	$6,117	$6,196	*$6,244*	*$6,036*	*$6,097*	*$6,141*	*$6,210*
Restricted Grants-in-Aid	$332	$333	$372	$495	$506	$517	$528	$540
Property Tax Allocation	$52	$103	$105	$164	$106	$106	$106	$106
Other Revenues	$158	$128	$156	$156	$157	$158	$159	$160
Total Revenue and Other Financing Sources	**$7,337**	**$7,352**	**$7,654**	**$7,909**	**$7,656**	**$7,730**	**$7,788**	**$7,870**
Expenditures								
Revised Personal Services	$4,141	$4,286	$3,996	$3,996	$4,141	*$4,243*	*$4,384*	*$4,531*
Fringe Benefits	$2,103	$1,867	$2,169	$2,104	$2,314	$2,546	$2,800	$3,080
Purchased Services	$1,079	$1,123	$1,128	$1,048	$1,090	$1,134	$1,179	$1,226
Supplies, Materials & Textbooks	$282	$275	$179	$211	$220	$229	$238	$247
Capital Outlay	$116	$46	$0	$85	$15	$20	$25	$25
Other Expenditures	$80	$53	$49	$54	$56	$58	$61	$63
AOS Recommendations					**($517)**	**($419)**	**($442)**	**($468)**
Total Operating Expenditures	**$7,800**	**$7,651**	**$7,520**	**$7,498**	**$7,319**	**$7,810**	**$8,244**	**$8,705**
Total Other Financing Uses	$16	$0	$104	$50	*$0*	*$0*	*$0*	*$0*
Total Expenditures and Other Financing Uses	**$7,816**	**$7,651**	**$7,624**	**$7,548**	**$7,319**	**$7,810**	**$8,244**	**$8,705**
Result of Operations (Net)	($479)	($299)	$31	$362	$337	($80)	($456)	($835)
Beginning Cash Balance	$1,179	$700	$401	$431	$793	$1,130	$1,049	$593
Ending Cash Balance	**$700**	**$401**	**$431**	**$793**	**$1,130**	**$1,049**	**$593**	**($242)**
Outstanding Encumbrances	$115	$37	$54	$75	$125	$125	$125	$125
Ending Fund Balance	**$585**	**$363**	**$377**	**$718**	**$1,004**	**$924**	**($468)**	**($367)**

Source: Southern LSD and AOS
Note: Totals may not sum due to rounding.

Table 3-10 details those performance audit recommendations reflected in the forecast. Recommendations are divided into two categories: those subject to negotiation with collective bargaining units and those that are not.

Table 3-10: Summary of Performance Audit Recommendations

Recommendation	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
R4.1 Increase employee's share of health care premium payments	$161,172	$169,891	$179,082	$188,771
R4.1 Prorate benefits for part-time employees	$116,578	$122,885	$129,533	$136,541
R4.4 Reduce the amount of sick leave[1]	$7,116	$7,291	$7,533	$7,786
Subtotal Recommendations Subject to Negotiation	***$284,866***	***$300,068***	***$1316,149***	***$333,098***
R4.3 Reduce 2.0 special education teaching FTE	$116,672	$122,618	$129,680	$137,306
R6.3 Purchase fuel through ODAS's Cooperative Purchasing Program[2]	$6,200	$6,200	$6,200	$6,200
R6.5 Eliminate two active buses from the fleet and reduce staffing levels by two regular bus drivers	$165,318[3]	$47,257	$49,549	$52,028
R7.5 Replace 29 computers per year[4]	($30,385)	($31,297)	($32,235)	($33,203)
R7.9 Re-establish and fill the part-time Technology Assistant position with 0.75 FTE	($25,413)	($26,040)	($26,905)	($27,809)
R7.11 Obtain Apple Certified Technical Coordinator certification	($450)	$0	$0	$0
Subtotal Recommendations Not Subject to Negotiation	***$231,942***	***$118,738***	***$126,288***	***$134,523***
Total Recommendations Included in Forecast	**$516,808**	**$418,806**	**$442,437**	**$467,621**

Source: AOS recommendations

[1] The substitute rate savings incorporated estimates that substitute costs will increase at the same rate as regular teacher salaries.

[2] The annual savings per year to purchase fuel through ODAS's Cooperative Purchasing Program is $6,300; however there is an annual fee of $100 which is incorporated into the savings.

[3] The FY 2006-07 includes a one time replacement cost avoidance of $120,000.

[4] The computer replacement costs are increased by 3 percent a year to reflect inflation.

As shown in **Table 3-9**, Southern LSD is still facing the possibility of a negative ending fund balance in the final year of the forecast even if it implements all of the performance audit recommendations. To address this deficit, the District will need to consider additional reductions in FY 2008-09[7] or the infusion of new revenue.[8]

[7] Additional reductions that might be considered including reducing the number of computers replaced each year, reducing staffing to maintain current student teacher ratios (as enrollment declines), and reducing special education instructors (by 0.4 FTEs) to the peer average.

[8] In Southern LSD, one mill generates about $37,000. The District is at the 20 mill floor and enjoys the advantages of revenue increases that reflect the appreciation of property values within District boundaries.

Appendix 3-A: Summary of Objectives for Financial Systems

The following questions were used to evaluate the financial systems performance within Southern LSD:

- How does the District ensure their financial services units are delivered effectively to the users?

- Is the District's financial planning process sufficient and appropriate when compared to recommended practices?

- When necessary, does the District consider options to increase revenue?

- Are revenues and expenditures properly controlled, reported and similar to comparable peer districts?

- Does the District produce an annual budget that meets GFOA best practice criteria?

- Has management developed and distributed written procedures for critical accounting processes and does it promote ethical financial management practices? Are these policies in line with best practices?

- Does the District sufficiently monitor, measure, and evaluate financial performance?

- Are District payroll processes in line with recommended practices?

Appendix 3-B: District Forecast Assumptions

Major assumptions and methodologies used by the Treasurer to develop the five-year forecast are presented below. The assumptions presented below are largely unaltered from the form in which they were submitted to ODE. However, in some cases, additional explanation or text has been added by AOS to provide clarification.

Revenues

- Real estate property tax revenue estimates are based on historical growth patterns and the tax year 2005 reappraisal. In FY 2005-06, the District received $786,942 in real estate taxes. Reappraisal amounts were only collected for first half collection in FY 2005-06, but, starting in FY 2006-07, the District will see the full affect of the reappraisal. Real estate property tax is forecasted at $812,687 for FY 2006-07, $814,000 for FY 2007-08 and $815,000 throughout the remainder of the forecast period. Historically Southern LSD has not had much new construction within the District which is the reason for the minor increases and flat lined projection.

- Tangible personal property tax revenue estimates are based on the District's historic trends. These have ranged from $20,365 to $37,641 over the past three years. The difference is due to a late receipt of the June tax settlement. The District has received the June payment as late as September during the next fiscal year. The forecast assumes the District will receive the revenues in the correct fiscal year; however this tax is being phased out as a result of HB 66 and, with tangible personal property tax receipts being less than $40,000 a year, the Treasurer has included only the guarantee[8] in the forecast.

- Unrestricted grants-in-aid are projected using the most current adopted per pupil State foundation amount of $5,403 for FY 2006-07. The District's drop in enrollment over the past seven years and the new biennial budget, which will be passed for FY 2007-08 and 2008-09 will have an immediate impact on the forecast. The forecast reflects a 2.2 percent increase in unrestricted grants-in-aid beginning in FY 2007-08. Pupil counts for FY 2006-07 are based on the October 2006 estimates and are flat-lined throughout the forecast.

  The forecast reflects a negative open enrollment figure of $102,862. Southern LSD will receive $109,470 in GAP Aid during FY 2006-07. GAP Aid amounts have been affected by the tax year 2005 reappraisal, as the District received $164,195 in GAP Aid funding

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[8] The reappraisal guarantee reflects a safeguard against decreases in total State aid due to an increase in local valuations that result from an update/reappraisal.

during FY 2005-06. Unrestricted grants-in-aid projections also include add-on building blocks and parity aid estimates.

• The restricted grants-in-aid projection includes poverty based assistance and the annual school bus subsidy. In FY 2006-07 poverty based assistance is forecasted to increase by $135,977 to $494,618 with a 2.2 percent increase each year beginning in FY 2007-08. The annual school bus purchase subsidy has not been included in the forecast.

• The property tax allocation, commonly known as Homestead and Rollback, is calculated as a fixed percentage of property tax receipts. The forecast is based on historical trends. During FY 2004-05 the District received its Homestead and Rollback payment on time but, in FY 2005-06 the Homestead and Rollback payment was delayed by five months, putting the payment receipt into FY 2006-07. The forecast projects the District will receive its February 2007 Homestead and Rollback payment during FY 2006-07. Homestead and Rollback is forecasted at $164,346 for FY 2006-07, which is an increase of $59,349 over FY 2005-06. Beginning in FY 2007-08, Homestead and Rollback receipts are forecasted at $106,000 each year.

• Other revenue includes investment income, school fees, the employees' share of health insurance, and other miscellaneous receipts. The forecast projects other revenues to remain constant throughout the forecast.

Expenditures

• The personal services projection reflects an increase of $196 for FY 2006-07. The District eliminated eight and one-half certified positions after FY 2004-05 and three certified positions after FY 2005-06. These reductions largely offset the increases caused by contract steps. The existing contract for the certified staff will expire June 30, 2009 and has no wage increase for FY 2006-07. The forecast reflects a 2 percent increase each year of the forecast beginning in FY 2007-08 which accounts for salary step increases.

The District eliminated three and a half classified positions prior to FY 2005-06 and two classified positions after FY 2005-06. The current contract for classified employees expired June 30, 2008 and bargaining unit agreed to a wage freeze for FY 2005-06 and FY 2006-07. However, FY 2007-08 wages will be subject to negotiations.

Historically, the negotiated raises for both certified and classified staff have been between 3 percent and 4 percent. However, the forecast does not reflect any increases to the base pay because step increases are currently frozen.

The District will pay $19,708 in severance pay for FY 2006-07. Severance payouts are projected throughout the five-year forecast based on $65,000 a year starting in FY 2007-08.

- Fringe benefit expenditures are made up of retirement, insurance, Medicare, and workers compensation. The forecast reflects a $64,814 decrease in fringe benefits for FY 2006-07 due to a change in insurance coverage effective July 1, 2006, which resulted in only a 4 percent increase over prior years' premiums. Also, there are fewer people on the District's policy as a result of staffing reductions. The District offered employees a stipend to either drop their insurance coverage or change from a family plan to a single plan. This initiative is estimated to save the District $93,000 a year beginning in FY 2006-07.

  During FY 2004-05 the District was able to pay $250,000 of insurance premiums from its self-insurance fund. The District has experienced significant insurance premium increases over the last three years. In FY 2006-07, a family health insurance plan costs the District $16,406 a year.

- Purchased services expenditures include ESC costs, electricity, natural gas, property insurance and legal fees. The District has eliminated three positions provided by the Perry-Hocking ESC, beginning in FY 2006-07. These cuts will save the District $203,710 for FY 2006-07. Forecasted expenditures for purchased services for FY 2006-07 reflect an increase of 4 percent over FY 2005-06, less $125,000 for ESC cuts, and a 4 percent inflationary increase each year starting with FY 2007-08.

- Supplies and materials decreased in FY 2005-06 by $95,645. The District cut all supply budgets during that year. The forecast reflects an increase of $32,164 in supplies and materials for FY 2006-07. The increase is 4 percent over FY 2005-06 expenditures plus an addition $25,000. With a better financial outlook, the District anticipates increasing textbook, library, and building budgets. Transportation supplies and fuel are also included in supplies and materials. Forecasted expenditures for supplies and materials are $211,263 for FY 2006-07 and a 4 percent inflationary increase each year beginning with FY 2007-08.

- The forecast for capital outlay reflects an increase of $84,736 during FY 2006-07. The District will purchase a new bus during FY 2006-07 at a cost of $62,000. The forecast also projects an additional $23,000 to cover the cost of an office copier and some computers. The forecast reflects capital outlay expenditures to be $85,000 for FY 2006-07 and $15,000, $20,000, $25,000 and $25,000 respectively for the following years.

●   The majority of expenditures in the other objects category consist of liability insurance, State Auditor fees, and Perry County Auditor and Treasurer fees. The forecast reflects $54,000 for FY 2006-07 and a 4 percent inflationary increase each year beginning with FY 2007-08.

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Human Resources

Background

This section of the performance audit focuses on the Southern Local School District's (Southern LSD or the District) human resources functions. **Appendix 4-B** provides a summary of the audit objectives for this section. The District's operations were evaluated against best practices and industry benchmarks for the purpose of developing recommendations to improve efficiency and business practices. Best practices and industry standards were drawn from sources including the Ohio Department of Education (ODE), the Kaiser Foundation Annual Survey (Kaiser), and the State Employment Relations Board Annual (SERB). Comparisons are also made to 10 peer districts[1] which have been selected based on demographic data obtained from ODE. Finally, AOS administered a survey of District employees to gauge their overall satisfaction with human resources practices. **Appendix 4-A** at the end of this section summarizes the results of this survey.

Organizational Structure and Function

Southern LSD does not have a centralized department dedicated to human resources functions. Rather, these activities are performed by the Superintendent, Treasurer, and Assistant Treasurer. The Superintendent coordinates recruitment, facilitates employee performance evaluations, oversees collective bargaining, maintains personnel files, and coordinates substitute teachers. The Treasurer and Assistant Treasurer administer health insurance plans, process payroll and administer the Education Management Information System (EMIS).

Staffing

Table 4-1 compares Southern LSD staffing levels to the peer average on a per 1,000 ADM basis. Staffing levels are calculated by position, regardless of funding source, using the full-time equivalent (FTE) employee figures reported in EMIS.

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[1] See the **executive summary** for a list of the peer districts.

Table 4-1: Comparison of FY 2005-06 Staff per 1,000 ADM

	Southern LSD	Peer Average	Difference
Average Daily Membership (ADM)	946	1,489	543
Administrators:	10.6	6.1	4.5
Site Based Administrators	3.2	3.2	0.0
Central Administrators	7.4	2.9	4.5
Educational Staff:	80.3	75.3	5.0
Counselors	2.1	1.7	0.4
Librarian/Media	0.8	0.9	(0.1)
Remedial Specialist	3.7	3.3	0.4
Regular Teachers	50.9	49.6	1.3
Special Education Instructors	16.4	9.1	7.3
Vocational Teachers	1.1	2.5	(1.4)
Tutor/Small Group Instructors	2.1	1.6	0.5
ESP Teachers	3.2	4.9	(1.7)
Professional Staff:	1.1	1.3	(0.2)
Registered Nurses	1.1	0.1	1.0
Technical Staff:	1.1	4.5	(3.4)
Library Technicians/Aides	1.1	0.6	0.5
Office/Clerical Staff:	11.6	10.7	0.9
Clerical	5.3	5.7	(0.4)
Teaching Aide	4.2	3.5	0.7
All Other Office/Clerical Staff	2.1	1.5	0.6
Maintenance Workers	1.1	2.4	(1.3)
Custodians/Grounds Keepers	5.4	6.1	(0.7)
Bus Drivers	12.7	10.2	2.5
Food Service Workers	11.7	7.7	4.0
Total FTE Reported	137.5	125.3	12.2

Source: Southern LSD FY 2005-06 EMIS report dated March 30, 2006 and the peers
Note: Totals may not sum due to rounding.

As **Table 4-1** shows, Southern LSD employs 12.2 more FTEs per 1,000 ADM when compared to the peer average. The District significantly exceeds the peer average in central administrators, special education teachers (see **R4.3**), bus drivers (see **R6.5**), and food service workers (see **R8.1**). In contrast to other positions, the category of central administrators contains 2.25 FTE that are funded through grants. These positions create no additional costs for the District; therefore, no reductions are recommended. Also, the category of central administrators contains the positions of Superintendent and Treasurer. These positions are considered to be fixed costs, as all school districts, regardless of size, must have at least 1.0 FTE allocated to each of these positions. Because Southern LSD has a lower ADM than the peers, these required positions make its staffing appear higher, but do not present opportunities for staffing reductions or cost savings.

Salaries and Wages

Years of service, negotiated wage increases, step increases, and in some cases, the education level attained by the personnel within a category all directly impact average salaries and wages. By comparison, District salaries fall well below the peer average in nearly every EMIS classification, with the exception of a registered nurse who is covered under the certificated collective bargaining agreement. Southern LSD's salaries for educational staff are approximately 11 percent below the peer average and administrator salaries are 14 percent below the peer average. Finally, support service worker salaries in the maintenance, operations and service classifications fall as much as 40 percent below the peer average.

Collective Bargaining Agreements

Certificated personnel in Southern LSD are governed by a negotiated agreement between the Board of Education and the Southern Local Education Association (SLEA), which is affiliated with the Ohio Education Association (OEA) and National Education Association (NEA). The SLEA is the sole bargaining agent for all certificated, professional staff working more than 18 hours per week. The agreement excludes employees hired on an hourly basis, whose hours do not exceed three hours a day (substitute teachers, home instructors, and home tutors); and casual employees (those not employed by the District). The Superintendent, building principals, and other administrative personnel are hired under administrative contacts and are not subject to the provisions of the negotiated agreement. The current negotiated agreement took effect July 1, 2006 and is effective until June 30, 2009.

Classified personnel in Southern LSD are governed by a negotiated agreement between the Board of Education and the Ohio Association of Public School Employees (OAPSE)/American Federation of State, County, and Municipal Employees (AFSCME), AFL-CIO and Local Chapter #640. The OAPSE/AFSCME, AFL-CIO and Local Chapter #640 are the exclusive bargaining representatives for bus drivers, custodians, cooks, secretaries, aides, special education aides, library aides, housekeepers, secretarial aides, technology assistants, and any bus mechanics other than the bus mechanic supervisor. The current negotiated agreement took effect July 1, 2005 and is effective until June 30, 2008.

During the performance audit, certain contractual and employment issues such as teaching time, sick leave accrual, professional development, and class size were compared to minimum provisions included in the Ohio Revised Code (ORC) and Ohio Administrative Code (OAC). Because contractual and employment issues directly impact District finances, several of these issues were evaluated as a component of this audit (see **R4.1** and **R4.3**).

Recommendations

Health Insurance

R4.1 **During future contract negotiations, Southern LSD should seek to increase the employee share of health insurance premium payments. The District should attempt to bring practices in line with SERB and Kaiser-identified averages, by negotiating an increase in the employee share of the monthly premium costs and by offering benefits to part-time employees which are prorated based on the number of hours worked.**

The District offers health insurance to employees that work more than 20 hours a week through a preferred provider organization (PPO) administered by Medical Mutual of Ohio. The certificated and classified collective bargaining agreements stipulate an employee share of $20 (approximately 3.8 percent) for a single plan and $40 (approximately 2.9 percent) for a family plan. On a percentage basis, Southern LSD's employees pay 3.8 percent of the total premium for a single plan and 2.9 percent for a family plan. As of July 2006, the annual premium for a single plan was $6,310 and $16,406 for family coverage. Monthly premiums were $526 and $1,367 for single and family plans, respectively.

According to the 2006 Kaiser Foundation Annual Survey of Employer Health Benefits, the nationwide average annual premiums for medical health insurance are $4,385 for single coverage and $11,765 for family coverage. The survey indicated that employers who offer insurance through a PPO health plan contribute on average 85.5 percent of the premium for single coverage and 75.2 percent of the premium for a family plan. Similarly, the State Employees Relations Board (SERB) conducts an annual health insurance survey of government entities in Ohio. In 2005, SERB reported that employees pay an average of 8.4 percent for single coverage and 10.4 percent for family coverage.

Southern LSD requires a significantly smaller employee contribution, when compared to SERB and Kaiser benchmarks, and, therefore, pays substantially more for health insurance. **Table 4-2**, illustrates the District's monthly health insurance premiums for the last three years.

Table 4-2: Historical Health Insurance Premiums

	Employer Share	Employee Share	Total Premium
Single Coverage			
FY 2004 – 05	$424.62	$20	$444.62
FY 2005 – 06	$485.81	$20	$505.81
FY 04-05 to 05-06 % Change	**14.4%**	**0%**	**14.2%**
FY 2006 – 07	$505.86	$20	$525.86
FY 05-06 to 06-07 % Change	**4.1%**	**0%**	**3.9%**
Family Coverage			
FY 2004 – 05	$1,110.82	$40	$1,150.82
FY 2005 – 06	$1,275.11	$40	$1,315.11
FY 04-05 to 05-06 % Change	**14.8%**	**0%**	**14.2%**
FY 2006 – 07	$1,327.20	$40	$1,367.20
FY 05-06 to 06-07 % Change	**4.1%**	**0%**	**3.9%**

Source: Southern LSD

As illustrated in **Table 4-2**, the employee pays a fixed dollar amount for single and family coverage. Consequently, Southern LSD has absorbed premium increases of approximately $81 per single plan and $216 per family plan from FY 2004-05 through FY 2006-07. In order to ensure that rate increases are more equitably distributed, Southern LSD should negotiate that its employees pay a percentage of premiums versus a fixed dollar amount.

Based on the collective bargaining agreement, District personnel who work more than 20 hours per week are eligible for benefits at the rates detailed in **Table 4-2**. In comparison, districts like Lakota LSD (Butler County) and Chillicothe CSD (Ross County) have negotiated prorated benefits for part-time employees. Lakota LSD's classified agreement specifies that the board will pay 50 percent of the monthly medical insurance premium for employees who work more than 17.5 hours but fewer than 25 hours per week while employees will be responsible for the balance. Lakota LSD pays 90 percent of the monthly medical insurance premium for employees that work more than 25 hours per week. Chillicothe CSD on the other hand, prorates benefits in several tiers so that the District's contribution is more commensurate with the hours worked by the part time employee.

Financial Implication: Reaching contribution levels commensurate with the benchmarks established by Kaiser or SERB will require negotiations with the District's collective bargaining units. **Table 4-3** below presents the estimated savings the District would achieve assuming the District is successful in negotiating an employee share between 7.5 percent and 15.0 percent. **Table 4-3** assumes that the number of participants in single and family plans will remain at 21 and 90, respectively.

Table 4-3: Proposed Savings from Increasing Employee Share

Proposed Employee Share	Single Plan Savings	Family Plan Savings	Total Savings
7.5%	$4,899	$67,543	**$72,442**
10%	$8,213	$104,458	**$112,671**
12.5%	$11,524	$141,372	**$152,896**
15%	$14,838	$178,286	**$193,124**

Source: AOS

In addition, the District has 32 employees who work part-time but qualify for and receive full medical benefits from the District. Of these, 16 employees work 25 hours per week or less. If the District were to reduce the Board share of insurance premiums for these staff members to 50 percent, the District could reduce its share of the insurance costs by approximately $110,600 annually.

R4.2 **During the next health insurance plan review, Southern LSD should examine key medical benefits, such as annual deductible and out of pocket maximums. In an effort to contain health care costs, Southern LSD should work with its consultant, medical insurance supplier, and the insurance committee to identify key benefit adjustments that would maximize health care cost savings efforts.**

The District has an insurance committee that consists of the Superintendent, Treasurer, the District's insurance consultant, and representatives from the collective bargaining units. The committee reviews and recommends health care benefit plan changes for collective bargaining purposes. Health care benefits were negotiated in FY 2005-06 with SLEA. Classified personnel receive the same benefits as the certificated staff because a clause in their contract that requires all changes to insurance negotiated by certified staff be equally binding for classified employees.

Southern LSD's plan includes cost-sharing in several areas, such as co-payment of $15 for physician office visits, $50 co-payment for emergency room visits, and $35 co-payment for urgent care, that are in line with Kaiser benchmarks. **Table 4-4** outlines areas were the District's benefits are not in line with cost-sharing levels reported by Kaiser including annual deductibles, out of pocket maximums, and prescription drug co-payments.

Table 4-4: Medical Benefit Summary

	Southern LSD	Kaiser Foundation 2006 Annual Survey
Annual Deductible	**Medical Mutual (PPO) Network:** Single: $100 Family: $200 **Non-Network:** Single: $100 Family: $200	<u>**Single**[1]</u> <u>**Family**</u> $473 $1,034
Out of Pocket Maximums	**In Network:** Single: $0 Family: $0 **Non-Network:** Single: $300 Family: $600	**Single Coverage** 10%: $999 or less 22%: $1,000 - $1,499 **23%: $1,500 - $1,999** 20%: $2,000 - $2,499 8%: $2,500 - $2,999 18%: $3,000 or greater **Family Coverage** 14%: $1,999 or less 16%: $2,000 - $2,999 **25%: $3,000 - $3,999** 18%: $4,000 - $4,999 10%: $5,000 - $5,999 18%: $6,000 or greater
Multi-tier drug plan co-payments	**Retail (30 day supply):** 20% generic 20% brand name formulary **Mail Order (90 day supply):** $5 generic drugs $5 brand name formulary	**Retail** $11 generic $24 preferred $38 non-preferred **Co-insurance** 20% for generic drugs 25% for preferred drugs 33% for non-preferred drugs

Source: Southern LSD's Medical Mutual Certificate of Coverage effective July 2006 and Kaiser 2006 Survey
[1] These rates are for PPO In-Network.

The District's medical benefits appear generous when compared to Kaiser benchmarks. According to a Columbus-based insurance agency, annual deductibles and out of pocket maximums are two of the top items that impact premium rates. Also, *Finding Ways to Save on Health Insurance* (National Federation of Independent Business, 2004) notes that the easiest way to reduce monthly premiums is to adjust the plan deductibles. As noted above, the District offers its employees medical insurance with low annual deductibles and maximum out of pocket expenses of zero for in-network provider services. The District could achieve immediate savings by changing these aspects of the health insurance benefit, increasing co-pays, and increasing out of pocket maximums. The District could achieve additional savings over the long term, as increased co-pays have

been shown to impact user behavior by encouraging more prudent and economical use of services. Changes to these benefit levels would be subject to negotiations with the District's collective bargaining units.

While it is difficult to quantify the cost savings resulting from changes in plan design within the scope of the performance audit, the District and its insurance committee, with assistance from its health insurance consultant, can develop a plan design that is economical yet provides benefit levels that meet market standards.

Staffing

R4.3   Southern LSD should review its special education staffing levels and consider reducing the number of special education instructors it contracts with the Perry-Hocking Educational Service Center by 2.0 FTE.

Southern LSD's special education program provided services to 204 students with learning disabilities and physical handicaps in FY 2005-06. To provide these services, the District employed 15.5 special education instructor FTEs. Of these, 12.0 FTEs are employed by the District and 3.5 FTEs are contracted through the Perry-Hocking Educational Service Center (ESC).

In FY 2005-06, the District maintained a ratio of 13.2 special education students for each special education teacher. **Table 4-5** outlines the minimum special education teaching ratios as stipulated in OAC 33-1-59-09.

Table 4-5: FY 2005-06 Special Education Staffing Minimums

Category of Disability	Suggested Teaching Ratios	Total Students	FTEs Needed
Cognitive Disabilities		**71.0**	**3.7**
Elementary, Middle, Junior High Level	1:16	37.0	2.3
Senior High School Level	1:24	34.0	1.4
Specific Learning Disability		**133.0**	**9.6**
Elementary, Middle, Junior High Level	1:16	61.0	3.8
Senior High School Level	1:24	23.0	1.0
Hearing, visual, orthopedic and/or other impairments	1:10	5.0	0.5
Emotional Disturbances	1:12	25.0	2.1
Multiple Disabilities	1:08	9.0	1.1
Autism, deaf-blindness, and/or traumatic brain injury	1:06	4.0	0.7
Preschool	1:16	6.0	0.4
Total		**204.0**	**13.3**

Source: ODE, OAC, and Southern LSD

As illustrated in **Table 4-5**, the OAC and ODE suggest the number of special teaching FTEs, based on the number of special needs students by disability and grade level. When compared to these benchmarks, Southern LSD is required to have a minimum of 13.3 special education teaching FTEs.[1] The Districts total of 15.5 FTEs exceeds this requirement by approximately 2.0 FTEs.

Prior to reducing special education teaching staff, the District should thoroughly examine its special education program to ensure that it continues to address the specific needs of its special education students with fewer staff. Should the District determine that reductions can be made, these reductions should be made in services obtained from the ESC. Since the District's contract with the ESC allows special education teachers to be provided as needed, reducing staff from this group will provide the District with the highest degree of flexibility.

Financial Implication: By reducing 2.0 FTE special education instructors, the District could save approximately $111,739 annually. This estimate is based on the FY 2005-06 average salary for a special education instructor of $37,371. This estimate also assumes that fringe benefits will continue to equal approximately 49.5 percent of salaries, the average over the last three years.

Negotiated Agreements

R4.4 **The District should attempt to reduce the amount of sick leave used by its employees through the implementation of a formal attendance policy. The policy should include provisions for discipline in the event that an employee engages in a "pattern of abuse" in attendance or punctuality. In addition, the District should attempt to identify excessive sick leave usage and formally evaluate the effectiveness of its negotiated leave usage incentive.**

Southern LSD does not have a formal attendance policy that addresses leave usage and sick leave abuse. Absenteeism affects Southern LSD financially and operationally as the District may have to pay substitutes to fill in for absent employees and absent employees may cause discontinuity in work processes.

The District has attempted to reduce leave usage by offering a leave incentive to classified and certificated employees based upon the number of sick and personal days taken in a school year. Employees that use fewer than four days of sick and personal time are eligible for an incentive bonus. Certificated staff can receive up to $400, while classified staff can receive up to $300. Employees that use fifteen sick days or less can

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[1] This staffing level may be impacted by students' individualized education programs.

convert up to two unused personal leave days into sick leave days. However, employees must choose one of the two options as both options will not be awarded in the same fiscal year.

Table 4-6 compares the District's sick leave usage to OEA, AFSCME, and the State average reported by the Ohio Department of Administrative Services (ODAS).

Table 4-6: FY 2005-06 Southern LSD Sick Leave Usage

	Sick Leave per Employee (hours)	OEA and AFSCME	Over (Under) Benchmark	State Average	Over (Under) Benchmark
Certified	61.4	53.7	7.7	52.0	9.4
Classified	62.8	56.2	6.6	52.0	10.8

Source: Southern LSD and Department of Administrative Services
Note: Certificated employees are compared to OEA and the classified employees are compared to AFSCME .

In FY 2005-06, 57.5 percent of all certified employees and 73.8 percent of all classified employees took leave in excess of the State average. As noted in **Table 4-6,** leave usage among certified and classified employees exceeds all benchmarks. In FY 2005-06 only 11.0 of the 86.0 certificated FTEs were eligible for the District's sick leave incentive and were paid $2,560. In the same year, 4.0 of the 43.1 classified FTEs were paid a total of $650.

According to *How to Improve Employee Attendance* (Business and Legal Reports, 1999), attendance problems are disruptive, costly, and a cause of poor morale. Organizations should have an attendance policy. An attendance policy should include:

- Employee expectations;
- A statement that violations such as poor attendance and using an excessive number of acceptable sick leave days in a specified period will result in discipline or termination; and
- Compliance with the federal Family and Medical Leave Act and Americans with Disabilities Act.

Lakota LSD has developed effective policies for managing employee sick leave usage. Lakota LSD's contract stipulates that the employee's supervisor is responsible for monitoring attendance and for counseling the employee on use of sick leave. The supervisor may review the attendance record with an employee and discuss possible ways to improve attendance. The supervisor may then request a meeting with the president of the bargaining unit association to decide if the employee should be placed on leave probation status if certain conditions are not met. These conditions include a disproportionate number of absences and a continuous pattern of sick leave. In addition,

Lakota LSD sets attendance targets for staff that are monitored in monthly meetings. Attendance targets are similar to those set for students and, as a result of this process, employee attendance levels are notably higher.

An attendance policy should be applied consistently among all employees. Managers and supervisors should track employee absenteeism and periodically analyze the information for patterns or indicators of potential abuse. Managers and supervisors should discuss with employees alternatives to solve attendance problems and include the number of occurrences that employees are absent or late as part of the performance evaluation process.

The absence of a formal policy describing leave usage and restrictions can lead to discrepancies in communicating leave usage expectations to employees. Similarly, the lack of specific guidelines hinders the District's ability to identify potential abuse. Implementing a formal attendance policy with internal practices to record, study, and analyze absenteeism and tardiness will assist the District in identifying trends and individuals who may abuse sick leave. An AOS survey of District employees indicates some degree of frustration with tardiness and absenteeism. In addition, 46 percent of respondents feel that the District's substitutes are neither qualified nor effective. Therefore, improved attendance by regular staff may also have a positive impact on the District's educational programs and employee morale.

Financial Implication: Reducing the amount of leave taken by 1.2 days per certificated FTE employee would bring the District back in line with the State average. If the number of leave days per certificated employee were reduced to meet the State average of 6.5 days, the potential savings to the District would be approximately $7,000 annually in substitute costs. This figure assumes that all certificated employees taking leave would require a substitute for that leave period.

Human Resource Management

R4.5   Southern LSD should formalize its recruiting process. Using best practices, such as a formal recruitment and retention policy, would help the District ensure it has clear and effective methods to attract and retain qualified staff.

When hiring new staff, the District has a recruitment practice it routinely follows. However, this practice is not part of a formal recruitment plan. The District posts job openings internally before posting them for external applicants. Certificated staff who apply for internal positions go through a bidding process based on seniority. Certificated positions that are not filled internally are then posted on ODE's website and at the ESC. The ESC primarily recruits graduates from area colleges. Classified vacancies are posted internally and also advertised in the area newspaper. According to the Superintendent,

classified positions are filled quickly due to the area job market. Applications are reviewed by the building principal or the manager of that position. The Superintendent oversees the hiring process for office staff and administrative positions.

According to the AOS survey of District employees, only about 20 percent of respondents agree that the overall recruitment process is effective. Respondent comments included remarks that the District has trouble finding qualified candidates. This opinion was reinforced in subsequent responses as 58 percent of respondents indicate that the District does not effectively assign substitutes (see **Appendix 4-A**).

According to *Meeting the Challenges of Recruitment and Retention* (NEA, 2003), best practices for teacher recruitment include:

- Developing a comprehensive recruitment plan;
- Developing a strong marketing and outreach campaign;
- Improving the hiring process;
- Providing non-traditional routes into the profession; and
- Providing financial incentives.

Using its informal process, it is difficult for the District to know if its standard processes are being followed or if its processes are effective in attracting and retaining qualified staff. By using a more formal process, administrative staff will be better able to assess recruitment and retention efforts.

Financial Implications Summary

The following table is a summary of estimated annual cost savings. Implementation of those recommendations subject to negotiations would require agreement from the affected collective bargaining units.

Financial Implications for the Human Resources Section

Recommendations	Estimated Annual Cost Savings
R4.1 Medical Health Insurance Premium Sharing	$152,900[1]
R4.1 Prorate Benefits for Part-Time Employees	$110,600
R4.3 Reduce 2.0 FTE Special Education Instructors	$111,700
R4.4 Reduce Sick Leave Usage	$7,000
Total	**$382,200**

Source: AOS recommendations

[1] Assumes 12.5 percent employee share of insurance premiums.

Appendix 4-A: Employee Survey Responses

The Auditor of State (AOS) administered a survey to 130 Southern LSD employees to obtain feedback and perceptions concerning human resources management issues. The survey was completed by 56 employees, for a survey response rate of approximately 43 percent. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral/No Opinion, 2 = Disagree, 1 = Strongly Disagree.

Human Resources Survey Responses

Survey Question	Client Results
1. I am aware of the duties required in my job description.	
• Strongly Agree	**60%**
• Agree	36%
• Neutral	2%
• Disagree	0%
• Strongly Disagree	0%
• No Opinion	2%
2. My job description accurately reflects my actual daily routine.	
• Strongly Agree	30%
• Agree	**44%**
• Neutral	8%
• Disagree	10%
• Strongly Disagree	0%
• No Opinion	8%
3. Our department could effectively maintain productivity in the event of a short-term absence.	
• Strongly Agree	16%
• Agree	**34%**
• Neutral	6%
• Disagree	24%
• Strongly Disagree	10%
• No Opinion	10%
4. Cross training has been implemented in my department.	
• Strongly Agree	12%
• Agree	22%
• Neutral	12%
• Disagree	14%
• Strongly Disagree	14%
• No Opinion	**26%**

Survey Question	Client Results
5. Staff training is effective in my department.	
• Strongly Agree	20%
• Agree	**34%**
• Neutral	10%
• Disagree	16%
• Strongly Disagree	4%
• No Opinion	16%
6. I am evaluated annually.	
• Strongly Agree	20%
• Agree	**38%**
• Neutral	12%
• Disagree	14%
• Strongly Disagree	6%
• No Opinion	10%
7. The evaluation process provides timely and relevant feedback.	
• Strongly Agree	28%
• Agree	**44%**
• Neutral	14%
• Disagree	2%
• Strongly Disagree	2%
• No Opinion	10%
8. Evaluations are done in accordance with collective bargaining contracts.	
• Strongly Agree	**36%**
• Agree	34%
• Neutral	12%
• Disagree	0%
• Strongly Disagree	4%
• No Opinion	14%
9. The evaluation form used is relevant to my job duties.	
• Strongly Agree	30%
• Agree	**40%**
• Neutral	8%
• Disagree	8%
• Strongly Disagree	2%
• No Opinion	12%
10. Management responds and acts on recommendations made in evaluation sessions.	
• Strongly Agree	16%
• Agree	**32%**
• Neutral	22%
• Disagree	12%
• Strongly Disagree	4%
• No Opinion	14%

Survey Question	Client Results
11. The District's employee's sick leave policy is too lenient.	
• Strongly Agree	2%
• Agree	14%
• Neutral	14%
• Disagree	**38%**
• Strongly Disagree	28%
• No Opinion	4%
12. The District's employee substitutes are qualified and effective.	
• Strongly Agree	0%
• Agree	28%
• Neutral	16%
• Disagree	**34%**
• Strongly Disagree	12%
• No Opinion	10%
13. The current substitute system is effective in placing substitutes.	
• Strongly Agree	0%
• Agree	16%
• Neutral	10%
• Disagree	26%
• Strongly Disagree	**32%**
• No Opinion	16%
14. I am aware of few lapses in certificate/licenses due to lack of management oversight.	
• Strongly Agree	4%
• Agree	12%
• Neutral	14%
• Disagree	14%
• Strongly Disagree	12%
• No Opinion	**44%**
15. I am satisfied with how human resources activities are managed in the District.	
• Strongly Agree	6%
• Agree	24%
• Neutral	24%
• Disagree	18%
• Strongly Disagree	2%
• No Opinion	**26%**
16. I am satisfied with the overall effectiveness of Human Resources management policies and procedures.	
• Strongly Agree	6%
• Agree	20%
• Neutral	**28%**
• Disagree	16%
• Strongly Disagree	2%
• No Opinion	**28%**

Survey Question	Client Results
17. I am informed of changes in District policies and procedures.	
• Strongly Agree	8%
• Agree	**52%**
• Neutral	12%
• Disagree	16%
• Strongly Disagree	4%
• No Opinion	8%
18. The Districts overall recruitment process is effective.	
• Strongly Agree	2%
• Agree	18%
• Neutral	**30%**
• Disagree	26%
• Strongly Disagree	8%
• No Opinion	16%
19. The District's procedures regarding job posting and hiring are effective.	
• Strongly Agree	10%
• Agree	**58%**
• Neutral	18%
• Disagree	6%
• Strongly Disagree	0%
• No Opinion	8%
20. I am satisfied with procedures regarding health benefits.	
• Strongly Agree	18%
• Agree	**52%**
• Neutral	16%
• Disagree	8%
• Strongly Disagree	2%
• No Opinion	4%
21. Current grievance procedures are fair and effective.	
• Strongly Agree	12%
• Agree	**36%**
• Neutral	16%
• Disagree	8%
• Strongly Disagree	2%
• No Opinion	26%
22. Current employee discipline procedures are fair and effective.	
• Strongly Agree	14%
• Agree	**30%**
• Neutral	20%
• Disagree	14%
• Strongly Disagree	8%
• No Opinion	14%

Survey Question	Client Results
23. Overall, I feel District employees' satisfaction and morale is positive.	
• Strongly Agree	10%
• Agree	**44%**
• Neutral	10%
• Disagree	18%
• Strongly Disagree	8%
• No Opinion	10%

Source: AOS survey of Southern LSD employees
Note: Percentages may not equal 100 due to rounding.

Appendix 4-B: Summary of Objectives for Human Resources

The following questions were used to evaluate the human resources function within Southern LSD:

- Is the District's current allocation of personnel efficient and effective?

- Is the District's compensation package in line with other high performing districts, State averages, and industry practices?

- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?

- Are the District's negotiated agreements in line with peers and best practices?

- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?

- Does the District provide special education programs for students with disabilities that maximizes resources and are compliant with State and federal regulations?

- Does the District provide an appropriate range of accelerated programs?

- Does the District provide effective and efficient workforce development programs (such as vocational-technical education) that meet the needs and expectations of the community?

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Facilities

Background

This section focuses on facilities operations in Southern Local School District (Southern LSD or the District). **Appendix 5-B** provides a summary of the audit objectives for the **facilities** section. The District's operations are evaluated against best practices and operational standards from the Association of School Business Officials International (ASBO), the American School and University (AS&U), the International Sanitary Supply Association (ISSA), the Government Finance Officers Association (GFOA), and the National Center for Education Statistics (NCES). Comparisons are also made to 10 peer districts[1] which have been selected based on demographic data obtained from the Ohio Department of Education (ODE). Finally, AOS administered a survey of District employees to gauge their overall satisfaction with various aspects of the District's facilities operations. **Appendix 5-A** at the end of this section summarizes the results of this survey.

Organizational Structure and Function

Southern LSD consists of one primary building that houses the elementary, middle, and high school grade levels (K through 12), as well as the District's administrative offices. The District also maintains a bus garage and a pre-school modular, which are off-site, but located in close proximity to the primary campus (less than 0.5 miles). District custodians are not responsible for cleaning the bus garage and pre-school. Rather, this function is performed, respectively, by in-house bus drivers and contracted Perry County Educational Service Center employees. In addition to the primary campus, custodians are responsible for cleaning the District's Natural Resources building, which houses vocational agriculture classrooms.

Staffing

Southern LSD employs a full-time equivalent (FTE) Maintenance Employee (0.75 FTE), who has worked with the District for approximately 30 years and also serves as part-time grounds keeper (0.10 FTE) and custodian (0.15 FTE). The Maintenance Employee reports directly to the Superintendent and liaises with the District's contracted provider who provides heating, ventilation, and air conditioning (HVAC) services.

The District also employs 5.0 FTE custodians with an average of approximately 4 years experience. Custodians report to the elementary, middle, and high school principals depending

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[1] See the **executive summary** for a list of the peer districts.

on their assignments (see **R5.1**). They are responsible for maintaining facilities-related supplies and materials inventory, daily cleaning, and performing light maintenance work.

Key Operating Statistics

Key statistics related to the facility maintenance and operations of Southern LSD are presented in **Table 5-1**. This table also incorporates best practice workload measures from AS&U and NCES.

Table 5-1: FY 2005-06 Key Facilities Statistics and Indicators

District Buildings	
Number of School Buildings	**2**
Primary Campus (Grades K-12)	1
Pre-school Modular	1
Total Square Feet	**168,645**
Custodial Operations	
Total Square Feet Cleaned	**166,965** [1]
Square Feet Cleaned per Custodian (5.15 FTE)	*32,420* [2]
NCES-Recommended Square Feet per Custodian	28,000
Maintenance Operations	
Square Feet per Maintenance FTE (0.75 FTE)	*224,860*
AS&U Median (Districts with < 1,000 Students)	106,113
Grounds Keeping Operations	
Acres per Grounds Keeper FTE (0.10 FTEs, 122 acres)	*1,220*
AS&U Median (Districts with < 1,000 Students)	23

Source: Southern LSD, AS&U, and NCES
Note: FTE figures may not match those listed in **human resources** because of how EMIS presents data by position.
[1] Excludes the bus garage and pre-school modular because these are not cleaned by District custodians.
[2] Includes the pre-school modular.

As illustrated in **Table 5-1**, Southern LSD's square footage-based workload ratios significantly exceed industry benchmarks in every category. This can be attributed, in part, to the District's financial condition, which resulted in the reduction of a custodial FTE effective FY 2005-06. As a result, the Maintenance Employee assumed partial responsibility of the custodial function and is unable to dedicate as much of his time to grounds keeping and maintenance.

While it appears that District maintenance and operations personnel are under-staffed, based on industry workload measures, an AOS survey of District employees (see **Appendix 5-A**) indicates that respondents are, in general, pleased with the condition and upkeep of Southern LSD facilities, as indicated by the following:

- Sixty-four percent agree that custodians and maintenance employees are polite and have a good work ethic and attitude;
- Fifty-six percent of respondents agree that custodial and maintenance employees provide quality services;

- Fifty-six percent agree that school grounds are properly maintained;
- Fifty-five percent agree that playground equipment is properly maintained; and
- Fifty-two percent agree that facilities are properly cleaned.

Nonetheless, staffing and workload issues are negatively impacted by the District's reporting structure (see **R5.1**), as well as the absence of formal team cleaning practices (see **R5.2**), no formal custodial and maintenance operating procedures (**R5.3**), and no formal work order system (see **R5.4**). Moreover, Southern LSD's new HVAC system requires the Maintenance Employee to allocate time away from grounds keeping in order to replace and clean air filters. Consequently, 25 percent of AOS survey respondents indicated that school grounds were not properly maintained (see **Appendix 5-A**).

Financial Data

Southern LSD has taken steps to reduce or stabilize its maintenance and operations-related expenditures in the General Fund. The District eliminated a custodian position, resulting in a 12.3 percent decrease in *salaries and benefits*. In addition, Southern LSD reduced discretionary spending, resulting in an 18.3 percent decrease in *supplies and materials*. Overall, Southern LSD's facilities expenditures decreased 6.1 percent ($43,300) since FY 2003-04. Regardless, purchased services costs increased by 4.4 percent, attributed primarily to an increase in utilities--most notably *electricity* and *water & sewer*.

Table 5-2 compares the District's FY 2005-06 General Fund maintenance and operations expenditures per square foot to the peer average and AS&U benchmarks.

Table 5-2: FY 2005-06 Maintenance and Operations Expenditures per Square Foot

Cost Category	Southern LSD	Peer Average	Above (Below) Peer Average	AS&U (<1,000 Students)	Above (Below) AS&U
Salaries/Benefits	$1.88	$2.48	(24.2%)	$1.71	9.9%
Purchased Services	$0.75	$0.54	38.9%	$0.09	733.3%
Utilities	$1.10	$1.32	(16.7%)	$1.25	(12.0%)
• Electricity	$0.78	$0.59	32.2%	N/A	N/A
• Water and Sewer	$0.11	$0.08	37.5%	N/A	N/A
• Gas	$0.21	$0.64	(67.2%)	N/A	N/A
Supplies/Materials	$0.21	$0.34	(38.2%)	$0.34	(38.2%)
Total	**$3.94**	**$4.74**	**(16.9%)**	**$3.85**	**2.3%**

Source: Southern LSD 2700 function code (General Fund – USAS) and AS&U
N/A: AS&U does not break out utilities by line item.

Southern LSD spends $3.94 per square foot to maintain and operate its facilities. This is nearly 17 percent less than the peer average but 2.3 percent higher than the AS&U benchmark. Compared to the peer average and AS&U benchmarks, Southern LSD spends significantly more per square foot in purchased services (excluding utilities). This can be attributed, in part, to its contract for HVAC services, which cost the District approximately $18,000 in FY 2005-06. However, District expenditure ratios fall below the peer average and AS&U benchmarks in utilities, particularly natural gas costs, and supplies and materials, which can be attributed to its new HVAC system and location in the State (more southerly than the peers), as well as a reduction in discretionary spending (see **financial systems**). The District's comparatively high *water & sewer* expenditures can be partially attributed to an on-site sewage treatment system, which the District is required to maintain.

Recommendations

R5.1   **Southern LSD should reorganize its maintenance and operations-related reporting structure by appointing a facilities operations manager to supervise custodial, maintenance, and grounds keeping functions. This will increase accountability by creating one, centralized position that is responsible for ensuring these duties are performed. Moreover, given the District's single campus configuration, this will help improve productivity and efficiency by providing a more centralized reporting structure in preparation for implementing recommended team cleaning (see R5.2).**

Supervision of the District's maintenance and operations functions are divided among several individuals, including the Superintendent and the grade level principals. The Superintendent oversees the Maintenance Employee while grade level principals oversee custodians within their respective sections (or zones) of the Southern LSD campus. This reporting structure causes inefficiency by requiring custodians to clean partitioned areas – with the majority of square footage based on grade level – rather than cleaning the facility as a whole and as a team (see **R5.2**) that is supervised centrally. A decentralized system can negatively impact workload as multiple supervisors may have competing priorities and different expectations for cleanliness. This can also affect employee morale and reduce overall productivity.

Table 5-1 shows that decentralized supervision over custodial responsibilities results in the District appearing under-staffed, especially when considering NCES's workload benchmark of 28,000 square feet per custodial FTE. In aggregate, District custodians exceed the NCES benchmark, but are able to maintain a clean environment with lower staffing levels because of the experience of personnel and the single campus configuration of the facility.

Southern LSD has a clear channel of authority for custodial, maintenance, and groundskeeping activities – through the Superintendent and grade level principals – which is helpful in establishing a minimal level of accountability. However, these positions are primarily responsible for ensuring that students receive a sufficient and adequate education and are not specifically trained as custodial or maintenance supervisors. In contrast, Lake LSD (Wood County) centralizes supervisory responsibilities over its custodial, grounds keeping, and maintenance functions through a part-time Maintenance Manager position.

Southern LSD's Maintenance Employee has been employed with the District for approximately 30 years and is trained to perform custodial, maintenance, and grounds keeping activities. By centralizing supervision of its maintenance and operations functions under the Maintenance Employee and reallocating his direct maintenance and

grounds keeping responsibilities, the District can increase productivity through more effective supervision.

R5.2 **The District should implement a formal team cleaning approach for custodial duties. Team cleaning will increase the productivity of current staff and allow the District to allocate additional staff resources to the grounds keeping function at minimal additional cost. Southern LSD should document this approach formally by developing a custodial and maintenance staff handbook (see R5.3).**

Table 5-1 shows that Southern LSD custodians clean 15.8 percent more square feet per FTE, in aggregate, compared to the AS&U benchmark. An AOS survey of District employees (see **Appendix 5-A**) also demonstrates that Southern LSD employees are generally satisfied with the job performance of the custodians. Nonetheless, the financial condition of the District has made it necessary to reduce custodial staffing and shift some custodial responsibilities to the Maintenance Employee. To illustrate this point, 29 percent of AOS survey respondents indicated that there are an insufficient number of custodians in the building.

Given the expansion of the Maintenance Employee's responsibilities and the District's relatively small, single campus configuration, a centralized team cleaning approach would be more efficient and effective over a decentralized approach. *Working as a Team* (AS&U, 2004) discusses the aspects of a team cleaning approach, which focuses on efficiency and effectiveness, work simplification, work redistribution, workflow, and employee self-direction. Team cleaning consists of dividing duties among specialists, such as:

- **Starter**: Removing surface dust and spot cleaning.
  - o This function could be performed by the custodian who works during school hours (9 AM – 5:30 PM).

- **Restroom specialist**: Cleaning and sanitizing restrooms.
  - o This function could be performed by one of the custodians working after school hours (3:30 PM – 12 AM).

- **Utility specialist**: Collecting and disposing of trash, lobby assignments, various floor care responsibilities and other tasks as needed.
  - o This function could be performed by one of the custodians working after school hours (2:30 PM – 11 PM).

- **Closer**: Vacuuming and checking for obvious cleaning deficiencies and ensuring buildings are closed properly each night.
  - o This function could be performed by one of the custodians working after school hours (3:30 PM – 12 AM).

Under a team cleaning approach, custodial scheduling is tiered and cleaning responsibilities are prioritized and assigned based on routine, detailed, and project-type activities. Routine duties (e.g., emptying trash and vacuuming) are typically performed daily while more detailed cleaning (e.g., cleaning chalkboards) can be performed weekly. Non-routine or "project-type" activities (e.g., stripping and waxing floors and taking inventory) are then completed monthly or on an as-needed basis.

Adjusting work schedules is a critical component of team cleaning. The "starter" typically arrives first and begins cleaning, while the "closer" usually arrives later, completes unfinished tasks, and ensures buildings are properly secured for the night. The District would not be required to substantially alter its custodial scheduling practice, as it already uses a tiered approach. In fact, Southern LSD indicates that it uses a modified team approach in the summer to complete more complex and time consuming tasks (e.g., stripping and waxing floors, painting, moving furniture, shampoo cleaning, and overall cleaning).

Because custodial supervision is decentralized, the District cannot effectively achieve the efficiencies of the team cleaning approach as multiple supervisors may have competing priorities and different expectations for cleanliness (see **R5.1**).

Team Work (AS&U, 1999) recognizes the following advantages of team cleaning:

- **Supervision and work quality**: Supervising team cleaning is less time-consuming because the supervisor can spot-check classrooms and restrooms for completion of specific tasks rather than inspecting every area assigned to a worker.

- **Training**: Training workers in team cleaning functions is less complex and time-consuming because the focus is on standard tasks that are performed in specific ways with specific tools and materials.

- **Double-check system**: Because the closer function follows the utility specialist function, the person who vacuums enters an office or classroom and immediately goes to the trash can, empties it if necessary, and begins vacuuming from that point. This person can inspect the area for obvious cleaning deficiencies.

- **Energy savings**: Team cleaning can reduce electricity costs per square foot (see **Table 5-2**). When the utility specialist and closer duties are complete, the person who vacuums turns out the lights. However, if the utility specialist finds an area that does not require any cleaning, then the room is closed and lights are turned off signaling that the room is clean.

- **Scheduling and productivity**: Team scheduling is based on a building's size, layout and needs. It focuses and sequences the workers on a narrow but complementary range of tasks that allows much faster production at much higher quality.

- **Morale**: Team cleaning enhances morale because well-defined goals are shared, custodians are knowledgeable about their duties, and input and clear communication are encouraged. This can be improved further, by formally documenting standard operating procedures (see **R5.3**).

By moving to a team cleaning approach, the District will be able to maintain its present staffing levels and tits custodians will be able to complete their cleaning tasks in shorter time-frames.[1]

R5.3 **Southern LSD should create a custodial and maintenance staff handbook that contains formal standard operating procedures, as well as expected performance standards. This handbook may include, but should not be limited to, the following:**

- **An outline of step-by-step processes for completing routine tasks;**
- **Established criteria for what the District expects and will accept as a completed work order;**
- **A list of any equipment, materials, and supplies, that workers routinely use; and**
- **All relevant sections of Board policy, as well as any applicable State and federal laws and regulations, disaster-related procedures, work-related injury procedures, etc.**

Furthermore, the District should review this handbook annually to ensure it is kept up-to-date. A formal handbook will help to facilitate centralized supervision of maintenance and operations-related duties (see R5.1) and a team cleaning approach (see R5.2). Moreover, a formal handbook will ensure operational continuity in the absence of staff with extensive institutional knowledge.

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[1] Some adjustments to the schedules used to illustrate the approach may be needed for Souther LSD to be able to implement the recommendaiton. In particular, it uses two custodians to cover seprate, silmultaneous lunch periods. To continue this practice, some adjustment to the recommended approach may be needed.

According to Board policy 7410, the Superintendent is responsible for promulgating rules for custodial and maintenance staff to follow to ensure ongoing maintenance and good order of the physical plant, and to provide for the expeditious repair of those conditions that may threaten the safety of the occupants or the integrity of the plant. Nonetheless, Southern LSD does not have formal standard operating procedures for the maintenance or custodial functions. Instead, these responsibilities are assigned informally, by undocumented practices that are communicated verbally to personnel by their respective supervisors during the course of day-to-day operations.

The Planning Guide for Maintaining School Facilities (NCES, 2003) states that every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible (perhaps maintained on the Intranet or Internet), and written at an appropriate reading level. NCES suggests that at a minimum, the manual should include:

- Mission statement;
- Personnel policies;
- Purchasing regulations;
- Accountability measures;
- Asbestos procedures;
- Repair standards;
- Vehicle use guidelines;
- Security standards; and
- Work order procedures.

The Custodial Methods and Procedures Manual (ASBO, 2000) also serves as a guideline for the development of standard operating procedures. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, cleaning procedures, and work methods for various job tasks. Finally, ISSA has developed a handbook designed to help train and guide custodians. The handbook details the correct cleaning methods and the proper use of custodial equipment, and offers guidelines and tips 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 a formal handbook, maintenance and operations personnel may be unable to effectively and efficiently prioritize and perform their duties. Work performance may also be negatively impacted in the event that experienced employees are absent or otherwise unavailable. Finally, without a formal handbook, the District cannot effectively communicate management expectations as to the quality of work and performance of its maintenance and operations employees.

R5.4   Southern LSD should consider implementing a computer-based work order system. The Maintenance Employee (or recommended facilities operations manager) can maintain such a system on a basic spreadsheet or database at minimal additional cost. This system would improve accountability by allowing the District to monitor performance statistics, including, but not limited to the following:

- **Dates work requests received, approved, and completed;**
- **Tracking number and priority (preventive, routine, or emergency) assigned;**
- **Current status (received, in-process, and completed);**
- **Location (where, specifically, work is performed);**
- **Entry user (who requested work);**
- **Supervisor and employee assigned; and**
- **Supply and labor costs incurred.**

Finally, a computer-based work order system can help provide the statistical information needed in the creation of a formal preventive maintenance program (see R5.5).

Southern LSD's work order process is manual – employee work request forms are submitted in person to grade level principals, who then remit requests to the administrative office, unless the request can be handled immediately by a custodian. Upon the approval of a principal, work orders are typically submitted to the Superintendent who approves the work and assigns the job to the Maintenance Employee.

While work request forms contain a field to indicate whether the job is an emergency, there is no computer-based process by which work orders are prioritized. The work order completion date is documented by the Maintenance Employee and the work request form is then returned to the Superintendent and filed. Upon completion of a work request, the

originator of the form may receive a copy of the completed work order form. It should be noted that just over 30 percent of AOS survey respondents indicated that work orders are not responded to in a timely manner.

The Planning Guide for Maintaining School Facilities (NCES, 2003) suggests that 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. Furthermore, NCES states that staff from every building and campus in a district should have the ability to initiate a work request and determine its status. However, it is a good policy to limit "official" requesting authority to a single person so that better internal oversight is maintained.

Cuyahoga Falls CSD (Summit County) relies on a simple work order system that might suit Southern LSD's needs. Cuyahoga Falls CSD's Custodial/Maintenance Supervisor developed a work order tracking system using spreadsheets that include the following fields: date submitted, work order number and building assigned, description of work, priority, employee assigned, and date assigned and completed. Work orders are assigned based on priority and availability of staff and monitored throughout their life-cycle. While the system is still paper-based through the work order submission process, tracking and cost data is maintained electronically.

The current, paper-based work order system does not allow the District to track and monitor inventory use, or the cost of materials and labor used to complete each work order. Moreover, this system does not track formal statistics, nor does it allow for efficient communication of work order priorities, including when a job is initiated and completed. In the AOS survey of District personnel, only 19 or respondents agree that affected staff is advised of incomplete work orders.

A computer-based system can help increase accountability in this regard through improved record-keeping and priority-setting. Implementing an electronic tracking system through the use of a spreadsheet could be accomplished at no additional cost to the District.

R5.5 **The District should establish a preventive maintenance program that can be linked directly to a computer-based work order system (e.g., spreadsheet or database) that formally prioritizes and assigns work order tasks. This will help to improve accountability and minimize equipment failures.**

With the exception of outsourced preventive maintenance for its HVAC system, Southern LSD does not have a formal preventative maintenance program that can be linked to a recommended computerized work order system (see **R5.4**). The District conducts annual facility inspections and solicits feedback from teachers about the condition of their

classrooms – an excellent method of ensuring that some maintenance is performed. Maintenance and operations personnel rely more on past experience to perform preventive maintenance, rather than formally tracked and documented statistics or a formal calendar.

The Planning Guide for Maintaining School Facilities (NCES, 2003) recommends that all school districts have a formal preventative maintenance program. Many school districts, like Southern LSD, practice what is known as "breakdown maintenance," whereby maintenance problems are typically fixed as they occur. This method can often defer major repairs and allow damage to compound over time. Preventive maintenance, on the other hand, focuses on regularly scheduled equipment maintenance to prevent sudden unexpected equipment failure. A well-designed facility management system generally encompasses four categories of maintenance, including: emergency (or response), routine, preventive, and predictive.

The Superintendent indicated that custodial and maintenance staff have been with the District for a number of years, and there is relatively little turnover, although the Maintenance Employee was on leave for an extended period. Therefore, employees are accustomed to regularly performing maintenance tasks, such as striping and waxing the gymnasium floor every winter break. Nonetheless, Southern LSD should consider implementing a formal preventive maintenance program to better ensure continued operations in the event that experienced employees are absent or otherwise unavailable. Finally, implementing a regular preventive maintenance program will ensure the continued functioning of critical District systems.

R5.6   **Southern LSD should publish its facilities use application and fee schedule on the District website. This will help to enhance accountability through improved communication and will also help to ensure the District offsets the incidental costs incurred through the use of its facilities by community groups.**

During the course of the performance audit, the District updated its website to include its facilities use form and fee schedule.

Board policy 7510 states that Southern LSD encourages appropriate and proper use of its facilities by the public. Priority of use is given to groups and organizations related to the schools and the operations of the schools, including student and teacher groups. This policy further stipulates that the Board shall approve a schedule of fees for the use of school facilities which include utilities and other incidental costs, including the cost of the custodial employees. This information is not published online, however, and the practice of the District is to only charge for the hourly cost of the custodian.

Best Practices for Public Budgeting (GFOA, 2000) suggests that 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. Policies may address a requirement to review all fees and charges, the level of cost recovery for services and the reason for any subsidy, and the frequency with which cost-of-services studies will be undertaken.

Stakeholders should be given an opportunity to provide input into the formulation of these policies. Policies on fees and charges should be publicly available and summarized in materials used for budget preparation. They should also be identified in other government documents, including planning and management reports. Costs of service include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and debt service). A government may choose not to recover all costs, but it should identify such costs. Reasons for not recovering full costs should be identified and explained as State and local law may govern the establishment of fees and charges.

One way policies can be made publicly available is through the use of the District's website. Lake LSD (Wood County) has made use of their website to publish their facility use form as well as a detailed listing of rental fees for rooms in each of their buildings. This allows the public to know how much they will be expected to pay for the use of a facility. In addition, by charging outside groups the full costs incurred, Lake LSD is better able to reduce its expenses related to facility rental.

Appendix 5-A: Southern LSD Employee Survey Responses

The Auditor of State (AOS) administered a survey to 130 Southern LSD employees to obtain feedback and perceptions concerning facilities issues. The survey was completed by 56 employees, for a survey response rate of approximately 43 percent. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral/No Opinion, 2 = Disagree, 1 = Strongly Disagree.

Facilities Survey Responses

Survey Question	Client Results
1. Work orders are responded to in a timely manner.	
• Strongly Agree	8%
• Agree	**31%**
• Neutral	19%
• Strongly Disagree	25%
• Disagree	6%
• No Opinion	10%
2. Custodial and maintenance employees deliver quality services.	
• Strongly Agree	10%
• Agree	**46%**
• Neutral	25%
• Disagree	4%
• Strongly Disagree	4%
• No Opinion	10%
3. Emergency work orders are given top priority.	
• Strongly Agree	10%
• Agree	**40%**
• Neutral	25%
• Disagree	2%
• Strongly Disagree	2%
• No Opinion	21%
4. Affected staff are notified in advance of work to be performed.	
• Strongly Agree	2%
• Agree	27%
• Neutral	19%
• Disagree	19%
• Strongly Disagree	0%
• No Opinion	**33%**

Survey Question	Client Results
5. Affected staff are advised of incomplete work orders.	
• Strongly Agree	4%
• Agree	15%
• Neutral	17%
• Disagree	25%
• Strongly Disagree	0%
• No Opinion	**40%**
6. Work is scheduled so it is not disruptive.	
• Strongly Agree	10%
• Agree	**31%**
• Neutral	23%
• Disagree	12%
• Strongly Disagree	4%
• No Opinion	19%
7. Workers are careful near children.	
• Strongly Agree	15%
• Agree	**40%**
• Neutral	25%
• Disagree	0%
• Strongly Disagree	0%
• No Opinion	21%
8. The regular cleaning schedule appears to be appropriate.	
• Strongly Agree	17%
• Agree	**40%**
• Neutral	23%
• Disagree	8%
• Strongly Disagree	4%
• No Opinion	8%
9. Custodial tasks are completed efficiently.	
• Strongly Agree	15%
• Agree	**35%**
• Neutral	29%
• Disagree	6%
• Strongly Disagree	0%
• No Opinion	15%
10. Facilities are properly cleaned.	
• Strongly Agree	10%
• Agree	**42%**
• Neutral	23%
• Disagree	15%
• Strongly Disagree	2%
• No Opinion	8%

Survey Question	Client Results
11. Custodians and maintenance staff are polite and have a good work ethic and attitude.	
• Strongly Agree	10%
• Agree	**54%**
• Neutral	19%
• Disagree	10%
• Strongly Disagree	0%
• No Opinion	6%
12. There appears to be a sufficient number of custodians in my building.	
• Strongly Agree	8%
• Agree	**42%**
• Neutral	10%
• Disagree	25%
• Strongly Disagree	4%
• No Opinion	10%
13. School grounds are properly maintained.	
• Strongly Agree	8%
• Agree	**48%**
• Neutral	12%
• Disagree	19%
• Strongly Disagree	6%
• No Opinion	6%
14. Custodial and maintenance staff cooperate with other staff regarding safety of equipment on school grounds.	
• Strongly Agree	17%
• Agree	**38%**
• Neutral	27%
• Disagree	0%
• Strongly Disagree	2%
• No Opinion	17%
15. Work appears to be scheduled according to priorities.	
• Strongly Agree	8%
• Agree	**44%**
• Neutral	17%
• Disagree	10%
• Strongly Disagree	2%
• No Opinion	19%
16. Workers show respect for school property.	
• Strongly Agree	25%
• Agree	**58%**
• Neutral	8%
• Disagree	2%
• Strongly Disagree	2%
• No Opinion	4%

Survey Question	Client Results
17. Playground equipment is properly maintained.	
• Strongly Agree	17%
• Agree	**38%**
• Neutral	10%
• Disagree	12%
• Strongly Disagree	0%
• No Opinion	23%

Source: AOS survey of Southern LSD employees
Note: Percentages may not equal 100 due to rounding.

Appendix 5-B: Summary of Objectives for Facilities

The following questions were used to evaluate the performance of the facilities function within Southern LSD:

- Is the District's custodial and maintenance staffing comparable to best practices?

- How do facility users rate facility maintenance and cleanliness?

- How do District costs per square foot compare to the peer average and industry benchmarks?

- Does the District have an effective reporting structure to ensure effective facilities management?

- Has the District established procedures and staff performance standards to ensure efficient operations?

- Are the District's facility management and planning practices comparable to best practices?

- Does the maintenance and operations department have a system for prioritizing work orders uniformly and tracking progress?

Transportation

Background

This section of the performance audit focuses on Southern Local School District's (Southern LSD or the District) transportation operation. **Appendix 6-A** provides a summary of the audit objectives for the **transportation** section. The District's operations are evaluated against best practices and recommended operational standards, including the American Association of School Administrators (AASA), the American Public Works Association (APWA), and the Government Finance Officers Association (GFOA). Comparisons are also made to 10 peer districts[1] that were selected based on demographic data obtained from the Ohio Department of Education (ODE).

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school for all students in grades kindergarten through eighth grade who live more than two miles from their assigned school. School districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their students. In addition, school districts must provide transportation to special needs students who are unable to walk to school, regardless of distance. Finally, when required by an individualized education program (IEP), school districts must provide door-to-door transportation to special needs students based on the unique needs of the student.

Transportation Policy

As written, the District's transportation policy exceeds State minimum requirements, attributable in part to its rural setting, single campus configuration (see **facilities**), and identified hazards (e.g., railroad crossings and lack of sidewalks). As stipulated by the Southern LSD Board of Education (the Board), it is the District's policy to provide pupil transportation services to all students (grades K-12) who live at least one-half mile from school. Board policy does not stipulate, however, that transportation services are optional for high school pupils (see **R6.1**).

Demographic Comparisons

Table 6-1 compares basic demographics and General Fund expenditure data of Southern LSD to the peer district average.

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[1] See the **executive summary** for a list of the peer districts.

Table 6-1: Demographic and Expenditure Comparison, FY 2005-06

	Southern LSD	Peer Average	Percent Above (Below)
District Square Miles	87	115	(24.3%)
ADM	**893**	**1,447**	**(38.3%)**
• Per District Square Mile	10	14	(28.6%)
• Population Density	56	98	(42.9%)
Total Expenditures (General Fund)	**$7,348,939**	**$11,383,346**	**(35.4%)**
• Per ADM	$8,229	$7,976	3.2%
Pupil Transportation Support Services Expenditures (General Fund) [1]	**$598,280**	**$789,687**	**(24.2%)**
• As a percentage of Total General Fund	8.1%	6.9%	1.2%
• Per ADM	$670	$546	22.7%

Source: Ohio Department of Education
Note 1: Dollar figures are rounded.
Note 2: Peer averages and ratios may not foot and cross-foot numerically due to rounding.
[1] Comprises the 2800 function code, as defined by the Uniform School Accounting System (USAS).

Compared to the peer average, Southern LSD has a lower Average Daily Membership (ADM), is geographically smaller, and is located in a predominately rural setting that is sparsely populated, as indicated by its relatively low population density. The District also provides transportation services to approximately 40 percent fewer riders (see **Table 6-2**), which explains why the District's transportation-related General Fund expenditures also fall more than 24 percent below the peer average. Southern LSD slightly exceeds the peer average in transportation expenditures per ADM (by 3.2 percent) and as a percentage of the total General Fund (by 1.2 percent). Given its geography, as well as a centralized, campus-style configuration (see **facilities**), the District must proactively manage its routing to ensure it employs an appropriate fleet size that maximizes bus capacity (see **R6.4** and **R6.5**).

Operating Statistics

Southern LSD provided transportation to 776 Type I riders during FY 2005-06. Type I services[2] pertain to those riders on Board-owned yellow buses who comprise the majority of transportation-related costs, for which the District is reimbursed by ODE. Over the past four fiscal years (FY 2003-04 through 2006-07), Southern LSD has only transported 3 non-Type I riders, at nominal costs.

Table 6-2 compares the District's transportation statistics to the peer average.

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[2] ODE classifies pupil transportation ridership by the following types: Type I (riders on Board-owned yellow buses), IA (riders on another district(s) buses), II (riders on outsourced/leased, contractor-owned buses), III (riders on public utilities such as taxis), IV (payment in lieu), V (riders on Board-owned vehicles other than buses), VI (riders on privately-owned vehicles), and VII (community school riders).

Table 6-2: Pupil Transportation Operating Statistics, FY 2005-06

	Southern LSD	Peer Average	Percent Above (Below)
Riders	**776**	**1,289**	**(39.8%)**
• Regular Needs	770	1,283	(40.0%)
• Special Needs	6	6	0.0%
As a Percentage of ADM	86.9%	83.4%	3.5%
Per District Square Mile	8.9	11.9	(25.2%)
Buses	**19**	**22**	**(13.6%)**
• Active (includes regular and special needs)	11	17	(35.3%)
• Spare	8 [1]	5	60.0%
• Spares as a % of Fleet	42.1%	22.8%	19.3%
Annual Routine Miles [2]	**203,940**	**273,618**	**(25.5%)**
• Per Bus (including spares)	10,734	11,337	(5.3%)
• Per Active Bus	18,540	14,565	27.3%

Source: Ohio Department of Education
Note: Peer averages and ratios may not foot and cross-foot numerically due to rounding.
[1] In February, 2007, the Board approved disposing of a spare bus.
[2] Trips necessary for the daily attendance of children in their educational program, whereas "non-routine miles" typically refer to field trips and related trips for which expenditures are not reimbursed by ODE.

Compared to the peer average, Southern LSD transports 39.8 percent fewer Type I riders on fewer active buses over a smaller geographic area. The District maintains a significantly higher percentage of spare buses, which can be attributed to the geographical layout and population density of the District (see **Tables 6-1** and **6-2**). The Transportation Supervisor indicates that because pupils are spread out over a predominately rural area, the District must maintain more spares in the event of a breakdown of one or more active buses. It should be noted that the District significantly exceeds the peer average in routine miles per active bus (27.3 percent) and minimizes wear and tear on active buses by using spares to provide non-routine transportation (i.e., field trips). These practices have proven effective, as Southern LSD spent nearly $1,000 less than the peer average per bus to maintain and repair the fleet in FY 2005-06 (see **Table 6-3**).

Operating Expenditures

In FY 2005-06, Southern LSD spent approximately $562,000 to provide Type I pupil transportation services. Of this, the District received nearly $471,000 (about 84 percent) in State reimbursement from ODE, significantly exceeding the peer average. **Table 6-3** compares Southern LSD transportation Type I expenditure ratios with the peer average in several key categories.

Table 6-3: Type I Pupil Transportation Operating Expenditures, FY 2005-06

	Southern LSD	Peer Average	Percent Above (Below)
Personnel [1]	**$430,204**	**$550,793**	**(21.9%)**
• Per Bus	$23,900	$22,996	3.9%
• Per Annual Routine Mile	$2.11	$2.02	4.5%
Fuel	**$79,747**	**$97,033**	**(17.8%)**
• Per Bus	$4,430	$4,066	9.0%
• Per Annual Routine Mile	$0.39	$0.37	5.4%
Maintenance & Repairs [2]	**$55,875**	**$93,612**	**(40.3%)**
• Per Bus	$3,104	$4,057	(23.5%)
• Per Annual Routine Mile	$0.27	$0.36	(25.0%)
Bus Insurance	**$14,258**	**$19,953**	**(28.5%)**
• Per Bus	$792	$929	(14.7%)
• Per Annual Routine Mile	$0.07	$0.09	(22.2%)
Total Type I Expenditures [3]	**$561,945** [4]	**$732,080** [4]	**(23.2%)**
• **Per Rider**	**$724**	**$584**	**24.0%**
• **Per Bus**	**$31,219**	**$31,004**	**0.7%**
• **Per Annual Routine Mile**	**$2.76**	**$2.76**	**0.0%**
• **ODE Reimbursement**	**83.8%**	**59.8%**	**24.0%**

Source: Ohio Department of Education

Note: Per bus expenditure ratios exclude one spare which was removed from service.

[1] Includes salaries, wages, retirement, workers' compensation, employee insurance, driver exams and drug tests, certification and licensing, and training.

[2] Includes maintenance and repairs, supplies, tires, tubes, and labor.

[3] Includes additional miscellaneous expenditures (e.g., facility rent, utilities, bus lease, and other).

[4] These figures exclude non-reimbursable General Fund (2800 Function Code) expenditures for capital outlay and non-routine transportation, per ODE instruction.

Southern LSD falls 23.2 percent below the peer average in Type I transportation expenditures, attributable primarily to fewer riders, as well as staffing and route reductions, which reduced personnel costs by $41,300 since FY 2003-04. Regardless, District expenditures exceed the peer average on a per rider and per bus basis. The District also exceeds peer average expenditure ratios for personnel and fuel, which can be attributed to relatively high fringe benefit costs (see **human resources**), as well as the District's practice of procuring fuel from a single, local supplier (see **R6.3**). Furthermore, Southern LSD's two-tiered routing system (see **R6.4**) results in a relatively low ridership capacity per route and the District does not have a formal bus replacement plan that accounts for declining ridership (see **R6.5**). Therefore, the District maintains a fleet that is too large to efficiently meet its needs.

Recommendations

R6.1   Southern LSD should revise Board policy 8600 to indicate that transportation services for high school students are optional – consistent with ORC § 3327.01. The District should also revise this policy to include a list of identified hazards as listed in OAC 3301-83-20(I). The policy should clearly explain that, as a result of these hazards (and other exceptions), transportation services may exceed State minimum standards for high school students and those pupils who reside less than two miles from their schools. This will help ensure that District policy more accurately reflect ORC and OAC requirements for pupil transportation services, as well as ensure that all stakeholders are aware of the District's transportation practices.

Southern LSD Board policy, as it pertains to pupil transportation, significantly exceeds minimum standards as stipulated by ORC § 3327.01. Board policy 8600 stipulates that the District will provide pupil transportation services to all students (grades K through 12) who live at least one-half mile away from their school. It does not stipulate that high school service is optional. Furthermore, the policy does not enumerate specific hazards which may result in the District providing services in excess of State minimum standards.

The Transportation Supervisor has identified and posts the locations of identified hazards (e.g., railroad crossings) that may make walking unsafe for students. Nonetheless, Board policy, as it pertains to hazards, is unspecific and overly broad as it states that transportation service level exceptions to established areas may be made by the Board "in the case of adverse safety conditions."

According to OAC 3301-83-20(I), a number of hazards exist that may result in a district transporting students above the recognized State minimum standards. These hazards include the following:

- Construction sites;
- Heavy traffic volume (overcrowding);
- Speeds exceeding thirty-five miles per hour;
- Lack of sidewalks or sidewalks in poor condition;
- Overpasses and underpasses;
- Areas of poor visibility;
- Restricted sight distances;
- On-street parking areas; and
- Railroad crossings.

Barberton City School District specifically defines a hazard as "an area that students must pass through while traveling to and from school that presents a clear opportunity for accidental bodily harm and a substantial risk beyond what students would normally encounter." Unlike Southern LSD, Barberton City School District also formally enumerates board-approved hazards (including addresses and affected grade levels) within its transportation policy.

By not formally stipulating that high school service is optional and by not listing approved hazards, the Board's policy may not accurately reflect ORC and OAC requirements and Southern LSD cannot effectively communicate its transportation-related practices and expectations to stakeholders.

R6.2 **The Transportation Supervisor should collaborate with the administration to develop formal and comprehensive standard operating procedures that describe, in detail, those critical activities that personnel perform on a day-to-day basis. Formal and comprehensive standard operating procedures will enable Southern LSD to describe its transportation function to both internal (District personnel) and external (community members) stakeholders. More importantly, because the District's transportation function operates relatively efficiently (e.g., lower maintenance, repairs, and bus insurance costs), formal and comprehensive standard operating procedures will help to facilitate cross-training and continued service delivery in the absence of employees with extensive institutional knowledge.**

The Transportation Supervisor has not formally documented critical transportation-related activities, including compiling and submitting T-forms; procuring fuel (see **R6.3**); routing efficiently (see **R6.4**); and replacing buses (see **R6.5**).

As it pertains to compiling and submitting T-forms, the Transportation Supervisor works with the Superintendent's Secretary and Assistant Treasurer to develop and submit the information. The Transportation Supervisor submits raw data (ridership counts, fleet miles, and costs, etc.) to the Superintendent's Secretary and Assistant Treasurer who compile the information into ODE-required T-1 and T-2 forms. If a discrepancy arises, it is discussed among these employees and addressed prior to final approval by the Treasurer and Superintendent, who submit completed T-forms to ODE via its web-based reporting system. This system includes an audit check function which immediately identifies errors and inconsistencies that could negatively impact the quality of the District's data. According to ODE, the District's T-forms are completed accurately and in a timely manner.

According to *Documentation of Accounting Policies and Procedures* (GFOA, 2002), government agencies should document critical activities through formal policies and procedures. Such documentation should be readily available to all employees who need it and should delineate the authority and responsibility of employees involved in the process. A well-designed and properly maintained system of documentation (i.e., standard operating procedures) enhances both accountability and consistency, and can also serve as a useful training tool for staff. While the District's T-form reporting process appears effective, though informal, it should be noted that the personnel primarily responsible for performing it have been employed with the District for approximately 10 years, on average, as of FY 2006-07.

Without formal standard operating procedures, the District cannot effectively communicate its transportation processes to internal and external stakeholders or use the information to cross-train staff (e.g., a back-up for the Transportation Supervisor). Consequently, Southern LSD cannot ensure operational continuity in the absence of personnel with knowledge of transportation operations.

R6.3   Southern LSD should consider procuring fuel through the Ohio Department of Administrative Services (ODAS) Cooperative Purchasing Program. The fee to join is negligible ($100) and participation will help improve the District's purchasing power through competitive pricing and increased bulk/volume discounts. Moreover, this will bring the District's fuel procurement practices in line with Board policies and should also help reduce fuel expenditure ratios to be more in line with the peer average.

The District should also require drivers with access to the fuel tank to sign off on an acknowledgment form indicating that they will not use fuel for personal or otherwise inappropriate purposes. This will help strengthen the District's internal control environment and minimize the risk of theft and abuse.

During the course of the performance audit, upon Board approval in February, 2007, Southern LSD joined the ODAS Cooperative Purchasing Program. In addition, the District indicates that bus drivers have signed the recommended acknowledgement forms.

Southern LSD fuel expenditures increased by more than 77 percent ($34,747) between FYs 2003-04 through 2005-06. During this same period, the District experienced a 14.9 percent increase in annual routine miles per active bus (see **Table 6-5**). Compared to the peer average, Southern LSD spends 9.0 percent (or $364) more per bus and 5.4 percent (or $0.02) more per annual routine mile on fuel (see **Table 6-3**). While national fuel prices are on the rise, the District's relatively high fuel costs in relation to the peers can

be attributed to its procurement process and to maintaining a larger fleet than it needs (see **R6.4**).

Southern LSD does not solicit formal, competitive bids or issue requests for proposal to multiple fuel suppliers and until recently, it did not participate in ODAS's Cooperative Purchasing Program. Rather, the Transportation Supervisor monitors prices locally and obtains fuel through a single supplier, who fills the District's on-site, 3,000 gallon fuel storage tank. As is, this practice contradicts, at least in part, Board policy 6440, which "encourages the administration to seek advantages in savings that may accrue...through joint agreements." The District's fuel procurement practice also contradicts Board policy 6450, "to purchase materials and supplies of quality at the lowest possible cost through widespread competition." By relying on a single, local supplier and not actively seeking competitive prices, Southern LSD cannot document that it is obtaining fuel at the best price.

Southern LSD defrays fuel-related costs by maintaining an on-site storage tank, purchasing in bulk, submitting appropriate documentation for State tax refunds, and monitoring fuel use logs, yet it does not require drivers to formally acknowledge that they will not use fuel inappropriately.[3] However, the District requires its employees to formally acknowledge their responsibility in using public resources wisely and for the appropriate intent in other operational areas (see **technology**).

Compared to ODAS's Cooperative Purchasing Program prices, Southern LSD spends nearly 8 percent ($0.17) more per gallon, on average. **Table 6-4** compares Southern LSD's fuel costs per gallon to ODAS prices between June and September, 2006.

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[3] In a 1975 report, the U.S. Government Accountability Office (formerly the Government Accounting Office) recommended that the U.S. Postal Service increase the security of its bulk fuel tanks by monitoring drivers, vigorously enforcing procedures, and verifying records.

Table 6-4: Southern LSD Fuel Cost per Gallon Compared to ODAS State Contract[1]

Fuel Type	ODAS Contract Date	State Contract Price per Gallon	Southern LSD Purchase Date	Southern LSD Price per Gallon	Percent Above (Below) State Price
Diesel Supreme	6/5 - 6/11	$2.1806	6/6/2006	$2.5390	16.4%
Regular Unleaded 87	7/24 - 7/30	$2.3692	7/26/2006	$2.5280	6.7%
Diesel Supreme	8/21 - 8/27	$2.3736	8/24/2006	$2.6370	11.1%
Diesel Supreme	8/28 - 9/3	$2.3535	8/31/2006	$2.5500	8.3%
Regular Unleaded 87	8/28 - 9/3	$2.0348	8/31/2006	$2.0680	1.6%
Diesel Supreme	9/4 - 9/10	$2.2490	9/7/2006	$2.3570	4.8%
Diesel Supreme	9/11 - 9/17	$2.1010	9/14/2006	$2.0820	(0.9%)
Diesel Supreme	9/18 - 9/24	$1.9523	9/21/2006	$2.0400	4.5%
Diesel Supreme	9/25 - 10/1	$1.7266	9/28/2006	$2.0740	20.1%
Average		$2.1490		$2.3194	7.9%

Source: Southern LSD and ODAS
Note: Maintaining an on-site fuel storage tank is a pre-requisite for participation in ODAS's Cooperative Purchasing Program.
[1] As of January, 2007, approximately 250 school districts participate in ODAS's Cooperative Purchasing Program.

SEOVEC does not offer a fuel purchasing cooperative in the area, but several Perry County government jurisdictions participate in the ODAS Cooperative Purchasing Program, including the Perry County Commissioners, Perry County District Library, and the Southern Perry County Water District. Southern LSD could consult with these agencies as a means of assessing the benefits of cooperative purchasing. Moreover, the District increases the risk of theft and abuse by not requiring employees with fuel tank access to sign an acknowledgment form.

Financial Implication: Assuming Southern LSD can achieve an 8 percent, across-the-board reduction in fuel prices by joining the ODAS Cooperative Purchasing Program; it can save approximately $6,300 per year. This figure does not include the participation fee ($100) and assumes that the difference between what the District currently pays per gallon versus ODAS prices will remain relatively constant.

R6.4 **The District should consider options to improve routing efficiency and bring ridership capacity ratios more in line with peer average and AASA benchmarks. Options include eliminating at least two active buses and accompanying regular bus drivers (see R6.5), implementing a single-tiered routing schedule, and making transportation services optional for high school riders (see R6.1). Regardless of the chosen technique, Southern LSD should clearly communicate the issue of declining enrollment and associated implications – bus route efficiency – with affected stakeholders (e.g., employees, students, and parents) to solicit feedback and reach consensus in the decision-making process.**

Between FY 2003-04 and 2006-07, enrollment declines caused Southern LSD's ADM and Type I (yellow bus) ridership to decrease by 11.2 and 37.6 percent, respectively. Despite this, the District has maintained a consistent fleet size of 19 total buses. Although the District has reviewed its bus routes for efficiency in recent years and eliminated 2.5 driver positions and 2 routes, it has not developed a formal bus replacement plan that can be linked to enrollment/ridership projections and reflected in the five-year forecast (see **R6.5**). As a result, the District operates with a comparatively high percentage of spare buses (see **Table 6-2**) and has experienced a significant decrease (nearly 20 percent) in ridership capacity per bus in FY 2006-07.

Table 6-5 compares Southern LSD's operational efficiency with the peer average using riders per bus ratios.

Table 6-5: Southern LSD Bus Capacity Comparison

	Southern LSD FY 2005-06	Peer Average FY 2005-06	Percent (Above) Below	Southern LSD FY 2006-07
ADM	893	1,447	(38.3%)	865
Total Riders	776	1,289	(39.8%)	649
Total Active Buses	11	17	(35.3%)	11
Annual Routine Miles per Active Bus	18,540	14,565	(27.3%)	17,771
Total Riders per Active Bus	70.5	70.5	0.0%	59.0
Active Regular Needs Buses	10	16	(37.5%)	10
Riders per Active Regular Needs Bus (Excludes Special Needs)	77.0	74.8	2.9%	63.8

Source: Ohio Department of Education
Note: "Active regular needs buses" exclude those used for primarily special needs riders, because these services are tied directly to individualized education programs (IEPs).

Compared to the peer average, Southern LSD transported a commensurate number of riders per active bus in FY 2005-06 (see **Table 6-5**). In FY 2006-07, however, the District's riders per active bus ratio decreased approximately 16 percent. According to *Hidden Savings in Your Bus Budget* (AASA, 2005), an effective rider per bus ratio is 100:1, for a double-tiered/routed system, such as Southern LSD's. This figure, however, does not account for special needs requirements. Regardless, the District falls well below this industry benchmark.

Compounding this issue is the District's relatively low population density (see **Table 6-1**) and its two-tiered bell schedule (high/middle and elementary school riders), which divides the majority of daily bus trips into four separate routes (two each in the morning and afternoon). The result is a relatively low ridership capacity (approximately 23 percent) per bus per route. In order to bring its regular riders per active bus ratio more in line with peer average and AASA benchmarks, the District should eliminate two active buses from the fleet (see **R6.5**).

Another option is to implement a single-tiered bell schedule which would consolidate the average number of daily bus routes from 4 to 2. Given the District's campus-style configuration, however, this option would likely result in longer routes, with high school students riding on the same buses as elementary school students; unless, the District also opts to eliminate high school transportation – an optional service (see **R6.1**). It should be noted that the decision to eliminate high school transportation services, though optional, would likely require substantial community input, including a detailed examination of the benefits, as well as direct and indirect costs (e.g., impact on high school attendance).

R6.5 **The District should develop a formal bus replacement plan that considers recent declines in enrollment and ridership, as well as ODE-established age and mileage replacement criteria. Furthermore, this plan should be linked to the District's five-year forecast and used to facilitate reductions of at least two active buses and accompanying regular bus drivers. This will help bring Southern LSD ridership capacity ratios more in line with peer average and AASA benchmarks.**

As indicated in **R6.4**, Southern LSD has reviewed its bus routes for efficiency, but has not developed a formal bus replacement plan that can be linked to enrollment/ridership projections and reflected in the five-year forecast. The District has developed a bus replacement schedule, but it is simplistic and does not formally consider the age, mileage, and cost to maintain each bus. In addition, this schedule does not specify which buses are to be replaced, nor does it consider enrollment/ridership fluctuations.

According to ODE, buses typically cost $60,000 to replace and should be replaced either after 250,000 miles or 15 years of service. Furthermore, the *Public Works Management Practices Manual* (AWPA, 4th edition) suggests that replacement policies should consider the total cost of maintenance/depreciation, operating environment (e.g., roads and weather), fuel costs, as well as replacement funding sources. **Table 6-6** illustrates a potential replacement schedule for Southern LSD, based on ODE and APWA criteria, using the District's inventory of active buses.

Table 6-6: Proposed Southern LSD Active Bus Fleet Replacement Schedule

Local Bus No.	Current Age	Current Mileage	Average Monthly Maintenance/ Repairs	Year of Projected Replacement (Age)	Year of Projected Replacement (Mileage)
2	5.0	88,260	$232.44	FY 2015-16	FY 2019-20
3	3.0	53,170	$79.51	FY 2017-18	FY 2022-23
4	0.5	2,294	$96.24	FY 2020-21	FY 2027-28
9	6.0	95,115	$118.54	FY 2014-15	FY 2019-20
14	**10.0**	**125,938**	**$307.49**	**FY 2010-11**	**FY 2016-17**
15	**9.0**	**181,658**	**$394.37**	**FY 2011-12**	**FY 2011-12**
19	4.0	70,672	$166.74	FY 2016-17	FY 2021-22
24	12.0	162,540	$19.83	FY 2008-09	FY 2013-14
25	12.0	177,500	$112.77	FY 2008-09	FY 2011-12
27	8.0	144,058	$156.32	FY 2012-13	FY 2014-15
28	11.0	159,042	$272.83	FY 2009-10	FY 2013-14
Average	**7.3**	**114,568**	**$177.92**		

Source: Southern LSD
Note: Including non-routine trips, District buses travel nearly 11,400 miles per year.

As indicated in **Table 6-6**, FY 2008-09 is the earliest Southern LSD will need to consider replacing buses. In order to improve routing efficiency and increase ridership capacity, however, the District should eliminate at least two active buses from the fleet immediately. Local buses 14 and 15 are logical choices because they each exceed the fleet average in age and mileage and they each cost more to maintain/repair per month. By maintaining a larger fleet than is necessary to accommodate current Type I ridership levels, Southern LSD incurs approximately $120,000 in projected replacement costs. Assuming this capital outlay cost and accompanying personnel costs (regular bus drivers)[4] are included in the five-year forecast, the District may be projecting an inflated level of expenditures, which could negatively impact its overall financial outlook.

Financial Implication: Assuming Southern LSD eliminates local buses 14 and 15 from the fleet, it will achieve a one-time replacement cost avoidance of approximately $120,000. The District will also avoid about $8,400 in costs associated with maintaining and repairing these buses. Finally, reducing staffing levels by two regular bus drivers will result in annual financial savings of approximately $35,300.

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[4] According to the District's EMIS report for FY 2005-06, a regular bus driver earns approximately $11,450 in salary plus an additional $6,200 (54.28 percent) in fringe benefits.

Financial Implications Summary

The following table summarizes the estimated implementation costs, annual cost savings, and cost avoidances identified in recommendations presented in this section of the report.

Summary of Financial Implications for Transportation

Recommendation	Estimated Implementation Costs	Estimated Annual Cost Savings	Estimated Cost Avoidances
R6.3 Procure fuel through ODAS's Cooperative Purchasing Program	$100	$6,300	
R6.5 Eliminate two active buses from the fleet and reduce staffing levels by two regular bus drivers		$35,300	$128,400
Total	**$100**	**$41,600**	**$128,400**

Source: AOS recommendations

Appendix 6-A: Summary of Objectives for Transportation

The following questions were used to evaluate the transportation function performance within Southern LSD:

- Does the District's transportation policy and procedures meet best-practices standards and ensure efficient and effective operations?

- Does the District have an adequate control system over reporting, physical security, and procurement?

- Are the District's total transportation financial indicators and processes similar to industry benchmarks (e.g., peer averages)?

- Is the District's fleet maintenance and management function efficient and effective?

- Is the transportation function staffed in an efficient and effective manner?

- Is the Type I (IA or II) transportation function efficient (yellow bus transportation)?

Technology

Background

This section focuses on technology functions within the Southern Local School District (Southern LSD or the District). **Appendix 7-B** provides a summary of the audit objectives for the **technology** section. Comparisons are made to 10 peer districts[1], which have been selected based on demographic data obtained from the Ohio Department of Education (ODE) and to other industry benchmarks, such as eTech Ohio, the International Society for Technology in Education (ISTE), the National Center for Education Statistics (NCES), and the Consortium for School Networking (CoSN). The Auditor of State's Office (AOS) also administered a survey of District employees regarding technology services and those results have been used throughout this report. **Appendix 7-A** at the end of this section contains the technology-related results of the survey.

Organization and Staffing

Southern LSD employs a full-time equivalent (FTE) Technology Coordinator who is also responsible for seeking and writing grants (less than 0.1 FTE). This position reports to the Superintendent. As stipulated in the job description, the Technology Coordinator is responsible for implementing, maintaining, and updating the District's technology plan, as well as developing, coordinating, and managing information technology support. Specific duties include the following:

- Developing and maintaining an inventory of the District's hardware and software (see **R7.1**);
- Seeking alternative grant funding for technology and other grant opportunities as available (see **R7.4**);
- Performing preventative maintenance, repairs, and implementing technology-related policies and procedures (see **R7.6** through **R7.8**);
- Installing hardware and software and providing assistance and technical advice/support to District personnel (see **R7.9**);
- Assessing technology needs (see **R7.11**) and securing materials and equipment; and
- Maintaining and updating Southern LSD's website (see **R2.5**).

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[1] See the **executive summary** for a list of the peer districts.

This position is also responsible for coordinating technology applications with instructional activities by working with District administrators and outside organizations, such as eTech Ohio, the Educational Technology Services for Southeastern Ohio (ETSEO),[2] and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC), which serves as the District's Information Technology Center (or ITC).[3] The District contracts with SEOVEC for Internet service provision; network maintenance/support; and Uniform School Accounting Software (USAS), Education Management Information System (EMIS), and Uniform School Payroll System (USPS) applications. See **strategic management** for additional information regarding the District's contract management practices.

The District has also established a technology committee that includes all building principals, and all technology teachers (one teacher from each grade level). The purpose of this committee, which meets five times annually, is to provide guidance on the technology plan, facilitate communication between the Technology Coordinator and the District, and to help prioritize the use of technology-related grants.

Summary of Operations

Southern LSD's three-year *Educational Technology Plan* states that the vision of the plan is to "seamlessly involve technology in the day-to-day process of teaching and learning in order to enhance student performance and prepare them to take their place in the world." This vision reflects and supports the overall mission of Southern LSD, which is to provide a quality, child-centered education in which all students can succeed. The plan contains all elements required by eTech Ohio; but does not contain all the best practice elements of a comprehensive technology plan and it is not linked to a District-wide strategic plan (see **strategic management**).

The Southern LSD high school is connected to SEOVEC by two, high-speed T-1 lines which are then linked the elementary and middle schools by two fiber switches to provide District-wide connectivity. Although the District is comprised of a single, campus-style facility (see **facilities**), the District's wide-area network is configured as if there are three separate buildings. This does not impact technology costs, however, because Southern LSD's T-1 lines are paid for through State (e.g., eRate) and federal grants. **Chart 7-1** illustrates Southern LSD's wide-area network.

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[2] ETSEO provides educational technology integration training services and interactive multimedia content to K-12 educators.
[3] Formerly called data acquisition sites, or A-sites.

Chart 7-1: Southern LSD Wide-Area Network
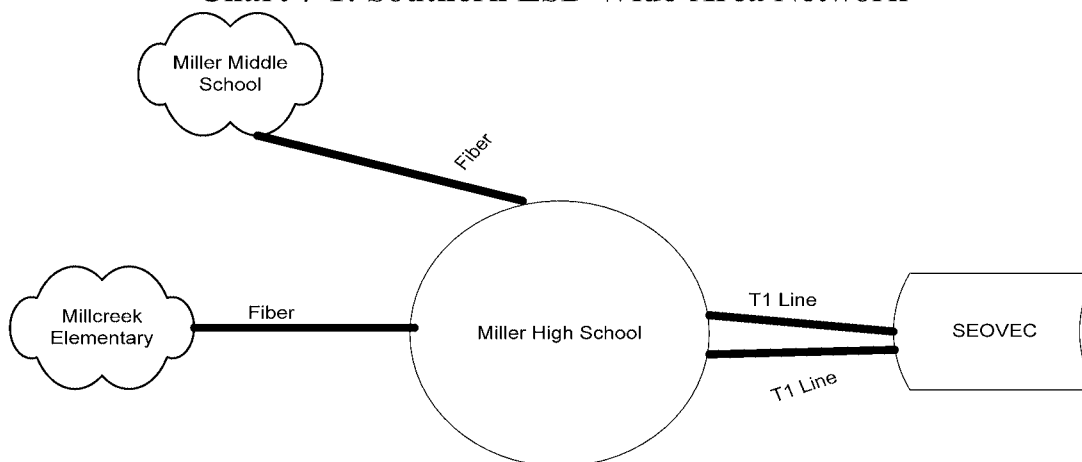
Source: Southern LSD
Note: Southern LSD and SEOVEC agree that the District's network infrastructure and bandwidth are sufficient to meet the needs of the District.

The District has about 1,000 users accessing the network, including all students and staff, except select classified positions. According to eTech Ohio's FY 2006-07 Biennial Educational Technology Assessment (BETA) survey of the District, its student-to-computer ratio is approximately 3-to-1, overall, which exceeds the eTech Ohio's benchmark for computer access of 5-to-1 (see **R7.5**).

To maintain network security, the District uses a firewall, Internet filtering, and virus software. In addition, Board policy includes policies and procedures to safeguard the District's investment in technology. Policy language addresses privacy and discloses the need for regular review of e-mail, computer files, and voicemail to ensure the appropriate use of Board property. There are also staff and student computer and Internet usage policies.

The Technology Coordinator has created and distributed a *Southern Local Staff Tech Guide* for all staff, which is updated annually. This guide contains variety of topics including basic troubleshooting techniques and work request forms, as well as the following:

•   Using the server, operating system, and printer;
•   Accessing the District website, calendar and e-mail;
•   Using digital cameras and the iPhoto program; and
•   Locating District computer labs and procedures for accessing equipment.

The District, which is predominately Apple-based, uses Apple Remote Desktop for its remote management software. This program grants the Technology Coordinator access to user machines and allows the Coordinator to fix problems remotely. However, only 12 percent of respondents agree that the number of technology staff is adequate (see **R7.9**).

Finally, Southern LSD operates a website, which contains information regarding current events and press releases, a school calendar, a directory of phone numbers, and information on Board members and administrators. As discussed in **strategic management**, this website should be updated to include additional information, including a District-wide strategic plan, Board meeting minutes and agenda, as well as the District's five-year forecast and accompanying assumptions.

Financial Data

Table 7-1 details technology expenditures for Southern LSD over the past three years.

Table 7-1: Technology Expenditures

Category	FY 2003-04	FY 2004-05	Annual Change	FY 2005-06	Annual Change	Three Year Change
Salaries/ Benefits	$70,518	$75,444	7.0%	$76,819	1.8%	8.9%
Purchased Services	$20,924	$1,738	(91.7%)	$227	(87.0%)	(98.9%)
Supplies & Materials	$16,506	$40,095	142.9%	$95,980	139.4%	481.5%
Capital Outlay	$76,462	$71,493	(6.5%)	$18,993	(73.4%)	(75.2%)
Total	**$184,410**	**$188,770**	**2.4%**	**$192,018**	**1.7%**	**4.1%**

Source: Southern LSD

Southern LSD technology expenditures increased by more than 4 percent in the last three years. However, certain expenditure categories experienced large variances. Purchased services decreased significantly due to decreased spending for professional development meetings with SchoolNet. Meanwhile, supplies and materials increased due to increased spending for 21st Century software and books and Title II-D technology supplies. Capital outlay decreased due to reductions in State parity aid which had been used for technology purchases, as well as reduced spending on SchoolNet computer equipment, Part B-Idea equipment, and other technology equity purchases.

Recommendations

R7.1 **Southern LSD should develop a formal inventory of all its technology-related assets, including all hardware and software. This inventory should include the asset location, type, date of purchase, the fund used for purchase, and serial number. Formally tracking hardware and software assets is necessary to ensure copyright/licensing compliance, accuracy in reporting, deter theft, and make informed purchasing decisions. A formal inventory will also help the Technology Coordinator measure the total cost of ownership (see R7.2) of all Southern LSD's technology-related purchases, expenses, and anticipated outlays, including explicit (e.g., cost of a new computer) and implicit (e.g., cost to train staff and maintain new computer) costs.**

In the summer of 2006, the Technology Coordinator developing an inventory database that includes the location, type of machine, date and fund of purchase, and operating system required. The database was in progress at the time of reporting.

According to his job description, the Technology Coordinator is responsible for maintaining an inventory of technology equipment and program related items. The District uses a variety of methods to track technology inventory, including databases and paper-based lists. An AOS review of these inventory records found that computer and printer counts did not match recent BETA survey counts. The Technology Coordinator indicated that although he does not reconcile physical equipment counts with a formal inventory list, he estimates the value of technology-related assets at approximately $2 million.

According to *Safeguarding Your Technology* (NCES, 1998), districts should maintain an up-to-date inventory of equipment manufacturers, models, and serial numbers in a secure location. An asset (inventory) control system assists technology-related planning and replacement efforts. Without an asset control system, the organization may be unable to determine what hardware exists or where it is, increasing the risk of loss from theft. The Technology Coordinator indicates that there have been two, employee-related computer theft incidents in the past 12 years.

Regular reconciliation with the physical inventory should also be completed in order to keep information up to date and to quickly identify incidents of theft. Given the value of the District's technology assets, a formal inventory is considered a critical internal control. This will also help improve needs assessment and computer replacement planning practices.

R7.2 **Southern LSD should formally measure the total cost of ownership (TCO) of all its technology-related purchases, expenses, and anticipated outlays, including explicit and implicit costs. Although the organization of USAS codes makes it more difficult to compile all technology budgeting and expenditure information for analytical purposes, the Technology Coordinator should work with the Treasurer's Office to obtain all technology expenditure information to measure TCO – perhaps by creating a special cost center (see R7.3) dedicated specifically to technology. Furthermore, the Technology Coordinator should use the TCO information to update the *Educational Technology Plan*. Once updated, this plan should be approved by the Board and communicated to other key stakeholders.**

The District does not formally track its TCO for technology and, as a result, technology budgeting and expenditure information does not reflect the full cost of technology decisions and purchases. This can be attributed, in part, to the absence of a formal technology cost center or TCO process, without which, the District is unable to track all direct and indirect costs associated with operating, maintaining, and replacing technology, providing technical assistance, and offering accompanying professional development to staff.

The District's *Educational Technology Plan*, recognizes the importance of measuring TCO, yet it also stipulates that a decrease in State funding and shortages in technical support staff (see **R7.9**) have resulted in a need to improve in this area. Specifically, the District indicates that it does not track costs associated with external support (e.g., SEOVEC), nor does it track equipment replacement. This can also be attributed to the fact that USAS does not have an established code which would permit districts to account for technology expenditures separately. Instead, technology expenditures are spread across numerous function and object codes (see **R7.3**) which must be compiled manually for budgeting purposes.

One method of conducting cost analyses for technology purchasing is formally measuring and documenting TCO. The principal of TCO is that technology budgets should include up-front purchase costs, as well as long-term maintenance, support, and training-related costs. Illustrated in **Table 7-2**, the Consortium for School Networking (CoSN), a technology-related best practices group, provides a sample checklist for technology budgeting and highlights key TCO practices.

Table 7-2: Total Cost of Ownership Practices

	"TCO Savvy" District	"Doing the Best We Can"	"Worry About it Tomorrow"
Replacement Costs	Budgets to replace computers on a regular schedule, usually every 5 years, whether leased or purchased.	Plans to replace computers when they no longer can be repaired (see **R7.5**).	Assumes that when computers are purchased with 20-year bonds that they will last forever.
Retrofitting	Considers technology improvements needed when schools are built or renovated.	Understands minimum and recommended requirements for electrical and other infrastructure improvements and incorporates then when finding is available.	Pulls the wires and then blows the fuses.
Connectivity and Integration of Equipment	Plans its network to provide connections that provide enough bandwidth to manage current and future needs, especially multi-media applications.	Has the bandwidth it needs today, but has no plan for scaling it upward as demand grows.	A phone and a modem, what more do you need?
Software	Recognizes the greater diversity of software packages, the more support will be required. Provisions are made for regular upgrading of software packages.	Utilizes centralized software purchasing, but choice of application and respective support left to individual schools and staff members (see **R7.6**).	Expects support personnel to manage whatever software happens to be installed on a district computer.
Support	Provides computer support at a ratio of at least one support person for every 50 to 70 computers or one person for every 500 computers in a closely managed network environment.	Relies on a patchwork of teachers, students, and overworked district staff to maintain network and fix problems. Does not track the amount of time the network is down or computers are not in use (see **R7.9** and **R7.10**).	Relies on the "hey Joe" sort of informal support.
Professional Development	15 to 30 percent of its budget to staff development.	Provides some staff training, but not at times that are convenient or when staff is ready to put the lessons to work (see **R7.11**).	Assumes that teachers and staff will learn on the job.

Source: CoSN's *Taking TCO to the Classroom: A School Administrators Guide to Planning for the Total Cost of New Technology* (2001)

A "TCO Savvy" district refers to the best practice, while a "Doing the Best We Can" district refers to areas in need of improvement. A "Worry about it tomorrow" district does not have a clear understanding of technology budgeting and upkeep. For the most part, Southern LSD is a "Doing the Best We Can" district, which can be attributed to its recent financial condition. Without a complete and accurate technology inventory (see **R7.1**) and by not documenting the full measure of its TCO within the *Educational*

Technology Plan, Southern LSD cannot effectively budget for all explicit and implicit costs, which may negatively impact the District's technology-related needs assessment (see **R7.11**) and computer replacement processes (see **R7.5**).

R7.3   **Southern LSD should develop a separate account code, or cost center, within USAS that can be used to track and aggregate District-wide technology expenditures. This would allow the District to more easily generate detailed information and management reports that indicate the various sources of funds used to purchase items such as hardware and software, what items are being purchased, and which departments are making technology purchases.**

These reports should also be submitted to the Board on a periodic basis and used to demonstrate the District's progress in implementing its *Educational Technology Plan*. In addition, tracking technology expenditures would permit Southern LSD to better plan for future replacement costs (see R7.5).

Although Southern LSD can identify technology-related salaries and benefits, purchased services, supplies and materials, and capital outlay (see **Table 7-1**), these expenditures are spread across 11 USAS function codes, spanning 21 individual object codes. This makes technology-related financial reporting difficult and contributes to a lack of reporting in other areas, including asset inventory reporting (see **R7.1**).

Districts can rely on USAS for tracking technology activities either through the 2960 function code series – which relates to data processing – or though the assignment of a special cost center for technology. This cost center is an extra data field contained in USAS that school districts can use to capture further detail within their accounting structure.

By not formally tracking District-wide technology expenditures through a special cost center, Southern LSD cannot effectively track its inventory, report total cost of ownership, or ensure that sufficient funds are available to support critical initiatives, such as replacing computers and training employees.

R7.4   **The Technology Coordinator should develop goals, objectives, and action steps associated with seeking and identifying additional technology grants. This includes working with administration officials and Board members to ensure that grant-related goals and objectives are included in the *Educational Technology Plan*, as well as in an up-to-date, District-wide strategic plan (see strategic management).**

In addition to eTech Ohio, supplementary educational technology websites and publications should be reviewed to identify grant-seeking tips and funding opportunities from government, corporate, and non-profit organizations. Examples

of technology-related grant websites include (*www.TechLearning.com*), (*www.ESchoolNews.com*), and (www.ED.gov). This will help the District identify additional funding sources that can be used to support its technology needs.

The Technology Coordinator spends about 20 hours per year (less than 0.1 FTE) seeking and writing technology grants. The Technology Coordinator applies for grants primarily through eTech Ohio. In FY 2006-07, the District received a one-time $24,000 grant for long distance learning from Appalachian Regional Development. The District also received grants from the Southern Local Endowment Fund, which provides grants ranging from $25 to $250.

The District's financial condition has resulted in a need to supplement State funds with additional external revenues. Grants provide additional funding to allow for larger purchases that may not be possible within the constraints of a tight budget. By only seeking grants from one source, the District may not be receiving all additional monies that are available; increasing its reliance on the General Fund to support technology expenditures. Similarly, the limited amount of time allocated to grant seeking hinders Southern LSD's ability to identify appropriate funding sources. Including grant seeking goals and objectives in the District's technology and strategic plans will ensure that adequate time is devoted to this activity.

R7.5 Southern LSD should update the *Educational Technology Plan* component of the proposed District-wide strategic plan (see strategic management) to include goals and objectives for replacing computers on an as-needed basis. While funds may not be available to replace all old computers at this time, the Technology Coordinator should develop a formal replacement plan and communicate this to the administration, Board, and general public. A formal replacement cycle will help minimize computer-related maintenance and repairs and technical problems through maintaining up-to-date equipment (see R7.9) while ensuring that the existing equipment is sufficient to meet the District's mission.

According to the BETA survey, all of Southern LSD's computers are considered old or aging (pre-2000 PPC G3/Pentium III models or older), significantly older than both State and peer averages. The District's *Educational Technology Plan*, recognizes the importance of replacing computers in a timely manner (every five years), yet it also stipulates that a decrease in State funding and corresponding capital outlay expenditure reductions (see **Table 7-1**) have suspended replacement until such time when financial resources become available. The Technology Coordinator indicates that his current replacement practice is to replace old computers when they no longer support software or when it is cost prohibitive to repair the hardware.

ISTE's *Technology Support Index* recommends school districts replace equipment every three to five years. If a replacement cycle is not established, equipment becomes obsolete, increasing technical support time and maintenance costs. To illustrate, 53 percent of AOS survey respondents (see **Appendix 7-A**) find the District's computer system to be generally unreliable and 35 percent of respondents report that it takes nearly a week to resolve technical problems. A logical conclusion is that the District's old and aging equipment is having a negative impact on service and operations.

It is important to guarantee that the District's hardware can run the most recent administrative and student software applications, network printing options, and web-based professional development options. Therefore, Southern LSD should implement and following a formal plan to replace equipment.

Financial Implication: If the District replaces 20 percent of its oldest computers (29 computers) per year, it will incur annual costs of approximately $29,500 (about $1,018 per computer). This financial implication includes the base price for computer, memory upgrade, and warranty and excludes replacement costs for peripherals (e.g., monitors and printers).

R7.6   The Technology Coordinator should establish a formal, centralized process for evaluating and purchasing administrative and instructional software. Furthermore, the Technology Coordinator should develop a uniform hardware and software equipment policy that includes a listing of products that the District's network and technical staff can support. Once developed, this policy should be approved by the Board and posted online to help facilitate equipment donations (see R7.7). A uniform hardware and software policy will also improve technical specialization, which can facilitate faster technical support response times and ensure uniform equipment purchasing.

Southern LSD's *Educational Technology Plan* stipulates that "with a limited support staff (see **R7.9**), standardization of hardware and software is important." Nonetheless, the District has historically used a variety of equipment and does not follow a uniform equipment policy. For example, the District has 43 printers comprised of 18 different models including Canon, Epson, HP, Ricoh, and Apple. Moreover, the District indicates that not all technology purchases are formally approved by the Technology Coordinator.

According *Seven Cost-cutting Strategies for the IT Funding Crunch* (E-School News, 2005), districts that standardize computer systems can save money and resources by cutting down on technical support and training costs. When everyone is working with the same software, user productivity increases and training becomes easier. ISTE's *Technology Support Index* further suggests that equipment model selection be limited to

one or two, with few variations, and that all peripherals (e.g., printers) also be standardized.

The absence of a formal, centralized process for evaluating and purchasing uniform equipment increases the risk that District personnel may purchase hardware and software that is incompatible with existing technology. A formal process and policy, combined with a more aggressive computer replacement schedule, will help to improve communication between the Technology Coordinator and users, while ensuring that all purchases are standardized, approved, and meet District needs.

R7.7   The Board should develop and formally adopt a policy regarding the acceptance of public gifts and equipment donation. This policy should specify District-compatible hardware/software brands, models, and performance requirements. The Technology Coordinator should publish this policy online to encourage increased donations that are in line with District needs and its *Educational Technology Plan*.

Neither Board policy nor the District's *Educational Technology Plan* formally speak to the acceptance of public gifts and equipment donation. Informally, the Technology Coordinator decides if the donation is suitable for the District's needs based on the age and condition of the equipment, and if the District can support the equipment without incurring additional costs. Accepting equipment donations is a valuable tool for school districts with limited funding. Therefore, it is essential to ensure that donated materials meet student and teacher needs and do not result in additional and unnecessary disposal costs to the District.

According *Seven Cost-cutting Strategies for the IT Funding Crunch* (E-School News, 2005), formal equipment donation policies should ensure compatibility with the existing hardware. ISTE's *Technology Support Index* also recommends that donated equipment only be accepted if it meets specific brand, model, performance, and system requirements. ISTE further recommends that school districts only accept donations of equipment that is less than two years old.

Without a formal donation policy, the District cannot effectively communicate its technology needs to potential donors. Moreover, by not formally stipulating technology-related criteria, the District may inadvertently accept hardware/software that does not meet District needs or is otherwise incompatible with existing equipment, leading to increased disposal costs.

R7.8   The Board should develop and formally adopt a policy regarding computer equipment disposal, including provisions for recycling and security (e.g., erasing personal data and destroying hard drives). By adopting a formal computer equipment disposal policy in conjunction with a more aggressive replacement schedule (see R7.5), the District can more effectively replace obsolete equipment in a responsible and secure manner.

The District does not have a formal policy for equipment disposal. Informally, the District recycles obsolete equipment through the Perry County Health Department. It pays $9 for each monitor but all other equipment disposal is free. Prior to disposal, the Technology Coordinator removes hard drives from every machine for re-use. While not formalized in policies and procedures, this practice helps ensure the integrity and security of personal information and licensing-related data.

Lebanon City School District (Warren County) has adopted a formal equipment disposal policy that includes the following guidelines:

- No computer equipment may be sold to any individual other than through processes identified in district policy;
- No computer equipment should be disposed of through skips, dumps, landfill, etc.;
- Personal data must be removed and hard drives should be removed and destroyed; and
- With the exception of the original operating system all software should be removed to comply with licenses and any applicable copyright laws.

According to the *Guide to Computer and Electronics Waste Reduction and Recycling* (Ohio Environmental Protection Agency (OEPA), 2005) an entire computer can be recycled. In fact, many computers can be revitalized and sold to schools that are in economically challenged areas, such as Southern LSD. Some vocational schools use old computers to teach electronic repair and trouble-shooting techniques. Non-functioning computers may also have salvageable components such as modems or power supplies that can be used to refurbish other computers. OEPA also provides a list of computer and electronic component recyclers in Ohio that Southern LSD may also consider contacting when replacing or disposing of its equipment.

The absence of a formal disposal policy compounds the District's equipment age issue. Moreover, without formal guidelines for equipment disposal (e.g., formatting hard drives, removing personal data and licensed software, and recycling) Southern LSD cannot guarantee its practices are environmentally sound, nor can the District formally document that it is effectively ensuring the integrity and security of protected information.

R7.9   **Southern LSD should allocate additional resources to the technology support function. The District should also continue to pursue low-cost strategies, such as training students to provide support to faculty and staff. When financially feasible, the District should also consider re-establishing and filling the Technology Assistant position with a minimum 0.75 FTE. This will help to bring technology workload ratios more in line with best practices and ensure that technical service needs are met in a timely manner.**

The Technology Coordinator is currently responsible for maintaining and repairing 346 computers, which are mostly considered either old or aging, according to the BETA survey. Although the District's *Southern Local Staff Tech Guide* helps to troubleshoot some minor technical problems, this still constitutes a technician staff-to-computer workload ratio of less than 1:346. Only 12 percent of AOS survey respondents agree that the number of technology staff is adequate (see **Appendix 7-A**).

ISTE's *Technology Support Index* recommends a technician staff-to-computer ratio of 1:75. In order to meet this ratio, the District would be required to hire at least 3.5 technical support FTEs, which could potentially reach more than $100,000 in added personnel expenses. While this is an unrealistic goal, given the District's current financial constraints, it can minimize the negative impact of staffing shortages by continuing to rely on low cost strategies, such as using student interns to assist in performing support functions. The District may also consider re-establishing and filling the Technology Assistant position (0.75 FTE) to alleviate the workload level. This position was eliminated in FY 2003-04 due to funding constraints. Without additional support, Southern LSD will continue experiencing technical support issues and it may not be capable of addressing service requests in a timely manner (see **Appendix 7-A**).

Financial Implication: By re-establishing and filling the part-time Technology Assistant position (0.75 FTE), the District will incur annual costs of at least $25,000. However, assuming the District continues to rely on intern-based technical support, students could perform this function at minimal additional cost.

R7.10   **The Technology Coordinator should formally document and track technical assistance and support issues such as maintenance/repair requests, computer/network downtime, time/cost associated with resolving issues, as well as any incidents requiring SEOVEC support. This will enable the Technology Coordinator to identify recurring problems, prioritize technical support issues, and allocate time and resources more efficiently. This will also permit the Technology Coordinator to assess technology-related training needs (R7.11) and monitor the performance of a recommended high school-based, student support program (see R7.9).**

The District does not formally document and track technical service requests. The Technology Coordinator receives requests from users and responds to them in order of priority, informally prioritizing them based upon professional judgment and previous experience. In prior years, the Technology Coordinator recorded these requests but abandoned this practice as workload levels increased with the elimination of the Technology Assistant position.

ISTE's *Technology Support Index* recommends that all technical support-related issues be recorded and delegated to appropriate resources through an electronic trouble ticketing system. Technical issues should be tracked and evaluated through this system. Electronic work order systems often allow for automated task prioritization, an on-going and accessible machine problem history, and a summary of problem resolution staff time or timeliness in various formats. ISTE also notes that quality assurance should be measured by a random and automatic system that tracks customer satisfaction and closed work tickets. Some systems incorporate a customer satisfaction survey feature after a problem has reached resolution. Data should be collected throughout the year based on questions specific to technical support and information gathered can be used to make adjustments. The Technology Coordinator could measure the satisfaction of its clients by sending an automated e-mail survey after technical assistance is provided to staff and teachers.

An electronic trouble-ticketing system would allow the District to conduct quality assurance checks through a random and automatic system that measures the performance of its technicians (see **R7.9**), the reliability of its system, and feedback from users. This, in turn, would allow the Technology Coordinator to make incremental operating improvements over time. **Table 7-3** presents key performance indicators that the Technology Coordinator could track through an electronic work order system:

Table 7-3: Electronic Work Order System Performance Indicators

Reliability of Equipment and Infrastructure	Number of maintenance incidents for current academic year per workstation/server, including cause, category, and location
	Average number of hours of downtime for current academic year per workstation/server
Technical Support Workload	Average number of calls to help desk (i.e., Technology Coordinator) per workstation/server
	Average time elapsed between initial call to Technology Coordinator and response call to end user
	Average time between initial response call and notification of problem resolution
	Number of calls handled per technical support FTE
	Ratio of calls or incidents to technical support FTE hours
	Ratio of technical support FTEs to workstations/servers
	Ratio of technical support FTEs to end users

Source: NCES

The absence of a formal incident tracking system may inhibit the Technology Coordinator's ability to effectively prioritize service requests and efficiently allocate resources. Southern LSD's Technology Coordinator could document and track technical assistance and support issues by using a spreadsheet at nominal costs.

R7.11 Southern LSD should conduct a formal survey to assess the technology training needs of employees. Once completed, Southern LSD's technology committee should us the survey results to identify and procure professional development training for its administrative and instructional employees.

The Technology Coordinator should also include professional development-related goals and objectives in the *Educational Technology Plan* component of the District-wide strategic plan (see strategic management). In addition to ETSEO-sponsored trainings, the District's professional development program could also incorporate online technology classes. The plan may also include a requirement that the Technology Coordinator pursue additional technical certifications, such as Apple Certified Technical Coordinator.

Professional development appropriations comprised $7,700 in the technology budget in FY 2006-07 and are expected to remain constant through FY 2008-09. The District's Educational Technology Plan recognizes the importance of assessing training needs; stipulating that "professional development surveys...provide useful data in determining use of technology." Although the District did not submit documentation of formal training needs surveys, the Technology Coordinator indicates that he compiles technology training needs based on communication with the technology committee, technical support requests from staff, and by attending monthly District leadership committee meetings where building principals discuss their technology-related issues. However, 40 percent of AOS survey respondents (see **Appendix 7-A**) report that more technology training is needed. While the Technology Coordinator holds a Bachelor's degree in education and is ODE certified in data processing (computer science), he has no formal technical certifications from Apple though the majority of District computers are Macs.

The Society for Human Resource Management's (SHRM, *Training Needs Assessment* 1996) suggests that a formal training needs assessment is the first step in establishing a professional development program. It is the foundation for determining training objectives, selecting training programs, and evaluating results. A training needs assessment helps to prioritize resources to those areas that best fulfill organizational goals and objectives (see **strategic management**) and improve productivity. SHRM further suggests that a formal needs assessment better prepares management to build consensus as to who needs training and what kind. A formal needs assessment can also reveal that

training is not always required and that some performance gaps can be mitigated through improved communication of expectations.

In **Table 7-2**, CoSN suggests that "TCO Savvy" districts allocate 15 to 30 percent of their budget to staff development. Moreover, ISTE's *Technology Support Index* recommends online training as an option to expand training opportunities, increase staff capacity, and reduce low-level support issues. ISTE also recommends very basic trouble-shooting skills be built into the professional development program, which can decrease the number of low-level technical support calls. *eSchool News Online* provides a list of online professional development courses on its website that the District could consider.[4]

Needs assessments assist in planning technology purchases, building consensus within the District, and ensuring that the District's technology meets user needs. Furthermore, using online training options will expand technology training opportunities, increase staff capacity, and reduce the number of low-level support issues requiring intervention.

In addition, Apple Certified Technical Coordinator certification verifies a foundation in Mac OS X and Mac OS X Server core functionality and indicates an ability to configure key services and perform basic troubleshooting of the essential Mac OS X and Mac OS X Server capabilities. Apple Certified Technical Coordinator certification is intended for Mac OS X technical coordinators and system administrators tasked with maintaining a modest network of computers using Mac OS X Server.

Without additional professional development options, nearly half of Southern LSD's employees may remain relatively unsatisfied with available technology training opportunities. This may negatively impact the technical support workload as computer users may be increasingly unable to trouble-shoot their own problems. Similarly, it may negatively impact the use of technology in the classroom as teachers may not feel comfortable using instructional software. A professional development program and needs assessment would also help Southern LSD as it replaces the District's aging computers and personnel are required to learn new equipment.

Financial Implication: Assuming the Technology Coordinator obtains Apple Certified Technical Coordinator certification, the District will incur a one-time cost of $450 to cover the price of three exams.

R7.12 Southern LSD, in accordance with Board policy and in collaboration with SEOVEC, should develop a formal disaster recovery plan that incorporates best practices outlined by the National Center for Education Statistics (NCES) and AOS. Developing a disaster recovery plan prepares a school district for recovery from a

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[4] *www.eschoolnews.com/erc/professionaldevelopment*

breach in security, a natural disaster (e.g., fires and floods), or other catastrophic events. Once developed, the plan should be reviewed and approved by the Board and updated at least annually.

The District should also consider publishing its disaster recovery practices within the *Southern Local Staff Tech Guide* and online, to more effectively communicate this process to users. Finally, Southern LSD should consider storing backup data at a location with a greater degree of security and potential stability (in the event of a disaster) than the current off-site repository.

Southern LSD Board policy 7541 stipulates that the Superintendent and Treasurer should develop, test, and maintain an electronic data processing disaster recovery plan. According to policy, the disaster recovery plan may include the following elements:

- A reciprocal agreement with a neighboring school district or information technology center, which outlines the scope of reciprocal services such as access to the computer facility of the alternative site, computer time and personnel assistance, and costs;
- Adequate equipment insurance (which may be insufficient without a formal asset inventory (see **R7.1**));
- A list of the applications that are used by the District;
- Procedures used to backup all programs and data on a daily, monthly, quarterly and year-end basis;
- Backup storage off-site; and
- A list of supplier contacts to be called for the immediate replacement of disabled equipment or corrupted software.

In the event of an emergency, the District's service agreement with SEOVEC stipulates that SEOVEC will provide minimal support services (e.g., processing payroll) in order to ensure continued operations. Moreover, student and teacher data is backed up every night on a local server. Due to the sensitive nature of special education student information, the District backs up this data every four hours on its own local server. Each local server has four volumes to store data. Each night, the Technology Coordinator saves District data to a portable drive which is stored off-site.[1]

According to the Technology Coordinator, the District has not developed a formal data disaster recovery plan and suggests that SEOVEC's recovery procedures and off-site data back-ups are adequate. Although the District complies with Board policy in these areas, it does not have a formal disaster recovery plan that meets best practice standards. For

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[1] In a recent performance audit of Salem City School District (Columbiana County), AOS recommended that the technology director store backup data in a safe located within the high school.

example, the District could not document how it tests its disaster recovery plan and it does not have a formal inventory of all assets. Furthermore, disaster recovery-related issues are not contained within the *Southern Local User Tech Guide*.

According to *Key Elements of a Disaster Recovery Plan* (NCES, 1998), school districts should establish disaster recovery plans to safeguard data. Districts should convene a team to develop disaster recovery procedures and test them regularly. Furthermore, AOS, in an issue of *Best Practices* (Winter, 2007), describes the following steps governments can take to implement a disaster recovery plan:

- Involve elected officials and upper management;
- Convene a diverse planning team;
- Assess the organization;
- Rank business areas;
- Identify resources;
- Implement response and recovery steps;
- Develop alternatives to processing;
- Reduce risk; and
- Test and update.

AOS believes that when it comes to dealing with disaster situations, the best defense is a good offense. It means investing the time, energy, and resources into developing a strong, working disaster recovery plan that anticipates likely situations and takes proactive steps to minimize impact on essential services and recovery times.

Table 7-4 summarizes NCES and AOS best practice guidelines for disaster recovery planning.

Table 7-4: Disaster Recovery Guidelines

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 if 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	Ensure the plan is viable and participants are familiar with the necessary response and recovery steps. Test the plan frequently and completely. Randomly remove individuals from drills to simulate scenarios where employees are unavailable. 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 it if it is necessary. Update the plan regularly and whenever changes are made to the system.

Source: National Center for Education Statistics (1998) and Auditor of State *Best Practices* (2007)

Without a formal disaster recovery plan that incorporates best practices, Southern LSD is not in a position to effectively coordinate responses and minimize loss in the event of a catastrophe. Moreover, by not communicating these practices in writing and online, the District may not be in the best position to inform key stakeholders of appropriate procedures in a time of emergency.

Financial Implications Summary

The following table represents a summary of identified annual and one-time implementation costs associated with the recommendations. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Technology

Recommendation	Annual Implementation Costs	One-Time Implementation Costs
R7.5 Replace 29 computers per year	$29,500	
R7.9 Re-establish and fill the part-time Technology Assistant position with 0.75 FTE	$25,000	
R7.11 Obtain Apple Certified Technical Coordinator certification		$450
Total	**$54,500**	**$450**

Source: AOS recommendations

Appendix 7-A: Southern LSD Employee Survey Responses

The Auditor of State administered a survey to 130 Southern LSD employees to obtain feedback and perceptions concerning technology services. Of these 56 responded, for a survey response rate of approximately 43 percent. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral/No Opinion, 2 = Disagree, 1 = Strongly Disagree.

Technology Survey Responses

Survey Question	Client Results
General Computer Operation/Data	
1. Computer systems are reliable.	
• Strongly Agree	2%
• Agree	16%
• Neutral	12%
• Disagree	**29%**
• Strongly Disagree	24%
• No Opinion	16%
2. Speed of data processing is satisfactory.	
• Strongly Agree	6%
• Agree	22%
• Neutral	18%
• Disagree	12%
• Strongly Disagree	14%
• No Opinion	**27%**
3. Speed of internet connections is satisfactory.	
• Strongly Agree	6%
• Agree	**31%**
• Neutral	18%
• Disagree	16%
• Strongly Disagree	4%
• No Opinion	24%
4. Access to a computer is adequate for staff.	
• Strongly Agree	18%
• Agree	**47%**
• Neutral	12%
• Disagree	2%
• Strongly Disagree	4%
• No Opinion	16%
5. Access to a computer is adequate for students.	4%
• Strongly Agree	22%
• Agree	10%
• Neutral	**29%**

Survey Question	Client Results
• Disagree	10%
• Strongly Disagree	24%
• No Opinion	
6. Access to a printer is adequate.	
• Strongly Agree	12%
• Agree	22%
• Neutral	12%
• Disagree	20%
• Strongly Disagree	8%
• No Opinion	**24%**
Technical Assistance	
7. The technical assistance department is easily accessible for software issues.	
• Strongly Agree	6%
• Agree	23%
• Neutral	10%
• Disagree	17%
• Strongly Disagree	19%
• No Opinion	**25%**
8. Requests for one-on-one assistance are answered in a timely manner.	
• Strongly Agree	6%
• Agree	21%
• Neutral	17%
• Disagree	15%
• Strongly Disagree	15%
• No Opinion	**27%**
9. Computer hardware repair services are easily accessible.	
• Strongly Agree	2%
• Agree	12%
• Neutral	12%
• Disagree	15%
• Strongly Disagree	27%
• No Opinion	**31%**
10. Computer hardware repair requests are answered in a timely manner.	
• Strongly Agree	2%
• Agree	15%
• Neutral	12%
• Disagree	19%
• Strongly Disagree	25%
• No Opinion	**27%**
11. Technology staff is able to solve hardware problems.	
• Strongly Agree	8%
• Agree	**29%**
• Neutral	15%
• Disagree	17%
• Strongly Disagree	4%
• No Opinion	27%

Survey Question	Client Results
12. Number of technology personnel is adequate to provide support.	
• Strongly Agree	2%
• Agree	10%
• Neutral	10%
• Disagree	25%
• Strongly Disagree	21%
• No Opinion	**31%**
13. I am satisfied with the technical assistance provided by the District.	
• Strongly Agree	6%
• Agree	15%
• Neutral	15%
• Disagree	**29%**
• Strongly Disagree	8%
• No Opinion	27%
Technology Support	
14. If you rely on someone other than yourself for computer support, how long does it usually take to resolve a problem?	
• Same day	8%
• Next day	8%
• 2-3 working days	12%
• 4-5 working days or more	**35%**
• Does not apply to me	35%
Administrative Software (EMIS, USPS, USAS, etc.)	
15. Users know all major functions of the software used in their departments.	
• Strongly Agree	8%
• Agree	6%
• Neutral	15%
• Disagree	10%
• Strongly Disagree	2%
• No Opinion	**58%**
16. Software meets the needs of the users.	
• Strongly Agree	6%
• Agree	6%
• Neutral	15%
• Disagree	12%
• Strongly Disagree	0%
• No Opinion	**60%**
17. Staff use all software loaded on their computers.	
• Strongly Agree	2%
• Agree	4%
• Neutral	17%
• Disagree	15%
• Strongly Disagree	2%
• No Opinion	**60%**

Survey Question	Client Results
18. Users can get help when needed.	
• Strongly Agree	2%
• Agree	10%
• Neutral	17%
• Disagree	12%
• Strongly Disagree	2%
• No Opinion	**56%**
Instructional Software	
19. Users know all major functions of software used in their departments.	
• Strongly Agree	0%
• Agree	23%
• Neutral	19%
• Disagree	10%
• Strongly Disagree	4%
• No Opinion	**44%**
20. Software meets the needs of the users.	
• Strongly Agree	2%
• Agree	23%
• Neutral	19%
• Disagree	8%
• Strongly Disagree	2%
• No Opinion	**46%**
21. Staff use all software loaded on their computers.	
• Strongly Agree	2%
• Agree	4%
• Neutral	19%
• Disagree	23%
• Strongly Disagree	4%
• No Opinion	**48%**
22. Students use all software loaded on their computers.	
• Strongly Agree	2%
• Agree	6%
• Neutral	19%
• Disagree	19%
• Strongly Disagree	6%
• No Opinion	**48%**
23. Users can get help when needed.	
• Strongly Agree	4%
• Agree	17%
• Neutral	10%
• Disagree	19%
• Strongly Disagree	4%
• No Opinion	**46%**

Survey Question	Client Results
Software Training	
24. Administrative/office software training meets user needs.	
• Strongly Agree	4%
• Agree	17%
• Neutral	12%
• Disagree	2%
• Strongly Disagree	10%
• No Opinion	**54%**
25. Instructional/classroom software training meets user needs.	
• Strongly Agree	2%
• Agree	25%
• Neutral	8%
• Disagree	10%
• Strongly Disagree	4%
• No Opinion	**50%**
26. Training programs are useful.	
• Strongly Agree	6%
• Agree	23%
• Neutral	15%
• Disagree	8%
• Strongly Disagree	2%
• No Opinion	**46%**
27. Users feel more training is needed.	
• Strongly Agree	17%
• Agree	23%
• Neutral	12%
• Disagree	4%
• Strongly Disagree	2%
• No Opinion	**42%**
Student Use	
28. Students use the Internet for research and reference.	
• Never	11%
• At least once per year	20%
• At least once per month	**31%**
• At least once per week	17%
• Daily	20%
29. Drill and practice on basic skills	
• Never	14%
• At least once per year	14%
• At least once per month	29%
• At least once per week	**34%**
• Daily	9%

Survey Question	Client Results
30. Tutorials for self-paced learning.	
• Never	**34%**
• At least once per year	11%
• At least once per month	14%
• At least once per week	23%
• Daily	17%

Source: AOS survey of Southern LSD employees
Note: Percentages may not equal 100 due to rounding.

Appendix 7-B: Summary of Objectives for Technology

The following questions were used to evaluate the performance of the technology function within Southern LSD:

- Is the District effectively planning and budgeting for its technology implementation?

- Does the District use technology to improve communication?

- Is technology support staff effectively and efficiently deployed?

- Is the District's technology infrastructure efficiently and effectively deployed?

- Is District hardware effectively and efficiently deployed?

- Is the District effectively and efficiently deploying software?

- Does the District adequately plan and budget for technology professional development for users?

- Does the District have effective network and physical asset security?

- Does the District have policies and procedures in place to ensure cost-effective resolution of technology issues?

Food Service

Background

This section of the performance audit focuses on Southern Local School District's (Southern LSD or the District) food service operation. **Appendix 8-A** provides a summary of the audit objectives for the **food service** section. The District's operations are evaluated against best practices and operational standards from several sources, including the National Food Service Management Institute (NFSMI) and the Government Finance Officers Association (GFOA). Comparisons are also made to 10 peer districts which have been selected based on demographic data obtained from the Ohio Department of Education (ODE).[1]

Organizational Structure and Function

Southern LSD consists of one primary building that houses the elementary, middle, and high school grade levels (K through 12), as well as the District's administrative offices. All Type A[2] meals are prepared in the central kitchen, which is connected directly to the high school cafeteria. A satellite kitchen is used to serve elementary and middle school pupils who eat in a multi-purpose "cafetorium."

Southern LSD contacts with a food service management company (FSMC) to direct and manage its food service operations. The Food Service Director is a full-time employee of the FSMC, and acts as the on-site manager. Fees for contracted FSMC services include the following:

- Annual management fee ($12,247);
- Annual administrative fee ($12,247);
- Salary and benefits of the Food Service Director ($34,164); and
- Per diem for each meal served ($0.924 per day per reimbursable meal served).[3]

The Food Service Director supervises 8 part-time employees, including 2 head cooks, 2 line cooks, and 4 cashiers. Employees work in shifts of 4 to 6.75 hours with staggered starting times, arriving between the hours of 6:30 AM and 9:45 AM and finishing between the hours of 1 PM and 2 PM. The Food Service Director also purchases materials, plans menus and keeps records as required by ODE.

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[1] See the **executive summary** for a list of peer districts.
[2] Type A meal refers to the standard meal provided by the school district that meets federal requirements and is reimbursable under the National School Lunch Program.
[3] Subject to change upon contract renewal.

Financial Condition

Southern LSD's food service operations are organized as an Enterprise Fund; a revenue-generating function that operates by charging fees to users. **Table 8-1** illustrates financial changes in the Food Service Enterprise Fund between FYs 2003-04 and 2005-06.

Table 8-1: Three-Year Food Service Fund History

	FY 2003-04	FY 2004-05	% Change	FY 2005-06	% Change
Operating Revenue					
Student Charges	$132,721	$130,718	(2%)	$131,664	1%
Non-Operating Revenue					
Miscellaneous	$1,315	$28,140	2040%	$29,557	0%
Restricted Grants-in-Aid (State Sources)	$13,355	$12,513	(6%)	$12,033	(4%)
Unrestricted Grants-in-Aid (Federal Sources)	$214,310	$237,746	11%	$245,427	3%
Total Revenue	**$361,701**	**$409,118**	**13%**	**$418,681**	**2%**
Operating Expenditures					
Personal Services – Salaries	$128,063	$126,653	(1%)	$122,686	(3%)
Retirement and Insurance	$69,388	$77,567	12%	$117,175	51%
Purchased Services	$179,355	$202,654	13%	$286,532	41%
Supplies and Materials	$933	$175	(81%)	$207	18%
Total Expenditures	**$377,738**	**$407,049**	**8%**	**$526,600**	**29%**
Revenues Over (Under) Expenses	**($16,037)**	**$2,069**	**(113%)**	**($107,919)**	**(5317%)**
Net Transfers/Advances	**$16,000**	**$0**	**(100%)**	**$104,000**	**100%**
Revenues Over (Under) Expenses[1]	**($37)**	**$2,069**	**(5721%)**	**($3,919)**	**(289%)**
Beginning Fund Balance	**$3,982**	**$3,946**	**(1%)**	**$6,014**	**52%**
Ending Fund Balance	**$3,946**	**$6,014**	**52%**	**$2,095**	**(65%)**

Source: Southern LSD
Note: Excludes line items with $0 balances.
[1] Figures may not sum due to rounding.

Food Service Enterprise Fund revenues increased nearly 16 percent since FY 2003-04, despite decreases in student charges (0.8 percent) and restricted grants-in-aid (9.9 percent), which can be attributed, in part, to declining enrollment (see **financial systems**). Revenues have not kept pace with expenditures, which increased more than 39 percent over the same period. Consequently, the District subsidized the Food Service Enterprise Fund, using General Fund transfers to avoid deficits in FY 2003-04 ($16,000) and FY 2005-06 ($104,000).

Explanations for significant variances in **Table 8-1** include the following:

- **Unrestricted Grants-In-Aid**: Federal funding support is directly related to the number of reimbursable meals reported by the District. Since FY 2003-04, Southern LSD increased its average daily reimbursable meal rate from 59.8 percent to 66.4 percent. The number of students receiving free and reduced meals also increased.

- **Retirement and Insurance**: In addition to the rising cost of health insurance (see **human resources**), the District had two employees retire, both of whom elected single medical insurance coverage. These employees were replaced by two employees who elected family medical insurance coverage. Each family plan costs the District $16,406; approximately $10,000 per year more than a single plan.

- **Purchased Services**: Purchased services account for the majority (54.4 percent) of operating expenditures in FY 2005-06. These expenditures include management and administrative fees, salaries and benefits for the Food Service Director, and per diem meal fee.

In an effort to eliminate the FY 2005-06 Food Service Fund deficit, Southern LSD has increased meal prices to help generate an additional $50,000, yet additional subsidies may be required if the District does not address labor hour inefficiencies (see **R8.1**) and renegotiate fringe benefits for classified employees (see **human resources** and **R8.4**). The District should also take steps to improve its financial management of food service operations by charging utilities costs appropriately (see **R8.2**) and by developing a five-year forecast (see **R8.3**). If it can eliminate General Fund transfers to the Food Service Fund, the District will have additional resources at it disposal that can be used to support classroom and instructional operations.

Recommendations

R8.1 **The District should reduce its daily labor hours used for food service and improve its ratio of Meals Per Labor Hour (MPLH). Reducing labor usage by 5.5 hours per day will bring the District in line with national benchmarks.**

In FY 2005-06, Southern LSD reported serving an average of 973 meal equivalents per day. Excluding the Food Service Director, food service employees worked 46.25 labor hours per day. According to *School Foodservice Management for the 21st Century* (NFSMI, 1999), the District should be able to produce approximately 23.0 MPLH given this labor usage. However, the District produced only 20.3 MPLH. However, Southern LSD achieves greater efficiency than the peer average because the District's food service operations are consolidated in one facility whereas 7 of the 10 peers maintain multi-building operations. Based of its single-building operating structure, the District should attempt to achieve a level of efficiency commensurate with the national benchmark. To reach 23.0 MPLH, the District would have to reduce its labor usage by 5.5 hours per day. The District could accomplish this by reducing work hours of all food service employees, rather than cutting a position.[2] The District should work with the FSMC to examine current operations and determine the best way to reduce labor usage while minimizing any negative impact on service levels.

Financial Implication: By reducing food service operation labor usage by 5.5 hours per day, the District could reduce salary expenditures by approximately $11,800 annually.

R8.2 **The District should ensure that all food service-related expenses are charged to the Food Service Fund. By correctly recording all food service expenses, a complete financial picture will be available to Southern LSD and allow for revenue and food service program adjustments as needed.**

The District pays for food service-related utilities and purchased services expenses out of the General Fund, rather than the Food Service Fund. While assigning these related costs to the Food Service Fund is considered a best practice, it is not common to Ohio school districts. In consideration of its financial condition (see **financial systems**), however, the District should attempt to minimize General Fund expenditures whenever possible, especially when the expense can be paid from a self-supporting fund.

Ohio Revised Code (ORC) § 3313.81 states that "all receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes shall be paid directly into and disbursed from the food service fund." The GFOA also

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[2] This could also be accomplished through eliminating a single food service position (estimated 0.7 FTE).

suggests that governments measure the full costs of their services, which can be helpful in performance measurement and benchmarking; setting user fees and charges; privatization; and competition initiatives or "managed competition." The full cost of a service encompasses all direct and indirect costs related to that service. Direct costs include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service, as well as the materials and supplies, and other associated operating costs such as utilities and rent, training, and travel.

The District's food service operation comprises 9,225 square feet; approximately 5 percent of the District total square footage. Using this percentage, nearly $12,600 in purchased services costs could be charged to the Food Service Fund. By charging these expenses to the General Fund, the financial position of the Food Service Fund is not accurately depicted on the District's financial reports as purchased service expenditures are underreported. This creates misperceptions when planning as financial information is inaccurate. By charging all food service-related expenses to the Food Service Fund, Southern LSD can better evaluate the efficiency and performance of the food service operation and will have better information when developing a five year forecast for the food service operations (**R8.3**).

Financial Implication: By including all expenses incurred as a result of the food service operation, a negative financial impact of approximately $12,600 will be realized in the Food Service Fund. However, this impact would be offset by an equal reduction in General Fund expenditures.

R8.3 **The District should work with the FSMC to develop a five-year forecast of revenues and expenditures for its food service operation. Developing a five-year forecast will ensure that long-range planning is in place and give the District the opportunity to proactively address factors which may lead to future deficits. In addition, the District should use the annual budget as a planning tool to identify potential issues and causes for operational deficits of the Food Service Fund.**

The five-year forecast prepared by the Treasurer includes a $50,000 transfer from the General Fund to the Food Service Fund each year. In FY 2005-06, the District transferred $104,000 to the Food Service Fund to cover a year-end deficit. These actions are indicative of the additional burden the Food Service Fund deficit places on the General Fund.

The District does not have a formal five-year forecast designed specifically for the Food Service Fund. Rather, the District relies upon the FSMC to provide a year-to-year analysis of the food service operation. The FSMC provides the District with a projected annual budget which is then reviewed by the Board for approval. The Treasurer does not create a formal budget or projections specifically for food service operations.

The Treasurer reviews expenditures and determines if transfers are needed from the General Fund for the current year. However, according to the Food Service Director, the FSMC develops the food service budget. This budget is determined by taking into account the following factors:

- The number of operating days;
- Historical sales;
- Student meal prices;
- Federal reimbursements;
- Labor and benefit costs; and
- FSMC fees.

The budget is an important component of a strategic plan for the food service operation. *School Foodservice Management for the 21st Century* (NFSMI, 1999) considers a budget as a plan for financial management. It helps a manager or director to 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:

- Identifies potential problems by contrasting actual financial activity with projected activity and provides for a basis for comparison (if estimated income is not being generated monthly, then expenditures may need to be reduced, or a deficit may result);
- Sets performance standards for management;
- Controls erratic expenditures; and
- Helps a manager determine if a program can afford to make expenditures (e.g., purchase a piece of equipment or attend a national convention).

Along with the yearly budget, forecasting revenue and expenditures over a five year period is recommended for long-range planning. This can give the administration sufficient notice of emerging issues so that action can be taken to correct them. With increases in labor costs and the rising costs of fringe benefits, lunch price increases, and cost saving measures need to be evaluated annually. Furthermore, some of the factors to be considered in making revenue projections and expenditure estimates are:

- Historical data;
- Goals and plans;
- Economic indicators;
- Demographic changes;
- Projected enrollment;
- Effects of menu changes;
- Changes in operating procedures;

- Changes in food and labor costs;
- Meal price changes; and
- Operational changes.

Although the District is informally reviewing the long-term solvency of the food service operations, this review does not include the development of a five-year forecast. Forecasting for the Food Service Fund may not have been necessary in the past as the District has historically maintained a positive balance. However, considering the deficit recorded in the most recent fiscal year and future projected transfers from the General Fund, a forecast may help the District to better use historical enrollment data, labor, and food costs to make more informed decisions regarding the food service operation. A five-year forecast of the Food Service Enterprise Fund can increase awareness of the issues and challenges that face the department, and allow the District administration to be proactive in addressing these issues, thereby reducing the Food Service Enterprise Fund's reliance on General Fund transfers.

R8.4   In conjunction with R4.1 and R8.1, Southern LSD should reduce employee insurance costs by prorating fringe benefits for part-time employees (see human resources) and reducing food service work hours to 25 hours per week.

As shown in **Table 8-1**, Southern LSD experienced an operational deficit of $107,919 for FY 2005-06. In an effort to eliminate this deficit, the District increased meal prices prior to FY 2006-07. However, due to the District's demographic composition, increases in meal prices have limited impact as 71.4 percent of reimbursable meals the District provides are to students eligible for free and reduced lunches. As a result, the majority of the District's revenues are received through federal reimbursement. Therefore, to eliminate the Food Service Fund Deficit the District must focus on reducing costs rather than generating additional revenue.

In FY 2005-06 employee retirement and insurance cost the District $0.73 per meal equivalent, compared to the peer average $0.46 per meal equivalent. As noted in the **human resources** section, District employees must only work 20 hours per week in order to receive full employee benefits by the District. This arrangement has meant that the all food service employees receive District provided health insurance. For some employees, the cost of their health insurance exceeds their annual wages. In order to reduce employee insurance costs and eliminate the deficit in the Food Service Fund, the District should consider one of the following two options.

- **R4.1** in the **human resources** section recommends that the District reduce its insurance costs by prorating benefits for employees who work fewer than 25 hours per week. However, only 3 food service employees work fewer than 25 hours per week. If the District implemented **R4.1**, the Food Service Fund would realize a savings of approximately $25,400.

- To fully reduce the Deficit, the District would need to reduce the daily work hours of 4 additional employees so that they fall below the 25 hour threshold. This would reduce daily labor usage by approximately 4.25 hours. Therefore, if the District were to reduce labor usage by 5.5 hours per day (see **R8.1**), in conjunction with prorating benefits, the District could save about $55,300 and eliminate projected Food Service Fund deficits.

Financial Implication: Prorating benefits[3] for food service employees without reducing the hours of any additional employees would result in an annual cost savings of $25,400, eliminating half of the projected fund deficit. If the District were to prorate benefits in conjunction with reducing labor usage by 5.5 hours per day (see **R8.1**), the District could realize an annual cost saving of approximately $55,300 in the Food Service Fund.

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[3] Assumes employer/employee 50 percent cost sharing as noted in **R4.1**.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and estimated annual implementation costs identified in this section of the report.

Financial Implications for Food Service

Recommendation	Estimated Annual Cost Savings	Estimated Annual Implementation Costs
R8.1 Reduce food service labor usage by 5.5 hours	$11,800	
R8.2 Use cost allocation to account for food service operation expenses		$12,600
R8.4 Prorate fringe benefits for part-time employees	$55,300	
Total	**$67,100**	**$12,600**

Source: AOS recommendations

Appendix 8-A: Summary of Objectives for Food Service

The following questions were used to evaluate food service operation in Southern LSD:

- Is the current financial status of the District's food service operation positive?

- Are the District's food services human resources allocation and management processes comparable to recommended practices and benchmarks?

- Does the District effectively monitor participation in free and reduced lunch programs?

District Response

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

Southern Local Schools

The Mission of Southern Local Schools is to
Provide a quality, child centered education where all students can succeed

10397 State Route 155 SE #1, Corning, OH 43730 * Cindy Hartman, Superintendent * (740) 394-2402 FAX (740) 394-2083

August 31, 2007

Mary Taylor
Auditor of State
88 E. Broad St.
Columbus, Ohio 43215

Dear Auditor Taylor,

On behalf of the Board of Education and administrative team at Southern Local Schools we want to express our appreciation of the Performance Audit that was completed on Southern Local Schools during FY 2007. Although by the time the audit was initiated our district was no longer in Fiscal Caution, we have gained insight from the information that has been provided us throughout this process. We especially appreciate the verification of noteworthy accomplishments that have been noted in the areas of Finance, Facilities, Transportation and Technology. In addition, we would like to compliment Audit Managers, Adam Rutan and John Michels for their professionalism and cooperation during this process.
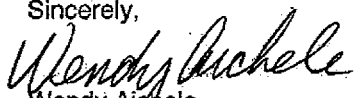
As noted in earlier communication the district has already implemented some of the recommendations noted in the draft report. These areas include:
1. Five year forecast training from School Business Solutions has been completed and this new format has been used for the May update to ODE. (pp. I-7,3-9)
2. We have joined the ODAS Cooperative Purchasing program and are now purchasing fuel through this program. (pp, 1,9, 6-7)
3. Drivers have signed off on an acknowledgment form. (pp. 1-9. 6-7)
4. The Board has completed annual evaluations of the superintendent & treasurer this year and have committed to completing annual evaluations based on goal attainment from this point forward.(p. 2-6)
5. We have updated our website to include Board minutes and facility usage procedures and forms. We are working on adding Board of Education meeting agendas & financial forecast information. (p. 2-11)

In addition to these areas it should be noted that through reduction in force and attrition over the past three years we have reduced staff in all areas by twenty positions and will continue to monitor staffing needs as our enrollment numbers continue to fluctuate. We have also suspended work on our CIP revision and update so that we can include strategic planning areas as mentioned in the report. Finally, we were able to alter our health care coverage in 2006 to include a larger deductible on the part of employees and will continue to work with both labor unions to review and reduce health care costs in any way possible.

This audit recommended several other reductions through changes in transportation, food services, facilities cleaning and maintenance and technology which we will continue to monitor and adjust wherever practical to district goals and policies. Although suggested reductions may reduce overall costs, they do not necessarily meet the needs of our community and educational program. The Southern Local Board of Education and administrative staff will continue to evaluate the results of this audit and the feasibility of its recommendations

Sincerely,

Wendy Aichele
Board of Education President

Cindy Hartman
Superintendent