



Mary Taylor, CPA  
Auditor of State

CINCINNATI CITY SCHOOL DISTRICT  
PERFORMANCE AUDIT

OCTOBER 14, 2008



# Mary Taylor, CPA

Auditor of State

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

Pursuant to Amended Substitute House Bill 119, a performance audit was initiated of the Cincinnati City School District (CCSD) beginning in January 2008. The four functional areas assessed in the performance audit were finance and strategic management, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its mission of educating children, and because improvements in these areas can assist the District in improving its financial situation.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of CCSD's financial situation. While the recommendations contained in the audit report are resources intended to assist the District in maintaining its financial stability, 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; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study, and financial implications. This report has been provided to CCSD, 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 to further improve its overall operations, service delivery, and financial stability.

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

Sincerely,

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

Mary Taylor, CPA  
Auditor of State

October 14, 2008



# **Executive Summary**

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## **Project History**

As permitted under HB 119, the Auditor of State (AOS) conducted a performance audit of the Cincinnati City School District (CCSD or the District) to include a review of any programs or areas of operation in which it believes that greater operational efficiency, effectiveness, and accountability may be achieved. In January 2008, AOS initiated a performance audit of the Cincinnati City School District (CCSD or the District) due to the District's October 31, 2007 five-year forecast. The forecast showed a low fund balance of about 0.5 percent and a deficit beginning in FY 2008-09 of \$72 million (approximately 17 percent), accelerating to \$350 million at the end of the forecast period.

Based on AOS research and discussions with CCSD officials, the following areas were assessed in the performance audit:

- Finance and Strategic Management;
- Human Resources;
- Facilities; and
- Transportation.

Audit work concluded in June 2008. The goal of the performance audit process was to assist CCSD administrators and the Board in identifying cost savings opportunities and improving management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

## **District Overview**

CCSD is located in Hamilton County. In FY 2007-08, it provided educational services to an average daily membership of 34,324<sup>1</sup> preschool through grade twelve students. For FY 2006-07 (the most recent year information was available), the District reported that it received

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<sup>1</sup> The source for this average daily membership is the February 1, 2008 enrollment data contained in the Education Management Information System (EMIS) obtained from the Ohio Department of Education (ODE). This count includes students receiving educational services from the District and excludes the percent of time students are receiving education services outside of the District. CCSD is engaged in litigation pertaining to Ohio's annual headcount of students and this issue is now before the Ohio Supreme Court. CCSD asserts that its enrollment is higher than what is reported through ODE and that the District did not receive nearly \$5 million in funding because of undercounting.

approximately 52.1 percent of its revenues from local taxes, 35.5 percent from the State, and 12.4 percent from federal grants and other sources. Its expenditures per pupil were \$9,656.

In FY 2007-08 the District employed approximately 4,382 full-time equivalent (FTE) staff consisting of 169 FTE administrators, 2,248 FTE educational personnel, 976 FTE professional/technical personnel, 310 FTE office/clerical staff, and 679 FTE operations and other staff. The regular education student-to-teacher ratio in FY 2007-08 was approximately 16.8:1. Also, in FY 2006-07, the District met 8 of 30 academic performance indicators established by ODE and was categorized as a continuous improvement district. CCSD's FY 2007-08 Report Card showed that the District met 9 out of 30 performance indicators and continued its status as a *continuous improvement* district.

## Subsequent Events

During the course of the audit, CCSD submitted its May 2008 five-year forecast update which projected an increase in local revenue due to the passage of a 7.89 mill property tax increase. The tax issue will increase real property tax revenue by approximately \$51.5 million annually over the next five years, starting in January 2009. Although this, as well as other, issues were incorporated into the updated forecast, the methodology and documentation of the forecast assumptions presented in the October forecast were essentially the same as were used in the May forecast update.

The District Superintendent retired during the course of the audit and CCSD appointed the Director of Schools to serve as interim Superintendent. The Board also approved a \$445 million budget for FY 2008-09, including \$29 million in expenditure reductions.

During the course of the audit, the Board of Education approved the sale of District-owned property, known as Mercer Commons in Over-the-Rhine, to the City of Cincinnati for \$4.2 million. The District had purchased the property in 2005 for the purpose of constructing a new school building, but these plans were later eliminated from the Facilities Master Plan.

Lastly, in 2005, Ohio discontinued a program under which schools could receive Medicaid reimbursement for select services. The federal Centers for Medicare and Medicaid Services approved a new Ohio School Medicaid Program in early 2008. CCSD indicated it will seek \$9.9 million in reimbursements that were not received due to these program changes.

## Objectives, Scope and Methodology

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

The performance audit of CCSD was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from CCSD and other school districts. AOS developed a composite of six selected districts which were used for peer comparisons. The selected districts were Boardman Local (Mahoning County), Austintown Local (Mahoning County), Findlay City (Hancock County), Hamilton City (Butler County), Akron City (Summit County), and Canton City (Stark County).<sup>2</sup> These districts are classified as major urban with very high poverty or urban with high poverty and have lower per pupil costs. As a group, these districts represent a higher level of financial and academic performance and, as a result, benchmarks derived from their operations generally represent above average performance. These selected districts, referred to in the report as *peer districts*, were chosen to provide a performance benchmark, and the comparisons to these districts were used to identify potential areas for improvement for CCSD. AOS does not include higher cost or lower performing districts in this benchmark.

In addition, peers used within the human resources and transportations section include Cleveland City (Cuyahoga), Columbus City (Franklin), and Toledo City (Lucas) school districts. These peer districts were specifically selected in order to compare CCSD's operations to other large urban districts that had similar demographics or used similar approaches in delivering services.

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<sup>2</sup> Hamilton City, Akron City, and Canton City are classified as type 5 school districts. Boardman Local, Austintown Local, and Findlay City are classified as type 4 districts. Type 5 districts are major urban districts with very high poverty. This group of districts includes all of the six largest core cities and other urban districts that encompass major cities. Type 4 districts are urban, low to median income with high poverty levels. This group includes urban districts that encompass small or medium size towns and cities.

Also, external organizations and sources were used to provide comparative information and benchmarks. They included the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National State Auditors Association (NSAA), and the National Center for Education Statistics (NCES), and other related leading practices. Information used as criteria (benchmarks or leading practices) was not tested for reliability.

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

The Auditor of State and staff express their appreciation to the Cincinnati City School District for its cooperation and assistance throughout this audit.

## **Noteworthy Accomplishments**

This section of the executive summary highlights specific CCSD accomplishments identified throughout the course of the audit.

- The Treasurer forecasts each line item separately by three level object code and maintains extremely detailed supporting documentation. By using this forecasting method, the Treasurer creates a more accurate, detailed forecast. When calculating a new forecast or forecast update, the Treasurer collects new data for his projections rather than basing the updated forecast on outdated information.
- The Treasurer's Office and Technology Group developed the Dashboard System which provides building administrators and department heads budget to actual expenditure amounts, various testing and performance information, as well as student attendance and discipline rates. The District created the Dashboard System in order to better report the budget, financial condition, and performance factors to building administrators and department heads. The Treasurer's Office uses the system to better track individual building budgets and expenditures. By increasing the amount of information available to District staff, the Treasurer's Office, along with each building principal, is able to more proactively manage District finances.

- The District's Bureau of Workers' Compensation (BWC) costs have historically been low. CCSD has maximized its savings by enrolling in a retrospective rating program. The District has realized an average annual savings of approximately \$1.5 million. In addition, CCSD has implemented and continues to use a transition to work program which minimizes the amount of claims made to the BWC. The District actively works with a third party administrator to monitor its claims costs and identify savings realized from enrollment in the retrospective rating program.
- CCSD has developed a staffing plan that works to incorporate state requirements, contractual agreements, available resources, and educational goals into a process that includes central and site-based administrators and personnel. The staffing plan, linked to the District's student-based budgeting, employs a staffing template that includes recommended elements and serves as a planning tool by the Instructional Leadership Teams.
- CCSD has implemented an ODE recommended process to perform an annual transportation survey. This helps it determine potential riders for the upcoming school year and ensures improved routing practices. During FY 2006-07, the District adopted a policy that requires parents or guardians to request transportation services for the next school year if the student has not used its services or if there is a residence change. This has enabled CCSD to anticipate ridership and plan its routes for the beginning of the school year. Moreover, the District recalibrates its routes every two weeks during the school year in order to maintain an optimal level of efficiency, provide quality services, and reduce the costs of excess routes.
- The Transportation Department effectively monitors its contractors who are used to provide the District's bus services. The Transportation Director has improved the monitoring effectiveness by requiring specific monitoring provisions for future contract agreements that support its procedures. The new request for proposal contains language to further clarify the District's and vendor's roles and responsibilities in the monitoring and reporting process.
- The final phase of the District's Facilities Master Plan includes buildings that are Leadership in Energy and Environmental Design (LEED) certified. The LEED green building rating system—developed and administered by the U.S. Green Building Council, a Washington D.C.-based, nonprofit coalition of building industry leaders—is designed to promote design and construction practices that increase profitability while reducing the negative environmental impacts of buildings and improving occupant health and well-being. The LEED rating system offers four certification levels for new construction: Certified, Silver, Gold and Platinum. These correspond to the number of credits accrued in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality. According to



the Director of Facilities, Pleasant Ridge Montessori will be the first elementary school in Ohio to be LEED certified and may meet the standards for Silver certification from the United States Green Building Council when it is completed.

## Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the District with options to enhance its operational efficiency and improve its long-term financial stability. The areas assessed involve complex issues and the reader is encouraged to review the recommendations in their entirety. The following are brief synopses of the key recommendations from the performance audit report:

*In the area of finance and strategic management, CCSD should:*

- Develop formal guidelines and procedures in areas of financial forecasting, maintenance operations and reporting of transportation data.
- Develop guidelines and procedures to ensure the accuracy of financial reporting prior to submission to ODE. The District should implement appropriate controls in order to guarantee accuracy of reported financial information.
- Expand the use of direct deposit and attempt to negotiate mandatory direct deposit in future negotiated agreements for all District employees. The District should also include mandatory direct deposit for substitute teachers, and exempt employees.
- Analyze and use the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition and improve its current and future financial situation. In addition, the District should update its forecast on a continuous basis as critical financial issues are addressed.

*In the area of human resources, CCSD should:*

- Limit future negotiated wage increases to bring its salaries more in line with urban peer averages and reduce the rate of expenditure growth. In addition, CCSD should consider negotiating a separate salary schedule for new employees and focus particular attention on restructuring compensation for crafts and trades, and clerical staff.
- Renegotiate the compensation rate for substitute teachers to a level commensurate with Columbus CSD and examine the total compensation package for substitutes which now includes sick leave, retroactive pay, and other fringe benefits not normally provided to substitute employees.

- Seek to increase the employee monthly contribution toward the cost of medical and ancillary insurance benefits. Increasing the amount employees contribute toward health insurance costs to 10.5 percent of the District's total cost would bring CCSD in line with cost-sharing practices in its region.
- Develop a method for monitoring and measuring the impact of employee sick leave usage and absenteeism to identify patterns of sick leave abuse and stem the practice of employees taking leave without pay.

*In the area of facilities, CCSD should:*

- Align its custodial and maintenance staffing with recommended standards<sup>3</sup> and take steps to reduce custodial staff absenteeism.
- Dispose of excess square footage and reduce staffing levels as it opens new and renovated buildings and disposes of vacant ones.
- Work to reduce the level of sick leave used by custodial and maintenance employees.
- Sell excess properties that are not being used for instructional purposes to save on utilities and maintenance costs and enhance revenue.
- Monitor energy practices to ensure schools are operating efficiently and continue to direct efforts toward determining the cost of utilities for each building.

*In the area of transportation, CCSD should:*

- Consider all opportunities to increase ridership levels per bus and consider changes to its transportation service levels to reduce overall transportation costs.

## **Issues for Further Study**

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

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<sup>3</sup> Recommended workload standards are promulgated by the National Center for Education Statistics and American Schools and Universities respectively.

- **Service Level:** One cause for CCSD's higher operating costs is the District's decision to provide a higher level of service in order to retain students within the District and to compete with community schools. While CCSD monitors its finances and its academic achievements, the District does not have measurable outcomes that link to the funds being expended to retain students. This information would provide a basis to evaluate the impact of the higher service levels in terms of retaining students. CCSD, in conjunction with the residents in the communities that it serves, could use this information to ensure that the District's strategy is an efficient and effective use of its limited funds.
- **Absenteeism:** In FY 2006-07, civil service employees took over 39,400 hours of leave without pay. This equates to 19 full-time positions. As CCSD improves its tracking of leave use and reduces sick leave (see **R3.4** and **R4.3**), the District should use its information to further evaluate absenteeism and analyze the use of leave without pay. The data should assist the District in determining the effects of classified employees taking an average of 17 hours of leave without pay each year on the operational efficiency of the organization. While the District is not incurring salary costs for leave without pay, it is experiencing increased overtime costs and lost productivity.
- **Monitoring Staffing Levels in Other Professional Staff and Technical Staff:** Ohio Administrative Code (OAC) provides service level requirements related to a District's employ of professional employees. CCSD exceeds these in several areas, particularly school psychologists, speech and language therapists, and occupational therapists. While the District exceeds the minimum ratios for psychologists and speech and language therapists based on overall student population, the OAC also contains additional staffing requirements based on the number of students with disabilities. Some of these staffing ratios are also negotiated in the certificated negotiated agreement. According to ODE, a district's compliance with the ratios by student disability for psychologists and speech and language therapists is determined by the actual number of students serviced by these positions, rather than the total number of students reported in the respective disability categories. Therefore, the special needs population at each school drives staffing levels. Therefore, the District should review the caseloads of its psychologists, and speech and language therapists, and contact ODE for further clarification to ensure compliance with ratios and help determine whether staffing reductions in these areas are feasible.

Also, the majority of employees within the Technical Staff classification are instructional paraprofessionals. CCSD reported employing 13.5 more instructional paraprofessionals per 1,000 students than the urban peer average. The District refers to these employees, who are assigned to regular and special education classrooms, as well as to individual students as a result of written Individual Education Plans (IEPs), as instructor assistants. The use of instructor assistants in regular education classrooms is the result of maximum class sizes included in its negotiated agreement with certificated employees. In FY 2008-

09, CCSD plans to increase the number of Technical Staff, a majority of which will be placed in classrooms to allow for larger class sizes. Although preliminary analyses showed this to be a cost effective approach, CCSD should continue to monitor the level of technical staff and evaluate the cost-efficiency of this approach.

- **Health Reimbursement Account:** In addition to traditional medical and ancillary insurance benefits, the District funds a Health Reimbursement Account (HRA). CCSD provides \$350 or \$425 annually, for employees enrolled in single or family coverage respectively, to be used toward the reimbursement of medical expenses. In order to qualify for this benefit, employees are required to complete a Health Risk Assessment administered through the District's healthcare provider. Claims for reimbursements may be made for medical, dental, vision, and hearing care expenses, deductibles or co-pays associated with the District medical plan, and over the counter drugs. Employees are not able to apply for reimbursement of regular contributions toward the cost of health insurance deducted from employee compensation.

HRA plans are very flexible, enabling employers to control their own costs of healthcare while still providing a valuable employee benefit. In a health reimbursement account, employers may establish the expenses for which the HRA funds may be used, from as comprehensive as all health-related eligible expenses to as limited as emergency room expenses only. According to the Kaiser Family Foundation, health reimbursement accounts are often associated with high deductible health plans, although it is not legally required.

While CCSD reports lower health insurance premiums, it should review its HRA and ensure that it is structured to be mutually beneficial to the District and its employees. An examination of alternative structures for an HRA may yield options that would both provide an incentive for employees and aide the District in controlling future health care costs.

- **Professional Development:** CCSD should analyze the effect of professional development offered by the Mayerson Academy. While the training programs at Mayerson are mostly voluntary, teachers are not limited in the number of courses they may take. The difficulty and cost of hiring an appropriate number of substitute teachers to supplement the regular, sick, and personal leave time that employees take should be considered in relation to the benefit of professional development to certificated staff (see **R3.2, R3.6**).

## Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications and the estimated savings for FY 2008-09. These recommendations provide a series of ideas or suggestions that CCSD should consider. Some of the recommendations depend 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.

### Performance Audit First-Year Savings Implications

Recommendation	Estimated First Year Savings
<b>Recommendations not Subject to Negotiation</b>	
<b>R4.1</b> Bring custodial and maintenance staffing in line with industry standards	\$158,800
<b>R4.2</b> Reduce custodial and maintenance staffing through completion of FMP	N/A
<b>R4.5</b> Dispose of excess properties	N/A
<b>R4.6</b> Improve management of energy costs	\$340,000
<b>R5.1</b> Consider changes to current transportation service levels	\$130,000
<b>Subtotal Not Subject to Negotiation</b>	<b>\$628,800</b>
<b>Recommendations Subject to Negotiation</b>	
<b>R2.4</b> Negotiate mandatory direct deposit	\$35,000
<b>R3.1</b> Limit negotiated wage increases	\$550,000
<b>R3.2</b> Reduce compensation of daily substitutes	\$186,250
<b>R3.3</b> Increase employee health insurance share	\$547,500
<b>Subtotal Subject to Negotiations</b>	<b>\$1,318,750</b>
<b>Total General Fund Impact of Performance Audit Recommendations</b>	<b>\$1,947,550</b>

Source: AOS recommendations

**FINANCE & STRATEGIC  
MANAGEMENT**

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# Finance and Strategic Management

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## Background

This section focuses on the financial systems and strategic management in the Cincinnati City School District (CCSD, or the District). This section analyzes the current and future condition of CCSD for the purpose of developing recommendations to improve financial management and identify opportunities for greater efficiency as well as the District's five-year forecast to ensure that the projections were reasonably indicative of future operational and financial conditions. Operations were evaluated against leading practices and industry standards including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), and selected peer districts<sup>1</sup> in order to develop recommendations that will improve business practices.

### *Management Structure*

CCSD is governed by a seven-member Board. Board members are elected to serve a four-year term; four members' terms expire on December 31, 2009 and three expire on December 31, 2011. The Board serves as the taxing authority and policy-making body for regulating operation of the District. The Board is also responsible for establishing educational goals, appraising the effectiveness in achieving those goals, providing for the preparation and adoption of the annual budget, and soliciting and weighing public opinion as it affects the schools. Pursuant to Ohio Revised Code (ORC) § 3319.01, the Superintendent serves as the 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.

The duties of the Treasurer, who serves as the chief fiscal officer and is responsible for all District financial affairs, are outlined in ORC § 3313.31. The Treasurer oversees accounting and payroll functions and is responsible for meeting financial reporting requirements of the District. The Treasurer is also responsible for preparation of the annual budget, publication of the annual report, and creation of the financial forecast. The CCSD Treasurer's Office consists of 72.5 full-time equivalent (FTE) employees, who are not currently cross-trained (see **R2.3**), including the Treasurer and Assistant Treasurer. The Treasurer's Office is going through reorganization and is in the process of deciding whether to purchase new budgeting software. The Department received approval to hire an analyst and an internal auditor, for which the Treasurer is creating a job description based on GFOA guidelines.

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<sup>1</sup> See the **executive summary** for a list of the peer districts.

The Treasurer's Office is guided by Board-approved policies that address ethical issues and various day to day activities, such as purchasing, competitive bidding procedures, and payroll processes (see **R2.4** regarding payroll direct deposit). The District publishes its Board policies on its website along with its Strategic Plan. Although the Board's financial policies contain the elements of recommended practices, the District does not have a written financial forecasting policy in place (see **R2.1**).

### *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.

CCSD's mission statement published within its Strategic Plan is to "educate all students to meet or exceed the district's academic standards and provide opportunities for students to grow socially, emotionally and physically to become lifelong learners and productive citizens." The Board has also developed Fiscal Year (FY) 2007-08 District goals, which include the following:

- Evaluate and assess CCSD components to determine the impact on student achievement;
- Increase student achievement at elementary schools in particular;
- Increase literacy for all children;
- Improve skill set, performance, and evaluation of school site administrators;
- Improve the effectiveness of instructional support teams;
- Expand advanced placement and enrichment opportunities for all students;
- Review Strategic Plan goals and targets and modify based on previous years' learning;
- Increase District revenue and promote efficiency and effectiveness of resource allocation;
- Increase venues and types of community engagement for all stakeholders;
- Increase the number of excellent and effective schools; and
- Continued prudent monitoring of the District's Facilities Master Plan.



*Financial Condition*

The financial forecast in **Table 2-1** presents the Treasurer's projections of CCSD's present and future financial condition as of October 31, 2007. The forecast is the representation of CCSD and are presented without verification. The projections reflect the General Fund and Poverty Based Assistance (PBA) and are accompanied by three years of comparative historical results, general assumptions, and explanatory comments. Assumptions that have a significant impact on CCSD's financial status were reviewed for reasonableness. The forecast assumptions were submitted to ODE and can be viewed on its web site.<sup>2</sup>

During the course of the audit, the CCSD's May 2008 forecast was created and submitted to ODE. Although this forecast update was not fully analyzed during this audit, the May 2008 forecast is used in the revised forecast in **R2.6** to reflect the District's updated financial status, including the passage of a 7.89 mill levy in March, 2008 and reductions made by the District.

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<sup>2</sup> <http://fyf.oecn.k12.oh.us/fyforecast/>

**Table 2-1: Five-Year Financial Forecast (in 000's), October 31, 2007**

	Actual			Forecast				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Revenues:</b>								
Real Estate Property Tax	\$170,785	\$179,665	\$192,832	\$191,681	\$172,907	\$193,305	\$194,270	\$203,616
Tangible Personal Tax	\$52,490	\$53,077	\$42,523	\$33,511	\$23,989	\$15,638	\$14,402	\$12,672
Unrestricted Grants-in-Aid	\$127,915	\$120,177	\$114,832	\$108,066	\$108,066	\$108,066	\$108,066	\$108,066
Restricted Grants-in-Aid	\$30,509	\$32,013	\$38,771	\$45,538	\$45,538	\$45,538	\$45,538	\$45,538
Property Tax Allocation	\$26,867	\$24,769	\$30,579	\$35,239	\$41,382	\$48,117	\$47,727	\$42,536
Other Revenues	\$13,173	\$12,457	\$16,667	\$15,000	\$14,000	\$13,000	\$13,000	\$13,000
Total Other Fin. Sources	\$9,274	\$43,600	\$7,685	\$8,000	\$0	\$0	\$0	\$0
<b>Total Revenue and Other Fin. Sources</b>	<b>\$431,012</b>	<b>\$465,757</b>	<b>\$443,890</b>	<b>\$437,035</b>	<b>\$405,882</b>	<b>\$423,663</b>	<b>\$423,003</b>	<b>\$425,429</b>
<b>Expenditures:</b>								
Personal Services	\$240,356	\$218,850	\$214,703	\$115,463	\$120,652	\$126,073	\$131,738	\$137,658
Fringe Benefits	\$70,553	\$65,402	\$67,257	\$42,152	\$43,922	\$47,304	\$51,703	\$56,667
Purchased Services	\$105,177	\$110,944	\$118,903	\$114,880	\$127,579	\$133,728	\$140,237	\$147,133
Supplies and Materials	\$7,101	\$8,675	\$6,810	\$4,896	\$9,723	\$9,673	\$9,866	\$10,063
Capital Outlay	\$3,999	\$5,997	\$3,907	\$1,576	\$1,823	\$1,915	\$2,010	\$2,111
Intergovernmental	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Debt Service:</b>								
All Principal (Historical)	\$11,260	\$6,935	\$17,275	\$0	\$0	\$9,145	\$0	\$0
Principal-Notes	\$0	\$0	\$0	\$8,275	\$8,700	\$5,200	\$9,610	\$0
State Loans	\$0	\$0	\$0	\$4,740	\$4,955	\$2,710	\$5,460	\$6,995
State Advance	\$0	\$0	\$0	\$2,485	\$2,595	\$2,875	\$2,850	\$0
HB 264 Loans	\$0	\$0	\$0	\$2,635	\$2,755	\$2,875	\$3,025	\$0
Interest/Fiscal Charges	\$6,394	\$6,230	\$7,204	\$7,737	\$6,872	\$5,912	\$4,924	\$5,485
Other Expenditures	\$4,711	\$5,387	\$5,960	\$4,954	\$6,723	\$7,059	\$7,412	\$7,783
<b>Total Operating Expenditures</b>	<b>\$455,551</b>	<b>\$428,420</b>	<b>\$442,019</b>	<b>\$309,792</b>	<b>\$336,299</b>	<b>\$351,594</b>	<b>\$368,837</b>	<b>\$373,896</b>
Total Other Fin. Uses	\$3,000	\$57,715	\$18,976	\$126,907	\$144,569	\$147,511	\$154,682	\$161,605
<b>Total Expenditures and Other Financing Uses</b>	<b>\$458,551</b>	<b>\$486,135</b>	<b>\$460,995</b>	<b>\$436,698</b>	<b>\$480,868</b>	<b>\$499,105</b>	<b>\$523,519</b>	<b>\$535,501</b>
Result of Operations	\$(27,539)	\$(20,378)	\$(17,106)	\$336	\$(74,986)	\$(75,442)	\$(100,516)	\$(110,072)
Beginning Cash Balance	\$72,566	\$45,027	\$24,649	\$7,543	\$7,880	\$(67,106)	\$(142,548)	\$(243,064)
<b>Ending Cash Balance</b>	<b>\$45,027</b>	<b>\$24,649</b>	<b>\$7,543</b>	<b>\$7,880</b>	<b>\$(67,106)</b>	<b>\$(142,548)</b>	<b>\$(243,064)</b>	<b>\$(353,135)</b>
Outstanding Encumbrance	\$13,115	\$11,069	\$5,650	\$5,650	\$5,650	\$5,650	\$5,650	\$5,650
Budget Reserve	\$1,421	\$1,421	\$1,421	\$0	\$0	\$0	\$0	\$0
<b>Ending Fund Balance</b>	<b>\$30,491</b>	<b>\$12,159</b>	<b>\$473</b>	<b>\$2,230</b>	<b>\$(72,756)</b>	<b>\$(148,198)</b>	<b>\$(248,714)</b>	<b>\$(358,785)</b>

Source: CCSD and ODE

Note: Totals may not sum due to rounding.

CCSD'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, 2008 through June 30, 2012.

Due to the timing of the audit, the Auditor of State (AOS) analyzed the District forecast submitted October 31, 2007 which forecasted FY 2007-08 through FY 2011-12. The General Fund line items and assumption methodologies, with emphasis on property taxes, unrestricted grants-in-aid, restricted grants-in-aid, personal services, retirements and benefits, and purchased services were reviewed and analyzed. The Treasurer's assumptions, methodology, and projections for each of these line items were deemed reasonable given the information available at the time the forecast was created.

### *Financial Operations*

**Tables 2-2 through 2-3** compare CCSD's FY 2006-07 operating revenues and expenditures to peer averages to determine if the District obtains similar resource levels and allocates resources in an efficient and effective manner. Differences in how a district structures its expenditures may exist and may cause variances in how expenditures are categorized and recorded. Any major variances were discussed with the CCSD Treasurer.<sup>3</sup>

**Table 2-2** compares CCSD's FY 2006-07 expenditures per pupil to the modified 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. The purpose of the EFM is to categorize and report expenses related to the education of students and does not include all the funds accounted for by a school district.

**Table 2-2: Expenditure Flow Model**

Expenditure Category	CCSD FY 2005-06		CCSD FY 2006-07		Modified Peer Average FY 2006-07 <sup>1</sup>	
	Total \$	\$ Per Student	Total \$	\$ Per Student	Total \$	\$ Per Student
Administrative	\$50,170,713	\$1,422	\$50,834,769	\$1,504	\$18,423,897	\$1,154
Building Operations	\$72,114,034	\$2,044	\$74,658,618	\$2,210	\$28,275,486	\$1,801
Staff Support	\$32,156,342	\$911	\$30,750,267	\$910	\$7,600,299	\$471
Pupil Support	\$31,600,307	\$896	\$42,642,369	\$1,262	\$14,973,402	\$1,038
Instructional	\$236,388,609	\$6,700	\$225,181,513	\$6,664	\$84,855,493	\$5,579
<b>Total</b>	<b>\$422,430,005</b>	<b>\$11,973</b>	<b>\$424,067,536</b>	<b>\$12,550</b>	<b>\$154,128,577</b>	<b>\$10,042</b>

Source: ODE

<sup>1</sup> The modified peer average includes only the major urban peer districts.

<sup>3</sup> In some instances, the Treasurer's limited tenure with CCSD impacted his ability to fully explain variances. Likewise, supporting documentation was, in some instances, insufficient to explain year-to-year variances in expenditures.

As shown in **Table 2-2**, CCSD's per pupil expenditures exceed the peer average in all five categories. The examination of expenditures and the implementation of performance audit recommendation should help the District reduce expenditures in these areas and bring spending more in line with the peers (see **R2.6**).

**Table 2-3** compares CCSD's FY 2006-07 General Fund operating revenues and expenditures, by source and object respectively, to the peer average. For **Tables 2-3** through **2-5** internal CCSD financial records were used while 4502<sup>4</sup> reports submitted to the Ohio Department of Education (ODE) were used for the peers. The CCSD 4502's were obtained from ODE; however, the report contained various error messages and, through testing, were determined to be unreliable for use in the audit analyses (see **R2.2**).

**Table 2-3: General Fund Revenues by Source; Expenditures by Object**

	CCSD FY 2005-06		CCSD FY 2006-07		Peer Average FY 2006-057	
Average Daily Membership (ADM)	40,699		40,095		10,539	
	\$ Per ADM	% of Total	\$ Per ADM	% of Total	\$ Per ADM	% of Total
Property / Income Tax	\$5,779	48.7%	\$5,870	52.1%	\$3,936	44.5%
Intergovernmental Revenues	\$3,813	32.1%	\$3,997	35.5%	\$4,429	50.9%
Other Revenues	\$2,280	19.2%	\$1,401	12.4%	\$412	4.6%
<b>Total Revenue Per ADM</b>	<b>\$11,871</b>	<b>100%</b>	<b>\$11,268</b>	<b>100%</b>	<b>\$8,776</b>	<b>100%</b>
Wages	\$4,905	46.0%	\$4,783	49.5%	\$4,857	58.1%
Fringe Benefits	\$1,468	13.8%	\$1,500	15.5%	\$1,788	21.3%
Purchased Services	\$2,722	25.5%	\$2,957	30.6%	\$1,129	13.4%
Supplies & Textbooks	\$241	2.3%	\$170	1.8%	\$228	2.7%
Capital Outlay	\$120	1.1%	\$98	1.0%	\$83	1.0%
Debt Service	\$0	0.0%	\$3	0.0%	\$6	0.1%
Miscellaneous	\$1,203	11.3%	\$146	1.5%	\$102	1.2%
Other Financing Uses	\$0	0.0%	\$0	0.0%	\$193	2.2%
<b>Total Expenditures Per ADM</b>	<b>\$10,658</b>	<b>100%</b>	<b>\$9,656</b>	<b>100%</b>	<b>\$8,387</b>	<b>100%</b>

**Source:** CCSD and the peers; the ADM figures were taken from each district's final payment report (SF-3 report)

**Note:** Totals may not sum due to rounding.

As shown in **Table 2-3**, CCSD is above the peer average in total revenues and total expenditures on a per pupil basis. The District's revenues and expenditures are \$2,492 and \$1,269 per student above the peer average respectively. **Table 2-3** also shows that CCSD's total expenditures per pupil were approximately 15 percent higher than the peer average. Higher total expenditures resulted predominantly from higher purchased services. The District's purchased services are mainly comprised of tuition and transportation costs (54.9 percent of the District's purchased services are tuition costs and 18.8 percent is due to transportation). Tuition costs are expenditures

<sup>4</sup> 4502 reports are District financial reports submitted to the Ohio Department of Education through the Education Management Information System (EMIS).

to reimburse other educational agencies for services rendered to students residing in the legal boundaries of the paying school district (see *issues for further study* in the **executive summary**). Transportation costs are analyzed in the **transportation** section.

Other categories that exceed the peer average include capital outlay and miscellaneous expenditures. The District's capital outlays are comprised of equipment and "other capital outlay" which are not classified as equipment. These costs are mainly associated with the District's building projects which are analyzed in the **facilities** section. The District's miscellaneous expenditures are primarily dues and fees and insurance costs. Dues and fees are expenditures for membership in authorized organizations and those payments made to paying agents for services rendered. According to the Treasurer, insurance costs are high because of liability insurance for contractors, which is also a result of the District's building projects.

**Table 2-4** shows the per-pupil amount and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for CCSD and the modified peer average. Function codes report expenditures by the nature or purpose.

**Table 2-4: Governmental Funds Operational Expenditures by Function**

USAS Function Classification	CCSD FY 2005-06		CCSD FY 2006-07		Modified Peer Avg. FY 2006-07 <sup>2</sup>	
	\$ Per ADM	% of Exp.	\$ Per ADM	% of Exp.	\$ Per ADM	% of Exp.
<b>Instructional Expenditures</b>	<b>\$7,261</b>	<b>60.1%</b>	<b>\$7,271</b>	<b>58.2%</b>	<b>\$6,229</b>	<b>60.0%</b>
Regular Instruction	\$4,575	37.8%	\$4,493	36.0%	\$4,216	40.8%
Special Instruction	\$1,893	15.7%	\$1,839	14.7%	\$267	2.6%
Vocational Education	\$148	1.2%	\$159	1.3%	\$35.47	0.3%
Adult / Continuing Education	\$17	0.1%	\$18	0.1%	\$0.00	0.0%
Other Instruction <sup>1</sup>	\$627	5.2%	\$762	6.1%	\$429	3.9%
<b>Support Service Expenditures</b>	<b>\$4,422</b>	<b>36.6%</b>	<b>\$4,771</b>	<b>38.2%</b>	<b>\$3,884</b>	<b>37.4%</b>
Pupil Support Services	\$626	5.2%	\$720	5.8%	\$685	6.6%
Instructional Support Services	\$845	7.0%	\$1,022	8.2%	\$678	6.5%
Board of Education	\$8	0.1%	\$9	0.1%	\$19	0.2%
Administration	\$882	7.3%	\$880	7.1%	\$701	6.7%
Fiscal Services	\$95	0.8%	\$82	0.7%	\$135	1.3%
Business Services	\$31	0.3%	\$30	0.2%	\$71	0.7%
Plant Operation / Maintenance	\$974	8.1%	\$1,053	8.4%	\$1,028	9.9%
Pupil Transportation	\$585	4.8%	\$588	4.7%	\$318	3.1%
Central Support Services	\$376	3.1%	\$388	3.1%	\$249	2.3%
<b>Non-Instructional Services Expenditures</b>	<b>\$285</b>	<b>2.4%</b>	<b>\$309</b>	<b>2.5%</b>	<b>\$117</b>	<b>1.1%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$123</b>	<b>1.0%</b>	<b>\$135</b>	<b>1.1%</b>	<b>\$154</b>	<b>1.5%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$12,090</b>	<b>100.0%</b>	<b>\$12,485</b>	<b>100.0%</b>	<b>\$10,284</b>	<b>100.0%</b>
Total Governmental Funds Operational Expenditures	\$12,090	72.3%	\$12,485	71.7%	\$10,384	73.1%
Facilities Acquisition & Construction Expenditures	\$2,616	15.7%	\$3,138	18.0%	\$1,297	9.9%
Debt Service Expenditures	\$2,006	12.0%	\$1,787	10.3%	\$3,076	17.0%
<b>Total Governmental Funds Expenditures</b>	<b>\$16,712</b>	<b>100.0%</b>	<b>\$17,410</b>	<b>100.0%</b>	<b>\$14,757</b>	<b>100.0%</b>

Source: CCSD, ODE, and the peers

Note: Totals may not sum due to rounding.

<sup>1</sup> Other Instruction is defined as any "instruction not defined previously".

<sup>2</sup> The modified peer average includes only the major urban peer districts.

The Governmental Funds Operation Expenditures considers all governmental funds expenditures and **Table 2-4** shows that, in FY 2006-07, CCSD's total operational expenditures per student were approximately \$2,201 more per student than the peer average. Staffing, transportation, plant operations and maintenance expenditures are analyzed in the **human resources**, **facilities**, and **transportation** sections.

**Table 2-5** displays discretionary spending for CCSD and the peer average. Discretionary expenditures are items not governed by negotiated agreements, administrative contracts, or statutory requirements, so a district can somewhat control these expenditures.

**Table 2-5: General Fund Discretionary Expenditures**

	CCSD FY 2005-06		CCSD FY 2006-07		Peer Average FY 2006-07	
	\$ Per ADM	% of Exp.	\$ Per ADM	% of Exp.	\$ Per ADM	% of Exp.
Professional. and Technical Service	\$230.47	2.2%	\$199.48	2.1%	\$155.74	1.9%
Property Services	\$138.64	1.3%	\$198.09	2.1%	\$102.92	1.2%
Mileage / Meeting Expense	\$8.33	0.1%	\$4.87	0.1%	\$12.22	0.1%
Communications	\$45.33	0.4%	\$49.21	0.5%	\$27.82	0.3%
Contract, Craft or Trade Service	\$22.81	0.2%	\$34.02	0.4%	\$3.76	0.0%
Pupil Transportation	\$561.68	5.3%	\$555.11	5.7%	\$40.08	0.5%
Other Purchased Services	\$1.19	0.0%	\$2.13	0.0%	\$2.99	0.0%
General Supplies	\$97.91	0.9%	\$66.45	0.7%	\$81.24	1.0%
Textbooks / Reference Materials	\$115.25	1.1%	\$62.57	0.6%	\$50.35	0.6%
Supplies & Materials for Resale	\$0.00	0.0%	\$0.00	0.0%	\$2.38	0.0%
Food & Related Supplies/Materials	\$0.00	0.0%	\$0.00	0.0%	\$0.63	0.0%
Plant Maintenance and Repair	\$22.00	0.2%	\$32.45	0.3%	\$34.39	0.4%
Fleet Maintenance and Repair	\$4.31	0.0%	\$6.33	0.1%	\$51.04	0.6%
Other Supplies and Materials	\$1.11	0.0%	\$2.05	0.0%	\$8.09	0.1%
Land, Building, & Improvements	\$0.22	0.0%	\$0.05	0.0%	\$4.62	0.1%
Equipment	\$115.31	1.1%	\$64.85	0.7%	\$55.02	0.6%
Buses / Vehicles	\$4.34	0.0%	\$4.01	0.0%	\$23.49	0.3%
Other Capital Outlay	\$0.07	0.0%	\$28.82	0.3%	\$0.00	0.0%
Dues and Fees	\$113.13	1.1%	\$97.08	1.0%	\$91.59	1.1%
Insurance	\$25.00	0.2%	\$37.45	0.4%	\$7.49	0.1%
Awards and Prizes	\$0.01	0.0%	\$0.05	0.0%	\$0.48	0.0%
Miscellaneous <sup>1</sup>	\$1,064.51	10.0%	\$11.41	0.1%	\$1.57	0.0%
<b>Discretionary Expenditures % of Total Expenditures</b>	<b>\$2,571.62</b>	<b>24.1%</b>	<b>\$1,456.48</b>	<b>15.1%</b>	<b>\$757.88</b>	<b>9.0%</b>

Source: CCSD and the peers

Note: Totals may not sum due to rounding.

<sup>1</sup> Miscellaneous expenditures are expenditures for any costs that are not defined in a category, such as student activity payments.

As shown in **Table 2-5**, CCSD's discretionary spending as a percentage of all General Fund expenses (15.1 percent) were above the peer average (9.0 percent) (see **R2.5**). Although the District was above the peer average, the District significantly decreased discretionary spending (over \$1,115 per student) from FY 2005-06 to FY 2006-07. The largest portion of discretionary spending in FY 2006-07, pupil transportation, accounted for 5.7 percent of the District's total expenditures.

Pupil transportation includes expenditures to persons or agencies for the purpose of transporting children to school. CCSD contracts for transportation services (see **transportation**). Property services and insurance are also main contributors to the District's above average expenditures. Property services are services purchased to operate, repair, maintain, insure, and rent property

and/or equipment owned and/or used by the District. These services are performed by persons other than District employees. The main areas contributing to high expenses for property services are building care and property rentals and leases. These expenses are mainly due to the ongoing District building projects. Insurance expenditures provide protection for school board members, pupils, and employees of the District against loss due to accident or neglect, or protect school assets and includes costs for self-insurance claims. CCSD's higher expenses in this area are primarily due to liability insurance for the District's building projects.

Other discretionary expenditure line-items in which CCSD was significantly higher than the peer average, and did not significantly decline from FY 2005-06 to FY 2006-07, include communications; capital outlay; and contract, craft or trade services. The main areas that contribute to communication costs in the District are telephone services and postage. Contracted, craft, or trade services are expenditures for contracted services requiring a relatively high skill level as well as requiring considerable judgment and a thorough and comprehensive knowledge of the processes involved with the work. Other capital outlay includes any capital outlay which is not coded in the capital outlay category. A large portion of this line item is for operation/maintenance plant services and facilities acquisition and construction due to the building projects. See **facilities** for further discussion of craft and trade services, operation/maintenance plant services, and building projects.

### *Finance and Strategic Management Audit Objectives*

The following questions were used to evaluate the financial systems and strategic management within CCSD:

- Does the District's financial data appear to be valid and reliable?
- How does the District ensure its financial service units are delivered effectively to the users and what steps has the District implemented to improve its financial condition?
- Is the District's financial planning process sufficient and appropriate when compared to recommended practices?
- Are revenues and expenditures properly controlled, reported and similar to comparable peer districts?
- Does the District conduct management reporting that meets leading practices and is there an internal audit function?
- How do the recommendations in the performance audit and forecast adjustments impact the financial condition of the District?



- Does the District report appropriate financial information to management and the community?
- Has the District developed and distributed a strategic plan which links educational and operational plans and meets leading practice standards and does it promote ethical financial management practices?
- Does the District have a comprehensive purchasing policy and corresponding procedures that meet best practice criteria?
- Does the District effectively manage payroll operations?

## Recommendations

**R2.1 CCSD should ensure that it develops and maintains clear procedures to govern its operations. Complete and up-to-date procedures ensure that District administration, employees, and other stakeholders have a clear understanding of the processes in each of its operational areas. Furthermore, comprehensive procedures serve as a readily available resource for the District's accepted and approved approach to day-to-day operations.**

AOS has identified a number of additional procedures which CCSD has not yet developed but which are considered leading practices and industry standards. Procedures which CCSD should develop, approve, and implement include:

- **A financial forecasting procedure:** A procedure on financial forecasting should outline preparation timetables, forecast assumptions and methodology, and the process for updating an existing forecast. In addition, the forecasting policy should outline all participants in the forecasting process and include an outline for how and when those participants should review the forecast for accuracy. *Financial Forecasting in the Budget Preparation Process* (GFOA, 1999) recommends that a forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process. It also should be referenced in the final budget document.
- **A maintenance operations procedure:** A procedure on maintenance operations should include work processes and management, physical asset management, and resource management to help the staff better maintain functional and safe facilities. The *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics, 2003) recommends that every maintenance and operations department have a policy and procedures manual to govern day-to-day operations. The manual should be readily accessible and written at a level consistent with the reading ability of department members. NCES suggests that a maintenance manual include items like repair standards, vehicle use guidelines, work order procedures, and security and safety procedures.
- **T-form procedures:** A procedure on T-form reporting will ensure that reports are accurate and complete, and reconcile with the Treasurer's reports. Furthermore, the District should maintain supporting documentation used to compile the T-forms. According to the T-2 instructions, school district submitting T-2 data must maintain supporting documentation for a period of five years. Establishing a formal procedure that explains its methodology used to compile its T-forms will help ensure the District is following T-form instructions and report accurate

information. Maintaining supporting documentation will show the compilation of the T-form report.

In addition to these procedures, CCSD would benefit from completing and adopting its personnel policies and procedures manual (see **R3.5** in **human resources**). The development, approval, and implementation of the above procedures would allow CCSD to have a sound framework upon which to establish District practices of performance measurement, planning, and budgeting. In addition, many of these recommended procedures can help to strengthen management controls which can lead to reduced expenditures of increased efficiency. Finally, a sound procedure will allow CCSD to mitigate some of the risk associated with relying too heavily on the discretion of District administrators and staff; decreased risk will ultimately translate into more accurate planning and forecasting as variable elements are addressed.

**R2.2 While the District's internal financial reporting was determined to be reliable, CCSD should develop guidelines and procedures to ensure the accuracy of financial reporting to ODE. The District's 4502 report has various error messages which indicated problems with the data submitted. The District should implement appropriate controls in order to guarantee accuracy of reported financial information.**

During a review of the District's FY 2004-05, 2005-06, and 2006-07 4502 reports, it was discovered that the 4502 reports had various error messages with funds out of balance, including the General Fund. AOS analyzed and compared the District 4502 reports to the District's internal financial records and noted significant differences. These variances were discussed and confirmed with the District. According to Treasurer's Office staff, the errors were due to a misunderstanding and, as a result, certain financial data that was left out of the 4502 report. The District provided internal financial reports compiling data that would typically be presented in the 4502. AOS reviewed the District's prior financial audits, which showed no indication of significant audit adjustments or material weaknesses in the District's financial statements. Because the 4502 data was not reliable, AOS used the District's internal financial reports, which were determined to be reliable, for the purposes of this performance audit.

According to OAC 3301-19-03 Procedures for Submitting Data and Presenting Information section (E): All EMIS financial data submitted for reporting purposes must be verified and approved by the school district Superintendent and Treasurer.

Reporting financial data correctly helps to ensure comparability between schools. The data entered into the 4502 report can be used by school districts when making management decisions, such as spending levels in certain categorical areas. Improperly submitting financial data may cause a district to over or under state the actual

expenditures or revenues of the district. Developing and closely following written procedures will help the District improve future data quality and accuracy which could lead to increased confidence in District leadership.

**R2.3 The Treasurer should continue with his plans to cross-train Treasurer's Office employees. This will help ensure continued service delivery in the absence of employees with extensive institutional knowledge. To facilitate cross-training, CCSD should create and develop standard operating procedures for critical functions, such as payroll and accounts payable.**

The Treasurer's Office includes employees which are located within six functional areas:

- Accounts and grants;
- Financial analysis;
- Human resource related activities;
- Payables;
- Financial technology; and
- Student information systems.

Employees within the Treasurer's Office are not cross-trained; however, the Treasurer is in the process of planning cross-training activities. According to the Treasurer, employees know their individual jobs and roles, but do not understand how their jobs interact with and affect the Department as a whole.

According *Cross Training – Value in Today's Environment* (Society of Human Resource Management (SHRM), 2002), cross training can be beneficial to both the organization and its employees. Cross training increases employees' knowledge and ability to perform different tasks by using current skills or by learning new skills. Cross training adds variety to employees' workday, adds new challenges to their jobs, and enhances future career opportunities within the organization. It can also help employees to better understanding interrelationships between jobs, in addition to enhance the employees operational perceptiveness. Most organizations benefit from cross training in the following ways:

- Creates a more flexible and versatile workforce;
- Enables organizations to reduce the number of different jobs and hence reduce work jurisdiction;
- Prevents stagnation;
- Improves productivity;
- Allows for effective succession planning;
- Leads to better coordination and teamwork;

- Motivates the workforce and instills commitment;
- Enables employees to understand organizational goals and objectives;
- Supports implementation of family-friendly policies;
- Increases retention and avoids recruiting costs;
- Increases organizational marketability and support recruiting initiatives; and
- Helps create a learning organization.

In addition to the numerous benefits of cross training, it enables the organization to be prepared in the even of short or long term absences. It provides future planning, while ensuring that job functions are performed with little repercussions to the organization.

Continuing to establish an effective employee cross-training system will help the Treasurer's Office to sustain operations in the event of staff absence in any given area. Using in-house resources, rather than a temporary employee, would not only save the District the added cost of another employee, but would also help ensure that all processes remain consistent with Treasurer's Office policies and procedures.

**R2.4 The District should expand the use of direct deposit and attempt to negotiate mandatory direct deposit in future bargaining agreements for all District employees, regardless of classification or type. By expanding direct deposit, the District will increase automation, improve payroll efficiency, and reduce costs.**

CCSD offers direct deposit to its employees on a non-mandatory basis. District employees are able to select either direct deposit or a paper check. The District encourages the use of direct deposit to its employees as well as incoming employees by explaining the benefits of enrolling in direct deposit; however, new employee are not required to enroll for direct deposit. Direct deposit is not used by 1,418 employees, or 26 percent of CCSD's workforce.

According to the National Automated Clearing House Association ([electronicpayment.org](http://electronicpayment.org)), 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.

Hamilton City School District, in Butler County, has fully implemented direct deposit through negotiation with its bargaining units. 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.

CCSD and its employees could mutually benefit from direct deposit participation. The District could save both money associated with bank fees and time associated with the traditional process of print checks. Employees would also benefit from instant availability of funds, time associated with cashing checks, and risk of lost checks in the mail.

*Financial Implication:* If CCSD fully mandates direct deposit and achieves saving of \$1.25 per payment, the District could potentially save \$1,772 per pay or approximately \$35,000 per year.

**R2.5 The District should continue to closely monitor and examine its spending patterns in discretionary spending. In particular, it should monitor expenditures for property services, pupil transportation, contract, craft or trade services, and miscellaneous discretionary spending. The District should evaluate potential cost reductions for those activities and functions that do not directly support its missions of educating students. Although it might not be possible for the District to lower its discretionary spending to the peers' levels, any decreases in discretionary expenditures the District is able to make will have a positive impact on its overall financial condition.**

According to **Table 2-5**, CCSD is well above the peer average in discretionary spending, particularly in the categories of property services, transportation, contract, craft or trade services, and miscellaneous discretionary spending. Although the District was above the peer average, by controlling its spending levels, the District was able to lower their General Fund discretionary expenditures significantly from FY 2005-06 to FY 2006-07 by \$1,115.14 per student. Even with the reduction in discretionary spending, CCSD spent \$1,456.48 per student, or 15.1 percent of total expenditures on discretionary expenses compared to \$757.88 per student, or 9.0 percent of total expenditures by the peers.

The GFOA recommends that entities evaluate their financial condition to identify potential problems and any changes that may be needed to improve performance over both the short and long terms. The financial health of a government is critical to its ability to meet the needs of stakeholders. Districts may benefit from developing financial

indicators and measures which can be used to monitor financial conditions and achievement of explicitly set financial goals.

Many of the discretionary expenditure areas in which the District is above the peers are a direct result of the Ohio School Facilities Commission project that the District is undergoing. Although the building project greatly increases the District's discretionary spending, the District should continue to monitor spending and try to decrease discretionary expenses within its control.

**R2.6 CCSD should analyze and use the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition. CCSD should also consider implementing the recommendations in this performance audit to improve its current and future financial situation. In addition, the District should update its forecast on a continuous basis as critical financial issues are addressed.**

**Table 2-6** demonstrates the effect 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 2-6** reflects CCSD's May 2008 forecast which was not analyzed for this audit. While this forecast was not tested, the assumptions and methodology used by the Treasurer in the prior forecast were determined to be reasonable and appropriate. The May 2008 forecast is being used to reflect the District's updated financial status, including the passage of a levy 7.89 mill levy in March, 2008 and reductions made by the District, and provide a more accurate picture of the financial implications of the recommendations contained in this report.

**Table 2-6: Revised Financial Forecast with Adjustments (in 000's)**

	Actual			Forecast				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Revenues:</b>								
Real Estate Property Tax	\$170,785	\$179,665	\$192,832	\$189,142	\$210,365	\$233,316	\$234,301	\$239,028
Tangible Personal Tax	\$52,490	\$53,077	\$42,523	\$33,579	\$23,490	\$17,462	\$16,133	\$12,672
Unrestricted Grants-in-Aid	\$127,915	\$120,177	\$114,832	\$107,558	\$107,558	\$107,558	\$107,558	\$107,558
Restricted Grants-in-Aid	\$30,509	\$32,013	\$38,771	\$44,322	\$44,322	\$44,322	\$44,322	\$44,322
Property Tax Allocation	\$26,867	\$24,769	\$30,579	\$39,222	\$45,026	\$51,355	\$50,917	\$45,598
Other Revenues	\$13,173	\$12,457	\$16,667	\$17,928	\$17,804	\$21,537	\$14,381	\$14,381
Total Other Fin. Sources	\$9,274	\$43,600	\$7,685	\$8,000	\$5,000	\$5,000	\$5,000	\$5,000
<i>Revised Revenue for Sale of Mercer Commons</i>					\$4,200			
<b>Total Revenue and Other Fin. Sources</b>	<b>\$431,012</b>	<b>\$465,757</b>	<b>\$443,890</b>	<b>\$439,751</b>	<b>\$457,765</b>	<b>\$480,549</b>	<b>\$472,612</b>	<b>\$468,558</b>
<b>Expenditures:</b>								
Personal Services	\$240,356	\$218,850	\$214,703	\$115,463	\$117,559	\$113,291	\$124,512	\$130,093
Fringe Benefits	\$70,553	\$65,402	\$67,257	\$42,152	\$40,289	\$43,391	\$47,426	\$51,979
Purchased Services	\$105,177	\$110,944	\$118,903	\$114,880	\$126,108	\$130,089	\$134,309	\$140,713
Supplies and Materials	\$7,101	\$8,675	\$6,810	\$4,896	\$8,102	\$8,100	\$8,111	\$8,273
Capital Outlay	\$3,999	\$5,997	\$3,907	\$1,576	\$1,954	\$1,954	\$1,954	\$2,052
Intergovernmental	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt	\$17,654	\$13,165	\$24,479	\$21,077	\$20,877	\$20,442	\$20,460	\$7,580
Fund 598 Pooling Trans.	\$0	\$0	\$0	\$126,907	\$120,422	\$125,118	\$129,998	\$135,068
Fund 34 OSFC Trans.	\$0	\$0	\$0	\$1,000	\$6,000	\$5,000	\$5,000	\$7,000
Other Expenditures	\$4,711	\$5,387	\$5,960	\$4,954	\$5,602	\$5,866	\$6,144	\$6,451
<i>AOS Recommendations</i>					(\$1,897)	(\$4,938)	(\$6,563)	(\$8,254)
<b>Total Operating Expenditures</b>	<b>\$455,551</b>	<b>\$428,420</b>	<b>\$442,019</b>	<b>\$432,903</b>	<b>\$445,016</b>	<b>\$448,313</b>	<b>\$471,352</b>	<b>\$480,955</b>
Total Other Fin. Uses	\$3,000	\$57,715	\$18,976	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<b>Total Expenditures and Other Financing Uses</b>	<b>\$458,551</b>	<b>\$486,135</b>	<b>\$460,995</b>	<b>\$437,903</b>	<b>\$450,016</b>	<b>\$453,313</b>	<b>\$476,352</b>	<b>\$485,955</b>
Result of Operations	\$(27,539)	\$(20,378)	\$(17,106)	\$1,847	\$7,749	\$27,237	\$(3,740)	\$(17,396)
Beginning Cash Balance	\$72,566	\$45,027	\$24,649	\$7,543	\$9,391	\$17,140	\$44,377	\$40,638
<b>Ending Cash Balance</b>	<b>\$45,027</b>	<b>\$24,649</b>	<b>\$7,543</b>	<b>\$9,391</b>	<b>\$17,140</b>	<b>\$44,377</b>	<b>\$40,638</b>	<b>\$23,242</b>
Outstanding Encumbrance	\$13,115	\$11,069	\$5,650	\$5,650	\$5,650	\$5,650	\$5,650	\$5,650
Budget Reserve	\$1,421	\$1,421	\$1,421	\$1,421	\$1,421	\$1,421	\$1,421	\$1,421
<b>Ending Fund Balance</b>	<b>\$30,491</b>	<b>\$12,159</b>	<b>\$473</b>	<b>\$2,320</b>	<b>\$10,069</b>	<b>\$37,306</b>	<b>\$33,567</b>	<b>\$16,171</b>

Source: CCSD and AOS recommendations

Note: Totals may not sum due to rounding.



**Table 2-7** details those performance audit recommendations reflected in the revised forecast in **Table 2-6**. The recommendations are divided into two categories – those requiring negotiation and those not requiring negotiation.

**Table 2-7: Summary of Performance Audit Recommendations**

Recommendation	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Recommendations Not Subject to Negotiation</b>				
<b>R4.1</b> Bring custodial and maintenance staffing in line with industry standards	\$108,650	\$108,650		
<b>R4.2</b> Reduce custodial and maintenance staffing through completion of FMP		\$525,000	\$525,000	\$525,000
<b>R4.5</b> Dispose of excess properties <sup>1</sup>		\$202,500	\$202,500	
<b>R4.6</b> Improve management of energy costs	\$340,000	\$340,000	\$340,000	\$340,000
<b>R5.1</b> Consider changes to current service levels	\$130,000	\$130,000	\$130,000	\$130,000
<b>Recommendations Subject to Negotiation</b>				
<b>R2.4</b> Negotiate mandatory direct deposit	\$35,000	\$35,000	\$35,000	\$35,000
<b>R3.1</b> Limit negotiated wage increases <sup>2</sup>	\$550,000	\$1,700,000	\$2,950,000	\$4,300,000
<b>R3.2</b> Reduce compensation of daily substitutes	\$186,250	\$372,500	\$372,500	\$372,500
<b>R3.3</b> Increase employee health insurance share <sup>3</sup>	\$547,500	\$1,524,000	\$2,007,500	\$2,551,500
<b>Total Recommendations Included in Forecast</b>	<b>\$1,897,400</b>	<b>\$4,937,650</b>	<b>\$6,562,500</b>	<b>\$8,254,000</b>

**Source:** AOS Recommendations

<sup>1</sup> The disposal of excess properties is assumed to take place over a two year period.

<sup>2</sup> The CCSD negotiated agreements are for the calendar year while the forecast is on a fiscal year. Because of this, the first year the District limits negotiated wage increases, the District only realizes one half years savings. Also, this does not take into consideration staffing reductions made by the District during FY 2007-08 and are based on the FY 2006-07 salary amounts as CCSD could not provide needed salary information to adjust for the staffing reductions.

<sup>3</sup> Savings were calculated based on District's actual FY 2007-08 costs with annual increases based on Mercer's forecast of health care costs that Mercer prepared for the District.

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# Human Resources

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## Background

This section of the performance audit focuses on the human resource (HR) functions of the Cincinnati City School District (CCSD or the District). Operations were evaluated against best practices, industry benchmarks, operational standards, and peer districts.<sup>1</sup> Comparisons were made for the purpose of developing recommendations to improve efficiency and operating practices, as well as to identify potential cost savings. Recommended practices and industry standards were drawn from various sources, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the U.S. Department of Labor's Bureau of Labor Statistics (BLS), the Kaiser Family Foundation (Kaiser), the National Education Association (NEA), the Ohio Education Association (OEA), the State Employment Relations Board (SERB), and the Ohio School Boards Association (OSBA).

### *Organizational Structure and Function*

The Chief of HR Operations oversees the functions of the HR Department including personnel administration for certificated and civil service staff, Workers' Compensation and benefits administration. Reorganization efforts underway at the District will move benefits administration to the Treasurer's Office in fiscal year (FY) 2008-09. In FY 2007-08, the Department provided personnel support to 5,418 District employees. Two HR staffing managers are responsible for handling certificated and civil service personnel administration respectively. Their duties include coordinating recruitment and selection efforts, overseeing grievance and employee discipline procedures, and managing compliance with the District's collective bargaining agreements. The Department meets weekly with representatives from the bargaining units to maintain open communications and resolve grievances.

Board operations are governed through policies and the Board regularly reviews and updates policies and also has a process for evaluating its effectiveness as a governing body. Recently elected Board members received orientation materials and training which is made available through the OSBA, professional membership affiliations, and/or through mentoring provided by more experienced Board member.

The District uses an Oracle based information system to maintain and manage its HR data. Position management and payroll administration are functions of the Treasurer's Office and are also conducted with the Oracle system.

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<sup>1</sup> See **executive summary** for a list of the peer districts.

The District contracts with the Mayerson Academy, an independent training center for educators, for its professional training and development needs. It also has a Local Professional Development Committee (LPDC) that oversees individual professional development plans and ensures employees are up-to-date with licensure requirements. Training and development at CCSD is closely linked to the District's teacher evaluation system and entry year teacher program.

### Staffing

Staffing decisions at CCSD are made at the building level, by Local School Decision Making teams which include principals, teachers, and civil service employees. Building specific staffing levels are developed in conjunction with student-based budgeting and the District's overall staffing plan, which uses a template incorporating State requirements, negotiated agreement stipulations, available resources, and educational goals (see *noteworthy accomplishments* in the **executive summary**).

**Table 3-1** illustrates the full-time equivalent (FTE) per 1,000 average daily membership (ADM) at CCSD compared to peers, (as well as urban district peers), as reported to ODE through the Education Management Information System (EMIS) (see **R3.7** regarding the District's EMIS reporting). The FTEs in **Table 3-1** are presented on a per 1,000 student basis to eliminate variances attributable to the size of the peer districts.

**Table 3-1: FY 2007-08 CCSD Staffing Comparison (FTEs per 1,000 Students)**

	CCSD	Peer Average	FTE Difference from Peer Districts <sup>1</sup>	Urban Peer Average	FTE Difference from Urban Peer Districts <sup>1</sup>
<b>Students Educated (ADM) <sup>2</sup></b>	34,324	10,058	24,266	14,908	19,416
Administrative	4.9	6.1	(1.2)	6.2	(1.3)
Educational	65.5	71.3	(5.8)	75.4	(9.9)
Professional	7.6	3.5	4.1	5.0	2.6
Technical	20.8	7.3	13.5	8.3	12.6
Office / Clerical	9.0	10.2	(1.1)	11.8	(2.8)
Craft/Trade	4.0	2.1	1.9	2.3	1.7
Custodial/Grounds	6.7	8.3	(1.6)	8.4	(1.7)
Food Service	5.6	7.2	(1.6)	7.2	(1.6)
Other Personnel	3.5	4.4	(0.9)	5.4	(1.9)
<b>Total FTEs Reported</b>	<b>127.7</b>	<b>126.7</b>	<b>1.0</b>	<b>134.7</b>	<b>(7.1)</b>

**Source:** FY 2007-08 EMIS data reported to ODE.

**Note:** Data reflects FTE employees reported by the districts through EMIS. No changes were made to client or peer data. Totals may not sum due to rounding.

<sup>1</sup> EMIS requires that districts enter FTEs based on the number of hours included in a full-time position in the employees' collective bargaining agreement. As a result, standard hours may differ among districts.

<sup>2</sup> Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

As illustrated in **Table 3-1**, CCSD's FTEs per 1,000 students is comparable to the peer averages. In the categories of administrative, educational, office/clerical, custodial/grounds, food service, and other personnel, CCSD has fewer staff than the peer and urban peer averages. Conversely, its staffing levels are higher on a per 1,000 student basis in the following categories:

- **Professional Staff<sup>2</sup>**: Several factors may account for this variance. While many school districts contract with County Educational Service Centers (ESCs) for psychologists, therapists, and other professional staff, CCSD has a sufficiently large student population to employ full-time staff in these areas. Districts do not report contracted county ESC employees in EMIS. Additionally, 32.4 FTEs are assistant/school-community coordinators whose positions are primarily funded through Title and grant funds. As these employees report to principals and fulfill some of the responsibilities of site-based administrators, the high level of professional staff partially compensates for the lower level of administrators.
- **Technical Staff<sup>3</sup>**: Nearly all of the FTEs reported in this category are instructional paraprofessionals. Some peer districts classify these employees as teaching aides within the office/clerical classification, rather than instructional paraprofessionals. Taking this into consideration, the variance between CCSD and the peers is less magnified than shown in **Table 3-1**. Taking the difference in EMIS classification into account, CCSD still employs more staff per 1,000 students in these areas than each peer group. Many of these employees are assigned as instructional aides to special education classrooms or to individual students to satisfy IEP requirements. However, the majority are assigned to regular classrooms to assist teachers. This strategy has allowed it to create larger classrooms and employ fewer educational staff than the peer averages (see **executive summary**).

The District plans staffing changes for FY 2008-09 which will result in a net reduction of 110 FTEs. Reductions are planned in the administrative, educational, professional, office/clerical, craft/trades, and other personnel areas to adjust for the closing of several buildings. Its plan also include increasing staff in the special education and technical areas For additional discussion regarding crafts/trades staffing levels, see **facilities**.

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<sup>2</sup> Professional staff includes psychologists, social workers, speech and language pathologists, occupational therapists and school-community coordinators.

<sup>3</sup> Technical staff includes computer support personnel, practical nurses, and instructional paraprofessionals.

## Compensation

**Table 3-2** compares CCSD salaries by EMIS classification to the peer average and urban peer average. These salaries do not include retirement contribution pick up or benefit costs paid for employees.

**Table 3-2: FY 2007-08 CCSD Salary Comparison**

	CCSD Average	Peer Average	Percent Difference	Urban Peer Average	Percent Difference
Administrative Staff	\$92,770	\$76,064	22.0%	\$81,146	14.3%
Educational Staff	\$63,897	\$53,278	19.9%	\$54,611	17.0%
Professional Staff	\$55,988	\$55,297	1.2%	\$56,074	(0.2%)
Technical Staff	\$17,679	\$23,287	(24.1%)	\$24,730	(28.5%)
Office / Clerical Staff	\$37,554	\$26,632	41.0%	\$27,381	37.2%
Crafts & Trades Workers	\$49,912	\$38,053	31.2%	\$36,599	36.4%
Operative Staff <sup>1</sup>	\$35,946	\$28,039	28.2%	\$37,951	(5.3%)
Service Workers	\$23,933	\$21,753	10.0%	\$21,689	10.3%
<b>Total Average Reported Salary</b>	<b>\$49,771</b>	<b>\$43,331</b>	<b>14.9%</b>	<b>\$44,711</b>	<b>11.3%</b>

Source: ODE EMIS reported for CCSD and the peer districts

<sup>1</sup> Operative Staff excludes bus drivers from the peer averages since CCSD does not employ bus drivers.

**Table 3-2** shows that CCSD compensates its employees at a rate significantly higher than the peer averages (see **R3.1**). OEA's research on salary schedules ranked CCSD in the top quarter of Ohio school districts for compensation of teachers. Experience is the primary reason for the variance in average salaries for teachers and 71.2 percent of CCSD's teachers had more than 10 years of experience compared to 63 percent for the peers. In addition to comparing salaries reported through EMIS, AOS examined substitute teacher rates (see **R3.2**).

## Benefits

The District provides a comprehensive health insurance benefits package including medical, dental, prescription drug, and vision benefits to eligible employees. CCSD is self-insured and uses Humana, Inc. as its third party administrator (TPA). In addition, the District consults with Mercer, LLC which works closely with the District to strategically control health care costs. CCSD officials meet on a frequent basis (generally monthly) with Humana and Mercer to review the claims it pays. Moreover, Mercer prepares actuarial reports and monthly summaries of insurance claims which are used by the District to assist in decision-making regarding coverage and costs.

As a self-insured entity, CCSD does not pay premiums toward health insurance. Rather than a premium cost per employee, the District tracks health care expenditures in terms of fixed costs and claims costs. Mercer provided AOS with actuarial funding rates for CCSD's two health insurance plans, which represent the premiums the District would pay based on claims and fixed

costs. The District's costs are lower than the applicable SERB and OEA averages. Additionally, while the District's plan design for medical, dental, and vision coverage is in line with industry benchmarks contribution rates by employees toward the total cost of health care are less than the SERB average (see **R3.3**).

### *Negotiated Agreements*

CCSD has negotiated agreements with the following six collective bargaining units:

- **The Cincinnati Federation of Teachers (CFT):**
  - Membership: Teachers and other professional certified personnel including social workers, psychologists, librarians, nurses, and counselors, as well as daily-rate and long-term substitutes.
  - Term: January 1, 2007 through December 31, 2009.
- **The International Union of Operating Engineers/IOUE Local #20:**
  - Membership: Building engineers and system operators, HVAC technicians, automotive mechanics, and security alarm technicians.
  - Term: January 1, 2007 through December 31, 2009.
- **The Association of Cincinnati Public School Office Personnel/CFT Local #1520, OFT, AFT, AFL-CIO:**
  - Membership: Clerical employees, including, administrative assistants, support specialists, and accounting personnel.
  - Term: January 1, 2007 through December 31, 2009.
- **The Greater Cincinnati Building Trades Council:**
  - Membership: Carpenters, electricians, glaziers, painters, plumbers, and tinsmiths.
  - Term: January 1, 2007 through December 31, 2009.
- **The Ohio Association of Public School Employees/AFSCME-AFL-CIO Local #232 and #1938 and the Cincinnati City School District Board of Education:**
  - Membership: Custodians, food service employees, maintenance workers, instructor assistants, and security personnel.
  - Term: January 1, 2007 through December 31, 2009.
- **The Cincinnati Association of Administrators and Supervisors:**
  - Membership: Administrative and supervisory personnel, including principals, assistant principals, directors, managers, and coordinators.
  - Term: August 1, 2007 through July 31, 2010.



District negotiation teams are led by experienced administrators that have received training on the rules and techniques of collective bargaining. During the last round of negotiations, CCSD negotiated automatic economic re-openers during the third year of each contract to discuss salaries and benefits. As part of the performance audit, certain contractual and employment issues were assessed and compared to Ohio law and industry benchmarks (see **executive summary**).

### *Program Operation*

Under the supervision of the Deputy Superintendent, CCSD has programs in place for special, at-risk, gifted, and vocational education. The District's approach toward special education includes intervention and placing special education students in regular education classrooms where possible. CCSD has taken several steps to reduce the spending on specialized instruction. Most significantly, it has worked to divert students from its specialized education program through its Pyramid of Intervention in which prevention and early intervention strategies are used to reduce special instruction expenditures. CCSD has also worked to reduce the number of students who are educated in non-public facilities, and it uses cooperative agreements and consortiums to reduce its special education costs. The District also uses site-based budgeting which provides an incentive for principals to monitor the use of special education services and ensure that each position is critical to the delivery of these services. Moreover, CCSD has an annual process in place to review, strengthen, and develop improved strategies for cost-effective service delivery. While CCSD is implementing industry recommended practices to reduce the cost of special education, District spending on special education is 30.5 percent higher than the urban peer average (see **R3.1**).

Procedures are in place for identifying at-risk students, which include programs for students who have limited English proficiency, and Project Connect, for students experiencing homelessness. The Mayerson Academy provides training to teachers on differentiated instruction so that they may better aid these students.

CCSD has a plan for identifying of and providing services to its gifted students. The plan includes selecting and allocating gifted teachers to the program, and program components like resource rooms, differentiation in regular classrooms, clustering, grade and subject acceleration, honors programs, competitions, seminars, and distance learning. Additionally, CCSD maximizes its resources by correctly reporting gifted teachers and focusing on more cost-effective provisions of service delivery like classroom differentiation and subject acceleration.

CCSD is one of 92 Career Technical planning districts in Ohio and offers 15 of the 16 recognized course classifications for vocational training. In addition, its costs per pupil for vocational education are 40.6 percent less than the urban peer average.

### *Human Resources Audit Objectives*

The following questions were used to evaluate HR operations within CCSD:

- 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 Board operate in an effective manner?
- 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 effective and efficient programs to meet the needs of at-risk students?
- Does the District provide an appropriate range of accelerated programs?
- Does the District provide effective and efficient workforce development program that need the needs and expectations of the community?

## Recommendations

### *Compensation*

- R3.1 CCSD should limit future negotiated wage increases to bring its salaries more in line with the urban peer average. This will help the District reduce the rate of expenditure growth and maintain a positive financial outlook. In addition to limiting wage increases, CCSD should consider negotiating a separate salary schedule for new employees. Specifically, CCSD should focus attention on restructuring compensation for crafts and trades, and clerical staff.**

The District negotiated for certificated and classified bargaining unit employees to receive a 1.0 percent wage increase in calendar year 2007 and a 2.0 percent wage increase in 2008.<sup>4</sup> However, members of the Cincinnati Association of Administrators and Supervisors negotiated a 2.0 percent wage increase for FY 2007-08 and FY 2008-09. In previous negotiations, CCSD agreed to annual wage increases of 3.2, 3.0, and 2.7 percent increases respectively, for 2004 through 2006.

As indicated in **Table 3-2**, CCSD compensation levels are above the peer and urban peer averages for administrative, educational, office/clerical, craft and trade, and service staff. Longevity, starting salaries, and step increases are all factors that impact compensation levels and have led to an average salary at CCSD that is 11.3 percent higher than the average of the urban peer districts.

Declining student enrollments as well as fiscal constraints have caused the District to reduce staffing in recent years. This increased the longevity and experience of the remaining staff. For example, 71.2 percent of the District's teachers have more than ten years of experience, compared to the 63.3 percent for the peers and urban peers. While longevity is a factor, classified negotiated agreements at CCSD contain no more than seven steps. As a result, many CCSD employees reach the maximum pay step in seven years or less. Custodians, food service employees, and security personnel covered by the AFSCME negotiated agreement have a maximum of four pay steps with an average step increase of 4.8 percent.

Starting salaries also have led to higher wages at CCSD. While the size and type of the District and the desire to recruit quality employees are cited as reasons for the higher salaries, CCSD ranks in the top quarter of Ohio school districts for teacher compensation. The impact of higher salaries is illustrated in CCSD's higher than average special education costs. The District uses recommended practices to reduce special education

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<sup>4</sup> CCSD bargaining units negotiate agreements for the calendar year, rather than the fiscal year, with the exception of the Cincinnati Association of Administrators and Supervisors.

costs. A detailed examination of special education costs indicated that the cost driver was salaries. Though it implemented cost saving measures, the higher salaries cost the District an additional \$2.8 million in special education costs each year when compared to Cleveland City School District.<sup>5</sup>

Average salaries for office/clerical and craft and trade employees at CCSD are also significantly higher than peer and urban peer averages, as indicated in **Table 3-2**.<sup>6</sup> The U.S. Department of Labor's Bureau of Labor Statistics prepares wage information by occupation for different metropolitan statistical areas. The May 2007 Cincinnati-Middletown metropolitan statistical area data for office and administrative support occupations, which include classifications from executive assistants and supervisors of administrative support employees to office clerks and receptionists, shows an average annual salary of \$31,320, which is 19.9 percent below CCSD's average compensation for its office/clerical employees. While this indicates that office and clerical employees in the region are paid at higher rates than the peer districts, salaries at CCSD are still in excess of the average salary in the region.

**Table 3-3** displays the average salaries reported in the craft and trade section and compares CCSD to the Cincinnati-Middletown metropolitan statistical area.

**Table 3-3: Craft and Trade Salary Comparison**

	CCSD	Cincinnati-Middletown Metropolitan Statistical Area	Variance
Carpenter	\$59,008	\$38,420	53.6%
Electrician	\$60,716	\$44,780	35.6%
General Maintenance	\$44,870	\$36,720	22.2%
Mechanic	\$49,742	\$40,080	24.1%
Painting	\$55,352	\$34,950	58.4%
Plumbing	\$61,114	\$45,860	33.3%
Sheet Metal Worker	\$56,500	\$41,590	35.8%
Glazier	\$58,985	\$37,900	55.6%
<b>Average of All Craft and Trade Staff</b>	<b>\$49,912</b>	<b>\$40,810</b>	<b>22.3%</b>

**Source:** CCSD EMIS Reports, Bureau of Labor Statistics May 2007 Report

**Note:** Craft and trade staff compared to construction occupations as defined by the by the Bureau of Labor Statistics.

<sup>5</sup> In addition to the three urban schools used as peers in this performance audit, AOS also reviewed special education costs per pupil at Cleveland and Columbus city school districts. Of these five urban districts, Cleveland City School District had the highest special education costs per pupil.

<sup>6</sup> Employees in the office/clerical classification include administrative and executive secretaries, support specialists, while craft and trade employees include carpenters, plumbers, electricians, HVAC technicians, and plant operators.

As indicated in **Table 3-3**, when looking at individual classifications, such as carpenters, painters, and glaziers, compensation for these employees is at least 50 percent higher than the average salary for the region. The longevity of these employees does not skew this comparison as employees, represented by the Greater Cincinnati Building Trades Council, have a single pay rate for each classification.

One strategy that CCSD could use to bring compensation levels more in line with industry and peer averages is to negotiate separate salary schedules for new hires at the District. The new salary schedule would not affect those already employed at the District. The District used a similar strategy in the AFSCME collective bargaining agreement to address custodial salaries. While the financial benefit of a renegotiated salary schedule may not appear immediately, compensation will gradually move to a level commensurate with peer and industry averages through attrition.

Compensating employees at higher levels than comparable benchmarks has resulted in higher costs and increased the likelihood of financial instability. By limiting future salary increases, the District can bring personnel costs more in line with the peers. Furthermore, by negotiating new salary schedules with lower beginning steps, CCSD can bring compensation to new employees in line with industry averages for new employees. For every one-half percent wage increase that is the District avoids, it could save \$1.1 million.

*Financial Implication:* By limiting negotiated wage increases to 1.5 percent in calendar year 2009 and 2.0 percent in calendar years 2010-2012 (rather than 2.0 and 2.5 percent respectively as forecasted), CCSD could reduce expenditures for compensation by approximately \$9.5 million over the course of the five-year forecast. The earliest that CCSD could implement new salary schedules is January 1, 2009.

**R3.2 During the next round of negotiations, the District should renegotiate the compensation rate for substitute teachers to a level commensurate with Columbus CSD. In addition, CCSD should examine the total compensation package for substitutes which includes sick leave, retroactive pay, and other fringe benefits not commonly offered to substitute employees.**

CCSD substitutes are given different classifications based on area preference and length of the teaching assignment. All substitutes, though not working full time or standard hours each week, are represented by the Cincinnati Federation of Teachers bargaining unit. Provisions for substitutes, including classifications, workday, benefits, evaluations, training, and compensation are outlined within the collective bargaining agreement for certificated staff.

**Table 3-4** illustrates the daily compensation rates for substitutes at CCSD and urban school districts and the Educational Service Center in Hamilton County as well as Columbus CSD and Cleveland CSD.

**Table 3-4: Comparison of FY 2007-08 Substitute Rates**

District	Substitute Rate
<b>CCSD</b>	<b>\$102.54</b>
Lockland CSD	\$85.00
Mt. Healthy CSD	\$85.00
North College Hill CSD	\$85.00
Norwood CSD	\$80.00
Reading Community CSD	\$84.00
St. Bernard-Elmwood Place CSD	\$85.00
<b>County Average</b>	<b>\$84.00</b>
<b>CCSD Above (Below) County Average</b>	<b>\$18.54</b>
Columbus CSD	\$91.00
Cleveland CSD	\$120.24
<b>Urban Average</b>	<b>\$105.62</b>
<b>CCSD Above (Below) Average</b>	<b>(\$3.08)</b>

**Source:** Hamilton County ESC, CCSD, and peer districts

**Note:** Substitute rates from Columbus CSD and Cleveland CSD were included to evaluate CCSD's rates against other large urban districts. This provides a comparison to other large urban districts that are faced with similar difficulties in hiring and maintaining substitute teachers.

As illustrated in **Table 3-4**, CCSD's daily substitute rate is \$18.54 above the Hamilton County average but \$3.08 below when compared to average of the Cleveland CSD and Columbus CSD. The daily substitute rate increased based on negotiated wage increases; 1.0 percent in 2007 and 2.0 in 2008. For FY 2006-07, CCSD reported spending more than \$4 million on daily substitutes and nearly \$7 million for long-terms substitutes.

The daily rate of compensation increases when a substitute has been in a position longer than 10 days, and the higher rate is retroactive to the first day of service. The daily rate of compensation also increases when the substitute has not placed any restrictions on job assignments. After more than 20 days, the substitute becomes classified as a long-term substitute and receives the same compensation and benefits as teachers, retroactive to the first day of service, based on the substitutes experience and education level. If the long-term substitute serves 30 days during the last quarter (and within the last five days of the end of the school year), fringe benefits continue through the summer. Additionally, all substitutes accrue sick leave at the same rate as regular teachers and can use accrued sick leave after being in an assignment for three consecutive days. Under this provision, it is possible that CCSD would have to compensate the teacher on leave, the substitute who calls in sick, and a second substitute.

Compensating employees at levels above the County peer districts results in additional costs to CCSD, and can be linked to the District providing substitutes with the same negotiated wage increases afforded to full-time employees. Providing substitutes with full compensation and benefits after working only 20 days of service in the same position, and allowing all substitutes to accrue sick leave, also creates an additional expense to CCSD.

At Columbus CSD, substitutes are required to be in the same position for 60 days to be eligible for entry level teacher salaries and benefits as a long-term substitute. Furthermore, substitutes are not provided sick leave or retroactive pay when they become long-term substitutes.

As a large urban district, CCSD may need to offer a slightly higher compensation rate to attract quality substitute teachers. However, CCSD compensates substitutes at a rate that is 12.7 percent higher than Columbus CSD and 22.1 percent higher than select districts in Hamilton County. Moreover, negotiated provisions for substitutes are costly and exceed those offered by comparable urban districts.

*Financial Implication:* By paying daily substitutes at a rate comparable to Columbus CSD, CCSD could save \$372,500 annually. However, the earliest that CCSD could renegotiate its substitute compensation is January 1, 2009.<sup>7</sup>

## *Benefits*

### **R3.3 During the next round of negotiations, CCSD should seek to increase the employee monthly contribution requirement paid toward the cost of medical and ancillary insurance benefits. Increasing employee contributions by 2 percent would bring CCSD in line with cost-sharing practices in the region.**

CCSD employee contributions toward health care costs are pro-rated based on income and plan enrollment. Employee contributions are used to pay for medical, prescription drug, and dental insurance coverage. Moreover, members of the AFSCME bargaining unit have negotiated to receive benefits through AFSCME Care, in lieu of the District's prescription drug benefit. AFSCME Care provides dental, prescription drug, hearing, and vision insurance, as well as group life insurance. CCSD pays \$47.50 per month per employee for this benefit. AFSCME employees do not directly contribute toward this benefit.

Under previous negotiated agreements, CCSD used four income brackets, and employees would contribute a fixed dollar amount per pay, based on income. For example, a person

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<sup>7</sup> One-half year of savings (\$186,250) is shown in the financial recovery plan for FY 2008-09.

making between \$30,000 and \$60,000 paid \$18 per month for the family HMO plan, while an employee making between \$60,000 and \$90,000 paid \$26 per month for the same plan. In the most recent negotiations, CCSD negotiated a change to the contribution in which employees now contribute a percentage of their gross income toward the cost of health insurance. **Table 3-5** illustrates the percentages employees contribute based on plan enrollment.

**Table 3-5: Negotiated Employee Contribution Percentages**

Health Maintenance Organization (HMO)			Point of Service (POS)		
Single	Single + 1	Family	Single	Single + 1	Family
0.797%	1.594%	2.232%	0.788%	1.575%	2.206%

Source: CCSD

**Table 3-5** indicates that CCSD employees who enroll in single plus one and family plans are required to pay a larger percentage of their gross income, and therefore, a larger percentage of the total premium cost than those employees enrolled in single plans. In addition to the change in how employees contribute toward health insurance, CCSD negotiated higher employee contribution requirements, as illustrated in **Table 3-6**.

**Table 3-6: Change in Employee Contribution Levels**

Plan Type	Old Contribution Method	New Contribution Method <sup>1</sup>	Variance	Percent Variance
HMO Single	\$4.00	\$33.06	\$29.06	726.4%
HMO Single+1	\$9.00	\$66.11	\$57.11	634.6%
HMO Family	\$18.00	\$92.57	\$74.57	414.3%
POS Single	\$26.00	\$32.68	\$6.68	25.7%
POS Single+1	\$39.00	\$65.32	\$26.32	67.5%
POS Family	\$49.00	\$91.50	\$42.50	86.7%
<b>Average</b>	<b>\$24.17</b>	<b>\$63.54</b>	<b>\$39.37</b>	<b>325.9%</b>

Source: CCSD and EMIS

<sup>1</sup> As each employee's contribution is based in their gross income, the average salary reported by the District through EMIS was used to demonstrate the increase in employee contributions (\$49,771).

As **Table 3-6** indicates, the average employee contribution increased an average of 326 percent. By determining employee contributions based on income, not only do employees who earn more contribute more, the amount employees contribute toward health insurance increases each time an employee's gross income increases. CCSD anticipates that employee contributions will increase from \$1,298,000 under the old method, to an estimated \$3,653,000 in calendar year 2008. In total, CCSD employees contribute 8.5 percent of the amount required to provide these benefits. According to SERB, local



government and school district employees in the Cincinnati region contribute an average of 10.5 percent toward the cost of premiums<sup>8</sup>.

While CCSD has increased the level of employee contributions during the most recent contract negotiations, the average employee contribution is still 2.0 percent below average contributions of other school districts and local governments in the Cincinnati region.

*Financial Implication:* By increasing the percent employees contribute toward the cost of health insurance benefits to 10.5 percent of the total cost, CCSD could reduce expenditures on fringe benefits by \$6.6 million over the course of the five-year forecast.<sup>9</sup> The earliest that CCSD could increase employee contributions is January 1, 2009, during negotiations of salaries and benefits. A half-year savings of \$547,500 for FY 2008-09 is shown in the financial recovery plan in **finance and strategic management**.

**R3.4 CCSD should develop a method for monitoring and measuring the impact of employee sick leave usage and absenteeism. This would enable the District to identify patterns of sick leave abuse and stem absenteeism or unpaid leave. Measuring sick leave usage will allow the District to fully understand the root cause, implication and impact of and develop appropriate action steps to reduce sick leave use and absenteeism.**

CCSD's information system does not allow the District to easily and accurately collect and track data regarding sick leave usage. The data collection method used by the District and limitations of the system led to difficulty generating a summarized report containing leave data that could be used for comparison purposes in this audit. During the course of the audit, the District discussed the system limitations and noted that efforts are underway to resolve issues with its leave data collection methods. The District also identified unpaid leave as a related issue associated with employee absenteeism and provided a report listing unpaid leave taken by civil service employees.

The Ohio Department of Administrative Services (DAS) tracks and reports average sick leave usage of State employees. The leave data provided by CCSD for FY 2006-07 was compared to the DAS historical average for sick leave usage (FY 1996-97 to FY 2005-06). While sick leave usage for certificated and civil service staff as a whole was in line

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<sup>8</sup> While the SERB average employee contribution is for the cost of medical coverage and most prescription benefits, it does not typically include other fringe benefits, such as dental and vision coverage. However, because the comparison is based on a percentage of employee contributions and not a dollar amount, it is appropriate to compare CCSD's employee contribution to the SERB average.

<sup>9</sup> Health insurance includes medical and prescription drug, dental, AFSCME Care, behavioral health, and associated administrative fees.

with the DAS historical average, building engineers, custodians, and maintenance workers used significantly more sick leave (see **facilities**).

According to *Absenteeism: Measure Costs, Adjust Incentives, Change Behaviors* (SHRM, 2007), without the means to measure and analyze the cost and impact of employee absence, particularly as related to lost productivity and reduced profitability, entities run the risk of under-investing in health interventions, including wellness, prevention, disease management and other programs. They might not invest in the right programs that meet the needs of their particular employee population, or they might put initiatives in place but fail to effectively communicate them to employees.

Furthermore, employers need to see that all lost time is connected, including Workers' Compensation, short-term disability, Family and Medical Leave Act absences, and absences that are only a few days in duration. For example, employees who have frequent intermittent absences appear to be three to four times more likely to go out on short-term disability. In addition, employees out on short-term disability are likely to be larger-than-average consumers of group health benefits.

As a result, employers should measure the impact of absenteeism. One way is by calculating the loss in multiples of salary. Understanding the overall impact of employee absenteeism goes beyond the simple math of each worker who is absent equaling one less person who can be productive that day. The cost of each person who is absent is multiples of salary and the more impact a person has on a team or department, the greater the multiplier. Another measure of absenteeism is to express cumulative lost time in terms of FTE positions. Rather than look at isolated events, when organizations view absenteeism in aggregate, the result can be startling. For CCSD, this could be an analysis of the cost for substitutes, or the square footage custodial employees could have cleaned during lost work time. What is important is that some measurement of sick leave usage and the impact of absenteeism be developed.

CCSD was not able to easily ascertain the level of sick leave used by employees. Moreover, the District does not have a process in place to monitor absenteeism or sick leave usage. Resolving data collection issues and establishing a clear means for monitoring leave usage will enable CCSD to adequately determine what departments or programs are being impacted and develop action plans to curb instances of sick leave abuse or unpaid leave.

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*Human Resources Management*

**R3.5 The District should complete and adopt its personnel policies and procedures manual. The manual should be used as a comprehensive tool to address all personnel-related matters including those not fully delineated within the collective bargaining agreements. The manual should provide a consistent message which strengthens internal communications and collaborative efforts between the District and its employees.**

According to the Civil Service HR Manager, CCSD does not have a personnel policy manual that provides guidance to staff regarding the policies and procedures of the District. A draft personnel manual exists; however, it is incomplete and has not been approved by the Board.

According to *Employee Handbooks: Making Them Worth the Trouble* (HR Manager's Legal Reporter, 2000), formal policy manuals are the most effective way for employers to communicate with employees about what the organization expects from them, and what they may expect from the organization. Personnel manuals should outline work rules and policies, performance evaluation procedures and employee benefits. While there are no federal laws requiring employers to publish personnel manuals, employers are required by many federal laws to communicate with employees about rights and obligations (e.g., family leave, equal employment opportunities). Policy handbooks also serve as an important tool for supervisors and provide clarity about policies and procedures to help promote consistency. Once completed, the manual should be reviewed by a team of people, including a labor and employment attorney.

*Preparation of the Employee Handbook* (SHRM, 2002) recommends the personnel manual present the philosophy of the organization, strategic plan, employee information, and the working environment. The purpose of the manual is to clearly communicate information that is relevant and important to employees. It provides management the opportunity to educate employees about the nature of the organization and establish a positive image as an employer and responsible citizen. SHRM also notes that organizations which are unionized and striving for a cooperative working relationship with the bargaining unit should use positive terminology rather than a harsh negative tone in the manual. Moreover, the manual should not be a set of rules, but rather a set of procedures which enable both employees and management to work together to achieve efficiency.

CCSD has not completed their draft personnel manual, in part due to the difference that exists between each of the collective bargaining agreements. Each contains many specific provisions that have become the guide for staff and administrators and which are used as a policy manual. Moreover, financial conditions at the District have created other

priorities for the HR Department. However, in the absence of a personnel manual, CCSD administration and employees have come to rely upon the six bargaining agreements as personnel manuals. Over time, CCSD has negotiated matters that could be adequately and appropriately addressed in a personnel policy manual. By adopting the manual, CCSD would better align its personnel management practices with industry standards while conveying its commitment to fair and consistent application of personnel policies to all District employees. Implementation of this recommendation can be made at no additional cost to the District.

**R3.6 CCSD should work to increase the percentage of courses taught by highly qualified teachers (HQT). This should be achieved by ensuring that employees who are not highly qualified to teach in a given area are certified and the data about teachers' qualifications that is submitted to ODE is accurate (see R3.7).**

CCSD contracts with the Mayerson Academy (Mayerson) to provide professional development for CCSD employees. While Mayerson shares a facility with the District, it is a separate entity with its own Board of Trustees. The determination of what training provided by Mayerson stems from the District's strategic plan, which includes CCSD's goal of employing a highly qualified, diverse workforce that engages in continuous improvement through ongoing, high-quality professional development. From this goal, Mayerson has created a professional development plan and training curriculum that focuses on math, science, writing across curriculums, and differentiated instruction.

Employees are encouraged to provide input on the types of courses that would be helpful. Suggestions are taken in consideration as are the needs of the District, such as ensuring that teachers are considered highly qualified in their field. Courses are denoted "HQT" if they qualify for highly qualified teacher certification. Teachers are able to take as many courses as they wish. Most of the training that is provided by Mayerson is voluntary. However, if a teacher needs to become highly qualified, training is required by HR. On release days (four each year), professional development is required for all certificated staff. The District's Local Professional Development Committee also supports the District's strategic plan, by reviewing, monitoring and approving Individual Professional Development Plans for certificate/license renewal, granting credit for professional activities that lead to instructional enhancement, and supporting District initiatives that improve the quality of staff development efforts.

While CCSD has an extensive program in place to provide professional development to employees and ensure that certificated employees complete an individual plan, the level of employees who are considered highly qualified for the courses they are teaching is below the State average. In FY 2006-07, the percent of core courses taught by highly qualified teachers was 86.6 percent. This was an increase from the FY 2005-06 percent of 79.5 percent. However, for the State of Ohio, the average percent of core courses taught

by highly qualified teachers was 96.5 percent, up from 94.4 percent in FY 2005-06. Moreover, the percent of core courses taught by teachers with appropriate certification was 88.5 percent at CCSD compared to 98.7 percent statewide. The District indicated that the percent of courses taught by highly qualified teachers for FY 2007-08 continued to increase to 90.3 percent. While the statewide average for FY 2007-08 has not been released, CCSD is still 6.2 percent below the FY 2006-07 average.

The HR manager for certificated employees attributes the District's lower percentage of courses taught by highly qualified teachers to an issue of misreporting (see **R3.7**). Upon review of the HQT percentage with ODE, it was discovered a principal was coded as a teacher and was not considered highly qualified. Errors like these lower the reported percentage of highly qualified teachers. Another part of the problem is the need to hire teachers after the beginning of the year to accommodate an increase in students at some buildings. When the District has trouble finding certified teachers, it often hires long-term substitutes, which may have temporary certificates or may not be certified in the area they are teaching.

As the Mayerson Academy is a state of the art training center offering courses taught by industry experts, the Center represents an important benefit to CCSD teachers' in providing professional development activities. In the future, CCSD should focus its professional development opportunities on increasing the level of highly qualified teachers to the State average.

**R3.7 CCSD should develop a process to ensure the accuracy and reliability of EMIS data submitted to ODE. The process should allow for communication between parties involved and a clear understanding of roles and responsibilities. In addition, training should be provided to all individuals involved in the process of submitting data, and these employees should have access to the Oracle system used by CCSD to further ensure the accuracy of the data submitted.**

The process of inputting employee data into the District's information system (Oracle) begins in the Treasurer's Office. When a position is created and given budget authority to be funded, the Treasurer's Office creates an employee alias that includes a five digit job code intended to mirror the coding used by EMIS. HR works to ensure the correct employee is placed in a particular position. From this information, the HR manager responsible for the Oracle system takes an extract of staff data from the system for the District's two EMIS assistants who work in the Department of Research and Evaluation. The data extract is then submitted to ODE after minimal alteration or adjustment.

While there is a process to ensure accuracy within the Oracle system, there is not a process to ensure accuracy of the EMIS data. Principals and department heads are asked to ensure that the employee information in the Oracle system is correct. This check

ensures that schools are paying for the correct number of employees. Moreover, the Treasurer's Office recently changed the process for creating new positions. Rather than allowing each accountant to create positions, position management is now the responsibility of one employee. Before the position management responsibility was centralized, there were significant differences in how employees were coded based on the individual who created the position. This centralization of duties should improve the consistency and accuracy in the method by which positions are coded and help rectify any discrepancies. However, the position manager has never received EMIS training and is using outdated EMIS manuals.

After submission, the EMIS assistants perform a high level assessment of the data to help ensure accuracy. According to the Director of Research and Evaluation, the District relies on reports generated by ODE to check for the accuracy of staff data. If an error is generated for a position, it is typically coded in a way to eliminate the error message. For example, if an employee is coded as a Regular Teacher (205), but is not a teacher of record with a course schedule, the EMIS assistant changes the EMIS code to Other Professional – Educational (299). While this process works to eliminate the errors generated by the data submission, it corrupts the accuracy of the data that is being provided to the EMIS assistants for submission (i.e. correct EMIS codes and FTE counts).

The process of preparing and submitting EMIS data is also fragmented, with three departments involved in the process. Moreover, there is not sufficient communication between those responsible for preparing EMIS data. There is an assumption by the respective departments that others work to ensure the accuracy of the data and make revisions as necessary. CCSD outlined a process used to ensure the accuracy of the data used to maintain budgets and the accuracy of the payroll information within the Oracle system. Yet, because the EMIS information is not routinely used by CCSD, there has not been a great effort to ensure the accuracy of the data.

ORC § 3301.0714 outlines the guidelines for the EMIS system and includes requirements to report personnel and classroom enrollment data. Accordingly, ODE has created and maintains a manual which outlines specific requirements for EMIS data submission. The data that is collected through the EMIS system is used for state and federal reporting, funding and distribution of payments, an academic accountability system, and the generation of statewide and district reports. Processes for ensuring the accuracy and completeness of the data before submission through a data verification process is required. While districts are not required to use the state provided software, they are required to submit accurate data in accordance with requirements developed by ODE.

By not ensuring the accuracy of the EMIS data, the District is not reporting an accurate number of administrators, educational personnel, support staff, and other positions. This

creates an incorrect record of the staffing levels in these categories. This information is used by ODE to compare Cincinnati to other Ohio school districts for the public via the ODE website but, because of the faulty data, presents an inaccurate representation of staffing.

The process for maintaining employee data within the Oracle system works to ensure the accuracy and reliability of that information. The same process should be used to ensure the accuracy of EMIS data with department heads and building administrators reviewing the data before submission. Moreover, a clear process for preparing and submitting EMIS data and increased communication is imperative to ensuring data accuracy. EMIS training and Oracle access for the individuals involved in the process will work to ensure the accuracy of the data.

## Financial Implications Summary

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

**Table 3-7: Summary of the Financial Implications for Human Resources**

<b>Recommendation Subject to Negotiation</b>	<b>First Year Cost Savings</b>	<b>Annual Cost Savings FY 2009-10 to 2011-12</b>
<b>R3.1</b> Limit negotiated wage increases	\$550,000 <sup>1</sup>	\$1,100,000
<b>R3.2</b> Reduce compensation of daily substitutes	\$186,250 <sup>2</sup>	\$372,500
<b>R3.3</b> Increase employee health insurance share to 10.5 percent of total cost	\$547,500 <sup>3</sup>	\$1,095,000
<b>Total</b>	<b>\$1,283,750</b>	<b>\$2,567,500</b>

**Source:** AOS

<sup>1</sup> Estimated savings over the course of the forecast period is \$9,500,000. This would result in a cost savings of \$550,000 for FY 2008-09.

<sup>2</sup> Estimated savings over the course of the forecast period is \$1,303,750. Amount shown is savings for FY 2008-09 as District would only see six months of savings due to term of bargaining agreement.

<sup>3</sup> Estimated savings over the course of the forecast period is \$6,630,500. Amount shown is savings for FY 2008-09 and based on Districts bargaining agreements.



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# Facilities

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## Background

This section of the performance audit assesses custodial and maintenance staffing, operations, and expenditures, and building utilization in the Cincinnati City School District (CCSD or the District). CCSD's operations are evaluated against leading practices and operational standards identified by the American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). Comparisons were made for the purpose of developing recommendations to improve efficiencies and business practices.

### *Summary of Operations*

The care and maintenance of CCSD's buildings and grounds are the responsibility of two departments: Building Operations/Food Service<sup>1</sup> and Facilities. Building Operations is responsible for the cleanliness of buildings and for operating boilers and heating, ventilation, and air conditioning (HVAC) systems. In 2007-08, Building Operations included 304.5 full time equivalent (FTE) custodial staff<sup>2</sup> (includes 72.0 building engineers and 217.5 custodians). Building engineers, who are responsible for boilers and the HVAC systems along with other custodial and groundskeeping duties, also spend approximately 25 percent of their time performing administrative tasks relative to supervisory oversight of custodians assigned to their buildings. Some larger buildings have two building engineers to cover day and evening shifts. Of the reported custodial FTEs for FY 2007-08, 25.0 FTEs are part of the District's floater pool. These employees are full time, but are not assigned to a specific building. Instead, floaters receive a daily assignment based on the absence of custodians who are assigned to a particular building.

The Facilities Department is responsible for the maintenance of all buildings. In FY 2007-08, maintenance was provided by 61 FTE tradesmen.<sup>3</sup> Tradesmen are responsible for addressing maintenance needs within a specific part of the District. The area to which a tradesman is assigned depends on the number of employees skilled in the same trade and the volume of work. As maintenance employees do not report to a central location, the District's web-based work order system provides them access to work requests.

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<sup>1</sup> As the audit focuses on the building operations (custodial) functions performed by this department, the department will be referred to as the Building Operations Department in this report.

<sup>2</sup> According to EMIS reports submitted by the District to ODE, between FY 2006-07 and FY 2007-08 CCSD reduced 14 FTEs in the Building Operations Department (which includes custodians and building engineers).

<sup>3</sup> The District has 1.0 alarm installer, 1.0 mechanic, 7.0 building systems monitors, 8.0 carpenters, 10.0 electricians, 3.0 glaziers, 10.0 HVAC technicians, 6.0 maintenance workers, 1.0 painter, 8.0 plumbers, and 6.0 tinsmiths. The mechanic is responsible for small engine repair (e.g., lawn mowers and snow blowers).

The District developed a Facilities Master Plan (FMP) in FY 2001-02 which includes data about capital improvement plans and projected costs, a ten-year enrollment projection, and a capacity analysis. The District is in year six of a ten-year plan to renovate or construct new school facilities. Subsequently, CCSD has published a number of updates to its FMP that include information about the progress toward completing the renovations or new construction. As the District completes renovation and construction projects, the Facilities Department obtains accurate information about its facilities (e.g., building square footage, property acreage) to improve its recordkeeping practices. However, historically, the Facilities Department has maintained multiple figures for each building, which resulted in limitations on the reliability of its facility-related data (**R4.4**).

Upon completion of the FMP, the District will have 51 newly constructed or renovated active buildings that will provide for an average of 154.8 square feet per student. Overall the District will have square footage that is in line with Ohio School Facilities Commission's (OSFC) recommended average of 152 square feet per student given its FY 2007-08 student population and the District's projected enrollment.

The District employs a number of recommended practices in its facility operations. Both the Building Operations and Facilities departments offer and document training opportunities for staff and regularly evaluate employee performance. Building Operations has a detailed handbook of written procedures; however, the Facilities Department does not (see **finance and strategic management**). The District has also taken steps to appropriately control overtime in both departments. However, CCSD does not routinely compare its performance to maintenance and operations leading practices. Analysis of the District's operations in comparison to high-performing national and local benchmarks could serve as a basis for its internal performance benchmarking and evaluation processes (see **R4.8**).

### *Key Statistics*

Key statistics related to CCSD's maintenance and operations (M&O) are presented in **Table 4-1**. Also included in the table, and throughout the report, are the results of the *Maintenance and Operations Cost Study* (AS&U)<sup>4</sup> and benchmarks established by the *Planning Guide for Maintaining School Facilities* (NCES, 2003). For the purpose of comparing CCSD's staffing to national benchmarks, building engineer FTEs have been divided between custodial and maintenance functions. Based on interviews of building engineers and AOS observations, 75 percent of the building engineer FTE's time is assigned to custodial activities and 25 percent to maintenance functions.

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<sup>4</sup> The *Maintenance and Operations Cost Study* is an annual publication. This report draws on AS&U publications from the last five years. Cost data was obtained from CCSD for FY 2006-07. Thus, this data is compared with the 36<sup>th</sup> *Maintenance and Operations Cost Study* (AS&U, 2007). The District provided staffing information for FY 2007-08; subsequently, this data was compared to benchmarks published in the 37<sup>th</sup> *Maintenance and Operations Cost Study* (AS&U 2008).

**Table 4-1: Key Statistics and Indicators**

<b>Number of Buildings</b>	<b>81</b>
Schools <sup>1</sup>	56
Administration	6
Other <sup>2</sup>	19
<b>Total Square Feet Cleaned</b>	<b>6,973,767</b>
Schools	6,303,690
Administration	497,559
Other <sup>3</sup>	172,518
<b>Square Feet Per FTE Custodial Staff Member (271.5 FTEs)<sup>4</sup></b>	<b>25,686</b>
<b>NCES National Average<sup>5</sup></b>	<b>29,500</b>
<b>Square Feet Per FTE Maintenance Staff Member (78.0 FTEs)<sup>6</sup></b>	<b>103,774</b>
<b>AS&amp;U 37th Annual Cost Survey National Median</b>	<b>107,439</b>
<b>FY 2006-07 Maintenance and Operations Expenditures Per Square Foot</b>	<b>\$4.83</b>
Custodial and Maintenance	\$3.38
Utilities	\$1.45
<b>AS&amp;U 36th Annual Cost Survey National Median</b>	<b>\$5.09</b>

**Source:** CCSD reported building square footage, acreage, and staffing levels; *Planning Guide for Maintaining School Facilities*; and the 36<sup>th</sup> and 37<sup>th</sup> Annual AS&U Maintenance and Operations Cost Study

<sup>1</sup> The District divided larger high schools into two smaller schools within the same building; however, this analysis is based on the number of the district's buildings not programs.

<sup>2</sup> Other includes buildings used for swing space and vacant buildings.

<sup>3</sup> Other includes buildings used for swing space; however, it does not include vacant buildings.

<sup>4</sup> This figure is an average number of square feet maintained per custodian. In addition to cleaning, custodians are also responsible for maintaining grounds at schools that have not yet been renovated or constructed as part of the District's FMP. Due to lack of District information, custodial FTEs could not be adjusted for percent of time spent on groundskeeping. For a more detailed analysis of staffing see **R4.1** and **R4.2**.

<sup>5</sup> According to the NCES *Planning Guide for Maintaining School Facilities*, 28,000 to 31,000 square feet per FTE custodian is the benchmark range for most school facilities. Therefore, a benchmark of 29,500 square feet per FTE custodian will be applied in the analysis.

<sup>6</sup> The square feet per maintenance staff includes the square footage of vacant buildings – for a total of 8,094,392 square feet. The FTE total was adjusted to remove 1 FTE mechanic who does not provide building maintenance.

As shown in **Table 4-1**, CCSD custodial and maintenance employees are cleaning and maintaining fewer square feet per FTE when compared to national benchmarks (**R4.1**, **R4.2**, and **R4.8**). However, the District's cost per square foot is lower than the AS&U national median.

### *Financial Data*

**Table 4-2** presents a three-year history of CCSD's maintenance and operations General Fund expenditures.

**Table 4-2: CCSD's Three-Year M&O Expenditure History**

	FY 2004-05	FY 2005-06	Percentage Change	FY 2006-07	Percentage Change
Salaries/Wages	\$18,587,936	\$17,351,069	(6.7%)	\$16,489,763	(5.0%)
Benefits	\$5,499,663	\$5,176,838	(5.9%)	\$5,168,818	(0.2%)
Purchased Services <sup>1</sup>	\$3,370,437	\$3,045,378	(9.6%)	\$3,612,478	18.6%
Utilities <sup>2</sup>	\$8,057,624	\$10,462,739	29.8%	\$11,708,495	11.9%
Supplies/Materials	\$204,084	\$199,679	(2.2%)	\$173,490	(13.1%)
Capital Outlay <sup>3</sup>	\$3,228,615	\$2,279,849	(29.4%)	\$1,943,066	(14.8%)
Other <sup>4</sup>	\$2,232	\$3,603	61.4%	\$808	(77.6%)
<b>Total - General Fund</b>	<b>\$38,950,591</b>	<b>\$38,519,156</b>	<b>(1.1%)</b>	<b>\$39,096,917</b>	<b>1.5%</b>

Source: CCSD

Note: Totals may vary due to rounding.

<sup>1</sup> Purchased services excludes utilities.

<sup>2</sup> Utilities includes electricity, water and sewage, and gas.

<sup>3</sup> Capital outlay includes both the 600 and 700 object codes.

<sup>4</sup> Other includes redemption of principal and interest, other debt service payments, dues and fees, insurance, judgments, taxes and assessments, awards and prizes, and other miscellaneous expenditures.

Table 4-2 shows that CCSD has slowed the rate of M&O related expenditure growth in several areas. However, the District continues to see significant increases in the area of utilities and purchased services. Both of these expenditure line items have increased as a result of FMP projects (R4.6). The AS&U has established benchmark criteria for key expenditure categories. Table 4-3 compares CCSD's maintenance and operations General Fund expenditures per square foot to the AS&U national median. The District's cost ratios are based on 8,094,392 square feet, which is the District's total square footage including vacant buildings.

**Table 4-3: M&O FY 2006-07 Expenditures per Square Foot Comparison**

Cost Area	CCSD Cost per Square Foot	AS&U National Median	Percentage Difference
Salaries/Benefits	\$2.04	\$2.56	(20.4%)
Purchased Services (excl. utilities)	\$0.45	\$0.01	4,362.9%
Utilities	\$1.45	\$1.71	(15.4%)
Supplies/Materials	\$0.02	\$0.32	(93.3%)
Other <sup>1</sup>	\$0.00	\$0.49	(100.0%)
<b>Total General Fund Expenditures</b>	<b>\$4.83</b>	<b>\$5.09</b>	<b>(5.1%)</b>

Source: CCSD and the 36<sup>th</sup> Annual AS&U report (2006-07)

Note: Totals may not sum due to rounding.

<sup>1</sup> Other includes capital outlay expenditures, insurance, clerical costs, equipment repair and rental, and travel.

As shown in **Table 4-3**, the total General Fund expenditures per square foot were slightly lower than the AS&U benchmarks except for purchased services (excluding utilities). The District is high in this area due to expenditures associated with the FMP.

### *Facilities Audit Objectives*

The following performance audit objectives were reviewed in this section:

- Does the facility maintenance operations use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function and does it use these in management decision making?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Is the District's custodial and maintenance staffing comparable to leading practices?
- Does the District provide a staff development program that includes appropriate training for maintenance and operations staff to enhance worker job satisfaction, efficiency and safety?
- Are District energy management practices comparable to leading practices?
- Are the District's facility management and planning practices comparable to leading practices?
- Does the maintenance and operations department have a system for prioritizing maintenance needs uniformly throughout the District?

## Recommendations

**R4.1 CCSD should bring its custodial and maintenance staffing in line with industry standards. Adopting the NCES operating standard for cleanliness of 29,500 square feet per custodial FTE is considered the norm for many school facilities and is acceptable to most stakeholders, while not posing any health issues.<sup>5</sup> Likewise the District should adopt the AS&U recommended square footage per maintenance staff and acreage per groundkeeper. Establishing higher square footage per FTE standards would allow the District to reduce the number of custodial and maintenance employees. Additionally, CCSD should work to improve custodial attendance. Reducing absenteeism would allow the District to decrease the number floaters needed to ensure District buildings are cleaned at an acceptable level.**

CCSD's custodial and maintenance staff clean and maintain less square footage than the national benchmarks (see **Table 4-1**).<sup>6</sup> If CCSD adopted the NCES recommended standard for custodial staff and the AS&U standard for groundskeeping staff, it would need 253.6 custodial FTEs for both cleaning and groundskeeping. If CCSD adopted the AS&U recommended staffing level, the District would need 75.3 maintenance FTEs to maintain all of its buildings (including vacant buildings).

To control workers' compensation costs, some employees in the floater pool work alongside custodians that are on light duty as part of the District's transitional work program. The transitional work program allows injured staff to perform light duty work (i.e. dusting) in lieu of receiving workers' compensation. In FY 2006-07 and FY 2007-08, the most floaters needed at any one time to assist employees in the transitional work program was 8.0 FTEs. Subsequently, adjusting staffing needs to accommodate the transitional work program, CCSD is overstaffed in custodial and groundskeeping by 9.9 FTEs. Practices associated with high employee leave usage also contribute to the District maintaining staffing levels above the national benchmarks (**R4.3**).

Compared to recommended staffing levels, CCSD is overstaffed by 2.7 maintenance FTEs. For FY 2008-09, the District is reducing building engineers by 6.25 FTEs. Approximately 75 percent of a building engineer's time is spent on custodial duties, including groundskeeping. As a result, the District will have 4.7 fewer FTE custodial

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<sup>5</sup> OSFC maintains guidelines for determining maintenance and operations staffing levels; however, the methodology used by OSFC is in contrast with the AS&U benchmarks. While AS&U is based on square footage, OSFC maintenance staffing levels are based on the estimated number of hours needed to maintain a building.

<sup>6</sup> The District indicated the ideal benchmark for custodial staff is 18,000 square feet per FTE as this would provide optimal coverage. NCES recognizes this square footage as an uppermost standard for most school cleaning and suggests this level of cleaning be reserved for restrooms, special education areas, kindergarten areas, or food service areas. NCES recognizes the benchmark of 28,000 to 31,000 square feet as the norm for most school facilities; it is acceptable to most stakeholders and does not pose any health issues.



workers in FY 2008-09. The remaining 25 percent of a building engineer's time is spent performing maintenance work. Subsequently, this reduction will decrease the number of maintenance staff by approximately 1.6 FTEs.

Operating based on staffing standards that are lower than the national benchmarks results in higher costs to the District. Reducing staffing levels to be in line with national benchmarks would allow the District to ensure that high staffing levels do not unnecessarily draw off scarce financial resources. Accurate building information, such as square footage, is necessary to accurately determine staffing needs (R4.4). Additionally, improving custodial attendance would allow the District to reduce the number of floaters needed to maintain the District's buildings at an acceptable level of cleanliness.

*Financial Implication:* As CCSD reduces the use of leave time, the District should bring custodial staffing levels in line with industry standards. Reducing 5.0 custodial FTEs over the next two years would save the District over \$152,300 in salary and benefit costs. The reduction of 1 maintenance FTE would yield an annual savings of approximately \$65,000.

**R4.2 As the District completes renovations and building projects as part of its FMP and disposes of excess square footage, it should monitor custodial and maintenance staffing levels and align them with AS&U and NCES industry standards (R4.1). The District should reduce staffing to remain in line with the national benchmarks as it opens new and renovated buildings and disposes of vacant ones (R4.5).**

Since the District is in year six of its ten-year FMP, it is important to examine the staffing level necessary to address District needs at the end of its renovation and construction projects. **Table 4-4** examines the number of workers needed to clean and maintain District facilities upon completion of the FMP, assuming the District disposes of vacant buildings and adopts national benchmarks for staffing.

**Table 4-4: CCSD Staffing at Completion of FMP**

Position Type	Total Square Footage Maintained	Recommended Square Footage per FTE	Recommended Staffing Level (FTEs)	CCSD Revised Staff <sup>2</sup>	FTEs Above/ (Below) Benchmark
Custodial <sup>1</sup>	5,811,711	29,500	220.0	253.6	33.6
Maintenance	5,811,711	107,439	54.1	75.3	21.2

Source: CCSD, AS&U, NCES

<sup>1</sup> Based on custodial duties only. CCSD indicated its intent to contract out its groundskeeping for new and renovated buildings.

<sup>2</sup> The District proposed to eliminate 6.25 building engineer FTEs at the end of FY 2007-08. Since approximately 75 percent of their time is spent on custodial duties, 4.7 FTEs were subtracted from the number of Custodial CCSD Total Staff and 1.6 FTES subtracted from the Maintenance CCSD Total Staff.

**Table 4-4** shows that without additional staffing reductions, the District will have 33.6 FTE custodians above the level recommended by leading practices. However, in addition to the recommended staffing levels, 8.0 FTEs are needed for the District's transitional work program. To maintain adequate staffing, CCSD can reduce custodial staffing levels by 25.5 FTEs after completion of the FMP. As the District continues to build and renovate school facilities, the Director of Building Operations should monitor custodial staffing levels for potential opportunities for reduction and cost savings. She should take into consideration that the amount of groundskeeping work contracted to a third party vendor will increase, thereby reducing the workload of custodial employees. This will help ensure staffing levels are in line with national benchmarks.

**Table 4-4** also shows that the reduction in total square footage will result in CCSD's maintenance staff exceeding the AS&U benchmark. Selling all unused property will result in the District maintaining approximately 2 million fewer square feet. Determining an appropriate staffing level for maintenance employees is contingent upon the District disposing of vacant buildings and completing the FMP. As the District completes buildings or sells property, it is necessary that the Director of Facilities reevaluate staffing needs and ensure the skill set of staff are appropriate for staffing needs. Gradually reducing staffing levels will allow the District to be more in line with the national benchmark.

*Financial Implication:* Over a four-year period, the District could decrease custodial staff by an additional 25.5 FTEs, which would save the District over \$776,000 in salary and benefits. Furthermore, if the District were to adjust maintenance staffing levels, CCSD could reduce 21.2 maintenance FTEs over the four-year period. These reductions would save the District about \$1,365,000 in salaries and benefits. In total, implementation of this recommendation could yield the District savings of approximately \$2.1 million.

**R4.3 CCSD should work to reduce the level of sick leave used by custodial and maintenance employees. Decreasing sick leave use and leave without pay will help CCSD reduce the number of custodial employees needed to staff the floater pool. Improving attendance will help the District align its staffing levels with recommended practices (R4.1) and increase productivity.**

The District recognizes absenteeism is problematic within the M&O staff and is working to address the issue through developing and implementing performance scorecards. The Ohio Department of Administrative Services (DAS) tracks and reports average sick leave usage of State employees. CCSD building engineers and custodians used an average of 84.5 leave hours per employee in FY 2006-07 which is 53.4 percent higher than the DAS historical average<sup>7</sup> of 55.1 hours per employee. CCSD maintenance staff used an average

<sup>7</sup> Historical DAS average based on sick leave use between FY 1996-97 and FY 2005-06.

of 73.5 sick leave hours per employee, which is 33.4 percent higher than the DAS average. It is important to note that the sick leave usage does not include unpaid leave hours that employees used. The CCSD Manager for Payroll Operations indicated that each week an estimated \$20,000 to \$25,000 of budgeted salary expenses are not paid as a result of employees taking leave without pay. In FY 2006-07, CCSD classified employees had an additional 39,400 hours of unpaid leave separate from paid leave above, or approximately 17 hours per classified employee (see *issues for further study* in the **executive summary**).

In the negotiated agreements for classified office personnel, building engineers, custodians, food service employees, instructor assistants, and security assistants are required to provide a physician's statement for absences of more than five days. The negotiated agreement for the maintenance staff does not include a provision requiring a physician's statement. These employees can accrue an unlimited number of sick leave hours (see **human resources**).

The State of Ohio has collective bargaining agreements which contain provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

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

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

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.

- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems.
- Learn to say “No.” Employers should not let employees get away with abusing leave policies.
- Use procedures, regulations, practices and knowledge to benefit management as well as the employee.
- Document everything to learn from past mistakes.

High amounts of custodial sick leave result in decreased productivity and increase costs to CCSD. For example, to ensure facilities are cleaned, the District employs a pool of floaters to cover absences. Curbing leave without pay and ensuring employees do not abuse leave time could allow the District to decrease the size of its floater pool (R4.1). In addition to direct costs associated with sick leave abuse, the District may incur indirect costs including sinking morale, and lower productivity if excessive sick leave use is not curbed.

**R4.4 As CCSD continues to construct and renovate buildings as part of its FMP, the District should develop a database that houses accurate square footage and acreage data for each property. As this information is necessary for assessing appropriate staffing and workload levels, the Facilities Department should maintain one master file that is updated as needed. When buildings are constructed, demolished, or disposed, the Facilities Department should share changes in square footage and acreage with the Director of Building Operations so appropriate changes can be made to custodial staffing levels and/or workloads.**

**During the course of the audit, the District indicated plans to generate a comprehensive list of current buildings including square footage and acreage data.**

CCSD does not have a comprehensive list of properties owned that contains uniform data that documents the acreage and square footage of each property. Rather, the District has multiple lists that were developed over time. As a result, the District has several different square footage figures for some buildings and lists that do not reflect all of the facilities owned by the District. The Director of Facilities explained that CCSD uses square footage figures developed by the architect who designed the building for buildings constructed or renovated as part of the FMP. For buildings that are not newly constructed or being renovated, the District uses square footage figures calculated by the OSFC in 2001. The OSFC did not assess buildings used for administrative purposes; these square footage figures were calculated by a District employee.

The District’s work order system collects extensive data on the District’s facilities. This information is collected in a web-based program that allows the Systems Analyst to easily export the data into spreadsheets or sort and find records documenting historical

maintenance on a building or single piece of equipment. The work order system also houses detailed electronic blueprints for buildings that were constructed or renovated as part of the FMP which show individual rooms and spaces. Although the work order system has extensive data on new buildings, the District lacks information about existing facilities. At the conclusion of the FMP, the District will have up-to-date and accurate data on all buildings except the five buildings used for storage or administrative purposes.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) lists features common to a good data collection system for facilities:

- The element list includes all buildings, grounds, and equipment at all sites;
- The element list is comprehensive for all rooms and spaces in all buildings;
- The element list reflects both permanent features (e.g., structures) and temporary features (e.g., traffic patterns and snow buildup areas); and
- Data are reviewed for accuracy and completeness by the facility management and maintenance team. The team prioritizes the findings and modifies the scope of the data collection as new issues are identified.

Data that are inaccurate or outdated may lead to unnecessary levels of staffing. Leading practices suggest staffing for custodial, groundskeeping, and maintenance workers should be based on square footage and acreage figures (R4.1, R4.2). However, without reliable data it is impossible for CCSD to accurately assess its staffing needs. Maintaining accurate and up-to date information in a central location where it is accessible will enable the District to better plan for its staffing and facility needs.

**R4.5 CCSD should dispose of excess properties that are not being used for instructional purposes. This would eliminate costs associated with retaining ownership of the properties, such as insurance, maintenance, and utility costs. Decisions should be based, in part, on review of the Vacant Building Report’s recommendations regarding building retention and disposal.**

**During the course of the audit, the Board of Education approved the sale of a property known as Mercer Commons in Over-the-Rhine, which consists of 20 buildings on 26 parcels of land, to the City of Cincinnati for \$4.2 million.**

In FY 2007-08, CCSD had 14 buildings that were used for swing space and 16 vacant buildings.<sup>8</sup> The swing space is used to house students while school facilities are newly constructed or renovated as part of the District’s FMP. However, the District does not

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<sup>8</sup> Buildings used for swing space include Bramble, Gamble, Heinold, Hyde Park, Jacobs, Kirby Road, Losantiville, Old Midway, Old Pleasant Hill, Old Roberts, Old Shroder, Old Woodward, Rockdale, and Western Hills. Vacant buildings include AMIS, Bloom, Central Fairmount, Clifton Intermediate, Clifton Primary, Clark Montessori, Herberle, Kilgour, Linwood, McKinley, Roosevelt, Sands Montessori, Swifton, Westwood, Whittier, and Windsor.

have long-term plans for vacant buildings or those currently used as swing space. At the conclusion of the FMP, the District will have 51 occupied school buildings, a reduction of nearly 20 buildings.

CCSD hired GBBN Architects to represent the District's interests as it progresses through the FMP. During the course of the performance audit, GBBN was asked to create a Vacant Building Report with recommendations on whether vacant or unused buildings should be disposed of or retained for potential use as swing space in the future. A representative of GBBN indicated a few buildings are situated on land that may be desirable for future use. In general, the report will outline whether a building should be sold because it does not meet standards or is or if a building should be kept. Given that the District is in the midst of its FMP, a representative of GBBN believes the District could dispose of eight buildings at this time.

According to the Director of Facilities, the District put all of its vacant buildings on the market in FY 2004-05 when the State Legislature permitted school districts to sell property to interested parties or businesses for a period of time.<sup>9</sup> The District sold three buildings (Old Midway, Highlands, and Schiel); however, until new facilities are complete, the District has leased these buildings from the purchasers.

*A Guide for the Adaptive Use of Surplus Schools* (Giljahn & Matheny, 1981) notes that although a number of districts are experiencing declining enrollment, there has not been a corresponding decline in facilities expenditures per pupil. In fact, the cost of operating half-empty schools is particularly wasteful as many of the expenses at these schools continue as if the building was fully occupied. Almost as many teachers and custodial workers are required to staff a partially used school, and neither utility bills nor debt service charges decrease along with enrollment.

Faced with the aforementioned scenario, many school administrators have generally recommended the closing of surplus facilities as the simplest and most inexpensive immediate solution. Consolidation of students and educational resources has immediate benefits including the following:

- Balancing of class sizes;
- Sharing of educational materials;
- Staffing reductions;

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<sup>9</sup> Prior to disposing of property suitable for use as classroom space, ORC §3314.41 (G) requires a district to first offer that property for sale to start-up community schools at its appraised fair market value. If no community school accepts the offer within 60 days, the board may dispose of the property. When a district has not used real property suitable for classroom space for academic instruction, administration, storage, or any other educational purpose for one full school year and has not adopted a resolution outlining a plan for using that property for any of those purposes within the next three school years, it must offer that property for sale to start-up community schools.

- Better use of specialists;
- Easier supervision of the program; and
- Fewer dollars spent on fuel, maintenance, and personnel.

Giljahan and Matheny identify three strategies, aside from demolition, which districts may pursue in order to recognize the aforementioned benefits. These strategies include mothballing, lease, and sale.

- Mothballing allows a district to retain unused property until the space is needed again or the building's future disposition can be determined. There are some initial costs to this option, typically for securing the facility, as well as ongoing costs for maintenance, utilities, security, and repair.
- Leasing surplus buildings allows a district to rent a facility to another entity, typically a government or non-profit, while still retaining ownership of the facility in the event that future increasing enrollments would necessitate district use. Advantages of leasing include: reclaiming facilities and thus hedging against future enrollment increases; benefiting the community from services provided by a local non-profit or government entity; and obtaining income from otherwise unused space. Although leasing may be an attractive option, the district continues to incur ownership costs and district administrators are not typically prepared to act as property managers.
- Selling surplus buildings allows a district to transfer unused facilities to the private sector, often with the guarantee that the facility will be rehabilitated for a specific use. The advantages to selling surplus buildings include eliminating upkeep costs to the district; generating a financial return on spaces that are no longer needed; providing a psychological advantage to the community through a new use of a building; and returning property to the community tax rolls. While selling will reduce costs to CCSD, the buildings may have a low market value and limited zoning designation and the District may be unable to determine the sales impact on the community.

If CCSD were able to successfully dispose of excess property, the District would eliminate its financial obligation associated with retention of the unused properties. Demolishing unused buildings on property the District would like to retain would reduce utility expenditures associated with vacant buildings. However, retaining property does not decrease the cost associated with maintaining the grounds.

*Financial Implication:* Sale of the District's unused buildings would result in an immediate reduction of CCSD's associated utility expenditures. During FY 2007-08, the

District spent an average<sup>10</sup> of \$0.45 per square foot on utility costs to maintain vacant buildings. As the District has over 900,000 square feet of unused space, the CCSD could avoid approximately \$405,000 in annual utility expenses. Additionally, selling surplus buildings would provide the District with one-time revenue.

**R4.6 The District should monitor energy practices to ensure schools are operating efficiently and should actively engage teachers, staff, and students in efforts to raise awareness of energy management and reduce energy consumption. Improvements in managing energy use can be achieved by educating District staff and students about closing doors, keeping windows closed, and turning off lights. The Director of Building Operations should take an active role in monitoring energy consumption to ensure the District's energy conservation standards are implemented in day-to-day operations. Violations could be tracked through a facilities audit (R4.9) In addition to involving all members of the CCSD community in energy conservation and ensuring compliance with policies, the District should continue to direct efforts toward determining the cost of utilities for each building. This will help the District evaluate operating efficiency at the building level and make adjustments to energy management practices accordingly.**

In 2005, the CCSD Board of Education adopted energy management standards and a policy regarding energy conservation. The standards were communicated through email to all building principals. The policy identified the Director of Building Operations as responsible for overseeing the District's energy management practices. Additionally, the Director of Building Operations is responsible for communicating with building principals and faculty reminding them to reduce or eliminate unnecessary utility expenditures during the school week as well as over long weekends and vacations. The District started its campaign to become more energy efficient in 2005 when the Building Operations Director and Facilities Director discussed information on energy efficiency with building principals. In 2006, Building Operations staff conducted an audit to catalogue electrical appliances in schools. This inventory noted what appliances were left on when rooms were vacant and noted which classrooms and schools were in violation of CCSD energy conservation standards.

The District's Energy Conservation Standard Practices sets forth guidelines to control energy consumption including the following:

- Prohibiting the use of space heaters;
- Closing window coverings at the end of each day to serve as a buffer from external temperatures;

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<sup>10</sup> CCSD provided utility costs for the McKinley and Windsor buildings. An average utility cost was calculated based on these two buildings. The District did not readily have utility expenditures for the remaining unused buildings.



- Using natural sunlight, when available, and turning off lights; and
- Banning individual classroom refrigerators, microwaves, coffee pots, and other appliances.

CCSD is aware of a likely increase in utilities consumption with the opening of new buildings because of the technology that uses energy such as air conditioning units. However, HVAC technicians have the ability to monitor and adjust temperatures from remote locations. A number of classrooms, conference rooms, offices, and restrooms in newly constructed and renovated buildings use motion sensors to turn off lights when the room is unoccupied. Additionally, the final phase of the District's FMP includes buildings that are Leadership in Energy and Environmental Design (LEED) certified (see *noteworthy accomplishments* in the **executive summary**). CCSD contracts with The Utilities Group, an organization that manages and negotiates deregulated electricity and natural gas contracts and monitors energy efficiency with commercial and industrial companies. Additionally, three years ago the District put its energy meters out to bid which allowed it to receive the best price per meter.

A number of District elementary schools participate in activities that contribute to energy conservation. The Building Operations Director indicated education about temperature controls and potential savings has allowed some elementary school students to take ownership of their classrooms. For instance, the building engineer will take the temperature of a classroom to ensure the temperature is within an acceptable range (between 66 and 70 degrees Fahrenheit). However, during a walk-through of a renovated high school with a recently installed HVAC system, AOS observed exterior doors and windows propped open (thought air conditioning was operating), unoccupied rooms with lights left on, and individual offices with small appliances.

According to the National Center for Educational Statistics (NCES) *Planning Guide for Maintaining School Facilities* (February 2003), the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a school district to accomplish more efficient energy management:

- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting when replacing older, energy-inefficient equipment; and;
- Reward schools that decrease their energy use.

According to *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004) a successful maintenance and operations program will typically achieve savings of between \$0.06 and \$0.30 per square foot of

annual utility cost, depending on the program type, aggressiveness of changes, the state of current maintenance and operations practices, and the conditions of plants. First year costs may be somewhat higher if the district purchases software or program equipment or contracts for initial consulting assistance. Costs will be less if substantial assistance is provided by utilities or other parties.

While the administration regularly communicates with staff regarding energy usage, there are still a number of instances where District staff and students could improve energy practices. By continually reinforcing energy conservation practices with staff and students, the District can minimize wasteful energy practices. Additionally, by improving energy management practices through the careful monitoring of school facilities, the District could decrease its overall utilities costs. At the time of the audit, the District was unable to provide utility use and costs for each building; however, the District is now in the process of separating utility data by building. This will allow the District to compare utility use and costs between similar schools and monitor trends. Additionally, the District has an energy conservation task force that would like to use the data and reward schools that decrease energy costs. However, without accurate data, the District is unable to provide incentives for schools that monitor and decrease energy consumption.

*Financial Implication:* Implementing an aggressive energy conservation education program may allow the District to save between \$.06 and \$.30 per square foot of annual utility costs, depending on the program type, aggressiveness of changes, and the current state of maintenance and operation practices. Estimating the District saved \$.06 per square foot of annual utility costs, the District could reduce its utility costs from \$1.45 to \$1.39 per square foot. At the end of its FMP, CCSD will have 5,811,711 square feet, allowing the District to save over \$340,000 in annual utility costs. The savings will help offset future utility expenditures, which are likely to increase due to rising energy costs and higher utility usage required by new heating and ventilation systems.

**R4.7 CCSD should fully implement security protocols within its School Response Plan to safeguard against theft and ensure the safety of its students by educating faculty and staff about the policy and monitoring its implementation. The Administration should work with building principals and staff to ensure consistent modeling of practices outlined in school security policies.**

Newly constructed or renovated schools have features that are designed to provide added security. Before entering the school facility, visitors must ring a bell as all doors are locked and enter the building through the main office. This one point of entry provides additional security measures as staff can monitor the flow of visitors to the school. While the District has plans in place to ensure the safety of the students, AOS observed that in some buildings doors were propped open and windows were ajar.

The District has considered the importance of security by implementing plans for responding to catastrophic events. Additionally, CCSD has taken measures to ensure new buildings are more secure by limiting the number of locations people can enter buildings and ensuring that doors are locked. Nonetheless, leaving doors ajar diminishes the effectiveness of security measures and has the potential to leave the school vulnerable to breaches in security. By emphasizing the importance of security measures and ensuring faculty and staff are diligent in following protocols, the District can use mechanisms that are already in place to ensure the learning environment is safe for students and faculty.

**R4.8 In addition to benchmarking against the Council for Great City Schools, CCSD should routinely compare its maintenance and operations procedures, practices, and costs to accredited professional organizations that identify leading practices. Comparing the operations of CCSD to leading practice organizations will enable the District to identify opportunities to reduce costs and improve the efficiency of its operations.**

The District uses the Council of Great City Schools (Council) as a primary source of information and participates in benchmarking efforts by the Council. The Council is a coalition of the nation's largest 66 urban school districts and it produces data and benchmarks using information from member schools. However, much of the research focuses on academic issues including professional development, academic achievement, bilingual education, school finance, and trends in demographics. While these benchmarks provide the District information related to academics, the District could benefit from augmenting its performance measures with benchmarks that allow CCSD to compare its costs, performance, and procedures within maintenance and operations.

The Chief Operations Officer indicated the District has steadily reduced the number of custodial workers and reported that, in FY 2007-08, each custodian was responsible for 32,000 square feet. However, taking into consideration the custodial duties performed by both custodians and building engineers, each FTE maintains approximately 25,686 square feet (see **Table 4-1**). The Building Operations Department uses the NCES guide when determining custodial staffing levels. The administrator who oversees custodial staff stated that the District's goal is to have each custodian be responsible for cleaning 27,000 square feet. Moreover, he noted that if the standard was reduced to 18,000 square feet per FTE, this would allow the custodians to complete detail work, such as more frequent and thorough cleaning of carpets, sinks, and bathrooms.

Benchmark data is identified by AS&U and published in an annual maintenance and cost study. The AS&U measures are developed using a specific survey methodology. The methodology consists of a detailed questionnaire sent to chief business officials at the nation's public school districts in which they are asked to document maintenance and

operation (M&O) costs.<sup>11</sup> The annual M&O cost study offers various tables and charts that can help districts benchmark their M&O expenditures.

Routinely comparing facilities maintenance and operations procedures, practices, and costs to accredited professional organizations will provide the District with performance measures to evaluate the various aspects of its facility maintenance and operations. The District can strive to meet or exceed national benchmarks, such as those set forth by AS&U. In addition, the District might benefit from comparing its performance to maintenance and operations standards from other industries.

**R4.9 The District should conduct facility audits on an annual basis and should develop and document a formal facility evaluation process. As buildings are completed as part of the FMP, annually auditing the buildings as part of a formal process will help ensure that capital improvement issues are addressed and safety and health guidelines are followed. A facility audit could also allow the District to make certain capital improvements target the most critical facility issues.**

The Director of Facilities indicated the District does not conduct facility audits. However, in 2001, OSFC conducted a building inventory of CCSD that assessed the structure of the facility including location, square footage, security systems, and compliance with the Americans with Disabilities Act. As part of its assessment, OSFC calculated the cost to renovate or replace existing buildings as part of the District's FMP.

*The Planning Guide for School Maintaining School Facilities* (NCES, 2003) indicates that facility audits should be a routine part of the facilities maintenance program. A facility audit is a comprehensive review of a district's assets, and is a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. Facility audits are important because they help planners, managers, and staff understand the condition of facilities, service history, maintenance needs, and location. The audits rely on facts, rather than guesswork, to establish plans for maintaining and improving school facilities, and allow in depth analyses of product life cycles to occur on a routine basis, measuring actual life versus expected life. Once initiated, audits must be performed on a regular basis (e.g. annually) because conditions change constantly. If facility audit reviews are an ongoing feature of maintenance management, compiling and maintaining each year's data can make the next year's audit task easier.

Furthermore, by integrating the findings of annual audits over time, planners can confirm facilities and components' life cycles, the impact of various maintenance strategies and efforts on product life cycles, and the future demands the aging process might place on

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<sup>11</sup> These costs may include salary/payroll, outside contract labor, utilities, gas, electricity, trash collection/disposal, maintenance and grounds equipment and supplies, and other costs, as well as various maintenance practices.

the infrastructure of a school district. This information can be used to increase the efficiency and cost-effectiveness of facility use and maintenance efforts in the future.

As the District completes the construction of new buildings, it is essential that Facilities staff annually assess the conditions of the buildings. This comprehensive review of District assets will provide the Director of Facilities adequate information to ensure that any needed maintenance or repairs occur in a timely manner, thereby maximizing the lifespan of new and renovated facilities. Failure to audit District facilities could result in greater costs in the long run or decreased life cycles for CCSD's facilities.

**R4.10 CCSD should take appropriate measures to become compliant with issues raised in the Ohio Department of Health's annual inspection of District facilities relative to Jarod's Law.<sup>12</sup> The District should formulate an action plan to achieve compliance in response to recommendations made by the Ohio Department of Health (ODH) to ensure the safety of students.**

In February and March of 2008, ODH conducted inspections that resulted in the identification of conditions dangerous to health and safety in three CCSD buildings. The findings in the three buildings concerned folding cafeteria tables. As of July 1, 2008, the District confirmed communications with ODH regarding resolution of compliance issues. Additionally, the Director of Facilities indicated that CCSD is hiring an Environmental Safety Services Coordinator who will ultimately be responsible for responding to ODH inspections.

Ohio Revised Code (ORC) § 3701.933 requires that the board of education of each school district submit to the board of health, by a deadline and in a manner established by the director of health, a written plan for abatement of the conditions determined to be hazardous to occupants, as described in the report submitted under ORC § 3701.932. The plan shall include a schedule for completion of the abatement.

By promptly addressing the issue through a written plan for abatement, the District will be certain it has corrected inspection issues relative to Jarod's Law. Furthermore, compliance will help it ensure that the schools provide a safe environment for students.

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<sup>12</sup>House Bill 203 requires local boards of health to annually inspect all school buildings and associated grounds to identify conditions dangerous to public health and safety. The legislation explains that ODH reports should include recommendations for changes that the board of health determines might be needed to abate conditions that are hazardous to occupants. Furthermore, the board of education of the school district is required to submit a written plan for abatement of the conditions deemed hazardous to the occupants and a schedule for completion.

## Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

**Table 4-5: Summary of Financial Implications for the Facilities Section**

<b>Recommendation</b>	<b>Estimated Cost Savings</b>
<b>R4.1</b> Bring custodial and maintenance staffing in line with industry standards	\$217,300
<b>R4.2</b> Reduce custodial and maintenance staffing through completion of FMP	\$2,100,000
<b>R4.5</b> Dispose of excess properties	\$405,000
<b>R4.6</b> Improve management of energy costs	\$340,000
<b>Total</b>	<b>\$3,062,300</b>

**Source:** AOS

**Note:** Savings from **R4.1** would be achieved over 2 year period beginning FY 2008-09. Savings from **R4.2** would be achieved over four-year time frame – FY 2009-10 through 2012-13.



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# Transportation

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## Background

This section of the performance audit assesses the Cincinnati City School District's (CCSD or the District) transportation operations. The overall purpose is to analyze and compare key operational areas and, where applicable, develop recommendations for improvements and possible reductions in expenditures. CCSD's Transportation Department (or Department) operations were evaluated against leading practices and operational standards from the Ohio Department of Education (ODE), the Ohio Administrative Code (OAC) and Ohio Revised Code (ORC), the National State Auditor's Association (NSAA), the American Public Works Association (APWA), the U. S. General Accounting Office (GAO), and peer districts. The peer districts used in the transportation analyses were specifically selected in order to compare CCSD's operations to other large urban districts that used similar approaches in delivering transportation services. The peer districts used in this section are Cleveland City School District, Columbus City School District, Toledo City School District, Hamilton City School District, Canton City School District, and Akron City School District.

ORC § 3327.01 requires that, at minimum, school districts provide transportation to and from school to all students in grades kindergarten (K) through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to public school students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. According to OAC 3301-51-10, when required by an individualized education program (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of each child.

Historically, CCSD has provided busing services above the State minimum requirements. Prior to fiscal year (FY) 2005-06, the District provided transportation to all students that resided one mile or more from their school. For FY 2006-07, the CCSD Board of Education (Board) adopted a new policy to increase busing services in order to support the District efforts to improve and stabilize its educational services. CCSD adopted the following transportation policy changes:

- The minimum eligibility distance for elementary students was reduced from one mile to three-fourths of a mile;
- When a student moves during the school year, transportation service may be provided back to the original school for the remainder of the school year, if desired; and
- When a school is relocated because of construction or renovation, transportation will be provided to the new location for all students, regardless of the distance.



The District contracts with First Student Bus Company, Peterman Bus Company, and Riggs Bus Company for yellow bus transportation of regular and special needs elementary students. CCSD also contracts with Rural Metro Ambulance for transportation services for medically fragile students. The District contracts with Southwest Ohio Regional Transit Authority (SORTA) to provide transportation to students attending District high schools as well as virtual high school participants and those involved with Project Connect, a District program designed to assist homeless students. Vendor contracts for yellow bus services are three years in length from FY 2004-05 through FY 2006-07 and include an option to extend the contract for up to two years. The District extended the contracts for FY 2007-08. Each vendor is paid a negotiated rate<sup>1</sup> on a per-route basis with the exception of SORTA, and each is responsible for complying with applicable State and local laws and regulations. This has enabled the District to measure its costs and look for opportunities to control transportation expenses.

The Transportation Department (the Department) oversees day-to-day operations and monitors the vendor contracts. The District has implemented an effective contract monitoring process (see *noteworthy accomplishments* in the **executive summary**). CCSD determines the number of routes, eligible students, and bus stops for its transportation services. The Transportation Director allocates the routes to each vendor, based on prior performance and capacity to provide services. CCSD uses VersaTrans routing software to determine the routes needed to transport students to its 42 elementary and 16 high schools. The use of VersaTrans assists with the District's goal to provide services with the least number of routes to help control total transportation costs.

The District employs two full-time equivalent (FTE) supervisors (one director and one coordinator) and 10 clerical FTEs in the Transportation Department to provide administrative support for day-to-day operations. Clerical support staff includes two customer help center clerks, five routing clerks, and three administrative support clerks (monitoring and billing).<sup>2</sup> The Facilities Department oversees management and maintenance of Board-owned fleet vehicle management and maintenance (non-pupil transportation). The District's staffing level is comparable to the peer average.

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<sup>1</sup> The vendors are paid a flat rate per route, which differs by amount accepted per bid. Included are the contractor's costs for personnel, buses, fuel, insurance, maintenance, and training.

<sup>2</sup> CCSD's Transportation Department staffing level had included 12 clerical FTEs; however, the District indicated two vacancies would not be filled due to budget constraints. Clerical positions, when calculated on a per 1,000 student basis, is comparable to the peers at the 10 FTE level.

### Transportation Operations Statistics

School districts in Ohio are required to submit transportation forms (T-forms) to ODE reporting ridership and cost data. CCSD compiles the required reports using its routing system and attendance sheets to ensure T-forms are completed accurately and submitted according to ODE's instructions. While no formal procedure exists for completing the T-forms, during the course of the audit, the District took steps to improve internal controls to ensure full compliance with ODE guidelines (see **R5.4**).

**Table 5-1** displays key transportation statistics for FY 2006-07 and FY 2007-08 and compares CCSD to the peer average.

**Table 5-1: Key Transportation Statistics**

Key Statistics	CCSD FY 2007-08	CCSD FY 2006-07	Peer Average FY 2006-07	Difference vs. Peers FY 2006-07	Percent Difference vs. Peers FY 2006-07
<b>District Data</b>					
Square Miles	91	91	61	30	49.6%
Enrollment	35,438	36,008	31,131	4,877	15.7%
Total Students Transported (All Types)	23,676	25,952	11,997	13,955	116.3%
<b>Yellow Bus Riders (Type I &amp; II)<sup>1</sup></b>					
Public	7,758	9,414	6,553	2,861	43.7%
Non-Public	937	1,528	390.3	1,138	291.5%
Community School	2,604	3,217	415	2,802	674.6%
<b>Sub-total Regular Riders</b>	<b>11,299</b>	<b>14,159</b>	<b>7,358</b>	<b>6,801</b>	<b>92.4%</b>
Special Needs	875	776	792	(16)	(2.0%)
<b>Total Yellow Bus Riders</b>	<b>12,174</b>	<b>14,935</b>	<b>8,150</b>	<b>6,785</b>	<b>83.2%</b>
<b>Buses</b>					
<b>Regular Buses</b>	<b>208</b>	<b>236</b>	<b>163</b>	<b>73</b>	<b>44.6%</b>
Special Need Buses	100	86	43	43	101.6%
<b>Active Buses</b>	<b>308</b>	<b>322</b>	<b>206</b>	<b>116</b>	<b>56.4%</b>
Active Buses Per Square Mile	3.4	3.5	3.4	0.2	4.6%
<b>Miles</b>					
Annual Routine Miles	4,565,700	4,496,760	2,696,550	1,800,210	66.8%

**Source:** ODE transportation reports, CCSD and Peer EMIS enrollment reports

**Note:** Totals may not sum due to rounding.

<sup>1</sup> CCSD contracts all bus services, therefore, Type I (Board-owned buses) and Type II (contracted buses) bus riders are combined together.

As **Table 5-1** shows, the size and span of CCSD's operations is reflected in the higher number of riders, annual routine miles, and number of buses used when compared to the peers. Additionally, the District's programmatic decisions contribute to a higher level of transportation service (see **R5.1**). During FY 2007-08, the District's yellow bus riders declined by 21 percent. This can be attributed to a 9 percent decrease in enrollment, coupled with the District's new

process for requesting transportation services. Contrary to prior years, the District now requires parents and guardians to request transportation if services were not used during its May count or if parents have, or are planning, a move within the District. This process was implemented on April 30, 2007.

In addition, during FY 2007-08, the District transported 3,541 non-public and community school students. To the extent practical, the District seeks to accommodate the bell schedules of non-public and community schools by matching routes to bell times. The District is commensurate with the peers in terms of active buses per square mile.

### *Operating Statistics*

CCSD's transportation efficiency can be measured by certain operating ratios such as average daily miles, riders per bus, and other efficiency ratios determined by ODE. However, like many large urban districts, CCSD faces a different operating environment, and the design of its programs to increase student performance is unique. It is important to note that ridership is affected by operating conditions within the District and its transportation policies. Operating efficiency is impacted by the following factors:

- Expanded school programs (magnet schools);
- Scale of the district and enrollment projections;
- Availability of public transit or other alternative modes of transportation;
- Inner-city traffic and public safety factors;
- Numerous non-public and community schools; and,
- Local policies for providing student support.

Additionally, Board policies have a great impact on services provided by the Transportation Department. In contrast to the traditional neighborhood-based district, CCSD's permits its students to attend a neighborhood school or enroll in a school of their choice, regardless of location. The District has 20 magnet schools and offers 28 high school programs as options for students. Some magnet schools serve a specific area of the District while others are citywide. These options for student education require the Department to increase its service levels and bus routes to support the District's academic policies. In addition, there are approximately 84 non-public and 39 community schools in the District.

**Table 5-2** displays CCSD's ridership statistics for FY 2006-07 and FY 2007-08 compared to the peer average.

**Table 5-2: Transportation Operating Ratios**

Operating Statistics	CCSD FY 2007-08	CCSD FY 2006-07	Peer Average FY 2006-07	Difference vs. Peers FY 2006-07	Percent Difference vs. Peers FY 2006-07
Daily Miles per Rider	2.1	1.7	1.6	0.1	5.2%
Riders per Square Mile	133.8	164.1	139.8	24.3	17.4%
Enrollment per Square Mile	389.4	395.7	519.7	(124.1)	(23.9%)
Public Riders as % of Total Enrollment	22%	26%	27.7%	(0.02)	(5.6%)
<b>Regular Riders per Regular Bus</b>	<b>54.3</b>	<b>60.0</b>	<b>52.5</b>	<b>7.5</b>	<b>14.3%</b>
Yellow Bus Riders per Active Bus	39.5	46.4	49.0	(2.6)	(5.3%)
ODE Efficiency Ratio	0.6	0.6	0.6	0.0	0.3%
<b>Miles Per Bus</b>					
Routine Miles per Active Bus	14,824	13,965	12,121	1,844	15.2%
Non-routine to Routine Percentage	0.0%	0.0%	5.8%	(5.8%)	(100.0%)
<b>Percent Public Riders</b>	<b>63.7%</b>	<b>63.0%</b>	<b>74.9%</b>	<b>(11.9%)</b>	<b>(15.9%)</b>
Percent Special Need Riders	7.2%	5.2%	12.0%	(6.8%)	(56.7%)
% Non-public & Community School Riders	29.1%	31.8%	13.1%	18.7%	142.5%

**Source:** District and peer T-1 and T-2 reports, SF3 reports, ODE targeted ratios for student ratios per bus, and 4502 reports

**Note:** Totals may not sum due to rounding.

**Table 5-2** depicts CCSD's FY 2006-07 operating ratios compared to the peers and the changes in ridership levels from FY 2006-07 to FY 2007-08. According to the analysis, in FY 2007-08 CCSD bused 14.3 percent more regular riders per regular bus, but an average 5.3 percent fewer total riders (yellow bus) per active bus (total regular and special needs bus) than the previous year. A contributing factor is the lower number of special needs riders per special needs bus. As part of the IEP and the District's program-based schools, a special needs student may be transported farther to meet individual needs. Each contracted bus travels approximately 1,844 more miles per year than the peer average. Contributing factors include the square miles of the District and service level options adopted by the Board.

At CCSD, non-routine busing is not a function of the Transportation Department. This function is performed through the Athletics Department and individual schools. The Facilities Department manages the District's non-pupil transportation fleet. At the start of the performance audit the District provided a fleet vehicle list showing the age, years of service, and mileage, as well as the department and employee assigned; however, the information was outdated and incorrect. During the course of the audit, CCSD updated its fleet inventory list (see **R5.4**).

### Transportation Cost Ratios

**Table 5-3** shows a comparison of overall transportation costs per rider, per bus and per routine mile compared to the peers. CCSD, along with six out of the ten peers, use public transit service as a method of transportation for a portion of their student population.

**Table 5-3: FY 2006-07 Cost Comparison**

	CCSD	Peer Average	Percent Difference vs. Peers
<b>Total Yellow Bus Expenditures</b>			
Per Yellow Bus Rider <sup>1</sup>	\$1,229.75	\$1,702.05	(27.7%)
Per Active Bus	\$57,038.45	\$67,298.04	(15.2%)
Per Routine Mile	\$4.08	\$5.79	(29.4%)
<b>Total Transit Expenditures</b>			
Per Transit Rider	\$658.65	\$436.27	51.0%

**Source:** District and peer T-1 and T-2 reports.

<sup>1</sup> Includes total cost for regular riders and special needs riders.

As **Table 5-3** shows, CCSD's total yellow bus expenditures are lower than the peer average in all three categories. This figure includes an average cost per regular rider of \$858.34 and an average cost per special needs rider of \$8,006.79. High school students are transported by SORTA if the student lives over one mile from school. If a high school includes both seventh and eighth grades, all students over the one mile limitation are transported through the metro transit system. The District is not required to transport high school students, but offers services through metro transit passes at approximately 54 percent of the cost of a yellow bus rider. While the District's costs are higher, this is primarily due the District's size and the variables factored into its transit service contract. While other urban districts use local metro transit services similar to CCSD, a number of peers use metro service in a more limited fashion. The District also offers payment-in-lieu of transportation to students that are deemed impractical to transport.

### Summary of Objectives

The following questions were used to fulfill the audit objectives and evaluate the transportation operations at CCSD:

- How do the District's transportation policies and procedures compare with leading practices and how do they impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How does the District's "yellow bus" (Type I & II) transportation service compare with peer districts and/or industry standards?

- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resources management?
- Is the District effectively and efficiently maintaining and managing its non-pupil transportation fleet?
- Is the District effectively managing its contracted transportation operations?

## Recommendations

- R5.1 CCSD should consider changes to transportation service levels to reduce its annual transportation costs. CCSD should continually monitor costs associated with providing transportation services impacted by its academic policies and initiatives and continually monitor vendor contract provisions that could increase the total overall costs. The District should explore all opportunities to increase ridership levels per bus. However, it should also ensure that student safety would not be compromised by changing service levels.**

Through Board policy, the District has implemented higher transportation service levels than required by statute in order to help support its educational goals. These policy changes were made to support the District's academic strategies as a result of the District's Transportation Task Force recommendations made during FY 2005-06. The Task Force, consisting of parents, volunteers, and administrators, was convened to review the transportation program and make recommendations for improvement.

CCSD's transportation services that are above the State minimum standards may be costly to the District. For example, the District provides transportation to students living within three-quarters of a mile of the assigned school, students assigned to temporary locations (due to school renovation) regardless of distance, and high school students. The District also plans an upcoming change from quadrant boundaries to two boundaries for magnet schools. Although service levels may have an impact on achieving educational goals, CCSD may be faced with future budgetary constraints that could impact the District's ability to finance these elevated service levels.

Although the District exceeds the peer average in riders per regular bus (see **Table 5-2**), the costs of transportation remains relatively high, at \$1,230 per rider. Moreover, CCSD's ridership level (54.3) falls below ODE's 2007 target ratio for operating efficiency of 84 riders per bus. This indicates the District has an opportunity to increase operating efficiency and lower its transportation costs. Ridership levels may be maximized by adjusting policies, reviewing provisions in its bus contracts, reducing bus stops and routes, and changing bell schedules. Increasing ridership could help reduce routes thereby reducing the total amount paid by the District.

CCSD passed an operating levy in February 2008 allowing the District to reinstate some programs and staff, but does not fully finance its operations. As the District continues to monitor costs and consider reductions necessary to balance the budget, CCSD should consider all options for savings, noting that changes may impact District goals and programs. The Transportation Director developed various scenarios for changing service levels and the corresponding fiscal impact of those changes. Should financial constraints warrant future changes, the District should consider the following cost-saving options:

- Revise the three-quarter of a mile transportation eligibility policy to one mile to be in line with the State minimum standard. According to the Transportation Director, the District transported 1,745 additional students without State funding during FY 2006-07. The Director estimates \$275,544 in additional costs to provide services to these students could be avoided in the future (see **R5.2** for an alternative option to apply to students residing less than one mile from school).
- Discontinue the practice of transporting students to temporary schools regardless of distance. Instead, apply District standards for providing transportation to students that reside one mile or more from the temporary space. According to the Director, the District transported approximately 269 students who reside within three-quarters of a mile from an assigned temporary school equating to about \$129,483 in additional transportation costs that may have otherwise been avoided.
- Refrain from transporting students who move during the school year to their originally assigned school. In FY 2006-07, the Director reported that approximately 1,119 students were transported back to the original school, which led to approximately \$768,753 in additional costs. This option could have an impact on the academic performance of the student.

Additionally, the District should continually monitor its vendor contracts and seek to reduce costs by evaluating provisions that may be costly. Some provisions, such as replacement schedules, repairs, fuel and equipment, are variable expenses for contractors, and thus, could increase the bid cost per route.

*Financial Implication:* Reducing pupil transportation services to levels more in line with State standards could lead to a total cost savings of approximately \$1.2 million if the District implements all three options. At a minimum, the District could potentially save \$130,000 if it implements at least one option.

**R5.2 CCSD should consider implementing a *Kids Walk to School* program to encourage students residing one mile or less to walk or ride a bicycle to school. The District should seek support from community leaders to help promote the program. Furthermore, the Safe Routes to School (SRTS) program may help CCSD with funding to improve walking conditions and make walking to school safe and appealing for children. The District should actively explore information on grant funding opportunities available through SRTS.<sup>3</sup>**

The District does not have a mechanism to encourage walking to school as a way to promote student health. CCSD has a safety plan and uses crossing guards for assisting

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<sup>3</sup> [www.dot.state.oh.us/saferoutes](http://www.dot.state.oh.us/saferoutes)



walkers, but a formal walking or biking program does not exist. Individual communities within the District were not assessed and there may be areas where, due to safety, walking may not be appropriate or may require support from community volunteers before a program can be fully implemented.

According to *Kids Walk to School* (US Department of Health and Human Services, Centers for Disease Control and Prevention, 2005), only 13 percent of all trips to school are made by walking or biking. Over the past 30 years, the number of overweight children has increased by 63 percent. The Department of Health and Human Services recommends walking to school as a means for promoting exercise and physical fitness, potentially benefiting children in the following ways:

- Makes students more alert and helps them do better in school;
- Improves self image and independence;
- Contributes to a healthy social and emotional environment; and,
- Increases the likelihood that children will grow into adults who lead more active lifestyles, improving chances for better health.

Another resource to consider in developing a walk to school program is the Ohio Department of Transportation (ODOT) who administers the SRTS program. STRS is a federal program that provides limited funds to states, including Ohio, to improve the ability of primary and middle school students to walk or bike to school safely. The program would help achieve the following:

- Enable and encourage children, including those with disabilities, to walk or bike to school;
- Make bicycling and walking routes safer and more appealing transportation alternatives, thereby encouraging healthy and active lifestyles; and,
- Facilitate the planning, development, and implementation of projects and activities that will improve safety and reduce traffic, fuel consumption, and air pollution in the vicinity (within approximately 2 miles) of primary and middle schools (grades K-8).

ODOT will allocate about \$20 million dollars through the period of 2005 through 2009 for a variety of SRTS projects. Eligible projects and activities include infrastructure related projects such as sidewalk improvements, traffic calming and speed reduction improvements, pedestrian and bicycle crossing improvements. Not less than 10 percent and not more than 30 percent of apportioned amounts may be used for non-infrastructure related activities to encourage walking and bicycling to school, including public awareness campaigns and outreach to the press and community leaders; traffic education and enforcement in the vicinity of schools; and student sessions on safety, health, and the

environment. As of January 2, 2008, ODOT awarded approximately \$4 million dollars to municipalities, school districts, and hospitals to create safe routes to schools.

Implementing a *Kids Walk to School* program could enable the District to promote healthier choices for students, maximize resources, and reduce costs for providing transportation. The District could also consider this option for students residing less than one mile from school (see **R5.1**). For example, if the District could reduce the number of students transported under one mile by half, the District could potentially cut approximately 14 routes.

**R5.3 In accordance with best practices, CCSD should follow its policy to monitor and maintain an accurate count of its Board-owned fleet vehicles. The District should increase the frequency for performing inventory counts to an annual basis to ensure accuracy. The District should also evaluate its policies and procedures regarding fleet vehicle operations as recommended in its 2001 *Cost Analysis of Vehicle Fleet, Maintenance Equipment, and Full Service Garage*.**

**During the course of the audit, the District completed an updated vehicle list for FY 2007-08.**

In FY 2000-01, the District contracted with Jefferson Wells International to perform an analysis of all costs associated with acquiring, maintaining, and operating its non-pupil transportation fleet. At the time of the Jefferson Wells' analysis, the District possessed 121 vehicles plus 10 maintenance units (backhoe, etc.). The report recommended a comprehensive review be completed every five to seven years to ensure that the goals set forth in the Jefferson Wells analysis, which include purchasing rather than leasing new cargo vans, implementing a replacement policy and cycle, and implementing maintenance software, have been achieved.

The Facilities Department compiled a vehicle listing during FY 2005-06 that shows the age, years of service, and mileage, as well as the department and person assigned to each vehicle. However, this list was not updated during FY 2006-07. In addition to the vehicle list, the District has not performed a cost analysis since the 2001 report was completed.

During a review of the 2006 vehicle list, it was noted that some of the vehicles assigned were outdated or incorrect. According to the 2006 list, the District assigned 21 vehicles to the Food Service (FS) Department. However, the Director of FS was not able to confirm all vehicles assigned to the Food Service Department during FY 2007-08. Ten vehicles were confirmed used and charged back to a respective department. The two-year lag between the inventory counts caused the list to become outdated giving an inaccurate reflection of the fleet inventory owned by the District or its FY 2007-08 vehicle assignments.

According to the District's fixed asset policy, the Treasurer shall ensure that the fixed-asset accounting system is maintained and updated annually. Assets are to be recorded in the fixed asset inventory system by using an appropriate description and by recording serial numbers where applicable.

According to *Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* (GAO, 2002), governments should establish several factors to achieve an accurate count of physical inventories such as the following: establish accountability, determine frequency of counts, provide adequate supervision, and ensure the completeness of the count. The GAO further states the lack of reliable information impairs the ability to know the quantity, location, condition, and value of assets, and safeguard assets from physical deterioration, theft, loss, or mismanagement. In order to appropriately account for the total inventory, management must decide how frequently items should be counted. The most desirable goal would be to count all of the inventory items at least once a year.

The District can achieve consistent and accurate counts of inventory and property by establishing guidelines that assign responsibility for the process. Also, performing more frequent counts would ensure a more accurate inventory. CCSD should consider changing its inventory process to require an annual count of its fleet vehicles and assignments to personnel to ensure it maintains an accurate count. This could be integrated in its annual inventory count process. Additionally, repeating a comprehensive review every five to seven years is important because the average age of the fleet will change as will the condition of the fleet.

**R5.4 CCSD should establish a formal procedure for completing all T-forms to ensure reports are accurate and complete, and reconcile with the Treasurer's records. In addition, the District should maintain supporting documentation of data used to compile the T-forms.**

CCSD's Transportation Department uses T-form instructions as a guide for reporting transportation data to ODE. According to the Transportation Director, the Department uses the total invoice amount paid from the Treasurer's Office reports to calculate its costs on the T-2 form. The District was able to provide supporting documentation for its T-1 reports but documentation for T-2 cost reports was not readily available for comparison. The total invoice amounts from the Treasurer's Office did not match the amount reported. Due to the variance, the Treasurer's Office reconciled the expenditures to the T-2 reports. The reconciliation supported the costs reported on the T-2 once completed.

The District does not have a written procedure that outlines internal control steps on how the Department is to compile T-2 information for ODE reporting requirements.

Additionally, supporting documentation that shows the data used in the compilation of T-2 expenditures reported to ODE during 2007 was not available for review. The reconciliation performed by the Treasurer's Office showed that the expenditures reported were sufficiently reasonable, but the lack of appropriate documents represents a weakness in internal control procedures. During the course of the audit the District took steps to modify internal procedures surrounding T-form reporting to ensure full compliance with ODE instructions. In addition, the District expressed that T-form reporting procedures will be further reviewed upon filling the newly established Internal Auditor position.

According to the ODE's Form T-2 Instructions (2007), school districts submitting T-2 data must maintain supporting documentation for a period of five years. The AOS publication, *Best Practices* (Ohio Office of the Auditor of State, Winter 2006), suggests that a well-designed internal control structure helps to reduce improper activities. Designing and implementing internal controls is a continuous process which requires risk evaluation, design, testing and revision of procedures, and formal monitoring.

Well documented and maintained procedures enhance both accountability and consistency among staff and management. CCSD could improve internal controls through more comprehensive and up-to-date procedures. Establishing a formal procedure that explains the methodology used to compile T-forms will help ensure the District is following T-form instructions and reporting accurate information. Maintaining supporting documentation will ensure the District can adequately demonstrate the compilation methods used for completing T-form reports.

## Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

**Table 5-4: Summary of Financial Implications**

<b>Recommendation</b>	<b>Annual Cost Savings</b>
<b>R5.1</b> Consider changes to current service levels	\$130,000
<b>Total</b>	<b>\$130,000</b>

Source: AOS



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## District Response

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

As noted in the response, the Cincinnati City School District does not agree with every conclusion drawn in the audit report and, in some areas, disagreed with the methodology used in the performance audit. The districts used as a benchmark in the audit were selected by AOS, with District participation, input, and agreement, as they represented a higher level of efficiency and academic achievement. The purpose for using higher performing districts was to identify potential areas where CCSD could improve its operational efficiency and effectiveness. The selection of peers was discussed with District administrators during audit planning and throughout the audit; however, CCSD experienced turnover in key administrative positions during the audit and the peer selection process may not have been fully communicated to new administrators by the departing employees.

When comparing district performance in Ohio, the Urban 8<sup>1</sup> (referenced in CCSD's response) routinely spend more and perform at lower levels than most other Ohio districts. While some of this is attributed to the unique challenges faced by these districts, using the average performance of this group diminishes the opportunities to identify creative cost saving practices that are found in lower-spending, higher performing districts. Furthermore, the data provided in the District's response show that CCSD is spending more per pupil in four of the six areas compared. Both the audit results and the comparison included in the District's response show opportunities exist for CCSD to improve its operation efficiency, both in terms of high performing, low spending districts, and those it considers its peers.

At the District's request, AOS revised **R2.2** to reflect that the District's internal financial data was found to be reliable; however, the accuracy of internal reports should be carried over to external reports to the Ohio Department of Education through the recommended use of improved controls. Additionally, AOS included updated information on the FY 2007-08 average daily membership, and a summary of the issue being litigated between CCSD and the State of Ohio about student counts and State Foundation revenues. The average daily membership information remains unchanged in the sections of the report as the figure included in the audit was reported to the State as the official headcount. This number has been used for the ratio analyses and other

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<sup>1</sup> The *Urban 8* includes CCSD and Cleveland City School District, Canton City School District, Columbus City School District, Toledo City School District, Akron City School District, Dayton City School District, and Youngstown City School District.

assessments conducted during the audit. When the Supreme Court of the State of Ohio determines the final disposition of CCSD's suit against the State, these numbers may warrant revision by the District. Also at the District's request, AOS added information about Medicaid reimbursement to *subsequent events* in the **executive summary**.

Based on information provided by the District, AOS updated and revised **R4.5** to reflect that CCSD sold three buildings and **R4.6** to indicate that cost savings derived from improved energy management systems would offset utility cost increases associated with operating the District's new buildings.

Although CCSD takes issue with the AOS staffing analyses in **R4.1** and **R4.2**, auditors considered the acreage maintained by the District during the course of the audit and assessments include the staff needed for groundskeeping. AOS opted to employ a higher benchmark for groundskeeping (a five-year average of the *American Schools and Universities* annual survey) to demonstrate that CCSD could redirect funds from the groundskeeping and custodial functions to classroom instruction. No change was warranted in the report.

In addition, the audit report does not recommend or suggest the District cease maintaining unoccupied buildings. However, the audit strongly recommends the District sell its vacant buildings so that scarce resources will not be used to maintain buildings that it does not use.

Finally, CCSD's response indicates that walking to school programs in its neighborhoods are not feasible. The audit report recommends CCSD examine opportunities to implement a limited number of walking programs. In light of the fact that other urban and suburban districts have successfully implemented such programs while addressing safety and air quality issues, CCSD should, as suggested in the report, take advantage of State and federal resources to determine areas where such programs would be feasible and implement them on a limited or pilot basis to test their effectiveness.





Education Center ★ P.O. Box 5381 ★ Cincinnati, OH 45201-5381 ★  
★ Office of the Superintendent ★

September 18, 2008

Susan Eiselstein  
Ohio Auditor of State's Office  
Performance Audit Division  
88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215

Dear Ms. Eiselstein:

Thank you for the opportunity to respond to the recommendations contained in the Auditor of State's draft report stemming from its performance audit of four major business functions of our district: finance and strategic management, human resources, facilities, and transportation.

We appreciate many of the recommendations in the draft report. Some of the recommendations require further review, however, and several (salary, benefits, change in working conditions) are subject to negotiations with our collective bargaining units.

Overall, we were very concerned that we were compared with much smaller non-urban districts of 5,000 to 6,000 students when our district has close to 35,000 students in Hamilton County, which has one of the highest costs of doing business in the State. In table 2-2 of the performance audit report, the expenditure flow model financial information purportedly was created using "only the major urban peer districts." The districts used were Akron, Canton and Hamilton City school districts. While these represent the three largest districts selected in the Performance Audit to be our peer group for financial purposes, they do not represent our actual peer group. Routinely, the Big 8 Urban Districts are considered to be our peer group. As you can see in Table A, our real peer group consists of Cleveland, Columbus, Toledo, Akron, Dayton, Canton and Youngstown City school districts.

While the report states Cincinnati is 15% higher in expenditures per pupil than the selected peer group, Table B demonstrates that Cincinnati is only 2.8% higher than the peer group consisting of the entire Big 8 Districts. This gives a much different picture. This percentage difference is easily accounted for by the fact that Cincinnati has the state's highest cost-of-doing-business factor (see attachment).

Table B also demonstrates a different picture of Cincinnati's cost per pupil for comparison in the category of expenditure. It shows that the additional \$345 was spent in the classroom and in staff support, with instructional expenditures being \$267 higher and staff support being \$299 higher than our peers. Both of these categories represent instructional efforts because staff support is made up of teacher development and instructional aides used to assist with the classroom instruction (see attachment).

It is also important to clear up a misunderstanding regarding our 4502 report filed with the Ohio Department of Education. While the financial information was accurate, there was a misinterpretation of the reporting requirements by the District's EMIS staff. And because our district has its own software which must then report in the 4502 format, any misinterpretation of how it is to be reported would not be caught by improved controls.

An additional concern is the 2006-07 average daily membership of 33,881 on page one of the audit. This number does not include the 1,100 preschool students we serve and only counts our kindergarten students as .5 when all of our kindergarten classes are full day and not half day. We are concerned that if this number was used as the divisor in determining cost per pupil; our costs are over estimated.

The district will be able to, with the recent implementation of a utility database program, identify and closely monitor utility usage at all district buildings. All savings resulting from reduced usage, which the state estimated to be \$340,000, will be used to offset the increased cost of air-conditioned buildings under the Facilities Master Plan.

The section on sale of buildings lists two as having been sold, when it is actually three buildings that have been sold.

Cleanliness of all school buildings is a priority for the district. Ideally, we would like to staff all schools at 25,686 Square Feet Per FTE Custodial Staff Member as stated in the report, but we believe this figure is incorrect. The performance report gave no consideration for the large amount of acreage maintained by the district's building engineers and custodians. District employees care for 487 acres of grounds at our schools and administrative buildings plus an additional 52 acres at vacant buildings. Per the Planning Guide for Maintaining School Facilities (NCES, 2003) cited in recommendation R4.1, an acceptable level for maintaining grounds with basic care is 20 acres to 1 FTE. Using NCES standards of 20 to 1 FTE, the actual number of custodial FTEs needed to maintain all grounds is 26.

For this reason, 26 FTEs need to be subtracted from the Square Feet Per FTE Custodial Staff Member figure of 271.5 FTEs. Once these 26 FTEs are removed from the total cleaning FTEs ( $271.5 - 26 = 245.5$ ), the actual number of the Square Feet Per FTE Custodial Staff Member is 28,406, not the 25,686 stated in Table 4-1.

The District has faced economic uncertainties due to unilateral actions and reversal of commitments by the State. On February 15, 2006, the Ohio Department of Education agreed to a resolution of the State's unilateral change to the statutory annual headcount of students. After a number of weeks the State backed out. The District prevailed through the First District Court of Appeals. The State has appealed to the Ohio Supreme Court. The District did not receive nearly \$5 million in funding and has expended over \$500,000 in legal fees to correct the State's action.

During the same time period, Ohio Department of Job and Family Services admitted that effective June 30, 2005; they discontinued school districts' Ohio Medicaid provider agreements and reimbursement. After litigation, only now is a process, Ohio School Medicaid Program, emerging to replace the earlier program. The District will seek \$9.9 million in reimbursements that were not received.

In evaluating many of these recommendations, it is important that we honor our commitments to parents and the community to ensure high academic achievement and safe and family-friendly practices.

For that reason, we require further review of the audit's recommendations to revise transportation policies in ways that would reduce eligibility for bus transportation, and we disagree with the recommendation to encourage students to walk or ride their bicycles to school. While we wholly support the concept of promoting fitness – and, in fact, are working with community partners to address this need within our schools – issues of safety and air quality in many of our neighborhoods make the audit team's walking program recommendation unfeasible.

In addition, the recommendation to not maintain our unoccupied buildings would make the District a bad neighbor in our communities, and this is not feasible. In fact, we have a Repair Hot Line where neighbors can call in their concerns when buildings are damaged or vandalized, and we respond with a repair team.

Thank you for the opportunity to respond to the audit recommendations.

Sincerely,

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

Mary A. Ronan  
Interim Superintendent

MAR/kah

c: Mary Taylor, Ohio Auditor of State  
Kristi Erlewine, Senior Audit Manager, Performance Audit Section

**TABLE A**

Expenditure Flow Model: Comparison of Cost Per Pupil for Big 8 Urban Districts

	Akron	Canton	Cleveland	Columbus	Dayton	Toledo	Youngstown	Big 8 Avg. Excluding CPS
Administrative	\$1,314	\$1,362	\$1,263	\$1,676	\$1,532	\$1,501	\$1,694	\$1,477
Building Operations	\$1,993	\$1,746	\$2,099	\$2,437	\$3,335	\$2,052	\$3,537	\$2,457
Staff Support	\$560	\$452	\$757	\$721	\$737	\$220	\$828	\$611
Pupil Support	\$900	\$1,124	\$970	\$1,490	\$1,167	\$1,519	\$1,669	\$1,263
Instruction	\$5,654	\$5,750	\$7,124	\$6,329	\$6,760	\$6,028	\$7,134	\$6,397
Total	\$10,421	\$10,434	\$12,213	\$12,653	\$13,531	\$11,320	\$14,862	\$12,205

**TABLE B**

	Big 8 Avg. Excluding CPS		Cincinnati Schools (CPS)		Variance \$ Per Student
	Total \$	\$ Per Student	Total \$	\$ Per Student	
Administrative	\$40,436,543	\$1,477	\$50,834,769	\$1,504	1.8%
Building Operations	\$63,859,606	\$2,457	\$74,658,618	\$2,210	-10.1%
Staff Support	\$17,344,675	\$611	\$30,750,267	\$910	48.9%
Pupil Support	\$34,172,703	\$1,263	\$42,642,369	\$1,262	-0.1%
Instruction	\$178,119,336	\$6,397	\$225,181,513	\$6,664	4.2%
Total	\$333,932,863	\$12,205	\$424,067,536	\$12,550	2.8%



**Auditor of State  
Mary Taylor, CPA**

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