



Dave Yost • Auditor of State





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To the Residents, Board, and Administration of the Parma City School District:

In accordance with Ohio Revised Code Section 3316.042, a performance audit was conducted in the Parma City School District, due to its fiscal caution status. The functional areas assessed during the audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its educational mission, and because improvements in these areas can assist the District in improving its financial condition.

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

An executive summary has been prepared which includes background information; a District overview; financial outlook; subsequent events; the methodology and scope for the performance audit; the implementation status of the recommendations from the 2010 performance audit; a summary of the assessments not yielding recommendations, key recommendations, and financial implications; and the audit objectives. This report has been provided to the District and its contents discussed with the Board and administration. The District has been encouraged to use the results of the performance audit as a resource for further improving overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Auditor of State

November 15, 2011

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# Executive Summary

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## Background

The Ohio Revised Code (ORC) § 3316.042 permits the Auditor of State (AOS) to conduct performance audits of any school district in a state of fiscal caution, watch or emergency and review any programs in which it believes that greater operational efficiency, effectiveness and accountability can be achieved. On December 19, 2010, the Ohio Department of Education (ODE) declared the Parma City School District (PCSD or the District) to be in a state of fiscal caution based on the potential for deficits. As a result, AOS initiated a performance audit of PCSD. Based on a review of relevant information and discussions with the District, the following functional areas were included in the performance audit:

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

## District Overview

PCSD operates under a locally elected five-member Board of Education (BOE) that is responsible for providing public education to students. The District is located in Cuyahoga County and serves residents of the cities of Parma, Parma Heights, and Seven Hills. According to the 2010 United States Census, the combined population of the 3 cities was 114,123. In addition, ODE reports that the District's median household income was \$32,157 in 2010.

PCSD's enrollment was 11,930 students in FY 2010-11. Students with physical disabilities comprise approximately 20 percent of the student enrollment. In FY 2010-11, the District reported a total of approximately 1,582 full-time equivalent (FTE) employees, including 50 administrative FTEs, 780 certificated teaching FTEs, and 752 classified and other support staff FTEs.<sup>1</sup> Additionally, based on the FY 2009-10 ODE Local Report Card, PCSD met 20 of 26 performance standards and received the academic designation of Excellent. Lastly, the District used 67 active buses to transport 1,827 students in FY 2010-11, or 27 students per bus. The District did not meet ODE's ridership efficiency target (65 students per bus) for State funding purposes in FY 2009-10.

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<sup>1</sup> This represents the staffing levels PCSD reported through the Educational Management Information System (EMIS) in January, 2011. However, EMIS reporting errors inflate the number PCSD's classified staff. See the **human resources** section for additional analysis.

PCSD is currently comprised of 22 facilities including 12 elementary schools (kindergarten through 5th grade), 3 middle schools (6th grade through 8th grade), 3 high schools (9th grade through 12th grade), an administration building, a sports complex, a daycare/special education building, and a transportation building. During FY 2010-11, the District was reviewing the school building configurations. After considering committee reports, community surveys, and architectural analyses, the Superintendent recommended that the BOE close four elementary buildings. To facilitate the building closures, the District would reconfigure the grade levels with the high schools serving grades 8 through 12 and the middle schools serving grades 5 through 7. Under this plan, none of the changes will occur until the 2012-13 school year. At the time of this performance audit, the BOE had not acted on the Superintendent's recommendation. See **facilities** section for additional analysis.

## **Financial Outlook**

In FY 2009-10, the District's total revenue per pupil was \$11,377 while expenditures per pupil were \$11,625. By comparison, the peer average revenue per pupil was \$9,854 while the expenditures averaged \$10,236. Although PCSD ended FY 2009-10 with a surplus in the General Fund of approximately \$4.9 million, the Treasurer's original forecast (October, 2010) projected that the District's overall financial condition would decline substantially beginning in FY 2011-12 and continue through the remainder of the forecast period. Specifically, the Treasurer projected that the District would face a deficit of approximately \$3.8 million in FY 2011-12, increasing to \$70.6 million in FY 2014-15, the last year of the forecast.

During the course of this audit, the District passed a 10-year, 6.9 mill, operating levy that is projected to generate approximately \$15.6 million annually. The District also made staff reductions and negotiated concessions to the collective bargaining agreements that are projected to reduce costs. As a result of these actions and assuming the renewal of existing levies, the District's revised forecast from May, 2011 projects positive fund balances for the next five years, with FY 2014-15 ending with a surplus of approximately \$9.0 million. Although the District's revised forecast projects recovery, this performance audit identifies areas where the District can further improve efficiency and generate additional cost savings. The District is encouraged to review the results of this performance audit with the BOE, community and other stakeholders. Implementing the recommendations would help the District further stabilize its financial condition.

## **Subsequent Events**

During the course of this performance audit, Senate Bill (SB) 5 and House Bill (HB) 153 were enacted into State law. SB 5 revises the public employee collective bargaining law and changes compensation and terms of employment for public sector employees. These statutory changes address areas that were assessed in the performance audit of PCSD. However, a referendum



regarding SB 5 will be on the ballot in the November 2011 election and will determine whether or not the Bill is enacted.

House Bill (HB) 153 was enacted as the State's main operating budget and includes State funding for public education. According to the Ohio Legislative Service Commission, HB 153 "repeals the formula (commonly called the evidence-based model) used in FY 2010 and FY 2011 for distributing foundation funding for schools. It distributes funding for FY 2012 and FY 2013 based on each district's FY 2011 funding level adjusted to stay within the total foundation appropriation in each year, with a guarantee that each district receives at least the amount of its FY 2011 foundation funding supported by state funds (versus by federal stimulus money). The District's May forecast was completed prior to the enactment of HB 153. According to ODE's state funding report for July<sup>2</sup>, the District will receive approximately \$23.7 million in total state aid, which is 3.2 percent higher than projected by the District in the May forecast of approximately \$22.9 million. This would further increase the positive fund balances depicted in **Table 1-1**. Nevertheless, the District should account for State funding levels under HB 153 in future forecasts.

## Audit Methodology and Scope

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

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

Audit work was conducted between March 2011 and July 2011, and data was drawn primarily from fiscal years 2009-10 and 2010-11. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from PCSD, peer school districts, and other relevant sources. Although the classified staffing information reported through EMIS was determined to be unreliable, AOS was able to use other sources of information to draw reliable conclusions about the staffing and salary levels. As a result, the

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<sup>2</sup> Bridge Formula for State Foundation Funding FY 2012, July #1 Payment

unreliable EMIS information had minimal impact on the audit conclusions. Peer school district data and other information used for comparison purposes were not tested for reliability.

AOS primarily used 8 districts as peers for benchmarking purposes: Berea CSD (Cuyahoga County), Brunswick CSD (Medina County), Fairfield CSD (Butler County), Lakewood CSD (Cuyahoga County), Pickerington LSD (Fairfield County), West Clermont LSD (Clermont County), Westerville CSD (Franklin County), and Willoughby-Eastlake CSD (Lake County). These districts were selected based upon demographic and operational data, and input from the District. External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

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

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

## 2010 Performance Audit

The District contracted with AOS in 2009 to conduct a review of its purchasing and facility operations. AOS issued the final report in March, 2010 (2010 performance audit). AOS reviewed the implementation status of the 2010 performance audit recommendations as part of this performance audit. The District fully or partially implemented six of the ten recommendations related to facilities<sup>3</sup> and one of the six recommendations related to purchasing.<sup>4</sup> Please see the **financial systems** (for purchasing) and **facilities** sections for additional details.

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<sup>3</sup> Because PCSD's utility costs per square foot are lower than the peer average, AOS did not determine whether the District implemented energy management practices (R2.8 in the 2010 performance audit).

<sup>4</sup> Due to scope and time considerations, AOS did not follow up on aspects of certain purchasing recommendations.

## Assessments Not Yielding Recommendations

The assessments of payroll processing in the **financial systems** section, and salaries and workers compensation in the **human resources** section did not yield recommendations. Additional detail is presented in the respective sections.

## 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. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report.

### Financial Systems

- Develop a comprehensive strategic plan.

### Human Resources

- Reduce staffing levels by 65 FTEs.
- Negotiate to further reduce health insurance costs.
- Renegotiate certain provisions in the collective bargaining agreements.
- Improve the accuracy of EMIS information.

### Facilities

- Fully evaluate potential building closures.
- Reduce overtime costs.
- Develop strategies to reduce print shop and copy machine costs.

### Transportation

- Reduce the active fleet by at least 38 buses.

- Reduce mechanic staffing levels by 5.0 FTEs.
- Reduce supervisor staffing levels by at least 1.0 FTE.

## Summary of Financial Implications

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

### Summary of Performance Audit Recommendations

Recommendation	Impact
R2.1 Reduce staffing levels by 65 FTEs.	\$1,300,000
R2.2 Negotiate to further reduce health insurance costs.	\$1,700,000
R2.3 Renegotiate certain provisions in the collective bargaining agreements.	\$942,400
R2.5 Improve sick leave management.	\$79,000
R3.3 Reduce overtime costs.	\$107,000
R3.4 Develop strategies to reduce print shop and copy machine costs.	\$150,000
R4.1 Reduce the active fleet by at least 38 buses.	\$731,000
R4.2 Reduce mechanic staffing levels by 5.0 FTEs.	\$201,000
R4.3 Reduce supervisor staffing levels by at least 1.0 FTE.	\$60,600
R4.4 Review the transportation policy.	\$94,000 <sup>1</sup>
R4.5 Review fuel and all other costs.	\$0
<b>Total Cost Savings</b>	<b>\$5,365,000</b>

<sup>1</sup> This represents additional State funding, rather than a cost savings.

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# Audit Objectives

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The following detailed audit objectives were used to conduct the performance audit of the Parma City School District. According to *Government Auditing Standards*, “the objectives are what the audit is intended to accomplish. They identify the audit subject matter and performance aspects to be included, and may also include the potential findings and reporting elements that the auditors expect to develop. Audit objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.”

## Financial Systems

- Are aspects of the District’s strategic planning, budgetary and purchasing processes consistent with leading practices?
- What is the District’s financial condition?
- Is the District’s financial forecast materially reliable?
- How do the District’s revenues and expenditures per student compare with the peer districts?
- Are the District’s financial management policies updated and consistent with leading practices?
- Are the District’s financial communication and payroll processes consistent with leading practices?
- What is the implementation status of the purchasing recommendations from the 2010 performance audit?

## Human Resources

- Is the District’s staffing efficient compared to peers?
- Are the District’s salaries comparable to peers?
- Are the District’s health benefits comparable to leading practices?
- Are the District’s collective bargaining agreements consistent with leading practices and/or peers?
- Are the District’s special and vocational education programs cost-effective?
- Is the District’s workers’ compensation program consistent with leading practices?
- Does the District effectively manage sick leave usage?
- Is the District’s process for updating job descriptions consistent with leading practices?
- Does the District have a staffing plan that is consistent with leading practices?

**Facilities**

- Is the District's custodial, maintenance and grounds staffing efficient?
- Does the District effectively manage its use of overtime?
- What is the District's approach and methodology for reviewing building configurations and is it reasonable?
- What is the implementation status of the recommendations from the 2010 performance audit?
- Does the District make efficient use of its copy machines and printing equipment?
- Does the District make efficient use of technology?
- What is the efficiency of the District's print shop?

**Transportation**

- Has the District evaluated the impact of the new funding formula in relation to its transportation policy?
- Does the District use its buses in an efficient manner?
- Are Transportation Department staffing levels efficient?
- Are the District's transportation related provisions in the collective bargaining agreement comparable to the peers?
- Does the District maintain an appropriate amount of spare buses?
- Is the District's bus replacement planning consistent with leading practices?
- Does the District maintain adequate practices for developing individualized education plans for special needs riders?

# Financial Systems

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## Background

This section of the performance audit focuses on financial systems within the Parma City School District (PCSD or the District). PCSD's operations were evaluated against information from relevant sources, such as the Government Finance Officers Association (GFOA), the Ohio Revised Code (ORC), and selected peer districts.<sup>5</sup>

### *Financial History and Condition*

In accordance with Ohio Revised Code (ORC) § 3316.031, the Ohio Department of Education (ODE) declared the PCSD to be in a state of fiscal caution on December 19, 2010. This declaration was based on the District's financial forecast from October 2010, which projected a deficit of \$3.8 million in FY 2011-12. The deficit was projected to increase annually thereafter to approximately \$94.8 million by FY 2014-15.

In order to improve its financial condition, the District proactively reviewed its operations and implemented measures to reduce costs. For example, the District reduced staffing levels, negotiated wage freezes with the members of the Parma Education Association (PEA) and Ohio Association of Public School Employees (OAPSE), increased employee contributions toward healthcare premiums, and is investigating the potential for savings through revised building configurations. Additionally, voters in the District passed a 10-year, 6.9 mill operating levy in May 2011 that is projected to generate approximately \$15.6 million annually.

**Table 1-1** presents the historical and projected revenues and expenditures from the forecast the Treasurer prepared in May 2011. **Table 1-1** includes the impact of the new levy and the District's cost reduction efforts.

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<sup>5</sup> See the **executive summary** for a list of peer districts and an explanation of the peer selection methodology. The peer average comprises eight school districts, unless noted otherwise.



**Table 1-1: Five-Year Forecast (in 000s)**

	Actual 2007-08	Actual 2008-09	Actual 2009-10	Forecast 2010-11	Forecast 2011-12	Forecast 2012-13	Forecast 2013-14	Forecast 2014-15
Real Estate Property Tax	\$80,103	\$79,154	\$78,471	\$78,530	\$85,828	\$88,404	\$85,115	\$81,883
Tangible Property Tax	3,647	1,906	1,340	1,050	0	0	0	0
Unrestricted Grants-in-Aid	26,709	26,514	24,908	25,063	22,530	22,733	22,619	22,280
Restricted Grants-in-Aid	637	897	567	441	419	410	402	394
Restricted Federal	0	0	1,652	2,010	841	0	0	0
Property Tax Allocation	13,921	16,363	17,765	17,309	16,173	14,214	13,691	13,177
Other Revenues	4,929	4,444	4,907	4,640	4,240	4,544	4,544	4,544
<b>Total Operating Revenues</b>	<b>\$129,945</b>	<b>\$129,278</b>	<b>\$129,610</b>	<b>\$129,044</b>	<b>\$130,032</b>	<b>\$130,305</b>	<b>\$126,371</b>	<b>\$122,279</b>
Salaries & Wages	\$79,084	\$79,043	\$75,611	\$71,270	\$75,433	\$75,385	\$76,704	\$78,046
Fringe Benefits	32,246	32,313	32,658	31,335	29,175	29,551	30,807	31,563
Purchased Services	14,533	15,708	14,776	17,085	17,256	17,601	17,953	18,312
Supplies, Materials & Textbooks	4,039	3,631	2,631	2,741	3,411	3,479	3,548	3,619
Capital Outlay	925	579	571	301	500	575	575	575
Debt Service	2,394	2,504	2,152	2,151	2,152	2,152	2,152	2,152
Other Expenditures	1,912	1,899	2,347	2,259	2,296	2,342	2,389	2,436
<b>Total Operating Expenditures</b>	<b>\$135,134</b>	<b>\$135,678</b>	<b>\$130,747</b>	<b>\$127,142</b>	<b>\$130,223</b>	<b>\$131,085</b>	<b>\$134,128</b>	<b>\$136,704</b>
Net Transfers/Advances	(828)	729	1,234	334	(75)	(75)	(75)	(75)
Note Proceeds	4	0	0	0	0	0	0	0
Other Financing Sources	183	273	171	424	150	150	150	150
<b>Net Financing</b>	<b>(\$641)</b>	<b>\$1,002</b>	<b>\$1,405</b>	<b>\$758</b>	<b>\$75</b>	<b>\$75</b>	<b>\$75</b>	<b>\$75</b>
<b>Result of Operations (Net)</b>	<b>(\$5,830)</b>	<b>(\$5,398)</b>	<b>\$268</b>	<b>\$2,660</b>	<b>(\$116)</b>	<b>(\$705)</b>	<b>(\$7,682)</b>	<b>(\$14,350)</b>
Beginning Cash Balance	17,308	11,478	6,080	6,348	9,008	8,892	8,187	505
<b>Ending Cash Balance</b>	<b>\$11,478</b>	<b>\$6,080</b>	<b>\$6,348</b>	<b>\$9,008</b>	<b>\$8,892</b>	<b>\$8,187</b>	<b>\$505</b>	<b>(\$13,845)</b>
Encumbrances	1,754	1,751	1,446	1,250	1,250	1,250	1,250	1,250
<b>Ending Fund Balance</b>	<b>\$9,724</b>	<b>\$4,329</b>	<b>\$4,902</b>	<b>\$7,758</b>	<b>\$7,642</b>	<b>\$6,937</b>	<b>(\$745)</b>	<b>(\$15,095)</b>
Property Tax Levy Renewal(Cumulative)	0	0	0	0	0	4,193	12,255	24,119
<b>Revised Ending Fund Balance</b>	<b>\$9,724</b>	<b>\$4,329</b>	<b>\$4,902</b>	<b>\$7,758</b>	<b>\$7,642</b>	<b>\$11,130</b>	<b>\$11,510</b>	<b>\$9,024</b>

Source: PCSD May 2011 five-year forecast

Note: Totals may vary due to rounding.

**Table 1-1** shows that as a result of the new levy and the District's cost reduction efforts, and assuming future levies are renewed, PCSD is projected to achieve positive fund balances for the next five years. See **R1.1** for additional analysis of PCSD's five-year forecast.

### Revenue and Expenditure Comparisons

**Table 1-2** compares the District's revenues by source and expenditures by object for FY 2009-10.

**Table 1-2: Revenues by Source, Expenditures by Object – Per Pupil**

	PCSD	Peer Average
Local Revenue	\$7,143	\$5,587
State Revenue	\$3,335	\$3,625
Federal Revenue	\$899	\$643
<b>Total Revenue</b>	<b>\$11,377</b>	<b>\$9,854</b>
Employee Wages	\$6,975	\$6,255
Fringe Benefits	\$3,079	\$2,240
Purchased Service	\$735	\$1,023
Supplies & Materials	\$451	\$415
Capital Outlays	\$140	\$119
Other Objects	\$245	\$184
<b>Total Expenditures</b>	<b>\$11,625</b>	<b>\$10,236</b>

Source: ODE Expenditure Flow Model

**Table 1-2** shows that PCSD's total revenues per pupil are higher than the peer average, which contributes to the higher expenditures per pupil. The higher expenditures per pupil are primarily due to employee wages and benefits. Implementing **R2.1, R2.2, R2.3, R2.5, R3.3, R4.1, R4.2** and **R4.3** would reduce expenditures in these areas. The higher supply and material expenditures per pupil are partially due to variances in building square footage. Specifically, **Table 3-3** in the **facilities** section shows that the District's supply and material expenditures per square foot are lower than the peer average. Nevertheless, fully implementing the recommendations from the 2010 performance audit can help ensure that supplies and materials are purchased in a cost-effective manner (see **R1.5**).

In addition, **Table 1-2** shows that PCSD's expenditures for capital outlays and other objects are higher than the peer averages. In FY 2009-10, the District spent approximately \$1.4 million on capital outlays. However, the General Fund only accounted for \$546,000 of this total, while special use funds such as the Permanent Improvement Levy Fund, the Food Service Fund, the Special Education – IDEA Grant Fund, and the Vocational Grant fund accounted for the remainder. The majority of the District's expenditures from the other objects code are due to debt service payments, financial audit fees, county auditor fees, and liability insurance costs. Because the majority of the District's capital outlay expenditures were from special use funds, the District does not have full control over all the other object expenditures, and capital outlay and other objects comprised only 3.3 percent of the total expenditures, these areas were not further reviewed

during this audit.

**Table 1-3** compares PCSD's per pupil expenditures by function to the peer average for FY 2009-10, and includes references to applicable recommendations in the performance audit.

**Table 1-3: FY 2009-10 Per Pupil Expenditures by Function**

	PCSD	Peer Average	How Addressed in Report?
Regular Instruction	\$4,476	\$4,439	<b>R2.1, R2.2, R2.3</b>
Special Instruction	\$1,617	\$1,228	<b>R2.2, R2.6</b>
Vocational Education	\$334	\$123	<b>R2.2, R2.7</b>
Other Instruction	\$20	\$29	N/A
Pupil Support Services	\$908	\$682	<b>R2.1, R2.2, R2.6</b>
Instructional Support Services	\$676	\$599	<b>R2.1, R2.2, R2.6</b>
Fiscal Services	\$267	\$193	<b>R2.1,<sup>1</sup> R2.2</b>
Plant Operation & Maintenance	\$921	\$972	N/A
Pupil Transportation	\$482	\$576	N/A
Central Administration Services	\$1,400	\$923	<b>R2.1,<sup>1</sup> R2.2, R3.4</b>
Food Service Operations	\$332	\$303	N/A <sup>2</sup>
Sports Oriented Activities	\$95	\$120	N/A
Other Extracurricular Activities	\$98	\$47	<b>R2.3</b>
<b>Total Expenditures per Pupil</b>	<b>\$11,625</b>	<b>\$10,236</b>	<b>N/A</b>

**Source:** ODE Expenditure Flow Model

<sup>1</sup> Based on the coding system, the District could code clerical positions in fiscal services and central administration services.

<sup>2</sup> Although the District's food service operation costs per pupil are higher than the peer average, the Food Service Fund was self-sufficient in FY 2007-08, FY 2008-09, and FY 2009-10. As a result, these expenditures were not further reviewed during this audit.

### *Assessments Not Yielding a Recommendation*

The assessment of payroll processing yielded no recommendation. Specifically, both collective bargaining agreements require employees hired after 2001 to receive their pay through direct deposit and the Treasurer's Office promotes the use of electronic pay stubs as another way to improve efficiency. As a result, more than 90 percent of the District's employees receive their pay through direct deposit. Additionally, the Treasurer indicated that 70 percent of employees receive their payroll and W-2 information through electronic pay stubs. Furthermore, the Treasurer's Office is currently working with the Department of Information Systems to make sure all employees have e-mail access in order to expand the use of electronic pay stubs. The article, *Payroll: A Guide to Running an Efficient Department* (Institute of Management and Administration, 2005), states that direct deposit is the most efficient way to pay employees, and that additional savings can be gained from the elimination of paper pay stubs.

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## Recommendations

### R1.1 Review assumptions for personnel services in forecast.

**The District should include estimates for base wage increases in the forecast, unless the collective bargaining agreements specifically stipulate wage freezes. If and when applicable, the District should disclose in the assumptions any potential noncompliance with ORC 5705.412. The District should also re-evaluate the projected savings from building closures once a final decision is made concerning the new building configurations (see R3.1).**

The District's forecast assumptions and projections for real estate property taxes, unrestricted grants-in-aid, and benefits are reasonable and well-supported. However, in developing the personnel services projections, the District assumes no base wage increases for all employees throughout the forecast period (FY 2010-11 through FY 2014-15). PEA and OAPSE both received wage freezes in FY 2007-08, and have subsequently agreed to extend them through FY 2012-13. It will likely be difficult for the District to extend the wage freeze for another two years in light of the levy passage in May 2011. Further, an analysis of salaries in the **human resources** section shows that the District's current wages are comparable to the peers. If the District gives employees a 2 percent increase to the base in both FY 2013-14 and FY 2014-15, the cumulative impact on the forecast will be approximately \$3.6 million, including the corresponding impact on retirement costs in the fringe benefit category.<sup>6</sup> This still leaves the District with a positive unreserved fund balance at the end of the forecast period. This would also ensure compliance with ORC 5705.412, which requires that school districts certify the availability of funds to cover increases to wages or salary schedules.

The District's forecast assumptions also recognize the potential savings in personnel reductions that may result from building reconfiguration. The assumption is based on the closure of four elementary building beginning FY 2012-13 and totals approximately \$1.4 million. However, this figure differs from other estimates developed by the District and the assumptions do not disclose the methodology used to determine the savings. See **R3.1** in the **facilities** section for more information.

### R1.2 Develop a comprehensive strategic plan.

**PCSD should develop a comprehensive strategic plan that outlines its long-term vision for all operational and educational programs. In preparing the plan, PCSD should include detailed goals, objectives, timeframes, performance measures, benchmarks, and applicable cost estimates. Once developed, PCSD should link the strategic plan to the budget, the five-year forecast, and other related plans. Finally, in developing the strategic plan, budget, and other**

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<sup>6</sup>There may be other costs in fringe benefits that are linked to changes in salaries. However, they are assumed to have a minimal impact on this example.

**related documents/plans, the District should ensure that stakeholders have an appropriate level of input. This should include the District's intent to have buildings and departments justify budget requests based on goals and objectives, thereby increasing accountability.**

The District has a policy entitled the *Assessment of District Goals* that addresses elements of strategic planning. In particular, the policy notes that its establishment is based on “the importance the Board places on accomplishing goals” and indicates that the Board will “work with the administration to establish the goals by which the District can accomplish its mission and to provide the resources necessary for their accomplishment.” The policy also indicates that progress toward the achievement of goals will be assessed each year. The policy further states that the annual evaluation process “shall not be considered finished until District goals and the strategies and actions being used to accomplish them have been reviewed and reprioritized, and revisions have been made in light of what all of the evaluation data for that year has indicated should be changed and/or should be continued in order to improve the accomplishment of District goals.”

However, despite this policy, PCSD does not have a comprehensive strategic plan that guides long-term operations and links the annual budget to the accomplishment of defined goals and objectives. The lack of strategic planning is likely due to the relatively short tenures of the Treasurer and Superintendent, and PCSD's declining financial condition which necessitated that financial management become the highest priority. Nevertheless, with the levy passage in May 2011 and the actions the District has already taken, PCSD's financial condition is projected to improve substantially during the next five years. The Treasurer indicated a desire to move toward a decentralized budgeting process, where buildings and departments specifically request and justify the funds they need to operate based on current goals and objectives.

According to *Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005), all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In preparing the strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and serve as an important link between the goals in the strategic plan and the activities funded in the budget. GFOA recommends that performance measures:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program results or accomplishments;
- Provide for comparisons over time;
- Measure efficiency and effectiveness;
- Be reliable, verifiable, and understandable;

- Be reported internally and externally;
- Be monitored and used in decision making processes;
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed to motivate staff at all levels to contribute toward organizational improvement.

Further, according *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 2005), a good budget process incorporates a long-term perspective, establishes links to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders. These characteristics make it clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. Finally, GFOA indicates that by definition, stakeholders are affected by a government's resource allocation plans and service and program decisions. As such, stakeholders should have clearly defined opportunities to provide input. This helps ensure that stakeholder priorities are identified and enhances stakeholder support for the approved budget.

### **R1.3 Expand Board policies to cover pertinent areas.**

#### **PCSD should expand its policies to address recommended practices from the Government Finance Officers Association (GFOA) and the Ohio Ethics Commission (OEC).**

Although PCSD's policies are relatively comprehensive, they do not address certain recommendations in *Recommended Budget Practices: A Framework for Improving State and Local Government Budgeting* (GFOA, 1999). These policies include the use of one-time revenues, contingency planning, balancing the operating budget, and the use of budget stabilization funds. Likewise, PCSD's policies lack the following elements recommended by the OEC in its *Model Ethics Policy* (OEC, 1997):

- Soliciting or accepting employment with anyone doing business with the District;
- Receiving payment for matters before any board, commission, or other body of the District;
- Soliciting or accepting honoraria;
- Representing any person during public service, and for one year after leaving service, with respect to a matter in which the official personally participated while serving the District; and
- Using, or authorizing the use of, an employee's title, the name of the District, or the District's logo in a manner that suggests impropriety, favoritism, or bias by the official or employee.

The District is currently in the process of reviewing and updating its policies, and making them available on-line through NEOLA, Inc., which is an external company that helps school districts prepare and review policy and procedure manuals.

#### **R1.4 Expand financial reporting.**

**PCSD should follow through with its plans to provide additional financial information on its website. The District should also reconsider its decision to stop preparing a comprehensive annual financial report (CAFR), develop and issue popular annual financial reports (PAFR), and begin complying with ORC § 117.38.**

PCSD has limited mechanisms in place to communicate financial information to stakeholders. The following presents mechanisms for improving stakeholder communications.

- **Financial Reporting:** According to the Treasurer, the District decided to stop publishing a CAFR because the public did not express enough interest to warrant the additional cost. Conversely, Berea CSD, Fairfield CSD, Pickerington LSD, and Westerville CSD prepare and publish a CAFR that is available on their respective websites. *Recommended Practices: Government Accounting, Auditing, and Financial Reporting Practices* (GFOA, 2006) indicates that state and local governments should not be satisfied with only issuing basic financial statements required by GAAP, but should instead publish a CAFR. Likewise, the District does not publish a popular annual financial report (PAFR). *Recommended Practices: Preparing Popular Reports* (GFOA, 2006) encourages governments to supplement their CAFR, with simpler, "popular" annual financial reports designed to assist those who need a less detailed overview of a government's financial activities. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends.
- **Website:** The District's website provides the following financial information: a 2009 report on school funding that uses PCSD as an example, links to past financial and performance audits, prior year CAFRs, a purchase order search tool, the five-year forecast and assumptions, and FY 2010-11 revenue and expenditure summaries. The Treasurer indicated that he would like to provide additional information on the website, and has begun modeling PCSD's website after other school districts. Northridge LSD's website includes similar information, but also includes additional financial information explaining the forecast, budget reductions, local tax comparisons, and State funding; spending comparisons with other area districts; current financial outlays; as well as a published video in which the Treasurer explains the District's financial forecast and its overall financial condition. Similarly, Pickerington LSD, West Clermont LSD, and Westerville CSD prepare and publish additional financial information, including comparisons to other districts, revenue and expenditure trends, changes in State funding,

tax budget information, and strategies to control expenses.

- **Financial Audit:** PCSD's FY 2009-10 financial audit cited the District for noncompliance with ORC § 117.38, which requires schools to publish notice in a local paper stating that the fiscal year financial report has been completed and is available for public inspection at the office of the Chief Financial Officer. The District received the same citation regarding the FY 2008-09 financial reports.

### **R1.5 Implement prior audit recommendations.**

**As the District updates its policies, it should incorporate the purchasing policies and guidelines recommended in the 2010 performance audit. Further, the District should extend its competitive bidding practices to all common purchases. It should also review a sample of purchasing transactions to ensure the improved oversight is having the desired effect, that invoices are reconciled and appropriately documented, and that purchase orders are issued and approved prior to making purchases, etc.**

The 2010 performance audit of PCSD's purchasing function included six recommendations. **Table 1-4** summarizes the implementation status of these recommendations.



**Table 1-4: 2010 Performance Audit Recommendations**

2010 Performance Audit Recommendation	Implementation Status	Description
<b>R3.1</b> PCSD should update its purchasing policies and guidelines to: identify specific staff responsibilities, broaden the competitive quotation requirement, and require and maintain documentation of multiple quotations. In addition, the District should develop and distribute a formal purchasing manual.	Not Implemented	The District is currently in the process of reviewing and updating its policies.
<b>R3.2</b> PCSD should develop and adopt a formal ethics policy consistent with the Ohio Ethics Commission's recommended policy.	Not Implemented	The District is currently in the process of reviewing and updating its policies. See <b>R1.3</b> for additional information.
<b>R3.3</b> PCSD should develop a comprehensive supplier selection policy and associated administrative guidelines, and consider expanding the use of its website to solicit quotes and bids.	Not Implemented	The District is currently in the process of reviewing and updating its policies. Due to scope and time considerations, AOS did not review the District's use of the website to solicit quotes and bids.
<b>R3.4</b> PCSD should develop a policy and administrative guidelines regarding the timeliness of vendor payments. The District should also issue and approve purchase orders prior to making purchases.	Not Implemented	The District is currently in the process of reviewing and updating its policies. See <b>R1.6</b> for additional information. Due to scope and time considerations, AOS did not test whether purchase orders are issued beforehand.
<b>R3.5</b> PCSD should revise and centralize its purchasing process to ensure appropriate oversight. In addition, the District should ensure that invoices are reconciled and appropriately documented.	Could not be determined	To develop this recommendation in the 2010 performance audit, AOS conducted detailed tests on a sample of PCSD's purchasing transactions. Due to scope and time constraints, AOS did not replicate this test in the current audit. However, the Treasurer indicated that the District has taken action to improve the oversight of the purchasing process.
<b>R3.6</b> PCSD should seek competitive bids for the most commonly used items. In addition, the awarded bids should be compiled and disseminated to all District staff. Prior to purchasing items, the District should compare bid pricing to pricing from consortia.	Partially Implemented	The District seeks competitive price quotations for certain types of purchases (e.g., technology and custodial purchases). In addition, certain quotations are made available to specific groups of staff. However, the District has not done so for all common purchases nor has it disseminated this information to all staff. This prevents the District from comparing bid pricing to pricing from consortia

Source: 2010 performance audit and PCSD

**R1.6 Review purchasing and vendor payment cycle.**

**When the District conducts its sample test of current purchasing transactions (see R1.5), it should also review the transactions to determine if it is paying vendor invoices after the due dates. If the test shows that this continues to be a problem, the District should review its purchasing and vendor payment cycle and take action to eliminate unnecessary and duplicative steps.**

PCSD's purchasing and payment cycle has numerous steps with multiple levels of approvals. All requisitions require approval by a member of the District Cabinet (Treasurer, Superintendent, Assistant Superintendent, or District Director) or by a Supervisor/Program Manager. The Assistant Treasurer reviews the purchase orders (PO) for accuracy and submits them to the Treasurer for final approval. Invoices from the vendor are sent to the Purchasing Department, where they are matched with the PO and both documents are sent to the Treasurer's Office for payment. Upon receipt of goods and services, the originator sends a signed copy of the PO (or invoice/packing slip) to the Treasurer's Office indicating that it is okay to pay the vendor. Checks are then created and sent to vendors by the Treasurer's Office.

During the course of this audit, several administrators expressed concern that the above process causes unnecessary delays. This increases the risk of the District losing prompt pay discounts or paying late fees on invoices. During the 2010 performance audit, AOS conducted a sample test of 56 purchasing transactions. Of these, 36 (approximately 64 percent) were paid after the due date listed on the invoice. Due to scope and time constraints, AOS did not conduct a similar test during this audit. However, the results from the 2010 performance audit support the concerns raised by the administrators. Testing a sample of purchasing transactions (see **R1.5**) would provide the District with additional information to use in determining the extent of the delays. Lakewood City School District and Berea City School District have structured their purchasing process so that vendors send the invoices directly to the Treasurer's Office. This helps to expedite the PO matching and vendor payment process.

# Human Resources

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## Background

This section of the performance audit focuses on Parma City School District's (PCSD or the District) human resource operations. Throughout this section, PCSD's operations are evaluated against select peer school districts<sup>7</sup> and leading or recommended practices and operational standards from applicable sources, including the Ohio Revised Code (ORC), the Ohio Department of Administrative Services (ODAS), the State Employment Relations Board (SERB), and the Society for Human Resource Management (SHRM).

### *Organizational Structure*

PCSD uses several departments to complete the majority of its human resource functions. The Human Resources Department is responsible for coordinating the activities and programs for the recruitment and selection of employees, maintaining employee personnel files, monitoring compliance with employment standards, administering the labor contracts, maintaining job descriptions, and overseeing the substitute scheduling process. The Treasurer's Office is responsible for processing payroll, and administering the workers compensation and employee benefit programs. To fulfill Educational Management Information System (EMIS) reporting requirements, the District employs a full-time EMIS Coordinator who reports to the Chief Operations Officer and the Director of Student Services.

### *Staffing*

**Table 2-1** compares PCSD's full-time equivalent (FTE) staffing levels to the peer average on a per 1,000 student basis for FY 2010-11.

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<sup>7</sup> See the **executive summary** for a list of peer districts and an explanation of the peer selection methodology. The peer average comprises eight school districts, unless noted otherwise.

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

	PCSD	Peer Average
<b>Administrative</b> <sup>1</sup>	4.7	4.6
<b>Office/Clerical</b> <sup>2</sup>	11.0	8.0
<b>Teaching</b> <sup>3</sup>	54.1	52.6
<b>Education Service Personnel (ESP)</b> <sup>4</sup>	6.1	7.6
<b>Educational Support</b> <sup>5</sup>	7.0	5.5
<b>Other Certificated</b> <sup>6</sup>	2.2	1.1
<b>Non-Certificated Classroom Support</b> <sup>7</sup>	10.3	10.5
<b>Other Technical/Professional Staff</b> <sup>8</sup>	3.1	1.9
<b>Other Student Services</b> <sup>9</sup>	3.7	2.7
<b>Operations</b> <sup>10</sup>	37.7	22.3
<b>Total Staff</b>	<b>139.7</b>	<b>116.8</b>

**Source:** FY 2010-11 EMIS data submitted to ODE.

**Note:** Students include those receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

<sup>1</sup> Administrative personnel includes central office and building level administrators, directors and coordinators, as well as personnel responsible for planning, management, evaluation, and operation.

<sup>2</sup> Office/Clerical staff includes all EMIS position codes in the 500s except teacher aides (505), and includes administrative assistants (101), accounting (301) and attendance officers (901).

<sup>3</sup> Teaching include general education, special education, and career-technical teachers.

<sup>4</sup> Education Service Personnel includes K-8 art, music, and physical education teachers; as well as counselors, librarians, registered nurses, social workers, and visiting teachers per ORC 3317.023(A)(2).

<sup>5</sup> Educational Support includes remedial specialists, tutors/small group instructors, and supplemental service teachers.

<sup>6</sup> Other Certificated staff includes curriculum specialists, audio-visual staff, permanent substitutes, teacher mentors/evaluators, and other education professionals.

<sup>7</sup> Non-Certificated Classroom Support includes teaching aides, paraprofessional instructors, and attendants.

<sup>8</sup> Other Technical/Professional staff includes library aides, computer support staff, and all other professional and technical staff.

<sup>9</sup> Other Student Services include psychologists, therapists, speech and language therapists, practical nurses, etc.

<sup>10</sup> Operations includes carpenters, electricians, general maintenance, mechanics, plumbers, foremen, other crafts and trades, dispatchers, vehicle operators, other operative, custodians, food service, guards/watchmen, monitors, groundskeepers, and other service worker/laborers.

**Table 2-1** shows that PCSD's total staffing per 1,000 students (139.7) is approximately 20 percent higher than the peer average (116.8). However, some of this variance is due to PCSD overstating classified staffing levels in EMIS for certain positions. See **R2.1** for an analysis of the District's staffing levels and **R2.4** for EMIS reporting.

### Salaries

**Table 2-2** compares the District's average salary cost with the peer average for FY 2010-11. Beginning wage rates, years of service, negotiated salary schedules, and education or skill level attained impact average salaries.

**Table 2-2: Average Salary Comparison**

	PCSD	Peer Average
<b>Administrative</b>	\$86,761	\$89,521
<b>Office/Clerical</b>	\$28,835	\$36,843
<b>Teaching</b>	\$62,012	\$61,944
<b>Education Service Personnel (ESP)</b>	\$66,298	\$64,756
<b>Educational Support</b>	\$58,719	\$55,841
<b>Other Certificated</b>	\$64,117	\$66,246
<b>Non-Certificated Classroom Support</b>	\$19,306	\$20,407
<b>Other Technical/Professional Staff</b>	\$34,089	\$38,433
<b>Other Student Services</b>	\$64,637	\$55,768
<b>Operations</b>	\$15,452	\$27,247
<b>Total Staff</b>	<b>\$44,036</b>	<b>\$50,439</b>

Source: FY 2010-11 EMIS data submitted to ODE.

**Table 2-2** shows that in total, PCSD pays an average salary of \$44,036 while the peer average is \$50,439. Although overstating classified FTEs results in an understatement of average salaries (see **R2.4**), additional reviews of PCSD's certificated, custodian, and bus driver salary schedules show that they are generally comparable to Berea City School District (Berea CSD), Brunswick City School District (Brunswick CSD), and Lakewood City School District (Lakewood CSD). See **Assessments Not Yielding a Recommendation** for additional analysis of PCSD's salary schedules. Due to the District's financial difficulties, employees have not received an increase to base wages since FY 2007-08.

### Negotiated Agreements

The District has collective bargaining agreements (CBA) with the Parma Education Association (PEA) and the Ohio Association of Public School Employees (OAPSE). The CBA with PEA was originally effective from August 1, 2005 through July 31, 2008, but was extended due to the District's financial difficulties. The PEA contract covers all certificated/licensed personnel employed by the Board, except the Superintendent and other individuals receiving administrative

contracts. The CBA with OAPSE was originally effective from February 1, 2006 through January 31, 2009, but was also extended. The OAPSE contract covers all regular full-time and part-time classified employees, including monitors, attendants, food service, custodians, maintenance, bus drivers, mechanics, and secretarial/clerical.

During the course of this audit, the District reached new agreements with PEA and OAPSE. AOS updated the assessments in the report where necessary to reflect provisions in the new CBAs. In addition, the new CBA with PEA eliminates the District's payment of a portion of the certificated employees' retirement contribution, which amounted to 2.5 percent of their salaries.

### *Assessments Not Yielding a Recommendation*

The following assessments yielded no recommendations:

- **Salaries:** Based on the analysis of **Table 3-2**, AOS reviewed the certificated, bus driver, and custodial salary schedules. The analysis of the certificated salary schedule showed that a teacher with a master's degree will earn a total of \$2,288,042 over a 35 year career at PCSD while the peers (Berea CSD, Brunswick CSD, and Lakewood CSD) average \$2,327,028.<sup>8</sup> Likewise, the Ohio Education Association compiled salary data for certificated staff in FY 2008-09. This data showed that PCSD's beginning and ending salaries for a teacher with a bachelors degree were \$34,389 and \$59,596, respectively. By comparison, the Cuyahoga County averages were \$37,444 and \$64,808, respectively. Similarly, PCSD's beginning and ending salaries for a teacher with a master's degree were \$37,828 and \$69,913, respectively. The Cuyahoga County averages were \$41,286 and \$75,440, respectively.

The analysis of the bus driver salary schedule showed that a bus driver would earn \$581,444 over a 30 year career at PCSD while the peer average is \$655,590, assuming a bus driver works 1,040 hours per year at PCSD and the peers. Likewise, an analysis of the custodial salary schedule showed that a custodial employee would earn \$1,302,650 over a 30 year career at PCSD while the peer average is \$1,288,240. Although PCSD's lifetime custodial salaries are higher than the peer average, the variance is approximately 1 percent, or \$480 per year. This amount is immaterial, especially when considering the efficiency of PCSD's custodial staffing levels (see **facilities** section for staffing analysis).

- **Workers Compensation:** PCSD has achieved the following experience modifiers for the workers compensation program: 1.10 in 2008, 1.15 in 2009, 0.85 in 2010, and 0.76 in 2011. The Ohio Bureau of Workers' Compensation (OBWC) indicates that the experience modifier is one measure used to determine the workers compensation premium rates and is impacted by historical claim levels. PCSD's declining experience modifiers indicate that

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<sup>8</sup> PCSD also earns slightly less than the peer average over a 30 year career.

the District is effectively controlling its workers compensation claims. To further control premium costs, the District contracts with a third-party administrator to help structure and manage its workers compensation program. In addition, the District is currently enrolled in the individual retrospective plan through OBWC. This plan allows PCSD to achieve low premiums by assuming more risk.

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## Recommendations

### R2.1 Reduce staffing levels by 65 FTEs.

PCSD should reduce 9.0 library aide FTEs, and at least 23.0 office/clerical FTEs and 33.0 monitor FTEs. The District should also review the positions in other certificated, including those coded in EMIS as other professional staff, to determine if reductions can be implemented in this category. In order to ensure maximum savings for the General Fund, the District should review funding sources for these positions because of the potential for changes in funding sources from one year to the next. Lastly, the District should monitor its enrollment, financial condition, building configurations, and educational outcomes to identify potential staffing reductions in the future. These factors should be incorporated in a staffing plan (see R2.9).

Table 2-1 shows that PCSD employs a total of 139.7 FTEs per 1,000 students while the peer average is 116.8. This variance is due primarily to the following:

- **Office/Clerical:** Table 2-1 shows that PCSD employs 11.0 office/clerical FTEs per 1,000 students while the peer average is 8.0. In addition, PCSD's office/clerical employees provide support to 11.0 employees per FTE while the peer average is 14.3. The District would need to reduce approximately 35 office/clerical FTEs to achieve the peer average of 8.0 FTEs per 1,000 students. The District would need to reduce approximately 23 FTEs to achieve the peer average of 14.3 employees supported per office/clerical FTE.
- **Teaching:** Table 2-1 shows that PCSD employs 54.1 teaching FTEs per 1,000 students while the peer average is 52.6. PCSD's teaching staff is comprised of 39.7 regular education, 3.3 vocation education, and 11.1 special education teachers on a per 1,000 student basis. By comparison, the peer average is comprised of 42.1 regular education, 1.2 vocation education, and 9.3 special education teachers on a per 1,000 student basis. These ratios show that PCSD's higher total teaching staff is due to the vocation and special education classifications rather than regular education. This is further supported by the fact that the District maintains a regular education student to regular education teacher ratio of 23.3:1 while the peer average is 21.4:1. See R2.6 and R2.7 for additional analysis of PCSD's special education and vocation programs.
- **Educational Support:** Table 2-1 shows that PCSD employs 7.0 educational support FTEs per 1,000 students, which consists of 1.5 remedial specialists/tutors and 5.5 supplemental service teachers. By comparison, the peer average is 3.4 remedial specialists/tutors and 2.1 supplemental service teachers, for a total of 5.5 educational support FTEs per 1,000 students. However, the supplemental service teachers are related to the special education program. See R2.6 for additional analysis of PCSD's special education program.



- **Other Certificated:** Table 2-1 shows that PCSD employs 2.2 other certificated staff on a per 1,000 student basis while the peer average is 1.1. For PCSD, this classification consists of 8.0 curriculum specialists, 3.0 audio-visual specialists, and 14.0 unclassified other professional staff. The District would need to reduce approximately 13.0 FTEs to achieve the peer average of 1.1 FTEs per 1,000 students. However, due to materiality, AOS did not further investigate the roles and duties of the 14.0 FTEs classified as other professional staff. As a result, it is difficult to determine the impact a reduction in this area would have on the District's academic program. Of the District's 25 other certificated FTEs, approximately 15 are funded through General Fund resources.
- **Other Technical and Professional Staff:** Table 2-1 shows that PCSD employs 3.1 other technical and professional staff per 1,000 students while the peer average is 1.9. The staffing variance is primarily due to PCSD employing 21 library aides, or 1.9 FTEs per 1,000 students, while the peer average is 0.5. However, due to staffing changes made during the course of this audit and the District's EMIS reporting errors (see **R2.4**), AOS estimates that PCSD's current library aide staffing levels equate to 1.7 FTEs per 1,000 students. The District would need to reduce approximately 14 library aide FTEs to achieve the peer average. However, PCSD employs approximately 5 fewer librarians when compared to the peer average and using the AOS revised staffing levels. Assuming PCSD uses the library aides to supplement the lower librarian staffing levels, the District's potential staffing reduction declines to approximately 9.0 FTEs.
- **Other Student Services:** Table 2-1 shows that PCSD employs 3.7 FTEs per 1,000 students in the other student services classification while the peer average is 2.7. The majority of PCSD's staff in this classification support the District's special education program, including 11.0 psychologists, 19.0 speech and language therapists, 7.0 occupational therapists, and 5.0 social workers. See **R2.6** for an additional analysis of the special education program.
- **Operations:** Table 2-1 shows that PCSD employs 37.7 FTEs per 1,000 students in the operations classification while the peer average is 22.3. The higher staffing levels are due to the District's bus driver and monitor staffing levels. The District's FY 2010-11 EMIS report shows that the District employs 168 monitor FTEs, or 14.8 per 1,000 students. By comparison, the peers only employ an average of 23 monitor FTEs, or 2.7 per 1,000 students. However, due to EMIS reporting errors (see **R2.4**), the District's monitor FTEs are significantly overstated. Based on the District's current staffing levels and payroll reports, it is conservatively estimated that the District employs 80 monitor FTEs, which includes 17 bus monitors that may be used to assist with special needs transportation. Using the revised FTE count and excluding the bus monitors, PCSD's monitor staffing levels equate to 5.6 FTEs per 1,000 students. At this level, the District would need to reduce 33 FTEs to achieve the peer average staffing level. The District's bus driver staffing levels are further assessed in the **transportation** section of this report.

The abovementioned analyses address PCSD's staffing variances under the current enrollment and building configurations. The **facilities** section of this performance audit shows that the District is considering alternative building configurations and that enrollment has been declining in recent years. A continued decline in enrollment and building closures can allow the District to reduce future staffing levels beyond the numbers identified in this performance audit. As a result, regularly monitoring of enrollment trends, changes in building configurations, and educational outcomes, and incorporating them into a staffing plan will help ensure the District maintains appropriate staffing levels in the future (see **R2.9**).

*Financial Implication:* By eliminating 23 office/clerical FTEs, 9.0 library aide FTEs, and 33 monitor FTEs, PCSD would save approximately \$1.3 million in salaries and benefit costs. These estimated savings are based on the lowest salaries for each group and the ratio of District-wide benefits to salaries for FY 2009-10.

## **R2.2 Negotiate to further reduce health insurance costs.**

**Although the District's recent contract negotiations improve the cost effectiveness of its health insurance program, PCSD should take additional steps to further reduce costs. Specifically, PCSD should negotiate to require that classified staff contribute 15 percent of the cost of health insurance premiums, similar to the certificated staff. PCSD should also make its benefit coverage levels (i.e., co-insurance and prescription tiers/co-pays) more consistent with industry standards, and enforce and increase employee deductibles. Prior to making any changes, the District should review the Patient Protection and Affordable Care Act (PPACA) to ensure that intended results of the change will be feasible under the new legislation.**

The District uses the self-insurance model to provide health insurance benefits to all full-time employees and pro-rated benefits to part-time employees. Under this model, the District independently manages insurance claims and sets monthly premiums based on actual and projected claims costs for the year. To help establish appropriate premiums, the District contracts with an actuarial firm to annually review the cash reserves in the Self-Insurance Fund and to project incurred but not reported (IBNR) claim liabilities. In FY 2009-10, the actuarial firm's report showed the cash reserves in PCSD's Self-Insurance Fund (\$3.9 million) were more than sufficient to cover the potential IBNR claims (\$1.9 million). This indicates that PCSD's insurance premiums are set at appropriate levels to cover the estimated claims costs. In addition, the District has formed an insurance committee (the Committee) that meets on a monthly basis to review the financial status of the Self-Insurance Fund and discuss health insurance issues.

For healthcare, PCSD offers a PPO plan through Anthem, an HMO plan through Kaiser, and a traditional plan to certain eligible employees. However, because of coverage levels and the eligibility restrictions, the vast majority of the employees are enrolled in the PPO plan. Specifically, of the 1,437 employees enrolled in PCSD's healthcare program in FY 2010-11, only

31 (less than two percent) were enrolled in the HMO and traditional plans. Furthermore, PCSD requires any employee enrolling in the HMO plan to contribute the difference in premium costs if the HMO premium is higher than the PPO plan. As a result of these factors, the remainder of this analysis focuses on PCSD's PPO plan.

**Table 2-3** compares PCSD's health, dental, vision, and life insurance premiums to the 2010 SERB survey. Premium costs reported by SERB have been adjusted for inflation to provide a reliable comparison to PCSD's FY 2010-11 premiums.

**Table 2-3: Insurance Premium Comparison**

	Parma CSD	SERB <sup>1</sup>
<b>Health Insurance</b>		
All Employees - PPO Single	\$535.92	\$491.40
All Employees - PPO Family	\$1,432.99	\$1,265.25
<b>Dental Insurance</b>		
Certificated - Single	\$36.53	\$49.28
Certificated - Family	\$93.26	\$87.21
Classified – Single	\$27.80	\$49.28
Classified - Family	\$83.24	\$87.21
<b>Vision Insurance</b>		
All Employees - Single	\$4.34	\$10.89
All Employees - Family	\$10.37	\$21.89
<b>Life Insurance</b>		
Life Insurance – All Employees	\$0.125 per thousand	\$0.1892
Accidental Death and Disability – All Employees	\$0.014 per thousand	n/a

**Source:** PCSD and SERB survey

<sup>1</sup>The SERB premiums represent the average premium paid by school districts and education service centers. The average SERB premium for respondents with a PPO plan was \$487.20 for single and \$1,252.65 for family coverage.

**Table 2-3** shows that PCSD's health insurance premiums are higher than the SERB survey averages while the vision and life insurance premiums are lower. **Table 2-3** also shows that with the exception of the certificated family coverage (\$93.26), PCSD's dental premiums for all other classifications are lower than the SERB survey averages. Furthermore, PCSD's average certificated dental premium for single and family coverage (\$64.90) is approximately five percent lower than the SERB survey average (\$68.25), while the average of the classified and certificated premiums (\$60.21) is approximately 12 percent lower than the SERB survey average.

Addressing the following areas can help the District reduce its health insurance costs:

- **Employee Contributions:** In FY 2010-11, PCSD's certificated staff contribute 15 percent of the single and family plan premiums while the classified staff contribute only 5 percent. By comparison, the SERB survey reports that the average employee contribution toward

single plan premium costs is 11.1 percent while the family plan contribution rate is 12.0 percent. SERB does not make a distinction between certificated and classified employees. Additionally, the *Employer Health Benefits 2010 Annual Survey* (Kaiser Family Foundation and Health Research and Educational Trust, September 2010) reports that the average single and family plan contribution rates for employers offering a PPO plan are 19 and 28 percent, respectively.

- **Coverage Levels:** PCSD offers generous health insurance coverage levels. For example, PCSD does not have any co-insurance requirements and has established the out-of-pocket maximums at \$400 for single coverage and \$800 for family coverage. The SERB survey reports that 71 percent of employers require some type of co-insurance, and that the median out-of-pocket maximums are \$750 for single coverage and \$1,500 for family coverage. Likewise, PCSD's employees are not required to pay anything for generic prescriptions while the cost of a brand name prescription is \$10. The SERB survey reports that 80 percent of respondents offered prescription plans with 3 to 4 tiers, and average employee costs ranging from \$10 for generic prescriptions to \$35 for brand name non-formulary prescriptions.
- **Deductibles:** PCSD's CBAs establish the annual deductibles at \$100 for in-network single coverage and \$200 for family coverage. However, despite these provisions, the Treasurer indicated that PCSD has not enforced the deductibles in the past due to employees contesting the additional cost. As a result, PCSD does not currently receive any type of cost savings from the deductibles. The SERB survey reports that 78 percent of employers require a deductible, with 52 percent charging \$125 or more for single coverage and \$250 or more for family coverage.

During the course of this audit, PCSD agreed to new CBAs with the certificated and classified staff. Both agreements are effective through 2013, and establish multi-tier prescription plans with \$5 co-pays for generic, \$15 for brand name formulary, and \$30 for brand name non-formulary prescriptions. The certificated CBA also states that employees will now be responsible for paying the deductibles specified in the bargaining agreement. Further, the classified CBA increases the employee contributions toward premium costs to 10 percent.

The Patient Protection and Affordable Care Act (PPACA) was signed into Federal law in March 2010. Aspects of PPACA can impact employers' decisions regarding the provision of health insurance benefits. More specifically, PPACA allows for plans to be exempt from some of the new regulations, as a grandfathered plan. According to [healthcare.gov](http://healthcare.gov), grandfathered plans will lose their grandfathered status if they choose to make significant changes that reduce benefits or increase costs to consumers. [Healthcare.gov](http://healthcare.gov) also states that if a plan loses its grandfathered status, consumers in these plans will gain additional new benefits, including coverage of recommended prevention services with no cost sharing. USI Insurance estimates that providing full coverage for preventive care would represent a cost increase of up to approximately 2.0 percent for employers.

According to a survey conducted by Mercer in July 2010, 63 percent of respondents indicated that it would be more cost effective to make changes and lose grandfathered status. In addition, organizations that employ fewer than 500 employees predict that costs will increase by 3.0 percent in 2011 because of PPACA provisions. Reviewing the PPACA legislation before enacting significant changes to its healthcare program will ensure that PCSD achieves intended results.

*Financial Implication:* If PCSD is successful in increasing the classified employee premium contribution to 15 percent and reducing its health insurance premium rates to the SERB average by altering coverage levels, the annual savings would be approximately \$2.1 million. The savings would decline to approximately \$1.9 million if the District implements the staffing reductions identified in this performance audit. The District could experience additional savings if it changes and enforces contract provisions regarding deductibles. Conversely, depending upon the actions implemented by PCSD and the interpretation of the requirements in PPACA, the District could be subject to additional costs under PPACA. Although it is difficult to precisely quantify these additional costs, this financial implication will be lowered by 10 percent to \$1.7 million in an effort to account for the potential additional costs. Based on the aforementioned information from USI Insurance and Mercer, this represents a conservative estimate.

### **R2.3 Renegotiate certain provisions in the collective bargaining agreements.**

**The District should negotiate to eliminate the extra period teaching stipend, the minimum hour guarantee for educational assistants, and the cafeteria provisions providing free lunches to employees and an hour of paid time for laundry responsibilities. The District should also negotiate to reduce the sick leave accumulation and severance payouts, vacation time, and the number of non-athletic supplemental contracts to be more comparable to the peers or minimum requirements in ORC. Lastly, PCSD should negotiate to eliminate severance payouts to any non-retiring employee, similar to certificated employees hired after 1996.**

A review of the District's PEA and OAPSE bargaining agreements found the following provisions to be relatively generous:<sup>9</sup>

- **Extra Assignment:** The PEA contract stipulates that middle school and high school teachers be scheduled for five group instructional or supervisory periods per day. The contract further stipulates that if a teacher is assigned a sixth instructional period, they receive an extra stipend equal to one-sixth of the teacher's base salary. Elementary school teachers also receive this stipend when they are given split assignments involving distinctly different classes at distinctly different grades. Under this provision, the District paid approximately \$346,000 to 51 employees in FY 2010-11, or an average of \$6,800 per employee. In contrast, Brunswick CSD and Lakewood CSD do not provide additional

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<sup>9</sup> See the **facilities** and **transportation** sections for reviews of other OAPSE provisions.

compensation to teachers for extra assignments. Likewise, although Berea CSD has similar provisions, the maximum payment is \$4,000 per year.

During the course of the audit, the District reached a new agreement with the PEA. The new agreement includes modifications to the extra assignment provisions stating that "...teachers who teach a 6th assignment shall receive 1/6th of the base salary on the teachers' salary; 1/5th if it is the teacher's 3rd preparation. If the Board exceeds the equivalent to a year-long average of 37 6th assignments, all teachers currently teaching the 6th assignment shall be paid 1/5th of the base salary on the teachers' salary schedule and 1/4th of the base salary on the teachers' salary schedule if it is the 3rd preparation period."

- **Sick Leave Accumulation and Severance Payouts:** Both the PEA and OAPSE contracts allow employees to accrue an unlimited number of sick days. The PEA contract also stipulates that certificated employees hired after 1996 can receive a maximum severance payout of 95 days upon retirement, while the OAPSE contract states that classified employees can receive a maximum severance payout of 134 days. The OAPSE contract also has a provision for paying employees who sever employment for reasons other than retirement. Specifically, the OAPSE contract states that "any employee who severs employment with the District other than retirement and has at least 14 years of service at no less than 3 hours per day may elect to receive a lump sum cash payment as outlined in provision 13.1.1" (severance pay provision). The PEA agreement had a similar provision for certificated staff, but discontinued the practice for employees hired after 1996.

In contrast to PCSD, Lakewood CSD limits the maximum sick leave accumulation to 350 days for certificated staff and 335 days for classified staff. Likewise, Lakewood CSD limits the severance payout to a maximum of 70 days for both certificated and classified staff, and limits its payout to classified employees severing employment before retirement to 10 days after 5 years of service. According to ORC § 3319.141, school districts are only required to allow for a maximum sick leave accumulation of 120 workdays. Similarly, ORC §124.39 stipulates that if an employee retires with 10 or more years of service with the State, they are entitled to be paid 25 percent of the value of their accrued but unused sick leave, up to a maximum of 30 days.

- **Minimum Hour Guarantee:** The OAPSE contract includes a provision stating that "...the workday for educational assistants shall be a minimum of 4 hours per day, except in special circumstances mutually agreed upon by the union and management." By comparison, neither Brunswick CSD nor Lakewood CSD has provisions addressing minimum work hours for educational assistants. Berea CSD has a 2 hour minimum guarantee for similar positions.
- **Vacation Leave:** The District's vacation accrual rates are generous compared to two peers and the ORC minimum requirements. For example, PCSD's classified employees receive

10 vacation days after 1 year of service, 15 days after 5 years of service, 17 days after 7 years of service, 20 days after 10 years of service, 22 days after 12 years of service, and 25 days after 15 years of service. By comparison, both Berea CSD and Lakewood CSD cap their vacation accruals at 25 days after 24 and 20 years of service, respectively. Furthermore, the minimum requirements outlined in ORC § 3319.084 indicate that non-teaching employees receive 10 days of vacation after 1 year of service, 15 days after 10 years of service, and 20 days after 20 years of service.

- **Cafeteria Provisions:** The OAPSE contract stipulates that cafeteria employees receive a free "Type A lunch" on a daily basis. The contract also states that "...elementary attendants shall be reimbursed for doing their own laundry by getting 1 hour extra time each first paid day of the month." None of the peers have provisions addressing free lunches or extra pay for laundry responsibilities.
- **Non-Athletic Supplemental Contracts:** PCSD spent \$98 per student on other non-sports related extracurricular activities in FY 2009-10 while the peer average was \$47. The number of non-athletic supplemental contracts stipulated in the PEA contract contributes to this large variance. Specifically, the PEA contract includes 88 non-athletic supplemental contracts while the average of Berea CSD, Brunswick CSD, and Lakewood CSD is only 45.

*Financial Implication:* Eliminating the stipend for extra teaching assignments would save the District \$346,000 annually, based on costs in FY 2010-11. Eliminating the one hour of extra paid time for elementary cafeteria employees each month would save approximately \$3,400 annually for the Food Service Fund, based on actual staff salaries. Finally, achieving the peer average expenditure for non-athletic supplemental contracts would save approximately \$593,000 annually. Although the other provisions would reduce costs and/or improve productivity, the potential savings could not be easily quantified.

#### **R2.4 Improve the accuracy of EMIS information.**

**PCSD should develop formal policies and procedures for preparing, reviewing and reconciling Education Management Information System (EMIS) information. The policies and procedures should be consistent with ODE guidelines. PCSD should also consider requiring its EMIS clerks to obtain certification through the Ohio Association of EMIS Professionals (OAEP), and ensure the clerks receive other appropriate training. Taking these steps would better ensure that EMIS data is accurate.**

The District's EMIS Coordinator is responsible for entering and maintaining student information in the EMIS system, while clerks from the Human Resources and Payroll Departments are responsible for the employee data. PCSD does not have formal policies and procedures for preparing, reviewing, and reconciling the EMIS information prior to submission to ODE.

Furthermore, none of the clerks have achieved Certified EMIS Professional status through OAEP. During a review of PCSD's FY 2010-11 EMIS information, AOS identified several inconsistencies that could skew decision-making for classified staff, if left uncorrected. These inconsistencies include double-counting FTEs for certain employees that receive longevity payments, not including longevity in the annual salaries for other employees, and not accounting for differences in hours worked when determining FTE counts for employees in the same position code. As a result, PCSD's FTE counts are overstated in certain instances. For example, PCSD's EMIS report shows that the District employs 169 monitor FTEs. However, because most of these positions are part-time, PCSD's payroll information shows that the more accurate FTE count is 80.5.

Due to the above factors, AOS deemed the EMIS data for classified positions as unreliable. Consequently, other sources for staffing data were reviewed and used where necessary, prior to making a final conclusion on whether the District in fact employs more classified positions in certain areas.

To help districts submit accurate EMIS data, ODE, OAEP, and the Ohio Education Data Systems Association provide various training opportunities and conferences each year. Further, OAEP offers Certified EMIS Professional and Master Certified EMIS Professional designations, which are earned after completing a regimented program of professional development and work experience. According to ODE, Certified EMIS Professionals and Master Certified EMIS Professionals are committed to maintaining the highest standards possible regarding the maintenance and reporting of student, staff and district data. In addition, ODE publishes detailed guidelines that specify how FTEs are to be calculated and includes recommended procedures for ensuring the accuracy of EMIS data.

## **R2.5 Improve sick leave management.**

**The District should improve its oversight of sick leave use by enforcing CBA provisions and periodically providing data to department heads for monitoring purposes. In addition, PCSD should negotiate changes to the certificated CBA regarding physician statements, patterns of abuse, and disciplinary measures to mirror the language in the classified CBA.**

According to the Human Resources Director, sick leave reporting for management purposes is limited. For example, department heads are usually notified of potential issues only when an employee has used all of their accumulated sick leave. The Human Resources Director also noted that PCSD does enforce the provisions in the CBA regarding physician statements. The classified CBA states "an employee absent for more than three consecutive days must supply a physician's report to be eligible for paid sick leave." The classified CBA goes on to state that if the employee fails to submit the required documentation or engages in a pattern of abuse, the employee may be subject to disciplinary action at the Board's discretion, which may include termination. The contract language in the certificated CBA is not as defined because it only requires a physician's



statement after an employee has been absent 10 consecutive working days and does not address patterns of abuse or potential disciplinary measures.

As a result of these factors, the District increases the risk for high sick leave use by employees. For example, it is estimated that the certificated staff used an average of approximately 72 sick leave hours per employee in FY 2009-10. By comparison, the Ohio Department of Administrative Services (ODAS) reports that the average sick leave use for the applicable bargaining group was approximately 65 hours per employee in FY 2009-10.

The article *Absence Management: Strategies for Curbing Absenteeism in the Workplace* (International Public Management Association, 2003) suggests, in part, that employers document and monitor employee absences, pinpoint areas within the organization where absenteeism is excessive, hold supervisors accountable for employee attendance, and pay attention to absences.

*Financial Implication:* Based on the AOS estimates, reducing certificated sick leave usage to the ODAS average would result in annual savings of approximately \$79,000. This is also based on the District's current substitute rate.

## **R2.6 Follow through with plans to implement responsiveness to intervention (RTI) philosophy for diagnosing special needs students.**

**The District should follow through with plans to implement the responsiveness to intervention (RTI) philosophy for diagnosing special needs students. PCSD should subsequently review its special needs enrollment, operating costs, and academic results on a periodic basis to determine the effectiveness of the RTI approach and adjust as needed.**

In FY 2009-10, PCSD spent \$1,617 per student on special education while the peer average was only \$1,228 (see **Table 1-3 in financial systems**). However, this is partially skewed because the ratios include all students and do not account for PCSD having a higher population of special needs students. In FY 2009-10, students with disabilities represented approximately 20 percent of PCSD's student population while the peer average was only 13 percent. When the cost comparisons are adjusted to reflect the higher special needs population, PCSD spent \$8,122 in special education expenditures per special education student while the peer average was \$9,163.

The Interim Special Education Director indicated that the District's prior model for diagnosing special needs students likely contributes to the large population variance noted above. In response, the District is now in the early phases of implementing an RTI philosophy for diagnosing special needs students. Under this philosophy, the District will provide various tiers of intervention and remediation services to a student before classifying them as a special needs student, with the end goal of educating a student in the least restrictive environment. The National Research Center on Learning Disabilities states that RTI is "...an education model that promotes early identification of students who may be at risk for learning difficulties. RTI, which may be one component in the

process a school uses to determine whether a student has a specific learning disability, often involves tiers of increasingly intense levels of service for students. Most students will thrive in general education classrooms. For those who don't, a second tier will focus additional attention on the academic area in which the child struggles. More tiers may be available for students with greater needs. RTI is a valuable construct because of its potential utility in providing appropriate learning experiences for all students and for its use in the early identification of students at risk for academic failure."

### **R2.7 Conduct a community survey concerning the vocation program.**

**The District should conduct a community survey to obtain input on the vocation program, including course offerings, operating costs, and the potential use of the local joint vocational school district (JVS). If the District's financial condition declines in the future, the use of a JVS or other compact/consortium agreements should be reviewed as a method for reducing costs.**

PCSD spent \$334 per student on vocation education in FY 2009-10 while the peer average was only \$123. This is primarily the result of offering a comprehensive vocation program while five of the peers use their local JVS and two are members of a compact agreement. Lakewood City School District is the only peer to offer a comprehensive vocation program similar to PCSD. Although the District receives additional State funding for operating the vocation program, the revenue is not sufficient to offset the higher costs. For example, when excluding State revenues, PCSD's net vocation cost per student was \$296 in FY 2009-10 while the peer average was \$85. PCSD's Director of Career and Technical Education indicated the District had previously considered using the local JVS. However, the District is concerned that the JVS would not be able to accommodate its enrollment, and that PCSD's citizens would be burdened with additional unvoted tax millage. PCSD has approximately 1,200 students enrolled in the vocation program.

During the course of the audit, the citizens passed a 6.9 mill ten-year emergency levy that will generate approximately \$15.6 million annually. As a result, PCSD's revised five-year forecast now projects surplus balances in all years. This, in turn, suggests that the District could continue to financially support the comprehensive vocational program. Nevertheless, the District has not previously surveyed its citizens to obtain input on the vocation program, or to gauge feelings concerning the use of the JVS. According to GFOA, governments should monitor and evaluate stakeholder satisfaction with programs and services, and develop mechanisms to identify stakeholder concerns, needs, and priorities. GFOA indicates that a survey is one tool that can be used to assess satisfaction and identify concerns, need and priorities.

### **R2.8 Adopt a regular cycle for reviewing and updating job descriptions.**

**The District should adopt a regular cycle for reviewing and updating job descriptions.**

PCSD does not have a formal cycle for reviewing and updating job descriptions. Rather, the Interim Human Resources Director indicated that job descriptions are typically reviewed and updated when filling vacant positions. Under this approach, the Interim Human Resources Director classified PCSD's job descriptions as "semi-current." The article *Job Descriptions – An Overview* (Society for Human Resource Management, 2002) indicates that "...job descriptions have the potential to become the subject of contention, including grievances or litigation. Accordingly, it is critical that accuracy be maintained. To ensure this, the employer should designate one party as having primary responsibility for keeping them current. In addition, the employer should have a plan for reviewing them regularly."

### **R2.9 Develop a formal staffing plan.**

**PCSD should develop a comprehensive staffing plan that is tied to goals and objectives identified in the strategic plan (see R1.2), and addresses other relevant factors (see R2.1).**

PCSD does not have a formal staffing plan that uses objective workload measures to help ensure efficient and effective staffing levels, and links staffing decisions to long-term goals and objectives. In practice, the District uses judgments about classroom sizes, available financial resources, and the Superintendent's educational goals to determine certificated staffing levels. Likewise, classified staffing levels are determined through a combination of collective bargaining agreements, available financial resources, and past practices. A documented staffing plan can assist the District with controlling staffing costs, meeting strategic goals and objectives, and complying with State and Federal regulations.

*Strategic Staffing Plans* (SHRM, June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. A strategic staffing plan forms an infrastructure to support effective decision-making in an organization. The Lakota Local School District (Butler County) has established a staffing plan that incorporates staffing allocation factors such as State and Federal regulations, and workload measures. In general, staffing benchmarks in this plan are calibrated to General Fund revenues, helping to ensure a balanced budget.

# Facilities

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## Background

This section of the performance audit focuses on Parma City School District's (PCSD or the District) facility operations. Throughout this section, PCSD's operations are evaluated against selected peer school districts<sup>10</sup>, recommended or leading practices, and operational standards from applicable sources, including the American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES).

### *Summary of Operations*

PCSD operates 22 facilities consisting of 12 elementary schools (kindergarten through 5th grade), 3 middle schools (6th grade through 8th grade), 3 high schools (9th grade through 12th grade), an administration building, a sports complex, a daycare/special education building, and a transportation building. The District's student enrollment (headcount) has declined every year since FY 2003-04, averaging an annual decline of approximately 1.4 percent from FY 2003-04 through FY 2010-11. In FY 2010-11, the enrollment was 11,930 students. PCSD has 90 employees who are responsible for completing the maintenance and operations functions (M&O) for the its buildings and grounds. These functions include cleaning each school building, completing a variety of building maintenance tasks, and maintaining the exterior environment around the buildings and grounds. The day-to-day operations of the M&O function are overseen by the Maintenance Supervisor and the Custodial Manager.

**Table 3-1** shows PCSD's staffing levels for the M&O function by position and based on functional responsibility.

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<sup>10</sup> See the **executive summary** for a list of peer districts and an explanation of the peer selection methodology. The peer average comprises eight school districts, unless noted otherwise.

**Table 3-1: M&O Staffing Distribution**

Functional Classification	Total Number of Positions	Number of Full-Time Equivalents (FTEs)
Cleaners	45	47.5
Custodians	34	0.0 <sup>1</sup>
Maintenance	11	21.0
Groundskeepers	0	5.6
<b>Total M&amp;O Staff</b>	<b>90</b>	<b>74.1</b>

Source: PCSD

<sup>1</sup> Custodian time is allocated to the other functions.

**Table 3-1** shows that PCSD's 90 M&O employees equate to approximately 74 FTEs. The functional variances in **Table 3-1** are due to a combination of the use of part-time employees and requiring full-time staff to complete multiple functions. For example, PCSD primarily uses part-time employees to clean the buildings during the school year, while full-time custodians spend the majority of their time completing light building maintenance and groundskeeper duties. Full-time maintenance employees spend the majority of their time completing large building maintenance projects, but also spend a portion of their time on groundskeeper duties. When the functional responsibilities of PCSD's M&O employees are considered based on estimates from the Custodial Manager, PCSD employs approximately 47.5 building cleaner FTEs, 21.0 building maintenance FTEs and 5.6 groundskeeper FTEs.

In addition to the staff shown in **Table 3-1**, PCSD employs a Business Operations Manager who is responsible for providing administrative oversight to the M&O function and District business dealings. In this role, the Business Operations Manager supervises the Maintenance Supervisor and Custodial Manager, and oversees other ancillary services such as print shop operations, copier and printer procurement, and technology management. The Business Operations Manager reports to the Superintendent.

### *Key Statistics and Indicators*

**Table 3-2** compares key statistics for PCSD's M&O function to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) and averages reported by the *Maintenance and Operations Cost Study* (AS&U).

**Table 3-2: Key Statistics and Indicators**

<b>Total Number of Buildings</b>	<b>22</b>
High Schools	3
Middle Schools	3
Elementary Schools <sup>1</sup>	12
Other Buildings	4
<b>Total Square Feet Maintained</b>	<b>1,815,721</b>
<b>Total Square Feet Cleaned</b>	<b>1,808,546</b>
<b>Total District Acreage</b>	<b>347.9</b>
<b>Total Square Feet Cleaned per FTE(47.5 FTEs)</b>	<b>38,044</b>
<i>NCES Planning Guide Benchmark<sup>2</sup> (Sq. Ft. per FTE)</i>	<i>29,500</i>
<b>Total Square Feet Maintained per FTE (21.0 FTEs)</b>	<b>86,469</b>
<i>AS&amp;U Cost Survey National Median<sup>3</sup> (Sq. Ft. per FTE)</i>	<i>95,000</i>
<b>Total Acreage Maintained per FTE (5.6 FTEs)</b>	<b>62.7</b>
<i>AS&amp;U Cost Survey National Median<sup>3</sup> (Acreage per FTE)</i>	<i>40</i>

**Source:** PCSD, National Center for Education Statistics, and American School and University Magazine

<sup>1</sup> Based on the level of work duties, this does not include Arlington Elementary, Dag Hammarskjold Elementary, or Pleasantview Elementary for square footage, but does include their acreage for grounds keeping. These buildings are closed for operating purposes, but are still owned by the District.

<sup>2</sup> According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose any health issues.

<sup>3</sup> The AS&U medians are based on a five-year average (FY 2004-05 to FY 2008-09) derived from the annual national surveys.

**Table 3-2** shows that PCSD cleans significantly more square feet per FTE than the NCES *Planning Guide* benchmark<sup>11</sup> and maintains more acres per FTE than the AS&U benchmark. Conversely, **Table 3-2** shows that PCSD's ratio of square feet per maintenance FTE is lower than the AS&U benchmark. See **R3.2** for additional analysis of staffing levels.

### *Financial Data*

**Table 3-3** compares PCSD's facilities expenditures per square foot for FY 2009-10 to the peer average.

<sup>11</sup> NCES benchmark is based on an eight hour day and does not address annual staffing guidelines. However, the FTEs for PCSD are based on an annual work year to account for staff working less than 12 months. During the nine months school is in session which would result in each 9-month, 8-hour employee equaling 1.0 FTE, PCSD maintains 29,973 square feet per FTE.

**Table 3-3: Facilities Expenditures per Square Foot**

Line-Item	PCSD	Peer Average	How Addressed in Report
Salaries and Wages	\$2.36	\$2.77	N/A
Employee Benefits	\$1.21	\$1.10	See <b>R2.2</b>
Utilities	\$1.46	\$1.60	N/A
Purchased Services (Excluding Utilities)	\$0.44	\$0.91	N/A
Supplies and Materials	\$0.22	\$0.38	N/A
Capital Outlay	\$0.10	\$0.10	N/A
Other Objects	\$0.11	\$0.00	See explanation below
<b>Total Expenditures per Square Foot</b>	<b>\$5.90</b>	<b>\$6.86</b>	

Source: ODE

**Table 3-3** shows that with the exception of employee benefits and other objects, PCSD's facilities expenditures per square foot are lower than the peer average in each line-item. See the **human resources** section for an additional discussion of PCSD's employee benefits. In FY 2009-10, PCSD spent approximately \$198,000 from the other objects line-item, with the majority of the costs attributed to liability insurance (\$141,000). It is unclear how the peers account for these costs. However, the other objects line-item represented less than 2 percent of the District's total facility expenditures in FY 2009-10. As a result, this line-item was not further reviewed.

## Recommendations

### **R3.1 Fully evaluate potential building closures.**

**The District should ensure that its pursuit of multiple building closures is supported by its financial condition, considers all potential costs and benefits, and justifies the time and effort that otherwise could be dedicated to other priorities. Prior to making a final decision regarding building closures, the District should review the methodology used to estimate building capacities to ensure they are consistent with the District's future academic programs and goals, are not overstated due to the inclusion of special use classrooms, and are compliant with State law. The District should also ensure that it accurately captures the cost savings from the building closures and reviews the projected cost savings against the impact on the transportation program and debt service requirements to ensure that the savings exceed any additional costs. Furthermore, the District should base building closures on reliable enrollment projections and review the potential to refinance and consolidate the various debt issues.**

**Subsequently, the District should prepare a comprehensive report that discloses all assumptions, studies, and figures that were used to support the final decision; demonstrates the impact the new building configurations will have on the debt levels, transportation program, staffing levels, and other areas of operation; and discloses the final impact on PCSD's total operating budget from these actions. This report should be distributed and explained to the Board and interested citizens, and posted on the District's website.**

The 2010 performance audit of PCSD's facilities indicated the District did not have up-to-date enrollment projections or functional capacities for its school buildings. Using industry standards to estimate building capacity, AOS determined that PCSD's average building utilization rates for the elementary, middle and high schools ranged from 88 to 107 percent based on the actual enrollment (12,116), grade level configurations, and functional use of the buildings at that time. The 2010 audit also noted that if the District achieved maximum capacity use at each building, it could close three elementary buildings. In addition, the 2010 performance audit recommended that PCSD develop updated enrollment projections, and evaluate the capacity utilization of its school buildings as they relate to its educational programs and priorities. The 2010 performance audit further recommended that any building changes should involve stakeholders and be based on relevant factors including current and projected enrollment, building adequacy, financial factors, learning environment, academic programs, educational performance and instruction, and demographics.

Since the 2010 performance audit was released, the District closed one elementary school and formed the Facilities Integration Team (FIT Committee), which is a group of 18 employees, parents, and community members, organized for the purpose of reviewing space utilization issues



in the District. On March 1, 2011 the FIT Committee released a report summarizing the results of its enrollment projections, community surveys, other school district site visits, architecturally determined building capacities, and building operating costs. The FIT Committee report does not specifically recommend building closures, but does indicate that building space is underutilized in the present configuration. The FIT Committee report also recommends that the Superintendent create a “Next Step Team” (NST Committee) comprised of select members of the FIT Committee and other experts/consultants to assist with analyzing the data presented by the FIT Committee and to develop working proposals for the Board’s consideration.

The NST Committee met in March and April of 2011 to discuss the impact of building configurations on the District’s operations and academic programs. After reviewing the information from the FIT and NST Committees, the Superintendent recommended closing four elementary buildings to the Board of Education in late April, 2011. To facilitate the building closures, the District would reconfigure the grade levels with the high schools serving grades 8 through 12 and the middle schools serving grades 5 through 7. Under this plan, none of the changes will occur until the 2012-13 school year. The Board of Education has not yet acted on the Superintendent’s recommendation.

Overall, the District’s approach to reviewing building utilization appears reasonable and is generally consistent with the recommendations from the 2010 performance audit. For example, the District’s approach incorporates updated enrollment projections, community input, and architectural reviews of building capacity, and considers academic programs and population demographics. However, the following issues warrant additional review before a final decision is made:

- **Building Closures:** The 2010 performance audit indicates that if the District uses maximum building capacity, it could close three elementary buildings. Since that time, the District closed one elementary building and is reviewing plans to close four additional buildings. The primary differences between the AOS analysis and the District’s analysis concern the grade level configurations and building capacity estimates. For example, AOS assumed that PCSD would maintain existing grade level configurations while the District’s plan expands the grade levels housed at the middle schools and high schools. Likewise, the architectural analysis of PCSD’s buildings includes special use rooms such as gymnasiums, art spaces, computer rooms and auxiliary spaces as the equivalent of regular education classrooms when estimating capacity. By comparison, the 2010 performance audit used methodology derived from DeJong and Associates that suggests excluding special use rooms from the functional building capacity.
- **Cost Savings:** The 2010 performance audit indicates that PCSD could save approximately \$179,000 by closing the smallest elementary building, which was based on PCSD’s average facilities expenditure per square foot in FY 2008-09. The FIT Committee report estimated this savings to range from \$650,000 to \$750,000 per building, but the District

later revised the estimate to approximately \$475,000 per building. The District's estimates assume savings from eliminating certain positions such as principals, secretaries, custodians, and cleaners, and an estimate of reduced utility costs. It is unclear what causes the variance between the FIT Committee's estimated savings and the District's revision. Additionally, the projected savings of \$475,000 do not account for the potential impact of the building closures on the transportation program. Closing four neighborhood elementary schools will likely require an expansion of transportation services. It is also unclear if the District looked at other building configurations that may accomplish similar results, but with less impact on the transportation program.

- **Outstanding Debt:** At the end of FY 2008-09, the District had approximately \$46.5 million in outstanding debt. The majority of this debt was issued to renovate existing school buildings in an effort to make them more energy efficient, and have payoff dates ranging from 2016 to 2022. The Business Operations Manager indicated that nearly all of the permanent improvement levy monies are devoted to servicing this debt, and there are minimal reserves in the permanent improvement budget to meet the District's daily capital needs. It is unclear from the FIT Committee's report or the District's plan if it will be necessary to incur additional debt to renovate the middle school and high school buildings, if the District will be paying long-term debt service on elementary buildings that are no longer in operation, or if the District has looked into re-financing/consolidating the various debt issues in an effort to reduce future debt service requirements.
- **Multiple Plans:** During the process of reviewing potential building configurations, the District has presented multiple plans, assumptions, and studies that have some inconsistencies. As a result, it is sometimes difficult to determine which specific studies, assumptions, and scenarios are being used to support the current decisions. For example, the FIT Committee originally projected the District's enrollment to decline approximately 8 percent annually to 8,772 by FY 2015-16. Subsequently, the District contracted with DeJong and Associates to prepare an enrollment projection, which shows enrollment declining approximately 1 percent annually to 11,194 in FY 2015-16. Likewise, the District contracted with an architectural firm to estimate building capacity. In the analysis, the architectural firm estimated regular education classroom capacities at 27 students, and small instruction classroom capacities ranged from 8 to 16 students. However, in a separate analysis prepared by the NST Committee, the regular education classroom capacity was established at 25 students and special instruction classroom capacity was set at 10 students. Ohio Administrative Code (OAC) section 3301-35-05 indicates that school districts are required to maintain at least one FTE classroom teacher for every 25 regular education students on a District-wide basis. While *House Bill 1* (passed at the start of FY 2009-10) uses student-to-teacher ratios to help determine State funding levels, these ratios have not yet been adopted as the required operating standard.
- **Overall Cost-Benefit:** Based on the District's current projected savings of \$475,000 per

building, PCSD would, at most, save approximately \$1.9 million by implementing the Superintendent's plan to close four buildings. Along with other potential cost implications<sup>12</sup> that would lower these savings, non-financial implications can impact decisions to close school buildings. Most notably, building closures would require transferring students to other schools. In addition, the passage of a new levy in May 2011 will help stabilize the District's financial condition, which can be further stabilized by the other recommendations in this performance audit. For instance, the District's May 2011 five-year forecast shows positive ending fund balances for each year (FY 2010-11 to FY 2014-15),<sup>13</sup> assuming the renewal of existing levies. As a result, the District does not appear to have an urgent need to close buildings, an approach that is also supported by the building capacity analysis in the 2010 performance audit. Furthermore, although the District's enrollment has declined each year since FY 2003-04, the average annual declines have been fairly marginal (1.4 percent). While this trend supports projections of future enrollment declines, factors like continued improvement in the District's academic program could help stabilize or potentially increase enrollment. For example, ODE rated the District as Excellent in FY 2009-10, which was an improvement over the ratings in FY 2007-08 and FY 2008-09. Given the aforementioned factors, implementing smaller-scaled building closures and/or focusing on more urgent needs (e.g., improving transportation operations) may be more beneficial for the District at this time.

### **R3.2 Review facility staffing allocations by function.**

**PCSD should review the various activities performed by its facility staff to accurately capture the time for each function. Subsequently, the District should periodically compare its staffing levels and workload measures to industry benchmarks, and use this information for future decision-making. This would be particularly helpful if the District decides to modify future building configurations (see R3.1). As the District reviews its staffing levels by function, it should also account for effectiveness as well as efficiency. A similar recommendation was issued in the 2010 performance audit.**

The District currently employs 45 cleaners, 34 custodians, and 11 maintenance workers. However, the Custodial Manager indicated that custodians spend approximately 50 percent of their time on custodial duties, with the remainder split between building maintenance and grounds keeping functions. The Custodial Manager also estimated that each maintenance employee completes grounds keeping functions approximately three hours per week. Finally, the majority of the cleaners only work nine months a year while school is in session. As a result of all these factors, the District's estimated functional staffing level is 74.0 total FTEs, which is comprised of 47.5 custodial/cleaning FTEs, 21.0 building maintenance FTEs, and 5.6 grounds keeping FTEs.

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<sup>12</sup> Examples of potential costs include increased transportation services and renovation to address new building reconfigurations.

<sup>13</sup> Positive ending fund balances would still be projected when excluding the impact of building closures, as identified in the District's assumptions for the May 2011 forecast.

**Table 3-4** compares PCSD’s estimated FTEs dedicated to the various functions to the number required to meet the benchmarks identified in **Table 3-2**.

**Table 3-4: PCSD Staff Comparison to Industry Benchmarks**

Classification	Estimated FTEs	FTEs to Meet Benchmark	Difference
Custodial/Cleaning Staff	47.5	61.3	(13.8) <sup>1</sup>
Maintenance Staff	21.0	19.1	1.9
Grounds Keeping Staff	5.6	8.7	(3.2)
<b>Total</b>	<b>74.1</b>	<b>89.1</b>	<b>(15.1)</b>

**Source:** PCSD, NCES, and AS&U Magazine.

<sup>1</sup>The FTEs for PCSD are based on an annual work year. During the nine months school is in session which would result in each 9-month, 8-hour employee equaling 1.0 FTE, PCSD employs approximately 1.0 fewer FTE than the daily benchmark from NCES.

**Table 3-4** shows that while PCSD’s staffing in each classification varies considerably compared to the respective benchmarks, the District employs approximately 15.0 fewer FTEs in total when all classifications are combined. This is further supported by **Table 3-3**, which shows that PCSD spent \$2.36 per square foot on salaries and wages in FY 2009-10 while the peer average was \$2.77. **Table 3-3** also shows that PCSD only spent \$0.44 per square foot on contracted services in FY 2009-10 while the peer average was \$0.91. Collectively, these ratios demonstrate that the District is maintaining efficient facility staffing levels and limiting the need for contracted services despite the lower staffing levels. Moreover, the District is exceeding the benchmark for custodial/cleaning staff due, in part, to the employment of some staff that work only nine months a year while school is in session.

The 2010 performance audit also reviewed PCSD’s cleaner, custodian, and maintenance staffing levels. The audit determined that PCSD’s total staffing levels (88.0 total FTEs at that time) were reasonable, but it did not have a formal system for tracking the time it takes staff to complete their various functional responsibilities. The audit subsequently recommended that the District address these issues by accurately capturing the time staff spend on each function and subsequently comparing the results to industry benchmarks. Although the results of **Table 3-2** and **Table 3-4** show that PCSD is currently maintaining efficient staffing levels, the lack of accurate employee time allocations to compare to relevant benchmarks increases the risk of not making appropriate long-range staffing decisions. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that “...school facilities maintenance affects the physical, educational, and financial foundation of the school organization and should, therefore, be a focus of both its day-to-day operations and long-range management priorities.” NCES goes on to state “...to assess staff productivity, the organization must establish performance standards and evaluation criteria.”

### R3.3 Reduce overtime costs.

PCSD should seek to alter provisions in the negotiated agreement with the Ohio Association of Public School Employees (OAPSE) that contribute to high overtime costs. Specifically, the District should negotiate to eliminate the minimum call-in pay provision and compensate staff for actual hours worked, or at least reduce the minimum call-in pay to be more comparable to the peers. The District should also negotiate to eliminate provisions that require overtime for working on weekends and plowing snow. Likewise, PCSD should negotiate to eliminate provisions dictating how the District covers absences and building permits. Doing so would allow the District to take more cost-effective measures in covering absences and building permits, such as flexing schedules or using substitutes. A similar recommendation was issued in the 2010 performance audit.

Table 3-5 compares PCSD's facilities related overtime and temporary labor costs as a percent of regular salaries to the peer average for FY 2009-10.

**Table 3-5: Overtime and Substitute Cost Analysis**

	PCSD	Peer Average
Overtime as a % of Regular Salaries	17.9%	4.3%
Temporary Labor as a % of Regular Salaries	1.1%	8.4%
Total Overtime and Temporary Labor Costs as a % of Regular Salaries	19.0%	12.7%

Source: Expenditure flow model information reported by ODE.

Table 3-5 shows that PCSD's overtime and temporary labor costs represented 19.0 percent of the regular salaries while the peer average was 12.7 percent. However, some of the District's overtime costs are reimbursed by other agencies that use the facilities. Specifically, the District received approximately \$210,000 in overtime reimbursements for its extended daycare program and \$39,000 for the use of Byers Field in FY 2009-10. When Table 3-5 is adjusted to reflect the reimbursements, PCSD's revised overtime and temporary labor costs as a percent of salaries is 12.0 percent. Nevertheless, the District's adjusted overtime rate of 10.9 percent is still significantly higher than the peer average. Additionally, *Best Practices – Maximizing Maintenance* (Facilities Net, 2003) states that overtime should be less than two percent of total maintenance time.

The following provisions within the OAPSE CBA impact PCSD's overtime costs:

- **Substitutes:** PCSD's contract with OAPSE states that if a custodian is absent at a high school or middle school, the "...time shall be offered to that building's custodial/maintenance staff. If the custodial/maintenance staff in that building does not accept the overtime, it shall then be offered to all other custodians first. If no custodian

accepts the overtime, it shall then be offered to the maintenance department by seniority.” The District has similar provisions concerning absences at the elementary schools, except the CBA specifically states that substitute employees can only be used at the elementary schools when bargaining unit employees are not available to substitute for absent employees. According to the Custodial Supervisor, these provisions often force the District to pay overtime to cover absences rather than using substitutes at a lower hourly rate. This is supported by **Table 3-5**, which shows that PCSD relies more on overtime while the peers rely more on substitutes. In contrast to PCSD, Berea CSD and Brunswick CSD do not have provisions in their CBAs addressing the use of substitute employees. Although Lakewood CSD has provisions addressing substitutes, they give the District some flexibility stating “...when an employee calls in sick or is off for other reasons, the additional work assignment shall, when possible, be offered to bargaining unit employees.”

- **Call-in Pay:** PCSD’s contract with OAPSE states that “...any employee called in to work for non-scheduled/emergency work shall receive a minimum of three hours pay.” By comparison, Berea CSD and Brunswick CSD provide a minimum of two hours pay. Lakewood CSD has provisions similar to PCSD.
- **Work Schedule:** PCSD’s contract with OAPSE has restrictive language concerning employee work schedules. For example, the contract states that “...for purposes of determining overtime, holidays, paid sick days, personal days, vacation days and calamity days shall be considered as hours worked.” The contract goes on to state that employees whose workweek begins on Monday will receive overtime if they are required to work Saturday or Sunday, “...whether they have actually worked forty hours or not.” Finally, the contract states that employees receive overtime pay for “...all hours worked between midnight and the beginning of the employee’s regular shift, but not later than 7:30 AM, during which time an employee is required to plow snow.” Berea CSD does not allow sick and personal leave to count towards hours worked for overtime purposes, does not grant overtime specifically for snow removal purposes, and does not have special overtime provisions for Saturdays and Sundays. Likewise, Brunswick CSD and Lakewood CSD do not have provisions in their contracts that address the use of leave time in determining overtime pay or for snow removal. Lakewood CSD’s contract indicates that the standard work week for overtime pay is 40 hours, and does not include special provisions for hours worked on Saturdays and Sundays. Brunswick CSD pays employees two times their normal rate of pay for hours worked on Sunday.
- **Building Use:** The contract with OAPSE stipulates that a custodian must be present during all school hours and open hours for which a building permit has been issued, and during times that an outside contractor is working in the building. A building permit is defined as all after hour activities, including board meetings, to document overtime and required work. In addition, the OAPSE contract states that custodians "may be required by the building principal to work three special events during the school year and shall be paid a

minimum of three (3) hours pay." Special events are defined as open houses, teacher/parent conferences, concerts, etc. Berea CSD and Lakewood CSD do not have contract provisions addressing building permits or special events. Brunswick CSD's contract stipulates that when an outside group rents a building for a fee, a custodian must work while the building is in use.

During the course of this audit, PCSD reached a new agreement with OAPSE. With the exception of the provision that considers holidays, paid sick days, personal days, vacation days and calamity days as hours worked, the abovementioned provisions are still in place under the new agreement. The work schedule provision eliminates sick days, personal days, and vacation days from the overtime calculation, stating that "...overtime will be based on actual hours worked, except holidays and calamity days."

*Financial Implication:* After accounting for reimbursements, the District spent approximately \$428,000 on overtime and substitute costs in FY 2009-10. If the District could reduce this cost by 25 percent by negotiating changes to various contract provisions, the annual savings would be \$107,000. This would result in overtime and temporary labor costs comprising 9.0 percent of the salary costs in **Table 3-5**. While this would be lower than the peer average, it would still be much higher than two of the eight peers used in this comparison (4.6 and 6.5 percent).

### **R3.4 Develop strategies to reduce print shop and copy machine costs.**

**PCSD should develop strategies to reduce the cost of its print shop and copy machine functions. These strategies could include adjusting print shop staffing levels, reducing the number of copy machines, or some combination thereof.**

PCSD operates a central print shop, consisting of 5.5 FTEs that are responsible for printing all of the District's high volume literature (estimated to be 24 million impressions annually). The District's copier contract provides for 89 copy machines and expires in June, 2012. **Table 3-6** compares PCSD's print shop and copier costs to Akron City School District (Akron CSD), Canton City School District (Canton CSD), Lakewood City School District (Lakewood CSD) and Pickerington Local School District (Pickerington LSD).

**Table 3-6: Print Shop and Copier Comparison**

	Parma CSD	Akron CSD	Canton CSD	Lakewood CSD	Pickerington LSD	Peer Average
<b>Print Shop Operations</b>						
# of FTEs	5.5	4.0	1.0	0.0	0.0	2.5 <sup>1</sup>
Students per FTE	2,126	5,849	9,834	0	0	7,841 <sup>1</sup>
Print Shop Salary Costs per Student	\$11.48	\$5.46	\$2.81	\$0.00	\$0.00	\$4.14 <sup>1</sup>
<b>Copier Contracts</b>						
# of Copiers	89	124	51	56	50	70
Students per Copier	131	189	193	101	206	172
Copier Costs per Student	\$30.15	\$14.11	\$19.43	\$44.55	N/A	\$26.03 <sup>2</sup>
<b>Print Shop and Copier Costs</b>						
Total Combined Cost per Student	\$41.63	\$19.57	\$22.23	\$44.55	N/A	\$28.79 <sup>2</sup>

Source: PCSD and peers.

<sup>1</sup>Excludes Lakewood CSD and Pickerington LSD.

<sup>2</sup>Excludes Pickerington LSD.

**Table 3-6** shows that PCSD maintains higher staffing levels in the print shop than Akron CSD and Canton CSD, which results in fewer students per FTE and higher salary costs per student. Lakewood CSD and Pickerington LSD do not operate central in-house print shops. PCSD's Business Operations Manager indicated that the higher staffing levels are necessary because PCSD prints a significant amount of material. For example, in an effort to reduce costs, the District no longer purchases textbooks and instead uses the print shop to print the majority of classroom materials. AOS did not survey the peers to determine how many items they print in a year or how they procure textbooks and classroom materials. **Table 3-6** also shows that PCSD has fewer students per copy machine and higher copier costs per student, when compared to the peer averages.

Collectively, the results of **Table 3-6** show that PCSD is not realizing the potential cost effectiveness of operating an in-house print shop given that it still requires more copy machines than the peers. The Business Operations Manager estimated that teachers in the high schools use the print shop for 75 percent of their printing needs and local copy machines for the remaining 25 percent, while elementary school teachers use the print shop 25 percent of the time and local copiers the remaining 75 percent. The Business Operations Manager also indicated that he intends to reduce the number of copiers that are in use during the next contract, with more work being directed to the print shop.



*Financial Implication:* If PCSD reduced the total print shop and copier costs per student to the peer average, it would save approximately \$150,000 annually.

### **R3.5 Review printer usage.**

**PCSD should review its inventory reports and determine the exact number, type, and location of printers. Subsequently, the District should develop strategies to reduce the total number of printers that are in use. One strategy could include replacing numerous personal inkjet printers with more cost efficient laser printers that can be shared through network access.**

According to the FY 2008-09 BETA Survey report submitted to E-Tech Ohio, PCSD owned a total of 1,801 printers that were used to support 12,457 students and 796 teachers. These figures equate to the District supporting 6.9 students and 0.4 teachers per printer, respectively. In addition, PCSD reported that approximately 92 percent (1,658) of its printers were desktop inkjets while the remaining 8 percent (143) were laser printers. By comparison, Akron CSD, Brunswick CSD, Canton CSD, Lakewood CSD, and Toledo CSD reported that they supported an average of 31.7 students and 2.1 teachers per printer, and that inkjets represented 38 percent of the total number of printers. These indicators show the District is maintaining significantly more printers than the peers and that the composition of printers is weighted more heavily towards desktop inkjet printers. The article *Inkjet Verses Laser Printer* (Small Business Computing.com, 2005) notes that in comparison to inkjets, laser printers are quieter, faster, and generally more hassle free. In addition, the article indicates that a typical laser jet printer costs around \$0.02 per page, which is eight times less than an inkjet printer. Furthermore, the article *Printer Pricing: An Inkjet vs. Laser Smackdown* (Small Business Computing.com, 2008) indicates that many organizations suffer from printing chaos due to rapid expansion and the purchase of numerous personal inkjet printers for new employees. The article goes on to state that in these types of organizations “there is a 10 to 30 percent savings opportunity through printer and vendor consolidation.”

During the course of this audit, the District provided AOS with a FY 2010-11 inventory list showing that it only owns 593 printers. However, the District did not provide an explanation for the large variance between the inventory list and the FY 2008-09 BETA Survey. Nevertheless, even if the abovementioned ratios are adjusted to only include 593 printers, the revised ratios of students and teachers per printer (21.1 and 1.3, respectively) are still lower than the peer averages, indicating that additional review is warranted.

### **R3.6 Replace the human resources software package.**

**The District should follow through with plans to purchase human resources software that is capable of interfacing with the accounting, payroll, and student information systems.**

PCSD uses State software for accounting and payroll purposes, E-School for student reporting,

and a custom software package for human resources management. The software packages do not interface, which increases the risk of data integrity issues and results in duplication of effort. Furthermore, the Business Operations Manager indicated that the human resources software has become outdated and is no longer supported by the vendor. As a result, the District intends to issue a request for proposal (RFP) in FY 2011-12 to replace the software. The Business Operations Manager further indicated that the RFP will require that the new software interface with the District's other software packages.

The article *Seven Cost-Saving Strategies for the IT Funding Crunch* (e-School News Online, 2005) identifies purchasing interoperable software as a best practice, stating that "...at the heart of this concept for K-12 schools is the Schools Interoperability Framework, an open standard specification that lets different K-12 software programs – such as student information systems and library automation software – connect through a central server and share information in a common computer language." The article goes on to state that creating an integrated technology infrastructure across the entire enterprise can reduce administrative work, improve data accuracy, bolster productivity, and save money.

### **R3.7 Continue with plans to implement prior audit recommendations.**

**The District should continue with its plans to implement the work order, preventive maintenance, and procedures manual recommendations from the 2010 performance audit. Once the building configurations are finalized, the District should also develop a facilities master plan.**

The 2010 performance audit of PCSD's facilities included recommendations that addressed custodial and maintenance staffing levels, overtime management, building capacity, facility master planning, preventive maintenance, computerized maintenance management systems (work order system), energy management, and written procedures and training programs to support employee development. **Table 3-3** shows that PCSD's utility costs per square foot (\$1.45) are significantly lower than the peer average (\$1.60). As a result, AOS did not further review PCSD's energy management practices during the course of this audit (**R2.8** in the 2010 performance audit). The changes in PCSD's staffing levels, overtime management, and building capacity since the 2010 performance audit are addressed in **R3.1**, **R3.2**, and **R3.3**. The implementation status of the remaining recommendations from the 2010 performance audit is summarized in **Table 3-7**.

**Table 3-7: 2010 Performance Audit Recommendations**

2010 Performance Audit Recommendation	Implementation Status	Description
<b>R2.5</b> The District should follow through on its intent to develop a formal facilities master plan.	Not Implemented	The District is currently evaluating building configurations and will likely close several school buildings. As a result, the District suspended any major repair/renovation programs.
<b>R2.6</b> PCSD should develop a formal preventive maintenance (PM) program that addresses all routine, cyclical, and planned building maintenance functions. In doing so, PCSD should consider the process recommended by NCEC and record PM activities, as well as maintenance tasks, in the work orders system.	Partially Implemented	PCSD has developed a formal preventive maintenance program, but is still in process of implementing the work order system to track all PM activities.
<b>R2.7</b> PCSD should purchase a work order system that has the ability to track the information recommended by NCEC.	Partially Implemented	The District purchased a work order system, but is still in process of incorporating the software into the daily tracking, reporting, and decision-making process.
<b>R2.9</b> PCSD should develop a written procedures manual for facility operations.	Partially Implemented	The District has formed a committee to develop a procedural manual for facility operations.
<b>R2.10</b> PCSD should expand its training program for facility employees to include additional topics recommended by industry organizations.	Implemented	PCSD developed a training program that is designed to meet OSHA guidelines and provide instruction on any new products or equipment that are purchased. All training is tracked and reported by the Business Office.

**Source:** 2010 performance audit and PCSD

**Note:** The current performance audit did not determine whether the District addressed the latter portions of **R2.2** (reviewing other factors impacting overtime and ensuring rental fees cover costs) and **R2.9** (developing performance standards and measures) from the 2010 performance audit. However, the District could develop performance standards and measures as it develops the procedure manual.

# Transportation

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## Background

This section of the performance audit focuses on Parma City School District's (PCSD or the District) transportation operations. Throughout this section, PCSD's operations are evaluated against selected peer school districts<sup>14</sup>, and leading or recommended practices and operational standards from applicable sources. Sources include the Ohio Revised Code (ORC), the Ohio Department of Education (ODE), the Federal Transit Administration (FTA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

### *Operational Statistics*

The Transportation Director oversees the District's transportation function. PCSD provided Type I pupil transportation services to 1,827 riders in FY 2010-11. Type I services pertain to those provided on District-owned yellow buses. **Table 4-1** compares PCSD's transportation operational data to the peer average.

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<sup>14</sup> See the **executive summary** for a list of peer districts and an explanation of the peer selection methodology. All eight peer school districts were not used because of a lack of comparable data. The ensuing analyses and tables will disclose the number of districts comprising the peer average.

**Table 4-1: Key Statistics and Operating Ratios**

Key Statistics	PCSD	Peer Average <sup>1</sup>
Square Miles	29.0	33.7
Enrollment	11,695	9,768
Total Students Transported – All Types	2,535	7,775
<b>Yellow Bus Riders (Type I)</b>		
Public	1,205	5,407
Non-Public	175	482
Community School	154	3
Special Needs	293	150
Total Yellow Bus Riders	1,827	6,043
<b>Buses (Type I)</b>		
Active Buses	67	78
Spare Buses	34	14
<b>Miles (Type I)</b>		
Annual Routine Miles	569,700	1,035,848
Annual Non-Routine Miles	48,526	59,646
Total Miles	618,226	1,095,495
<b>Operating Ratios</b>		
Enrollment per Square Mile	403	296
Riders per Square Mile	63	180
Public Riders as Percent of Enrollment	10%	55%
Yellow Bus Riders per Active Bus	27	78
Spare Bus Ratio	34%	15%

Source: PCSD and peer district T-forms.

<sup>1</sup>The “peer average” comprises seven school districts.

**Table 4-1** shows that PCSD has a significantly higher enrollment per square mile than the peer average (403 vs. 296). However, PCSD provides yellow bus transportation services to only 10 percent of its enrollment while the peer average is 55 percent, due to the District’s transportation policy (see **R4.4**). As a result, the District transports 63 riders per square mile, much lower than the peer average of 180. **Table 4-1** also shows that PCSD transports 27 yellow bus riders per active bus, much lower than the peer average of 78. This is due to a failure to make full use of available bus capacity when developing routes and a decision not to stagger school building bell schedules to allow for multiple runs per bus (see **R4.1**). Finally, **Table 4-1** shows that PCSD’s spare buses represent 34 percent of the total fleet, which is significantly higher than the peer average of 15 percent (see **R4.6**).

**Table 4-2** compares PCSD’s transportation cost data to the peer average for FY 2009-10.

**Table 4-2: Transportation Cost Comparison**

	PCSD	Peer Average <sup>1</sup>	How Addressed in Performance Audit
<b>Salaries:</b>			
Per Yellow Bus Rider	\$1,173.24	\$465.90	See <b>R4.1</b> and <b>R4.3</b>
Per Active Bus	\$31,992.75	\$31,718.43	
Per Routine Mile	\$3.76	\$2.61	
<b>Benefits:</b>			
Per Yellow Bus Rider	\$890.80	\$237.57	See <b>R2.2</b> , <b>R4.1</b> , <b>R4.2</b> , and <b>R4.3</b>
Per Active Bus	\$24,290.99	\$16,226.41	
Per Routine Mile	\$2.86	\$1.33	
<b>Maintenance &amp; Repairs:<sup>2</sup></b>			
Per Yellow Bus Rider	\$380.01	\$127.94	See <b>R4.2</b>
Per Active Bus	\$10,362.25	\$8,774.05	
Per Routine Mile	\$1.22	\$0.71	
<b>Fuel:</b>			
Per Yellow Bus Rider	\$157.56	\$66.92	See <b>R4.5</b>
Per Active Bus	\$4,296.51	\$4,641.56	
Per Routine Mile	\$0.51	\$0.39	
<b>Bus Insurance:</b>			
Per Yellow Bus Rider	\$26.60	\$10.55	See <b>R4.6</b>
Per Active Bus	\$725.43	\$713.47	
Per Routine Mile	\$0.09	\$0.06	
<b>All Other Costs:</b>			
Per Yellow Bus Rider	\$50.08	\$16.01	See <b>R4.5</b>
Per Active Bus	\$1,365.58	\$1,117.97	
Per Routine Mile	\$0.16	\$0.09	
<b>Total Expenditures:</b>			
Per Yellow Bus Rider	\$2,678.30	\$924.89	
Per Active Bus	\$73,033.51	\$63,191.89	
Per Routine Mile	\$8.59	\$5.18	

**Source:** PCSD and peer district T-forms.

<sup>1</sup>The peer average for total expenditures reflects seven school districts, while the peer average for the other categories reflects five school districts.

<sup>2</sup>Includes mechanic and mechanic helper salaries.

**Table 4-2** shows that PCSD's total expenditures are significantly higher than the peer average on a per yellow bus rider, per active bus, and per routine mile basis. See **R4.1**, **R4.2**, **R4.3**, **R4.5**, and **R4.6** for additional analysis.

## Recommendations

During the time of this performance audit, the District was reviewing its current building configurations to identify potential building closures. Future building closures could result in an increase in the number of students that will need transportation services. Therefore, the District should consider the impact of building closures alongside the ensuing recommendations. Regarding **R4.1**, the District should refrain from selling any vehicles until a final decision is made concerning future building configurations and use the strategies and benchmarks in **R4.1** to ensure it operates an efficient and cost-effective transportation program. Likewise, once the District makes final decisions concerning the building configurations and the size of the active bus fleet, it should reevaluate its mechanic (see **R4.2**) and supervisory (see **R4.3**) staffing levels, as well as the size of the spare fleet (see **R4.6**) to determine if adjustments are necessary.

### **R4.1 Reduce the active fleet by at least 38 buses.**

**PCSD should eliminate at least 38 buses from the active fleet by staggering the school building bell schedules to allow for multiple runs per bus and altering the routes to improve bus capacity utilization. Commensurate with the fleet reduction, the District should eliminate 38 bus driver positions.**

**Table 4-3** compares key operating indicators at PCSD to other benchmarks.

**Table 4-3: Key Statistics and Operating Ratios**

PCSD	Benchmark	Action Necessary
In FY 2009-10, PCSD's cost per yellow bus rider was \$2,678.	The peers incurred an average cost per yellow bus rider of \$925.	Based on current ridership, the District would need to reduce total transportation operating costs by approximately \$3.2 million, or 65 percent, to achieve the peer average.
In FY 2010-11, PCSD transported 27 yellow bus riders per active bus, which includes all regular and special needs riders. When separated, PCSD transported an average of 35 regular needs riders per regular bus and 13 special needs riders per special needs bus.	The peers transport an average of 78 riders per active bus. When separated, the peers transport an average of 84 regular needs riders per regular bus and 32 special needs riders per special needs bus.	Based on current ridership, the District would need to reduce the active bus fleet by 26 regular buses and 14 special needs buses to achieve the peer averages, or a total of 40 reductions.
Using the District's current bus route schedules and AOS methodology <sup>1</sup> , it is estimated that PCSD uses an average of 31 percent of its available bus capacity.	The article <i>Hidden Savings in Your Bus Budget</i> (American Association of School Administrators, 2005) states that an effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two tier bus system, and that actual capacity use must be measured with 80 percent of rated capacity as a goal.	Based on current ridership and AOS methodology, the District would need to reduce the active bus fleet by 48 buses to achieve 80 percent capacity utilization.
In FY 2009-10, ODE reported that PCSD transported approximately 34 riders per bus.	For funding purposes, ODE established PCSD's efficiency target at 65 riders per bus.	Based on current ridership, PCSD would need to reduce 38 buses from the active fleet to achieve the ODE benchmark.

**Source:** PCSD, peers, American Association of School Administrators, and ODE

<sup>1</sup>This assumes three students per seat for regular elementary level transportation and two students per seat for regular middle and high school transportation. This is based on bus manufacturer's rated capacity and other industry sources.

**Table 4-3** illustrates that PCSD's transportation program is inefficient, showing that it would need to reduce between 38 and 48 buses to achieve the various benchmarks. **Table 4-3** also shows that PCSD would need to reduce approximately \$3.2 million in operating costs to achieve the peer average cost per rider. The inefficiencies are partially due to the District's routing practices. For example, the District uses its transportation software to construct bus routes around neighborhood blocks that were developed several years ago, rather than setting the parameters to make best use of available bus capacity. The certificated collective bargaining agreement (CBA) also contributes to the inefficiencies. Specifically, the certificated CBA defines the starting and ending times for teachers, stating that "...the teacher's overall work schedules shall be arranged so as to be substantially the same for elementary, middle school, and senior high school teachers. The starting and ending times set forth in Article VII are based on current schedules." For example, the CBA states that all elementary school teachers shall report to work within 10 minutes of their selected



starting time of 8:30 AM or 8:45 AM and shall remain in their buildings for 7 and ¼ hours from their starting time. The CBA also states that students shall not report to classrooms prior to 9:00 am on any school day and shall be dismissed no later than 3:15 pm. The CBA has similar provisions addressing the workday for middle school and high school teachers, although the starting times and work hours are different.

The Transportation Director indicated that when the detailed start and end times in the CBA are considered in conjunction with bell schedules at the parochial and community schools within the District, it is difficult for PCSD's buses to complete more than one run per bus. This is supported by **Table 4-1**, which shows that PCSD's buses only transport 27 yellow bus riders per bus while the peer average is 78. According to the Transportation Coordinator at ODE, multi-tiered routing plans are a successful strategy for minimizing cost and maximizing transportation capacity. The Transportation Coordinator further indicated that the primary benefit of multi-tiered routing is that school districts can usually reduce the size of the fleet, thereby reducing operating costs.

During the course of this audit, PCSD agreed to a new CBA with the certificated staff. The new CBA eliminates the restrictive start and end times, stating that "...effective with the start of the 2011-2012 school year, the Board may adjust starting and ending times of any schools, provided that the length of the teachers' work day is not increased." The contract goes on to state "...in adjusting such times, the Board will consider transportation, efficiency and alignment issues in consultation with the Parma Education Association."

*Financial Implication:* If the District eliminated 38 active buses, the estimated annual salary and benefit savings would be \$731,000, based on the lower salaried bus drivers. The District could achieve greater savings if it was able to reduce other operating costs by reducing the total number of miles driven through the aforementioned strategies. For example, reducing the District's total cost per rider to the peer average would save approximately \$3.2 million annually, while reducing the total cost per routine mile to the peer average would save approximately \$1.9 million annually.

#### **R4.2 Reduce mechanic staffing levels by 5.0 FTEs.**

**PCSD should reduce at least 3.0 FTE mechanic positions. However, based on the bus reductions noted in R4.1, PCSD should increase the mechanic staffing reduction by 2.0 additional FTEs, for a total reduction of 5.0 FTEs.**

**Table 4-2** shows that PCSD spent \$10,362 per bus on maintenance and repairs in FY 2009-10, which is 18 percent higher than the peer average of \$8,774. Likewise, the District spent \$1.22 per routine mile on bus maintenance and repairs, which is 72 percent higher than the peer average of \$0.71. The large variances are due to PCSD's mechanic staffing levels. **Table 4-4** compares PCSD's mechanic staffing and salary costs to the peer average.

**Table 4-4: Mechanic Staffing Levels**

	PCSD	Peer Average <sup>1</sup>
Active Buses per FTE	8.4	14.3
Salary Costs per Active Bus	\$5,017	\$3,761

Source: PCSD and peers

<sup>1</sup>The peer average comprises four districts.

**Table 4-4** shows that PCSD's mechanics maintain fewer active buses per FTE, resulting in higher salary costs per active bus. PCSD would need to reduce 3.3 FTEs to achieve the peer average of 14.3 active buses per FTE. However, **R4.1** recommends that the District reduce 38 active buses from the fleet. When the workload ratios are adjusted to reflect **R4.1**, PCSD's revised number of active buses per mechanic declines to 3.6. At this level, PCSD would need to reduce approximately 6.0 FTEs to achieve the peer average of 14.3 buses per FTE.

Although PCSD's mechanics are primarily responsible for maintaining school buses, they also complete some maintenance on other District-owned vehicles and equipment that are not reflected in **Table 4-4**. Furthermore, AOS did not survey the peers to determine how many other vehicles and equipment their mechanics are responsible for maintaining. Because of the additional workload, it may be difficult for the District to achieve the maximum reduction of 6.0 FTEs. If PCSD reduced 5.0 FTEs and implemented **R4.1**, the revised number of active buses per FTE would be 9.7, which is 32 percent lower than the peer average (14.3). Furthermore, the salary cost per active bus would be \$4,652, assuming the District eliminates the lower-salaried positions, which is 24 percent higher than the peer average.

*Financial Implication:* PCSD could save approximately \$201,000 in salary and benefit costs by reducing the 5.0 lowest paid mechanic positions. This savings estimate assumes that the District will implement **R4.1**.

### **R4.3 Reduce supervisor staffing levels by at least 1.0 FTE.**

#### **PCSD should eliminate at least 1.0 supervisory FTE from the Transportation Department.**

PCSD employs 3 supervisory positions within the Transportation Department, consisting of the Director of Transportation, Bus Routing Supervisor, and Dispatch Supervisor. In FY 2010-11, this equated to approximately 22 active buses per supervisor. In contrast, the supervisors at the peer districts are responsible for an average of 30 active buses per supervisor. In addition, the supervisor salaries average \$2,665 per active bus, compared to the peer average of \$1,984.<sup>15</sup> Under current operations, the District would need to reduce 0.80 supervisory FTEs to achieve the peer average of 30 active buses per supervisor and eliminate the lowest paid supervisor position to

<sup>15</sup>The peer average supervisor ratios reflect six districts.

come closer to the peer average salary cost per active bus. However, **R4.1** recommends that the District eliminate 38 active buses from the fleet. If PCSD implements this recommendation, the revised ratio of active buses per supervisor would decline to approximately 10 and the cost per active bus would increase to \$6,156. Under this scenario, the District would need to reduce approximately 2 supervisory FTEs to achieve the respective peer averages.

Although the impact of **R4.1** supports eliminating approximately 2 supervisory FTEs, supervisory staffing levels are not as correlated to the fleet size as some of the other positions, such as bus drivers (see **R4.1**) and mechanics (see **R4.2**). As a result, the District may need to maintain more than one supervisor position, especially in light of potential building configuration changes that could increase transportation services and other unique issues. For example, the District transports nearly twice as many special needs riders as the peer average (see **Table 4-1**). If the District eliminated the lowest paid supervisor position, it would reduce its total supervisory salary costs to approximately \$137,000. This would be lower than the peer average of approximately \$158,000.

*Financial Implication:* The District would save approximately \$60,600 in salary and benefit costs by reducing the lowest paid supervisor position.

#### **R4.4 Review the transportation policy.**

**The District should review its transportation policy and determine the impact it has on State funding levels and operating costs to determine potential modifications. In doing so, it should use the available tools from ODE. The District should also ensure that efficiency is optimized as it considers potentially expanding services (see R4.1).**

ORC § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten 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. To help reduce costs, the District adopted the State minimum requirements as its official transportation policy on January 26, 2009. **Table 4-1** shows that under this policy, the District transports a much lower percentage of its enrollment and significantly fewer riders per square mile than the respective peer averages. These indicators show that PCSD's transportation policy significantly restricts the number of students that receive transportation services, relative to the peers.

The Transportation Director indicated the District has not recently reviewed the transportation policy to determine its impact on State funding levels. House Bill 1 was passed on July 17, 2009 and included changes to the State funding formula for transportation purposes. Under this system, the total State funding a school district receives for regular needs student transportation services is comprised of four basic components. An explanation of these components and PCSD's FY 2010-

11 funding levels includes the following:

- **Base Payment:** This is the primary element of pupil transportation reimbursement for all students transported on a yellow bus, and is based on a rate per mile and a rate per pupil that is similar for all school districts in Ohio. In FY 2010-11, the District received approximately \$578,000 through this provision.
- **Efficiency Adjustment:** Under this provision, each district is assigned a target ridership per bus. School districts that exceed the target ridership will receive a 10 percent positive adjustment in their State funding. In FY 2010-11, ODE established PCSD's target ridership at 65 riders per bus. However, ODE reported that PCSD transported an average of only 34 riders per bus. As a result, the District did not receive the additional funding available through this provision, which is estimated to equal approximately \$94,000.
- **Service Levels:** This adjustment is intended to encourage school districts to provide transportation for more students. School districts that provide bus service for high school students can receive a 2.5 percent positive adjustment. School districts that provide bus service for students in grades one through eight that live more than one mile from a school building can receive an additional 2.5 percent positive adjustment. PCSD did not receive any additional funding through these provisions that are estimated to equal a combined total of approximately \$47,000. Because PCSD currently uses only 31 percent of its available bus capacity for transporting students (see **R4.1**), there is a high likelihood that many buses with excess capacity are driving past students that are walking to school. As a result, PCSD may be able to increase its funding levels by transporting additional students without significantly impacting its operating costs.
- **All Other:** This adjustment is intended to compensate districts for the increased logistical costs attributed to providing services to students attending schools other than the traditional public school. There are also other adjustments for school districts that fall below the State's median income and the State median rider density. PCSD received approximately \$114,000 in funding through these provisions.

*Financial Implication:* By exceeding ODE's efficiency target, the District could increase its State funding for transportation purposes by \$94,000 (also see **R4.1**). Although the District could further increase its funding through the service level adjustments, the decision to expand services should be based on the items noted in this recommendation to ensure that the potential costs of increasing services do not exceed the additional funding.

#### **R4.5 Review fuel and all other costs.**

**The District should use competitive bidding and review pricing in other consortiums to determine if it is receiving the “best” price for fuel. The District should also review the “all other costs” on its T-2 Form to identify potential cost saving strategies.**

**Table 4-2** shows that PCSD spent \$0.51 per mile on fuel costs in FY 2009-10, while the peer average was \$0.39. According to the Transportation Director, the District has an automated fuel dispensing system that requires bus drivers to enter the bus number, odometer readings, and a special pass code. This system helps minimize the risk of theft and waste. The Transportation Director also indicated the District purchases fuel through the Ohio Schools Council (OSC), which is a purchasing consortium comprised of 152 school districts in northern Ohio. The District has used the OSC to purchase fuel for the last four years. During this time, the District has not used competitive bidding or reviewed other consortiums to determine if it could obtain more favorable pricing through other strategies. Prior to this, the Transportation Director noted that the District annually obtained 4 price quotes to determine the best contract price.

**Table 4-2** also shows that PCSD spent \$50.08 per rider, \$1,366 per active bus and \$0.16 per mile on all other costs (total of approximately \$91,000), which are all higher than the respective peer averages (\$16.01, \$1,118 and \$0.09). According to the District’s FY 2009-10 T-2 form, the \$91,000 is comprised of \$16,000 for physical exams and drug tests, \$1,000 for certifications and licensing, \$5,000 for training, \$38,000 for utilities, and \$31,000 for miscellaneous expenditures. The District’s expenditures for physical exams and drug tests, certifications and licensing, and training represent staff support costs that could decline if the District implements **R4.1**, **R4.2**, and **R4.3**. Reviewing the \$31,000 in miscellaneous costs will help ensure that they are coded correctly and that they are necessary expenses. Likewise, reviewing the utility costs may allow the District to implement cost saving strategies.

#### **R4.6 Review the size of the spare fleet.**

**Once the District makes final decisions regarding future building configurations, bus reductions (see R4.1), and service levels (see R4.4), it should review the size of its spare bus fleet. PCSD should strive to achieve the 20 percent spare bus ratio suggested by the Federal Transit Administration (FTA) and ODE.**

**Table 4-2** shows that PCSD spent \$725 per active bus on insurance, slightly higher than the peer average of \$713. The higher number of spare buses contributes to this variance, assuming that the District’s total bus insurance costs include spare buses. Specifically, the District reported using 34 spare buses, which represents 34 percent of the total fleet. By comparison, the peers maintained an average of 14 spare buses, which only represented an average of 15 percent of the total fleet. Furthermore, the FTA has adopted a policy stating that the number of spare buses should not exceed 20 percent for grantees operating more than 50 active vehicles in a fleet. Likewise,

according to the Transportation Coordinator at ODE, spare buses typically comprise 20 percent of a district's fleet. Under current operations, the District would need to reduce 21 spare buses in order to achieve the 20 percent ratio suggested by the FTA. However, future building closures, and changes to the active fleet (see **R4.1**) and service levels (see **R4.4**) can impact the number of spare buses to maintain in the future.

#### **R4.7 Negotiate to restructure the minimum hour guarantee and eliminate spare positions.**

**PCSD should negotiate to reduce the minimum hour guarantee provided to bus drivers and base the hours on the number of runs that are actually completed, similar to Brunswick CSD. PCSD should also negotiate to eliminate the requirement to employ 6 to 10 bid spare positions.**

The collective bargaining agreement with OAPSE has the following provisions that could limit PCSD's ability to efficiently manage the transportation program:

- **Minimum Hour Guarantee:** The agreement states that any driver hired before February 1, 1999 will be guaranteed 5.5 hours of work per day once they complete eight years with the District. All drivers who have less than eight years of service, or were hired after February 1, 1999, are guaranteed 4.5 hours of work per day for morning and afternoon routes. Mid-day routes, such as kindergarten or other shuttle runs, receive an additional guarantee of 1.5 hours of pay. The Transportation Supervisor indicated the timeframes for most routes exceed the minimum requirements, and that there are few instances when the District needs to find work to productively fill an employee's workday. This is further supported by a provision in the OAPSE agreement that requires bus drivers receiving a 5.5 hour guarantee to bid on routes that take 5.5 hours or longer to complete. Nevertheless, providing a daily guarantee based solely on bus driver seniority has the potential to limit PCSD's ability to adjust routes to improve efficiency. By comparison, Brunswick CSD provides a guarantee based on the runs a bus actually completes. For example, Brunswick CSD's contract states that bus routes consisting of 1 run are guaranteed a minimum of 1.75 hours, bus routes with two or more runs are guaranteed a minimum of 2.0 hours, and a kindergarten route is guaranteed 1.75 hours. This provision permits Brunswick CSD to modify bus routes as needed, without concern for ensuring bus drivers remain productive each day.
- **Spare Positions:** The OAPSE agreement states that effective August 2001, PCSD will maintain no less than 10 bid spare positions, with 5 having a 5.5 hour guarantee. The agreement also states that "...if there is a reduction in the transportation program, which would cause drivers to be laid-off, then the number of bid spare positions shall be reduced to no less than 6." According to the Transportation Supervisor, the bid spare positions are full-time employees that are used to cover bus driver absences. However, reducing the size of the fleet (see **R4.1**) could cause the District to have more spare bus driver positions than

necessary. For example, 10 bid spare positions currently represent 15 percent of the active fleet. If PCSD implements **R4.1**, 6 bid spare positions would represent 21 percent of the revised fleet. Neither Berea CSD nor Brunswick CSD has bid spare provisions in their CBAs.

#### **R4.8 Develop policies and procedures for completing T-forms.**

**The District should develop formal policies and procedures that stipulate the process for completing T-forms, as well as the required supporting documentation. The District should ensure that it is accurately reporting costs, riders (also see R4.9), and miles to ODE. Additionally, the policies and procedures should cover the review process for data in the T-forms, such as reconciling costs in the T-2 form to the District's accounting system.**

Each school district in Ohio is required to report information about transportation operations to ODE on an annual basis. The T-1 form is used to report information on students, buses, and miles. The T-2 form is used to report the actual expenses incurred in the transportation of eligible students to and from school. At PCSD, the Transportation Department is primarily responsible for preparing the transportation reports.

The Transportation Director indicated that ODE has previously questioned the District's student counts, but feels that the issues have been corrected on the FY 2010-11 T-forms. In addition, while the review of the T-1 and T-2 data revealed some discrepancies, the review results taken collectively and in conjunction with other information collected in this performance audit indicate that these discrepancies would not alter the audit conclusions. For example, the total expenditures reported on the T-2 form for FY 2009-10 are almost identical (0.15 percent variance) to the total transportation expenditures reported by ODE's Expenditure Flow Model system, after excluding capital outlay costs which should not be reported on the T-2 form. This suggests that the District may be including non-routine costs in the T-2 form that should not be reported. However, the impact of potentially including non-routine costs on the cost comparisons in **Table 4-2** is likely insignificant. For example, non-routine miles comprised 7.8 percent of the total miles in FY 2010-11, while the total expenditures per rider, per active bus and per mile in **Table 4-2** are well above 7.8 percent when compared to the peer averages. Likewise, the combined mileage for the sample of ten buses was 8.3 percent higher on the T-1 form than the amount reflected in the supporting documentation. However, a lower number of miles would further increase the cost per mile discrepancies in **Table 4-2**. Lastly, the District does not prepare a formal reconciliation to account for the differences between the two reports. Similarly, the District does not have formal policies or procedures that specify how T-form information is to be prepared, reviewed, reconciled, and approved before submission to ODE, or the type of supporting documentation that should be maintained.

House Bill 1 included changes to the State funding formula for transportation purposes (see **R4.4**). The Transportation Coordinator at ODE indicated "a key difference in this formula from previous

formulas is that the transportation funding will now be calculated based upon current year ridership, bus mileage, and service levels. This makes accurate and timely completion of T-forms very important.”

#### **R4.9 Include Transportation Department in IEP meetings.**

**The District should include Transportation Department personnel when discussing special needs transportation at individualized education program (IEP) meetings. This will help address past T-form reporting errors, and ensure the use of safe and efficient methods of transportation.**

In FY 2008-09, ODE initially rejected PCSD’s T-2 Form, stating that the District needed to confirm its special education student counts. Although the FY 2009-10 T-2 Form was approved with no modifications, the Transportation Director indicated that ODE notified the District that it intends to audit the special education student counts on prior year T-forms. PCSD’s reporting difficulties are partially due to its process for determining, documenting, and communicating which students receive special needs transportation. For example, the current Transportation Supervisor (employed at PCSD approximately 1 year) indicated that the prior Special Education Director often sent notices to the Transportation Department stating that special needs transportation services were required for certain students, but did not include appropriate documentation in the IEP to support the need. Based on the notices, the prior Transportation Supervisor authorized the transportation services and counted the students on the T-form, but did not verify that the services were actually necessary or appropriately documented in the IEP. This increases the risk of overstating the number of special needs riders because two conditions must be met in order to count a student as special needs: they must have an IEP that requires transportation and must represent more than 50 percent of the ridership of the bus on a given trip. In FY 2010-11, the T-1 form reported 6 special needs riders on bus number 213, even though they represented less than 50 percent of the total riders (14).

In response to the above issues, the current Transportation Supervisor now requires verification that appropriate documentation is included in each student’s IEP. However, the District still does not include Transportation Department personnel in the IEP meetings when special needs transportation services are being discussed.

During a performance audit of Cuyahoga Falls CSD, the district indicated that transportation staff is included in IEP discussions if transportation is a concern. Likewise, Ohio Administrative Code (OAC) section 3301-51-10 (C)(2) stipulates that “school district transportation personnel shall be consulted in the preparation of [IEPs] when transportation is required as a related service and when the child’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation.”



**R4.10 Develop bus replacement plan.****The District should develop and approve a bus replacement plan, and update it annually.**

According to the Transportation Director, PCSD used to have a formal bus replacement plan. However, the plan became somewhat irrelevant when the funding was suspended due to the District's current financial difficulties. Despite this, the Transportation Director indicated that the overall fleet is in good shape and that all buses passed the 2010 State Highway inspections. A review of PCSD's bus inventory shows that as of August 2010, the average age and mileage was approximately 8 years and 70,000 miles, respectively. In addition, the District had 13 buses that were older than 15 years, but none had more than 172,000 miles.

The National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests that Type C and D buses (conventional buses) should be replaced after 12 to 15 years, and Type A and B buses (lighter duty buses) should be replaced after 8 to 10 years. NASDPTS also notes that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. NASDPTS states that establishing school bus replacement policies is important because it directly impacts the timeliness of introducing the latest safety, efficiency, and emissions improvements into the fleet.

Although PCSD can potentially operate several more years without replacing buses based on the current age and mileage of the fleet, the District could face a large liability in the long-term due to delayed bus replacements. Developing a bus replacement plan would help the District anticipate these needs and identify potential sources of funding in advance.

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## District Response

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

The District's official response includes the recommendations as they were presented in a preliminary draft of the audit report. Because revisions to the language were made prior to final publication, a reader should refer to the audit report for the specific recommendations. In addition, based on the District's official response and information published on PCSD's website, the portion of **R1.4** pertaining to community forums was removed from the audit report. This was the only change to the audit report based on the District's official response because documentation was not provided to support other revisions. The information presented in the audit report is supported by evidence collected during the course of the performance audit. Lastly, the following is intended to clarify other items mentioned in the District's official response:

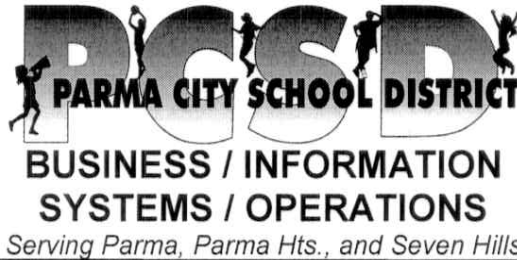
- **R1.1:** The recommendation to include estimates for base wage increases is based on the collective bargaining units agreeing to no base wage increases for five consecutive years, the absence of an agreement beyond FY 2012-13, and the levy passage in May 2011. The inclusion of base wage increases would provide a more conservative (i.e., cautious) forecast.
- **R2.1:** In order to reduce the number of library aide positions, the District may need to assign library staff to multiple schools and/or use other staff to help provide coverage at each school. Additionally, because 17 bus monitors were excluded from the recommended staffing reductions, the District would still employ more monitor FTEs per 1,000 students than the peer average, even after eliminating 33 FTEs.
- **R2.7:** The variance in vocational expenditures per student is explained in the analysis.
- **R3.4:** Even when assuming that 2.2 FTEs in the print shop are in fact performing just mailroom duties and then excluding them from the print shop staffing levels, the District maintains a ratio of 3,544 students per print shop FTE. This is still lower than each peer district. Likewise, the District's salary cost per student (\$6.89) and total combined cost per student (\$37.04) are still much higher than the respective peer averages.
- **General Comments – Transportation:** Although other data in the performance audit suggests the potential for greater reductions, the recommendation to eliminate at least 38

buses is based on ODE's efficiency target for PCSD. Furthermore, the District is operating a relatively young fleet (see **R4.10**) and the audit accounts for the mechanics' duties related to other vehicles (see **R4.2**).

- **General Comments – Maintenance and Operations:** The audit allocates time for the various facility functions based on information provided by the District during fieldwork. The District's official response reports a total of 90 positions, which is the same number in the audit report (see **Table 3-1**).

Administration

Jeffrey M. Graham, Ed. D., Superintendent  
Daniel B. Bowman, Treasurer/CFO  
Michael Hartenstein, Chief Operating Officer



Board of Education

Leo Palaibis, President  
Kathleen A. Petro, Vice President  
Karen S. Dendorfer  
Rosemary C. Gulick  
Sean P. Nicklos

Mr. Dave Yost  
Auditor of State  
88 East Broad Street  
Fifth Floor  
Columbus, Ohio 43215-3506

October 10, 2011

Dear Mr. Yost:

On behalf of the Parma City Schools, we would like to thank the entire Performance Audit Team for their time and effort in completing our recent Performance Audit. It was refreshing to work with a team that was knowledgeable in the intricate details of school system operations. Their knowledge and commitment was evident in each and every step of the process.

We have already begun to research and implement many of the suggestions listed in the report. Other suggestions will be studied and implemented in a second phase. We are confident that by implementing the strategies you have outlined, we will provide a better service to our community.

The goal of this Performance Audit was to evaluate our Business Practices for efficiency of operation and compliance. We have learned that our foundation is sound and you have offered good solid specific advice for improvement.

We thank you for your time and effort.

Sincerely,

Jeffrey M. Graham  
Superintendent

Michael Hartenstein  
Chief Operating Officer

### **R1.1 Review assumptions for personnel services in forecast.**

The District should include estimates for base wage increases, unless the collective bargaining agreements specifically stipulate wage freezes or doing so would result in noncompliance with ORC 5705.412. If and when applicable, the District should disclose in the assumptions potential noncompliance with ORC 5705.412 and subsequently develop alternative scenarios to illustrate impacts of salary increases. The District should also reevaluate the projected savings from building closures once a final decision is made concerning the new building configurations (see R3.1).

- District Response: The recommendation to present salary increases above those prescribed in a CBA is only the opinion of the audit team and status quo of the past. Current economics, fluctuations/cuts in State funding, fluctuating enrollment trends require a more cautious forecast. The forecast reflects this District's history and current contract status. Line 12.010 demonstrates the district has ample reserves to ensure 5705.412 compliance as it *pertains to changes of the employees' compensation structure without collectively bargain* within the forecast. As other strategic plans become more formalized or different approaches to staffing arise, the forecast will assume are reflect their impact on the district's finances. The personnel reductions resulting from building reconfigurations do follow the consolidation presentation by the Superintendent from April 2011. The assumption is valid in that all plans up for Board consideration reflect that a minimum of four elementary buildings could close. The sum total from the closing of four elementary buildings is distributed over the applicable lines in the forecast.

Future forecast will provide more detail to the assumptions.

Until specific requirements and standardization are implemented by the State for the forecast assumptions, their description will be as varied as there are school districts in the State.

### **R1.2 Develop a comprehensive strategic plan.**

PCSD should develop a comprehensive strategic plan that outlines its long-term vision for all operational and educational programs. In preparing the plan, PCSD should include detailed goals, objectives, timeframes, performance measures, benchmarks, and applicable cost estimates. Once developed, PCSD should link the strategic plan to the budget, the five-year forecast, and other related plans. Finally, in developing the strategic plan, budget, and other related documents/plans, the District should ensure that stakeholders have an appropriate level of input. This should include the District's intent to have buildings and departments justify budget requests based on goals and objectives, thereby increasing accountability.

- District Response: The district completed a comprehensive strategic plan in May of 2010. It did not include detailed cost estimates for all sections but did contain orders of magnitude costing for each area.

There are seven major areas of focus in the plan:

1. Academics
2. Business Operations
3. Communications
4. Facilities

5. Finance
6. Safety and Security
7. Youth Engagement

More than 180 people participated in the creation of the plans including, but not limited to, students, teachers, parents, staff, community leaders, and representatives from local government.

As evidenced by the activity of the Facilities Integration team, detailed goals, benefits, budgets, and implementation planning has been provided to the district wherever possible.

### **R1.3 Expand Board policies to cover pertinent areas.**

PCSD should expand its policies to address recommended practices from the Government Finance Officers Association (GFOA) and the Ohio Ethics Commission (OEC).

- District Response: All district policies have been moved to an external policies management group at NEOLA. As a function of this move NEOLA has been reviewing ALL district policies to determine if they are up-to-date and if all policy areas are represented in the district policy manual.

Further, by moving policy management to NEOLA the district will be better able to track needed changes and to provide simpler access to both staff and the public through an external site hosted by NEOLA.

### **R1.4 Expand financial reporting and interaction with the community.**

PCSD should follow through with its plans to provide additional financial information on its website. The District should also reconsider its decision to stop preparing a comprehensive annual financial report (CAFR), develop and issue popular annual financial reports (PAFR), begin complying with ORC § 117.38, and conduct periodic community forums.

- District Response: The district complies with auditor of state financial reporting requirements and they are all available for review by the district website. The district formed a community finance advisory committee. This committee will advise to the improvements of the financial information on the district website and the consideration of GFOA practices for a popular financial report in understandable laymen terms.

It will correct the financial audit noncompliance with ORC 117.38 and publish the required announcement in a local paper.

The district does hold community meetings which are open to any questions regarding operations and finance entitled "Talk of the Town". During FY11 there were eight such meetings held. The talks resumed in September 2011.

### **R1.5 Implement prior audit recommendations.**

As the District moves forward with updating its policies, it should incorporate the purchasing policies and guidelines recommended in the 2010 performance audit. Further, the District should extend its competitive bidding practices to all common purchases, and review a sample of purchasing transactions to ensure that the improved oversight is having the desired effect, invoices are reconciled and appropriately documented, purchase orders are issued and approved prior to making purchases, etc.

- District Response: The district agrees and will move to comply.

### **R1.6 Review purchasing and vendor payment cycle.**

When the District conducts its sample test of current purchasing transactions (see R1.5), it should also review the transactions to determine if it is paying vendor invoices after the due dates. If the test shows that this continues to be a problem, the District should review its purchasing and vendor payment cycle and take action to eliminate unnecessary and duplicative steps.

- District Response: The district agrees and will move to comply.

### **R2.1 Reduce staffing levels by 65 FTEs.**

PCSD should reduce 9.0 library aide FTEs, and at least 23.0 office/clerical FTEs and 33.0 monitor FTEs. The District should also review the positions in other certificated, including those coded in EMIS as other professional staff, to determine if reductions can be implemented in this category. In order to ensure maximum savings for the General Fund, the District should review funding sources for these positions because of the potential for changes in funding sources from one year to the next. Lastly, the District should monitor its enrollment, financial condition, building configurations, and educational outcomes to identify potential staffing reductions in the future. These factors should be incorporated in a staffing plan (see R2.9).

- District Response: Because of the very limited certificated staffing in the building Media Centers ANY reduction in library aides will result in the closure of media centers. Library Media Aides are the ONLY staff covering these facilities. Further, only three buildings, the high schools, have two aides in the centers. These are required to both cover the circulation area and to manage individuals in the facility and at the computer labs. All other centers have one person covering them.

Changes in the recent certificated contract resulted in the loss of teacher coverage for duties so that they may focus on expanded Teacher-based Teams for RTI work. This work will result in the reduction over time of FTE's and overall special education costs. However, it has also necessitated the need for monitors to replace them.

The district will review the current number of clerical FTE's as suggested in the Performance Audit.

### **R2.2 Negotiate to further reduce health insurance costs.**

Although the District's recent contract negotiations improve the cost effectiveness of its health insurance program, PCSD should take additional steps to further reduce costs. Specifically, PCSD should negotiate to require that classified staff contribute 15 percent of the cost of health insurance premiums, similar to the certificated staff. PCSD should also make its benefit coverage levels (i.e, co-insurance and prescription tiers/co-pays) more consistent with industry standards, and enforce and increase employee deductibles. Prior to making any changes, the District should review the Patient Protection and Affordable Care Act (PPACA) to ensure that intended results of the change will be feasible under the new legislation.

- District Response: The district began a self-insured health care plan in 2008-09. The district changed from a broker-agent to an independent consultant in the assistant to manage the health care plan. This saved the district over \$235,000 annually in broker fees.

The district established a Health Care Committee. The committee has representation from all bargaining units, administration and the insurance consultant. The committee's responsibility is to evaluate the health care plan and make further recommendations on how the district may save money on health care.

The district corrected the block on deductibles and co-pays in the new CBA's and go into effect August 2011.

In February 2011 the district put the health care plan out on RFP. The RFP resulted in changing TPA. The change in TPA and the changes in health care plan structure (deductibles and co-pays enforced) in CBAs have resulted in the district premiums reducing by 12.36% FY 2012 premiums are for health-prescription coverage are \$469.68 single and \$1,279.25 family.

### **R2.3 Renegotiate certain provisions in the collective bargaining agreements.**

The District should negotiate to eliminate the extra period teaching stipend, the minimum hour guarantee for educational assistants, and the cafeteria provisions providing free lunches to employees and an hour of paid time for laundry responsibilities. The District should also negotiate to reduce the sick leave accumulation and severance payouts, vacation time, and the number of non-athletic supplemental contracts to be more comparable to the peers or minimum requirements in ORC. Lastly, PCSD should negotiate to eliminate severance payouts to any non-retiring employee, similar to certificated employees hired after 1996.

- District Response: The provisions of this recommendation which are not statutory limited will be investigated for changes during future negotiations.

### **R2.4 Improve the accuracy of EMIS information.**

PCSD should develop formal policies and procedures for preparing, reviewing and reconciling Education Management Information System (EMIS) information. The policies and procedures should be consistent with ODE guidelines. PCSD should also consider requiring its EMIS clerks to obtain certification through the Ohio Association of EMIS Professionals (OAEP), and ensure the clerks receive other appropriate training. Taking these steps would better ensure that EMIS data is accurate.

- District Response: The district agrees with the audit findings and is moving to comply.

### **R2.5 Improve sick leave management.**

The District should improve oversight of sick leave use by enforcing CBA provisions and periodically providing data to department heads for monitoring purposes. In addition, PCSD should negotiate changes to the certificated CBA regarding physician statements, patterns of abuse, and disciplinary measures to mirror the language in the classified CBA.

- District Response: The district agrees with the audit findings and is moving to comply.



## **R2.6 Follow through with plans to implement responsiveness to intervention (RTI)**

The District should follow through with plans to implement the responsiveness to intervention (RTI) philosophy for diagnosing special needs students. PCSD should subsequently review its special needs enrollment, operating costs, and academic results on a periodic basis to determine the effectiveness of the RTI approach and adjust as needed.

- District Response: Effective with the 2011-2012 school year the district has launched a district-wide RTI initiative. This initiative is at the core the Teacher-based-Team models underway in each building.

## **R2.7 Conduct a community survey concerning the vocation program.**

The District should conduct a community survey to obtain input on the vocation program, including course offerings, operating costs, and the potential use of the local joint vocational school district (JVS). If the District's financial condition declines in the future, the use of a JVS or other compact/consortium agreements should be reviewed as a method for reducing costs.

- District Response: The comparison for vocational education per student is not accurate. The peer average needs to reflect that a minimum of two additional mills are paid to a JVS. The neighboring JVS mills are 2.0 and 2.4. These mills need to be calculated to the peer districts valuation and then divided by the number of vocational students they send to the JVS.

## **R2.8 Adopt a regular cycle for reviewing and updating job descriptions.**

The District should adopt a regular cycle for reviewing and updating job descriptions.

- District Response: The district agrees with the audit findings and is moving to comply.

## **R2.9 Develop a formal staffing plan.**

PCSD should develop a comprehensive staffing plan that is tied to goals and objectives identified in the strategic plan (see R1.x), and addresses other relevant factors (see R2.1).

- District Response: The district agrees with the audit findings and is moving to comply.

## **R3.1 Fully evaluate potential building closures.**

The District should ensure that its pursuit of multiple building closures is supported by its financial condition, considers all potential costs and benefits, and justifies the time and effort that otherwise could be dedicated to other priorities. Prior to making a final decision regarding building closures, the District should review the methodology used to estimate building capacities to ensure they are consistent with the District's future academic programs and goals, are not overstated due to the inclusion of special use classrooms, and are compliant with State law. The District should also ensure that it accurately captures the cost savings from the building closures and review the projected cost savings against the impact on the transportation program and debt service requirements to ensure that the savings exceed any additional costs. Furthermore, the District should base building closures on reliable enrollment projections and review the potential to refinance and consolidate the various debt issues. Subsequently, the District should prepare a comprehensive report that discloses all assumptions, studies, and figures that were used to support the final decision; demonstrates the impact the new building configurations will have on the debt levels, transportation program, staffing levels, and other

areas of operation; and discloses the final impact on PCSD's total operating budget from these actions. This report should be distributed and explained to the Board and interested citizens, and posted on the District's website.

- District Response: Building closure numbers did change as the new Treasurer/CFO became involved to the process and calculating the closure number. The \$427K number is the most conservative number as the majority of the savings is from staffing reductions. This number assumes there will be utility cost so a number based on cost per square foot is not realistic. Transportation was calculated separately and not assumed in the building closure number.

Outstanding debt as of the end of FY 2011 is \$42,593,393, principal and interest. Of this \$17,105,123.78 is tied to the general fund and HB264 energy saving projects. This debt runs through FY 2023. The remaining debt of \$25,288,269 is in the permanent improvement fund. There are two debt structures in the permanent improvement tax anticipation notes (TANs) and certificates of participation (COPs). TANS are 45% of the outstanding and are all paid by FY 2016. The COPs are all paid by 2018. Currently, the available balance for projects in the permanent improvement fund is \$1.2 million to \$1.9 million each year through FY2017. According to bond counsel and our underwriter, the TANs do not qualify for refinancing. The COPs do qualify for restructure however, due to the balloon principal structure a refinancing say of fifteen years only improves our permanent improve fund available by less than \$850,000 per year through FY 2016. The remaining years are cut short of available funds by \$1.6 million each year.

### **R3.2 Review facility staffing allocations by function.**

PCSD should review the various activities performed by its facility staff to accurately capture the time for each function. Subsequently, the District should periodically compare its staffing levels and workload measures to industry benchmarks, and use this information for future decision-making. This would be particularly helpful if the District decides to modify future building configurations (see R3.1). As the District reviews its staffing levels by function, it should also account for effectiveness alongside efficiency. A similar recommendation was issued in the 2010 performance audit.

- District Response: The district agrees with the audit findings and is moving to comply.

### **R3.3 Reduce overtime costs.**

PCSD should seek to alter provisions in the negotiated agreement with the Ohio Association of Public School Employees (OAPSE) that contribute to high overtime costs. Specifically, the District should negotiate to eliminate the minimum call-in pay provision and compensate staff for actual hours worked, or at least reduce the minimum call-in pay to be more comparable to the peers. The District should also negotiate to eliminate provisions that require overtime for working on weekends and plowing snow. Likewise, PCSD should negotiate to eliminate provisions dictating how the District covers absences and building permits. Doing so would allow the District to take more cost-effective measures in covering absences and building permits, such as flexing schedules or using substitutes. A similar recommendation was issued in the 2010 performance audit.

- District Response: This recommendation is under consideration.

### **R3.4 Develop strategies to reduce print shop and copy machine costs.**

PCSD should develop strategies to reduce the cost of its print shop and copy machine functions. These strategies could include adjusting print shop staffing levels, reducing the number of copy machines, or some combination thereof.

- District Response: When the auditors inquired about the number of employees working in the Production Printing Department they did not request job descriptions. Therefore, they calculated their numbers based on the assumption that all employees in the Production Printing Department were assigned to work related to production printing. In reality, the Production Printing Department houses three facilities under one heading

#### PRODUCTION PRINTING (Total 2.6 employees)

Production Printing as one full time Docutech, Xerox 8000, bindery person, one graphics, Xerox 8000, bindery person, and one part time foreman. The department fills an average of 5,000 administration printing request per year for handbooks, workbooks, teacher manuals, envelopes, employee contracts, athletic programs, calendars, and forms used to administer the district totaling 20 million impressions per year.

#### MAILROOM (Total 2.0 employees PLUS .2 % of foreman's time)

The Production Printing Department also houses the district's mailroom operation. All United States and inner-school mail passes through the Production Printing Department. Mail is sorted by building and delivered to the district's 18 schools, the administration offices, the Parkview facility, Transportation, the Collaborative Offices and the PEA office. Pick up and deliveries include not only mail, but also audiovisual items, printed materials and materials from the Copy Center. High schools and the administration offices receive two daily pick-ups and deliveries. Mail is also picked up and delivered to the United State Post Office facilities in the district, the Midpark office, and the main post office in downtown Cleveland. Two employees handle the mailroom functions in addition to other duties.

#### COPY CENTER (additional .5 employee)

The Production Printing Department also houses the Copy Center, which reproduces teacher materials for daily classroom use, as opposed to curriculum materials generated on a district level that flow through the Production Printing Department. The Copy Center fills an average of 55,000 teacher requests each school year resulting in excess of 13,000,000 clicks.

A part time person (20 hours per week) assists in the Copy Center, is a back-up driver, and also works in the bindery.

### **R3.5 Review printer usage**

PCSD should review its inventory reports and determine the exact number, type, and location of printers. Subsequently, the District should develop strategies to reduce the total number of printers that are in use. One strategy could include replacing numerous personal inkjet printers with more cost efficient laser printers that can be shared through network access.

- District Response: The district completed a yearlong study with Xerox Corporation in the spring 2011. This study identified all printers in the district, their make, model, type, age, MAC address

IP address, usage by month and year, and estimated costs per unit per time. All printing devices in the district have been identified and analyzed for cost.

As a result of this study the district began a new program in August 2011 which linked the EquiTrac print management solution on all district networked printers. Cost savings for year one are estimated to be approximately \$75K/yr. In addition, printers located in non-optimized locations will be taken off-line.

All of this is in preparation for a new printing / copying contract due in June 2012.

### **R3.6 Replace the human resources software package.**

The District should follow through with plans to purchase human resources software that is capable of interfacing with the accounting and payroll, and student information systems.

- District Response: The district completed a comprehensive technical requirements analysis in the spring of 2011 and is working towards purchase of this software.

### **R3.7 Continue with plans to implement prior audit recommendations.**

The District should continue with its plans to implement the work order, preventive maintenance, and procedures manual recommendations from the 2010 performance audit. Once the building configurations are finalized, the District should also develop a facilities master plan.

- District Response: The work order program has been purchased, configured and installed and piloted and is scheduled for district-wide launch November 1, 2011

### **R4.1 Reduce the active fleet by at least 38 buses.**

PCSD should reduce at least 38 buses from the active fleet by staggering the school building bell schedules to allow for multiple runs per bus and altering the routes to improve bus capacity utilization. Commensurate with the bus reductions, the District should eliminate 38 bus driver positions.

- District Response: Until the District has decided on consolidation the number of buses in the fleet should remain at current levels. We currently have 26 full size buses and 3 mini buses as spares.

During the 2011-2012 school year the district modified internal bell schedules to better meet the needs of both the RTI and TBT models and to make the transportation schedule more cost efficient.

Additional savings will come from staggering bell schedules in private schools over which the district has no control.

### **R4.2 Reduce mechanic staffing levels by 5.0 FTEs.**

PCSD should reduce at least 3.0 FTE mechanic positions. However, based on the bus reductions noted in R4.1, PCSD should increase the mechanic staffing reduction by 2.0 additional FTEs, for a total reduction of 5.0 FTEs.

- District Response: Once the district has decided what direction of consolidation this recommendation could be better assessed.

#### **R4.3 Reduce supervisor staffing levels by at least 1.0 FTE.**

PCSD should eliminate at least 1.0 supervisory FTE from the Transportation Department.

- District Response: This recommendation is under consideration.

#### **R4.4 Review the transportation policy.**

The District should review its transportation policy and determine the impact it has on State funding levels and operating costs, and accordingly determine potential modifications. In doing so, it should use the available tools from ODE. The District should also ensure that efficiency is optimized as it considers potentially expanding services (see R4.1).

- District Response: We will review the ODE tools available and make any modifications as necessary to ensure that we are getting the highest amount of funding provided. However, as has been stated the “Efficiency Adjustment” as well as the “All Other” funding levels, depend greatly on the numbers of non-public students, as is shown in our receiving the additional funds of \$94,000.

#### **R4.5 Review fuel and all other costs.**

The District should use competitive bidding and review pricing in other consortiums to determine if it is receiving the “best” price for fuel. The District should also review the “all other costs” on its T-2 Form to identify potential cost saving strategies.

- District Response: We will be looking at the competitive pricing on fuel outside of OSC.

#### **R4.6 Review the size of the spare fleet.**

Once the District makes final decisions regarding future building configurations, bus reductions (see R4.1), and service levels (see R4.4), it should review the size of its spare fleet. PCSD should strive to achieve the 20 percent spare bus ratio suggested by the Federal Transit Administration (FTA) and ODE.

- District Response: As stated in R4.2 the determination of reduction in fleet would be better at the time consolidation recommendations are complete.

#### **R4.7 Negotiate to restructure the minimum hour guarantee and eliminate spare positions.**

PCSD should negotiate to reduce the minimum hour guarantee provided to bus drivers and base the hours on the number of runs that are actually completed, similar to Brunswick CSD. PCSD should also negotiate to eliminate the requirement to employ 6 to 10 bid spare positions.

- District Response: This is contractual issue that needs to be addressed during the next negotiation process.

#### **R4.8 Develop policies and procedures for completing T-forms.**

The District should develop formal policies and procedures that stipulate the process for completing the T-forms, as well as the required supporting documentation. In particular, the District should ensure that it is accurately reporting costs, riders (also see R4.9), and miles to ODE. Additionally, the policies and procedures should cover the review process for data in the T-forms, such as reconciling costs in the T-2 form to the District’s accounting system.

- District Response: The T forms are completed based on the Districts BUDSUM report and as such there is always a check and balance. Non-routine trips are not calculated into the cost on the T-2 reports.

#### **R4.9 Include Transportation Department in IEP meetings.**

The District should include Transportation Department personnel when discussing special needs transportation at individualized education program (IEP) meetings. This will help address past T-form reporting errors, and ensure the use of safe and efficient methods of transportation.

- District Response: Transportation personnel are included in the IEP process.

#### **R4.10 Develop bus replacement plan.**

The District should develop and approve a bus replacement plan, and update it annually.

- District Response: The district agrees with the audit findings and is moving to comply.

#### **General Comments:**

##### **Transportation:**

- The overall inefficiencies as stated in the Performance Audit for Type 1 (students transported in Board owned yellow buses) does not take into consideration that many of the non-pub students do not ride in the a.m., but do ride in the afternoon. It does not consider the homeless students, school choice, GATE students, Accelerated, or Special Education students transported. Throughout the report it states an "average" number of students in PCSD vs. Peer districts. In many of the aforementioned cases we may have as few as one student to six students on a bus, overall bringing our average down. The Performance Audit does address this in only one place stating that PCSD "does transport nearly twice the number of special needs riders as the peer average".

This year we have strived to fill the regular ed buses where space is available. This year we cut two regular ed route buses by scheduling more efficiently. The savings in going to all day kindergarten is estimated at \$278,000. We will also show a savings for not accommodating early dismissal times at the parochial schools. In the 2009-2010 school year to the 2010-2011 school year overall in transportation we saved approx. \$523,000. as is shown in the T-2 reporting .

The reduction of staffing levels of the mechanics in the department as well as the cost of maintenance and repairs in PCSD vs. Peer districts could be better evaluated if we were not dealing with the age of the fleet we currently have; as is noted in the Performance Audit, where the average age is 8 years but 13 of our fleet buses are over 15 years. Our mechanics also service all district vehicles not only the school buses, and is not taken into consideration in Peer district numbers.

Until there is a change in public and non-public bell times, the classified contract is re-negotiated and the District decides on the consolidation, which in one, or all, will make a greater

impact on savings, the transportation department we will continue to look at ways to save money and be more efficient.

**MAINTENANCE AND OPERATIONS Staffing Distribution General Comments:**

- Table 3.1 (pg.18) shows that we have 47.5 cleaners, zero custodians, 21 maintenance people and 5.6 groundskeepers.

The District has:

45 8-hr. cleaners contracted to work 9 months of the year assigned to the Custodial Manager

34 full time custodians that includes 5 maintenance men that are permanently assigned to the Custodial manager

11 full time maintenance men assigned to the Maintenance Supervisor, but maintenance staff is depleted daily to sub for custodians short and long term:

1 M7 Foreman

1 M7

1 BFA – Byers Field Attendant

4 M2 – Laborers

4 M1-Laborers

The district is setup so that cleaners do nothing but clean and custodians are tasked with daily building maintenance including cleaning the cafeteria after lunch. In addition, the custodians cut and trim grass that is close to the building as well as snow removal of the sidewalks.

The maintenance department does the more in depth maintenance projects as well as all of the large grounds work defined as cutting open acreage with large deck mowers and plowing the District's elementary and middle school lots. The high schools lots are plowed by the custodial staff.

**MAINTENANCE AND OPERATIONS: Staffing Distribution General Comments (pg. 19)**

- The PCSD does not employ part time maintenance, custodial or cleaning staffs (8 hour employees are used to clean the District throughout the school year).

**MAINTENANCE AND OPERATIONS: Staffing Distribution General Comments (pg. 20)**

- After reviewing table 3.2 it should be noted that we have 13 elementary buildings. The District staffs Parkview School as an elementary building.

**MAINTENANCE AND OPERATIONS: Staffing Distribution General Comments (pg. 21)**

- It is notable that the auditors recognize that the District spends \$.22 per square foot on facilities expenditures while the peer average is \$.38 per square foot.

**MAINTENANCE AND OPERATIONS: Staffing Distribution General Comments (pg. 25)**

- It was stated that the maintenance staff spends approximately 3 hours a week on grounds work but in actuality, the custodial staff spends approximately 3 hours of grounds work per week. A large portion of the maintenance staff time is spent cutting acreage throughout the District.

**MAINTENANCE AND OPERATIONS: Staffing Distribution General Comments (pg. 26)**

- The custodial and cleaning staff is 13.9 below the industrial benchmark but a correction should be made in that we do not have 21 maintenance staff in actuality we have 11 maintenance staff.

The District does not employ groundskeepers; the work is performed by custodians and maintenance staff.

It should be noted that table 3.3 shows the District spends \$.44 per square foot on contracted services where the peer average spends \$.91 per square foot.





# Dave Yost • Auditor of State

PARMA CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 15, 2011