



Dave Yost • Auditor of State



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To the Residents and elected officials of the Marion City School District,

The enclosed performance audit of the Marion City School District was requested by the District to improve efficiency. In consultation with the school administration, the Auditor of State's Ohio Performance Team focused on Financial Systems, Human Resources, Program Operations and Facilities.

Among the primary conclusions of this audit is that the District could save more than \$3.8 million annually by implementing recommendations in this report. This savings represents approximately 6.6 percent of the District operating budget.

Voluntarily undertaking the expense and risk of an independent review indicates both confidence and competence. The performance audit substantiated credible evidence of performance improvements that would provide increased value to residents and taxpayers.

The Auditor of State commends the Board, the Administration, and Staff of the Marion City School District for their dedication to improving government operations.

Sincerely,

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

Table of Contents

Performance Audit Results in Brief.....	2
Performance Audit Digest.....	3
Recommendations.....	13
Client Response	20

Performance Audit Results in Brief

Why Did AOS Conduct This Audit?

The Marion City School District initiated this performance audit with the goal of improving efficiency. In consultation with the District, the Auditor of State Ohio Performance Team focused on Financial Systems, Human Resources, Facilities, and Program Operations.

What are the Financial Implications of the Audit?

The performance audit identifies potential total cost savings in excess of \$3.8 million, which represents 6.6 percent of the District's FY 2009-10 governmental activities expenditures. The following table summarizes those performance audit recommendations that contain financial implications.

Summary of Performance Audit Recommendations

Recommendation	Impact
Reduce Staff to Peer Levels	\$2,223,000
Negotiate for Medical, Dental and Vision Insurance Premiums	\$1,025,000
Reconfigure Buildings	\$295,000
Eliminate Retirement Pick Up Contributions	\$243,000
Adjust the Substitute Teacher Daily Rate	\$45,000
Total Cost Savings from Performance Audit Recommendations:	\$3,831,000

What are the Management Implications of the Audit?

In addition to financial implications, the performance audit also includes management recommendations that may not have direct financial effect but could improve administration. In particular, the District should realign compensation rates and ensure the reliability of data reported in the Education Management Information System.

Performance Audit Digest

How did we conduct this Audit?

We conducted the performance audit of Marion City School District (MCSD) in accordance with generally accepted government auditing standards (GAGAS). These standards require that we 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.

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.

What is Good Performance: Scope, Objectives and Benchmarks

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

Audit Scope and Objectives

In consultation with District officials, AOS selected the following audit objectives:

- **Financial Systems**, including an overview and financial history; an assessment of the financial forecast; an examination of strategic planning, performance measurement and performance management efforts including the link between strategic plans, annual appropriations, and long-range forecasts; an evaluation of the budgeting processes and expenditure comparisons to like-sized districts; and revenue and expenditure comparisons and analyses.
- **Human Resources**, including an examination of staffing planning and allocation by classification (e.g. comparisons by classifications on per 1,000 student basis); an analysis of compensation including salaries and benefits (e.g. total compensation comparison for region); an evaluation of benefit premium costs, design, and cost sharing practices; and examination of collective bargaining agreement provisions; and a review of HR management practices, including leave utilization management.

- **Program Operations**, including an examination of specialized programs (special education) design, costs, and program management practices; and analysis of extracurricular programs and cost offsets; and an evaluation of required versus elective course offerings and class sizes.
- **Facilities**, including analyses of facility planning and performance management, including benchmarking, formal long-range planning, and short term planning, and preventive maintenance practices; utilization and capacity; operational efficiency and performance standards, including training and formalization of practices; maintenance and operations practices and staff deployment, including staffing allocations and building condition; and energy management practices.

Benchmarks

The city school districts of Alliance, Bellefontaine, Fremont, Newark, and Steubenville were selected as peers for this performance audit. These districts were selected based on expenditures, academic and demographic comparisons, and feedback from the Superintendent and Treasurer. The following external organizations and sources were used for research during this performance audit:

- Ohio Revised Code (ORC),
- Ohio Administrative Code (OAC),
- Government Finance Officers Association (GFOA),
- Ohio Department of Education (ODE),
- State Employment Relations Board (SERB),
- American Schools and Universities (AS&U),
- National Center for Educational Statistics (NCES),
- Kaiser Family Foundation Health Survey (Kaiser), and
- Ohio Department of Administrative Services (DAS).

Methodology

Audit planning and fieldwork was conducted from February 2012 through June 2012 and data was drawn from FYs 2008-09, 2009-10, and 2010-11. To complete this report, auditors gathered and assessed data from the District; conducted interviews with various program administrators and board members; identified applicable benchmarks and leading practices; and developed a composite of peer districts. The performance audit process involved significant information sharing with District program administrators and Board Members, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to confirm preliminary findings. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to the various recommendations that were taken into consideration during the reporting process. Where warranted, audit staff modified the final report based on the comments.

Conclusions and Key Recommendations

The performance audit includes management recommendations in the areas of Human Resources and Facilities that are intended to provide the District with options to enhance its operational efficiency and improve 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.

Human Resources

To more closely reflect the peer district average, the District should consider eliminating the following full-time equivalent (FTE) and other positions: 2 FTE Administrative positions, 7 FTE Clerical positions, 2 FTE General Education Teacher positions, 11 FTE ESP Teacher positions, 3 FTE Educational Support Staff, 13 FTE Other Certificated.

The District should negotiate for lower premiums for family coverage and should consider increasing the employee contribution percentage for medical, dental, and vision plans.

Consider eliminating the practice of paying the employee's portion of STRS/SERS contributions for administrative and non-administrative staff.

Consider reducing the daily compensation rate for substitute teachers from \$85 to \$70 to better align with the peer districts average.

Work to re-align compensation rates to be more in line with peer averages.

Facilities

Reconfigure elementary school boundaries, close one school building.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may require resources in excess of what is merited by the scope of the audit. The following presents issues requiring further study.

Elective Course Offerings: During a review of the cost of elective courses, it was found that certain courses had a very low attendance rate per session. This can be quite costly to the District in terms of staff resources devoted to these courses. However, as a local curriculum decision, offering these courses to students is worthwhile and can assist them in preparing for college or other advanced training opportunities after high school. One option for offering more advanced courses to high school students is the Ohio Department of Education's Postsecondary Enrollment Options Program (PSEOP). The PSEOP allows Ohio high school students to earn college credit and/or high school graduation credit through the successful completion of college courses. The PSEOP is open to students in Grades 9-12 who are enrolled in the state's public, community and

nonpublic high schools. The program promotes rigorous academic pursuits and exposes students to options beyond the high school classroom. By encouraging more high school students to enroll in the PSEOP, the District could decrease the staffing resources devoted to under-enrolled courses while still giving students who are interested in advanced courses an option. Due to the various factors that affect student interest in elective courses, it is important for Marion CSD officials to evaluate all of its options, including PSEOP, for offering elective courses to its students.

Noteworthy Accomplishments

Energy Management

The District uses an energy consultant to monitor energy usage, prepare energy reports, and supply the District with ways to reduce energy consumption. The final report is presented annually to the Superintendent and the Board of Education for review. Currently, the District has contracts with the Metropolitan Education Consortium for Gas and the Ohio School Boards Association for electricity. The District uses many different energy management practices to keep utility costs low. The design of Garfield, McKinley, and Taft Elementary Schools allows a substantial amount of natural light to enter the school through the many windows and skylights built into the building. All of the District's instructional facilities use updated HVAC systems. The District also encourages energy conservation through the placement of signs next to light switches, reminders on doors, and posters around buildings reminding students, faculty, and staff about energy conservation. The Assistant Superintendent stated that the District is starting an H.B. 264 project, to replace an HVAC unit at Harding HS, and install energy efficient lighting at other buildings. Similarly, the District has replaced light and ballasts in one of its elementary schools to improve energy efficiency.

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
Reduce Staff to Peer Levels	\$2,223,000
Negotiate for Medical, Dental and Vision Insurance Premiums	\$1,025,000
Reconfigure Buildings	\$295,000
Eliminate Retirement Pick Up Contributions	\$243,000
Adjust the Substitute Teacher Daily Rate	\$45,000
Total Cost Savings from Recommendations:	\$3,831,000

Background

1. Financial Systems

Marion City School District's recent financial history is stable. The District's most recent three financial audits contained no serious findings and the District is considered a low-risk auditee. The District was placed in fiscal watch in 2004 but released in 2009 after implementing a recovery plan that included cuts to both certified and classified staff and an increase in fees for extra-curricular activities. Since 2002 the District has placed 10 levies on the ballot and has been able to pass three renewal levies. In 2002 the District passed a 5.31 mill 5-year operating levy. In 2006 they passed a 5.53 mill 5-year operating levy and in 2011 they passed a 5.47 mill 5-year operating levy.

Table 1: Historical Expenditures

	2008	2009	Percent Change	2010	Percent Change	2011	Percent Change	Average % Change
Administrative	\$4,214,679	\$4,271,519	1.3%	\$4,233,286	(0.9%)	\$4,559,182	7.7%	2.7%
Building Operations	\$7,234,607	\$7,177,359	(0.8%)	\$7,676,081	6.9%	\$7,454,999	(2.9%)	1.1%
Staff Support	\$3,400,689	\$3,272,587	(3.8%)	\$3,396,432	3.8%	\$3,140,601	(7.5%)	(2.5%)
Pupil Support	\$3,806,642	\$3,660,035	(3.9%)	\$3,957,758	8.1%	\$4,004,352	1.2%	1.8%
Instructional	\$25,817,014	\$26,243,339	1.7%	\$27,258,843	3.9%	\$28,338,513	4.0%	3.2%
Total Expenditures	\$44,473,630	\$44,624,838	0.3%	\$46,522,400	4.3%	\$47,497,648	2.1%	2.2%
FTE Students	4,908	4,777	(2.7%)	4,668	(2.3%)	4,482	(4.0%)	(3.0%)

Source: ODE

Table 1: Compares District spending across the last four fiscal years. Overall, District spending has been increasing at an average rate of 2.2 percent per year while the student population has fallen by an average of 3 percent per year. The areas that have seen the largest increases include instructional (3.2 percent) and administrative (2.7 percent). Pupil support and building operations have both seen less than 2 percent growth and expenditures on staff support have declined by about 2.5 percent.

Table 2: Expenditure per Pupil

	Client EPP	Peer Average EPP	EPP Difference	Percent Difference
Salaries and Wages	\$6,305	\$5,560	\$745	13.4%
Employee Benefits	\$2,410	\$2,124	\$285	13.4%
Purchased Services	\$1,056	\$748	\$308	41.2%
Supplies and Materials	\$534	\$561	(\$27)	(4.7%)
Capital Outlay	\$190	\$202	(\$12)	(5.9%)
Other Objects	\$103	\$127	(\$24)	(19.2%)
Other Uses of Funds	\$0	\$0	\$0	0%
Total Expenditure per Pupil (EPP)	\$10,597	\$9,322	\$1,276	13.7%
FTE Students	4,482	3,695	787	21.3%

Source: ODE

Table 2: Compares District spending per pupil to the peers on an object level. Overall, the District spends 13.7 percent more per pupil than its peers. This spending is driven largely by purchased services (see **facilities** section page 10), salaries and wages and employee benefits (see **human resources** section page 8).

With regard to the budgeting process, there is clear collaboration between District officials to develop and adhere to the budget. As an example, the Superintendent stated that he asks the treasurer to prepare several scenarios for him, depending on how he wants to allocate resources. He then chooses the one that he thinks represents the best allocation of resources. Communication is evident: The Superintendent hosts a TV show, writes frequent newspaper columns, and attends regular meetings with the local business leaders to discuss District operations. The District is developing a strategic plan through Ohio's Race to the Top initiative. Once this plan is fully implemented, the District will evaluate teachers' and principals' performance and use that information to make better informed decisions about resource allocation.

For the forecast analyses, the financial data was reviewed for reliability, and AOS found there was less than 1 percent variability between the five year forecast, the audited financial statements, and other financial reports (BUDSUM, REVSUM, etc.), which indicates the data is highly reliable. The treasurer's assumptions for forecasting are conservative and he stated he has four areas of concern: further decreases in state aid, future attempts to pass a levy, collective bargaining units desiring higher wages, and increases in health insurance costs. Overall, the District's forecast is based on data that is sufficiently reliable and changes in revenues and expenditures are based on reasonable assumptions driven by historical trends or statutory changes. The May 2012 forecast predicted fund balance deficits of (\$1,523 426) for FY 2015 and (\$8,614,864) for FY 2016. The implementation of the recommendations in this report could eliminate those deficits.

The assessments in this section did not yield recommendations for inclusion in this report.

2. Human Resources

Table 3 compares the full-time equivalent (FTE) staffing levels per 1,000 students at MCSD to the peer average for FY 2010-11.

Table 3: Staffing Level per 1000 students

	MCSD			Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		
Administrative	27.10	4.70%	6.44	5.79	0.65
Office/Clerical	37.10	6.43%	8.81	6.95	1.86
General Education Teachers	205.78	36.2%	48.86	48.17	0.69
All Other Teachers	65.00	11.27%	15.44	13.50	1.94
Education Service Personnel (ESP)	42.76	7.42%	10.14	7.51	2.63
Educational Support	19.86	3.44%	4.71	3.89	0.82
Other Certificated	21.45	3.72%	5.09	1.92	3.17
Non-Certificated Classroom Support	28.00	4.86%	6.64	10.87	(4.23)
Sub-Total	447.05	78.76%	106.13	98.60	7.53
Operations	101.00	17.52%	23.98	22.66	1.32
All Other Staff	19.50	3.38%	4.63	5.06	(0.43)
Total Staff	567.55	100.00%	134.74	126.33	8.41

Source: ODE

As shown in **Table 3**, overall District staffing exceeds the peer average on a per 1,000 student basis. **Staffing Reductions R1** will address the administrative, office/clerical and teaching reductions. Maintenance & Operations staffing was analyzed using national benchmarks and found to be in line. Transportation and Food Service operations were not included in the scope of this audit.

Table 4 compares the District's average salary and salary costs per pupil to the peer average for FY 2010-11. When the staffing reductions in (**Staffing Reductions R1**) were included in calculating a new comparison with the peers, the salary costs per pupil remained high compared to the peers. This can be partly attributed to higher compensation rates and salary schedules contained in the collective bargaining agreements. Another factor is MCSD's practice of "picking up" the employees' portion of retirement contributions. Recommendations to (**Re-align compensation rates R6**) addresses compensation rates and salary schedules and (**Retirement Pick Up Contributions R4**) addresses retirement pick up benefits.

Table 4: Average Salaries Compared to the Peers

	Average Salaries			Salaries Per Student Educated		
	Marion CSD	Peer District Average	Percent Difference	Marion CSD	Peer Salaries per Student	Difference
Administrative	\$76,025	\$75,988	.05%	\$489	\$440	11.14%
Office/Clerical	\$27,231	\$29,471	(7.60%)	\$240	\$207	15.94%
General Education Teachers	\$51,637	\$49,116	5.13%	\$2,523	\$2,340	7.82%
All Other Teachers	\$47,265	\$51,130	(7.56%)	\$729	\$687	6.11%
Education Service Personnel (ESP)	\$52,551	\$52,577	(0.05%)	\$534	\$395	35.19%
Educational Support	\$50,824	\$54,495	(6.74%)	\$240	\$209	14.83%
Other Certificated	\$58,998	\$56,034	5.29%	\$300	\$103	191.26%
Non-Certificated Classroom Support	\$13,222	\$15,140	(12.67%)	\$88	\$158	(44.30%)
Operations	\$18,618	\$22,941	(18.84%)	\$446	\$515	(13.40%)
All Other Staff	\$35,034	\$36,348	(3.62%)	\$162	\$183	(11.48%)
Total Staff	\$42,682	\$41,684	2.39%	\$5,751	\$5,238	9.79%

Source: ODE

3. Facilities

The District currently operates eight instructional facilities (Harding High School, Grant Middle School, Taft Elementary, Washington Elementary, Hayes Elementary, McKinley Elementary, Garfield Elementary, and Harrison Elementary). Similarly, the District also owns and maintains an athletic complex, fitness center, service buildings, modular units, Colonial Acres Elementary (Rushmore Academy), Lincoln Center, and the Administration Building. The District maintains a total of 875,131 square feet and employs 29.81 custodial FTEs, 3.00 maintenance FTEs, and 4.00 grounds keeping FTEs for a total of 36.81 FTEs. All employees are 260 day employees, but daily hours vary by position, ranging from 4 to 8 hours.

Table 5 shows the staffing breakdown compared to the AS&U and NCES benchmarks per square foot.

Table 5: Facilities Staffing Compared to National Standards

	Need	Actual	Difference
Custodial Staff (<i>AS&U Benchmark of 29,500 sq. ft. per FTE</i>)	27.85	29.81	1.96
Maintenance Staff (<i>AS&U Benchmark of 94,872 sq. ft. per FTE</i>)	9.22	3.00	(6.22)
Groundskeeping Staff (<i>NCES Benchmark of 40.2 acres per FTE</i>)	5.35	4.00	(1.35)
Total M&O Staffing Need	42.71	36.81	(5.61)

The District's custodial staffing is 1.96 FTEs greater than the AS&U calculated staffing need. The calculated maintenance need based on the AS&U benchmark is 9.22 FTEs. Therefore, the District's maintenance department is understaffed by 6.22 FTEs compared to AS&U. The District also has 4.0 FTEs dedicated to grounds keeping, including 2 roving groundskeepers and

2 groundskeepers split between Harding High School and Grant Middle School. The calculated need based on the NCES benchmark is 5.35 FTEs; the District operates with 1.35 FTEs less than the NCES benchmark. Overall, the District employs 5.6 FTEs less than the total calculated need.

Facility Expenditures

**Table 6: District Total Facility Expenditures per square foot compared to the Peer Average
FY 2010-2011**

	District	Peer Average	Difference	Percent Difference
Salaries and Wages	\$1.52	\$1.77	(\$0.25)	(13.9%)
Employee Benefits	\$0.66	\$0.82	(\$0.16)	(19.6%)
Utilities	\$1.37	\$1.27	\$0.10	8.0%
Electric	\$0.84	\$0.75	\$0.08	11.1%
Gas	\$0.42	\$0.39	\$0.03	7.3%
Other Energy Sources	\$0.00	\$0.00	(\$0.00)	(100.0%)
Sub-Total Energy	\$1.26	\$1.14	\$0.11	9.8%
Water & Sewer	\$0.11	\$0.12	(\$0.01)	(8.8%)
Purchased Services (Excluding Utilities)	\$1.03	\$0.67	\$0.35	52.5%
Supplies and Materials	\$0.34	\$0.33	\$0.01	2.3%
Capital Outlay	\$0.03	\$0.11	(\$0.08)	(73.3%)
Other Objects	\$0.00	\$0.02	(\$0.02)	(100.0%)
Total Expenditures per Square Foot	\$4.94	\$4.98	(\$0.04)	(0.8%)
Square Feet Maintained	875,131	658,521	216,610	32.9%

Source: ODE

As shown in **Table 6**, the District's total expenditures per square foot were lower than the peer average by \$.04, or 0.8 percent. Overall, the District's expenditures were lower than the peer average in all sub-categories except utilities, purchased services, and supplies and materials. The District's supplies and materials costs are \$.01 (or 2.3 percent) above the peer average, which does not warrant further investigation or consideration. The District's purchased services were calculated to be \$1.03 per sq. ft. compare to the peer average of \$.67, a 52.5 percent difference. After reviewing the District's purchased service contracts, financial reports from FY's 2009-2011, and staffing, it was determined that the District's increased purchased services stem from the lower number of maintenance employees, necessitating more contract work. AOS determined that the District should continue to operate at its current staffing levels, by comparing salary and benefit levels to purchased service contract costs.

As of FY 2011, the District's salaries and benefit costs per square foot added up to \$0.41 less than the peer average, while purchased services were \$0.35 per square foot more than the peer average. Thus, the District is still \$0.06 below the peer average overall, when comparing purchased services to salaries and benefits. Therefore, the District should maintain current operations staffing levels. AOS also compared the District's overtime percentage to industry benchmarks. According to *Best Practices: Maximizing Maintenance* (BOM, 2003), a District's overtime as a percentage of regular salaries should be less than 2 percent. The District's overtime percentage is 3.6 percent, or 1.6 percentage points higher than the industry benchmark. However, when the staffing levels are evaluated, the overtime costs did not warrant further investigation.

Even though **Table 6** demonstrates that the cost of Salaries and Wages are less than the peers, the District is encouraged to realign starting pays for the custodians and maintenance personnel (see **R6**).

4. Operations

The performance audit assessed special education, extracurricular activities, and required versus elective courses. The results of these assessments were an **Issue for Further Study** for required versus elective courses, and assessments not yielding recommendations for special education and extracurricular activities.

Recommendations

R1 Reduce Staff to Peer Levels.

The District should eliminate 2 FTE Administrative positions, 7 FTE Clerical positions, 2 FTE General Education Teacher positions, 11 FTE ESP Teacher positions, 3 Educational Support Staff, 13 Other Certificated, to more closely reflect the peer district average.

Financial Implication: By eliminating the positions identified, the District would save approximately \$2,223,000 in salary and benefits annually.

Table 7 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at Marion CSD compared with the average of the peer districts. Staffing data for both the District and the peers is fiscal year (FY) 2010-11 data, as reported to ODE through EMIS. While staffing data obtained through EMIS represents staffing as of October 2010, staff levels for Marion CSD were updated to reflect staffing for FY 2011-12. EMIS position codes were grouped into categories that represent broad functional areas and do not match the sub-totals shown in EMIS reports. The staff levels shown in **Table 7** have been presented on a per 1,000 student basis because staffing levels are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases variances attributable to the size of the peers.

Table 7: Staffing Comparison Summary (in FTEs)

	Marion City School District Students Educated 4212			Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		
Administrative¹	27.10	4.70%	6.44	5.79	0.65
Office/Clerical²	37.10	6.43%	8.81	6.95	1.86
General Education Teachers³	205.78	36.26%	48.86	48.17	.69
All Other Teachers⁴	65.00	11.27%	15.44	13.50	1.94
Education Service Personnel (ESP)⁵	42.76	7.42%	10.14	7.51	2.63
Educational Support⁶	19.86	3.44%	4.71	3.89	0.82
Other Certificated⁷	21.45	3.72%	5.09	1.92	3.17
Non-Certificated Classroom Support⁸	28.00	4.86%	6.64	10.87	(4.23)
Sub-Total	447.05	78.76%	106.13	98.60	7.53
Operations	101.00	17.52%	23.98	22.66	1.32
All Other Staff⁹	19.50	3.38%	4.63	5.06	(0.43)
Total Staff	567.55	100.00%	134.74	126.33	8.41

Source ODE

¹ Administrative includes central office and building level administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District

² Office/Clerical includes all 500 position codes except 505 Teacher Aides, plus Administrative Assistants (101) and Attendance Officers (901).

³ Teachers include General Education teaching assignment. It does not include ESP Teachers.

⁴ All Other Teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, LEP teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, and Preschool Handicapped Itinerant.

⁵ Education Service Personnel include K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).

⁶ Educational Support includes Remedial Specialists and Tutors/Small Group Instructors.

⁷ Other Certificated includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.

⁸ Non-Certificated Classroom Support includes Teaching Aides, Paraprofessional Instructors, and Attendants.

⁹ All Other Staff include Library Aides, Computer Support Staff, all other professional and technical staff, Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc.

Table 7 shows that Marion CSD operates with staffing levels that exceed the peer averages in all categories except Non-Certificated Classroom Support and All Other Staff. Further analysis of the All Other Teachers category yielded no recommendation when comparing the ratio of Special Education Students per teacher to the peer average. Marion CSD employs 0.65 FTE more Administrative staff per 1,000 students, 1.86 FTE more Clerical staff per 1,000 students, .69 FTE more General Education Teachers per 1,000 students, 2.63 FTE more Educational Service Personnel per 1,000 students, .82 FTE more Education Support per 1,000 students, 3.17

FTE more Other Certificated per 1,000 students. (Operations staffing levels will be addressed in the Facility section of the audit.)

In the Educational Services category, reaching the peer average would require staff reductions of 8 art, music, or physical education teachers, 1 counselor, 1 school nurse, and 1 social worker. Remedial Specialists need to be reduced by 5 and tutors increased by 2 to equal the peers in the Educational Support Staff category. The District would need to reduce 7 Curriculum Specialists and 6 District Classified Other Professionals for the Other Certificated category to be comparable to the peer districts.

An effective staffing plan should be in place and staffing should be reviewed annually to determine necessary staffing levels.

For each position eliminated, the District will save approximately 38 percent of the associated salary expense for benefits, in addition to salary expense.

R2 Negotiate for Medical, Dental and Vision Insurance Premiums.

The District should work with its carrier to reduce the family plan premiums for medical, dental and vision insurance premiums to be more in line with the peers.

Financial Implication: If the District is able to implement the recommended changes to its insurance plans, it could save approximately \$1,025,000 annually.

If the District could reduce its premium costs to the SERB average for schools, it could save approximately \$670,000 annually. The District should also work to increase the full-time employees' contribution rate to 15 percent. By increasing the contribution amount, the District could save an additional \$323,000 annually. In order to lower its costs for premiums, the District may need to reduce the number of options available to employees. The District may also consider increasing the contribution rate for dental premiums to 15 percent for all full-time employees. By increasing the contribution rate to 15 percent, the District could save approximately \$23,000 annually. Additionally, if the District required employees to contribute 15 percent for vision coverage, it could save approximately \$9,000 annually.

The District offers six different medical plans: Administrative, Certificated, Classified (hired after 7/1/02), Classified (hired before 7/1/02), Classified Part-Time (hired before 7/1/07), and Classified Part-Time (hired after 7/1/02). All plans require a total monthly premium of \$474.24 for single coverage and \$1,425.89 for family coverage. The employee contribution rates for the Administrative, Certificated, Classified (hired after 7/1/02), Classified (hired before 7/1/02), are ten percent for single and family, the Classified Part-Time (hired before 7/1/07) plan requires \$20 for single and \$30 for family, the Classified Part-Time (hired after 7/1/02) option requires 40 percent contribution from the employee for single or family coverage, and the last option requires the employee to pay 50 percent for single or family coverage. The majority of staff are enrolled in the Administrative, Certificated, Classified (hired after 7/1/02), or Classified (hired before 7/1/02).

The District offers seven different dental plans to employees: Administrative Plan 1, Certificated Plan 1, Classified (hired after 7/1/02), Certificated Plan 2, Classified (hired before 7/1/02), Classified Part-Time (hired before 7/1/07), and Classified Part-Time (hired after 7/1/07). All plans require a total premium amount of \$27.37 for single plans and \$79.05 for family plans. The employee contribution amounts for Administrative Plan 1, Certificated Plan 1, and Classified (hired after 7/1/02) plans are 10 percent for single and family plans. Certificated Plan 2 requires 85.6 percent for single and 75.4 for family. Classified (hired before 7/1/02) requires zero contribution, Classified Part-Time (hired before 7/1/07) requires 40 percent contribution, and the Classified Part-Time (hired after 7/1/07) requires 50 percent contribution.

The District offers vision insurance at no cost to the employee. A total of 545 employees are enrolled in the vision plan. The premium for single and family plans is \$9.36.

The SERB School District and ESC averages (2,500 - 9,999 students) for medical premiums are \$485 for a single plan and \$1,251.91 for a family plan. The average SERB employee contributions are 9.5 percent for single plan and 10.7 percent for a family plan. The District requires part-time classified employees (working 3-5 1/2 hours per day) to pay a higher portion of insurance benefits with prorated insurance rates. The District's total annual insurance costs are approximately \$5.9 million. For dental plans, the SERB average employee contribution rate is 12.4 percent for single and 12.9 percent for family coverage. For vision plans, the SERB average employee contribution is 20.8 percent for single and 40.9 percent for family coverage.

The District's family plan medical premium is significantly higher than the SERB average. The District's full-time employees do not contribute 15 percent to the premium costs for medical, dental or vision plans.

R3 Reconfigure Buildings.

The District should reconfigure its elementary school building boundaries and close at least one underutilized school facility.

Financial Implication: Reconfiguring the District's elementary schools will allow MCSD to maintain a total elementary building utilization rate of between 85 and 90 percent. Further, consolidation will position the District to more effectively handle its changing enrollment and student population. Also, consolidating its elementary schools will give the District the potential to save approximately \$295,600 in utilities, maintenance, and staffing costs related to keeping an additional facility open. Because transportation operations were not included in the scope of this audit, changes in transportation costs were not included in the financial implication.

Based on the District's building capacity and utilization rates, the District should seek to reconfigure its elementary school building boundaries and close at least one underutilized school facility. Further, the District could potentially move Rushmore Academy to the consolidated elementary school building, allowing the District to repurpose the Colonial Acres building and gain reimbursements from the use of this building. This would reduce utility and maintenance costs, and would further consolidate the District's facilities.

Table 8 illustrates the District's aggregated and disaggregated elementary building utilization rate.

Table 8: Marion CSD Building Utilization Analysis (Including Pre-K)

Building	Building Enrollment	Pre-K Enrollment	Total Enrollment	Building Capacity	Building Utilization
Garfield	308	40	348	585	59.49%
Harrison	332	43	375	375	100.00%
Hayes	214	34	248	375	66.13%
McKinley	382	59	441	585	75.38%
Taft	451	59	510	585	87.18%
Washington	391	46	437	550	79.45%
Total	2,078	281	2,359	3,055	77.22%

Source: ODE and MCSD

Currently, the District maintains six elementary schools, one middle school, and one high school, as well as an instructional facility for Rushmore Academy. Including Pre-K, the District has a total elementary enrollment of 2,359 students, while the District's six elementary schools have a collective capacity of 3,055. Although Garfield Elementary has a utilization rate below 60 percent, Harrison Elementary has a utilization rate above the 90 percent threshold. MCSD's aggregated elementary building utilization rate is 77 percent.

According to *Defining Capacity* (DeJong & Craig, 1999), District's should seek to maintain an 85 percent building utilization rate. Further, building utilization rates should not exceed 90 percent due to possible overcrowding issues. The District's current utilization rate for elementary schools is 77 percent with the Pre-K program intact, but would stand at 71 percent with Pre-K eliminated.

According to actual enrollment figures and projections, the District's K-12 student population will possibly decline from 5,058 in FY 2006 to 3,849 in FY 2016. According to District officials, declining enrollment can be attributed to the limited job market in the area.

R4 Eliminate Retirement Pick Up Contributions.

The District should eliminate the practice of paying the employee contribution amount towards STRS/SERS for administrative and non-administrative staff.

Financial Implication: By eliminating the practice of paying the STRS/SERS pick up for 32 employees, the District would save approximately \$243,000 annually.

The District should eliminate the practice of paying the employee contribution amount towards STRS/SERS for administrative and non-administrative staff. This is a fringe benefit offered by the District that is preventing it from operating more cost-effectively.

The District pays the employee contribution amount for 32 employees (administrative and non-administrative employees) in the amount of 10% in addition to offering a 1% pick up. Based on a review of the salary costs per student (see **Table 4**), MCSD exceeds the peer average in all areas,

including administrative, teachers, clerical, educational service personnel, educational support, and other certificated staff.

According to ORC 3307.27, employers may pay the employee's contributions towards STRS/SERS; however, the employer is not required to. The District offers the STRS/SERS pick up as a fringe benefit to 23 administrators and nine non-administrative staff members.

R5 Adjust the Substitute Teacher Daily Rate.

The District should adjust the daily compensation rate for substitute teachers from \$85 to \$70 to be more consistent with the surrounding district average.

Financial Implication: By adjusting the substitute daily compensation rate to \$70 to more closely align with the surrounding peer district average, the District would save approximately \$45,000 each year.

The District should reduce the daily compensation rate for substitute teachers from \$85 to \$70 to be more consistent with the average.

The District's current daily compensation rate for substitute teachers is \$85. The District reviews the surrounding school district's substitute compensation rates to determine adequate substitute compensation. The surrounding average daily compensation rate for substitute teachers is \$70. The District has not reviewed the substitute compensation rate for at least three years. During FY 2011, the District spent approximately \$250,000 on substitute teachers with the substitute daily compensation rate being \$85. Marion CSD is spending \$15 more than the peers for each substitute used.

R6 Work to re-align compensation rates to be more consistent with peer averages.

Subject to negotiations, the District should adopt strategies to bring its compensation for certificated and classified staff more in line with its peers. These strategies could include following through with plans to negotiate base wage freezes for an extended period of time, reducing or eliminating certain step increases, and/or revising the salary schedules to include fewer steps and lower rates of pay.

As shown in **Table 4** in the background, MCSD's salary costs per pupil are higher overall District-wide and specifically in the following categories:

- Administrative
- Office/clerical
- General education teachers
- All other teachers
- Educational service personnel
- Educational support and
- Other certificated.

This can partly be attributed to the practice of paying the employees' retirement contribution (see **R4**), higher compensation rates for the identified positions, and higher starting salaries for identified positions in the collective bargaining agreements' pay schedules. Based on the contract amount, a secretary, custodian, and maintenance position is compensated at a higher rate when compared to the peer average beginning salary and total employee cost over 30 years.

The starting pay rate for the secretary position at Marion CSD is \$14.52 while the peer average beginning rate is \$12.61. The beginning pay rate for the custodian position is \$13.80 while the peer average is \$13.15. The beginning pay rate for the maintenance worker position is \$16.71 and the peer average is \$14.04.

The District offers seven different salary schedules for a secretary position with varying numbers of hours required within the position and seven different salary schedules for a custodian position with separate schedules for part-time employees.

The starting salary for the secretary position is approximately 13 percent higher than the peer average starting salary. The starting salary for the custodian position is approximately four percent higher than the peer average starting salary. The starting salary for the maintenance position is approximately 15 percent higher than the peer average starting salary.

Client Response

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

Human Resources:

Administrative:

Four of the five peers employ a full time Athletic Director.

Food service administrative personnel are treated consistently for the peers and the District.

According to documentation provided by the District after the post audit, nine teachers are invoiced to either Rushmore Academy or Marion Digital Academy. This report reflects an adjustment for those nine teachers.



Mr. Steve Anway
Assistant Superintendent

Mr. Robert Wood
Treasurer

Mr. Craig Clark, Director
Human Resources

Mr. Miles Burson, Director
State and Federal Programs

Mrs. Sandy Borland, Director
Student Services

Mrs. Carol Thiede, Director
Curriculum and Instruction
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Mr. Monte Detterman
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MARION CITY SCHOOLS

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Dr. James S. Barney, Superintendent

October 11, 2012

Dave Yost, Auditor of State
101 Central Plaza South
700 Chase Tower
Canton, OH 44702

Dear Auditor Yost:

Marion City Schools (MCS) recently had an audit completed by your staff. Below please find the district response to those areas of concern identified in the audit. The recommendations are addressed along with some critiques of the work provided by your office.

Human Resources

Key Recommendation: Eliminate positions to more closely reflect the peer district average.

Administrative: Reduce 2 FTE positions

MCS includes in the administrative FTEs the high school athletic director. Many smaller districts do not have the AD as an administrator but as a teacher with a supplemental. MCS would want to know how peer districts counted the AD to be clear the comparison is accurate.

The Rushmore Community School Director is a 0.1 FTE on the auditor's report. This is a completely stand-alone school and the director should not be listed on the MCS administrator list.

If the district closes a building as recommended, the additional administrative FTE would be eliminated thus equaling the peer districts.

Food service was also counted in the audit though that is a separate account function so perhaps should not have been added.

If the above is accurate we would have 24.9 administrative positions and not 27.10 thus meeting the recommendation.

Clerical: Reduce 7 FTE positions

2012-2013 school year we have reduced this by two positions

General Education Teachers: Reduce 11 FTE positions

2012-2013 school year we have reduced from 214.78 to 205 FTEs. It may be more but we only counted staff and did not account for actual FTEs.

ESP Teachers: Reduce 11 FTE positions

2012-2013 school year we have reduced ESP teachers from 42.76 down to 41. Again no account is made for actual FTEs so actual reduction may be greater.

Educational Support Staff: Reduce 3 positions

2012-2013 school year we have reduced from 19.86 down to 16 FTEs or 3.86 positions

Other Certificated: Reduce 13 positions

2012-2013 school year we have reduced from 21.45 down to 12 FTEs or 9.45 positions.

On the list provided by the auditor nine teachers appear to be included who teach at either Rushmore Academy or Marion City Digital Academy, both Community Schools sponsored by MCS. These teachers are contracted to the Community Schools. If they have been eliminated from the count, I would need to know.

The above reductions list a recommended reduction of 45 FTEs not including the administrative positions and MCS has reduced 26.85 positions. If the nine community school teachers are included in the list, with their removal MCS would have a reduction of 35.85 positions placing us very close to peer districts.

The second recommendation is to negotiate for lower premiums for family coverage and should consider increasing the employee contribution percentage for medical, dental, and vision plans.

In recent negotiations the district did negotiate a higher contribution percentage with the OAPSE union. The change was to move from fixed dollar amount to 5% co-pay in 2012-2013 and 10% in 2013 2014. This did not affect all OAPSE members but roughly 50% who received medical benefits.

Recommendation three is to eliminate the practice of paying the employee's portion of STRS/SERS contributions.

There is discussion within several school organizations that eliminating the practice of "pick-up" would in effect be a reduction in salary which is not permissible in the Ohio Revised Code.

Also of note, in three of the peer districts there is some level of pick-up for administrators. Alliance, a smaller district, has pick-up for the superintendent and treasurer only. The other two districts had not responded at the time this report was completed.

Recommendation four is to reduce compensation for substitute teachers to align with area districts.

The districts in Marion County only pay \$70 per day. However, the larger districts of Delaware and Olentangy, with whom we compete, pay more than the \$85 rate MCS pays for substitute teachers. We do believe we compete with these two districts for substitute teachers. We are also a larger district with different demands than the much smaller locals.

Recommendation: Work to align compensation rates with peer districts.

The auditors found that the peer district administrative salary average was \$75,988 and MCS was at \$78,436. In an independent study done by MCS three groups were compared to our current administrative salaries.

All salaries were taken from the Treasurer State of Ohio website for the FY2011 year. In that comparison MCS looked at districts of similar size, the top ten districts on the Ohio Department of Education similar districts comparison, and districts MCS thinks are similar to us. The Findings:

Median High School Principals salary was \$9,300 higher than MCS

Median High School Assistant Principal salary was \$13,000 higher than MCS

Median Middle School Principal salary was \$8,000 higher than MCS

Median Elementary School Principal salary was \$8,000 higher than MCS

In the auditor peer districts Steubenville was significantly lower in salaries than the others in the peer districts which we believe is significant in the comparison.

It is the belief of the administration that in order to be competitive MCS needs to provide higher administrative salaries.

A similar salary comparison for general education teacher salaries is in process so a comparison is not available at this time.

Recommendation: Data reliability checks for FTEs through EMIS

We will work with those involved in entering data into the EMIS system.

Facilities

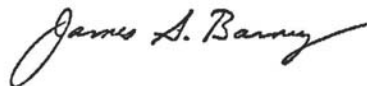
Recommendation: Reconfigure elementary school buildings to close one building.

It is anticipated the Board of Education will discuss this recommendation in November.

In conclusion, Marion City Schools is pleased to report that a number of the recommendations have already been addressed, especially staff reduction recommendations. Several of the recommendations are and will be related to contract negotiations and will be more difficult to change. It is also noted that health care costs are difficult, at best, to contain.

It is the intention of the Administration and Board of Education of Marion City Schools to use the audit to continue to seek savings in the district.

Respectfully,



Dr. James S. Barney
Superintendent



Dave Yost • Auditor of State

MARION CITY SCHOOL DISTRICT

MARION 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 27, 2012**