



Dave Yost • Auditor of State



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To the residents, elected officials, administration, and other stakeholders of the Niles City School District,

At the request of the Ohio Department of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of operations. Functional areas selected for operational review were identified with input from District management and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

Shared Services Idea Center: This searchable database allows users to quickly sort through shared services examples across the State. The Shared Services Idea Center is accessible through the Auditor of State's website at <http://www.ohioauditor.gov/sharedservices/>

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, and other useful resources such as the Local Government Toolkit. The Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

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Executive Summary

Project History

The Ohio Department of Education requested the Auditor of State's Ohio Performance Team conduct a performance audit to improve the efficiency and effectiveness of operations, and address concerns that declining revenues would create a deficit for FY2012-13.¹ Although the October 19, 2012 update of the Five Year Forecast indicated that the FY2012-13 deficit, originally projected at \$2.5 million, was reduced to \$112,600, the District is still projected to reach a deficit of \$2.9 million by FY2016-17 based on declining revenues from tax valuations and State assistance.

Objectives

AOS conducted the performance audit of Niles 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.

Through a review of the operations of the District, in cooperation with the District, AOS identified the following areas for detailed assessment:

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

The following objectives were identified in consultation with the District:

- What is the District's financial history?
- Does the District develop a strategic plan and link to the budget and capital planning?
- Does the District maintain an effective process for preparing financial forecasts?
- Does the District use a staffing plan, and how does staffing per pupil compare to peers?
- How do salaries compare to peers?
- How do benefits and collective bargaining agreement provisions compare to peers and minimum requirements?
- Are facilities maintained and cleaned at staffing rates consistent with industry benchmarks?
- Are students bused at routing and transportation levels consistent with peers and recommended practices?

¹ NCSD had a performance audit in 2004 (see **Appendix B** for information on the District's implementation of the prior audit recommendations).

Methodology and Benchmarks

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 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.

Data was drawn from FY 2008-09, FY 2009-10, FY 2010-11, and year-to-date FY 2011-12. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various departments internally and externally, and reviewed and assessed available information. The performance audit involved significant information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and proposed recommendations to improve operations. Throughout the audit, input from the District was solicited and considered when assessing the selected areas and framing recommendations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the District's comments.

The following Ohio school districts were selected as peers: Girard CSD, Hamilton LSD, Ravenna CSD, Struthers CSD, and Washington Court House CSD. These peers were selected based upon demographic and operational data. Whenever possible, these peer districts were used for comparison. In addition, benchmark data and standards were chosen from other applicable organizations and sources such as the Ohio Department of Administrative Services (DAS), State Employment Relations Board (SERB), American School and University (AS&U), National Center for Education Statistics (NCES), and the U.S. Department of Energy (DOE).

Financial Implications

The performance audit identifies potential cost savings of approximately \$1.4 million annually, representing 6.0 percent of the proposed FY2012-13 total expenditures forecasted by the District. Financial implications for the audit recommendations are summarized below.

Summary of Financial Implications

Recommendations	Financial Implication
R1 Increase employee contributions to 15 percent of health care premiums.	\$519,500
R2 Eliminate 9.0 FTEs in District positions.	\$496,900
R3 Eliminate 6.0 FTEs in custodial/groundskeeping staff.	\$216,100
R4 Renegotiate costly provisions in the CBAs.	\$132,000
Total Cost Savings	\$1,364,500

Management Implications

In addition to financial implications, the performance audit also includes management recommendations that may not have direct financial effect but could improve administration.

- **Financial Systems:** Create a strategic plan including capital investments and link to the budget.
- **Human Resources:** Negotiate to remove CBA minimum staffing requirements.
- **Transportation:** Calculate ridership and mileage in accordance with ODE instructions.

Background

Financial Management

In accordance with Ohio Revised Code (ORC) 3316.031, the Ohio Department of Education (ODE) declared Niles City School District to be in a state of fiscal watch in 2003. The October 2011 update of the District's Five Year Forecast indicated that the District was projected to reach a deficit of \$2.5 million in FY2011-12. On March 6, 2012, the voters approved a 4.65 mill renewal levy, and during the course of the audit, the District was actively undertaking steps to reduce expenditures. In May and June, 2012, the District announced reductions-in force (RIFs) and entered into negotiations to address costly health care contributions provisions (see **R1**). Based on these changes, the October 19, 2012 update of the Five Year Forecast projected the FY2012-13 deficit at \$112,600. Although these cuts had a significant impact on reducing the FY2012-13 deficit, the District is still projected to reach a deficit of \$2.9 million in FY2016-17 based on declining revenues from tax valuations and State assistance.

Table 1 below shows total General Fund revenues and expenditures for FY 2010-11 per pupil.

Table 1: FY2010-11 Population, Revenue, and Expenditure Peer Comparison

	Niles CSD	Peer Average	Difference	Percent Difference
Pupils	2,653	2,379	274	11.5%
Revenues				
Property & Income Tax	\$1,828	\$1,821	\$7	0.4%
Intergovernmental Revenues	\$5,581	\$5,540	\$41	0.7%
Other Revenues	\$371	\$451	(\$80)	(17.8%)
Total Revenues	\$7,779	\$7,812	(\$33)	(0.4%)
Expenditures				
Wages	\$4,887	\$4,261	\$627	14.7%
Fringe Benefits	\$905	\$1,624	(\$719)	(44.2%)
Purchased Service	\$1,763	\$1,171	\$592	50.5%
Supplies & Materials	\$167	\$217	(\$50)	(23.0%)
Capital Outlay	\$52	\$59	(\$7)	(12.6%)
Debt Service	\$170	\$0	\$170	N/A
Other Expenditures	\$68	\$173	(\$105)	(60.6%)
Other Financing Uses	\$33	\$104	(\$71)	(68.1%)
Total Expenditures	\$8,046	\$7,610	\$437	5.7%
Revenues Over (Under) Expenditures	(\$267)	\$202	(\$469)	175.7%

Source: NCS D and peer district ODE reports

Table 1 shows the revenues and expenditures on a per pupil basis for FY 2010-11. Expenditures for NCS D exceed revenues by \$267 per pupil while the peer average shows a surplus of \$202 per pupil of income over expenses. The District's unreserved fund balance as of June 30th each year has been decreasing steadily for the past several years due to this deficit spending.

Table 2 represents a distribution of General Fund revenues and expenditures in comparison to peer average distributions.

Table 2: FY 2010-11 Revenues and Expenditures Distribution

	Niles CSD	Peer Avg.	Percent Difference
Property and Income Tax	23.5%	21.8%	1.7%
Intergovernmental Revenues	71.7%	72.4%	(0.6%)
Other Revenues	4.8%	5.8%	(1.0%)
Total Revenue	100.0%	100.0%	
Salaries and Wages	60.7%	56.2%	4.6%
Fringe Benefits ¹	11.3%	21.2%	(10.0%)
Purchased Service	21.9%	15.4%	6.5%
Supplies and Materials	2.1%	2.9%	(0.8%)
Capital Outlays	0.6%	0.8%	(0.1%)
Debt Service	2.1%	0.0%	2.1%
Miscellaneous	0.8%	2.3%	(1.4%)
Other Financing Uses	0.4%	1.3%	(0.9%)
Total Expenditures	100.0%	100.0%	

Source: NCSD and peer district ODE reports

¹ Benefits only include General Fund expenditures and does not include payments from the self-insurance fund.

As presented in **Table 2**, NCSD spends a greater percentage of General Fund expenditures on salaries and wages and purchased services than the peer average. The salary analysis, detailed later in this background, shows that salaries tend to be comparable or below peers. A staffing analysis indicated a few areas where the District was higher than the peer average (see **R2**) or than industry benchmarks (see **R3**). The use of temporary labor is also higher than the peer average, although this analysis is connected to overtime and has been detailed in Appendix A (see **issues for further study**). The difference in purchased services is entirely based on the expenditure in this category for tuition paid to other educational agencies for students living in the District jurisdiction. This is largely for payments for special education needs, and an analysis of District expenditures for special education indicates that NCSD is spending 175.5 percent of the State minimum in comparison to peers that are spending 145.5 percent. Because of the difficulty in assessing the causes of this spending, for example, which might be related to more complicated needs of the students, the analysis is discussed in **Appendix A** (see **issues for further study**).

Table 3 shows spending across the major functional categories for all Governmental Funds (including the General Fund) on a per pupil basis and in comparison to peer averages.

Table 3: FY 2010-11 Governmental Expenditures Comparison (Per Pupil)

	Niles CSD		Peer Average		Difference	
	Per Pupil	Percent of Total	Per Pupil	Percent of Total	Per Pupil	Percent of Total
Instructional Expenditures:						
Regular Instruction	\$4,427	43.9%	\$3,775	37.4%	\$652	17.3%
Special Instruction	\$1,367	13.6%	\$1,420	14.2%	(\$53)	(3.7%)
Vocational Education ¹	\$34	0.3%	\$114	1.1%	(\$80)	(70.2%)
Other Instruction	\$404	4.0%	\$533	5.3%	(\$129)	(24.2%)
Total Instructional	\$6,231	61.8%	\$5,841	58.0%	\$390	6.7%
Support Service Expenditures:						
Pupil Support Services	\$491	4.9%	\$449	4.3%	\$42	9.4%
Instructional Support Services	\$556	5.5%	\$254	2.6%	\$302	118.9%
Board of Education	\$22	0.2%	\$19	0.2%	\$3	15.8%
Administration	\$912	9.1%	\$737	7.3%	\$175	23.7%
Fiscal Services	\$216	2.2%	\$337	3.3%	(\$121)	(35.9%)
Business Services ²	\$115	1.1%	\$24	0.2%	\$91	379.2%
Plant Operation & Maintenance	\$763	7.6%	\$1,714	15.2%	(\$951)	(55.5%)
Pupil Transportation	\$435	4.3%	\$365	3.6%	\$70	19.2%
Central Support Services	\$98	1.0%	\$76	0.7%	\$22	28.9%
Total Support Service	\$3,609	35.8%	\$3,974	37.5%	(\$365)	(9.2%)
Non-Instructional Services Expenditures	\$62	0.6%	\$198	1.9%	(\$136)	(68.7%)
Extracurricular Activities Expenditures	\$173	1.7%	\$264	2.6%	(\$91)	(34.5%)
Total Governmental Fund Operational Expenditures	\$10,076	100.0%	\$10,278	100.0%	(\$202)	(2.0%)

Source: NCSD and peer district ODE reports

¹Spending varied widely between districts, with one not using the category and one being excessively high. Removing the one high peer reduced the average by half, and NCSD was only \$22 less than the peer average.

²Only two peer districts used this category and spending varied widely, causing the overall variance to appear high.

As presented in **Table 3**, NCSD has focused spending in the areas of regular instruction, pupil support services, instructional support services, administration, and central support services. Expenditures in these areas are driven primarily by salary and benefit costs. A comparison to peer averages shows the District spends significantly less in plant operation and maintenance, indicating that facility costs are not a significant source of inefficiency. The area of pupil transportation is slightly higher than the peers, representing some opportunity for savings if these costs cannot be justified by exceptional transportation needs.

Human Resources

The District has collective bargaining agreements (CBA) with the Niles Education Association (certificated CBA) and the Ohio Association of Public School Employees (classified CBA). The

certificated CBA covers all certificated/licensed personnel employed by the Board, except the Superintendent, Treasurer, principals, and the other individuals receiving administrative contracts. The classified CBA covers all regular full-time and part-time classified positions, including bus drivers, monitors, attendants, food service, custodians, maintenance, and secretarial/clerical personnel.

Table 4 shows a comparison of salaries for certificated, classified, and administrative employees for both NCS D and its peers.

Table 4: Salaries Comparison

	NCS D	Peer Average	Difference	Percent Difference
Certificated	\$50,560	\$56,982	(\$6,422)	(11.3%)
Custodians	\$34,327	\$34,708	(\$380)	(1.1%)
Food Service	\$30,930	\$30,836	\$94	0.3%
Clerical	\$34,519	\$34,695	(\$176)	(0.5%)
Administration	\$70,649	\$75,488	(\$4,839)	(6.4%)
Average	\$44,197	\$46,542	(\$2,345)	(5.0%)

Source: NCS D and peer district salary schedules (FY 2009-10)

As presented in **Table 4**, NCS D overall salaries are below the peer average. A description of each analysis follows:

- Administration:** NCS D administrative salaries are lower than the peer average. Specifically, the average NCS D administrative salary is \$70,649, while the peer average is \$75,488. Consequently, NCS D’s average administrative salary is \$4,840 lower (6.4 percent) than peers.²
- Certificated Salaries:** NCS D’s certificated salaries are lower than the peer average in the first year, midpoint (15 years), last year (30 years), and over a 30-year career. Specifically, certificated wages are 12 percent lower than the peer average in the first year of employment, 13.2 percent lower at mid-career, and 9.7 percent lower at 30 years of employment. Furthermore, a certificated NCS D employee with a master’s degree would earn a total of \$1,567,356 over a 30 year career while the peer average is \$1,767,927. Overall, NCS D’s salaries are 11.3 percent lower than peers when including longevity.
- Custodian Salaries:** NCS D’s custodial salaries are lower than the peer average in the first and last (30th) years. Salaries are higher at mid-career (year 15). Custodial wages are 22.3 percent lower than the peer average in the first year of employment, 5.1 percent higher at mid-career, and 12.5 percent lower at 30 years of employment. Overall, NCS D’s salaries are 1.1 percent lower than peers, taking into account longevity.
- Food Service Salaries:** NCS D’s food service salaries are lower than the peer average in the first year, higher at mid-career (15 years), and lower over a 30-year career. Specifically, food

² Historically, NCS D paid the full ten percent of the superintendent’s share of pension costs, which was included in the analysis. During the course of the audit, the District was in the process of hiring a new superintendent.

service wages are 27.7 percent lower than the peer average in the first year of employment, 3.9 percent higher at mid-career, and 5.0 percent lower at 30 years of employment. Overall, NCSD's salaries are 0.3 percent higher than peers taking into account longevity.

- **Clerical Salaries:** NCSD's clerical salaries are lower than the peer average in the first year, and the last year of employment, but higher at mid-career (15th year of employment). Specifically, clerical wages are 23.3 percent lower than the peer average in the first year of employment, 3.1 percent higher in the 15th year of employment, and 3.9 percent lower in the 30th year of employment. Overall, NCSD's salaries are 0.5 percent lower than peers when including longevity.
- Overall, the District's salaries are below or considered comparable to the peers.

Facilities

NCSD's facility configuration comprises three elementary buildings, one middle school building, one high school building, and one administration building. The District property includes approximately 314,700 square feet and 172 acres. Upon completion of the Ohio School Facilities Commission (OSFC) project that was occurring during the course of this audit, the District's facility configuration will comprise two elementary buildings (both new construction), one middle school, one high school (new construction), and one administration building to be converted from one of the old elementary buildings. In total, the buildings and surrounding grounds area in the new configuration will be approximately 251,800 square feet and 114.1 acres.

Maintenance and Operations (M&O) is overseen by the District Treasurer in conjunction with building principals. At the start of this audit, the District had 24.1 custodial FTEs, but reduced staffing by 6.0 FTEs to 18.1 during the course of the audit. In addition to cleaning, the custodial staff is also responsible for grounds maintenance for the District. However, the District contracts out to private vendors for building maintenance operations. See **R3** for analysis of M&O staffing.

Transportation

The District does not have a formal transportation policy approved by the Board of Education. For FY 2010-11, the District's transportation program provided service to students in grades Kindergarten to 12, wherein 5 buses operated an average of three routes per day and 12 buses operate an average of two routes per day. The District is transporting to five different buildings that include four different start and end times.

Table 5 compares the District's transportation operational data to the peer average as reported on the FY 2010-11 T-1 Form.

Table 5: Key Statistics and Operating Ratios

Key Statistics	Niles CSD FY 2009-10	Niles CSD FY 2010-11	Peer Average FY 2010-11	Difference vs. Peers	Percent Difference vs. Peers
Square Miles	9.0	9.0	12.6	(3.6)	(28.6)
ODE Enrollment	2,785	2,734	2,504.4	229.6	9.2%
Total Students Transported (All Types)	1,542	1,765	1,367.8	397.2	29.0%
Yellow Bus Riders (Type 1)					
Public	1,425	1,707	1,271	436.0	34.3%
Non-Public	88	39	34.8	4.2	12.1%
Community School	-	-	3.2	(3.2)	(100.0%)
Special Needs	-	-	38.2	38.2	(100.0%)
Total Yellow Bus Riders	1,513	1,746	1,347.2	398.8	29.6%
Yellow Bus Riders as a Percent of Enrollment	54%	64%	54%	0.1	19.0%
(Buses Type 1)					
Active Buses	15	17	13.6	3.4	25.0%
Spare Buses	3	3	7.2	(4.2)	(58.3%)
Miles (Type 1)					
Annual Routine Miles	113,400	136,080	130,536	5,544	4.2%
Annual Non-Routine Miles	14,975	14,172	12,750	1,422	11.2%
Total Miles	128,375	150,252	143,286	6,966	4.9%
Operating Ratios					
Enrollment per Sq. Mile	309.4	303.8	272.2	31.6	11.6%
Daily Miles per Yellow Bus Rider	0.4	0.4	0.5	(0.1)	(18.9%)
Riders per Square Mile	168.1	194.0	145.0	49.0	33.8%
Yellow Bus Riders per Active Bus	100.9	102.7	102.8	(0.1)	(0.1%)
Routine Miles per Active Bus	7,560	8,005	9,208	(1,203.4)	(13.1%)
Non-Routine Miles as % of Total Miles	11.7%	9.4%	5.6%	0.0	6.1%
Non-Routine Miles per Enrollment	5.4	5.2	5.0	0.1	0.0
Spare Bus Ratio	16.7%	15.0%	35.1%	(20.1%)	(18.5%)
Percent Public Riders	94.2%	97.8%	93.1%	4.6%	4.6%
Percent Special Need Riders	0.0%	0.0%	3.4%	(3.4%)	(3.4%)
Percent Non-Public & Community School Riders	5.8%	2.2%	3.5%	(1.3%)	(1.3%)
Public Riders as % of Total Enrollment	51.2%	62.4%	50.2%	12.2%	12.2%

Source: Ohio Department of Education transportation reports.

As **Table 5** illustrates, during FY 2010-11, the District transported 103 riders per active bus, which parallels the peer average of 103. The District had higher enrollment per square mile when compared to the peer average, and transported approximately 19 percent more active bus riders. It should be noted that the District does not report special education ridership or expenses to ODE because it contracts with Trumbull County Educational Service Center for special needs transportation. As a result, special needs ridership and expenses are not included in the District's comparison ratios. The comparisons demonstrate that the District maintained a relatively efficient transportation program in FY 2010-11. Prior to FY 2010-11, the District housed Grades K-5 in four separate buildings throughout the community. In August 2010, the District reconfigured the school buildings and ridership significantly increased because a majority of students were moved to a building farther from their respective residences. At the completion of the OSFC construction project in August 2013, the District will consolidate Grades K through 2 into one building. Based on this change, the District's transportation operation will be updated to service the new building configuration.

Table 6 compares the District's transportation cost data to the peer average as reported on the FY 2010-11 T-2 Form.

Table 6: Transportation Cost Ratios - Comparison

	Niles CSD FY 2009-10	Niles CSD FY 2010-11	Peer Average FY 2010 - 2011	Difference vs. Peers
Salaries				
· Per Yellow Bus Rider	\$146.43	\$147.99	\$252.10	(41.3%)
· Per Active Bus	\$14,769.93	\$15,199.76	\$25,132.18	(39.5%)
· Per Routine Mile	\$1.95	\$1.90	\$2.88	(34.1%)
Benefits				
· Per Yellow Bus Rider	\$133.50	\$121.75	\$126.53	(3.8%)
· Per Active Bus	\$13,465.87	\$12,504.24	\$11,823.60	5.8%
· Per Routine Mile	\$1.78	\$1.56	\$1.33	17.6%
Maintenance & Repairs ¹				
· Per Yellow Bus Rider	\$57.09	\$65.85	\$80.26	(18.0%)
· Per Active Bus	\$5,758.00	\$6,762.88	\$8,075.72	(16.3%)
· Per Routine Mile	\$0.76	\$0.84	\$0.96	(12.0%)
Fuel				
· Per Yellow Bus Rider	\$40.31	\$50.02	\$71.01	(29.6%)
· Per Active Bus	\$4,065.73	\$5,137.35	\$6,965.48	(26.2%)
· Per Routine Mile	\$0.54	\$0.64	\$0.78	(17.8%)
Bus Insurance				
· Per Yellow Bus Rider	\$8.72	\$5.91	\$11.84	(50.1%)
· Per Active Bus	\$879.27	\$606.82	\$1,085.56	(44.1%)
· Per Routine Mile	\$0.12	\$0.08	\$0.12	(36.6%)
All Other Costs				
· Per Yellow Bus Rider	\$10.09	\$10.65	\$25.89	(58.9%)
· Per Active Bus	\$1,017.73	\$1,093.41	\$2,050.24	(46.7%)
· Per Routine Mile	\$0.13	\$0.14	\$0.22	(38.8%)
Total Expenditures - Type I				
· Per Yellow Bus Rider	\$396.13	\$402.16	\$567.63	(29.2%)
· Per Active Bus	\$39,956.53	\$41,304.47	\$55,132.78	(25.1%)
· Per Routine Mile	\$5.29	\$5.16	\$6.29	(18.0%)

Source: NCSD and peer transportation reports

¹Includes mechanic and mechanic helper salaries.

As shown in **Table 6**, NCSD's total expenditures were significantly lower than the peer average on a per yellow bus rider, per active bus, and per routine mile basis.

Recommendations

R1 Increase employee contributions to 15 percent of health care premiums.

Financial Implication: If NCSD renegotiated the collective bargaining agreements (CBAs), and required all employees to contribute 15 percent of health care costs, it would realize annual cost savings of \$519,500.³

NCSD is self-insured and offers health, dental, and vision insurance coverage to employees. The certificated and classified CBAs contain provisions that limit the amount employees contribute. Employees contribute to health care costs at rates of 5.1 percent for a family plan and 3.7 percent for a single. By comparison, the 2011 State Employee Relations Board (SERB) survey reports that the average government employee contribution in Ohio toward single plan premium costs is 11.0 percent and toward family plans is 12.0 percent. Further, the 2011 Kaiser Survey reports that nationally, the average single and family plan contribution rates for governments offering a similar plan are 18.0 percent and 28.0 percent, respectively. Prior to release of the audit, NCSD negotiated an amendment to the CBA that increased the employee contribution rates to 6.9 percent for a family plan and 8.0 percent for a single plan. Rates still remained lower than recommended industry benchmarks.

In addition to the contribution rates, the total of the District's negotiated premiums are significantly higher than the SERB average. The District's monthly premium for a single plan is \$520 and the family premium is \$1,403. SERB reports that similarly-sized school districts' average single and family premiums are \$465 and \$1,198. NCSD exceeds these averages by 11.8 and 17.1 percent, respectively.

Although the Patient Protection and Affordable Care Act (PPACA) was signed into Federal law in March 2010, local governments with collective bargaining agreements such as NCSD can maintain prior agreement plans by not making significant changes to reduce benefits or increase costs to consumers. The U.S. Department of Health and Human Services (www.healthcare.gov) indicates that the new plan will require provisions such as preventive care coverage with no cost sharing under any new agreement. According to a survey conducted by Mercer Consulting 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. One of the nation's leading insurance brokers estimates that providing full coverage for preventive care represents a cost increase of up to approximately 2.0 percent for employers. Reviewing the PPACA legislation before enacting significant changes to its healthcare program will ensure that NCSD achieves intended results.

³ This would include a 10 percent reduction in savings to conservatively offset the anticipated effect of the Patient Protection and Affordable Care Act (PPACA).

NCSD's contributions toward its employee premiums for health care are in excess of those paid by other levels of government. Establishing consistent premiums for all employees can assist the District in providing reasonable but cost-effective health care benefits.

R2 Eliminate 9.0 FTEs in District positions.

Financial Implication: By eliminating 9.0 FTEs, NCSD would save approximately \$496,900 in salaries and benefit costs. The estimated savings are based on the lowest salaries for each group and the ratio of District-wide benefits to salaries for FY 2010-11.

NCSD staffing levels compared to peer averages are shown in **Table 7**. These numbers include adjustments for staffing cuts implemented through the reduction-in-force (RIF) plan for FY 2012-13.

Table 7: Staffing Comparison Summary

	Niles CSD		Peer Average FTEs/ 1,000 Students	Difference/ 1,000 Students
	Total FTEs	FTEs/ 1,000 Students		
Administrative ¹	11.0	4.2	5.9	(1.8)
Office/Clerical ²	20.0	7.5	6.5	1.1
General Education Teachers ³	111.5	42.0	45.2	(3.2)
All Other Teachers ⁴	31.3	11.8	10.4	1.4
Education Service Personnel (ESP) ⁵	19.5	7.4	6.8	0.5
Educational Support ⁶	12.2	4.6	2.0	2.6
Other Certificated ⁷	3.0	1.1	1.5	(0.4)
Non-Certificated Classroom Support ⁸	15.3	5.7	8.7	(3.0)
Sub-Total	223.7	84.3	87.1	(2.8)
Operations	55.4	20.9	21.2	(0.3)
All Other Staff ⁹	5.0	1.9	3.0	(1.1)
Total Staff	284.0	107.0	111.3	(4.2)

Source: NCSD and peer FY 2011-12 EMIS data

Note: Columns and rows may not total due to rounding errors.

¹Administrative 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.

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

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

⁴All other teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, Limited English Proficiency (LEP) teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.

⁵Education 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).

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

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

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

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

As shown in **Table 7**, after staffing cuts were considered, in overall positions NCS D had 4.2 fewer FTEs per 1,000 students compared to the peer average. Due to the expected FY2016-17 deficit forecast of \$2.9 million, the District should consider conforming FTE levels to peer averages in the following areas:

- **Office/Clerical:** The District should eliminate 2 FTEs (1.1 FTEs per 1,000 students), in addition to a recent retirement to better align with peer averages. Eliminating 2 clerical FTEs would save the District approximately \$80,800.
- **All Other Teachers:** The District should eliminate 1.0 FTE (1.4 FTEs per 1,000 students), in addition to the 1 FTE included in the RIF plan. Eliminating 1 FTE to align with peer averages would save the District approximately \$57,500.
- **Educational Support:** The District should eliminate 6 FTEs (2.6 FTEs per 1,000 students), in addition to a recent reduction of 1 FTE in the RIF plan. Eliminating 6 FTEs in Educational Support would align NCS D with peer district averages and would save approximately \$358,600.

In addition to the actions suggested above, the District is also exceeding the staff State minimum requirements in terms of General Education Teachers and Education Service Personnel (ESP). The recommended threshold for General Education staffing has historically been at a level 20 percent above the State minimum requirement for teachers, but NCS D has already dipped below that threshold when the FY2012-13 RIF plan was implemented. It is also 12 FTEs below the peers. However, based on the current forecasted deficit, the District will need to consider aggressive action to eliminate that potential deficit. NCS D should thus consider the potential reductions that could be enacted by taking General Education Teacher staffing to the State minimum standards. Using this baseline, the District could reduce up to an additional 16 General Education Teachers and still meet state teacher staffing requirements. Similarly, NCS D could take the ESP staff, such as art and music teachers, counselors, nurses, and librarians, to the minimum standard requirements. NCS D could eliminate 7 FTEs and still meet state minimum requirements. Eliminating 16 General Education Teachers would save approximately \$714,900 and reducing 7 FTEs in ESP employees would save approximately \$593,200. However, while these changes can be quantified, the District should consider the effects of such reductions on its educational programs. Based on these issues, the further reduction of General Education Teachers and ESP to State minimum levels should only be considered if the District has continuing issues of financial insolvency. Further, the District should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements and ensure all proposed reductions will permit compliance with any new requirements.

Traditionally, when buildings were closed in NCS D, staffing was absorbed and not proportionally adjusted. Employing more staff than needed can be costly to a district. By reducing staffing levels to align with peer averages, NCS D can reduce salary and benefit costs and improve operational costs. Some of the reductions discussed above may be subject to the minimum staffing requirement in the certificated collective bargaining agreement. See **R5** for a discussion of this provision and additional staffing exceeding minimum requirements.

R3 Eliminate 6.0 FTEs in custodial/groundskeeping staff.

Financial Implication: Aligning custodial/groundskeeping staff with industry standards will eliminate 6.0 FTE positions and save approximately \$216,100 annually in salaries and benefits.

Maintenance and Operations (M&O) is overseen by the District Treasurer in conjunction with building principals. M&O staffing currently consists of 19 full-time custodians. Each of the District’s five educational buildings is assigned one head custodian who leads the remaining staff of 14 assistant custodians in daily operations. In addition to its cleaning function, the custodial staff is also responsible for groundskeeping, including the athletic fields. **Table 8** presents the District’s custodial staffing in comparison to industry benchmarks, based both on the square footage and acreage before and after the District completes construction of its new facilities through the Ohio School Facilities Commission (OSFC) project.

Table 8: FY 2011-12 M&O Department Staffing

	Pre-OSFC	Post-OSFC
District Statistics		
Total FTE Custodian Staffing ¹	18.1	18.1
Square Footage Cleaned	314,679	251,782
Acreage Maintained	172.2	114.1
Maintenance & Operations Staffing Benchmarks		
AS&U Average Acres per FTE ²	40.2	40.2
Calculated FTE Groundskeeping Need	4.3	2.8
NCES Level 3 Cleaning Median Square Footage per FTE ³	29,500	29,500
Calculated FTE Custodian Need	10.7	8.5
Total FTE Need	15.0	11.4
Staffing Difference		
Custodial and Groundskeeping Staffing Difference	3.1	6.7

Source: NCSD, AS&U, NCES

¹ Table includes reduction-in-force adjustment for FY2012-13 plan.

²The AS&U 38th Maintenance & Operations Cost Study is based on a national survey that is released in April each year. The national medians used as benchmarks are for school districts.

³According to the NCES Planning Guide for Maintaining School Facilities, 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. Therefore, a benchmark of 29,500 square feet per FTE custodian was applied in the analysis. This benchmark is acceptable to most stakeholders and does not pose any health issues.

As shown in **Table 8**, the District’s total square footage and acreage will decrease under the post-OSFC configuration. The National Center for Education Statistics (NCES) Planning Guide recommends a benchmark of 29,500 square feet per FTE custodian, and the American School and University (AS&U) Maintenance and Operations Cost Study benchmarks an average of 40.2 acres per FTE in groundskeeping. Based on the combined standards for cleaning and groundskeeping, the District needs 15.0 FTEs prior to and only 11.4 FTEs after completion of the new OSFC building projects. During the course of the audit, the District announced implementation of a reduction-in-force of 6.0 FTEs in custodial and groundskeeping staff, which was incorporated into **Table 8**. The resulting difference is 6.7 FTEs in excess of the industry standard levels.

The District may be incurring unnecessary personnel costs as a result of its high staffing levels. Bringing custodial staffing levels closer to industry benchmarks should make additional funds available for allocation to other needs across the District.

R4 Renegotiate costly provisions in District collective bargaining agreements (CBAs).

Financial Implication: If NCSD can successfully renegotiate costly provisions in its collective bargaining agreements (CBAs), it could save approximately \$132,000 annually.

In an analysis of NCSD's classified and certificated CBAs, key provisions for paid lunches, holidays, vacation, and personal days were identified as more generous than the peers.

- **Paid Lunch:** The District is paying 8-hour classified employees for a half-hour lunch (8 hours of pay for 7.5 hours of productivity). Paid lunch is not a requirement under Ohio Revised Code (ORC) or Ohio Administrative Code (OAC) for classified employees. Due to the District's financial emergency, eliminating the paid lunch would bring the District in line with peers and State minimum requirements and would offer the District annual savings of approximately \$81,900.
- **Holidays:** The District's classified CBA provides 14 paid holidays for employees working 11-12 months and 11 paid holidays for employees working 9-10 months. By comparison, ORC 3319.087 only requires school districts to provide 7 and 6 paid holidays for these two groups, respectively. Hamilton City School District's classified agreement, for example, includes 11 paid holidays for 11-12 month employees and 7 holidays for 9-10 month employees. If NCSD limited 11-12 month employees to 11 paid holidays, it would save approximately \$17,600 per year. If the District limited 9-10 month employees to 7 paid holidays per year, it would save an additional \$24,800.
- **Vacation:** NCSD employees receive more vacation leave with less seniority when compared to minimum ORC requirements or the peer districts. Full time employees receive 2 weeks of vacation leave after 1 year of service, 3 weeks after 8 years, and 4 weeks after 13 years. ORC 3318.084 states that full-time classified employees should receive 2 weeks of vacation with 1 to 9 years of experience, 3 weeks for 10 to 19 years, and 4 weeks for 20 or more years. Girard CSD provides classified employees with 4 weeks of vacation leave annually after 19 years of experience, while Hamilton LSD and Ravenna CSD offer 4 weeks after 15 years of experience. Part time employees are given 10 days of vacation after 1 year of service with the District. Neither ORC nor the peers give 9-10 month employees vacation time. Higher vacation leave accruals can cost the District in terms of staff productive time, but will only cost additionally if the District employs overtime or temporary labor to substitute for staff. Although District classified overtime is consistent with peers, the District's temporary labor costs are significantly higher than the peer average. A conservative estimate of reducing vacation leave usage to minimum requirements would save temporary labor usage for substitute custodial staff of \$4,600 annually.

- **Personal Days:** NCSD classified employees receive 4 non-cumulative personal days and 1 emergency day annually. The emergency day has the same restrictions as personal days. ORC 3319.142 requires only that non-teaching employees receive three personal days. In Hamilton LSD, Ravenna CSD, and Struthers CSD, classified employees are allowed only three personal days. Similar to vacation leave, personal days can amount to lost productive time, but can translate to overtime or substitute costs if replacement staff is used. A conservative estimate of the cost of substitutes for personal leave usage is \$3,100 annually, although the amount for cashing out personal leave at the end of the fiscal year could easily lead to higher savings.
- **Sick Leave Payout:** Both the District's classified and certificated CBAs offer sick leave payouts of 35 percent of unused sick leave, not to exceed 70 days. Employees must have been with the District for at least eight years to qualify. All unused days in excess of 200 days, shall be paid at a rate of \$50 per day. ORC section 124.39 requires only that employees with 10 or more years of service be paid for one quarter of the value of unused sick leave up to 30 days. Girard City School District's classified CBA states that employees with 10 years or more of service are entitled to one quarter of the value of 212 days or payment for 53 days. NCSD offers more severance for unused sick leave, although the exact amount varies with the retirement and amount of unused leave and a reliable estimate of potential savings could not be quantified.

By negotiating to eliminate or reduce these costly provisions, NCSD could achieve cost savings and help to ensure a continued focus on educational operations.

R5 Negotiate to remove CBA minimum staffing requirement.

The District's certificated and classified collective bargaining agreements (CBAs) require minimum staffing levels. The certificated agreement creates a single threshold for all teachers, stating, "There will be no reductions in force for the duration of this agreement causing the membership of the Niles Classroom Teachers Associates to drop below 180 members except for attrition." The classified agreement indicates specific positions to be staffed for various jobs, but permits some adjustments for new building configurations. These minimum staffing requirements restrict the ability of the District to effectively manage the size of its workforce by adjusting for changes in student population or to address financial solvency issues.

Ohio Administrative Code 3301-35-05 already establishes a minimum district-wide ratio of teachers to students, requiring one full-time equivalent (FTE) teacher for every 25 regular students. This creates a minimum staffing requirement that is calculated based on the regular student population. Based on these levels, in FY 2012-13, the District potentially employs 16.7 FTEs more than the minimum standard. Although a benchmark for general education teachers is usually to staff to a level 20 percent above the minimum staffing requirement or to a level consistent with the peer average, NCSD already dropped 2 FTEs below the 20 percent threshold when the FY2012-13 reduction-in-force (RIF) plan was implemented. The District is also already 12 FTEs below the peers. Based on the forecasted deficit, if the other recommendations in this Performance Audit are not sufficient to address future deficits, the District may need to consider the option of taking the staffing level to the State minimum standard requirements in

order to ensure solvency. The inclusion of a minimum staffing requirement prevents the District from adjusting staffing levels and constrains its ability to fully manage the associated costs.

By using retirements and attrition to reduce staffing positions, the District's RIF plan has avoided directly challenging the minimum staffing level requirements. However, the District should work to eliminate the minimum staffing clause from the CBA so that in the event further staff reductions are made the District can implement these without risk of violating the agreement.

R6 Calculate ridership and mileage in accordance with ODE requirements.

NCSD did not complete mandatory transportation reports consistently with the Ohio Department of Education (ODE) instructions for counting the number of students riding buses. ODE required the District to resubmit these forms due to this compliance error. Reported District ridership data showed a 7.6 percent variance with documented ridership information. In addition, the District does not have a formal policy clarifying the responsibility and accountability for these reports, resulting in inconsistent reports. According to a representative from ODE's Pupil Transportation Office, although current funding levels for transportation services are frozen; reporting has traditionally been linked to funding levels. Therefore, errors in reporting may directly risk changes to the amount of transportation funding that the District receives from the State.

According to *Documentation of Accounting Policies and Procedures* (GFOA, 2007), government agencies should develop formal documentation of accounting policies and procedures. A well-designed and properly maintained system for documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff.

The lack of formalized standard operating procedures weakens internal controls, especially in the event of employee turnover or absence, and also leads to questions about the reliability of the District's data. Without documentation and clear lines of responsibility, the District risks accountability and funding issues. Ensuring report accuracy will enhance internal controls and reduce any risk associated with future transportation funding.

R7 Create a strategic plan that incorporates capital budgeting and is linked to the District budget.

NCSD does not have a strategic plan, but has applied for grants to assist in the development of a plan. The District has not developed capital improvement plans to address maintenance and capital needs. While strategic and capital planning has been deemphasized, due in part to the focused attention on financial constraints, these planning efforts can guide decisions that are highly likely to affect future operational needs. The District must continue to plan for the need to replace buses, for example, to ensure safety and cost-effective maintenance costs. Capital planning is also important to the District in light of the current Ohio School Facilities Commission (OSFC) construction project for new school buildings. The District has a voter-approved funding stream of 0.5 mills designated for maintenance and upkeep of the OSFC buildings. As such, the spending power of those funds would likely be maximized if used in accordance with a formal capital plan.

Recommended Practices on the Establishment of Strategic Plans (GFOA, 2005) indicates that all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan establishes logical links between spending amounts and goals. Steps in the strategic planning process include:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Identify and assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement and monitor the plan; and
- Reassess the strategic plan annually.

Further, *Best Practices in Public Budgeting* (GFOA, 2000) indicates that a government should have a process in place for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, timeframes, and financing mechanisms. The capital plan should project at least five years into the future and should be fully integrated into the government's overall financial plan. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing projects and review. When developed, the GFOA further recommends that districts have the capital plan approved by the governing body.

The lack of a strategic plan and a formal capital improvement plan makes the District less able to anticipate needed facility and equipment projects and repairs. Although implementation of a strategic plan cannot be directly linked to passage of levies, developing a plan with the participation of the community will create a shared understanding of the relevant constraints and challenges facing the District. The process will initiate a common plan for addressing those issues and for continuing the mission of providing efficient and effective educational services.

Appendix A

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 be issues that the auditors do not have the time or resources to pursue. The following presents issues requiring further study:

In-Housing Maintenance: NCSD currently contracts with outside vendors for building maintenance, but is interested in housing maintenance internally once the OSFC construction is completed. Based on industry standards, the District would need approximately 3.0 additional FTEs to accomplish this change.⁴ Bringing maintenance operations in-house would cost the District approximately \$185,900 in salary and benefits.⁵ The District should regularly update and use this type of cost estimate to compare quotes from competitively-bid contracted services to determine the most cost effective option for ongoing maintenance.

Work-Order System: Although the District currently uses outsourced maintenance, if the District employs staff for maintenance activities, then a work-order system should be developed to track and evaluate performance.

Temporary Labor: NCSD spends more than the peer average on temporary labor, amounting to 9.9 percent of total salary and wage expenditures. The comparable peer average expenditure is 8.2 percent. Higher numbers of custodial employees may actually trigger a higher use of replacement workers and thus higher spending in temporary labor costs. While the District's overtime expenditure as a percentage of total salaries is lower than the peer average, its temporary labor expenditure is higher. This may be an indicator that the District is controlling overtime through increased use of substitutes.

Fuel Costs: NCSD does not use a consortium for fuel purchases, relying instead on a traditional vendor. Although the cost per unit is slightly higher on average than for fuel purchased through the Ohio Department of Administrative Services (DAS) contract, the District does not own fuel storage tanks. They are provided by the vendor and housed on District property. To purchase a tank, the District would have to expend a modest amount of capital and then budget for ongoing maintenance. Thus, although the District is paying a nominally higher cost for its fuel, it is receiving a benefit through the use of storage tanks that serves to offset this cost. The District should continue to monitor costs to ensure these services are cost effective and should explore options such as sharing services with the City that would enable bulk purchasing discounts and more sophisticated fuel tracking equipment.

⁴ Based on an average developed from the American School and University (AS&U) *Maintenance & Operations Cost Study*, a national survey of school district maintenance operations. A benchmark for maintenance is 95,000 square feet per FTE.

⁵ Estimate used the salary schedule from Ravenna CSD for first-year maintenance employees and an average benefit calculation consistent with the NCSD FY 2011-12 benefits ratio.

Appendix B

Prior Audit Recommendations

Table: 2004 Prior Audit Recommendations

Recommendation	Implementation Status
R2.1 Expand five-year forecast and notes to present more detail.	Implemented
R2.2 Disclose reliance on Tax Anticipation Notes (TANs)	N/A
R2.3 Adopt financial policies to avoid borrowing to cover current operation expenditures and to ensure transfers to and from the General Fund are appropriate.	Partially Implemented
R2.4 Adjust set-asides for each year of the five year forecast and include a discussion of the set-aside results in the forecast.	N/A
R2.5 Analyze the cost reductions recommended in the human resource, facilities, and transportation sections of this report to aid its efforts to regain financial stability.	Partially Implemented
R2.6 Continue to implement strategies identified in its financial recovery plan.	Implemented
R2.7 Analyze and update the proposed financial forecast.	Partially Implemented
R3.1 Reduce 10.0 FTE regular education teachers.	Not implemented
R3.2 Review special education teacher staffing levels to ensure consistent with OAC 3301-51-09(G)(3), Special Education Programs for Handicapped Children.	Not implemented
R3.3 Reduce up to 10.0 FTEs in the educational service personnel (ESP) classification.	Not implemented
R3.4 Reduce 3.0 FTE office/clerical positions.	Not implemented
R3.5 Seek changes to health insurance.	Not implemented
R3.6 Implement a graduated scale for employee contributions to health care premiums.	Partially implemented
R3.7 Remove the no reduction in force (RIF) clause from its classified contract.	Implemented
R3.8 Eliminate the paid vacation for employees working less than 11 months per year.	Not implemented
R3.9 Eliminate one personal leave day for both certificated and classified staff.	Not implemented
R3.10 Remove from the certificated and classified negotiated agreements the bonus severance provision.	Partially implemented
R3.11 Reduce the number of paid holidays for classified employees.	Not implemented
R4.1 Reduce custodial staffing by 6.45 FTEs.	Partially Implemented.
R4.2 Reduce weekend building checks.	Not Implemented.
R4.3 Develop job descriptions for custodians.	Not Implemented.
R4.4 Formalize custodial and maintenance procedures.	Not Implemented.
R4.5 Provide training on custodial procedures and review custodial performance.	Not Implemented.
R4.6 Develop formal evaluation procedures for custodial employees, including performance standards.	Not Implemented.
R4.7 Develop a formal, planned preventive maintenance program.	Not Implemented.
R4.8 Consider adding three FTEs for maintenance.	Not Implemented.

Recommendation	Implementation Status
R4.9 Invest in a work order tracking system. This could be a manual or computer-based system.	Not Implemented.
R4.10 Develop a formal facilities master plan to document its long-term facilities needs and requirements.	Not Implemented.
R4.11 Adopt and implement the use of a methodology for completing enrollment projections.	Partially Implemented.
R4.12 Periodically review building capacity and utilization should be reviewed periodically.	Partially Implemented.
R4.13 Close Garfield Elementary.	Implemented.
R5.1 Adopt a Board-approved written transportation policy that complies with Ohio Revised Code (ORC) 3327.01.	Not Implemented
R5.2 Adjust transportation service level to reflect State minimum transportation levels.	Not Implemented
R5.3 Add routes to accommodate additional students requiring transportation in 2003-04.	N/A
R5.4 Create formal written procedures for transportation for extra-curricular activities including criteria for billing at different rates and for total hours of service.	Not Implemented
R5.5 Ensure reimbursements from Trumbull County Educational Service Center (TCESC) for special needs students are accurate and reports are completed accurately.	Not Implemented
R5.6 Adopt a formal bus replacement plan.	Not Implemented

Source: NCS D

Client Response

The letter that follows is the official response of the Niles City School District to the performance audit. Throughout the audit process, the District was afforded the opportunity to provide input and feedback on the factual basis for the analyses. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report. In addition, the District was also asked to provide comments on the report itself.

Frank W. Danso
Interim Superintendent

Linda C. Molinaro
Treasurer



*Birthplace of William McKinley
25th President of the United States*

100 West Street
Niles, Ohio 44446

(330) 652-2509
(330) 652-3522

www.nilescityschools.org

February 14, 2013

Auditor of State
88 East Broad St., 5th Floor
Columbus, Ohio 43215

Attention: Kathy Frato

Dear Ms. Frato,

On behalf of the district, I would like to take this opportunity to thank you and your staff for the numerous hours spent on the Performance Audit for Niles City School District. Throughout this process, you have assisted us in making decisions that help our district head toward financial stability.

1. During labor negotiations, the employees of the district agreed to health care modifications and employee contributions. We will continue to address these items to work towards the suggestions outlined in the audit.
2. The district analysis of staffing was used in recent reductions in forces and will continue to be used in future employment matters. As the district moves to their new facilities, the analysis will play a large part in staffing matters.
3. The District has the same concerns in reference to the costly provisions of both collective bargaining agreements. At this time, both contracts (NEA and OAPSE) expire on December 30, 2013. We would hope to use the information provided to us as a tool to discuss these items.
4. The District is currently exploring the possibility of hiring a Building and Grounds Supervisor that would develop a strategic plan that incorporates capital budgeting for all our facilities. Also under this provision, the district's administration is working diligently to supply 21st century technology for our staff and students (including Niles Middle School).

The Niles City School District will continue to analyze the information gained through the audit process for the continued improvement of our district. We thank you for your time and efforts.

Respectfully,

Frank A. Danso
Superintendent

Linda C. Molinaro
Treasurer

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Dave Yost • Auditor of State

NILES CITY SCHOOL DISTRICT

TRUMBULL 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
FEBRUARY 28, 2013**