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CANTON CITY SCHOOL DISTRICT
PERFORMANCE AUDIT

JANUARY 29, 2008

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

On March 22, 2007, Canton City School District (Canton CSD) was placed in fiscal caution due to the possibility of ending the 2007 fiscal year in a deficit and incurring additional deficits in future years. Pursuant to ORC § 3316.031 and ORC § 3316.042, a performance audit was initiated in Canton CSD beginning in June 2007. The five functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, and technology. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declaration of fiscal caution.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Canton CSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution designation; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study and financial implications. This report has been provided to Canton CSD, and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

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

Mary Taylor

MARY TAYLOR
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January 29, 2008

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) § 3316.03, the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC § 3316.03 further stipulates that the State superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved. Canton City School District (CCSD or the District) was placed in fiscal caution by the Ohio Department of Education (ODE) on March 22, 2007 due to the possibility of ending FY 2006-07 in a deficit in which would compound in future years.

Pursuant to ORC § 3316.031 and ORC § 3316.042, AOS initiated a performance audit of CCSD. Based on a review of the District's information and discussions with the Superintendent and the Treasurer, the following functional areas were included in the performance audit:

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

The goal of the performance audit process was to assist CCSD management and the Board in identifying cost saving opportunities and improving management practices. While full implementation of all recommendations should assist in eliminating deficits projected in the District's five-year financial forecast, the ensuing recommendations comprise options the District can consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

CCSD operates under a locally elected Board of Education (BOE) consisting of five members that is responsible for providing public education to the resident students of the District. The District is located in Stark County and encompasses approximately 17 square miles. According to the 2006 demographic estimates published by the U.S. Census Bureau, the area in which CCSD is located had a population of approximately 78,900 residents. The median household income was $26,912, compared to the national average of $48,451, while 22 percent of persons lived below the poverty line compared to the national average of 10 percent. In addition, 78 percent of area residents had at least a high school education while 12 percent of the residents had a bachelors degree or greater.

In FY 2006-07, CCSD employed 1,425 full-time equivalent (FTE) staff. According to the Ohio Department of Education (ODE), the District's enrollment in FY 2006-07 was 10,857. CCSD is in a period of declining enrollment and is projecting a loss of approximately 200 to 300 students per year through FY 2011-12 (the end of forecast period). Based on the FY 2006-07 ODE Local Report Card, CCSD met 6 of 30 performance standards. As defined by ODE, CCSD received the academic designation of Continuous Improvement. The District did not meet adequate yearly progress requirements.

CCSD operates 35 schools: 16 elementary schools (grades Pre-K through 5), 4 middle schools (grades 6 through 8), and 2 high schools (grades 9 through 12), along with 6 annexes, academies and learning centers. The District also owns five other school buildings and leases two additional school buildings that are used for a variety of other educational purposes. Lastly, the District maintains and operates a business service center, administration building, bus garage and six athletic facilities for a total of nine additional buildings/facilities. During FY 2000-01, the District issued general obligation bonds to provide long-term financing for the construction and renovation of various school buildings in accordance with the terms of a grant from the Ohio Schools Facilities Commission (OSFC). The total project encompasses the construction of nine new elementary schools, one new middle school, and a high school campus, and the remodeling of five elementary schools, three middle schools and two high schools. The total estimated cost of the OSFC project is estimated to be $161 million, of which OSFC is paying approximately $124 million. The District passed a 3.7 mill tax levy in FY 1999-00 to provide the local portion of the OSFC project. The District also passed a 0.8 mill levy that was used to fund land acquisition and to maintain the buildings upon completion of the OSFC project. The last phase of the OSFC project will be completed by FY 2008-09.

At the time of the audit, CCSD projected a deficit balance within the General Fund of approximately $2.2 million in FY 2007-08. The deficit is projected to increase to approximately $32 million by FY 2010-11. To help address the deficits, CCSD submitted a financial recovery proposal to ODE on May 21, 2007 which identified approximately $2.2 million in personnel cost reductions as well as an additional $1.5 million in other reductions (transportation, facility, and

resource allocation changes). In conjunction with the financial recovery proposal, CCSD also attempted to pass an 8.0 mill levy on May 8, 2007, which would have generated $6.5 million in additional revenue. However, the voters defeated the levy proposal.

The performance audit recommends additional reductions in personnel, including classroom teachers. Enhanced local revenue and/or additional savings not identified by the performance audit, would allow the District to make fewer reductions in teachers and education support personnel. Conversely, failure to fully implement and/or negotiate the recommendations included in the recovery plan (see **Table 2-6**), would require the District to reduce staffing costs beyond the levels identified in this performance audit.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of the performance audit is to review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability for services can be achieved. For a list of objectives completed in each section see **Appendix 1-A.** Major assessments were conducted for this performance audit in the following areas:

- *Financial Systems* includes an evaluation of CCSD's May 2007 five-year financial forecast, including the reasonableness of the underlying assumptions and supporting documentation, along with other financial policies and procedures;

- *Human Resources* includes an analysis of District-wide staffing levels, collective bargaining agreements, and benefit costs;

- *Facilities* includes assessments of building capacities and utilization rates, as well as custodial and maintenance operations;

- *Transportation* includes evaluations of key transportation operational information and transportation contract provisions; and

- *Technology* includes an analysis of the use of technology in the District, technical support staffing levels, technology planning and budgeting practices, technolgy-related policies and procedures, security, and hardware and software components.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that CCSD can consider in its continuing efforts to become a high-performing and low-cost District.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between June 2007 and October 2007. To complete this report, the auditors gathered and assessed data from various sources pertaining to key operations. Auditors also conducted interviews with District personnel and reviewed and assessed information from CCSD and other school districts.

AOS developed a composite of 10 selected districts which was used for peer comparisons. The selected districts were Bath Local School District (Allen County), Boardman Local School District (Mahoning County), Canton Local School District (Stark County), Columbiana Exempted Village School District (Columbiana County), Dover City School District (Tuscarawas County), Girard City School District (Trumbull County), Heath City School District (Licking County), Lowellville Local School District (Mahoning County), New Philadelphia City School District (Tuscarawas County), and Weathersfield Local School District (Trumbull County). These districts are classified as urban or suburban with low median incomes and high poverty rates, low per pupil costs, and an academic designation of excellent. The data obtained from the comparison districts was not tested for reliability, although it was reviewed for reasonableness.

Also, external organizations and sources were used to provide comparative information and benchmarks. They included, but were not limited to, the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related leading practices. Information used as criteria (benchmarks or leading practices) was also not tested for reliability. Finally, the results of Ohio's 2006 Biennial Educational Technology Assessment (BETA) survey were not tested for reliability.

The performance audit process involved significant information sharing with the District, 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 share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and, where warranted, resulted in report modifications.

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

Noteworthy Accomplishments

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

Financial Systems and Strategic Management

- **Discretionary Expenditures:** CCSD has taken action to control its discretionary spending in response to its current financial difficulties. As a result, CCSD's discretionary expenditures per student ($683) are significantly lower than the peer average ($842).

- **Treasurer's Office Minimum Qualifications:** CCSD has established minimum staff qualifications for all positions within the Treasurer's Office which are designed to ensure competent staff. Based on a sample review of CCSD's civil service applications, the employees within the Treasurer's Office comply with these requirements. The minimum qualifications help CCSD fill vacant positions with qualified applicants.

Human Resources

- **Healthcare Premiums:** CCSD's health insurance premiums are significantly lower than various State and national survey averages. This can be attributed to a combination of the District's membership in the Stark County Council of Governments consortium and CCSD's claims history.

- **Workers' Compensation:** CCSD is effective in controlling the cost of workers' compensation insurance. For example, the District's experience modifier was 0.75 in FY 2005-06 and 0.79 in FY 2006-07. According to a representative at BWC, an experience modifier less than 1.00 indicates that the entity has effectively managed workers' compensation costs and would be eligible for discounted rates.

- **Supplemental Costs:** The District spent $186 per student on extracurricular activities (which includes supplemental contract costs) in FY 2005-06 while the peer average was $350. The low expenditures are one indication that the District has appropriate measures in place to ensure the cost effectiveness of the supplemental contracts.

Facilities

- **Staffing Allocation:** CCSD uses performance measures to help determine the appropriate number and allocation of custodial and maintenance personnel. As a result, the District's custodial and maintenance staff is responsible for more square feet per employee than various industry benchmarks. Similarly, the District's total facilities costs (including wages and benefits) are also lower than the peer average and national average.

- **Overtime Costs:** CCSD's overtime costs represented less than 3 percent of the total custodial and maintenance salaries in each of the last two years. This indicates that the District is effectively managing the cost of overtime, especially when considering that CCSD's custodial and maintenance staffing levels are lower than industry standards and the purchased services costs are lower than the peer average.

Transportation

- **Fuel Management:** CCSD negotiated with a credit card company and local gas stations to receive motor fuel at discounted prices. Each bus driver is provided with a credit card and pin number that must be entered at local gas stations to obtain motor fuel. The Transportation Supervisor reviews the monthly credit card statements to ensure that the fuel purchases were appropriate and to track and reconcile fuel usage by driver and bus. Purchasing fuel in this fashion prevents CCSD from having to maintain, secure, and provide property insurance for a District-owned fuel depot. Additionally, because of the negotiated discounts, the District's fuel costs are lower than the peer average on a per bus, per mile and per student basis.

Key Recommendations

The performance audit contains several recommendations pertaining to District operations. The most significant recommendations are presented below.

In the area of financial systems, CCSD should:

- Develop a comprehensive strategic plan which outlines the District's long-term vision for all operational and educational programs. In preparing the plan, CCSD should include detailed goals, objectives, benchmarks, timeframes, performance measures and cost estimates. In addition, CCSD should link the strategic plan to the budget and the five-year forecast.

- Consider updating its policy on financial forecasting. The policy should specify the process to be used in developing the financial forecast including preparation timetables,

forecast assumptions and methodology, and the process for updating an existing forecast. In addition, CCSD's forecasting policy should specify the involvement of other District administrators.

- Develop a more comprehensive purchasing policy that establishes a minimum threshold for obtaining price quotes. The Treasurer's Office should help devise the new threshold with the intent of subjecting more items to competitive pricing but not be overly cumbersome for operational units. CCSD should also consider structuring the policy to require competitive bidding for commonly used items such as office supplies, technology equipment, and transportation, building and food service supplies and materials.

- Investigate installing an automated time and attendance system in its various buildings throughout the District. This would eliminate the duplication of effort that occurs under the current payroll reporting process and potentially improve the accuracy of the time capture process by shifting the focus of the Treasurer's Office from data entry to data verification. Additionally, CCSD should expand the use of direct deposit and consider negotiating mandatory direct deposit in future union agreements.

In the area of human resources, CCSD should:

- Establish a formal staffing plan to address current and future staffing needs. By developing a staffing plan, the District would have an objective analysis to ensure that it is meeting State requirements, maintaining desired student-to-teacher ratios, and efficiently staffing its various departments.

- Reduce staff in the following areas:
    o 6 site based administrator FTEs (annual savings of $680,000);
    o 61 regular education teacher FTEs (annual savings of $2.6 million);
    o 6 other instruction FTEs (annual savings of $159,000);
    o 18.5 clerical staff FTEs (annual savings of $447,000);
    o 21 other personnel FTEs (annual savings of $407,000); and
    o 17.5 other professional staff FTEs (annual savings of $1.2 million).

- Negotiate an employee health insurance premium contribution of at least 10 percent. This would make the District's contribution levels comparable to industry standards. CCSD should also attempt to renegotiate the certificated and classified bargaining agreements to limit or remove certain other provisions which exceed State requirements or are contrary to recommended practices (annual savings of $1.4 million).

- Consider addressing the high administrative salaries by eliminating the additional pension benefit for all positions except the Superintendent and Treasurer. In addition, the District should negotiate to eliminate the additional pension benefit that is provided to certificated

employees. If these actions are not possible, the District could also bring the administrative and certificated salaries in line with the peer average by granting lower negotiated wage increases in the future (annual savings of $790,000).

- Investigate strategies to reduce special and vocational education costs to a level comparable to the peer average. Strategies for doing so could include adjusting staffing, partnering with other districts or agencies for the provision of special education services, and/or increasing the efficiency of vocational program offerings by revising and enforcing strict participation guidelines (annual savings of $2.2 million).

In the area of facilities, CCSD should:

- Consider closing two elementary and two middle schools to bring its building utilization rates in line with industry standards. CCSD should also review the uses for its other buildings as the contracts/leases expire to determine if any additional closures can take place. In determining the specific buildings to close, the District should garner community input and consider a variety of quantitative and qualitative factors including building condition, enrollment trends and demographics, financial information, the learning environment, academic programs and performance, student demographics, and other relevant information (annual savings of $600,000).

- Re-evaluate the custodial and maintenance staffing levels using objective workload measures once a decision is made regarding building closures. However, if CCSD is still experiencing financial difficulties after the building closures and implementation of other recommendations in this audit, the District should consider reducing two additional custodial FTEs (annual savings of $80,000).

- Develop a facilities master plan that reflects the future direction of the District. In developing the plan, the District should work with a cross-section of school personnel, parents, students, and community members to ensure all stakeholders have input regarding the District's facility needs and future plans. CCSD should also develop a formal preventive maintenance program and a comprehensive five-year capital improvement plan.

- Develop formal energy management and conservation policies. Once the policies are in place, the District should distribute and discuss the policies with the administration, faculty, and staff in an effort to educate them about energy conservation and the impact waste has on the District's operating budget. CCSD should also consider assigning an employee to monitor District-wide and building-level energy consumption (annual savings of $44,000).

In the area of transportation, CCSD should:

- Consider reducing at least eleven buses through a combination of re-designing the routes to improve bus capacity utilization and staggering its bell schedules to allow buses to complete additional runs. The District should also implement a process to communicate changes of address to the Transportation Department when a student moves into, out of, or within the District. Additionally, the District should use the route optimization module of the Edulog software throughout the year to ensure it is maximizing the ridership on each bus (annual savings of $289,000).

- Annually update the bus replacement plan to reflect the current condition of the bus fleet. CCSD should also establish formal procedures to ensure T-forms are accurately prepared, reviewed, and reconciled before submission to ODE.

In the area of technology, CCSD should:

- Ensure that its technology plan is presented to, discussed with, and approved by the Board. The Board should also require that a technology staff member present a technology plan update on an annual basis to show the District's progress in implementing the plan. In addition, CCSD officials should work to identify specific funding sources and amounts that can be dedicated to achieving the yearly goals and objectives outlined in the technology plan. One potential option would be to reduce the annual allocations given to the building principals for non-building upgrades and maintain central control of these funds.

- Consider reducing 4.5 technology staff full-time employees (FTEs) in an effort to achieve a computer-to-technology staff ratio of 400:1. Although this ratio does not meet certain industry standards, implementing recommendations in this performance audit should improve technology department efficiency, which could result in opportunities for additional staffing reductions in the future (annual savings of $194,000).

- Maintain central control of its copy machine budget. To determine an appropriate amount of copy machines per building, the District should review the capabilities of the current copy machines and consider allocating them based on objective criteria such as students per copy machine, employees per copy machine, and other relevant workload measures. This will ensure that the District is making full use of its copy machines and is not paying for excess capacity. Based on the comparison to the Akron City School District, CCSD should strive to reduce 40 copy machines from its lease (annual savings of $174,000).

- Create a uniform hardware and software policy which includes a detailed list of products that the technology staff will support. Once developed, the District should post the policy on its web site for all employees to reference when making future purchases.

Additionally, CCSD should develop a written priority system for the resolution of technology problems. This system should be based on criteria which District officials have deemed important and should use a point system to clearly outline critical and non-critical repair requests. Taking these actions, in conjunction with developing a student technology program, would allow CCSD to resolve repair requests in a more expedient manner.

Issue for Further Study

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

Community Schools: CCSD provides educational services through the use of three community schools. A summary description of each of the community schools includes the following:

- **Canton Academy:** The Canton Academy is designed to meet the academic needs of high school students, grades 9 through 12 (ages 14 through 22), who are unsuccessful in the traditional educational setting. The Canton Academy was approved through a contract with CCSD (the sponsor) for a period of five years commencing July 1, 2004 through July 31, 2009 after which, it must apply for an additional contract with the District. The Canton Academy provided services to 48 students in FY 2005-06 and in FY 2006-07. Additionally, the Canton Academy met 1 out of 7 indicators (continuous improvement) and achieved a performance index score of 54.0 out of 120 on its local report card, as reported by ODE for FY 2006-07. The Canton Academy spent approximately $13,040 per pupil to serve its students in FY 2005-06 and $14,384 in FY 2006-07. The Canton Academy is projected to maintain surplus ending fund balances annually through FY 2010-11 (the end of the forecast period).

- **The Canton Arts Academy:** The Canton Arts Academy (Arts Academy) is designed to meet the academic needs of students, grades 3 through 8 (ages 9 through 14), who have an interest in visual and music arts. The Arts Academy was approved through a contract with the District for a period of five years commencing July 1, 2005 through July 31, 2010 after which, it must apply for an additional contract with CCSD. The Arts Academy began operations on September 14, 2005, providing services to 83 students. The student enrollment has increased to 124 students in FY 2006-07. The Arts Academy met 6 out of 15 indicators (continuous improvement) and achieved a performance index score of 85.3 out of 120 on its local report card, as reported by ODE for FY 2006-07. The Arts Academy spent approximately $5,410 per pupil to serve its student enrollment in FY

2005-06 and $7,469 in FY 2006-07. The Arts Academy is projecting negative ending fund balances in FY 2009-10 ($63,729) and FY 2010-11 ($160,586).

- **Canton Digital Academy:** The Canton Digital Academy (Digital Academy) provides opportunities for CCSD students (grades K-12) that desire a program of online instruction in an independent environment. Enrollment is limited to students who would otherwise attend CCSD. The Digital Academy was approved through a contract with CCSD for a period of five years commencing July 1, 2002 through June 30, 2007. The District is currently in the process of extending the Digital Academy's contract for an additional six month period. The Digital Academy provided services to approximately 120 students in FY 2005-06. However, in FY 2006-07, the enrollment increased to 229 students. The Digital Academy met 3 out of 15 indicators (academic emergency) and achieved a performance index score of 59.3 out of 120 on its local report card, as reported by ODE for FY 2006-07. The Digital Academy spent $4,262 per pupil to serve its students in FY 2005-06 and $6,096 in FY 2006-07. The Digital Academy is projected to maintain surplus ending fund balances annually through FY 2010-11 (the end of the forecast period).

CCSD agreed to sponsor the community schools in order to better meet the needs of students who may perform better in non-traditional educational settings. However, during the course of this audit, District officials indicated that there may be several financial, operational, and educational benefits to CCSD by discontinuing certain community schools and providing similar services in-house (as magnet schools). Although the benefits cited by CCSD's administrators appear reasonable, the District has not completed a formal cost-benefit analysis to objectively demonstrate the value of pursuing this strategy. Additionally, the District has not used surveys or held community forums to discuss stakeholder desires with regard to the community school programs.

The District also has not evaluated the impact on building capacity associated with discontinuing the community school programs. However, **Table 4-6** in the **facilities** section shows that building utilization rates are estimated at 73.4 percent in the elementary schools, 50.9 percent in the middle schools, and 60.5 percent in the high schools. Assuming all the students in the community school programs relocate to existing buildings within CCSD, the utilization rates would improve to 73.7 percent in the elementary schools, 51.6 percent in the middle schools, and 61.6 percent at the high schools. If the District closed 2 elementary schools and 2 middle schools as noted in **R4.1** and relocated the community school students, the utilization rates at the elementary and middle schools would be approximately 83 percent and 93 percent, respectively. Based on these ratios, it appears the District would have sufficient space to make the suggested building closures and accommodate the students currently enrolled in its District-sponsored community schools.

CCSD should conduct a formal cost-benefit analysis of the community school programs and conduct stakeholder surveys prior to taking action to discontinue any of the programs. In particular, CCSD should design the cost-benefit analysis and community forums/surveys to determine the following:

- The likely impact on the educational performance of the students currently attending the community schools;
- The impact on CCSD's overall student enrollment, staffing, building and education/program requirements if any of the community schools were discontinued;
- The likelihood that the students currently attending a community school program would enroll at CCSD rather than choose another alternative such as a parochial school or another community school; and
- Based on the answers above, the direct impact on the District's revenues and expenditures from discontinuing a community school.

Taking these actions will provide CCSD with stakeholder input and an objective analysis to use in evaluating its community school programs.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that CCSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Table 1-1: Summary of Performance Audit Recommendations

	Estimated Savings	Estimated One-Time Costs
Recommendations Not Subject To Negotiations		
R2.6 Reinvest low yield account funds to a higher yield account.	$230,000	
R2.13 Purchase an automated time and attendance system.		$138,000
R3.1 Reduce 6 FTE site-based administrators.	$680,000	
R3.2 Reduce 61 regular education teachers.	$2,600,000	
R3.3 Reduce 6 other instruction FTEs.	$159,000	
R3.4 Reduce 18.5 FTE clerical staff.	$447,000	$900 One-time $300 Annual
R3.5 Reduce 21 other personnel FTEs.	$407,000	
R3.6 Reduce 17.5 other professional staff FTEs.	$1,200,000	
R3.9 Eliminate additional pension benefit for administrators.	$413,000	
R3.10 Implement special education cost reduction methods.	$2,200,000	
R3.10 Implement vocational education cost reduction methods.	$328,000	
R4.1 Close two elementary schools and two middle schools.	$600,000	
R4.2 Reduce 2.0 custodial FTEs.	$80,000	
R4.6 Implement an energy conservation policy.	$44,000	
R5.1 Eliminate 11 active buses.	$289,000	
R6.4 Reduce 4.5 technology FTEs.	$194,000	
R6.12 Eliminate 40 copy machines.	$174,000	
Total Recommendations Not Subject to Negotiation	**$10,045,000**	**$139,200**
Recommendations Subject to Negotiations		
R2.14 Negotiate mandatory direct deposit for all employees.	$20,000	
R3.8 Increase employee health insurance contributions and reduce severance payout contract provisions.	$1,400,000	
R3.9 Eliminate the additional pension benefit given to certificated staff.	$377,000	
Total Recommendations Subject to Negotiation	**$1,797,000**	
Total Financial Implications	**$11,842,000**	**$139,200**

Source: Financial implications identified throughout this performance audit
Note: The financial implications summarized above are presented on an individual basis. The magnitude of cost savings associated with individual recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Appendix 1-A: Audit Objectives

Objectives completed for each section of this audit are as follows:

Financial Systems and Strategic Management

- What has been the District's financial history and does the district have policies and procedures to ensure effective and efficient management?

- Does the five-year financial forecast reasonably and logically project the future financial position of the district?

- Does the District have an effective system of communicating its financial data and does the district actively involve parents and other stakeholders in the decision making process?

- Has the District developed a strategic plan that links to educational and operational plans and meets best practice criteria?

- Is the District's budgetary process consistent with best practices and how does the District's revenues and expenditures compare with the peer districts?

- Has the District established effective internal controls?

- Are Treasurer's Office staff organized efficiently and managed effectively?

- Do the District's purchasing practices follow best practices and do procedures ensure adequate internal control over purchases?

- Has the District developed effective internal controls over the payroll process?

- Are there any 1999 Performance Audit recommendations which have not been implemented to date but are still considered viable and relevant?

Human Resources

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

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

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

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

- Does the District effectively address human resource management issues?

- Does the District use HRIS technology to manage its human resources?

- Does the District provide special education programs for students with disabilities that maximizes resources?

- Does the District provide effective and efficient vocational and workforce development programs that meet the needs and resources of the community?

- Are there any 1999 Performance Audit recommendations which have not been implemented to date but are still considered viable and relevant?

Facilities

- Does the District use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function and does it use these in management decision-making?

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

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

- Does the District provide a staff development program that includes appropriate training for maintenance and operations staff to enhance worker job satisfaction, efficiency, and safety?

- Are District energy management practices comparable to best practices?

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

- Does the Maintenance and Operations Department have a system for prioritizing maintenance needs uniformly throughout the District?

- Are there any 1999 Performance Audit recommendations which have not been implemented to date but are still considered viable and relevant?

Transportation

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

- Are the District's transportation-related financial indicators and expenditures in line with similar district averages and/or industry benchmarks?

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

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

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

- Are there prior 1999 Performance Audit recommendations which have not been implemented to date but are still considered viable and relevant?

Technology

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

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

- Are technology support staff effectively and efficiently deployed?

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

- Is District hardware effectively and efficiently deployed?

- Is the District effectively and efficiently deploying software?

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

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

- Does the District use technology to improve communication?

- Are there any 1999 Performance Audit recommendations which have not been implemented to date but are still considered viable and relevant?

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FINANCIAL SYSTEMS & STRATEGIC MANAGEMENT

Financial Systems and Strategic Management

Background

This section focuses on the financial systems and strategic management functions within the Canton City School District (CCSD or the District). The purpose of this section is to analyze the current and future financial condition of CCSD and examine District-wide management policies and procedures for the purpose of developing recommendations for improvements and identifying opportunities to increase efficiency. CCSD's five-year forecast was also analyzed to ensure that the projections reasonably project future operational and financial conditions. The executive summary of this performance audit summarizes audit objectives used to assess the financial systems and strategic management section. CCSD's policies, procedures, and operations were evaluated against best practices, such as the Government Finance Officers Association (GFOA), industry standards, operational benchmarks, and selected peer school districts.[1]

Financial History

Ohio Revised Code (ORC) § 3316.03 authorizes the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC § 3316.03 also authorizes the Ohio Department of Education (ODE) to place a district in fiscal caution if it identifies fiscal practices or budgetary conditions that, uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the school board is given 60 days to submit a formal financial recovery plan to ODE outlining steps to correct the practices or conditions that led to the declaration.

According to ORC § 3316.03, a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending fund balance less than or equal to 2 percent of current year projected revenue or a deficit greater than 2 percent in the next fiscal year. On March 22, 2007, CCSD was placed in fiscal caution due to the possibility of ending FY 2006-07 in a deficit as well in future years. In accordance with ORC § 3316.03, CCSD submitted a financial recovery plan to ODE on May 21, 2007, outlining the Board of Education's (the Board's) plan to reduce approximately $3.7 million in expenditures by FY 2007-08. CCSD's financial recovery plan includes approximately $2.2 million in personnel cost reductions, plus $1.5 million in reductions to transportation, facilities, and other resource allocation changes. On June 19, 2007, ODE accepted CCSD's financial recovery plan.

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

Treasurer's Office Operations

The Treasurer's Office originally consisted of six full-time equivalent (FTE) employees, including the Treasurer. However, during the course of the audit, the District eliminated the Human Resources Director position as part of its financial recovery plan, and moved the payroll function (6.0 FTEs) into the Treasurer's Office, bringing total staffing to 12.0 FTEs.

CCSD has established minimum staff qualifications for all positions within the Treasurer's Office designed to ensure that competent applicants are hired. Based on a sample review of CCSD's civil service applications, the Treasurer's Office employees comply with these requirements. Nonetheless, CCSD could improve the efficiency of its payroll function by implementing an automated time and attendance system (see **R2.13**). This may facilitate additional staffing level reductions in the Treasurer's Office.

To assist in managing the finances of the District, CCSD has established a Board Finance Committee comprised of the Superintendent, Treasurer, and two Board members. This committee typically meets on a monthly basis, but has been meeting more frequently during the last six months to address the District's financial situation. CCSD uses an accounting system that was developed by a private vendor (does not use State software). The accounting software and payroll programs were found to be adequate, but CCSD has not fully automated all possible functions within these systems (see **R2.13** and **R2.15**). Similarly, CCSD contracts with an independent public accountant for preparation of generally accepted accounting principles (GAAP) basis financial reports and does not produce a comprehensive annual financial report or a popular annual financial report (see **R2.15**).

Financial Condition

CCSD is funded at the local level through a variety of voter-approved levies including the following:

- 60.1 operating mills for the General Fund;
- 2.5 mills for the Permanent Improvement Fund;
- 3.1 mills for the Bond Retirement Fund (school facilities maintenance levy); and
- 0.2 mills for the Bond Retirement Fund (site acquisition).

CCSD's millage generates approximately $27.4 million in local revenue for the District. CCSD attempted to pass an 8.0 mill levy on May 8, 2007, which would have generated $6.5 million in additional revenue. However, the voters defeated the levy proposal.

Table 2-1 presents historical and projected revenues and expenditures, as of May, 2007. This forecast was used as the starting point for assessing the District's financial condition.

Table 2-1: CCSD Five-Year Forecast (in 000s)

	Actual			Forecasted				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Revenues:								
General Property (Real Estate)	$16,864	$19,818	$22,411	$23,904	$22,133	$23,157	$23,272	$23,389
Tangible Personal Property Tax	$8,308	$8,224	$10,883	$6,942	$4,360	$2,588	$1,240	$533
Unrestricted Grants-in-Aid	$54,427	$56,438	$56,787	$54,343	$54,860	$55,374	$55,081	$54,791
Restricted Grants-in-Aid	$8,093	$8,434	$8,727	$10,013	$10,314	$10,623	$10,782	$10,944
Property Tax Allocation	$2,485	$2,840	$2,711	$5,477	$7,553	$9,450	$11,205	$10,083
All Other Operating Revenue	$4,013	$4,251	$2,836	$3,738	$3,300	$3,317	$3,333	$3,350
Total Revenue	**$94,189**	**$100,004**	**$104,355**	**$104,418**	**$102,520**	**$104,508**	**$104,915**	**$103,089**
Proceeds from Sale of Notes	$3,400	$0	$268	$0	$0	$0	$0	$0
Operating Transfers-In	$0	$82	$0	$1,082	$1,000	$1,000	$1,000	$1,000
Advances-In	$4,037	$5,571	$5,824	$5,046	$5,000	$5,000	$5,000	$5,000
All Other Financial Sources	$277	$127	$218	$589	$150	$152	$153	$155
Total Other Financing Sources	**$7,714**	**$5,780**	**$6,310**	**$6,717**	**$6,150**	**$6,152**	**$6,153**	**$6,155**
Total Revenues and Other Financing Sources	**$101,903**	**$105,784**	**$110,665**	**$111,136**	**$108,670**	**$110,659**	**$111,068**	**$109,244**
Expenditures:								
Personnel Services	$61,806	$60,263	$58,204	$58,406	$58,767	$62,115	$60,807	$62,023
Employees' Retirement/Insurance Benefits	$16,898	$21,863	$22,182	$23,546	$22,525	$24,609	$25,902	$27,761
Purchased Services	$13,911	$16,796	$17,152	$18,313	$19,041	$19,842	$20,678	$21,552
Supplies and Materials	$1,831	$1,766	$2,339	$2,479	$2,533	$2,610	$2,689	$2,770
Capital Outlay	$1,417	$698	$782	$350	$361	$771	$782	$794
Debt Service [1]	$0	$115	$788	$837	$809	$786	$761	$0
Other Objects	$733	$662	$777	$700	$707	$714	$721	$728
Total Expenditures	**$96,596**	**$102,162**	**$102,223**	**$104,631**	**$104,742**	**$111,446**	**$112,341**	**$115,629**
Operational Transfers – Out	$117	$303	$346	$1,684	$1,000	$1,000	$1,000	$1,000
Advances – Out	$4,519	$4,556	$6,555	$4,309	$5,000	$5,000	$5,000	$5,000
Total Other Financing Uses	**$4,819**	**$5,101**	**$7,057**	**$6,537**	**$6,175**	**$6,177**	**$6,179**	**$6,180**
Total Expenditure and Other Financing Uses	**$101,416**	**$107,263**	**$109,280**	**$111,168**	**$110,917**	**$117,623**	**$118,519**	**$121,809**
Result of Operations (Net)	**$487**	**($1,479)**	**$1,384**	**($32)**	**($2,247)**	**($6,964)**	**($7,452)**	**($12,565)**
Beginning Cash Balance	$2,324	$2,811	$1,332	$2,716	$2,684	$437	($6,527)	($13,979)
Ending Cash Balance	$2,811	$1,332	$2,716	$2,684	$437	($6,527)	($13,979)	($26,545)
Outstanding Encumbrances	$1,056	$950	$827	$1,000	$1,000	$1,000	$1,000	$1,000
Capital improvements	$0	$0	$0	$220	$220	$220	$220	$220
Budget Reserve	$0	$0	$0	$600	$1,424	$2,348	$3,307	$4,302
Total Reservations	$0	$0	$0	$820	$1,644	$2,568	$3,527	$4,522
Ending Unreserved Fund Balance June 30	**$1,755**	**$382**	**$1,889**	**$864**	**($2,207)**	**($10,095)**	**($18,506)**	**($32,066)**

Source: CCSD
Note: Totals may vary due to rounding.
[1] Debt service includes both debt service: principal – other and debt service: interest and fiscal charges.

Table 2-1 presents projected revenues, expenditures, and ending fund balances for the General Fund for each of the fiscal years ending June 30, 2007 through June 30, 2011. The forecast shows that despite savings associated with its financial recovery plan, the District is projecting a deficit of approximately $2.2 million in FY 2007-08. The deficit is expected to increase to approximately $32.1 million by FY 2010-11.

By its nature, forecasting requires estimates of future events, and therefore, differences between projected and actual results are common, as circumstances and conditions assumed in projections

frequently do not occur as expected and are based on information existing at the time the projections are prepared. In reviewing the forecast shown in **Table 2-1**, AOS analyzed several major revenue and expenditure line-items. Although the revenues appeared to be reasonably projected based on sound assumptions and methodology, the projections for employee wages and benefits may be understated as they do not account for negotiated wage increases (see **R2.4**). The Treasurer's forecast notes indicate that this assumption was based solely on CCSD's inability to fund negotiated wage increases and may not be realistic. However, the assumption of no negotiated wage increases through FY 2010-11 is inconsistent with the District's historical trends. As a result, this assumption was revised and applied to the adjusted forecast presented in **Table 2-6**. AOS also analyzed the historical figures presented in **Table 2-1** and determined that they are materially reliable for forecasting purposes. Lastly, CCSD's forecast appears to comply with the textbook and capital outlay set-aside requirements.

Outside of its forecast, CCSD has not engaged in strong strategic planning and management practices. Strategic planning (see **R2.1**) could increase operational efficiencies and improve the overall accuracy of the forecast. Additionally, comprehensive policies and procedures (see **R2.2**, **R2.3**, and **R2.11**) would help improve the District's management of financial and operational processes.

Financial Operations

Revenues and Expenditures per Pupil

The allocation of resources between the District's various functions is one of the most important aspects of the budgeting process. Given limited resources, CCSD operations must be continually evaluated and prioritized. **Table 2-2** compares CCSD's revenues and expenditures per pupil to the peer average.

Table 2-2: Revenues & Expenditures per Pupil – FY 2005-06

	CCSD	Peer Average
Property & Income Tax	$2,929	$4,174
Intergovernmental Revenues	$5,466	$3,418
Other Revenues	$227	$807
Total Revenue	**$8,623**	**$8,399**
Wages	$4,806	$4,658
Fringe Benefits	$1,841	$1,714
Purchased Services	$1,479	$961
Supplies & Textbooks	$210	$237
Capital Outlay	$70	$75
Debt Service	$0	$1
Miscellaneous	$68	$168
Other Financing Uses	$587	$224
Total Expenditures	**$9,061**	**$8,040**

Source: FY 2005-06 District and peer 4502s
Note: Totals may vary due to rounding.

Table 2-2 shows that, unlike the peers, CCSD relies more heavily on intergovernmental revenues, rather than local revenues because of lower property valuations within the District. In FY 2005-06, CCSD's property valuation ($75,916) was about half that of the peers ($140,201). **Table 2-2** also shows that CCSD's total expenditures per pupil were approximately 13 percent higher than the peer average. Higher total expenditures resulted predominantly from higher **Wages & Benefits** which reflect CCSD's higher staffing levels. CCSD employs approximately 130 FTEs per 1,000 students while the peer average is 112.

Other categories that exceed the peer average include **Purchased Services** and **Other Financing Uses**. However, CCSD's largest purchased service expenditure is for tuition ($9,497,000 or $856 per student) associated with special education students attending specialized schools, and students leaving the District through open enrollment, community schools, and other similar programs. Due to the nature of these programs, CCSD does not have direct control over the level of student tuition expenditures. If the tuition expenditures were removed from consideration, CCSD's revised purchased services expenditure would be $623 per student, which would be comparable to the peer average ($670). Similarly, higher costs in **Other Financing Uses** reflect CCSD's accounting procedures for grant funded programs rather than inefficient operations. For example, CCSD typically uses advances-out of the General Fund to provide start-up monies for programs that will be funded through grants. The advances are then repaid to the General Fund when the grant monies have been received. Advances-out accounted for approximately 92 percent of CCSD's other financing uses.

Governmental Expenditures

Table 2-3 compares CCSD's Governmental Fund expenditures per pupil and as a percent of total to the peer average.

Table 2-3: Governmental Fund Expenditure Comparison - FY 2005-06

	CCSD		Peer Average		Difference	
Pupils	**11,097**		**1,963**		**9,134**	
USAS Function Classification	**$ Per Pupil**	**% of Exp**	**$ Per Pupil**	**% of Exp**	**$ Variance**	**% Variance**
Instructional Expenditures	**$6,422**	**59.5%**	**$5,206**	**59.7%**	**$1,216**	**23.4%**
Regular Instruction	$3,855	35.7%	$4,061	46.6%	($206)	(5.1%)
Special Instruction	$1,425	13.2%	$864	9.9%	$561	64.9%
Vocational Education	$148	1.4%	$90	1.0%	$58	64.4%
Adult/Continuing Education	$65	0.6%	$0	0.0%	$65	100.0%
Other Instruction	$929	8.6%	$191	2.2%	$738	386.4%
Support Services Expenditures	**$4,081**	**37.8%**	**$3,112**	**35.6%**	**$969**	**31.1%**
Pupil Support Services	$795	7.4%	$420	4.9%	$375	89.3%
Instructional Support Services	$686	6.4%	$316	3.6%	$370	117.1%
Board of Education	$2	0.0%	$27	0.3%	($25)	(92.6%)
Administration	$819	7.6%	$696	8.0%	$123	17.7%
Fiscal Services	$146	1.4%	$258	2.9%	($112)	(43.4%)
Business Services	$60	0.6%	$21	0.2%	$39	185.7%
Plant Operation & Maintenance	$987	9.2%	$939	10.7%	$48	5.1%
Pupil Transportation	$294	2.7%	$379	4.3%	($85)	(22.4%)
Central Support Services	$291	2.7%	$57	0.6%	$234	410.5%
Non-Instructional Services Expenditures	**$103**	**1.0%**	**$57**	**0.7%**	**$46**	**80.7%**
Extracurricular Activities Expenditures	**$186**	**1.7%**	**$350**	**4.0%**	**($164)**	**(46.9%)**
Total Governmental Fund Operational Expenditures	**$10,792**	**100.0%**	**$8,725**	**100.0%**	**$2,067**	**23.7%**

Source: CCSD and peers

Compared to the peer average, CCSD's Governmental Fund expenditures are nearly 24 percent higher per pupil. The District spends more per pupil for instruction, support services, and non-instruction, and spends less per pupil for extracurricular activities. Explanations for high spending areas include the following:

- **Instructional Expenditures**: CCSD's expenditures exceeded the peer average in the special, vocational, adult/continuing, and other instruction line items. CCSD's higher expenditures for special education can be partially attributed to the tutor/small group instructor staffing levels which, in some cases, is more than three times higher than the peers. The higher vocational education and adult education expenditures can be attributed to CCSD operating a full vocational program in-house which results in CCSD employing

twice as many instructors than the peer average (see **human resources**). Historically, large city school districts such as CCSD have developed and operated in-house vocational education programs while small city and local school districts tend to partner with county educational service centers (ESCs) and county joint vocational schools. These fundamental differences in program offerings may create a disparity when comparing costs (see **R3.10**). CCSD's higher other instruction expenditures can be attributed to tuition expenditures associated with special education students attending specialized schools, and students leaving the District through open enrollment and other similar programs. Tuition expenditures accounted for 97 percent of the other instruction expenditures in FY 2005-06.

- **Support Services**: CCSD's expenditures exceeded the peer average in the pupil support services, instructional support services, administration, business services, plant operation and maintenance, and central support services line items. The higher expenditures for pupil support services, instructional support services, and central support services can be attributed to CCSD's staffing levels. For example, **R3.3** and **R3.6** in the **human resources** section indicates that CCSD maintains higher counselor and therapist staffing levels (pupil support services), and higher teaching aide staffing levels (instructional support services) in comparison to the peer average. Similarly, **R6.4** in the **technology** section indicates that CCSD's technology staffing levels (central support services) exceed industry benchmarks. The higher administration and plant operation and maintenance expenditures can be partially attributed to CCSD not using the full capacity of its buildings. For example, **R3.1** within the **human resources** section indicates that CCSD can reduce 6.0 principal and assistant principal FTEs and 2.0 custodial FTEs by closing 4 school buildings. CCSD's higher expenditures for business services are due to the District operating a full warehouse (see **R2.12**).

- **Non-Instructional**: Non-instructional expenditures exceeded the peer average by approximately 81 percent. CCSD's non-instructional expenditures are associated with a variety of programs the District offers to provide early childhood education services. However, only 28 percent of the District's total non-instructional expenditures (approximately $1.2 million) was paid from the General Fund, which indicates that the majority of these programs are being funded through grants and other mechanisms.

Discretionary Expenditures

Discretionary expenditures are not governed by negotiated agreements or contracts and a district can control these expenditures to some degree in the short term. Discretionary expenditures accounted for about 7.5 percent of the District's general operating expenditures in FY 2005-06, substantially below the peer average of 10.4 percent. This reflects CCSD's recent efforts to control expenditures.

Performance Audit Follow-up

In 1999, AOS completed a performance audit of CCSD as a part of the 21 urban school district initiative. Following the issuance of the performance audit, CCSD was required to develop and approve an Economy and Efficiency Plan detailing how the District intended to address the performance audit recommendations.

As a follow-up to the 1999 Performance Audit, this section reviewed the previous recommendations, CCSD's Economy and Efficiency Plan, and District operations to determine the implementation status of all previous recommendations. The results of this analysis can be found in **Appendix 2-A** with references, where pertinent, throughout the section. CCSD only fully implemented 6 of the 45 recommendations (13 percent), partially implemented 9 recommendations (20 percent), and did not implement 26 recommendations (58 percent) contained in the 1999 Performance Audit (see **R2.15**). Four recommendations were determined to be no longer applicable to CCSD.

Recommendations

Strategic Management

R2.1 **CCSD should develop a comprehensive strategic plan which outlines the District's long-term vision for all operational and educational programs. In preparing the plan, CCSD should include detailed goals, objectives, benchmarks, timeframes, performance measures, and cost estimates. In addition, CCSD should link the strategic plan to the budget, the five-year forecast, and the other planning documents identified in this performance audit. This approach shifts the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs, and ultimately to the accomplishment of the goals and objectives stated in the strategic plan. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).**

CCSD does not have a comprehensive District-wide strategic plan to use in guiding long-term decision-making. However, according to the Superintendent, CCSD is in the process of developing a strategic plan by working with internal and community groups to define both short and long-term goals for student advancement. The strategic plan will be completed by January 2008, and will be formally updated each year. The Superintendent also indicated that due to the lack of a strategic plan, the District's past efforts at funding school improvement initiatives have been fragmented and inconsistent from year to year. For example, oftentimes CCSD would obtain new grants to sponsor educational initiatives without considering if the program was the best use of resources or if the program would be sustainable after the grant had expired (see **R2.2**).

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

Without a comprehensive strategic plan to tie all program needs together, including budgetary and educational goals, CCSD may not be able to identify and understand the relationship between its spending decisions and program outcomes. Therefore, CCSD

might have a greater risk of under or over-funding particular programs relative to other District needs. A single planning document could also have the effect of increasing the efficiency of CCSD's expenditures through tighter budgetary control. In addition to a District-wide strategic plan, AOS has also identified several detailed, component plans that should be updated and linked to the District-wide strategic plan including a facilities master plan (see **R4.3**), a bus replacement plan (see **R5.2**), and a strategic technology plan (see **R6.1**).

R2.2 **CCSD should supplement existing financial policies with policies recommended by the GFOA. These policies would help the District promote long-term financial flexibility by identifying appropriate uses for one-time and irregular revenue sources. In addition, developing a stabilization fund (budget reserve) and improving contingency planning could help the District avoid making major cost reductions as a result of a temporary downturn in the economy or the failure to immediately pass a levy. CCSD should also consider updating the policies identified in other sections of this performance audit to help ensure that employees and stakeholders have a clear understanding of the District's official position on all operational areas.**

The Board has developed comprehensive financial policies to help guide the District's financial decision making. These include many GFOA recommended financial policies. In addition, a majority of the Board's policies were last updated in May 2004 and are placed on CCSD's web site for public viewing. Although the policies are relatively comprehensive, CCSD is lacking certain specific policies recommended by the GFOA in *Best Practices in Public Budgeting* (GFOA, 2000). These policies include the following:

- Stabilization funds;
- One-time revenues;
- Unpredictable revenues;
- Revenue diversification; and
- Contingency planning.

Collectively, these best practice policies would help CCSD promote long-term financial flexibility and better withstand short-term declines in revenues due to a downturn in the economy or a levy failure. In addition to the financial policies noted above, several operational policies are identified throughout this performance audit that the District should consider developing and/or updating including a financial forecasting policy (see **R2.3**), a purchasing price threshold policy (see **R2.11**), a technology standardization policy (see **R6.9**), and a technology equipment donation and disposal policy (see **R6.10**).

By adopting and approving these best practice policies, CCSD can better implement performance measurement, planning, and strategic budgeting. In addition, many of these recommended policies and procedures can help increase efficiency or strengthen internal controls which can lead to reduced expenditures and more effective resource allocation.

Financial Forecast

R2.3 **The Board should update its policy on financial forecasting. The policy should specify the process to be used in developing the financial forecast including preparation timetables, forecast assumptions and methodology, and the process for updating an existing forecast. In addition, CCSD's forecasting policy should specify the involvement of other District administrators. For example, the Board could consider requiring that key forecast assumptions be developed jointly by the Board Finance Committee, the Treasurer, the Superintendent, and the Business Manager. Each should provide functional expertise and oversight in order to produce a well-informed and cohesive document that presents the direction of CCSD. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).**

CCSD has a Board policy that outlines the qualifications and job duties for the Treasurer, which includes a requirement that the Treasurer prepare a long-range financial projection with assistance from the Superintendent and the Board. Although the policy requires the development of a forecast, it does not specify the process to be used in preparing the forecast, the specific roles of other administrators, or the supporting materials to be used in developing significant assumptions. In actual practice, the Treasurer is responsible for preparing the forecast with limited input from key administrators. As a result, the Treasurer indicated that past forecasts had limited usefulness for decision-making because they did not reflect a coordinated strategy agreed upon by CCSD's key decision makers.

The Treasurer presents the financial forecast in detail to the Superintendent and the Board Finance Committee on a semi-annual basis. The Treasurer also conducts a high-level presentation for the Board which explains projected ending fund balances and the potential impact on CCSD of certain key assumptions. Lastly, the Treasurer provides the Board with monthly spending reports that tie to the annual budget and the first year of the forecast and demonstrate the year-to-date expenditures. However, with the exception of these meetings, the Board does not take an active role in developing or reviewing the financial forecast. The Treasurer indicated a desire to begin preparing and presenting the financial forecast to the Board on a quarterly basis in the future.

According to *Recommended Budget Practices: A Framework for Improving State and Local Government Budgeting* (GFOA, 1998), financial planning expands a government's awareness of options, potential problems, and opportunities. The GFOA also indicates

that an appropriate planning process (combining input from the Board, Treasurer, Superintendent, and Business Manager) results in the preparation of a financial plan consisting of various components such as an analysis of financial trends, an assessment of problems or opportunities facing the jurisdiction, actions needed to address these issues, and a long-term forecast of revenues and expenditures that uses alternative economic, planning, and policy assumptions. The financial plan identifies key assumptions and choices related to achievement of goals. The plan may be summarized in the budget document or in a separate report (as a part of the strategic plan, see **R2.1**). It should be available to management for their review and should also be shared with stakeholders for their input.

R2.4   When developing future forecasts, the Treasurer should include estimates for negotiated wage increases. Although the current assumptions were used because of the District's projected deficits, including negotiated wage increases would provide a more reasonable estimate of the District's future financial condition. The Treasurer should also develop an analysis that models the cost of employee step increases throughout the forecast period. This will help ensure that the cost of step increases is not overstated in the forecast and will provide the Treasurer with an objective analysis to support the stated assumption. Lastly, the Treasurer should ensure that all the components of the Employee Retirement and Insurance Benefit (ERIB) line-item have been incorporated in the projection, including the estimated cost of workers' compensation.

The Treasurer projected personal services and ERIB by determining salaries and benefits for all existing employees and then adjusting for retirements, resignations, and other staffing issues. The Treasurer's personal services and ERIB projections for FY 2006-07 appear reasonable. In projecting personal services from FY 2007-08 through FY 2010-11, the Treasurer uses FY 2006-07 as the base year and makes adjustments to account for salary schedule step increases and known staffing adjustments. In general, the Treasurer's methodology and supporting documentation appear reasonable. However, the Treasurer's assumptions regarding future negotiated wage and step schedule increases are inconsistent with historical trends.

The Treasurer projected that CCSD will not approve any negotiated wage increases after FY 2007-08 (the last year of each contract) due to the District's operating deficits. By contrast, CCSD's negotiated wage increases for certificated staff have been 2 percent annually from FY 2004-05 through FY 2006-07. Similarly, negotiated wage increases for the classified staff have also averaged approximately 2 percent annually during the same timeframe.

The Treasurer further projects that salary schedule step increases will result in a 2 percent increase in overall salaries. However, an analysis of step schedules for each of the

collective bargaining agreements showed that the annual step increases ranged from 0.8 percent to 2.6 percent (depending on the bargaining unit), with a blended average of 1.4 percent annually.

Based on the historical information, the personal services projection will be restated from FY 2008-09 through FY 2010-11 to show an annual negotiated wage increase of 2 percent and annual step schedule increases of 1.5 percent (rounded to be conservative). These changes are reflected in the financial recovery plan shown in **Table 2-6**.

In projecting the ERIB from FY 2007-08 through FY 2010-11, the Treasurer applies the appropriate percentages to the estimated salaries to determine CCSD's retirement and Medicare costs. The Treasurer also assessed the health insurance costs separately and projects an annual inflationary increase of 10 percent based on historical trends. The Treasurer's methodology, assumptions, and supporting documentation used to develop the retirement, Medicare, and health insurance cost estimates (components of ERIB) all appear reasonable. However, due to an error in the Treasurer's supporting spreadsheet, the ERIB projections do not include cost estimates for workers' compensation from FY 2008-09 through FY 2010-11.

To ensure the forecast fully reflects all components of ERIB, the Treasurer's ERIB projection will be revised to show the estimated cost of workers' compensation. The retirement and Medicare portions of the ERIB will also be adjusted to reflect AOS revisions in the personal services line-item. These modifications are shown in the revised five-year forecast in **Table 2-6**.

Table 2-4 presents the impact of adjusted personal services amounts on the five-year forecast.

Table 2-4: Revised Personal Services Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
CCSD Projections					
Salaries and Wages	$58,406,127	$58,767,078	$62,114,556	$60,806,848	$62,022,984
Benefits	$23,546,292	$22,524,671	$24,608,979	$25,902,275	$27,761,451
Total	**$81,952,419**	**$81,291,749**	**$86,723,535**	**$86,709,123**	**$89,784,435**
Adjusted Projections					
Salaries and Wages	$58,406,127	$58,475,047	$62,688,989	$62,295,604	$64,475,950
Benefits	$23,546,292	$22,476,632	$25,293,375	$26,742,976	$28,766,723
Total	**$81,952,419**	**$80,951,679**	**$87,982,364**	**$89,038,580**	**$93,242,673**
Net impact on ending balance	**$0**	**$340,070**	**($1,258,829)**	**($2,329,457)**	**($3,458,238)**

Source: CCSD and AOS

Budgetary and Financial Management

R2.5 **Once the strategic plan is complete (see R2.1), CCSD should develop its annual budget based on funding the priorities that will help achieve the identified goals and objectives. The ability to focus limited resources using a District-wide strategic plan should allow for a more efficient and focused use of available funds. CCSD should also consider using a more decentralized budgeting process which takes advantage of the knowledge of site-based administrators (department heads and principals), teachers, and other staff.[2] For example, CCSD should allow site-based administrators to develop and submit the first proposal for the budget. The Treasurer, Superintendent, and Business Manager could then evaluate the proposal to ensure that expenditures are in line with the District's goals for the upcoming year and that they are within the anticipated revenues. This process would ensure that the budget incorporates each administrator's knowledge of District operations and needs. At the same time, CCSD should hold principals and department heads accountable for their budgetary performance by making fiscal performance a formal element of administrative evaluations. Implementing this recommendation may require CCSD to start the budget development process earlier in the year. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).**

CCSD's budgetary process is highly centralized. The budget is primarily formulated from the top down, reflecting the priorities of the central administrators. Input from site-based administrators (department heads and principals) and staff is limited. While site-based administrators have some control in managing their allocations, they have minimal influence over the amount allocated. Once the budget is adopted, the Treasurer's Office sends budget-to-actual reports to the administrators on a monthly basis. If an administrator overspends his or her budget allocation, a request has to be submitted to the Board for an additional appropriation. However, the Treasurer indicated that this does not occur often. The District also does not evaluate administrators on their budgetary performance.

Because CCSD has not developed a formal strategic plan (see **R2.1**), the District's budget is based primarily on historical expenditures rather than funding action steps needed to achieve specific goals and objectives. The Treasurer indicates that there is a lack of communication among central administrators when developing the annual budget. As a result, the budget would be developed based on certain assumptions, but the District's actual direction could deviate significantly from the adopted budget. The lack of agreed-

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[2] Although the District should decentralize the budgeting process to allow input from principals and teachers regarding the building operations and the instructional budget, the budgets for major technology and capital infrastructure should still be centralized to ensure efficient management and use of these purchases (see **R6.7**, **R6.8** and **R6.12** in the technology section for additional details).

upon budget priorities has subsequently contributed to the District's current financial difficulties.

According to *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1998), governments should develop budgets that are consistent with approaches to achieve goals and include performance measures. Some of these performance measures should document progress toward achievement of previously developed goals and objectives as defined by the District-wide strategic plan. The GFOA goes on to indicate that school districts should provide opportunities in the budget process for obtaining stakeholder input. This helps ensure that stakeholder priorities are identified and enhances support for the approved budget.

Developing the budget based on the goals and objectives outlined in the strategic plan will help CCSD focus limited resources, which subsequently should allow for more efficient use of monies. Furthermore, including key stakeholders in the budgeting process would ensure that the budget incorporates each administrator's knowledge of District operations and needs, and will assist in linking the various building operation plans to the District-wide strategic plan.

R2.6 **CCSD's Board should take a more active role in overseeing the District's investments. This expanded role could consist of having the Board Finance Committee review and discuss monthly investment reports that show the principal value, market value, rate of return, and maturity date of each investment. In addition, the Board Finance Committee could discuss and agree on all investments before a depository agreement is signed by the Treasurer. Taking these actions will provide the Board with greater assurance that CCSD's monies are invested appropriately and are earning a competitive rate of return. Additional oversight will also help ensure consistency in approach and investment options in the event of a long-term absence by the Treasurer.**

CCSD's earnings on investments ($61.89 per student) were significantly lower than the peer average ($84.45 per student) in FY 2005-06. Board policy stipulates that the primary objective for investments is the preservation of principal and liquidity. CCSD's policy allows for structured investments in certificates of deposit and repurchase agreements, government securities, federal agency securities, commercial paper, and bankers acceptance notes. However, despite having formal policies governing this area, the Treasurer indicated that the Board does not actively participate in managing the District's investments.

CCSD has been working with a company to help identify short-term investments with an investment yield that is higher than the State Treasury Asset Reserve (STAR) Ohio. STAR Ohio allows all Ohio governmental subdivisions to deposit their funds for

investment purposes into a highly rated public investment pool offering safety, liquidity, and generally higher yields. Any governmental subdivision can participate in STAR Ohio, including municipalities, school districts, special taxing and assessment districts, counties, charter municipalities, and any other investment authority of a county, municipality, or region. STAR Ohio offers a higher yield than conventional vehicles because of the increased earning power of a sizable pool.

An AOS analysis showed that the majority of the District's investment yields were approximately 5.2 percent higher than STAR Ohio. However, the analysis also showed that the District is investing approximately $5.2 million, or 27 percent of the General Fund investments, in an account with an interest rate of less than 1 percent. During the course of this audit, the Treasurer reviewed the District's investment allocation, closed the low-yield interest account, and moved the $5.2 million to another account with a higher yield.

Financial Implication: If CCSD reinvests the $5.2 million from the low-yield account to a higher yield account such as STAR Ohio, the District could increase earnings on investment by approximately $230,000.

R2.7 **CCSD's Board should either consider forming a separate audit committee to oversee the financial audit and review the District's internal control structure, or expand the role of the Board Finance Committee to include these areas. This will help ensure that the District develops and adheres to a sound system of internal controls and that procedures are in place to objectively assess management's practices. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).**

The Superintendent indicated that the District does not have an audit committee and the Board Finance Committee typically does not discuss matters related to the financial audit. **Table 2-5** summarizes CCSD's financial audit and management letter citations since FY 2003-04.

Table 2-5: Financial Audit and Management Letter Citations

Non-compliance Citation and Recommendation	FY 2003-04	FY 2004-05	FY 2005-06
ORC § 9.38 – CCSD should implement procedures to ensure timely deposit of all receipts.	X		X
ORC § 9.833 – CCSD should continue to monitor lagging claims from the self-insured plan to determine that budgeted amounts are sufficient to cover such lagging claims.	X		
ORC § 3313.33 – The Board should establish and implement procedures that would ensure that conveyances of real property are executed and assigned by the Board President and Treasurer as required.		X	
ORC § 5705.41(B) – The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid possible overspending.		X	X
ORC § 5705.41(D) – CCSD should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds.	X	X	X
Additional Recommendations	*19*	*12*	*11*
Total Number of Citations and Recommendations	**22**	**15**	**14**
Findings for Recovery and Federal Questioned Costs	**None**	**None**	**None**

Source: AOS and Trimble, Julian, & Grube, Inc. FY 2003-04, FY 2004-05, and FY 2005-06 financial audits and management letters.
Note: Shading highlights those citations which have been issued in multiple years.

Table 2-5 shows that CCSD had three financial audit and management letter citations in FY 2005-06, several of which have been issued at least once previously. According to the Treasurer, the "Then and Now" issue cited in ORC § 5705.41(D) is being addressed by changes in the accounting software. For example, all purchases over $3,000 will be flagged by the accounting system and sent to the Board for approval. In addition, the Treasurer has developed a purchasing memo that will be issued to all staff and will include guidelines for making purchases. The Treasurer is developing similar strategies to address the other two citations.

According to *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1998), an audit committee is a practical means for a governing body to provide much needed review and oversight of the government's financial reporting processes and internal controls. GFOA further suggests that the governing body of every state and local government should establish an audit committee or its equivalent.

Although it appears the Treasurer is taking action to address the past financial audit citations, establishing an audit committee may also help improve the District's financial reporting and internal control design. The audit committee will also help ensure that audit citations are being reviewed and addressed in a timely manner.

R2.8   **CCSD should consider holding quarterly community forums to discuss a wide range of topics. Improved communications will help CCSD inform the public about pertinent issues and allow it to receive the feedback necessary for effective management. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-1).**

The District's primary method of communicating with citizens consists of public Board meetings, newsletters, and various informal methods such as the website and e-mail communications. However, any efforts beyond these are limited to periods in which the District is proposing substantial changes. For example, the District sought community feedback during the search for a new Superintendent and to promote past levy campaigns. CCSD is also seeking community involvement on the School Facilities Committee the District is forming for the purpose of evaluating potential building closures.

Painesville Township Local School District (Lake County) holds quarterly town hall meetings where discussions take place regarding school funding, capital improvement projects, curriculum modifications, and a variety of other issues. Meeting dates and times are advertised through television, print, and online. Painesville TLSD also uses newsletters, a popular annual financial report, televised Board meetings, community surveys, and its website to convey important financial and operational information to the community.

Establishing regular community forums in which CCSD administrators presents pertinent financial and operational information could help to further engage the community while at the same time building support for the District's initiatives.

R2.9   **CCSD should update its website to include financial information that could be useful to local citizens and other interested parties. By making financial information available on its website, CCSD would be using a relatively inexpensive method to inform internal and external stakeholders of its financial condition. In addition, a redesigned website could potentially reduce the time and costs associated with public records requests. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).**

CCSD has developed a website that contains useful resources that are available to District employees, community members, and stakeholders. For example, CCSD's website contains the following:

- Board policy manual, meeting schedules, and meeting minutes;
- Up-to-date five-year forecast and accompanying assumptions;
- Current school year calendar;

- Levy information; and
- General information for each of the school buildings.

In addition, CCSD's website also includes a parent resources menu and a menu of general information. However, the District's website does not have a web page for the Treasurer's Office. As a result, CCSD does not place several critical pieces of financial information (GAAP financial statements, annual budget, historical levy results and collections, etc) on its website for public viewing.

According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government should publish its budget documents and its comprehensive annual financial report directly on the website. Furthermore, GFOA notes that a government effectively using its website can realize a number of benefits including increased public awareness, increased public usage of the information, and availability of information for use in public analysis.

Westerville City School District (Franklin County) provides its community with several key financial reports that pertain to District operations on its website, including: detailed levy information, current and historical budget and forecast documents, property tax millage, and valuation information, comprehensive and popular annual financial reports, and a variety of other reports including past audit results and local district report cards.

R2.10 **CCSD should take steps to cross-train Treasurer's Office employees. This will help ensure continued service delivery in the absence of employees with extensive institutional knowledge. To facilitate the cross-training, CCSD should create and develop standard operating procedures for critical functions, such as payroll and accounts payable. Prior to implementing this recommendation, CCSD should work with its collective bargaining unit to clarify if additional compensation would be necessary for employees of different classifications who are undergoing cross-training. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).**

CCSD does not have a procedures or instruction manual in place to document key processes, such as processing payroll and accounts payable. Additionally, CCSD does not have a formal cross-training program in place. As a result, the District does not have anyone that is cross-trained to handle both the payroll and budgetary functions.

The Treasurer indicated that he would prefer to have all employees cross-trained when the Payroll Department is merged into the Treasurer's Office. However, because of the current employee classifications and step schedules (three different employee classifications - accounting specialist, payroll specialist, and bookkeeping), the District

may have to incur additional salary costs while the employees are training for a position that pays a higher hourly rate.

The Society for Human Resource Management (SHRM, 2001) indicates that cross-training increases employee knowledge and ability to perform different tasks by using current skills or learning new skills. Most organizations benefit from cross-training as it:

- Creates a more flexible and versatile workforce;
- Improves productivity;
- Prevents stagnation;
- Allows for effective succession planning;
- Increases retention and avoids recruiting costs; and
- Enables employees to understand organizational goals and objectives.

Establishing an effective employee cross-training system would allow the Treasurer's Office staff to cope effectively with a long-term absence of one or more employees. Avoidance of bringing a temporary employee into the Treasurer's office would not only save CCSD the added cost of another employee but would also help ensure that all processes remain consistent with Treasurer's Office policies and procedures.

Purchasing

R2.11 CCSD should develop a more comprehensive purchasing policy that establishes a lower threshold for obtaining price quotes. The Treasurer's Office should help devise the new threshold with the intent of subjecting more items to competitive pricing but not be overly cumbersome for operational units. The District should also structure the policy to require competitive bidding for commonly used items such as office supplies, technology equipment, and transportation, building and food service supplies and materials. To facilitate this, CCSD would need each of the operational units to make an estimation of the quantity and type of goods that will be needed during the year. CCSD should then subject these items to competitive bidding on an annual basis and compare the prices to those that can be obtained through various consortiums.

In addition, CCSD should also develop the purchasing policy to indicate when requests for proposals (RFPs) should be used in contracting for purchased services and to identify the dollar thresholds and types of purchases that would be subject to competitive proposals. These policies will provide the Board with greater assurance that the District's goods and services are being purchased at a fair price and that objective decisions are being made regarding vendor selection. A similar recommendation was identified during the 1999 Performance Audit (see Appendix 2-A).

Although CCSD's purchasing policy states that "District purchases should be made at the best price available, with free opportunity for all vendors to bid", the policy is broad and only requires competitive pricing in the following instances:

- Contracts or orders for supplies, materials, equipment or repairs exceeding $25,000 are made in accordance with State law;
- If feasible, all purchases over $10,000 but under $25,000 will be based on price quotations submitted by at least three vendors; and
- The District will participate in purchasing cooperatives when economically feasible.

Although this policy generally complies with ORC § 3313.46 which mandates that purchases exceeding $25,000 must be competitively bid, it does not address procedures to follow when making purchases that cost less than $10,000. In addition, the District's policy does not address when RFPs should be used in contracting for purchased services.

Akron City School District (Summit County) requires employees to obtain three price quotes on anything costing more than $6,000. Similarly, the Cincinnati Public School District (Hamilton County) requires various forms of competitive pricing for goods and services costing more than $500. The Office of Program Policy Analysis and Government Accountability (Florida) also recommends that districts take maximum advantage of the purchasing function by ensuring that effective price quotation policies are in place that require quotes for small dollar purchases, but less than dollar limits requiring competitive bidding. By not having more narrow purchasing policies, CCSD has limited assurance that employees are obtaining fair prices for significant purchases and that vendor selection decisions are being made objectively.

R2.12 CCSD should adjust the prices charged by the warehouse to cover all costs incurred when providing goods to the operational units. By allocating a more accurate cost of items obtained from the warehouse, CCSD would be able to capture the true cost of the various operational units, activities, and programs.

Once reliable information is available, CCSD should also conduct a cost-benefit analysis to demonstrate the relative advantage of the warehouse as compared to other purchasing methods, and to quantify the benefits resulting from its use. If the analysis demonstrates that the operational costs of the warehouse exceed the savings and benefits resulting from its use, CCSD should consider eliminating the warehouse and negotiating delivery arrangements (similar to just-in-time) with its vendors. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).

CCSD has a centralized warehouse function which handles the District's receiving and distribution of supplies and materials. Operating units within the District are required to make purchases from the warehouse rather than going to outside vendors. CCSD invoices the operating units for the cost of the supplies and materials. However, the operational costs (labor, utilities, and/or overhead) of the warehouse are not passed through to the operational units for the items purchased.

CCSD has not performed a cost-benefit analysis of its warehouse function to ensure that it is realizing the anticipated savings associated with large volume purchases, and that the warehouse is continuing to provide operational advantages when compared to other procurement methods. With limited resources available for supplies, materials, and capital purchases, such periodic analyses are essential to ensure that the District is receiving the maximum benefit for each dollar spent. The full allocation of the direct and indirect costs to the operational units would provide valuable data for this effort.

According to *Just-In-Time Inventory Management Strategy & Lean Manufacturing* (Kansas State University, 2005), just-in-time (JIT) purchasing and inventory management reduces waste in several areas:

- Excessive waste time;
- Inflated inventories;
- Inefficient staffing or materials movement;
- Unnecessary processing steps; and
- Any other non-value adding activity.

JIT appeals to many organizations because it helps prevent the possibility of maintaining obsolete inventory and relieves the organization of the cost and burden of housing and managing idle supplies, materials, and equipment.

Payroll

R2.13 CCSD should install an automated time and attendance system. This will reduce the duplication of effort that occurs under the current payroll reporting process and potentially improve the accuracy of the time capture process by shifting the focus of the Treasurer's Office from data entry to data verification. Once this system is operational, CCSD should review Treasurer's Office staffing levels to determine if adjustments are necessary based on the revised workload.

If CCSD chooses not to install an automated time and attendance system, the District should revise its current process to require that all hourly employees complete timecards that account for each day's activities. This will strengthen controls by ensuring payroll expenditures reflect time that is actually being worked.

A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).

CCSD uses a manual, paper-based system to process payroll for all employees. In addition, CCSD processes payroll on an exception basis for all permanent employees. Although CCSD's payroll system limits the potential for mistakes, the manual system results in a duplication of effort. For example, under the current process, building secretaries must manually track and enter leave information on a form and then the Treasurer's Office inputs the same information into the accounting system. In addition, the process requires that the District implicitly trust that certain hourly employees are actually working the hours for which the Treasurer's Office is paying them. For example, the District processes payroll for bus drivers on an exception basis, which means that the Treasurer's Office assumes that the employees will work at least their normal schedule each week without verification. Although an exception based reporting system can be effective and efficient for staff members working under an annual contract (administrators and teachers), it may not be as accurate for hourly employees whose schedule and work requirements can change from day-to-day.

An automated time and attendance system would allow the District to maintain accurate and timely payroll information while eliminating the current duplication of effort. For example, one vendor cites that the benefits of an automated time and attendance system include the following:

- Reduce the risk of costly payroll errors and inflated labor costs;
- Provide managers with real-time labor data along with tools to control costs and improve productivity;
- Eliminate paper timesheets and opportunities for human error;
- Deliver pay accurately and on-time with consistent pay practices; and
- Free managers to focus on higher value strategic activities.

In addition to the benefits noted above, an automated time and attendance system would provide the District with a mechanism to pay employees for time actually worked and avoid costs associated with employee tardiness, long lunches or breaks, or leaving early. Also, implementing an automated time and attendance system may allow the District to reduce the staffing levels within the Treasurer's Office. For example, Springfield City School District (Clark County) processes payroll at a ratio of 476 employees to 1 payroll clerk. By comparison, CCSD processes payroll at a ratio of 377 employees to 1 payroll clerk. The District would be able to eliminate about 1 FTE payroll clerk if it achieved a similar staffing ratio as Springfield CSD (see **R3.4**).

Financial Implication: By installing an automated timekeeping system, the District would incur an initial cost of about $138,000 plus annual costs of $4,500 thereafter, for software updates and maintenance.

R2.14 CCSD should expand the use of direct deposit by negotiating mandatory direct deposit in future collective bargaining agreements. Direct deposit reduces the cost of processing payroll checks, streamlines bank reconciliations, and minimizes security risks associated with lost or stolen checks. A similar recommendation was issued in the 1999 Performance Audit (see Appendix 2-A).

CCSD offers its employees the option to be paid through direct deposit to any financial institution. However, direct deposit is not mandatory. Approximately 65 percent of CCSD's payroll is distributed by direct deposit.

According to *Accounting Best Practices* (Steven M. Bragg, 2005), entities should take advantage of direct deposit. Using direct deposit can help eliminate some of the steps involved in issuing paychecks, including the following:

- Printing checks, including manual cancellation of the first batch of checks and setting up new print runs when initial check runs fail;
- Signing of checks by an authorized individual, who may have questions about payment amounts that require additional investigation;
- Distributing checks; and
- Tracking checks not cashed and following up with employees.

Besides avoiding some of the steps involved with issuing paychecks, direct deposit carries the additional advantage of putting money in employee bank accounts without delay. However, paper-based notification of direct deposit payment may still need to be sent to employees. While this would require printing and distribution steps, there would be no need for signing the notifications or tracking pay checks not yet cashed by employees.

Financial Implication: Although savings associated with expanding direct deposit cannot be completely quantified, the minimum savings is estimated to be approximately $20,000 based on information provided by the National Automated Clearing House Association. However, the District's actual savings is likely to be higher due to reduced bank fees, printing and paper costs, and time associated with processing payroll.

Prior Audit and Financial Recovery Plan

R2.15 CCSD should consider implementing the additional recommendations from the 1999 Performance Audit that have not been fully implemented or addressed in this section. These recommendations, while not key to CCSD's financial systems function, could have a beneficial effect on overall District operations.

Some operational items reviewed in the 1999 Performance Audit remain applicable to CCSD. The following recommendations were determined to be relevant and, if implemented, could result in positive District improvements or enhanced efficiency. These recommendations can be summarized in three general categories including:

- **Financial Reporting**: CCSD contracts for the preparation of GAAP basis financial reports (see 1999 **R2.18**). Additionally, CCSD does not publish a comprehensive annual financial report or a popular annual financial report (see 1999 **R2.19**).

- **Automation**: CCSD does not use the accounts receivable and inventory modules within its accounting software package (see 1999 **R2.16** and **R2.30**). Similarly, CCSD has not investigated purchasing/developing a textbook inventory system to track the use and distribution of school building textbooks (see 1999 **R2.32**).

- **Financial Management**: CCSD does not conduct annual reconciliations of the warehouse inventory and fixed asset records in the accounting system to physical assets on hand at year-end (see 1999 **R2.28** and **R2.32**). Additionally, the District did not revise the threshold for approving invoices that exceed a purchase order (see 1999 **R2.34**) or the process and frequency for paying vendor invoices (see 1999 **R2.35**). Similarly, CCSD does not require supervisory review before issuing employee severance payments (see 1999 **R2.40**) and complies with special requests to hold or mail employee paychecks (see 1999 **R2.44**). Lastly, CCSD does not have the Board review or approve grant applications prior to submission (see 1999 **R2.5**).

Appendix 2-A summarizes the 1999 Performance Audit recommendations and implementation status.

R2.16 **CCSD should analyze the financial recovery plan outlined in Table 2-6 to evaluate the effect of recommendations presented in this performance audit. CCSD should consider implementing the recommendations in this performance audit and other appropriate actions to improve its financial condition. In addition, the Treasurer should update the District's financial recovery plan on an on-going basis to assess changes in critical financial issues, monitor revenue and expenditure activities, and review performance against budgeted and projected figures.**

CCSD should also discuss potential options for reducing costs and/or increasing revenues with stakeholders to determine the desired service levels. If the community prefers that current service levels be maintained, additional revenues may be necessary to stabilize the District's financial condition. Securing additional revenues might require that CCSD place a levy on the ballot.

Table 2-6 presents a potential recovery plan to assess the impact that the performance audit recommendations will have on CCSD's financial condition. **Table 2-6** also includes the revised projections discussed in **R2.4**. In order to alleviate its projected deficit, CCSD must make substantial reductions in its staff and program operations. Reductions of this magnitude will likely have a negative effect on student performance and impact the District's ability to provide specialized programs to its students. For example, the recovery plan shown in **Table 2-6** assumes full implementation of the non-instructional recommendations in this report including reducing staffing levels (see **R3.1, R3.3, R3.4, R3.5, R3.6, R4.2**, and **R6.4**), adjusting the bus routes (see **R5.1**), reducing special and vocational education program costs (see **R3.10**), and eliminating the additional pension benefit for certificated staff (see **R3.9**). The recovery plan also assumes that CCSD can implement a sufficient number of performance audit recommendations to generate approximately $2.0 million in cost reductions in FY 2007-08. However, even by including the financial impact associated with these recommendations, CCSD is still projecting a negative ending fund balance of approximately $953,000 in FY 2009-10 and approximately $8.1 million in FY 2010-11.

The District would need to reduce 75 instructional FTEs in order to achieve positive ending fund balances throughout the forecast period. The District could also achieve positive ending fund balances by reducing 61 instructional FTEs and closing 2 elementary buildings and 2 middle school buildings. However, if CCSD is unable to implement the recommendations identified above or is unable to make the reductions in a timely manner, the District would likely need to consider additional reductions beyond the 61 to 75 instructional FTEs. This indicates that if CCSD and the community wish to maintain the current instructional program, it will be necessary to consider options for increasing operating revenues. In Canton, a one mill levy generates about $800,000 annually, with the amount decreasing over the forecast period because any additional millage generated is not subject to the hold harmless clause in Amended Substitute House Bill 66.[3]

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[3] Specifically, assessed valuation is decreasing over the next few years to phase out tangible personal property. Therefore, because of the decreasing assessed valuation, the amount one mill will generate over the next few years will decrease until the phase-out is completed. Districts will see this taper off and start to grow by FY 2009-10. In addition, any new tangible personal property tax (from a new business for example) is not subject to the hold harmless clause. This means that a government entity will not be reimbursed for this lost revenue.

Table 2-6: Revised Five-year Forecast (in 000s)

	Actual			Forecasted				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Revenues:								
General Property (Real Estate)	$16,864	$19,818	$22,411	$23,904	$22,133	$23,157	$23,272	$23,389
Tangible Personal Property Tax	$8,308	$8,224	$10,883	$6,942	$4,360	$2,588	$1,240	$533
Unrestricted Grants-in-Aid	$54,427	$56,438	$56,787	$54,343	$54,860	$55,374	$55,081	$54,791
Restricted Grants-in-Aid	$8,093	$8,434	$8,727	$10,013	$10,314	$10,623	$10,782	$10,944
Property Tax Allocation	$2,485	$2,840	$2,711	$5,477	$7,553	$9,450	$11,205	$10,083
All Other Operating Revenue	$4,013	$4,251	$2,836	$3,738	$3,300	$3,317	$3,333	$3,350
Total Revenue	**$94,189**	**$100,004**	**$104,355**	**$104,418**	**$102,520**	**$104,508**	**$104,915**	**$103,089**
Proceeds from Sale of Notes	$3,400	$0	$268	$0	$0	$0	$0	$0
Operating Transfers-In	$0	$82	$0	$1,082	$1,000	$1,000	$1,000	$1,000
Advances-In	$4,037	$5,571	$5,824	$5,046	$5,000	$5,000	$5,000	$5,000
All Other Financial Sources	$277	$127	$218	$589	$150	$152	$153	$155
Total Other Financing Sources	**$7,714**	**$5,780**	**$6,310**	**$6,717**	**$6,150**	**$6,152**	**$6,153**	**$6,155**
Total Revenues & Other Financing	**$101,903**	**$105,784**	**$110,665**	**$111,136**	**$108,670**	**$110,659**	**$111,068**	**$109,244**
Expenditures:								
Personal Services – Revised	$61,806	$60,263	$58,204	$58,406	*$58,475*	*$62,689*	*$62,296*	*$64,476*
Employee Benefits – Revised	$16,898	$21,863	$22,182	$23,546	*$22,477*	*$25,293*	*$26,743*	*$28,767*
Purchased Services	$13,911	$16,796	$17,152	$18,313	$19,041	$19,842	$20,678	$21,552
Supplies and Materials	$1,831	$1,766	$2,339	$2,479	$2,533	$2,610	$2,689	$2,770
Capital Outlay	$1,417	$698	$782	$350	$361	$771	$782	$794
Debt Service [1]	$0	$115	$788	$837	$809	$786	$761	$0
Other Objects	$733	$662	$777	$700	$707	$714	$721	$728
Total Expenditures	**$96,596**	**$102,162**	**$102,223**	**$104,631**	**$104,402**	**$112,705**	**$114,670**	**$119,087**
Operational Transfers – Out	$117	$303	$346	$1,684	$1,000	$1,000	$1,000	$1,000
Advances – Out	$4,519	$4,556	$6,555	$4,309	$5,000	$5,000	$5,000	$5,000
All Other Uses	$183	$242	$156	$544	$175	$177	$179	$180
Total Other Financing Uses	**$4,819**	**$5,101**	**$7,057**	**$6,537**	**$6,175**	**$6,177**	**$6,179**	**$6,180**
Total Expend. & Other Financing	**$101,416**	**$107,263**	**$109,280**	**$111,168**	**$110,577**	**$118,882**	**$120,849**	**$125,267**
Result of Operations (Net)	**$487**	**($1,479)**	**$1,385**	**($32)**	**($1,907)**	**($8,223)**	**($9,781)**	**($16,023)**
Beginning Cash Balance	$2,324	$2,811	$1,332	$2,716	$2,684	$777	($7,446)	($17,227)
Ending Cash Balance	$2,811	$1,332	$2,716	$2,684	$777	($7,446)	($17,227)	($33,250)
Outstanding Encumbrances	$1,056	$950	$827	$1,000	$1,000	$1,000	$1,000	$1,000
Capital improvements	$0	$0	$0	$220	$220	$220	$220	$220
Budget Reserve	$0	$0	$0	$600	$1,424	$2,348	$3,307	$4,302
Unreserved Ending Fund Balance June 30	**$1,755**	**$382**	**$1,890**	**$864**	**($1,867)**	**($11,014)**	**($21,754)**	**($38,772)**
Cumulative Impact of Performance Audit Recommendations	*n/a*	*n/a*	*n/a*	*n/a*	*$2,042*	*$13,859*	*$26,191*	*$38,921*
Revised Unreserved Ending Fund Balance June 30	**$1,755**	**$382**	**$1,890**	**$864**	**$175**	**$2,845**	**$4,437**	**$149**

Source: CCSD and AOS
Note: Totals may vary due to rounding.
[1] Debt service includes both debt service: principal – other and debt service: interest and fiscal charges.

Table 2-7 summarizes the performance audit recommendations reflected in the revised five-year forecast. Recommendations are divided into three categories, those requiring negotiation, those not subject to negotiation, and those that may be necessary to achieve financial recovery.

Table 2-7: Summary of Performance Audit Recommendations Included in Financial Recovery Plan (in 000s)

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Recommendations Not Subject to Negotiation				
R2.6 Reinvest monies in higher yield accounts	$230	$235	$239	$244
R2.13 Purchase an automated time and attendance system	$0	($138)	($5)	($5)
R3.1 Reduce 6 FTE administrators	$0	$704	$728	$754
R3.3 Reduce 6 other instruction FTEs	$0	$165	$170	$176
R3.4 Reduce 18.5 FTE clerical staff	$0	$461	$477	$494
R3.5 Reduce 21 other personnel FTEs	$0	$421	$436	$451
R3.6 Reduce 17.5 other professional FTEs	$0	$1,242	$1,285	$1,330
R3.9 Eliminate additional pension benefit for administrators	$207	$420	$435	$450
R3.10 Implement special education cost reduction methods	$1,100	$2,277	$2,357	$2,439
R3.10 Implement vocational education cost reduction methods	$164	$339	$351	$364
R4.2 Reduce 2.0 custodial FTEs	$0	$83	$86	$89
R4.6 Implement an energy conservation policy	$22	$45	$46	$47
R5.1 Eliminate 11 active buses	$145	$289	$299	$310
R6.4 Reduce 4.5 FTE technology staff	$0	$201	$208	$215
R6.12 Eliminate 40 copy machines	$174	$177	$181	$185
Subtotal Not Subject to Negotiations	***$2,042***	***$6,921***	***$7,293***	***$7,543***
Recommendations Subject to Negotiation				
R2.14 Negotiate mandatory direct deposit	$0	$20	$21	$21
R3.8 Increase employee health insurance contributions	$0	$1,224	$1,248	$1,273
R3.9 Eliminate additional pension benefit for certificated staff	$0	$390	$404	$418
Subtotal Subject to Negotiations	***$0***	***$1,634***	***$1,673***	***$1,712***
Additional Recommendations Needed to Achieve Fiscal Recovery				
R3.2 & R4.1 Reduce 61 to 75 instructional FTEs and/or close 2 elementary and 2 middle schools.	$0	$3,262	$3,366	$3,475
Total Cost Savings from Performance Audit Recommendations	***$2,042***	***$11,817***	***$12,332***	***$12,730***

Source: AOS recommendations

Appendix 2-A: 1999 Performance Audit Recommendations and Implementation Status

Table 2-A summarizes the 1999 Performance Audit recommendations, as well as the status of that recommendation; implemented, partially implemented, not implemented, or no longer applicable.

Table 2-A: 1999 Performance Audit Recommendation Status

Recommendation	Implementation Status
R2.1 The District has made considerable progress in developing a comprehensive strategic plan that includes input from many sources. However, the District should incorporate meaningful long-range goals and objectives prior to finalizing the document.	This recommendation has not been implemented and was re-issued (see **R2.1**).
R2.2 The District should continue its effort to create one meaningful comprehensive capital improvement plan, drawing on the results of previous studies and analyses. The plan should prioritize facility, maintenance, and equipment needs and be updated annually for Board approval.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R4.5**).
R2.3 The District should expand its Board policies governing the financial planning process to include a time table and a set of guidelines for the Treasurer and those responsible for accumulating or disseminating financial information to follow. The District should quantify the costs associated with programs needed to meet the educational outcomes required in S.B. 55, such as standards for attendance and proficiency test results and new graduation requirements and discuss them in the accompanying notes.	This recommendation has not been implemented and a similar recommendation was issued (see **R2.3**).
R2.4 The academic results noted in the preliminary report card issued for the 1997-98 school year indicate CCSD is classified in a 'state of emergency' as defined by S.B. 55. This classification requires CCSD to increase the academic services it provides. Because CCSD has not forecasted additional costs associated with S.B. 55, the revised forecast assumes 25 percent of the increased revenue from the new State funding formula will be needed to meet requirements under S.B. 55. In FY 1999-00, the District was required to set aside 1 percent of the prior year's operating revenue, as defined by H.B. 412.	The element of the recommendation which is still applicable to CCSD has been implemented.

Recommendation	Implementation Status
R2.5 Although the Board remains knowledgeable and involved in the grant process, the District should consider having grant applications over a certain threshold be reviewed by the Board prior to their submission to the grantor. In addition, CCSD should consider modifying its software so that personnel can obtain totals and subtotals relating to various reporting criteria, thereby eliminating the need to perform this task manually.	This recommendation has not been implemented.
R2.6 CCSD should carefully consider the recommendations outlined in the Healthcare Process Consultants, Inc. analysis report regarding the Community Alternative Funding System (CAFS) program.	This recommendation is no longer applicable to CCSD.
R2.7 The District should expand the functions of the Business Advisory Council to include an advisory role concerning the financial operations of the District.	This recommendation has not been implemented. A recommendation to use an audit committee to complete a similar function is included (see **R2.7**).
R2.8 The District should institute a forum to involve parents in the strategic planning and budgeting process at the school level.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.5** and **R2.8**).
R2.9 CCSD should institute a decentralized budgeting process to effectively involve parents, teachers, and the general community at the school level.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.5**).
R2.10 Because of the magnitude of expenditures that are fixed by negotiated contracts, debt service agreements, utility costs and certain fees, it is extremely important that the District diligently monitor those spending areas over which it can exercise discretion. District management should closely review these costs to identify possible opportunities for reductions and savings.	This recommendation has been implemented.
R2.11 The District should consider establishing a staff allocation committee whose purpose would be to implement a staff allocation process.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R3.7**).
R2.12 CCSD should consider expanding the functions of its finance committee to include tasks normally accomplished by an internal budget committee.	This recommendation has been implemented.
R2.13 In order to further enhance the budget document, the District should consider making the document available to the public, highlighting District goals, objectives, and key issues for the ensuing fiscal year, providing budget estimates and historical comparisons at both summary and line item levels of detail, including staffing levels and organizational information, and providing a narrative of recent accomplishments and the status of projects which would provide a progress report on the implementation of the District's long-term plans.	This recommendation has been partially implemented and a similar recommendation was re-issued (see **R2.9**).

Recommendation	Implementation Status
R2.14 The Board should not adopt 'clean-up' resolutions. Instead, it should follow ORC requirements that budget transfers be processed when needed throughout the year. The Board should review its policies regarding the establishment of its legal level of control to ensure that it is set at a level that is both appropriate and manageable, and which facilitates the finalization of the budget should be prepared at a level which would preserve Board oversight, but which would also allow the Treasurer and the Superintendent to transact district business in an efficient manner.	This recommendation has been implemented.
R2.15 The Treasurer should consider broadening the scope and level of detail of the financial package sent to the Board.	This recommendation has been implemented.
R2.16 The District should activate and begin using the accounts receivable module within its accounting service.	This recommendation has not been implemented.
R2.17 Principals and department heads should be provided with in-service training on budget preparation, performance measurement, and management reporting. The District should consolidate the various components of its written procedure documents and instructions into a comprehensive manual which encompasses the specific steps to be followed and control mechanisms to be employed for the budgetary, revenue, purchasing, and payroll processes, as well as for grants management.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.5**).
R2.18 In the future, if the District encounters financial hardships, CCSD should consider preparing their GAAP basis financial statements in-house, primarily within the Treasurer's Office.	This recommendation has not been implemented.
R2.19 The District should prepare and issue an annual CAFR to provide additional information to users of the financial statements. The District should also consider publishing and circulating a simplified or 'popular' version of the report (PAFR), describing in a clear and concise manner the District's financial condition and results of operations.	This recommendation has not been implemented.
R2.20 The Board should consider expanding the functions of the Business Advisory Council (BAC) to include serving as an audit committee.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.7**).
R2.21 CCSD should enforce its policy requiring the solicitation of at least three price quotations for purchases under $25,000.	This recommendation has been partially implemented and a similar recommendation was re-issued (see **R2.11**).

Recommendation	Implementation Status
R2.22 Although the District belongs to County, University, and Educational (CUE) Association and Stark County Cooperative, decision to purchase items available through the cooperatives should be documented based on an identifiable purchasing advantage to the District.	This recommendation has not been implemented. A similar recommendation was re-issued (see **R2.11**)
R2.23 The District should use its buying power to competitively bid out the most commonly used items and secure negotiated discounts with vendors for the other items.	This recommendation has not been implemented. A similar recommendation was re-issued (see **R2.11**)
R2.24 The Board should modify existing purchasing policies to expand the use of request for proposals and increase the number of purchased service expenditures subjected to request for proposals. The Treasurer's Office should develop statistics to determine these thresholds, attempting to cover a majority of annual purchase service expenditures.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.11**).
R2.25 The District should continue taking advantage of the greater degree of control provided through the use of standard blanket purchase orders whenever possible, and limit the use of the new 'super' blanket purchase orders to those situations in which the standard blanket purchase order is deemed to be impractical. The District should also implement procedures which will ensure that the use of either type of blanket, or open, purchase order complies with the applicable ORC requirements.	This recommendation has been partially implemented. A recommendation addressing the District's purchasing compliance is included (see **R2.7**).
R2.26 The District should increase its efforts in preventing operating units from making purchases in advance of securing a valid purchase order and obtaining the required Treasurer's certification. The District should send out notices to vendors stating their policy and indicate payments will not be made unless there is a valid purchase order assigned prior to obligation.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.7**).
R2.27 The District should implement a formal vendor performance monitoring program, which fully utilizes the capabilities of the Bi-Tech software.	This recommendation has been partially implemented.
R2.28 The District should review its current software and ensure the software provides all the features and capabilities necessary to adequately support the warehouse function. The District should reconcile the perpetual inventory maintained on the system to the physical inventory counts.	This recommendation has been partially implemented.

Recommendation	Implementation Status
R2.29 The District should begin charging operational units for items purchased through the warehouse and develop a sufficient mark up to cover all operational costs incurred by warehouse operations in providing goods to the operational units. The District should record the entire cost of the warehouse function as an internal service fund. Once reliable information is available, a through analysis should be performed to demonstrate the relative advantage of the warehouse as compared to other purchasing methods, and to quantify the benefits resulting from its use. If the analysis demonstrates that the operational costs of the warehouse exceed the savings and benefits resulting from its use, the District should eliminate the warehouse and negotiate direct delivery arrangements with its vendors.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.12**).
R2.30 In order to properly manage the operations of the warehouse at CCSD, managers must have adequate and reliable information on which to base their decisions. The operations of the warehouse should be treated no differently than the operations of any other business, eliminating the profit motive. The District should develop a system which accumulates and accurately reports the warehouse's operational data. Understanding the capabilities and implementing the System Stores/Inventory module of the Bi-Tech software package at the District would aid in this process.	This recommendation has not been implemented.
R2.31 Once the District has implemented a system to determine the total costs associated with providing items to the operational units through the warehouse, a more detailed cost-benefit analysis of the warehouse versus other purchasing practices should be performed.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.12**).
R2.32 The District's fixed assets should be reconciled with the information contained in the computerized fixed asset records at least annually.	This recommendation has not been implemented.
R2.33 The District should investigate the purchase of a textbook inventory system. The assistant principals or principals should be held responsible for textbooks within their respective buildings.	This recommendation has been partially implemented.
R2.34 The District should consider changing the review process for when an invoice exceeds the purchase order amount from the $500 threshold to a percent threshold. This will provide a heightened level of additional review if the invoice amount exceeds the original purchase order by a certain percentage.	This recommendation has not been implemented.

Recommendation	Implementation Status
R2.35 The Treasurer's Office should attempt to maximize cash flows. The District should consider issuing checks on a weekly basis instead of twice per week. The District should fully utilize the net 30 terms since no interest charge or penalty will be incurred. CCSD should maintain a record of discounts taken and discounts lost, and periodically review this information to help assess the effectiveness of its payment procedures. The use of the Automated Clearing House (ACH) network for vendor payments should also be evaluated for expansion. The use of on-line receipt of goods or services should also be evaluated.	This recommendation has not been implemented.
R2.36 The audit report should be reviewed and approved by the payroll supervisor as changes are made to ensure all payroll data is accurate.	This recommendation is no longer applicable to CCSD.
R2.37 The District has investigated and is planning to implement automated time and attendance for the Transportation Department in 1999. CCSD should continue to investigate installing an automated time and attendance system at the other various buildings throughout the District given the significant amount of staff hours required to monitor, capture, and report time and attendance data related to the approximately 1,500 employees at 24 schools and 5 other operational units.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.13**).
R2.38 If CCSD does not fully implement an automated time and attendance system, the Payroll Department should work with the District's Technology Department to allow operational units to submit time and attendance data electronically using the WAN. Also, employees should be responsible for completing absence and extra time forms themselves.	This recommendation has not been fully implemented and a similar recommendation was re-issued (see **R2.13**).
R2.39 CCSD should establish some additional management controls for processing payroll since payroll and related benefits constitute a majority of the District's expenditures.	This recommendation has been partially implemented and a similar recommendation was re-issued (see **R2.13**).
R2.40 When calculating severance pay, the final payout should be reviewed by the Payroll Supervisor for accuracy and completeness.	This recommendation has not been implemented.

Recommendation	Implementation Status
R2.41 As all the personnel and payroll functions are currently performed by the same department, the Treasurer should institute additional management controls to compensate for the lack of the segregation of duties. In addition to reviewing the monthly budget-to-actual report, the Treasurer should review and approve all changes made to the payroll master file, the payroll summary report, a report showing the charges being made against each fund, and the various edit reports available for each pay period prior to distributing payroll.	This recommendation is no longer applicable to CCSD.
R2.42 The District should develop a policy and procedures manual related to the payroll process for the Payroll Department. In addition, the Payroll Department should provide periodic training to staff on payroll policies and procedures to ensure that staff is properly familiar with their responsibilities.	This recommendation has not been fully implemented and a similar recommendation was re-issued (see **R2.10**).
R2.43 The District should expand the use of direct deposit to include other financial institutions. The District should consider negotiating in future collective bargaining agreements mandatory direct deposit or a modification, for example, that all employees hired after a certain date would have to be paid through direct deposit and upon the utilization of direct deposit by 75 percent of employees represented by the contract, the Treasurer's office has the option to pay all employees via this method.	This recommendation has not been implemented and a similar recommendation was re-issued (see **R2.14**).
R2.44 The District should stop complying with employee special requests to mail or hold paychecks. In addition, the District should discontinue the practice of allowing employees to pick up paychecks in advance.	This recommendation has not been implemented.
R2.45 The Payroll Department should investigate the feasibility of printing paychecks, W-2s, and Form 1099s with self-sealing mailers.	This recommendation is no longer applicable to CCSD. Direct deposit and electronic forms have replaced traditional paper based systems (see **R2.14**).

Source: AOS

Human Resources

Background

This section of the performance audit focuses on the human resource functions of the Canton City School District (CCSD or the District). The executive summary of this performance audit provides a summary of the audit objectives for the human resources section. Operations were evaluated against best practices, industry benchmarks, operational standards, and selected peer districts[1] for the purpose of developing recommendations to improve efficiency and business practices. Recommendations also identify potential cost savings to assist the District in its efforts to address projected deficits. Assessments include staffing levels and compensation, negotiated agreements, human resource management, and program operation processes. Best practices and industry standards were drawn from various sources, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Ohio Department of Administrative Services (ODAS), the Society for Human Resource Management (SHRM), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), and the State Employment Relations Board (SERB).

Organizational Structure

All Ohio schools are required to employ a Superintendent and a Treasurer who report directly to the Board of Education (the Board). CCSD also employs a Business Manager who reports to the Superintendent. Prior to the start of the audit, the District's major human resources functions were completed by the Human Resources Director, the Treasurer, and the Business Manager. However, the District eliminated the Human Resources Director position as part of its financial recovery plan. As a result, the District has reassigned the tasks previously completed by the Human Resources Director to the Superintendent, Treasurer, Business Manager, and other administrators, collectively comprising the Human Resources Department (HRD).

In FY 2006-07, CCSD provided human resources services to 1,433 employees. These services include benefits administration; payroll; Education Management Information System (EMIS) and other management reporting; contract negotiations; and hiring, firing, and evaluating employees. In carrying out these responsibilities, the District appears to effectively manage the health benefits program as CCSD's cost of health insurance premiums and workers' compensation are lower than State and national benchmarks. However, requiring that employees pay a portion of monthly insurance premiums would help further reduce the District's cost of insurance (see **R3.8**). Similarly, CCSD appears to effectively use its human resources software to track, manage, and report on a variety of issues including certificated and classified sick leave

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

usage and EMIS reporting. For example, the District's average sick leave use per employee (certificated and classified) is lower than State benchmarks. Furthermore, the District's EMIS reports appear materially correct. Lastly, the Board has comprehensive policies in place that help guide the District's management of human resources issues.

Staffing

Table 3-1 compares CCSD's full-time equivalent (FTE) employees per 1,000 average daily membership (ADM) to the peer average.

Table 3-1: CCSD Staffing Comparison (FTEs per 1,000 Students)

Staffing Category	CCSD	Peer Average	FTE Differences from Peer Districts [1]
Students Educated (FTE)[2]	10,974	2,012	8,962
Administrative	6.82	6.50	0.32
Educational	73.20	68.77	4.43
Professional	4.17	1.78	2.39
Technical	1.82	1.94	(0.12)
Office/Clerical	19.56	9.59	9.97
Maintenance	1.28	1.15	0.13
Custodial/Grounds	7.02	7.00	0.02
Transportation	4.50	6.51	(2.01)
Food Service	6.19	6.45	(0.26)
All Other	5.89	2.07	3.82
Total FTEs	**130.44** [3]	**111.75**	**18.69**

Source: FY 2005-06 EMIS data reported to the ODE as of 03/05/06

[1] EMIS requires that districts enter FTEs based on the number of hours included in a full-time position in the employees' collective bargaining agreement. In most cases, this represents an eight-hour day, but in classifications like food service and transportation, an FTE may be less than eight hours and differ among districts.

[2] Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

[3] The District's total staffing of 130.44 FTEs per 1,000 ADM represents the FY 2005-06 staffing level. In FY 2006-07, CCSD eliminated 7.0 FTEs as part of the recovery plan. The revised FTE per 1,000 students using FY 2006-07 information is 129.8.

Table 3-1 shows that CCSD employs significantly more FTEs per 1,000 students than the peer average in all categories except technical staff (see the **technology** section), transportation, and food service. This audit focuses on categories where CCSD exceeds the peer average and identifies opportunities for the District to reduce staff and costs while maintaining staffing levels similar to those of the peer districts (see **R3.1** through **R3.6**). This is especially important in light of enrollment declines. According to ODE, CCSD's formula ADM decreased more than 12 percent between FYs 1998-99 and 2006-07.

Compensation

Table 3-2 compares CCSD's average salaries for administrative, certificated, and classified staff to the peer average for FY 2005-06. However, because the District's level of employee compensation can be impacted by factors outside of management's direct control such as the urban location and size of the District, the peer average in **Table 3-2** comprises Akron City School District (Summit County), Springfield City School District (Clark County), and Youngstown City School District (Mahoning County). These Districts are more comparable to CCSD based on their student population, urban location, and other demographics.

Table 3-2: CCSD Salary Comparison

Classification	CCSD Average	Urban Peer Average Salary	Percent Difference
Administrative	$81,693	$76,231	7.2%
Certificated	$54,439	$52,909	2.9%
Classified	$30,658	$31,373	(2.3%)
Total Average Reported Salary	$45,143	$43,341	4.2%

Source: ODE
Note: The peer average includes Youngstown CSD, Akron CSD, and Springfield CSD.

Table 3-2 shows that CCSD's average administrative and certificated salaries are higher than the urban peer average. This indicates that the District has negotiated more generous compensation than similar districts (see **R3.9**).

Negotiated Agreements

The District's certificated and classified personnel are covered under the following collective bargaining agreements:

- **Canton City School District Professional Educator's Association** (Certificated Contract): Membership in this collective bargaining unit includes all certificated employees. The contract is in effect through June 30, 2008.

- **Ohio Association of Public School Employees/AFSCME Local 4, AFL-CIO, and OAPSE Locals 107 and 161** (Classified Contract): Membership in this collective bargaining unit includes cashiers, technology, transportation, custodial, and school and community assistants. The contract is in effect through June 30, 2007.

- **Ohio Association of Public School Employees/ AFSCME Local 4, AFL-CIO, and OAPSE Local 609** (Food Service Contract): Membership in this collective bargaining unit includes all food service staff. The contract is in effect through June 30, 2008.

- **Ohio Association of Public Employees OAPSE/AFSCME, Local 4, AFL-CIO OAPSE Local 161A** (Executive Assistants Contract): Membership in this collective bargaining unit includes all executive assistants. The contract is in effect through June 30, 2008.

As part of the performance audit, certain contractual and employment issues were assessed and compared to Ohio law and industry benchmarks. Areas of analysis included common contractual provisions such as maximum sick leave accrual and payout at retirement, number of paid holidays, uniform allowances, length of work-week, and employer liability (see **R3.8**).

Performance Audit Follow-up

In 1999, AOS completed a performance audit of CCSD as a part of the 21 urban school district initiative. Following the issuance of the performance audit, CCSD was required to develop and approve an Economy and Efficiency Plan detailing how the District intended to address the performance audit recommendations.

One key area of assessment in the 1999 Performance Audit was CCSD's human resource function. As a follow-up to the 1999 Performance Audit, this section of the performance audit reviewed the previous recommendations, CCSD's Economy and Efficiency Plan, and current District operations to determine the implementation status of all previous recommendations. The results of this analysis can be found in **Appendix 3-A** with references, where pertinent, throughout the section. Of the recommendations contained in the 1999 Performance Audit, CCSD implemented 4 recommendations, partially implemented 2 recommendations, and did not implement 12 recommendations. Additionally, due to recent turnover in the Human Resources Director and Treasurer positions, the implementation status of 2 recommendations was unknown and 6 recommendations were identified as no longer relevant.

Recommendations

Staffing

R3.1 **Once a final decision is made regarding possible building closures, CCSD should re-evaluate administrative staffing using objective workload measures (see R3.7) to determine appropriate staffing levels. However, if the District closes two middle schools and two elementary schools as recommended in the facilities section, the District should reduce at least four principals and two assistant principal positions.**

Table 3-3 compares CCSD's administrative staffing per 1,000 ADM to the peer average.

Table 3-3: Administrative Staffing Comparison

	CCSD	Peer Average	Difference
Total Number of Students [1]	10,974	2,012	8,962
Central Administrator FTEs per 1,000 Students	3.2	3.7	(0.5)
Site-Based Administrator FTEs per 1,000 Students	3.6	2.8	0.8
Total Administrator FTEs per 1,000 Students	**6.8**	**6.5**	**0.3**

Source: FY 2005-06 Education Management Information System (EMIS) data
Note: Totals may vary due to rounding.
[1] Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

Table 3-3 shows that, compared to the peer average, CCSD employs fewer central administrators and more site-based administrators, on a per 1,000 ADM basis. Higher site based administrative staffing levels are directly related to the District operating 26 buildings (all of which need principals). If CCSD implements **R4.1** in the **facilities** section, then it could eliminate 4 principal FTEs and 2 assistant principal FTEs. This would bring site-based administrator FTEs per 1,000 students to 3.1, which is more in line with the peer average.

Financial Implication: By reducing 6.0 site-based administrator FTEs, the District can save approximately $680,000 annually in salaries and benefits.

R3.2 **CCSD should consider reducing its regular education teachers and educational service personnel (ESP) by 61 to 75 FTEs, with the range depending on the decision regarding building closures (see R4.1 in the *facilities section*). This will help the District improve its financial condition while still exceeding State minimum staffing requirements. However, the District should evaluate decisions to reduce regular teacher and ESP staffing levels against the impact the reductions may have on the**

District's education levels and student achievement. Staffing levels which are appropriate for CCSD's student population and academic goals should be considered in relation to enrollment, financial condition, building plans, and State minimum requirements.

If CCSD is unable to implement the other recommendations in this performance audit, it may need to move closer to the State minimum requirements for teacher staffing levels in order to eliminate the projected deficits.

Table 3-4 compares CCSD's teacher staffing ratios and local district report card performance to the peer average.

Table 3-4: Regular Classroom Teacher Staffing Comparison

	CCSD	Peer Average	Difference
Teachers-to-Students			
Regular Classroom Teachers (FTE)	498	95	402
Regular Student Population	8,087	1,707	6,380
Regular Teachers per 1,000 Regular Students	62	56	6
Regular Student-to-Regular Teachers Ratio	16	18	(9%)
District Report Cards			
FY 2005 Performance Indicators Met (out of 23)	3	19	(84%)
FY 2005 Performance Index (out of 120)	76	97	(22%)
FY 2006 Performance Indicators Met (out of 25)	6	24	(75%)
FY 2006 Performance Index (out of 120)	83	101	(18%)
Teachers Above/(Below) Peer Districts Based on Regular Student Population			48
Comparison to State Minimum Requirements			
Regular Classroom Teachers Employed			498
State Minimum Required Classroom Teachers			323
Teachers Above/(Below) State Minimum Requirement			174

Source: CCSD and peer FY 2005-06 EMIS data as reported to ODE and ODE Local District Report Cards
Note: Totals may vary due to rounding.

Table 3-4 shows that CCSD's regular education teachers per 1,000 regular students is higher than the peer average while the regular student-to-teacher ratio is lower. However, while the District is maintaining slightly higher regular teacher staffing levels in comparison to the peer average, its academic performance on the State report cards was significantly lower than the peer average in FY 2004-05 and FY 2005-06.

Pursuant to OAC 3301-35-05, CCSD is required to maintain at least one FTE classroom teacher for every 25 regular education students (25:1) on a District-wide basis. Its staffing ratio of 16:1 falls below both the peer average (18:1) and State minimum requirements. Based on the FY 2005-06 staffing levels, the District could reduce approximately 174 FTE regular education teachers and still comply with State minimum requirements.

However, reducing the regular education staffing levels to State minimum requirements could potentially hinder CCSD's ability to improve academic performance.

Table 3-5 compares CCSD's ESP staffing ratios to the peer average.

Table 3-5: ESP Staffing Comparison

	CCSD		Peer Average	
Student Population	8,087		1,707	
	FTEs	Per 1,000 Students	FTEs	Per 1,000 Students
ESP Teachers [1]	42.0	3.8	8.6	4.7
Counselors	24.0	2.2	4.1	2.1
Librarian/Media Specialist	4.0	0.4	1.3	0.8
School Nurses/Registered Nurses	11.6	1.1	1.3	0.6
Social Workers	0.0	0.0	0.4	0.2
Total Education Service Personnel (FTE)	**81.6**	**7.5**	**15.6**	**8.4**

Source: FY 2005-06 EMIS data as reported to the ODE
Note: Totals may vary due to rounding.
[1] ESP teachers include K-8 art, music, and physical education teachers.

Table 3-5 shows that the District employs fewer ESP FTEs, on a per 1,000 student basis. OAC 3301-35-05(A)(4) requires that school districts employ a minimum of five education service personnel for every 1,000 regular education students. ESP positions are classified as art, music, and physical education teachers, counselors, registered nurses, social workers, and library/media specialists. Based on OAC requirements and the District's regular education enrollment in FY 2005-06 (8,087), the District is required to employ a minimum of 40.4 ESP FTEs. **Table 3-5** shows that the District currently employs 81.6 ESP FTEs, or 41.2 more than required by the OAC.

Based on the financial recovery plan shown in **Table 2-7** of the **financial systems** section and assuming full implementation of the other recommendations in this report including reducing staffing levels in other employee classifications (**R3.1, R3.3, R3.4, R3.5, R3.6, R4.2, R6.4**), adjusting the bus routes (**R5.1**), reducing the costs of the special and vocational education programs (**R3.10**), and eliminating the additional pension benefit for certificated staff (**R3.9**), the District would need to reduce its annual operating costs by an additional $3.1 million to eliminate the projected deficits through FY 2010-11. This type of cost savings could be achieved by reducing 75 regular education and ESP teachers. However, the District could also achieve this level of savings by reducing 61 regular education and ESP teachers ($2.5 million) and closing 2 elementary buildings and 2 middle school buildings as noted in **R4.1** of the facilities section ($600,000). If the District does not implement the recommendations noted above, it would need to consider moving closer to the State minimum requirements in order to eliminate the projected deficits.

Financial Implication: In order to eliminate the projected deficits through FY 2010-11, CCSD would need to reduce its annual operating costs by an additional $3.1 million, assuming full implementation of the other recommendations in this performance audit. This could be achieved through a combination of reducing 61 to 75 regular education and ESP teachers and/or closing 2 elementary buildings and 2 middle school buildings as noted in **R4.1** of the facilities section.

R3.3 **CCSD should review "other instructional" staffing assignments that are General Fund liabilities and determine the impact staffing changes will have on the District, both financially and academically. If the District does not implement the performance audit recommendations and other strategies to reduce costs, and/or does not achieve the projections in the forecast (see Table 2-7 in financial systems), it may need to consider reducing other instructional staffing levels. Based on current staffing, the District could eliminate 6 other instructional FTEs and still maintain staffing levels that are 20 percent higher than the peer average.**

Table 3-6 compares CCSD's other instructional staffing ratios to the peer average. Other instructional staff includes curriculum specialists, remedial specialists, tutors/small group instructors, teaching aides, instructional paraprofessionals, and other professional educational staff.

Table 3-6: Other Instructional Staffing Comparison

	CCSD		Peer Average	
Student Population [1]	**10,974**		**2,012**	
Employment Classification	**FTEss**	**Per 1,000 Students**	**FTEss**	**Per 1,000 Students**
Curriculum Specialists	15.0	1.4	0.3	0.1
Remedial Specialists	15.0	1.4	3.1	1.6
Tutor/Small Group Instructors	107.5	9.8	5.9	3.6
Teaching Aides	127.9	11.7	9.0	3.9
Instructional Paraprofessionals	0.0	0.0	1.1	0.6
All Other Educational Staff	14.5	1.3	1.2	0.5
Total Other Instructional Staff	**279.9**	**25.6**	**20.6**	**10.3**

Source: CCSD and peer FY 2005-06 EMIS data as reported to the ODE
Note: Totals may vary due to rounding.
[1] Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

Table 3-6 shows that the District maintains 25.6 total other instructional staff on a per 1,000 ADM basis while the peer average is 10.3. However, according to the District's EMIS reports, 6.0 curriculum specialist positions, all of the remedial specialists, 40.5 tutors, 71.3 teaching aides, and 6.0 all other educational FTEs are funded through State and federal grants and do not impact the District's General Fund. When these positions are removed from consideration, the District's revised total other instructional staff per

1,000 ADM is 12.9, which is still higher than the peer average. Based on the adjusted figures, the District would need to reduce 28.5 other instructional FTEs to meet the peer average. However, it may be difficult for CCSD to reduce all 28.5 FTEs based on the District's recent performance on the State report card (met 6 out of 25 standards), and because many of these positions work with special education students (required by individualized education programs) and are used for student intervention purposes. If the District eliminates 6.0 other instructional FTEs (General Fund only), its revised other instructional staffing level would be 12.3 on a per 1,000 ADM basis, which is approximately 20 percent higher than the peer average.

Financial Implication: By reducing 6.0 other instructional FTEs, the District can save about $159,000 annually in salaries and benefits.

R3.4 **The District should consider eliminating 18.5 office/clerical FTEs. To help facilitate these reductions, the District should consider purchasing an automated substitute calling system and implementing an automated time and attendance system (see R2.13 in the financial systems section). Additionally, if the District takes action to close four school buildings as noted in R4.1 of the facilities section, CCSD should re-evaluate all of the support staffing levels (including office/clerical) using objective workload measures (see R3.7) to determine if additional reductions can be achieved.**

Table 3-7 compares CCSD's office/clerical staffing to the peer average.

Table 3-7: Office/Clerical Staffing Comparison

	CCSD	Peer Average	Difference
Total Office/Clerical Staff [1]	86.8	12.1	74.7
Number of Students [2]	10,974	2,012	8,962
Office/Clerical Staff per 1,000 Students	**7.9**	**5.7**	**2.2**
School Buildings	26.0 [3]	4.3	21.7
Office/Clerical Staff per School Building	3.3	2.5	0.8
Total FTEs	1,344.7	221.6	1,123.1
Employees per Office/Clerical Staff	15.5	19.7	(4.2)
Office/Clerical Staff Above/(Below) Peer Average			**24.1**

Source: CCSD and peer FY 2005-06 EMIS data as reported to the ODE
[1] Excludes teaching aides (505) and includes bookkeepers (501), clerical (502), and all other office/clerical (504 and 506).
[2] Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.
[3] Only includes instructional buildings.

Compared to the peer average, CCSD employs more office/clerical FTEs on a per 1,000 student and per building basis. The District would need to reduce approximately 18.5 FTEs to be in line with the peer average. Higher staffing in this area can be attributed, in part, to the fact that the District does not use an automated substitute calling system.

Rather, the District has two employees that each work 5.75 hours per day to manually locate substitute employees. *Education World* (Education World.com, 2006) indicates that many school districts are now using automated substitute calling systems that are either web or phone-based. These systems eliminate the labor intensive task of calling substitutes manually and tracking employee leave information.

Moreover, CCSD does not use an automated time and attendance system (see **R2.13**), which can facilitate reductions in payroll (bookkeeping) staffing levels. Finally, the District operates with more buildings than it currently needs considering significant enrollment declines and building utilization capacity (see **facilities**). Excess building capacity forces the District to employ additional administrative and support staff (clerical, custodial, principals, etc.) in order to operate those buildings.

Financial Implication: By reducing 18.5 office/clerical FTEs, the District can save approximately $447,000 annually in salaries and benefits. However, if CCSD implements an automated substitute calling system, it will incur approximately $900 for software, training, installation fees, plus maintenance and support fees of $300. Therefore, the District would experience a net savings of approximately $445,800.

R3.5   CCSD should review "all other" staffing levels paid out of the General Fund and consider a reduction of 21 FTEs to be more in line with the peer average.

Table 3-8 compares CCSD's all other staffing ratios to the peer average.

Table 3-8: All Other Staffing Comparison

	CCSD		Peer Average		Difference	
	FTEs	Per 1,000 Students	FTEs	Per 1,000 Students	FTEs	Per 1,000 Students
Total All Other Reported Personnel	64.7 [1]	5.9	5.5	2.1	59.2	3.8

Source: CCSD and peer FY 2005-06 EMIS data as reported to the ODE
[1] Includes vehicle operators (703) – except bus drivers – and also includes monitors (906), store handlers (907), attendants (909), and other (999).

Table 3-8 shows that the District employs more "all other" staff per 1,000 students, compared to the peer average. According to the District's EMIS reports, 21 of these positions (primarily attendants) are funded through grants and do not have an impact on the General Fund. When these positions are removed from consideration, the District's revised all other staff per 1,000 students still exceeds the peer average. Based on adjusted figures, the District can reduce approximately 21 all other FTEs to meet the peer average.

Financial Implication: By reducing 21.0 all other FTEs, the District can save approximately $407,000 in salaries and benefits.

R3.6   CCSD should review professional staffing levels paid out of the General Fund and consider a reduction of 17.5 FTEs to be more in line with the peer average.

Table 3-9 compares CCSD's professional staffing ratios to the peer average. Professional staff includes psychologists, speech and language therapists, occupational therapists, practical nurses, and all other professional staff.

Table 3-9: Professional Staffing Comparison

	CCSD		Peer Average		Difference	
	FTEs	Per 1,000 Students	FTEs	Per 1,000 Students	FTEs	Per 1,000 Students
Psychologists	11.0	1.0	0.8	0.3	10.2	0.7
Speech & Language Therapists	13.0	1.2	1.7	0.6	11.3	0.6
Occupational Therapists	1.0	0.1	0.0	0.0	1.0	0.1
Practical Nurses	5.0	0.5	0.0	0.0	5.0	0.5
All Other Professional Staff [1]	9.2	0.8	0.2	0.1	9.0	0.7
Total Other Professional Staff	**39.2**	**3.6**	**2.7**	**1.0**	**36.5**	**2.6**

Source: CCSD and peer FY 2005-06 EMIS data as reported to the ODE
[1] Includes audiologists (304), statisticians (324), occupational therapist assistants (331), physical therapy assistants (332), and adapted physical education therapists (333).

Table 3-9 shows that the District employs more professional FTEs per 1,000 students in comparison to the peer average. However, according to the District's EMIS reports, 7 FTEs work directly with special education students and 1 FTE is funded through grants and has no impact on the General Fund. When these positions are removed from consideration, the District's revised total professional staff per 1,000 ADM is 2.8, which still exceeds the peer average. If the District reduced 17.5 professional FTEs (General Fund only), it would still employ 20 percent more than the peer average.

Financial Implication: By reducing 17.5 professional FTEs, the District can save approximately $1.2 million in salaries and benefits annually.

R3.7   CCSD should establish a formal staffing plan to address current and future staffing needs. By developing a staffing plan, the District would have an objective analysis to ensure that it is meeting State requirements, maintaining desired student-to-teacher ratios, and efficiently staffing its various departments. A formal staffing plan would also help the District equitably allocate staff by building/department, and can be used in developing the succession plan identified in the 1999 Performance Audit (see R3.15). In order to help the District develop a formal staffing plan, it should review the other sections of this performance audit because they contain variables (e.g.,

workload measures) that should be considered when analyzing staffing levels for the District's specific operations.

Despite significant enrollment declines, the District does not have a formal staffing plan to help make staffing decisions. According to the Human Resource Director, in January of each year, a budgeting team consisting of the Human Resource Director, Treasurer, Superintendent, and various other administrators discuss staffing issues that include reductions, vacancies, and replacement needs. However, the Human Resources Director also indicated that the majority of the District's staffing decisions are based on opinions of need and complying with contractual standards rather than on objective workload measures.

The certificated bargaining agreement stipulates that the middle and high school teachers shall not have more than 156 students for graded instruction per day (or a ratio of 1 teacher to 26 students, assuming 6 teaching periods), with the exception of exploratory, music, and physical education teachers. The special education staffing levels are stipulated in OAC 3301-51-09, which establishes maximum student-to-teacher ratios for each category of student disability. The District hires administrative and classified positions based on need. Without considering objective standards, such as workload measures, the District reduces staffing efficiency. For example, **Table 5-3** in the **transportation** section shows that the District has maintained the same number of buses and transportation employees the last three years, despite ridership declines of more than 500 students.

Strategic Staffing Plans (SHRM, June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. SHRM elaborated on the effect of strategic staffing plans on organizations in *Staffing Strategy Over the Business Cycle* (June 2005). In detailing how organizations may react to changes in the business cycle, SHRM noted that reductions in staffing to meet declining labor needs often did not result in anticipated savings for 12 to 18 months. As a result, staffing plans tied to strategic plans and organizational needs can help organizations better meet the constraints of their operating environments.

Tulsa Public Schools (TPS) in Tulsa, Oklahoma has established a recognized best practice staffing plan that incorporates state and federal regulations, workload measures, and industry benchmarks, as well as staffing levels determined by its administration. The plan outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. For example, food service staffing is determined using minimum target meals per labor hour calculation established by TPS. The plan bases custodial staffing levels on a calculation using the number of teachers, students, and rooms and the total area of the buildings. The plan is used as a guide to

determine staffing levels and allows TPS to ensure compliance as well as provide staffing numbers to efficiently meet its needs. Additionally, some Ohio schools developed staffing plans that meet best practice criteria. For example, Lakota Local School District (Butler County) uses a staffing plan which incorporates an assortment of variables and formulas.

Developing a formal staffing plan would provide the District with objective workload standards to use in making staffing decisions, which is especially important given the large declines in student enrollment in recent years.

Negotiated Agreements

R3.8 **The District should renegotiate several provisions in its collective bargaining agreements. Specifically, it should attempt to negotiate an employee health insurance premium contribution of at least 10 percent. This would make the District's contribution levels comparable to the SERB averages, but still significantly lower than the Kaiser averages. CCSD should also attempt to renegotiate the certificated and classified bargaining agreements to limit or remove the other contract provisions which exceed State requirements or are contrary to recommended practices. Similar recommendations were issued in the 1999 Performance Audit.**

As a component of the performance audit, certain provisions within the District's collective bargaining agreements were compared to State requirements and best practices. The following areas in CCSD's collective bargaining agreements exceeded these standards:

- **Healthcare Contributions**: CCSD provides medical, prescription, dental, vision, and life insurance coverage to all employees through its membership in the Stark County Schools Council of Government (COG) Health Benefit Plan. However, CCSD's full-time employees are not required to contribute towards the monthly cost of insurance premiums. According to SERB, the average employee contribution for public employers in Ohio was 8.4 percent for single medical coverage and 10.4 percent for family coverage in 2005. Similarly, according to a survey conducted by the Kaiser Foundation in 2006, the average employee contribution rate was 16 percent for single coverage and 27 percent for family coverage.

- **Maximum Sick Leave Payout**: Assuming an employee meets a variety of requirements, the certificated and classified contracts (OAPSE Locals 107, 161, 161A, and 609) allow for maximum severance payouts upon retirement of 51 days and 49 days, respectively. ORC § 124.39 stipulates that if an individual retires from active service with 10 or more years of service with the State, they are entitled to be paid 25 percent of the value of accrued but unused sick leave, up to 30 days. In FY 2006-07, the District incurred severance payouts of approximately $757,000.

- **Sick Leave Notice**: Pursuant to ORC § 3319.14.1, employees are required to submit a written, signed statement to justify the use of sick leave. If medical attention is required, the form shall list the name and address of the attending physician and the dates of the consultation. Although the District's certificated sick leave usage is lower than the Ohio Department of Administrative Service's (ODAS) reported State average, the District's certificated bargaining agreement does not require a physician's signature to support the need for an extended absence.

- **Holidays**: Pursuant to ORC § 3319.087, 11 and 12 months employees are entitled to a minimum of 7 holidays and 9 or 10 month employees are entitled to 6 holidays. CCSD's 11 and 12 month classified employees (Local's 107, 161, and 161A) receive 12 holidays per year, while employees working less than 11 months receive 8 holidays. Providing classified employees with more holidays can reduce productivity since there are fewer work days devoted to District operations.

- **Vacation Accrual**: The District's classified bargaining agreements (Locals 107, 161, and 161A) allow for vacation accrual rates that are higher than the minimum requirements stipulated in ORC § 3318.084. For example, an employee with 11 years of service receives 20 days of vacation per year at CCSD. In contrast, ORC § 3318.084 does not require the District to grant 20 vacation days per year until employees have reached 20 years of service. Providing classified employees with more vacation time can potentially increase the District's operating costs by reducing employee productivity during regular work hours.

Financial Implication: The District could have saved approximately $302,000 in FY 2006-07 by reducing severance payouts to State minimum requirements. However, this amount varies from year-to-year depending on the number of retirees, pay rates, and the amount of sick leave accrued. The District could also save approximately $1.1 million annually by requiring all employees who receive medical health benefits to contribute 10 percent toward the cost of monthly premiums.

Compensation

R3.9 CCSD should reduce high administrative salaries by eliminating the additional pension benefit for all positions except the Superintendent and Treasurer. In addition, the District should also negotiate to eliminate the additional pension benefit paid to certificated employees. This will help to bring the District's administrative and certificated compensation packages more in line with peer averages. The District could also bring salaries more in line with the peer average by negotiating lower wage increases in the future.

Table 3-2 shows that the District's average administrative and certificated salaries are higher than the urban peer average. However, CCSD also provides its administrators with an additional pension benefit that is not reflected in **Table 3-2**. It pays the entire employee pension contribution for the Superintendent and Treasurer (10 percent) while the remaining administrators receive a 6 percent pension benefit. By comparison, Youngstown CSD only provides an additional pension benefit to the Superintendent, Treasurer, and Assistant Superintendent. When CCSD's administrative salaries presented in **Table 3-2** are adjusted to reflect the additional 6 percent pension benefit, the revised average administrative salary is $86,447, or approximately 13 percent higher than the peer average. The cost of the District's additional pension benefit is estimated to be approximately $413,000 annually, based on the FY 2006-07 salaries. If the District does not address the additional pension benefit, the Board would have to give the administrative employees annual wage increases of 1 percent for the next 6 years before the average compensation package would be in line with the peer average, assuming the peers grant 3 percent annual wage increase during this timeframe.

Similarly, CCSD's average certificated salary is approximately 2.9 percent higher than the peer average. However, it appears that the higher certificated salaries are due to the longevity of the District's teachers. For example, 63.2 percent of CCSD's teaching staff has 10 plus years of experience while the State average is 59.7 percent. Additionally, 21.1 percent of CCSD's teaching staff has five to nine years experience while the State average is 19.4 percent. Although the District's higher average salaries can be attributed to longevity, the District also provides its certificated staff with an additional 0.7 percent pension benefit that is not reflected in **Table 3-2**. By comparison, none of the urban peer districts (Akron CSD, Springfield CSD, and Youngstown CSD) provide their certificated employees with an additional pension benefit. The cost of the District's additional pension benefit is estimated to be approximately $377,000 annually based on the FY 2006-07 salaries.

Financial Implication: By eliminating the additional pension benefit paid to administrative and certificated employees, the District can save about $790,000 annually.

Special Education and Vocational Education

R3.10 CCSD should investigate strategies to reduce special and vocational education costs to a level comparable to the peer average. Strategies for doing so could include adjusting staffing, partnering with other districts or agencies for the provision of special education services, and/or increasing the efficiency of vocational programs by revising and enforcing strict participation guidelines. Each of these strategies could reduce the amount of local funding necessary to operate special and vocational education programs. The District should also consider conducting periodic surveys of community stakeholders regarding special and vocational education programs to help determine other possible curriculum adjustments.

CCSD's General Fund special education cost per special education student was $6,715 in FY 2005-06, which was significantly higher than the peer average of $4,876. Similarly, **Table 2-3** in the **financial systems** section shows that CCSD spent $148 per student on vocational education in FY 2005-06 while the peer average was only $90. According to CCSD's FY 2005-06 SF-3 report, the District received approximately $857,000 in State funding for career technical/adult education ($77 per pupil) and approximately $4.0 million for special education instruction ($2,392 per special education student). These ratios indicate that CCSD is allocating a significant amount of local funding to supplement the State reimbursements for both programs. A summary analysis of the District's special and vocational education programs includes the following:

- **Special Education**: The District's higher special education expenditures can be partially attributed to the tutor/small group instructor staffing levels. For example, CCSD employs 9.8 tutor/small group instructor FTEs per 1,000 ADM while the peer average is only 3.0. Although its individualized education programs (IEPs) may necessitate some of the additional tutor/small group instructor staffing, it does not appear that they account for the full difference because the District's special education students as a percent of total enrollment (15 percent) is similar to the peer average (12 percent). In addition, the District has a similar composition of special education students by disability type.

  CCSD also does not partner with any other districts for the provision of special education services nor does the District actively monitor its per pupil special education cost relative to the peers or other surrounding districts. Finally, CCSD does not actively monitor parental satisfaction concerning the District's special education services.

- **Vocational Education**: The District's higher vocational costs can be attributed to offering a comprehensive in-house vocational education program. According to the Director of Vocational Education, CCSD looks at labor trends in northeast Ohio as well as State-wide trends when determining possible course offerings. However, the District does not use stakeholder surveys to help determine the course offerings or to gauge the level of satisfaction with the vocational program.

  The Director of Vocational Education also indicated that CCSD actively monitors student enrollment to help ensure the efficiency of the vocational program. For example, the District has established informal course participation benchmarks of 20 students per class for 11th grade students and 12 students per class for 12th grade students (12th grade courses tend to be more intensive). If enrollment in a particular program falls below these levels, CCSD will investigate strategies for addressing the issue which can include combining the 11th and 12th grade courses or eliminating the course. The District also participates in the Stark County Technical Preparatory Consortium, which offers all students in Stark County the opportunity to apply for vocational courses offered at other schools. This provides the District with another mechanism to help ensure that program enrollment complies with the internal guidelines.

  Based on a review of CCSD's FY 2006-07 enrollment, the District maintained an average of 20 students per course in the 11th grade and 13 students per course in the 12th grade. However, while the District's total vocational enrollment was consistent with the internal guidelines, there were several courses where enrollment was significantly lower including E-Commerce, Graphic Design, and Industrial Plant Engineering.

CCSD is dedicating significant resources towards the special and vocational education programs. Investigating strategies to reduce special and vocational education costs such as adjusting the staffing levels, partnering with other districts or agencies for the provision of special education services, and/or revising and enforcing strict participation guidelines for the vocational program may allow the District to generate substantial savings.

Financial Implication: If the District achieved a 20 percent cost savings by implementing the strategies identified in this performance audit, the savings would be approximately $2.2 million and the revised cost per special education student would be $5,372. Similarly, if the District achieved a 20 percent vocational cost reduction by reviewing and strictly enforcing the participation guidelines, the savings would be approximately $328,000.

Human Resources Management

R3.11 CCSD should develop and implement a formalized recruiting plan that incorporates the practices identified by the National Education Association (NEA). This will help ensure that the District is using a uniform and formalized recruiting process, which subsequently will help ensure that the District is hiring effective and qualified applicants.

The Human Resources Department (HRD) is responsible for recruiting certificated personnel. The District's Business Manager is responsible for recruiting classified employees. The District does not have a formal recruiting plan for filling vacancies. When a certificated position becomes available, HRD first determines whether the position will be filled with a new hire (externally) or with an internal applicant. If the position can be filled by an internal applicant, the position will first be posted in the *Weekly Journal* for District staff to consider. If the position is going to be filled externally, the District advertises it on ODE's website and/or local newspapers. HRD receives all completed applications and resumes, and subsequently screens them for required credentials in an effort to develop a list of pre-qualified candidates. The pre-qualified list is then submitted to the building principal that has the vacancy. The principal interviews the candidates, completes a checklist supplied by the District of desired qualifications for teaching candidates, and submits the recommendations for hire to HRD. The Bureau of Criminal Information and Investigation (BCI&I) conducts background checks of all potential employees, and HRD requires the candidates to pass a pre-employment drug screen before it forwards the recommendation to the Board for consideration. The District uses a similar process to fill classified vacancies; however, the Business Manager assumes HRD's responsibilities.

According to a survey conducted by AOS, 37 percent of respondents were neutral and another 33 percent disagreed when asked if the District's recruiting efforts were effective. The NEA indicates that when school districts experience a shortage of qualified teachers, they often respond with inefficient recruiting strategies. However, marketing and recruitment experts note that districts can be much more effective in their effort by first developing a comprehensive recruitment plan that includes the following:

- Form a Team – The National Teacher Recruitment Clearinghouse suggests that forming a committed and diverse planning team to help collect data, evaluate district needs, identify resources, and recommend a change in policies and practices is the first step towards improved recruiting.

- Assess Needs – After a team is gathered, a thorough assessment of anticipated retirements, expected attrition rate, and student demographics should take place to determine how many new teachers will be needed.

- Examine Existing Culture – The NEA notes that a district should undertake a self-examination to determine if there is anything that might keep applicants from coming to a particular school district.

- Clarify the Mission – Successful recruiters know the District's mission and can communicate it clearly to potential candidates. They also determine what characterizes their district's and community's culture and how this will affect the kinds of applicants they seek out.

- Identify the Target Audience – Identifying the target audience requires not only knowing who the district is looking for but also determining how best to appeal to those people.

- Involve the Community – Successful recruitment campaigns develop a comprehensive package that sells not only a district's schools, but the surrounding community to potential applicants. An essential component of such a campaign is persuading business and community leaders to buy into recruitment initiatives.

- Collect Data – Having accurate data enables a recruitment team to conduct an initial needs assessment, to be sure its program is working, and to assess future needs. It also provides the figures necessary to make a compelling case for making staffing decisions.

The lack of a recruiting plan means that the District is only recruiting employees on an as-needed basis and may not be using a structured team-based approach. This increases the chances of hiring a candidate that is not the best fit for the District.

R3.12 CCSD should adopt a regular cycle (e.g., every two years) for reviewing and modifying District job descriptions to ensure they reflect the current responsibilities, education, experience, and competency requirements for each position.

The District has job descriptions for all administrative, certificated, and classified personnel. However, the District does not have a regular cycle for reviewing job descriptions to ensure they are up-to-date. Rather, the job descriptions are usually reviewed and updated when a position becomes vacant. For example, the District has not updated the majority of the classified job descriptions since 1999.

The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) states that a school district should maintain up-to-date, clear, concise, and readily available job descriptions that accurately identify the duties of each position. OPPAGA also indicates that the job descriptions should reflect the education, experience,

knowledge, skills, and competency levels required for each class of position for each district-level administrative position. Additionally, *Job Descriptions: A resource guide for school management* (The Ohio School Boards Association, 1998) indicates that job descriptions are valuable resources for job applicants, supervisors, and human resource administrators. To be valuable, however, they must be accurate, up-to-date and sufficiently detailed to clearly communicate expectations and prevent misunderstandings.

R3.13 CCSD should begin formally reviewing and tracking employee turnover for all categories of employees and conduct exit interviews to help gauge satisfaction levels. This will enable the District to effectively address concerns and problems with job satisfaction (see R3.14), which would help minimize future employee turnover.

The District does not monitor turnover rates or conduct exit interviews. Although the Human Resources Director indicated that employee turnover has not been a significant issue for the District, monitoring turnover rates and conducting exit interviews can be valuable management tools for understanding key organizational issues. For example, *Exit Interviews* (SHRM, 2002) indicates that exit interviews represent a prime opportunity to gain candid information on employment conditions within an organization. Such debriefings can provide objective feedback on conditions or patterns of management behavior that may have contributed to an employee's decision to leave. OPPAGA also states that a school district should conduct exit interviews with employees who terminate employment and compile the results of these interviews. In addition, a district should maintain historical data on turnover rates for major classes of employees and monitor this data to identify unusual variations in the turnover rate.

Workforce Management: Tips and Techniques for Effective Exit Interviews (Pamela Holloway, July 2000) contains the following strategies for developing and performing effective exit interviews:

- Select carefully and train the people that are going to be doing the interviews;
- Conduct the interview in person or over the phone if necessary, rather than asking individuals to complete and mail a questionnaire;
- Delay the interview two to three months for involuntary separations and/or "emotionally charged" departing employees;
- Make the exit interview about the employee by discussing their job and accomplishments;
- Use the exit interview to build a relationship; and
- Use the information collected in the exit interviews.

By not tracking employee turnover or conducting exit interviews, the District may have difficulty identifying and addressing employee concerns about job satisfaction, which could impact its ability to retain quality employees.

R3.14 CCSD should conduct annual surveys of its employees to solicit feedback, determine employee satisfaction, and assist the District in determining areas for improvement. The District should also re-consider the recommendations identified in the FY 2003-04 survey. Specifically, the District should determine if the suggestions would help improve employee morale and reduce dissatisfaction with the District's management of human resources issues.

The District does not have formal procedures for evaluating the work climate, obtaining employee feedback and measuring job satisfaction. However, the District contracted with a consulting company to administer a labor management survey during FY 2003-04. Based on the survey responses, the consulting company provided the following recommendations for the District to consider:

- Do not use the labor management relations survey to point fingers and affix blame. Use the survey as a benchmark from which to move forward. Employ a labor/management program that emphasizes improved communication, supervisory direction, organizational trust, and overall cooperation.

- Establish school-level task forces to encourage support for District policies and as a means for employees to communicate suggestions.

- Establish a strong community task force with business/industry leaders, community leaders, parents, and retired persons to improve public relations and develop a sense of community commitment to the District.

- Repeat the Labor Management Relations Survey next year to monitor progress and identify changes.

However, the Human Resources Director indicated that the District did not implement these recommendations and does not currently use surveys as a method to receive employee feedback and/or to measure job satisfaction. OPPAGA recommends that school districts conduct climate surveys that measure employee satisfaction, quality of supervision, and other information that would assist in assessing performance. Additionally, the Government Finance Officers Association (GFOA) suggests that a government develop mechanisms to identify stakeholder concerns, priorities and needs. The GFOA further suggests that surveys be considered in promoting stakeholder participation.

During the course of the performance audit, AOS surveyed CCSD staff focusing on issues that affect the working environment. When asked whether employees are satisfied with the District and believe morale is positive, 50 percent of the respondents chose disagree or strongly disagree. In addition, 27 percent of respondents remained neutral

regarding their overall satisfaction of the District's management of human resources issues while 44 percent chose disagree or strongly disagree. Based on the District's survey results from FY 2003-04 and the AOS survey, employee morale and the dissatisfaction with the District's human resources management should be targeted as areas for future improvement.

Performance Audit Follow-up

R3.15 CCSD should consider implementing the additional recommendations from the 1999 Performance Audit that have not been fully implemented or addressed in this section. These recommendations could help improve human resources management and could have a beneficial effect on overall District operations.

Some operational items reviewed in the 1999 Performance Audit remain applicable to CCSD. The following recommendations were determined to be relevant and, if implemented, could result in positive District improvements or enhanced efficiency. These recommendations can be summarized in two general categories:

- **Collective Bargaining**: CCSD's collective bargaining agreements contain excessive language and details, which make them more susceptible to becoming outdated before the expiration date and to misinterpretation (see 1999 **R3.18**). Additionally, CCSD allows teachers on sabbatical leave to receive compensation and accrue seniority while on leave (see 1999 **R3.14**), only uses a 90-day probationary period to evaluate newly hired classified employees (see 1999 **R3.15**), and permits employees to file grievances up to 20 days after the occurrence of the act or condition in question (see 1999 **R3.17**).

- **Human Resources Management**: The District has not developed a formal succession plan to prepare for the loss of experienced administrators (see 1999 **R3.25**). Similarly, CCSD does not require employees to notify the Human Resources Department of the intent to retire by a specific date, which limits the CCSD's ability to identify staffing needs for the upcoming school year (see 1999 **R3.12**). Developing a formal staffing plan (**R3.7**) would assist CCSD in succession planning and identifying future staffing needs.

The above recommendations, if implemented, could improve CCSD's human resources management. **Appendix 3-A** provides a summary of the 1999 Performance Audit recommendations and implementation status.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings, and implementation costs identified in this section of the report. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiation may require agreement from the affected bargaining units.

Table 3-10: Recommendations Not Subject to Negotiation

Recommendation	Implementation Cost	Annual Cost Savings
R3.1 Reduce 6.0 site-based administrator FTEs		$680,000
R3.2 Reduce 61.0 to 75.0 regular education teacher FTEs		$2,560,000 to $3,148,000
R3.3 Reduce 6.0 other instructional FTEs		$159,000
R3.4 Reduce 18.5 office/clerical FTEs and implement an automated substitute calling system	$900 One-time $300 Annual	$447,000
R3.5 Reduce 21.0 all other FTEs		$407,000
R3.6 Reduce 17.5 professional FTEs		$1,200,000
R3.9 Eliminate additional pension benefit for administrators		$413,000
R3.10 Reduce special and vocational education costs		$2,528,000
Total	**$1,200**	**$8,394,000 to $8,982,000**

Source: AOS recommendations

Table 3-11: Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.8 Reduce sick leave severance payouts and require a 10 percent employee health insurance premium contribution	$1,400,000
R3.9 Eliminate additional pension benefit for certificated employees	$377,000
Total	**$1,777,000**

Source: AOS recommendations

Note: The financial implications summarized in **Tables 3-10** and **3-11** are presented on an individual basis. The magnitude of cost savings associated with individual recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Appendix 3-A: 1999 Performance Audit Recommendations and Implementation Status

Table 3-A summarizes the 1999 Performance Audit recommendations, as well as the status of each recommendation; implemented, partially implemented, not implemented, or no longer applicable.

Table 3-A: 1999 Performance Audit Recommendation Status

Recommendation	Implementation Status
R3.1 Although the HRD is responsible for the administration of payroll for CCSD and performs the payroll processing function in an effective and efficient manner, the Treasurer should accept responsibility for the financial accountability relating to payroll expenditures including a periodic review of changes to the payroll master files and a review and sign-off procedure for the payroll reconciliation.	This recommendation was implemented during the course of this performance audit.
R3.2 CCSD could possibly reduce one central administrative position, one site-based administrator position, and three supervisor/manager/director positions.	The Treasurer indicated that the recommendation was implemented in the District's financial recovery plan. However, a similar recommendation was issued in this performance audit (see **R3.1**).
R3.3 Currently, middle school teachers average 232 minutes of instruction per day. If each teacher was required to teach an additional instructional period in lieu of a second planning period or the equivalent of approximately 272 minutes per day, only 133 middle school teachers would be needed, thereby causing a possible reduction of 23 middle school teaching positions. High school teachers average 287 minutes of instruction per pay. If each teacher was required to teach 300 minutes per day, only 127 high school teachers would be needed, thereby causing a possible reduction of five high school teaching positions. An alternative to teacher reductions would be to redirect teaching resources to enhance educational programming.	This recommendation was partially implemented. A similar recommendation, for the reduction of certificated staff, was issued in this performance audit (see **R3.2**).
R3.4 CCSD should implement performance measures established to track the level of effectiveness of the programs which initiate the additional compensation.	This recommendation is considered no longer relevant because the **financial systems** section noted that the District's extracurricular costs were lower than the peer average.

Recommendation	Implementation Status
R3.5 Because funding and statistics are based upon the initial information submitted by the District, the HRD and EMIS coordinator need to take ownership for EMIS data and staff demographic information to determine accuracy and completeness prior to submission to the ODE. Additionally, periodic reviews and updates should be made to ensure continued accuracy.	This recommendation is considered no longer relevant because the **financial systems** and **human resources** sections did not identify any material errors in the District's EMIS reporting.
R3.6 CCSD spent $561,471 on substitute teacher payments for FY 1997-98. Contributing to this expense were sick days utilized by teachers. If CCSD would reduce the number of sick leave days taken per teacher, it would eliminate additional administrative time, enhance the quality of education by eliminating interruptions in the flow of teachers' curriculum and reduce the overall substitute costs incurred.	This recommendation is considered no longer relevant because the District's sick leave use was lower than identified benchmarks.
R3.7 The District should increase the size of its substitute pool.	This recommendation is considered no longer relevant based on the District's low rate of sick leave usage and lack of difficulties in locating substitutes. Additionally, the District's substitute pay rates are similar to the Stark County average.
R3.8 CCSD spent $340,963 on classified employee substitute payments for FY 1997-98. Contributing to this expense were sick days utilized by these employees. The classified employees averaged 7.9 sick days per person in FY 1997-98. If CCSD reduced the amount of sick leave taken, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the flow of work, and reduce the overall substitute costs incurred.	This recommendation is considered no longer relevant because the District's sick leave use is lower than identified benchmarks.
R3.9 CCSD should initiate efforts to define requirements to select and implement an automated substitute teaching calling system which will meet the District's needs.	This recommendation has not been implemented and a similar recommendation was re-issued in this performance audit (see **R3.4**)
R3.10 CCSD provides vision, dental, and life insurance and requires no employee contribution towards the cost of premiums. If CCSD implements employee contributions for full-time employees, the overall insurance expenses would be reduced.	This recommendation has not been implemented and a similar recommendation was re-issued in this performance audit (see **R3.8**).

Recommendation	Implementation Status
R3.11 CCSD should create and provide a formal job transition program that would identify less physically demanding jobs for injured employees to perform while they recover from certain injuries. In addition, CCSD needs to actively promote early return to work practices which is an effort to keep employees from being absent from the workplace for extended time periods. Additionally, the BWC recommends that CCSD look closely into the settlement of the claims in the initial retrospective years. BWC also recommends that CCSD work closely with the BWC claims service specialist to identify fraud, abuses and claims that may have subrogation issues.	This recommendation is considered no longer relevant because the District has maintained a retrospective rating and a low experience modifier due to effective management of its BWC costs.
R3.12 In order to more accurately identify staffing needs for the following school year, CCSD should establish a policy that requires employees to notify the district by March 1st of their intentions to retire the following school year. One option the District could consider would be to reduce the amount of severance pay if the employee does not notify the District by the March 1st date.	This recommendation has not been implemented. Developing a formal staffing plan would assist the District in identifying the long-term staffing needs and planning for future retirements (see **R3.7**)
R3.13 CCSD should renegotiate the severance payout policy to be more in line with the peer districts and to lessen the financial impact to the District. One option CCSD should consider is ORC § 124.39.	This recommendation has not been implemented and a similar recommendation was re-issued in this performance audit (see **R3.8**).
R3.14 The district should consider restricting teachers on sabbatical leave from receiving compensation and the ability to accrue seniority while on leave.	This recommendation was not implemented.
R3.15 CCSD should consider extending the probationary period which would provide the District with additional time to assess the potential employee, enhances the ability of the board to employ qualified, dedicated and hard-working personnel.	This recommendation was not implemented.
R3.16 CCSD should consider linking the educational incentive program to weaknesses identified through the employee evaluation process.	The District's Economy and Efficiency Plan indicated the recommendation was placed under review. However, due to the lack of historical knowledge, the Treasurer was unfamiliar with this provision or its progress.
R3.17 In order to resolve grievance issues in a timely manner, the District should require all grievances to be filed within 10 days to file grievances precludes duplicate grievances from being filed as a result of an unresolved issues.	This recommendation was not implemented (see **R3.15**).
R3.18 CCSD and the unions need to remove unnecessary contractual information and incorporate succinct, relevant wording, and issues.	This recommendation was not implemented (see **R3.15**).

Recommendation	Implementation Status
R3.19 Job descriptions for all District personnel should be updated either internally or by a professional management consulting firm. In addition to updating job descriptions to adapt to a changing environment, the HRD must be cognizant of the required compliance with ADA requirements.	This recommendation was partially implemented. However, a similar recommendation was issued in this performance audit (see **R3.12**).
R3.20 Evaluations for all employees, including certificated and classified, should be done a minimum of once a year.	This recommendation was implemented for certificated and classified staff.
R3.21 The HRD should establish mandatory training for grievance procedures. The department should create a procedure to track all grievances filed with CCSD.	This recommendation was implemented.
R3.22 The HRD should establish mandatory training for disciplinary policies. The District should create a procedure to track all disciplinary actions with CCSD.	This recommendation was implemented.
R3.23 CCSD should track employee turnover and monitor the reasons why employees leave the District.	This recommendation was not implemented and a similar recommendation has been made in this performance audit (see **R3.13**).
R3.24 Because attracting and hiring new teachers at urban school districts appears to be difficult; CCSD should consider expanding recruiting methods.	This recommendation has not been implemented and a similar recommendation was made in this performance audit (see **R3.11**).
R3.25 In order to prepare for the loss of experienced, knowledgeable administrators, the District should evaluate the need for implementation of a quality leadership training program (succession planning).	This recommendation was not implemented. Developing a formal staffing plan would assist the District in identifying the long-term staffing needs, which could include succession planning (see **R3.7**).
R3.26 In addition to the existing mentor program dedicated to assisting entry-year teachers, CCSD should consider the development and implementation of a program to assist experienced teachers who are not performing at an acceptable level.	The District's Economy and Efficiency Plan indicated the recommendation was under review. However, due to the lack of historical knowledge, the Treasurer was unsure of its progress.

Source: AOS

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FACILITIES

Facilities

Background

The facilities section focuses on custodial, maintenance, and grounds keeping staffing; operations; expenditures; and building utilization in the Canton City School District (CCSD or the District). The executive summary of this performance audit provides a summary of the audit objectives for the facilities section. Throughout this section, CCSD's operations are evaluated against selected peer school districts,[1] and best practices and operational standards including the American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES), the Government Finance Officers Association (GFOA), and the United States Department of Energy (DOE).

Summary of Operations

In FY 2000-01, the District issued general obligation bonds to provide long-term financing for the construction and renovation of school buildings in accordance with the terms of a grant from the Ohio Schools Facilities Commission (OSFC project). The total OSFC project encompasses the construction of 9 new elementary schools, 1 new middle school, a high school campus, and the remodeling of 5 elementary schools, 3 middle schools, and 2 high schools. The total estimated cost of the OSFC project is estimated to be $161 million, of which OSFC is paying approximately $124 million. The District passed a 3.7 mill tax levy in FY 1999-00 to provide the local portion of the OSFC project. The District also passed a 0.8 mill levy that was used to fund land acquisition and to maintain the buildings upon completion of the OSFC project. The last phase of the OSFC project will be completed by the start of FY 2008-09.

As of FY 2006-07, CCSD consisted of 35 schools: 16 elementary schools (grades Pre-K through 5), 4 middle schools (grades 6 through 8), and 2 high schools (grades 9 through 12) with 6 annexes, academies, and learning centers. The District also owns 5 other school buildings and leases 2 additional school buildings that are used for a variety of other educational purposes. Lastly, the District maintains and operates a business service center, administration building, bus garage, and 6 athletic facilities.

To ensure student safety, CCSD has developed appropriate safety policies and installed electronic security systems and automated door locks at all of the buildings. The District locks all doors at all school buildings during the day and requires visitors to sign-in with an appropriate purpose upon entering the building. The District also contracts with a security agency to monitor

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

the security system and to contact appropriate authorities in the event of an emergency. Lastly, the District installed security cameras with recording devices at the buildings renovated through the OSFC program.

Staffing

Table 4-1 presents CCSD's custodial, maintenance, and grounds keeping staffing levels on a full-time equivalent (FTE) basis. Collectively, these employees comprise the District's Maintenance and Operations Department (MOD).

Table 4-1: CCSD MOD Staffing Levels – FY 2006-07

Classification	Total Number of Positions	FTEs
Total Custodial	86.0	79.5
Total Maintenance	9.0	9.0
Total Grounds Keepers [1]	N/A	N/A
Total	95.0	89.0

Source: CCSD
[1] A portion of the grounds keeping function is outsourced. However, the portion that is retained in-house is completed by custodians (approximately 20 percent).

MOD is responsible for maintaining all CCSD facilities in a serviceable condition, providing a clean and safe environment for learning, and managing the grounds. Building maintenance is performed by 9 tradesmen: 3 carpenters, 2 HVAC technicians, 3 plumbers, and 1 electrician (currently vacant). MOD is also responsible for cleaning and minor repairs. This work is performed by 79.5 FTEs, custodial staff consisting of 4.0 chief custodians, 27 custodial firemen (licensed boiler operators), and 48.5 custodians. Custodians are also responsible for lawn mowing and snow removal. Custodial staff report to building principals and chief custodians. MOD is overseen by the Supervisor of Operations and Maintenance, who reports to the Business Manager.

Key statistics related to the FY 2006-07 maintenance and operations of CCSD are presented in **Table 4-2**. Also included in **Table 4-2**, and throughout the report, are the results of the 36th *Maintenance and Operations Cost Study* (AS&U, 2007). The study was the result of a detailed survey of business officials at school districts across the nation that collected information on staffing levels, workloads, facility expenditures, and salaries. The report provides industry standards in the form of national medians in broad categories based on student enrollment. In addition, **Table 4-2** draws on the *Planning Guide for Maintaining School Facilities* (NCES, 2003). This publication serves as a benchmark for custodial effort, as measured by square footage per custodial FTE.

Table 4-2: Maintenance and Operations Key Statistics and Indicators

Number of Buildings [1]	**38**
Elementary Schools	16
Middle Schools	4
High Schools [2]	8
Other [3]	10
Total District Square Footage [4]	**2,008,369**
Total Square Feet Cleaned by Custodians	**1,952,219**
Elementary Schools	816,701
Middle Schools	400,666
High Schools	441,891
Administration (Other)	292,961
Square Feet Per Custodial FTE (61.2 FTEs) [5]	**31,886**
Elementary Schools	30,361
Middle Schools	33,389
High Schools	29,657
Administration (Other)	9,759
NCES National Average for Custodial FTE [6]	**29,500**
Square Feet Maintained Maintenance Staff Member	**251,046**
AS&U 36ᵗʰ Annual Cost Survey National Median	**86,194**

Source: CCSD, NCES, and AS&U

[1] Excludes 6 athletic facilities because the maintenance and upkeep is paid from the athletic funds.

[2] Includes 2 main campuses with 6 additional buildings that serve as annexes, learning centers, and academies. These additional buildings are cleaned and maintained by CCSD staff.

[3] Includes 7 educational facilities used for a variety of purposes and 3 administrative buildings.

[4] Includes 56,150 square feet that custodians are not responsible for cleaning.

[5] The District has 76.5 custodial FTEs that clean buildings throughout the District. However, it is estimated that the custodians spend 20 percent of their time completing grounds keeping duties since the District does not have any full-time grounds keepers. When accounting for the grounds keeping duties, the District has the equivalent of 61.2 FTEs completing custodial duties. The square feet per custodial ratio (31,886) is based on 61.2 FTEs.

[6] NCES Level 3 cleaning standard (the normal standard for most school facilities) is 28,000 to 31,000 square feet per custodian.

As shown in **Table 4-2**, CCSD's custodial staff is responsible for 31,886 square feet per FTE, exceeding the NCES range of 28,000 to 31,000. In addition, the District's maintenance staff is responsible for 251,046 square feet per FTE, exceeding AS&U's benchmark. Favorable staffing ratios can be attributed to the District reducing staff in recent years and using performance measures to help determine the appropriate number and allocation of custodial and maintenance personnel. Additionally, the District conducts two in-service training sessions each year and has developed a detailed procedures manual that are both designed to help custodial and maintenance employees efficiently perform their duties. As a result of these practices, the District's custodial and maintenance overtime costs have been minimal during the last two years (less than 3 percent of salaries).

Financial Data

Table 4-3 presents a three-year history of CCSD General Fund expenditures used to maintain and operate facilities.

Table 4-3: Maintenance and Operations Expenditures

Line Item	FY 2003-04	FY 2004-05	Annual Percent Change	FY 2005-06	Annual Percent Change
Salaries	$3,895,501	$3,888,639	(0.2%)	$3,473,552	(10.7%)
Benefits	$1,684,745	$1,731,609	2.8%	$1,631,869	(5.8%)
Utilities	$2,462,065	$2,765,851	12.3%	$3,196,586	15.6%
Purchased Services	$1,002,656	$1,077,130	7.4%	$969,235	(10.0%)
Supplies & Materials	$365,136	$398,260	9.1%	$344,286	(13.6%)
Capital Outlay	$11,624	$34,192	194.2%	$99,511	191.0%
Total	**$9,421,726**	**$9,895,682**	**5.0%**	**$9,715,040**	**(1.8%)**

Source: CCSD

Table 4-3 shows that CCSD's capital outlay and utilities were the only line items to increase in FY 2005-06. The increase in capital outlay expenditures was due to the District purchasing a new maintenance truck. The Supervisor of Operations and Maintenance attributed the higher utility costs to the District completing the construction/renovation of several buildings through the OSFC project during the last two years, which required CCSD to continue operating the older buildings while incurring utility costs at the new buildings as construction was completed. Additionally, the buildings constructed/renovated through the OSFC project are required to have air conditioning and humidity control systems, which subsequently contributes to increased electricity usage.

Table 4-3 also shows the District's salaries and benefits, purchased services, and supplies and materials line items decreased from FY 2004-05 to FY 2005-06. The Supervisor of Operations and Maintenance attributed the decrease in salaries and benefits to the District reducing 2 custodial and 4 maintenance positions in response to current financial difficulties. The higher purchased services in FY 2004-05 and the subsequent decline in FY 2005-06 can be attributed to CCSD contracting to install a new boiler at the Timken Learning Center and a roof top air conditioner at the White Annex in FY 2004-05. The lower supplies and materials costs in FY 2005-06 can be attributed to the District limiting its discretionary spending due to the current financial difficulties.

Table 4-4 compares CCSD's maintenance and operations-related expenditures per square foot to the peer average and AS&U benchmarks.

Table 4-4: Maintenance and Operations Expenditures per Square Foot

Object Code	Canton CSD	Peer Average	AS&U Median 3,500+ Students
Salaries/Benefits	$2.33	$2.42	$2.37
Purchased Services [1]	$0.44	$0.57	$0.33
Utilities	$1.46	$1.44	$1.43
Materials and Supplies	$0.16	$0.24	$0.29
Miscellaneous	$0.05	$0.04	$0.31
Total (General Fund)	$4.44	$4.71	$4.73

Source: CCSD, peers, and AS&U
Note: AS&U expenditures represent budgeted expenditures for FY 2005-06.
[1] Excludes utilities.

Table 4-4 shows that CCSD's total maintenance and operations-related expenditures fall below peer and AS&U benchmarks, on a per square foot basis. This can be attributed to using performance measures to determine the appropriate staffing levels and to equitably allocate staffing resources, limiting overtime expenditures, and limiting discretionary spending by effectively managing the use of custodial and maintenance supplies and materials. **Table 4-4** also shows that CCSD's utilities costs slightly exceed benchmarks, which can be partially attributed to the absence of energy management/conservation policies and procedures (see **R4.6**).

Issue for Further Study

CCSD sponsors three community schools in order to meet the needs of students who may perform better in non-traditional educational settings. However, during the course of this audit, District officials indicated that there may be several financial, operational, and educational benefits to CCSD by discontinuing certain community schools and providing similar services in-house (as magnet schools). Although the benefits cited by CCSD administrators appear reasonable, the District has not completed a formal cost-benefit analysis to demonstrate the value of pursuing this strategy. The District also has not evaluated the potential impact on building capacity associated with discontinuing the community school programs. **Table 4-6** in the **facilities** section shows that building utilization rates are estimated at 73 percent in the elementary schools, 51 percent in the middle schools, and 61 percent in the high schools. Assuming all the students in the community school programs relocate to existing buildings within CCSD, the utilization rates would improve to 74 percent in the elementary schools, 52 percent in the middle schools, and 62 percent at the high schools. If the District closed 2 elementary schools and 2 middle schools as noted in **R4.1** and relocated the community school students, the utilization rates at the elementary and middle schools would be approximately 83 percent and 93 percent, respectively. Based on these ratios, it appears the District would have sufficient space to accommodate the additional enrollment associated with community schools and still be able to close some buildings. However, CCSD should conduct a formal cost-benefit analysis of the community school programs and conduct stakeholder surveys prior to taking action to discontinue any of the programs. See the **executive summary** for an additional discussion of CCSD community school programs.

Performance Audit Follow-Up

In 1999, the Auditor of State completed a performance audit of CCSD as a part of the 21 urban school district initiative. Following the issuance of the performance audit, CCSD was required to develop and approve an Economy and Efficiency Plan, detailing how the District intended to address the performance audit recommendations.

As a follow-up to the 1999 Performance Audit of CCSD's facilities operations, this section of the performance audit reviewed the previous report, CCSD's Economy and Efficiency Plan, and current District operations to determine the implementation status of all previous recommendations. The results of this analysis can be found in **Appendix 4-A**, with references, where pertinent, throughout the section. Of the recommendations contained in the 1999 Performance Audit, CCSD fully implemented 9, partially implemented 4, and did not implement 10. Four recommendations from 1999 were re-issued in this performance audit.

Recommendations

Building Capacity

R4.1   **CCSD should regularly evaluate its teacher staffing levels, academic programs, future staffing plans (see R3.7), enrollment trends and building usage to determine the appropriate number of school buildings and classrooms. Based on the current capacity utilization, the District could close two elementary and two middle schools which would bring its building utilization rates in line with industry standards. CCSD should also review the uses for its other buildings as contracts/leases expire to determine if additional closures are appropriate. When determining which buildings to close, the District should solicit community input and consider a variety of quantitative and qualitative factors including building condition, enrollment trends and demographics, financial information, the learning environment, academic programs and performance, student demographics, and other relevant information. Lastly, the District should also consider re-evaluating the boundary lines for its neighborhood schools in order to more equitably balance student enrollment in each building and help alleviate potential overcrowding at certain buildings.**

CCSD has experienced an average annual decline in student enrollment of 1.5 percent since FY 2000-01. At the beginning of each school year, CCSD's Business Manager updates a formal analysis of the District's building capacities for a five-year period in relation to projected enrollment. In developing the enrollment projections, the Business Manager considers a variety of factors including historical trends, birth rates, and economic issues. **Table 4-5** shows the enrollment projections prepared by the Business Manager for FY 2007-08 through FY 2011-13.

Table 4-5: CCSD Five-Year Enrollment Projections

Fiscal Year	FY 2007-08	FY 2008-09	FY 2010-11	FY 2011-12	FY 2012-13
Projected Enrollment	10,091	9,890	9,630	9,297	9,200
% Change from Previous Year	N/A	(2.0%)	(2.6%)	(3.5%)	(1.0%)
Average Annual Percentage Change					**(2.3%)**

Source: CCSD Business Manager Enrollment Projections

Table 4-5 shows that the Business Manager projected student enrollment to decline by an annual average of 2.3 percent between FYs 2007-08 and 2012-13, which is slightly higher than the historical average of 1.5 percent. This can be attributed to conservatively estimating the impact of declining birth rates and the loss of students to parochial and community schools. As a result of projected enrollment declines, the Business Manager's capacity analysis concludes the following:

- By FY 2011-12, total middle school enrollment is projected to be approximately 1,300 students, which is half the amount from ten years ago. The current and projected enrollments do not support the need to keep four middle schools open.

- The majority of the elementary buildings have comfortable enrollment levels. However, there are certain buildings that are overcrowded while a few have excess capacity. In the short-term, the District can alleviate the inconsistent balance between enrollment and elementary building capacity by modifying open-enrollment procedures. To equitably balance enrollment over the long-term, the District would need to re-evaluate the boundary lines for neighborhood elementary schools.

Table 4-6 shows the estimated capacity and utilization rate of CCSD's buildings based on a review of building floor plans and District interviews. Optimal capacity is based on a utilization rate of 85 percent (*Defining Capacity* (DeJong and Associates, 1999)).

Table 4-6: CCSD Capacity Utilization

	2006-07 EMIS Enrollment	School Capacity	School Utilization Percentage
Elementary School Total	5,705	7,841	73.4%
Middle School Total	1,737	3,568	50.9%
High School Total	2,840	5,000	60.5%
Other School Total [1]	423	1,081	50.0%

Source: CCSD

[1]Although **Table 4-2** shows that the District has 10 "other" buildings that it maintains; only 4 of these have students that are reported through the District's EMIS student enrollment report. These 4 buildings are shown in **Table 4-6** and consist of 2 District-owned buildings and 2 leased buildings.

Table 4-6 generally supports the conclusions identified in the Business Manager's analysis. For example, although the enrollment at three elementary schools exceeds 80 percent, there are seven elementary schools with a capacity utilization of less than 70 percent. Similarly, the average capacity utilization rate at the four middle schools is only 51 percent. If the District closed two elementary schools and two middle schools, the average capacity utilization would improve to 82 percent at the elementary schools and 88 percent at the middle schools.

Table 4-6 shows there is excess capacity at the high school level, yet it would be difficult for the District to close a building based on the current enrollment. In addition, although Timken High School houses some regular education classrooms, it was designed primarily to be a vocational education campus and, as such, has different room configurations than the other buildings in the District. If the District were to close one high school building, CCSD would likely need to reconfigure and renovate the remaining building to accommodate the additional students and educational programs. Similarly,

Table 4-6 shows that the District's other buildings are operating at approximately 50 percent capacity. The District's other buildings consist of two District-owned buildings and two leased buildings that are used to accommodate community school programs, pre-school programs, and a variety of other non-traditional educational programs. Because non-traditional education programs can use space differently than the regular education programs, CCSD should review the capacity utilization and future plans for these buildings in the context of the strategic plan (see **R2.1**), facilities master plan (see **R4.3**), and academic intent. However, conducting this review prior to renewing future contracts and lease agreements will help ensure that the District is using the space efficiently.

According to the article *Closing schools: A community engagement process* (Education Facility Planner, June 2007), the decision-making process to close schools must account for not only quantitative aspects of the facility or facilities involved, but also take into account the qualitative aspects that address the hopes, aspirations, and concerns of internal and external community members. Milwaukee Public Schools (MPS) used a process for closing buildings which considered input from the community, staff, and other constituents, as well as quantitative and qualitative data. The specific issues MPS considered included various measures of building adequacy (age, square footage, etc); enrollment and student demographic information by building; financial factors (cost of building, utility budgets, etc); the learning environment (school climate and safety); academic performance and programs by building (vocational, special education, charter schools, etc); and other demographic information such as historically significant buildings. Once the specific buildings have been identified for closure, additional phases need to be implemented to ease the burden on the district, students, parents and the community. These phases include:

- Notify the schools identified for closure and hold public meetings at the buildings to explain the rationale for the decision;
- Assist the identified schools with transitioning and assigning students and staff to new buildings; and
- Develop a plan for redeployment/disposal of vacant properties.

Based on the financial recovery plan shown in **Table 2-7** of the **financial systems** section and assuming full implementation of the other recommendations in this report in this report including reducing staffing levels in certain employee classifications (**R3.1, R3.3, R3.4, R3.5, R3.6, R4.2, R6.4**), adjusting the bus routes (**R5.1**), reducing the costs of the special and vocational education programs (**R3.10**), and eliminating the additional pension benefit for certificated staff (**R3.9**), the District would need to reduce its annual operating costs by an additional $3.1 million to eliminate the projected deficits through FY 2010-11. This type of cost savings could be achieved by reducing 75 regular education and ESP teachers. However, the District could also achieve this level of savings by reducing 61 regular education and ESP teachers ($2.5 million in savings) and

closing 2 elementary buildings and 2 middle school buildings ($600,000 in savings). Although the decision to close school buildings can be difficult under any circumstance, CCSD could use the framework outlined above, including collecting and evaluating relevant stakeholder feedback, to ensure that the number of buildings is appropriate for its enrollment and educational goals.

Financial Implication: Based on a three-year average of the District's property services and utility expenditures, CCSD could save nearly $600,000 annually by closing 2 elementary and 2 middle school buildings. In order to eliminate the projected deficits through FY 2010-11, CCSD would need to reduce its annual operating costs by an additional $3.1 million, assuming full implementation of the other recommendations in this performance audit. This could be achieved through a combination of reducing 61 to 75 regular education and ESP teachers (see **R3.2** in the **human resources** section) and/or closing 2 elementary buildings and 2 middle school buildings.

Custodial & Maintenance Staffing

R4.2   **Upon reaching a decision regarding building utilization and closures, the District should re-evaluate all of the custodial and maintenance staffing levels using objective workload measures (see R3.7) to determine the appropriate staffing levels. However, if CCSD is still experiencing financial difficulties after the building closures and implementation of other recommendations in this audit, the District should consider reducing two additional custodial FTEs, which would bring the District's square footage per custodial FTE to 31,000 square feet.**

Table 3-1 in **human resources** compares CCSD's custodial and maintenance staffing levels to the peer average. Although **Table 3-1** does not adjust for the cross-functionality of certain employees (i.e., custodians performing grounds and maintenance work), which may result in certain line item variations, it shows that the District's total facilities-related staffing is 0.15 FTEs higher than the peer average on a per 1,000 ADM basis. The District would need to reduce the staffing levels by approximately 1.5 FTEs in order to achieve the peer average.

As shown in **Table 4-2**, Canton CSD's custodial staff is responsible for 31,886 square feet per FTE while the NCES average ranges from 28,000 to 31,000 square feet per custodian. In addition, the District's maintenance staff is responsible for maintaining 251,046 square feet per FTE while the AS&U benchmark for similar sized districts is 86,194 square feet per FTE. These ratios indicate that the District was appropriately staffed for custodians in FY 2006-07, but was understaffed in maintenance personnel. However, the District took action to close Washington Elementary prior to the start of FY 2007-08, which resulted in an overall reduction of square feet cleaned per employee.

Once the staffing ratios are adjusted for the proposed building configurations outlined in **R4.1**, the District's custodial staff would be responsible for 29,938 square feet per FTE while the maintenance staff would remain approximately the same. Although the District's custodial staffing levels are in line with NCES's benchmark and its maintenance staffing levels exceed AS&U's benchmark under the proposed configuration, CCSD should consider further staffing level reductions to address current financial difficulties. If the District increased the square footage maintained per custodian to 31,000 under the proposed configuration, the District would be able to eliminate two additional custodial FTEs.

Financial Implication: By reducing 2.0 custodian FTEs, the District can save approximately $80,000 annually in salaries and benefits.

Facilities Planning

R4.3 **CCSD should develop a facilities master plan that reflects the future direction of the District. In developing the plan, the District should work with a cross-section of school personnel, parents, students, and community members to ensure all stakeholders have input regarding the District's facility needs and future plans. In addition, it should ensure that the facilities master plan reflects current building configurations and student demographics, and includes a capital improvement plan and a formal preventive maintenance schedule (see R4.5). Once developed, the CCSD should update the facilities master plan regularly to reflect building improvements that have been made, changes in demographics, and other educational directions. These documents and planning tools are essential for long-term facilities management and efficient District operations. A similar recommendation was included in the 1999 Performance Audit (see Appendix 4-A).**

The District does not have a facilities master plan. Its last comprehensive building study was completed by a contracted firm in June, 1998 to facilitate the OSFC project. The study included a 10-year enrollment projection, a high-level assessment of the condition of the District's buildings using a point system, and a school capacity analysis. However, the study has not been updated since that time and does not include a listing of specific capital improvement projects and the associated timing, sequence, and estimated costs (capital improvement plan), or any type of preventive maintenance schedule. In addition, the plan appears to be outdated as the District's actual enrollment is much lower than the projections used in the study. The Business Manager indicated that the District intends to develop an updated facilities master plan once a decision has been made about the reorganization of the District's school buildings, which is anticipated to occur in January, 2008. Without a comprehensive facilities master plan, CCSD is not in a position to accurately plan for long-term trends in District enrollment and financial conditions. As

such, CCSD may be investing funds in a manner which is not conducive to effective facilities management.

According to *Creating a Successful a Successful Facilities Master Plan* (DeJong & Associates, 2001), school districts should develop a long-term facilities master plan. The plan should contain information on capital improvements and financing, preventative maintenance/work orders, overall safety and condition of buildings, enrollment projections, and capacity analyses. The plan should be developed on a foundation of sound data and community input. As a roadmap, the facilities master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district-wide facilities master plan is typically developed for a ten-year period and should be regularly updated to incorporate improvements that have been made, changes in demographics, or other educational directions. A facilities master plan, if developed appropriately, has the potential to have a significant impact on the quality of education in a school district.

R4.4   CCSD should complete its purchase of an electronic work order system. To ensure the District experiences the advertised benefits of the system, CCSD should work with the vendor to ensure that the software can report the information identified by the NCES prior to finalizing the purchase. CCSD should also ensure that employees receive appropriate training on the work order system so that all functions are being used to the fullest extent possible. The improved record keeping associated with the new work order system would help in estimating future costs and timeframes for potential projects. In addition, the electronic work order system would also help in formalizing the preventative maintenance program and make future preventative maintenance costs more predictable. A similar recommendation was included in the 1999 Performance Audit (see Appendix 4-A).

CCSD uses a manual work order system to prioritize requests for service, schedule preventative maintenance efforts, and track facilities-related information. The Business Manager indicated that this system has been problematic in the past as custodial/maintenance employees have misplaced work orders and there has been inconsistent use of the system in recent years. As a result, the District has incomplete repair histories for equipment and buildings. Furthermore, the report generation abilities under the manual system are limited, which makes it difficult for the District to determine the length of time it takes to respond to a request for service or to track other important information such as labor and supply costs.

In conjunction with completing the OSFC project and to address the limitations associated with the manual system, the District recently contracted with a company to develop an electronic web-based work order system. The new work order system will have the ability to track and easily report information such as labor hours, supplies and

materials, and timeframes for specific projects. In addition, the Business Manager indicated that each building in the District has a Building Automation System (BAS) that is used to track all work and other activities at the building. The new work order system will be designed to interface with the BAS at each building to automatically track future preventative maintenance activities. The District anticipates that the new work order system will be completed during FY 2007-08. As of September 2007, CCSD has spent approximately $56,000 to develop the new work order system.

According to *The Planning Guide for Maintaining School Facilities* (NCES, 2003), a work order system helps school districts register and acknowledge work requests, prioritize tasks, assign personnel, confirm progress, facilitate preventive maintenance, allow feedback from relevant stakeholders, and track the costs of parts and labor. NCES further suggests that, at minimum, work order systems account for the date a request is received, approved and resolved; the job status, priority, and location; supervisor and craftsperson assigned to the job; supply and labor costs; and job completion time. Electronic work order systems may also improve productivity and efficiency by reducing data entry and phone calls for work requests, improve customer service by automating communication and feedback with requests, save time and money by streamlining work flow, and generate simple and detailed reports on work status and costs.

R4.5 CCSD should use the new electronic work order system (see R4.4) to help establish a formal preventive maintenance program that addresses routine, cyclical, and planned building maintenance functions at all buildings, including those not impacted by the OSFC project. With the development of a formal preventive maintenance program, the District should also develop a comprehensive five-year capital improvement plan that is updated on an annual basis to ensure that critical repair work is completed and equipment is replaced. The capital improvement plan should include a project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration. A similar recommendation was included in the 1999 Performance Audit (see Appendix 4-A).

The District has a formal maintenance plan that was completed by an outside contractor to facilitate the OSFC project. The plan is detailed and spells out the replacement/maintenance schedules for the District's buildings for the next 20 years. However, because the plan was used for the OSFC project, it only addresses the buildings that are newly constructed or renovated using OSFC funds. As a result, the District has 12 buildings that were not directly affected by the OSFC project and therefore do not have formal preventative maintenance plans. The Business Manager indicated that CCSD tries to complete preventative maintenance (changing air filters, HVAC maintenance, etc.) as much as possible on existing equipment at all buildings. However, due to

financial restrictions, these activities have been inconsistent and the District has deviated from the schedules developed during the OSFC project. Furthermore, due to the lack of an automated work order system (see **R4.4**), CCSD cannot easily determine which preventative maintenance activities are completed or how often these activities are taking place.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003), warns that continual emergency repairs will cost more in the long-term than performing preventive maintenance. A preventive maintenance plan will help prevent sudden and unexpected equipment failures, inhibits the accumulation of damage and repair tasks, and ensures the continued use of equipment to help maximize life expectancy.

In addition, the District does not have a formal capital improvement plan in place to prioritize and address maintenance and capital needs. The District has a 2.5 mill permanent improvement levy that currently generates approximately $1.2 million annually. However, the Business Manager indicated that approximately $750,000 of the levy proceeds are dedicated to paying the local portion of the OSFC project for the next six years and that the District does not set aside a percentage of the General Fund to use in funding capital improvements. GFOA 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, time frames, 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 and reviewing projects. When developed, GFOA further recommends that capital plans are approved by a governing body.

Given the lack of dedicated funds for capital improvements, a formal preventative maintenance program and capital improvement plan are especially important in helping the District anticipate facility and equipment repair needs, prioritize projects by building and year, secure alternative financing, and properly maintain equipment. In addition, a comprehensive capital improvement plan will assist in allocating limited resources among multiple projects.

Energy Management

R4.6   CCSD should develop formal energy management and conservation policies that incorporate the practices recommended by NCES. Once the policy is in place, the District should distribute and discuss the policies with the administration, faculty, and staff in an effort to educate them about energy conservation and the impact waste has on the District's operating budget. Although the District's utility costs per

square foot do not appear excessive, developing such policies may allow for savings through better education and improved monitoring.

In conjunction with developing policies and educating staff, the District should also consider assigning an employee to monitor District-wide and building-level energy consumption. For example, centrally tracking energy use as reported on monthly invoices would provide trend comparisons that could be used to identify potential issues of waste and/or inefficient equipment. To ensure that appropriate monitoring is taking place, the District should consider requiring that the Superintendent and the Treasurer be provided with copies of the building level energy usage reports on a monthly basis. A similar recommendation was included in the 1999 Performance Audit (see Appendix 4-A).

Table 4-4 shows that CCSD's utility costs per square foot in FY 2005-06 ($1.46) were slightly higher than the peer average ($1.44) and the AS&U national median ($1.43). To help manage the cost of utilities, the District installed technology in all of the buildings renovated through the OSFC project that allows for central control of building temperatures, lighting, and air vents from the Business Manager's Office. The Business Manager also indicated that the temperatures are routinely set at levels to allow for cost savings (68 degrees in the winter time). Additionally, the District purchases natural gas through the Stark County Council of Governments Consortium and receives water/sewer at discounted rates from the City of Canton.

While the District has some measures to control utility costs, it does not have formal energy management policies, procedures or guidelines for staff. Furthermore, the District does not have an employee that is responsible for monitoring energy use as a means to identify trends and possible waste. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a school district accomplish more efficient energy management:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the District's energy management program and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;

- Install energy efficient equipment, including power factor correction units, electronic ballasts, high-efficiency lamps, right setbacks and variable-speed drives for large motors and pumps; and

- Install motion detectors that turn lights on when a room is occupied.

The Groveport-Madison Local School District (Franklin County) has implemented many of the practices identified by the NCES. For example, it has adopted formal energy management policies and conducts in-service training before the start of every school year to educate the employees about the importance of conserving energy. Additionally, it has assigned an employee the responsibility of monitoring utility invoices and usage trends to identify possible malfunctions in equipment (i.e., water main breaks) and/or erroneous meter readings. Similarly, the Lakota Local School District (Butler County) has established an energy conservation program at its Union Elementary School to determine the impact of energy waste. This program consists of placing energy conservation reminders on or near all office equipment and energy consuming items and reiterating the importance of energy conservation to students, parents, and community members through community newsletters. As a result of these measures, the utility costs at Union Elementary were approximately 21 percent lower than the District-wide average for elementary buildings.

By developing formal energy management policies, procedures and guidelines for staff, as well as instituting mechanisms to monitor energy usage, CCSD would be in a better position to control and potentially reduce utility costs.

Financial Implication: Assuming CCSD can reduce its utilities cost per square foot to be in line with the peer average by developing an energy management policy and educating staff, it can save approximately $44,000 annually.

Customer Satisfaction & Prior Audits

R4.7   **CCSD should create a formal feedback mechanism to gauge the level of satisfaction with the services of the Maintenance and Operations Department (MOD), specifically through an annual maintenance and custodial satisfaction survey. The survey should be provided to all facilities users and should be designed in a manner consistent with recommended practices like those identified in the *Planning Guide for Maintaining School Facilities* (NCES, 2003). The survey should be compiled, analyzed, and documented to facilitate monitoring of performance satisfaction over time.**

MOD does not use surveys to assess departmental effectiveness or performance. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), many of the day-to-day activities or systems used to plan and operate a maintenance program also generate the type of information needed to evaluate program effectiveness. This information includes user feedback/customer satisfaction surveys. There are many ways to gather information from users/customers (i.e., the people who benefit from the maintenance/custodial activities), including collecting satisfaction surveys and convening advisory committees of stakeholders.

Without facility user surveys, MOD cannot effectively pinpoint and address all departmental shortcomings. Furthermore, the lack of formal feedback mechanisms may not allow MOD to effectively prioritize its work to address high-risk areas, as identified by direct users. Although MOD indicates that it objectively evaluates employee performance and service delivery, there may be issues which are important to the facility users that are being overlooked.

R4.8   CCSD should consider implementing the additional recommendations from the 1999 Performance Audit that have not been fully implemented or addressed in this section. These recommendations could help improve facilities management and have a beneficial effect on overall District operations.

Some operational items reviewed in the 1999 Performance Audit remain applicable to CCSD. The following recommendations were determined to be relevant and, if implemented, could result in positive District improvements or enhanced efficiency and effectiveness. These recommendations can be summarized in two general categories including:

- **Equipment Management**: CCSD lacks custodial and maintenance equipment replacement policies that stipulate the useful life and repair histories of the current equipment, and projected timeframes and costs for replacing this equipment (see 1999 **R4.14** and **R4.22**). Also, CCSD does not annually reconcile the equipment carried on the maintenance vehicles to the fixed asset reports generated by the Treasurer's Office (see 1999 **R4.21**).

- **Facilities Management**: Although CCSD's Supervisor of Operations and Maintenance conducts annual inspections of all school buildings prior to the start of the school year to ensure adequate summer cleaning, this process is not documented and does not include Board members (see 1999 **R4.10**). Similarly, while the Supervisor of Operations and Maintenance (or designee) performs evaluations for all maintenance staff and high school custodial staff, the building principals still conduct the evaluations for all other custodial staff (see 1999 **R4.11**). The District also has not established building level custodial supply budgets (see 1999 **R4.13**). Lastly, with the exception of certain grounds keeping functions, the District has not conducted a cost/benefit analysis to determine whether outsourcing the custodial and maintenance functions would be more efficient (see 1999 **R4.24**).

Appendix 4-A provides a summary of the 1999 Performance Audit recommendations and implementation status.

Financial Implications Summary

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

Table 4-7: Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings
R4.1 Close 2 elementary schools and 2 middle schools	$600,000
R4.2 Reduce 2 custodian FTEs	$80,000
R4.6 Implement an energy conservation program	$44,000
Total	**$724,000**

Source: AOS recommendations

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

Appendix 4-A: 1999 Performance Audit Recommendations and Implementation Status

Table 4-A summarizes the 1999 Performance Audit recommendations and status of each recommendation; implemented, partially implemented, not implemented, or no longer applicable.

Table 4-A: 1999 Performance Audit Recommendations

Recommendation	Implementation Status
R4.1 The District should continue to increase attendance at Timken which would better utilize the capacity of that high school. Programs such as the Freshman Connection should be continued and expanded upon to expose students to Timken. Other efforts, such as publicizing the development of the Timken Campus Plan to parents and students, should also be used to increase the awareness of the significant effort the District is planning to improve the facilities at Timken. If these efforts fail to increase attendance and the capacity utilization at Timken, at some point in the future the District may have to reconsider its open enrollment policy for high school students.	This recommendation was implemented. However, **R4.1** shows that the District still has excess capacity and low utilization rates in several buildings.
R4.2 CCSD should compile the results of all the individual facilities studies into a comprehensive facilities master plan which can be used by the Board when making facilities-related decisions.	This recommendation was not implemented and a similar recommendation is included in this performance audit (see **R4.3**).
R4.3 As CCSD proceeds through the planning process for renovating its schools under OSFC's Classroom Facilities Assistance Program; it should use a capacity analysis to determine the number of buildings needed to house the current and projected student population. District administrators and the Board should adopt a capacity methodology that will fulfill its needs for providing adequate space for its educational programs.	This recommendation was partially implemented. The District established an appropriate methodology for projecting student enrollment and assessing building capacity. However, the District has not used these assessments to adjust the building configurations based on declining enrollment. **R4.1** indicates that the District should consider closing two elementary and two middle school buildings.
R4.4 The District should resolve its computer incompatibility problem so that it can use FASER to measure the energy cost savings.	This recommendation is no longer applicable as the District is using different facilities management software obtained during the OSFC project.
R4.5 CCSD should develop and implement an energy management plan which encompasses the remainder of its facilities.	This recommendation was not implemented. A recommendation addressing energy management policies and education practices is included in the performance audit (see **R4.6**).
R4.6 CCSD should continue developing its custodial handbook.	This recommendation was implemented.

Recommendation	Implementation Status
R4.7 CCSD should develop specific training requirements for all custodial staff. Also, CCSD should establish and document specific training requirements by position, including new employee training, frequency of training, and types of training.	This recommendation was implemented.
R4.8 The District should reconsider increasing the number of lead persons from two to four and further empower chief custodians to allow them to assert more supervisory responsibility over the custodial staff in the building.	This recommendation was implemented.
R4.9 During the school year, CCSD should conduct random, unannounced inspections of its buildings. The lead person should prepare a written report after each inspection not just for the occasions when a problem is found. If a report contains deficiencies, a follow-up inspection should be made.	This recommendation was implemented.
R4.10 CCSD should conduct readiness inspections at all District buildings prior to the start of the school year to ensure all summer cleaning has been completed. The District should consider having Board members participate in the inspection to show the importance the District places on having the buildings ready for the start of school.	This recommendation was partially implemented. Although CCSD's Supervisor of Operations and Maintenance conducts annual inspections of all buildings prior to the start of the school year to ensure adequate summer cleaning, this process is not documented and does not include Board members.
R4.11 In order for a chief custodian to exercise supervisory responsibility, one of his tasks should be to evaluate the custodial staff. The chief custodian should continue to be evaluated by the principal. The principal could provide input to the chief custodian for the evaluations of the remaining custodial staff.	This recommendation was partially implemented. Although the Supervisor of Operations and Maintenance (or designees) perform evaluations for all maintenance staff and high school custodial staff, the building principals still conduct the evaluations for all other custodial staff.
R4.12 When contract negotiations are next held, the District should consider changing contract language to reflect the practice that building checks are performed at the administration's discretion. In addition, the contract definition of the heating season could be eliminated because the building checks are performed when the weather warrants it.	This recommendation was implemented.
R4.13 Schools should have custodial supply budgets and the supplies should be tracked to each building. One of the tasks of the chief custodian should be to manage the expenditures for custodial supplies against a building budget.	This recommendation was not implemented.
R4.14 CCSD should develop an equipment replacement policy that takes several factors into consideration such as the manufacturer's projected life of the equipment, the useful life of the equipment that the District has experienced and the history of repairs for individual pieces of equipment.	This recommendation was not implemented.

Recommendation	Implementation Status
R4.15 CCSD should re-evaluate the methodology for assigning custodians to buildings to determine if all buildings are properly staffed. The allocation of resources should be tied directly to the development of detailed, site specific work schedules that identify the workload requirements of each facility.	This recommendation was implemented.
R4.16 Maintenance services should consider scheduling tradesmen to work in the evenings similar to the custodial evening shift.	This recommendation was implemented.
R4.17 The District should consider purchasing a comprehensive work order system to collect and analyze information.	This recommendation was not implemented and a similar recommendation is included in this performance audit (see **R4.4**).
R4.18 The District should develop and implement work performance and material utilization standards for each trade in order to ensure efficient and cost effective utilization of maintenance resources. In order to compile the data to develop work standards, maintenance staff should be required to record, on the work order form for each job they complete, the material costs, the actual time to complete the work, and the travel time they used.	This recommendation was not implemented. The automated work order system identified in **R4.4** would have the ability to track this information.
R4.19 CCSD should develop specific training requirements for all maintenance employees. Also, CCSD should establish and document specific training requirements by position, including new employee training, frequency of training, and types of training.	This recommendation was implemented.
R4.20 CCSD should develop and implement a planned preventative maintenance program.	This recommendation was not implemented and a similar recommendation is included in this performance audit (see **R4.5**).
R4.21 The District's equipment on each vehicle should be reconciled with the information contained on the inventory sheet on an annual basis.	This recommendation was not implemented.
R4.22 CCSD should develop an equipment replacement policy that takes several factors into consideration such as the manufacturer's projected life of the equipment, the useful life of the equipment that the District has experienced, and the history of repairs for the individual piece of equipment.	This recommendation was not implemented.
R4.23 CCSD should determine if it should hire additional tradesmen based on objective workload measures.	This recommendation was not implemented. A recommendation in regards to the District's staffing levels is included in this performance audit (see **R4.2**).
R4.24 CCSD should have the supervisor of maintenance/plant operations review the recommendations made in this report and prepare a formal plan for improving the operation and efficiency of the Department before assessing whether the District would benefit from privatization.	This recommendation was partially implemented. The District contracts for certain grounds keeping functions. However, no privatization study has been performed for the custodial and maintenance functions.

Source: AOS

Transportation

Background

This section of the performance audit focuses on Canton City School District's (CCSD or the District) transportation operations. The operations were evaluated against best practices, operational standards, and selected peer school districts.[1] Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources including the American Association of School Administrators (AASA), the Voinovich Center for Leadership and Public Affairs, and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

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

CCSD's Board policy on student transportation exceeds State minimum requirements, stipulating the following:

- The Board provides transportation to any student certified to receive it as directed by State guidelines relative to student transportation;
- The Board may arrange for transportation for students living one mile or more from their school of attendance;
- The Board reserves the right to waive this policy to accommodate Board recognized safety concerns; and
- When two school districts share responsibility for the transportation of a student, the two districts may collectively decide transportation arrangements.

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

The District has also adopted a school bus safety policy which indicates in part that "bus stops will be limited, where feasible, so that students from several homes can meet safely at a central point for group pickup (cluster stops)." Consistent with these policies, the District's actual practice is to transport all students (grades K-12) living more than one mile from their respective school and to design cluster stops based on a consideration of safety, student population and walking distance. Nonetheless, Board policy does not reference hazards enumerated within Ohio Administrative Code (OAC), nor does it effectively address non-routine transportation (see **R5.3** and **R5.4**).

Organizational Structure and Responsibilities

CCSD's Transportation Department used 66 active buses and 7 spare buses to transport 4,686 riders in FY 2005-06. The Transportation Supervisor manages the District's Transportation Department and has supervisory responsibilities for 16 bus attendants, 1 secretary, 1 assistant, 1 dispatcher, 3 mechanics, and 63 bus drivers in FY 2006-07. The Transportation Supervisor reports to the Business Manager and is evaluated on a number of criteria and duties which broadly include driver training and orientation programs, establishing bus routes, preparing transportation reports (e.g., T-forms), preparing the transportation budget, evaluating staff, maintaining records, and performing other duties as assigned by the Business Manager.

Operational and Cost Comparisons

Table 5-1 compares CCSD's expenditure and operational data to the peer average.

Table 5-1: FY 2005-06 Transportation Operating Statistics

	CCSD	Peer Average	Percent Above (Below)
Riders	4,686	1,449	223.5%
• Type I Regular Needs	4,281	1,428	199.7%
• Type I Special Needs	403	38	960.5%
• Type IA	0	5	(100.0%)
• Type II	2	2	0.0%
Buses	73	22	228.8%
• Active[1]	66	18	272.9%
• Spare	7	4	55.6%
• Spare Buses as Percentage of Fleet	9.6%	23.4%	(59.1%)
• Special Needs Buses[1]	19.0	2.5	660.0%
• Special Needs Buses as Percent of Active Buses	28.8%	10.0%	186.5%
• Students per Regular Bus	90.4	96.7	(6.5%)
• Students per Special Needs Bus	22.9	13.8	66.5%
Annual Routine Miles	729,900	174,816	317.5%
• Per Bus	9,999	7,992	25.1%
District Square Miles	16.8	26.6	(36.7%)
• Riders per Square Mile	278.3	54.5	411.0%
TOTAL TYPE I EXPENDITURES	$2,706,903	$664,052	307.6%
• Per Type I Rider	$578	$439	31.8%
TOTAL TYPE IA EXPENDITURES	$2,282	N/A	100.0%
• Per Type IA Rider	N/A	N/A	N/A
GRAND TOTAL EXPENDITURES Types I-II	$2,716,501	$674,175	302.9%
• **Per Rider**	$580	$441	31.6%
• **Per Bus**	$37,212	$30,041	23.9%
• **Per Routine Mile**	$3.72	$3.91	(4.8%)

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

Note 1: Only Type I transportation was reported by all districts. Type IA and Type II only include the average of the districts that reported Type IA and II riders and expenses. No districts reported Type IA expenditures and only two districts Type IA riders. Only one district reported Type II expenditures and riders.

Note 2: The Type I average special needs riders only include the five districts reporting these riders.

Note 3: Total special needs buses, special needs buses as a percent of the active fleet, and riders per special needs bus only includes the four districts reporting special needs buses and corresponding riders.

Note 4: Type II is for limited purpose contractor owned buses. The Type II cost for Canton CSD is $3,658 per student while only one peer District reported Type II service costs of $101,235 per student.

[1] Special needs buses are all contractor-owned.

Table 5-1 shows that despite maintaining a significantly higher ridership (4,686) and riders per square mile (278), the District only transports 90 students per active bus (two to three runs per bus). In contrast, the peer average for students per active bus is 97 (predominantly two runs per bus). The disparity in these ratios indicates that the District uses more buses and maintains higher staffing levels in order to transport its students, which increases the District's operating costs.

For example, **Table 5-1** shows that the District's transportation cost per Type I rider ($578) is significantly higher than the peer average ($439). Higher costs can be attributed to the following:

- **Policy decisions**: The District does not regularly monitor the costs associated with providing transportation in excess of State minimum standards (see **R5.3**). Furthermore, despite the District's ridership declining nearly 500 students over the last three years, the District has continued to maintain 66 active buses (see **R5.1**);

- **Software usage**: The District does not regularly use its Edulog software to optimize bus routes during the school year (see **R5.1**);

- **Bell schedules**: The District has structured the school building bell schedules so that the buses only average 2.6 runs per bus, despite having 278 riders per square mile (see **R5.1**); and

- **Purchasing practices**: The District's policies only require price quotes when making purchases in excess of $10,000 (see **R5.6**).

In contrast to the regular needs transportation function, CCSD's special education transportation function appears efficient. **Table 5-1** shows that the District transports approximately 23 students per special needs bus while the peer average is only 14. In addition, the District's special needs transportation cost per rider ($2,187) is approximately 7 percent lower than the peer average ($2,331).

Similarly, the District has effective policies and procedures in place for purchasing and managing the use of motor fuel. As a result, the District's fuel costs are lower than the peer average on a per bus, per mile and per rider basis.

Performance Audit Follow-up

In 1999, AOS completed a performance audit of CCSD as a part of the 21 urban school district initiative. As a follow-up to the 1999 Performance Audit assessment of CCSD's transportation operations, this section of the performance audit reviewed the previous recommendations, and current District operations to determine the implementation status of all previous recommendations. The results of this analysis can be found in **Appendix 5-A** with references, where pertinent, throughout the section. Of the nine recommendations contained in the 1999 Performance Audit, CCSD fully implemented five recommendations and did not implement four recommendations. The four recommendations from the 1999 audit were reissued in this performance audit.

Recommendations

Operating Efficiency

R5.1 **In order to accommodate significant enrollment and ridership declines, CCSD should reduce its fleet by 11 active buses, including 3 buses already scheduled for reduction plus an additional 8. In addition to reduced operational costs (e.g., bus driver salaries), this will help to bring its bus capacity utilization rate more in line with identified benchmarks. The District can take additional steps to improve routing efficiency by staggering its bell schedules to allow buses to complete additional runs and by maximizing the use of existing routing software to regularly evaluate and adjust routes. A similar recommendation was made in the 1999 Performance Audit (see Appendix 5-A).**

The District should also implement a process to communicate students' changes of address to the Transportation Department when a student moves into, out of, or within the District. This process should also include riders attending charter/community and non-public schools to ensure all routing scenarios are evaluated.

The District transports students in all grade levels to 39 schools. **Table 5-2** presents a summary of the District's enrollment and ridership since FY 2004-05.

Table 5-2: CCSD Change in Ridership and Riders per Bus

	FY 2004-05	FY 2005-06	FY 2006-07
Formula ADM	11,300	11,097	10,722
Total Ridership	4,806	4,686	4,309
% of Formula ADM	*43%*	*42%*	*40%*
Active Buses	65	66	66
Riders per Bus	74	71	65

Source: ODE and CCSD T-forms and SF-3 reports
Note: Total ridership includes regular and special needs.

Table 5-2 shows that despite declines in average daily enrollment (ADM) and ridership, the District has continued to operate and support 66 active buses. As a result, CCSD's riders-per-bus ratio has declined from 74 in FY 2004-05 to 65 in FY 2006-07. At present, CCSD should eliminate 8 active buses in order to achieve the FY 2004-05 service level of 74 riders per bus. In consideration of declining enrollment and ridership, comparatively high operational costs (see **Table 5-1**) indicate that CCSD operates with too many active buses and drivers. According to the Transportation Supervisor, the District has continued to operate 66 active buses for the following reasons:

- CCSD permits its students to request and attend a school building that may not necessarily be the closest neighborhood school, which subsequently requires the buses to travel farther;

- It has been constructing new school buildings during the last several years with the assistance of the Ohio Schools Facilities Commission (see **facilities** section). However, in certain instances, CCSD had to transport students to several temporary school buildings while the neighborhood school was being constructed/renovated. The Transportation Supervisor indicated that the District anticipates reducing at least three buses in FY 2007-08 since the OSFC project is complete and the students will return to neighborhood schools; and

- Elementary schools house the sixth grade students instead of the middle schools, which reduces the number of riders since there are more elementary schools within walking distance.

While these issues may impact the District's transportation operations, declines in ridership and higher cost ratios can also be attributed to the following:

- **Bell schedules**: CCSD does not effectively stagger the school bell schedules to allow buses to consistently complete three to four runs per bus. For example, all 16 elementary schools start at 8:15 AM and finish at 2:30 PM, all four middle schools start at 8:50 AM and end at 3:20 PM, and the two high schools start at 7:45 AM and end at 2:45 PM. As a result, the District only completes an average of 2.6 runs per bus. Because it is more densely populated, (see **Table 5-1**) CCSD has to travel shorter distances to transport students, which should make it easier for the District to complete three to four runs per bus.

- **Software use**: CCSD uses Edulog routing software which includes boundary planning and bus route optimization (routing efficiency) modules. However, the bus route optimization feature is only used during the summer when the District is planning the routes for the upcoming school year. Furthermore, because the Transportation Department is not usually informed when a student leaves the District, it is difficult to adjust/consolidate routes during a school year.

- **Capacity**: CCSD does not make efficient use of bus fleet capacity (e.g., the District currently averages 31.8 students per bus run). Assuming an optimal capacity of 48 per run; the District only uses 67 percent of its available bus capacity.

Assuming the District began consistently using the route optimization feature of the Edulog software, completing three morning and afternoon runs per bus, and filling each bus to optimal capacity, the District could eliminate 19 buses from the fleet based on the current ridership, which would yield an estimated savings of $590,000 annually. However, it may be difficult for the District to achieve this type of reduction given the number of parochial and charter schools in the District, the high number of special education riders, and other issues outlined by the Transportation Supervisor. At a minimum, eliminating eight buses (in addition to the three identified by Transportation Supervisor) that are currently completing less than three runs per bus would allow CCSD to operate at FY 2004-05 utilization levels.

Financial Implication: CCSD could save approximately $342,000 annually by eliminating 11 active buses. However, the District already included $53,000 of this savings in its financial recovery plan that was submitted to ODE. Therefore, the District could achieve an additional savings of $289,000 annually by implementing this recommendation.

R5.2   **The District should annually update the bus replacement plan to reflect the current condition of the bus fleet. The plan should be updated to include the estimated mileage and maintenance costs of the buses at the time of replacement. This type of information will assist the District in selecting buses for replacement at the most advantageous point in their life cycle.**

CCSD developed a bus replacement plan in FY 2002-03 that projects bus purchases over a 10 year period. The plan includes the bus number, model year, age, and the potential cost of replacement. However, the District has deviated from the plan in recent years. For example, although the plan indicates that the District should have purchased 13 buses from FY 2002-03 through FY 2006-07, it actually purchased 23 buses. Similarly, despite having five buses scheduled for replacement in FY 2007-08, the Transportation Supervisor indicated that the District will not purchase any new buses due to its financial condition. The District has not revised the plan to reflect these deviations. Additionally, the bus replacements identified in the plan are based solely on age and do not consider other relevant factors such as annual maintenance costs or mileage.

CCSD's total fleet is currently an average of 8.2 years old with 90,954 miles per bus. However, the averages are skewed by the advanced age and mileage of the District's spare buses. For example, 6 out of the District's 10 spares are more than 15 years old and the remaining spares will exceed 15 years of age by the end of the forecasted period. If the spares are removed from consideration, the average age of the active fleet is 7.4 years and the average mileage is 83,206.

There are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass annual Highway Patrol inspections. As long as the bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. The standards from the National Association of State Directors of Pupil Transportation Services (NASDPTS) suggest the replacement of buses after 250,000 miles and/or 15 years of service. ODE indicates that, on average, districts are matching the payment provided by the State for bus purchasing with an equal amount of local funding. This has resulted in an average replacement age of 17 years for buses in Ohio.

Although the District does not have any active buses that are projected to exceed the 250,000 mile threshold during the next five years, the District will have 19 that will be at least 15 years of age or older. Over the five-year forecast period, the average fleet mileage will increase from 101,814 to 145,254. While this mileage falls below the NASDPTS threshold, the urban nature of the District and rough road conditions contribute to wear and tear on the buses. Therefore, it is likely that the age and maintenance costs (see **Table 5-3**) of the buses will be a strong determinant in replacement timing.

By updating its replacement plan and including factors beyond bus age as criteria for replacement, CCSD can ensure that it is prepared for future capital expenditures and replaces the most costly buses in the fleet first. Without an updated plan, the District may be unprepared for large future capital obligations and may devote additional resources to maintaining more costly but newer buses.

Policies and Procedures

R5.3   The District should reference OAC defined hazards and develop written procedures for identifying and resolving safety hazards within the District. Doing so would assist in effectively planning the routes and bus stops each year, which subsequently impacts the number of buses and staff that are needed.

In addition, the District should annually review its transportation policy to determine if cost savings can be achieved by adopting standards that are closer to the State minimum requirements. However, prior to making any changes in the transportation policy, the District should work with ODE to determine any potential reductions in State reimbursement. A similar recommendation was made in the 1999 Performance Audit (see Appendix 5-A).

The District does not regularly monitor the financial impact of providing transportation services in excess of State minimum standards. Due to the District's neighborhood schools and other similar factors, the Transportation Supervisor estimated that the District could eliminate approximately 66 percent of the middle school routes and 25 percent of

the elementary school routes by adopting State minimum standards. However, reduced transportation levels may negatively impact the District's transportation reimbursements, as well as student attendance rates.

In addition to exceeding State minimum standards, the Board policies do not specifically reference OAC defined hazards or identify the procedures that should be used in identifying safety hazards that would necessitate transportation policy waivers. In actual practice, the District considers railroads and factory locations as hazardous conditions. OAC 3301-83-20 indicates that route hazards "shall be documented and provided to school bus drivers whose routes are affected. Additionally, school bus drivers should report any such regular pedestrian or vehicular concerns..."

The Board policies for the Snake River School District in Idaho establish a safety committee, chaired by the District Transportation Supervisor, that is responsible for reviewing the bus routes for safety hazards and reporting the results to the Board for approval. In carrying out this policy, the Snake River School District has developed procedures that require a re-evaluation of all hazardous areas every three years and that identify specific issues that should be considered when assessing student safety. Other options for identifying and resolving transportation hazards include instructing bus drivers to report hazards, requiring administrative personnel to drive routes and identify hazards, and/or relying on local law enforcement to identify hazardous locations.

At a minimum, the Board should amend its policy to reference OAC defined hazards and its procedures for identifying and resolving hazards that would require a policy waiver. Initially, delegating the responsibility for collecting, evaluating and resolving hazards could be delegated to the Business Manager. The procedures should be formalized and approved by the Board and could contain any combination of the suggested methods identified above. Regardless, CCSD should ensure that it implements a formal, routine method for documenting the identification and resolution of route hazards.

R5.4   The District should update the Board policy that addresses reimbursement for non-routine transportation services. Specifically, the policy should state that all billable trips will be fully reimbursed through user charges based on the District's actual cost of providing the services. These costs should include the bus driver's salary and benefits, and regularly (at least annually) updated estimates of maintenance, service, fuel, supervision, and insurance costs during the time a bus is being used to provide non-routine services. To implement this recommendation, the Treasurer and Transportation Supervisor will need to devise a method to accurately track the costs associated with providing non-routine transportation services.

During the course of the audit, the District reviewed the historical non-routine service levels and revised its billing rate to more accurately reflect the cost of these services. The new rate will range from $18 to $20 per hour, depending on the seniority of the bus driver. CCSD also created separate USAS account codes to improve the tracking of non-routine expenditures and reimbursements.

Board policy stipulates that "school buses may be used for non-routine trips only when approved by the Board and the trips do not interfere with routine transportation services. These may consist of the following:

- Trips that are extensions of the instructional program;
- Trips to transport students participating in school sponsored events;
- Transporting students participating in summer recreation programs approved by the Board and recreation commission;
- Trips for the aged when contracted with a municipal corporation or public or non-profit agency;
- Trips to transport students and/or adults to or from local community events which are school or local community sponsored; and
- Emergency evacuations when such emergencies are declared by State and/or local officials."

OAC 3301-83-16 defines the non-routine use of school buses as "transportation of passengers for purposes other than regularly scheduled routes to and from schools. School buses may be used for non-routine trips only when such trips will not interfere with routine transportation services." Traditionally, districts use school buses to transport students for educational field trips or athletic teams, band groups, and other school groups to contests or functions in which the team or group participates. There are limitations, however, to a district's discretion as to the non-routine use of school buses. Specifically, non-routine trips must be considered as part of the school's program or as part of a school-sponsored program. Except for field trips on regular school days (for which no transportation charge may be imposed), OAC requires school boards to recover the operational costs associated with the non-routine use of school buses, including reimbursements to cover driver salaries and benefits, fuel, maintenance, service, supervision and insurance.

Although the non-routine uses identified in the District's policy are consistent with OAC 3301-83-16, the District's policy does not stipulate how the reimbursements are calculated. CCSD charges $15 per hour and $1 per mile for the non-routine use of school buses. However, the formula has not been adjusted in several years and may not reflect the current cost of providing non-routine services. In addition, the Transportation Supervisor and Treasurer both indicated they were unsure how the reimbursement amounts were determined.

R5.5 **CCSD should establish formal procedures to ensure T-forms are accurately prepared, reviewed, and reconciled before submission to ODE. In developing these procedures, the District should require the Treasurer's Office and the Transportation Supervisor to complete a thorough review of the T-forms prior to submission to ODE. For example, the Treasurer's Office and the Transportation Supervisor should be responsible for reconciling the expenditures reported on the T-forms to the 4502 financial statements, and identifying and explaining significant variances from prior year reports, including a comparison of ridership and enrollment trends. Improving the report review process will help ensure that the District receives the appropriate State reimbursements for its transportation services, and uses accurate and reliable historical data in making decisions regarding transportation operations.**

The Transportation Supervisor is responsible for completing ODE required T-forms. Ridership information is recorded by bus drivers based on ridership during the October student count week. Additionally, the Transportation Supervisor records payment-in-lieu (Type IV ridership) information and verifies all financial information from the Treasurer's Office. The Treasurer and Superintendent are responsible for verifying the accuracy of T-forms before they are submitted to ODE. However, the District does not have formal procedures to ensure T-forms are accurately prepared, reviewed, and reconciled prior to submission to ODE.

The following irregularities were noted during a review of the District's T-forms:

- **Incorrect Ridership**: The Transportation Supervisor indicated that in FY 2003-04, the District reported all eligible riders on the T-1 form rather than actual riders. This is inconsistent with ODE instructions which indicate that eligible riders, for reimbursement purposes, are pre-school handicapped pupils transported on regular routes and kindergarten through twelfth grade pupils enrolled and actually transported during the first full week of October that school is in session. The Transportation Supervisor indicated that this issue was corrected beginning in FY 2004-05.

- **Expenditure Reporting**: According to the FY 2005-06 T-2 report filed with ODE, the District spent $2,282 to transport a special education student on a vehicle owned by another district (Type IA), and $43,089 to transport students on privately owned other vehicles (Type VI). However, the District did not report these students on the T-1 form. ODE instructions for completing the T-2 form indicate that only expenses for students reported on the T-1 form are to be reported on the T-2 form. The District also had similar reporting inconsistencies on the FY 2003-04 and FY 2004-05 T-forms.

- **Non-Routine Use of Buses**: The District includes some expenditures on the T-2 form for the non-routine use of school buses. This is inconsistent with ODE instructions which indicate that the following costs are not to be included on the T-2 form: expenditures for capital outlay and items placed in inventory; salaries paid in whole by State Foundation Funds; and expenditures for non-routine use of school buses. The District may be overstating its transportation expenditures by including non-routine expenditures on its T-2 form.

According to the Legislative Office of Education Oversight's (LOEO) *Student Transportation in Ohio* (April, 2003) accuracy problems for transportation-related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. LOEO recommended ODE continue to work with school districts to improve the accuracy of the data submitted regarding the number of students transported, the average daily bus miles per student, and the cost of transportation services. The first step in ensuring accurate data is for CCSD to create and adhere to formal policies and procedures that govern the submission of district T-forms.

R5.6 **The District should consider lowering its thresholds for requiring price quotes to help reduce fleet maintenance and repair expenditures. The District should also use a formal competitive bidding process to obtain commonly used items, including transportation supplies and materials. These steps would help ensure that more items are being purchased in a competitive environment and would help the District demonstrate that it uses consistent, fair, and objective practices in the selection of vendors. See R2.11 for an additional discussion of the District's purchasing practices.**

Table 5-3 compares CCSD's maintenance and repair cost ratios to the peer average.

Table 5-3: Maintenance, Repair and Fuel Expenditures

	CCSD	Peer Average	% Difference
Maintenance and Repairs[1]	$221,540	$45,378	388.2%
• Per Rider	$47	$32	49.9%
• Per Bus	$3,035	$2,144	41.6%
• Per Mile	$0.30	$0.28	7.9%

Source: CCSD T-2 forms
[1] Includes maintenance and repairs, tires and tubes, and maintenance supplies.

Table 5-3 shows that the District's maintenance and repair costs are higher on a per mile, per bus, and per rider basis. According to the American Association of School Administrators (AASA), a District's bus maintenance costs should be no more than $0.25 per mile. CCSD exceeds the AASA benchmark by 20 percent. According to the Transportation Supervisor, the higher maintenance and repair costs are due to the age of the fleet. However, the District's purchasing practices may also contribute to the higher cost. For example, **R2.11** in the **financial systems** section indicates that the District does not require price quotes or competitive bidding for items costing less than $10,000.

The *Contract Management Manual: A Guide to Bidding, Selecting, Contracting, and Monitoring Services* (Voinovich Center for Leadership and Public Affairs at Ohio University, June 2001) states that effective contract management assures the community that taxpayer dollars are spent strategically and wisely, which includes control over what is to be purchased, by whom, for what purpose, with what results, and at what price. The purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community.

By lowering the threshold required for competitive bidding and seeking price quotes, CCSD may be able to lower its per bus, per mile, and per rider maintenance and repair costs. This, in turn, would reduce overall transportation costs and allow the District to redirect these resources to direct instruction activities.

Financial Implications Summary

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

Summary of Financial Implications for the Transportation Section

Recommendation	Annual Cost Savings
R5.1 Eliminate 11 active buses	$289,000
Total	**$289,000**

Source: AOS recommendations

Appendix 5-A: 1999 Performance Audit Recommendations and Implementation Status

Table 5-A summarizes the 1999 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, not implemented, or no longer applicable.

Table 5-A: 1999 Performance Audit Recommendation Status

Recommendation	Implementation Status
R5.1 CCSD should establish a formal procedure, with appropriate administrative approval, to determine if safety hazards are present and, therefore, allow for the transportation of students living less than one mile from their school.	This recommendation has not been implemented and a similar recommendation was issued in this performance audit (see **R5.3**).
R5.2 The Transportation Department should utilize the capabilities of their Edulog system to run various scenarios to determine the impact of the current transportation policy on the District's transportation costs.	This recommendation has not been implemented and a similar recommendation was issued in this performance audit (see **R5.1**).
R5.3 Determine how many students would be affected if the transportation policy for students was changed from 1.0 mile to 2.0 miles for transportation eligibility.	This recommendation was implemented but the policy was not changed. A similar recommendation was made in regards to the District's transportation policy (see **R5.5**).
R5.4 Since the District is reimbursed by the number of students, the over reporting of 394 students resulted in an over reimbursement by the State to the District of an estimated $34,278. The District should file a corrected FY 1997-98 T-1 Form with ODE.	This recommendation was not implemented since there was no direction from the Board to do so. However, in FY 2004-05, the Transportation Supervisor changed the reporting method and reported actual riders, not eligible. A similar recommendation on T-form reporting was issued in this performance audit (see **R5.5**).
R5.5 Transportation personnel should be involved in the IEP process for all students who require special services.	This recommendation was implemented.
R5.6 The Transportation Supervisor's job description should be reviewed and updated to meet current work requirements. The revised job description should remove the purchasing manager's performance responsibilities.	This recommendation was implemented.
R5.7 The District should consider adopting a practice that would give management an option to request a medical certificate if an employee is absent for more than three consecutive work days during a school year.	This recommendation was implemented.

Recommendation	Implementation Status
R5.8 The Transportation Department should utilize manuals, such as Chilton's Truck Repair Manual, to establish estimated times for maintenance repairs. The Transportation Department's maintenance program should consider the Pennzoil used oil chemical analysis program. The Transportation Department should also consider a policy for monitoring and documenting parts and equipment failures that are considered safety defects or have a high incidence of repairs, replacement, or failure.	This recommendation was not implemented because of cost and infrequency of the problems. It was deemed no longer applicable at the time of the 2007 audit.
R5.9 To further improve on its inventory cost, all big ticket items or multiple purchase items that total large expenditures for the year, should go through a solicitation for price quotation.	The Transportation Supervisor indicated this recommendation was implemented. However, **R5.6** indicates that the District should consider revising its purchasing policy.

Source: AOS

Technology

Background

This section of the performance audit focuses on Canton City School District's (CCSD or the District) technology use. The objective of this section is to assess the efficiency and effectiveness of the Technology Department. A complete list of objectives is included in the **executive summary**. Technology utilization practices and best practice information from relevant sources are used for comparisons throughout this section of the report. These sources include Ohio's 2006-07 Biennial Educational Technology Assessment (BETA) survey, the Consortium for School Networking (CoSN), the International Society for Technology in Education (ISTE), and the Texas School Performance Review (TSPR).

Organizational Structure

Technology implementation and support are managed by the District's Technology Department, which is comprised of the following 17 full-time equivalent (FTE) employees:

- **PC Manager** (1.0 FTE): Plans, installs, maintains, and supervises computer systems (fiber/cable and wireless) for voice, video, and data purposes.

- **Network Systems Manager** (1.0 FTE): Designs procedures for file transfers, uploading and downloading between mainframe, servers, and desktop computers; provides system security; and monitors Internet usage.

- **Systems Support Techs I, II, and III** (13.0 FTEs): Implements, installs, tests, and releases all versions of computer application systems; trains computer systems users; installs and repairs PC hardware; ensures successful operations of data communications network, including installation, support and repair of data circuits, modems, and hubs; maintains Local Area Networks (LANs) and Wide Area Networks (WANs); performs computer programming as necessary; designs specialized systems; and reports to management with current information for improved and timely decision-making.

- **Technology Specialist** (1.0 FTE): Installs Macintosh (MAC) and PC hardware and software; and creates databases to interface with human resources, finance, and student software.

- **Executive Assistant** (1.0 FTE): Answers and screens telephone calls; composes correspondence; prepares agendas and summaries for staff meetings; and assists with management reporting.

CCSD no longer employs a Technology Director. According to the Network Systems Manager, this position was eliminated by the Board of Education (the Board) as part of the District's financial recovery plan. Currently, the Technology Department is under the joint authority of the PC Manager and Network Systems Manager, who both report to the Business Manager.

As of FY 2006-07, the District maintained 4,939 instructional and administrative computers that were connected to the District's network through fiber lines. Fiber connections provide the District with sufficient bandwidth to meet the needs of end users. The District also effectively uses an electronic trouble ticketing system that allows users to enter requests for service on-line, monitor the status of pending requests, and track the history of issues by computer. CCSD has developed computer usage policies and procedures to ensure that students and employees are using technology appropriately. Lastly, CCSD uses a standard set of instructional and administrative software applications, maintains accurate inventory counts for its computers, and provides its employees with e-mail and Internet access.

Although CCSD has a detailed technology plan to guide long-term decision making, the District does not link the annual budget to funding initiatives in the technology plan. According to the Treasurer, unless a project is specifically authorized and included in the budget, General Fund technology expenditures are usually limited to purchases from a principal's annual building budget. As a result, the level and quality of technology varies throughout the District. For example, CCSD does not equitably distribute its instructional computers (see **R6.7**) and printers (see **R6.8**) among buildings. Similarly, the District's copier costs vary by building and are significantly higher than identified benchmarks (see **R6.12**). Finally, CCSD has not adopted a uniform equipment policy (see **R6.9**) and operates both MAC and PC hardware and has not allocated adequate resources to training (see **R6.11**). This contributes to employee dissatisfaction with long technical support response times (see **Table 6-3**)

Financial Data

Table 6-1 presents a three-year history of CCSD's technology expenditures.

Table 6-1: District Technology Expenditures

Cost Category	FY 2003-04	FY 2004-05	Annual Percent Change	FY 2005-06	Annual Percent Change
Salaries and Wages	$1,031,342	$970,496	(5.9%)	$980,691	1.1%
Retirement and Insurance	$316,562	$341,065	7.7%	$369,119	8.2%
Purchased Services	$547,979	$862,171	57.3%	$674,908	(21.7%)
Supplies and Materials	$256,061	$88,741	(65.3%)	$112,783	27.1%
Capital Outlay	$228,981	$87,453	(61.8%)	$219,650	151.2%
Miscellaneous	$25	$0	(100.0%)	$0	0.0%
Total Technology Expenditures	**$2,380,949**	**$2,349,925**	**(1.3%)**	**$2,357,151**	**0.3%**
Total Expenditures Per Student	**$201.70**	**$205.30**	**1.8%**	**$210.70**	**2.6%**

Source: CCSD
Note: Totals may vary due to rounding.

As shown in **Table 6-1**, CCSD's technology expenditures have remained relatively constant since FY 2003-04. Nonetheless, the District has experienced large variances in certain line-items. Specifically, salaries and wages decreased in FY 2004-05 because the District hired a new Technology Director at a reduced salary (compared to the prior Technology Director) and eliminated two technician positions. However, it should be noted that the Technology Director position was subsequently eliminated in FY 2006-07 as part of the District's financial recovery plan.

In FYs 2004-05 and 2005-06, retirement and insurance increased due to the District's health insurance premiums increasing approximately 10 percent each year. Also, purchased services increased in FY 2004-05 and decreased in FY 2005-06 because the District outsourced the maintenance of student information and financial software packages, which required some additional charges in the first year of the contract. Supplies and materials and capital outlay expenditures fluctuated as a result of software purchases and computer replacements and upgrades. Finally, miscellaneous expenditures decreased in FY 2004-05 because the Technology Department did not spend any monies on professional dues and fees.

Performance Audit Follow-up

In 1999, AOS completed a performance audit of CCSD as a part of the 21 urban school district initiative. Following the issuance of the performance audit, CCSD was required to develop and approve an Economy and Efficiency Plan detailing how the District intended to address the performance audit recommendations.

As a follow-up to the 1999 Performance Audit assessment of CCSD's technology operations, this section of the performance audit reviewed the previous recommendations, CCSD's Economy and Efficiency Plan, and current District operations to determine the implementation status of all previous recommendations. The results of this analysis can be found in **Appendix 6-A** with references, where pertinent, throughout the section. Of the 23 recommendations contained in the 1999 Performance Audit, CCSD fully implemented 13, partially implemented 3, and did not implement 6.[1] Nine recommendations from the 1999 audit were re-issued in this performance audit.

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[1] One recommendation was deemed no longer applicable.

Recommendations

Planning and Budgeting

R6.1 **CCSD should ensure that its technology plan is presented to, discussed with, and approved by the Board. The Board should also require that a Technology Department representative presents annual updates to show the District's progress in implementing the plan. This will foster accountability and help ensure that the technology plan remains a high priority for the District.**

In addition, CCSD officials should work to identify specific funding sources that can be dedicated to achieving yearly goals and objectives outlined in the technology plan. One potential option would be to centralize annual technology allocations that are given to the building principals for non-building upgrades. CCSD could then use this money to help implement the upgrades and replacements identified in the technology plan. This would also help standardize the level and quantity of technology equipment and software among buildings.

The District's technology plan was developed by the former Technology Director along with input from staff and teachers. The plan covers FYs 2006-07 through 2008-09 and details curriculum alignment and instructional technology, technology leadership and administration, and technology infrastructure. The technology plan was submitted to eTech Ohio, where it was approved and certified on March 21, 2007.[2]

Although the District's technology plan was approved by eTech Ohio, there is no indication that it was approved by the Board before it was submitted. The technology plan also fails to identify a staff member that will be responsible for overseeing and updating the Board on the implementation of the plan. In addition, the District does not link its annual budget to funding the initiatives in the technology plan. According to the Treasurer, unless a project is specifically authorized and included in the budget, the District's General Fund technology expenditures are usually limited to purchases from a building principal's annual budget allocation. As a result of decentralized purchasing practices, the level and quality of technology can vary significantly between buildings (see **Table 6-5**).

In contrast to CCSD, Marietta City School District's (Washington County) board members formally approve its technology plan as a means to ensure that all stakeholders share the District's technology vision. Similarly, the *Texas School Performance Review* (TSPR) (Texas Comptroller of Public Accounts, 2003) indicates that while a school

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[2] School districts are required to have their technology plans approved by eTech Ohio in order to receive E-rate funding.

district's technical personnel can develop the vision for a technology plan, that vision must be shared and understood by the board, or it will remain unfunded. To ensure implementation, school districts should commit direct funding to each goal in a technology plan. Funds may have to be shifted, or timelines stretched, but these decisions should be the result of collaboration between the Board and technical and managerial personnel. Lastly, the TSPR indicates that once a technology plan is adopted, a district's school board should receive regular progress reports on the implementation of major technology projects.

Developing a technology plan that is linked to a centralized technology budget would allow the District to more effectively use and allocate its current technology. Similarly, receiving Board approval for the technology plan will help ensure that the Board shares CCSD's long-term technology vision, which subsequently could impact future technology funding levels. This type of planning is especially important given the District's current financial difficulties.

R6.2   CCSD should develop and maintain documentation to support its Total Cost of Ownership (TCO) calculations. When calculating these expenses, various factors should be accounted for, such as professional development, support, software replacements, upgrades, connectivity, and retrofitting. In addition, the District should require that TCO calculations and supporting documentation be submitted to the Superintendent and Treasurer prior to making future technology purchases. This will help ensure that key administrators are aware of the costs associated with providing employees with adequate technology-related training, maintaining new computers, and replacing computers when they become obsolete.

The District's technology plan states that CCSD makes "extensive" use of TCO calculations prior to making technology purchases. However, the District's PC Manager and Network Systems Manager both indicated that although they informally estimate TCO, this calculation is not documented and maintained for future reference. By not documenting TCO calculations, CCSD may only be accounting for a portion of expenditures necessary to support hardware and software purchases in future years. According to *A School Administrator's Guide to Planning for the Total Cost of New Technology* (Consortium for School Networking (CoSN), 2001), the objective of TCO is to fully capture both direct and indirect costs associated with using and maintaining networked computers. For example, TCO accounts for costs associated with professional development, software, support, replacement, and connectivity that may not be as apparent to District administrators, the Board, and the community.

To help school officials understand all direct and indirect costs associated with operating school networks and ensure they have budgeted adequately to support technical investments, CoSN has developed a free web-based tool (www.classroomtco.org) for

estimating TCO. School districts can input approximately 100 pieces of data to form the basis for analysis. While there is no perfect methodology for calculating TCO, this tool allows districts to evaluate their own decisions over time and permits estimates to be compared with similar districts.

By using TCO, the District's administrators and board members will have an improved ability to determine when continued maintenance of older computers is no longer cost effective or when the District is using equipment that is beyond its intended life cycle. In addition, the District will be able to evaluate proposed technology purchases based on a long-term consideration of all direct and indirect costs associated with purchasing, maintaining, and supporting new technology rather than basing decisions solely on the initial purchase price.

R6.3 **The District should assign a specific technology staff member to be responsible for seeking grants and developing relationships with area businesses. These activities may allow the District to obtain additional funding/donations that can be used to purchase items that are outside the constraints of the District's operating budget. The improved relationships with area businesses, foundations, universities, and other organizations may also allow the District to experience future savings by sharing certain resources such as technology expertise and equipment.**

In order to receive grant awards, the District must commit resources in seeking and completing grant applications. CCSD does not employ a Technology Director and the two highest ranking technology staff members indicated that they do not spend time seeking any non-State funded grants. As a result, the District has not received any local technology grants during the last three years.

In the Durango School District (Colorado), grant funding is used to bridge the gap between school district technology needs and funding resources. As a result, its technology director has increased the amount of time spent on writing grants from 2 percent of his time to nearly 25 percent of his time. In addition, the school district is exploring additional business partnerships with high tech companies. As a result of these efforts, the Durango School District recently received a grant totaling $245,000. The purpose of the grant was to connect teachers in grades 5, 8, and 11 with distance training opportunities to improve teaching skills in specific content standards through the integration of technology.

In its *School Technology: Five School District's Experiences in Funding Technology Programs* (1998) the Government Accountability Office (GAO) describes the experience

of five school districts[3] in funding technology. The study indicates that several of the districts targeted public and private entities to implement education technology. Businesses, foundations, universities, and other organizations provided financial assistance or contributed expertise, shared resources, or donated equipment to support technology needs. Also, all five districts developed partnerships with businesses in their communities to assist with technology development efforts and to help in securing funding.

By not designating an employee to search for local, State, and federal grants, the District is foregoing funding for purchases that would otherwise not be possible within the constraints of the normal operating budget. Additionally, CCSD may be incurring technology-related costs in the General Fund that could otherwise be offset through grants and/or partnerships with other organizations.

Staffing and Organizational Issues

R6.4   **CCSD should reduce Technology Department staffing levels by 4.5 FTEs to achieve a computer-to-technology staff ratio of 400:1. Although this ratio does not meet the CoSN standard of 500:1, implementing certain recommendations in this performance audit should improve Technology Department efficiency, which could result in opportunities for additional staffing reductions in the future.**

Table 6-2 summarizes CCSD's technology staffing levels and expenditures.

Table 6-2: CCSD Technology Department Staffing

Position Title	FTEs
PC Manager	1.0
Network Systems Manager	1.0
Systems Support Tech I	1.0
Systems Support Tech II	4.0
Systems Support Tech III	8.0
TRC Tech Specialist	1.0
Executive Assistant	1.0
Total Technology Staff	**17.0**
Total Technology Expenditures per Student – FY 2004-05	**$205.30**
Total Technology Expenditures per Student – FY 2005-06	**$210.70**
Total CCSD Computers	4,939
Computers Per Technology FTE	291.5

Source: CCSD
Note: CCSD technology staff work 7.5 hours per day, 260 days per year. For the purpose of this assessment, an FTE is considered to work 7.5 hours per day.

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[3] The five districts consist of the Davidson County Schools (North Carolina), the Gahanna-Jefferson Public Schools (Ohio), the Manchester School District (New Hampshire), the Roswell Independent School District (New Mexico), and the Seattle Public Schools (Washington).

Table 6-2 shows that the District spent $205.30 per student on technology in FY 2004-05 and $210.70 in FY 2005-06. According to Quality Education Data's (QED) 10th annual technology purchasing forecast (QED, 2006), QED estimated that school districts would spend an average of $140.31 per student on technology in FY 2004-05. The District's higher technology expenditures can partially be attributed to its technology staffing levels. For example, **Table 6-2** shows that CCSD averages nearly 300 computers per technology staff FTE. By comparison, CoSN suggests that a "TCO savvy district" provides computer support at a ratio of at least 1 support person for every 500 computers in a closely managed network environment. CoSN also indicates that more centralized control of networks with network management software and reducing the number of operating systems and applications that are supported are ways to minimize the number of staff needed to support technology.

Although CCSD is closer to achieving a standardized network environment, the District still has to take certain steps before it can reasonably achieve the 500:1 computer-to-technology staff member ratio. For example, the District is beginning to purchase standardized hardware and software (see **R6.9**). Furthermore, implementing certain recommendations in this performance audit will help strengthen the network environment such as centrally budgeting and allocating computers to buildings (see **R6.7**) and offering more professional development activities (see **R6.11**). However, based on the District's fiscal caution status and the higher technology expenditures noted above, the District may need to make staffing reductions before these recommendations can be fully implemented. If the District is to achieve a computer-to-technology staff ratio of 400:1, it must eliminate 4.5 technology staff positions.

Financial Implication: By reducing 4.5 Technology Department FTEs, CCSD can save approximately $194,000 annually in salaries and benefits.

R6.5   **CCSD should develop a formal system for prioritizing and completing technology-related work orders. This system should use a point system to clearly outline critical and non-critical repair requests. Implementing a work order priority system, in conjunction with using a student technology program (see R6.6), would allow CCSD to resolve repair requests more quickly. CCSD should also develop a survey to measure user satisfaction on an annual basis. The results of the surveys should be tabulated and strategies for improvement should be identified. Survey results should be compared against previous surveys to determine the District's overall progress.**

Table 6-3 presents the 2006-07 BETA survey results (completed by CCSD teachers) concerning technology requests for assistance.

Table 6-3: CCSD Response Time for Computer Issues

Question	CCSD Percentage	Stark County Percentage	State Percentage
Same Day	10%	31%	26%
Next Day	16%	24%	23%
2-3 Days	41%	24%	25%
4-5 Days	13%	7%	9%
More Than 5 Working Days	19%	11%	13%

Source: 2006-07 BETA survey
Note: Percentages may not equal 100 percent because all teachers did not respond to every question.

Only 26 percent of CCSD teachers indicate that requests for technical assistance are handled the same day or the next day, falling significantly below State and county averages. Such delays can be partially attributed to the absence of a work order prioritization system. For example, under the District's current practice, each technology staff member must make judgment calls about the priority of repair requests, which subsequently can cause inconsistencies in technician response times and misconceptions among employees about the effectiveness of the Technology Department.

The Bellingham School District (Washington) has written prioritization methods for the resolution of technology issues. For example, it has developed criteria based on number of students and administrators affected, whether other staff members are affected, and any impacts upon instructional delivery. Points are assigned to each of these areas which allow technicians to plan their day and maximize their time spent at district sites.

CCSD also does not measure user satisfaction with its technology support process. As a result, the District may not have an accurate understanding of the issues employees are facing. According to *Technology Support Index* (ISTE, 2005), an exemplary organization will create an automatic and random system that tracks and collects survey data throughout the year. Questions pertaining to technical support are developed and data obtained during the year is used to make any necessary operational adjustments. During the course of the performance audit, AOS distributed a survey to CCSD staff regarding technology issues. **Table 6-4** presents staff responses to survey questions about satisfaction with technical assistance at CCSD.

Table 6-4: CCSD Staff Technical Assistance Survey

Survey Question	Responded Strongly Disagree and Disagree
Technical assistance department is easily accessible	28%
Requests for assistance are answered in a timely manner	28%
Computer repair services are easily accessible	28%
Computer requests are answered in a timely manner	22%
Technology staff is able to solve hardware problems	20%
Number of technology personnel is adequate to provide support	51%
I am satisfied with the technical assistance provided by the District	27%

Source: AOS survey of CCSD employees
Note: The above questions were based on the following choices: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

Table 6-4 shows that CCSD staff either selected strongly disagrees or disagree nearly 30 percent of the time for questions dealing with staff technical assistance. District employees also expressed higher levels of dissatisfaction regarding the number of technology staff. However, **R6.4** shows that the District's technology staffing levels are higher than industry standards and recommends staffing reductions. The District may be able to partially offset the staff reductions and improve response times by using students as first-line responders to non-critical repair issues (see **R6.6**).

Implementing a formal system for prioritizing and resolving technology work orders will help CCSD resolve issues in a more expedient and consistent manner, which subsequently should result in less computer down time and reduced frustration among the employees. Finally, conducting an annual employee survey regarding the technology support process will help the District monitor the effectiveness of the Technology Department.

R6.6 **CCSD should implement a student technology worker program to train and use students in providing technology support. To help ensure the success of this program, the District should designate a staff member to be responsible for developing program guidelines, designing an employment application, interviewing and selecting potential candidates, conducting relevant training, and managing the daily activities of the students. A student technology worker program would provide the District with additional technical support resources while helping prepare students for careers in technology.**

Currently, CCSD does not use student employees to assist the Technology Department. Both the Network Systems Manager and the PC Manager stated that the District previously attempted to create a student technology worker program. However, the Technology Department discontinued the program several years ago due to problems with student behavior and a lack of interest by students in performing certain technology

functions. The District identified students eligible for this program based on recommendations from teachers.

Several Ohio districts use students to provide technical support. Tallmadge City School District (Summit County), for example, has been using students to help provide technology support for over five years. The District received a federal grant which was used to create a Technical Work Experience (TWE) program for students in grades 10 through 12. Typical tasks that students complete include: installation, inventory, troubleshooting, minor hardware repair, network cabling, assistance to staff, software installation and support, and printer maintenance. Students are exposed to these duties after the completion of a training program. Typically, between 6 and 8 students participate in the TWE annually.

To ensure a successful student worker program, Minster Local School District (Auglaize County) requires that students complete an application process to determine a good fit. Sandy Valley Local School District (Stark County) recommends the following methods for using student technology workers:

- Limit the number of student assistants to a manageable number that can be adequately trained and supervised;
- Select students with responsible characters, as well as, an above average interest in technology because student technology assistants oftentimes work without direct supervision;
- Make students accountable for their assignments; and
- Take the time to adequately train the technology assistants with plenty of big picture overview.

A Guide to Student Technology Intern Programs in K-12 Schools (Ohio SchoolNet, 2004) indicates that a consistent outcome of the student technology worker programs is that students become more engaged, it increases his or her technical skills, and the student feels valued as a larger contributor to the success of the district. For the district, the results show decreased technology downtime, better technology management processes, and faster response times. Implementation costs vary depending on the type (academic credit or paying students) and scope of program implemented. However, if CCSD provided class credit to students and sought grant funding for the program (similar to Tallmadge CSD), it could minimize the impact on the General Fund.

Hardware

R6.7 **CCSD should annually update the information captured in Table 6-5 to reflect current computer inventory levels and student enrollment per building. District administrators should subsequently review this information and other similar criteria (student needs, special education requirements, purpose of computer and software capabilities, etc.) to distribute future computer purchases more equitably throughout the District. CCSD would be in a better position to implement this recommendation if it centralized the technology budget and revised its comprehensive technology plan (see R6.1).**

CCSD provides computer access to all staff and students, providing that acceptable usage forms have been completed. **Table 6-5** shows the distribution of instructional computers at the District during FY 2006-07.

Table 6-5: CCSD Instructional Computers per Building

CCSD Building	Total Instructional Computers per Building	Enrollment Head Count	Student-to-Computer Ratio
Allen Elementary	151	389	2.6
Belden Elementary	152	408	2.7
Cedar Elementary	66	522	7.9
Clarendon Elementary	104	407	3.9
Compton Elementary	157	262	1.7
Dueber Elementary	131	306	2.3
Fairmont Elementary	123	333	2.7
Gibbs Elementary	135	315	2.3
Harter Elementary	73	433	5.9
Mason Elementary	43	230	5.3
McGregor Elementary	138	333	2.4
Schreiber Elementary	155	320	2.1
Belle Stone Elementary	99	324	3.3
Summit Elementary	147	400	2.7
Worley Elementary	56	357	6.4
Youtz Elementary	125	366	2.9
Crenshaw Middle	246	442	1.8
Hartford Middle	224	297	1.3
Lehman Middle	247	666	2.7
Souers Middle	220	332	1.5
McKinley High	486	1,672	3.4
Timken High	664	1,168	1.8
Choices Alternative	67	174	2.6
Martin Center [1]	69	110	1.6
Early Childhood Center	73	80	1.1
Canton Art Academy	90	124	1.4
Canton Academy	23	46	2.0
Total [2]	4,264	10,816 [3]	2.5

Source: CCSD and ODE

[1] Includes Graduation Academy, Connections Academy, and Passages School.

[2] Excludes 19 computers and 229 students as these students have access to District-owned laptops.

[3] The enrollment figure reported in **Table 6-5** may differ from the enrollment reported in other sections of this performance audit due to the exclusion of certain non-traditional education programs where the District does not provide computers.

Table 6-5 shows that CCSD averages 2.5 students per computer throughout the District. To ensure that students have appropriate access to computer technology, the Ohio SchoolNet Plus grant guidelines indicate that school districts should have a general goal of having a maximum of five students for each computer. Although CCSD's overall average meets this goal, **Table 6-5** shows that District's computers were not allocated evenly from one building to the next. For example, Cedar Elementary maintains an average of 7.9 students per computer while Compton Elementary only maintains an average of 1.7 students per computer. The discrepancy in the allocation of instructional computers can also be attributed to decentralized purchasing practices (see **R6.1**).

The Portland Public School District (Maine) uses a technology committee to assign computer hardware to school buildings. This committee considers criteria such as student and teacher population, condition of existing equipment, building facilities, and building based technology plans when determining the building allocations. In doing so, Portland Public School District uses objective criteria to demonstrate that computers are equitably allocated to the buildings.

By not evenly allocating hardware throughout the District, students may not derive the optimal benefit from instructional technology and may have different levels of understanding about technology. Similarly, unequal allocations may lead community members to conclude that technology is allocated on a preferential basis, rather than on objective criteria. Identifying an appropriate student to computer ratio for each grade level and then using the technology plan to ensure equitable distribution will help CCSD ensure that all its students have equal access to the benefits of instructional technology.

R6.8   CCSD should accelerate its phase out of the inkjet printers and replace them with networked laser printers. The Technology Department should also inventory the number and type printers at each building on an annual basis and share the results with all appropriate decision makers. Having an accurate inventory is important to determine whether hardware has been allocated properly (see R6.7), to prevent and/or detect theft, and to assist in making future technology staffing and purchasing decisions. Centralized technology purchasing (see R6.1) will also help the District allocate printers more equitably among buildings.

According to the 2006-07 BETA survey, the District only uses laser printers and does not have any inkjet printers. However, the PC Manager indicated that this was incorrect and that CCSD still has some inkjet printers in each of the buildings although it is trying to phase these out. The article *Inkjet Versus Laser Printers* (Small Business Computing.com, 2005) indicates that the cost (purchase and ink) of a common laser printer that can print 40,000 pages is about two cents per page—one eighth that of an ink jet printer. Furthermore, laser printers are quieter, faster, and require less maintenance.

The District also has significant variances in the allocation of printers between school buildings. The 2006-07 BETA survey indicates that Cedar Elementary has 5 printers and averages 104.4 students per printer while Gibbs Elementary has 18 printers and averages 17.5 students per printer. Similar variances also exist between Crenshaw Middle School, Lehman Middle School, McKinley High School, and Timken High School. An AOS survey of CCSD indicates that several employees expressed dissatisfaction with the number and location of printers in some of the buildings. The wide disparity of students per printer and staff dissatisfaction with printer accessibility can be attributed, in part, to decentralized purchasing (see **R6.1**).

R6.9 CCSD should create a uniform hardware and software policy which includes a detailed list of products that the technology staff will support. Once developed, the District should post the policy on its website for all employees to reference when making future purchases. This would allow users and technology staff to develop familiarity with one system, which will facilitate improved training (see R6.11) and allow the Technology Department to resolve technology work orders more quickly. A similar recommendation was made in the 1999 Performance Audit.

CCSD has a substantial number of MAC computers, in addition to PCs for use by students and staff. During an AOS review of building computers, it was noted that that 71 percent of computers at Schreiber Elementary were MACs while only 29 percent were PCs. Similarly, only 1 percent of computers at Bell Stone Elementary were MACs, while 99 percent were PCs. As a result of purchasing two different platforms, staff must be familiar with both operating systems, resulting in slow response times for technology work orders (see **Table 6-3**). Similarly, the two-platform operating environment requires CCSD to purchase and support different software packages for each system. However, because of the lack of professional development requirements for staff, employees may not be fully aware of the various capabilities or components of each system (see **R6.11**).

According to the *Technology Support Index* (ISTE, 2005), an exemplary organization uses one platform, with a few exceptions for special projects. Similarly, the article *Seven Cost Savings Strategies for Addressing the IT Crunch* (eSchool News Online, 2006) indicates that standardized computer systems can reduce technology support and computer training costs. When all users are working with the same software, it increases productivity, simplifies licensing, and improves training. As a result, when a district uses one computer model, it pays a lower cost per unit, is not required to stock a variety of parts, and does not need to support different models.

The Faribault Public School District (Minnesota) has a list of standardized equipment that is published every year. The equipment list contains detailed specifications and requirements for the following equipment:

- Hardware: workstations, laptops, printers, monitors, internal/external CD and DVD burners, and FAX/modems;
- Peripherals: scanners, mouse/keyboard;
- Video Equipment: personal digital assistants, digital cameras, multimedia projectors, and other video equipment;
- Network-Related Devices;
- External Storage Devices; and
- A comprehensive list of supported software.

In addition, there are forms attached to the standardized list which can be used to purchase non-standardized equipment. This helps Faribault Public School District ensure that employees are aware of the District's hardware and software requirements when making purchases.

R6.10 CCSD should consider developing specific guidelines regarding acceptable technology donations and proper disposal procedures. This would help ensure compatibility and usefulness of equipment donated to the District while minimizing additional support costs. In addition, written guidelines would help ensure a consistent application of donation and disposal practices in the event of a long-term absence or turnover by key technology decision makers. The District should also consider requiring Board and Superintendent approval prior to disposing of equipment. This will allow for appropriate disposal of equipment and proper documentation to be maintained. Once adopted, the District should post these guidelines on its website in an effort to address common questions from local citizens.

CCSD does not have a formal equipment donation policy. The PC Manager indicated that CCSD rarely accepts donations due to the poor condition of the equipment. However, accepting technology donations can be an inexpensive method for the District to obtain additional computers, especially important given the District's current financial difficulties. Developing an equipment donation policy would help ensure that CCSD accepts equipment that is compatible with current District technology.

Seven Cost Savings Strategies for Addressing the IT Crunch (eSchool News Online, 2006), indicates that key issues to consider when implementing a donation program include compatibility with existing hardware and network offerings, ability to run core instructional programs, and Internet access at an acceptable speed. In addition, the *Technology Support Index* (ISTE, 2005), states that an entity can be considered exemplary if donated equipment is accepted, but only of it meets specific brand, model, performance, and system requirements.

The District also lacks specific procedures for disposing of technology equipment. According to the Network Systems Manager, equipment is disposed of when it no longer functions or when the applications do not run properly. The District primarily uses public auctions and contracted companies to dispose of equipment in an environmentally acceptable way. However, the list of equipment scheduled for disposal is not shared with all appropriate decision makers. For example, although the Purchasing Department is notified once technology equipment is disposed of in order to update the fixed asset records, other important individuals such as Board members and other key administrators do not receive this information.

The Meridian Independent School District (Texas) developed a comprehensive Technology Equipment Obsolescence Policy, which includes the following components:

- **Computer Life Cycle**: Defines the optimal life cycle of a computer and discusses options for older computers.

- **Disposition Options**: Technology can be donated to non-profit organizations or a contract with a computer recycling organization can be created.

- **Disposal Options**: Environmentally hazardous components should be handled carefully, and useful components should be removed from machines for possible use in the future.

- **Documentation**: Personnel are required to document all equipment disposal events, and report this information to the school board on a regular basis. In addition, all inventory tags should be removed from the equipment before disposal. The district should maintain documentation on all equipment and include information that indicates the item is no longer district property. In addition, the method and date of disposal should be noted, and if the item was sold, the price and purchaser should also be recorded.

Developing the above policies will permit CCSD to strengthen its internal controls and ensure that all donations or equipment transfers are appropriate and compatible, which can help reduce work order response times (see **R6.5**).

Professional Development

R6.11 **The District should develop a technology training program that identifies a core curriculum and a minimum number of training hours that all employees should receive each year. The core curriculum should be designed to cover critical aspects of an employee's responsibilities and can be completed either in-house or externally. To facilitate this process, CCSD should ensure that an appropriate percentage of the technology budget is allocated to professional development activities for teachers, technology staff, and other employees, as needed. In addition, the District should also track the total number of hours and types of training an employee receives in-house and externally and should solicit feedback from participants about topics covered. Developing a formal technology training program, which better acquaints staff with the software they use and empowers them to perform basic troubleshooting functions, may assist in improving the timeliness of service (see R6.5) and enable staff to fully use the functions available in the District's software. A similar recommendation was also made in the 1999 Performance Audit.**

CCSD has neither a comprehensive technology development program for its employees, nor a mechanism to assess the effectiveness of professional development activities. In addition, the District does not track relevant information concerning technology training activities. For example, although CCSD can provide a list of technology training seminars that were offered to certificated staff during the past three years, the District does not track the training hours by employee. Similarly, the District does not track the courses or the hours of technology training for the administrative and classified staff members.

CCSD's technology plan indicates that "Consistent with the District's vision of improving student achievement, CCSD will provide greater access to technology, provide teachers and students with programs aligned to State standards, and provide professional development to meet our goals." However, despite this statement, CCSD has not established minimum requirements for technology training. The lack of technical training potentially limits the ability of staff to troubleshoot their own problems and may limit the use of instructional technology. Consequently, the Technology Department must devote time to issues that could be easily resolved, diverting time and resources from more complex issues (see **R6.5**).

According to the AOS survey, nearly 70 percent of CCSD employees either strongly agree or agree when asked whether additional technology training is needed. The survey also indicates that nearly 38 percent of respondents do not know all of the major software functions used by their departments. An analysis of the technology plan shows that CCSD only expects to spend an average of 3.9 percent of its technology budget on professional development during the next 4 fiscal years.

A School Administrator's Guide to Planning for the Total Cost of New Technology (CoSN, 2001) states that training costs should represent a large component of a district's budget. If staff members are not properly trained, teachers will not understand how to integrate technology into the curriculum, support staff will not be up-to-date on hardware and software developments, and the District will fail to achieve the maximum return on its technology investment. The article further states that a "TCO-savvy district" devotes anywhere from 15 to 30 percent of their technology budget for staff development and training. Furthermore, the *Technology Support Index* (ISTE, 2005), indicates that an exemplary technical organization has a comprehensive staff development program in place that impacts all staff. This program would be progressive in nature and would balance accountability, incentive, and diverse learning opportunities.

Developing a formal technology training program will help ensure that employees are using hardware and software applications to the fullest extent possible and that they can perform basic troubleshooting functions. Additionally, regular training will help ensure

that technical staff maintains the skills and expertise necessary to efficiently accomplish their assigned duties.

Copy Machines

R6.12 CCSD should centralize control of its copy machine budget to more equitably distribute equipment among buildings. The District should review the capabilities of the current copy machines and consider allocating them based on objective criteria such as students per copy machine, employees per copy machine, and other relevant workload measures. This will ensure that the District is making full use of its copy machines and is not paying for excess capacity. Based on the comparison to the Akron City School District, CCSD should strive to reduce 40 copy machines from its lease. Additionally, prior to renewing the current copy machine contract, CCSD should consider issuing requests for proposal (RFPs) to ensure that the District is receiving the best price and service plan (see R2.11).

In FY 2006-07, the District used 89 copy machines to support 10,857 students and 1,432 employees. According to the District's Purchasing Manager, the number of copy machines within the District is primarily determined by the building principals. The principals are surveyed annually to determine the number of copy machines that are needed for the upcoming school year. Once tallied, the District's contract with the copy machine vendor is modified to reflect the amounts. As a result of this practice, the District has large variances in the cost of copy machines by building. For example, in FY 2006-07, Fairmount Elementary spent $28.15 per student on copy machine costs while Dueber Elementary and McGregor Elementary (similar in student enrollment) only spent $16.63 and $19.48 per student, respectively. Similarly, Lehman Middle School spent $21.92 per student on copy machine costs while Crenshaw Middle School spent $27.41.

In addition to the disparity between the buildings, it also appears that CCSD is contracting for more copy machines than may be needed. CCSD's 89 copy machines supported 122 students and 16.1 employees per machine in FY 2006-07. By comparison, Akron City School District contracted for 110 copy machines that supported 240 students and 33.6 employees per machine. As a result of the disparity in the number of copy machines, CCSD's copier costs per student ($35.63) are significantly higher than Akron City School District's ($8.10). The District must eliminate approximately 40 copy machines to meet this benchmark.

The District contracts its copier services out to the Stark County Council of Governments Consortium (the Consortium). According to the District's Purchasing Director, CCSD has not reviewed the contract negotiated by the Consortium since it was originally agreed upon five years ago. Under the terms of the contract, CCSD can make 3 million copies per year before an overage charge is levied. By comparison, Akron CSD issued RFPs to

negotiate a five-year lease for copy machines. RFPs contained detailed bidding instructions, vendor compliance requirements, copy machine specifications, and a variety of training and documentation requirements. Furthermore, its RFPs prohibit vendors from imposing copy limitations.

Reviewing the capabilities of the current copy machines and allocating them based on objective workload measures would help CCSD ensure that it is making full use of its copy machines and not paying for excess capacity. Additionally, using an RFP process will help ensure that the District is receiving the best price and service plan.

Financial Implication: The District paid approximately $387,000 for 89 copy machines in FY 2006-07. If the District eliminated 40 copy machines from this contract, the savings is estimated to be approximately $174,000 annually.

R6.13 CCSD should consider implementing recommendations from the 1999 Performance Audit that have not been fully implemented or addressed in this section. These recommendations could help improve technology management which positively impacts overall District operations.

Some operational items reviewed in the 1999 Performance Audit remain applicable to CCSD. The following recommendations were determined to still be relevant:

- **Staffing and Training**: The Technology Department continues to make staffing adjustments without preparing a formal analysis of the make-up and skill level of its computer user population (see 1999 **R6.2**). Similarly, the District does not provide funding for technology personnel to obtain appropriate certifications (see 1999 **R6.21**).

- **Stakeholder Involvement**: The District does not include business leaders or community members on the various technology steering committees (see 1999 **R6.4**).

Appendix 6-A provides a summary of the 1999 Performance Audit recommendations and implementation status.

Financial Implications Summary

The following table presents a summary of annual cost savings identified in this section of the performance audit. For purposes of this table, only recommendations with quantifiable impacts are listed.

Table 6-6: Summary of Financial Implications for Technology

Recommendation	Annual Cost Savings
R6.4 Reduce 4.5 Technology Department FTEs	$194,000
R6.12 Eliminate 40 copy machines	$174,000
Total	**$368,000**

Source: AOS recommendations

Appendix 6-A: 1999 Performance Audit Recommendations and Implementation Status

Table 6-A summarizes the 1999 Performance Audit recommendations and their implementation status. Each recommendation was categorized as implemented, partially implemented, not implemented, or no longer applicable.

Table 6-A: 1999 Performance Audit Recommendation Status

Recommendation	Implementation Status
R6.1 CCSD should review its technical position descriptions and compare them with duties actually performed, particularly for those technical positions now residing in user areas, to determine whether the specific wording used in the position descriptions clearly reflect all significant responsibilities. In instances where meaningful differences are identified, the District should modify the position description accordingly.	This recommendation was partially implemented. The District updated the job descriptions after the 1999 Performance Audit. However, **R3.12** in **human resources** indicates that the majority of the District's job descriptions (including the technology staff) have not been reviewed or updated within the last two years.
R6.2 Prior to approaching the Board with a request for additional staffing, the TSD should prepare an analysis of the make-up and skill level of its computer user population, employing either the Gartner Group hierarchy or any other rational methodology, as well as a companion analysis of the District's hardware and software. Only after TSD has fully identified and evaluated the abilities of its computer users and devised its staffing request based on that evaluation, should the Board be asked to take action.	This recommendation was not implemented.
R6.3 CCSD should establish a formal annual review and revision process that will allow the strategic technology plan to evolve and remain viable in light of changes in the District, the educational community, and technological advancements.	This recommendation was partially implemented. A similar recommendation is included in this performance audit (see **R6.1**).
R6.4 The Administrative Technology Review Committee and the Curriculum and Instructional Review Committee should expand their membership to include local business and civic representation.	This recommendation was not implemented.
R6.5 The Curriculum and Instructional Review Committee should provide minutes of all committee meetings to the executive director for technology, and make agendas available to him so that he has the opportunity to attend those meetings which address issues of technology.	This recommendation was implemented.

Recommendation	Implementation Status
R6.6 The District should develop and enforce written standards for hardware, network operating systems, and software such as office automation packages and e-mail. The Board should adopt a general policy for standardization identifying the technology areas to be included, while the specific standards should be developed and approved by the TSD. Because of the rapidly changing nature of technology, the standards should indicate a range of acceptable equipment models or software versions, and be reviewed and updated on a regular basis. Written standards should be distributed to all schools and departments within the District and any exception in adhering to those standards necessitated by a school or department's unique situation should be approved by TSD.	This recommendation was not implemented. A similar recommendation is included in this performance audit (see **R6.11**).
R6.7 The District should develop, and the Board should formally adopt, a comprehensive computer use policy.	This recommendation was implemented.
R6.8 The TSD should place a high priority on the completion of the PC hardware/software database, which will be capable of providing both technicians and District management with valuable information. The information contained in this database should be an integral part of the District's disaster recovery plan.	This recommendation was implemented.
R6.9 CCSD should consider centralizing its help desk services in the TSD at the Wells administration building. To improve the quality of those services, the District should consider purchasing dedicated help desk software, such as HEAT or another comparable product.	This recommendation was implemented.
R6.10 The District should store codes at a site other than the Wells administration building or at the residence of an employee.	This recommendation was implemented
R6.11 The District should store its archival and most recent backup tapes in a secure environment at an off-site location other than the home of an employee. The District recognizes the value of off-site storage by maintaining copies of the most recent daily backup tapes at the home of a TSD technician. However, because individual residences are not generally designed for this purpose and due to the sensitive and critical nature of certain data, this practice should be discontinued. Rather, the tapes should be stored in a more secure location where the District can ensure that appropriate physical and environmental controls are in place.	This recommendation was implemented.

Recommendation	Implementation Status
R6.12 The District should determine the realistic market or trade-in value of its HP 3000 mainframe and assess that value against other alternative uses for the machine to determine if a greater benefit can be achieved.	This recommendation was implemented.
R6.13 To strengthen the monitoring process at the CCSD, the authorization form should include a provision prohibiting the loading of unauthorized or personal software, and the return of equipment should be recorded on the applicable authorization form and verified by the TSD. The District may also wish to consider limiting the home use of computer equipment to training purposes only, in which case the authorization form should indicate the specific software on which the employee intends to train and the expected benefit the District will derive from such training.	This recommendation was implemented.
R6.14 CCSD should implement procedures and establish the necessary account structure and codes which will allow it to capture, identify, and report on technology related transactions throughout the District.	This recommendation was implemented.
R6.15 CCSD should continue its efforts to evaluate and select a standard, District-wide e-mail package, and should consider integrated software which provides such features as file sharing, electronic conferencing and, Intranet support in addition to full e-mail capabilities.	This recommendation was implemented
R6.16 CCSD should expand its website to include other types of information which would be of interest and benefit to the District's constituents.	This recommendation was partially implemented. The District is now including more information on the website that could be useful to constituents. However, **R2.9** indicates that the District could enhance these efforts by including more financial information on the website.
R6.17 CCSD should take greater advantage of the Intranet by expanding it to contain other items of interest and importance to District employees.	This recommendation was implemented.
R6.18 In anticipation of the future reduction or elimination in SchoolNet Plus funding, the District should begin building a component of expenditures into its general operating budgets and financial forecasts to provide for future training and staff development in the area of technology.	This recommendation was implemented.
R6.19 CCSD should create a centralized and comprehensive database of employee participation in technology related training programs, and institute procedures to ensure that all such relevant information is captured and retained in the future.	This recommendation was not implemented. A recommendation to begin tracking appropriate technology training information is included in this performance audit (see **R6.10**).

| Recommendation	Implementation Status
R6.20 It is important that CCSD continues to encourage mandatory participation rather than voluntary. Once the relative skills of teachers have been determined through testing, the District should devise and implement a program which will ensure that teachers progress through the various study areas and skill levels over an appropriate length of time.	This recommendation was not implemented. A recommendation addressing mandatory technology training is included in this performance audit (see **R6.10**).
R6.21 The District should encourage its technology personnel to obtain appropriate professional certifications, such as the A+ certification or the certified network engineer (CNE) designation. The District would benefit from the more in-depth training associated with formal certification programs by maintaining a stronger base of technical skills and knowledge, and should provide funding to assist those technical employees who are interested in becoming certified.	This recommendation was not implemented.
R6.22 Although CCSD has taken steps to address Year 2000 (Y2K) issues, its efforts in this area are not comprehensive and should be expanded to encompass other relevant factors. The District should allocate the necessary resources in terms of time, equipment, and facilities to this effort and set aside adequate funds or identify appropriate funding sources to correct all Y2K-related deficiencies. The District should contact its remaining major business partners, such as banks and service providers, to gain assurance that their systems are also Y2K-compliant.	This recommendation is no longer applicable.
R6.23 Each operational unit responsible for entering EMIS data should perform a supervisory review of its input to ensure that both valid EMIS codes are entered and that they are properly used.	This recommendation was implemented.

Source: AOS

DISTRICT RESPONSE

District Response

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

As noted in the response, Canton City School District does not agree with every conclusion drawn in the audit report. A review of the CCSD's response and original audit documentation indicates position coding differences may exist between technology support and data entry personnel but the information provided by the District does not illustrate the segregation of duties described in the letter. However, these positions support similar functions and, regardless of the specific nature of their assignments, they represent heavier staffing levels than industry standards and similar districts. As a result, CCSD will need to determine whether maintaining higher staffing in this area is consistent with their mission, and academic and operational needs. If the District determines it is not possible to make reductions in technology staff, offset savings would need to be realized in other areas of operations in order to achieve the financial recovery projected in **Table 2-6**.

CANTON CITY
SCHOOLS
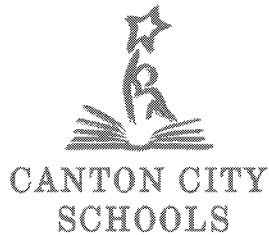
Michele D. Evans-Gardell, Ph.D.
Superintendent

January 8, 2007

The Honorable Mary Taylor, CPA
Auditor of State
Lausche Building, 12th Floor
615 W. Superior Avenue
Cleveland, Ohio

Re: Performance audit of Canton City School District

Dear Auditor Taylor:

In February of 2007, the Canton City School District began to investigate the possibility of engaging your office to conduct a performance audit of the operations of the District. It was becoming increasingly apparent to the District that significant reductions in expenditures would be necessary. Over several years, the District has continued to reduce expenditures in order to operate in a fiscally responsible manner.

Following the defeat of our operating levy in March, the Canton City School District is grateful for the assistance of State Senator Kirk Schuring in securing personnel from your office to immediately commence a performance audit of the Canton City School District at no cost to the District.

The result has been an audit document that the Canton City School System believes will substantially assist in our effort to reduce expenditures and continue to provide high quality education to the students in our district.

The District appreciates the acknowledgement that your office has given to the fiscal accomplishments the District has achieved:

- Per student discretionary expenditures have been kept well below the average of the peer districts ($683 v. $842 per student);
- The district's healthcare costs have been kept below state and national averages;
- The district's workers compensation expenses are well below those of peer districts;
- The district spends much less per student on extracurricular activities than the peer districts ($186 v. $350 per student);

- The district's custodial maintenance staff are responsible for more square feet than similar districts reducing the district's total facilities' costs to below the average of peer districts and national averages;
- The district has controlled overtime costs below that of peer districts; and
- Through a unique fuel management system, the Canton City Schools has negotiated and receives fuel at much lower cost than peer districts.

Despite these accomplishments, the district acknowledges that there are many areas that can be improved upon. Fifty-eight recommendations are made in the audit. Four of those recommendations have already been instituted by the district.

- R2.4 – In future forecasts include estimates for negotiated wage increases, model the costs of step increases and ensure that all components of the Employee Retirement and Insurance Benefit line-item have been incorporated in the projection;
- R2.6 – Finance Committee reviews investments on a monthly basis;
- R2.7 – Finance Committee oversees all audits;
- R5.2 – Annually update the bus replacement plan to reflect current condition of buses; and
- R6.8 – Inventory number and locations of printers on an annual basis.

The following recommendations are in the process of being implemented:

- R2.3 – Update policy on the process of financial forecasting;
- R2.9 – Expand financial information available on the district website;
- R2.10 – Cross-train treasurer office employees;
- R2.16 – Analyze and implement financial recovery plan;
- R3.1 – As the board makes a decision about closing facilities, evaluate administrative staffing;
- R3.12 – Develop a regular cycle to review job descriptions;
- R4.1 – Consider building closures as recommended and evaluate boundary lines for neighborhood schools;
- R5.1 – Readjust bus schedules and reduce buses as possible;
- R5.4 – Update the Board policy that addresses reimbursement for non-routine transportation services;
- R5.5 – Establish formal procedures to ensure that T-forms are accurately prepared, reviewed and reconciled before submission;
- R6.1 – Obtain board approval for technology plan and receive annual updates; and,
- R6.12 – Centralize the copier budget and obtain competitive bids (all effective at the end of the copier contract in August, 2008).

We would like to direct your attention to one area of the report that we believe is inaccurate. In the Technology section, the staffing discussed in the report includes staff members that are data

specialists and do not support computers. Their job titles are similar to those who do directly support computers (i.e. Tech I, II, III), but their job responsibilities lie solely in the handling, reporting and monitoring of the data systems for the District (i.e. Student Information System, EMIS, CSADM, EdChoice, etc.) and not in support of the district's computers. With this in mind, the ratios reported in the Technology section of the audit report are in error and actually produce a ratio of 700:1 computer to technology staff when the figures are recalculated excluding the data specialists. We believe this actually supports a need to hire additional technology staff who directly support computers in order to reach the recommended ratio of 400:1.

As we have discussed, the Canton City School District is concerned that in preparing these recommendations, the Office of the Auditor is comparing Canton to school districts that are very different. The "peer districts" that you have chosen have on average one-fifth the student enrollment and do not have the level of poverty found in Canton City Schools. It is the understanding of the District that these "peer districts" were chosen because there are no districts of similar size and demographics with greater educational and financial success than Canton. With that caveat, the Canton City School District intends to seriously study the recommendations that have been made. Undoubtedly many of these additional recommendations will be implemented.

Again, on behalf of the Canton City School District, we want to thank you and the members of your office for providing assistance to the Canton City School District.

Sincerely,

Michele D. Evans-Gardell, Ph.D.
Superintendent

Tim Pickana
Treasurer