



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Ledgemont Local School District,

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

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

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

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

Sincerely,

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

Dave Yost
Auditor of State

June 17, 2014

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Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) requested and funded this performance audit of the Ledgesmont Local School District (LLSD or the District). ODE requested this performance audit with the goal of improving LLSD's financial condition through an objective assessment of the economy, efficiency, and effectiveness of the District's operations and management. See **Table 1** in **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District: financial management, human resources, transportation, facilities, and food services. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources including; peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with LLSD, the following Ohio school districts were identified as peers: Arcadia Local School District (Hancock County), Arlington Local School District (Hancock County),

Botkins Local School District (Shelby County), Cedar Cliff Local School District (Greene County), Clay Local School District (Scioto County), Edgerton Local School District (Williams County), Fairport Harbor Exempted Village School District (Lake County), Jackson Center Local School District (Shelby County), Lucas Local School District (Richland County), and Newton Local School District (Miami County). Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the State Employment Relations Board (SERB), the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), the National State Auditors Association (NSAA), the School Employees Retirement System (SERS), the State Teachers Retirement System (STRS), the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), and the United States Department of Agriculture (USDA).

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Ledgemont Local School District for their cooperation and assistance throughout this audit.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 9.0 FTE general education teacher positions	\$432,900
R.2 Close the Junior/Senior High School	\$266,600
R.3 Reduce employee health insurance expenditures	\$85,300
R.4 Increase employee health insurance contributions	\$36,200
R.5 Reduce food service related supplies and materials expenditures	\$15,400
R.6 Increase control of certificated and administrative sick leave	\$11,300
R.7 Develop a comprehensive strategic plan that meets best practice standards	N/A
R.8 Enhance stakeholder communication	N/A
R.9 Complete detailed assumptions for the five-year forecast	N/A
R.10 Update budgeting policies and implement a budgeting process	N/A
R.11 Develop a purchasing manual	N/A
R.12 Develop a comprehensive staffing plan	N/A
R.13 Reduce severance payouts	N/A
R.14 Improve accuracy of EMIS data	N/A
R.15 Develop a bus replacement plan	N/A
R.16 Develop procedures for reporting transportation data to ODE	N/A
R.17 Monitor the transportation service provider contract	N/A
R.18 Develop a comprehensive preventive maintenance plan	N/A
R.19 Develop a facilities master plan	N/A
R.20 Create a cost allocation plan for the Food Service Fund	N/A
R.21 Develop policies and procedures for completing reimbursement forms	N/A
R.22 Promote and advertise the food service program	N/A
Cost Savings Adjustments¹	(\$32,300)
Total Cost Savings from Performance Audit Recommendations	\$815,400

¹Eliminating 9.0 FTEs identified in R.1 would reduce savings achieved from R.3 and R.4

The following table shows the District's ending fund balances as projected in its October 2013 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Financial Forecast with Performance Audit Recommendations

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Ending Fund Balance	(\$297,720)	(\$1,116,485)	(\$1,866,442)	(\$3,172,631)	(\$4,566,212)
Performance Audit Total Cost Savings	\$0	\$815,400	\$1,630,800	\$2,446,200	\$3,261,600
Revised Ending Fund Balance	(\$297,720)	(\$301,085)	(\$235,642)	(\$726,431)	(\$1,304,612)

Source: LLSLD October 2013 five-year forecast

While the performance audit recommendations are based on the District's operations during FY 2012-13, implementation of all recommendations may not be possible until FY 2014-15 as some

recommendations require contract negotiations and others simply would not be implementable until the start of a new fiscal year. As a result, cost savings have been applied to FY 2014-15 through FY 2017-18 only. If LLSD implements the recommendations within the performance audit the District is still projected to incur General Fund operating deficits in every forecast year shown in the table, however, it could decrease the projected FY 2017-18 deficit from \$4.5 million to \$1.3 million. Therefore, the District should remain vigilant in its efforts to balance revenues and expenses.

Background

On November 9, 2010, the Auditor of State declared LLSD to be in fiscal emergency as defined by Ohio Revised Code § 3316.03. In accordance with this statute, a five-member Financial Planning and Supervision Commission (the Commission) was established to oversee all financial affairs of the District. The primary charge of the Commission is to develop, adopt, and implement a financial recovery plan.

Starting in FY 2010-11, LLSD required State solvency loans to continue operations. At the close of FY 2012-13, the District had received approximately \$4.9 million in zero interest loans and is projecting it will need an additional \$450,000 in loans to operate during FY 2013-14. LLSD began repaying its State solvency loans in FY 2011-12 and had repaid over \$2.5 million at the time of the audit.¹ For FY 2013-14, LLSD's projected debt balance was approximately \$2.8 million.

AOS previously conducted a performance audit of LLSD which was completed in 2009 and indicated possible savings of approximately \$600,000 outlined in 33 recommendations; of which nine were implemented by the District. Since the completion of this audit, the District experienced turnover of its entire administrative staff. As a result of the turnover, information was not available determining how LLSD addressed the 24 recommendations that were not implemented. However, ten of the recommendations issued in this report were also made in 2009.

Financial Status

School districts in Ohio are required to prepare and submit two five-year financial forecasts² to ODE. Information contained in these forecasts provide an important measure of the financial health of a district and serve as the basis for identifying conditions that lead to fiscal status designation by AOS and ODE. **Table 1** summarizes LLSD's October 2013 five-year forecast and include year-end General Fund balances.

¹ Including debt payments due in FY 2013-14.

² These forecasts are required to be submitted to ODE in May and October of each year.

Table 1: Financial Condition Overview

October 2013 Forecast					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total Revenues and Other Financing Source	\$5,677,000	\$5,648,000	\$5,628,000	\$4,978,000	\$4,565,000
Total Expenditure and Other Financing Uses	\$6,384,184	\$6,466,765	\$6,377,957	\$6,284,189	\$5,958,581
Revenue less Expenditures	(\$707,184)	(\$818,765)	(\$749,957)	(\$1,306,189)	(\$1,393,581)
Beginning Cash Balance	\$409,464	(\$297,720)	(\$1,116,485)	(\$1,866,442)	(\$3,172,631)
Ending Cash Balance	(\$297,720)	(\$1,116,485)	(\$1,866,442)	(\$3,172,631)	(\$4,566,212)
Outstanding Encumbrances	\$0	\$0	\$0	\$0	\$0
Fund Balance June 30 for Certification	(\$297,720)	(\$1,116,485)	(\$1,866,442)	(\$3,172,631)	(\$4,566,212)

Source: ODE

As shown in **Table 1**, LLSD's financial condition is expected to worsen from a FY 2013-14 deficit of approximately \$297,000 to a deficit of over \$4 million by the end of FY 2017-18 mainly due to projected decreases in income tax and property tax allocation revenues detailed in the forecast. Revenue is not directly controlled by school districts in Ohio, but instead by federal and State laws and regulations as well as support from local taxpayers. ODE's Local Tax Effort Index³ is a tool designed to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education, while considering the ability to pay of the district residents. In FY 2012-13, the Local Tax Effort Index for LLSD was 1.0188 compared to an average of 0.9770 for the other six school districts in Geauga County.

A reduction of future deficits can be accomplished by increasing revenue, decreasing expenditures, or a combination of both. While revenue is primarily dependent on fixed factors such as State funding and property values, the variable nature of District expenditures allows greater management control over operating decisions that can directly affect the bottom line. Consequently, OPT focused on LLSD's operations and related expenses in an effort to identify areas of potential cost savings.

³ A value of 1.0 indicates average local tax support, while values below or above 1.0 reflect below average or above average support, respectively.

Recommendations

Critical Recommendations

Due to the dire nature of the District's current financial condition, recommendations **R.1** through **R.6** should be addressed as soon as practicable as these recommendations would result in immediate financial savings.

R.1 Eliminate 9.0 FTE⁴ general education teacher positions

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires a district-wide ratio of general education teachers to students of at least 1.0 FTE classroom teacher for every 25 students in the regular student population. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel.

Table 2 compares LLSD's general education teaching staff ratio to the State minimum requirements for FY 2012-13.

Table 2: FY 2012-13 General Education Teacher Comparison

General Education FTEs					24.5
Regular Student Population					377
Options	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for each Option	Difference Above / (Below)	Annual Savings ¹	
Option 1, Peer Average	17.3:1	21.8	2.7	\$83,995	
Option 2, 20% Above State Minimum	20:1	18.9	5.6	\$218,595	
Option 3, 10% Above State Minimum	22.5:1	16.8	7.7	\$323,839	
Option 4, State Minimum	25:1	15.0	9.4	\$432,988	

Source: LLSD and OAC

Note: Ohio Administrative Code (OAC) 3301-35-05 defines the State minimum requirement for general education teaching staff as 1.0 FTE classroom teacher per 25 regular education students. Options 2 and 3 use 20% (20 students per teacher) and 10% (22.5 students per teacher) above the State minimum ratio, respectively.

As illustrated in **Table 2**, LLSD staffs at a level that is 9.4 FTEs above the State minimum requirement for general education teachers. Furthermore, the District has four options with regards to eliminating general education teachers. The selection of one of these options is ultimately District management's responsibility based on the needs and desires of the stakeholders in their community. Those decisions must be balanced, however, with their

⁴ According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013), an FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

fiduciary responsibility to adapt to the financial realities in their District and maintain a solvent operation. Our financial analysis indicates that the most impactful Option 4, when coupled with the rest of the recommendations in this report, would still be insufficient to bring the District's 5-year forecast back into balance.

While it is not a common practice in Ohio to operate at or near State minimums, LLSD may need to make significant staffing reductions to address potential deficits if savings cannot be identified and achieved in other areas of operation. If the District determines that staffing reductions are necessary in order to function within its current operating budget, it should first consult with ODE to ensure it maintains compliance with State requirements.

Financial Implication: Eliminating 9.0 FTE general education teacher positions would save **\$432,900** in salaries and benefits annually. This savings was calculated using the nine lowest salaries for a general education teacher in FY 2012-13 (\$281,100) and includes an average benefit of 54 percent (\$151,800).⁵ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

R.2 Close the Junior/Senior High School

LLSD facilities include: the Junior/Senior High School, Ledgesmont Elementary, and the bus garage. The Junior/Senior High School was built in 1952. With several additions occurring since construction, the building now consists of 51,683 square feet and educates 7th through 12th grade students. Due to continued growth in enrollment at the time, the District built Ledgesmont Elementary School in 1981 which consists of 61,611 square feet, educates preschool through 6th grade students, and houses the District's administration offices.

The functional capacity of each school building was analyzed using methodology outlined in *Defining Capacity* (Dejong & Associates, 1999). A building's functional capacity includes rooms that could be used for regular education instruction while excluding special education rooms, as these rooms have smaller student to teacher ratios and may not hold students for the full duration of a school day. **Table 3** shows each building's functional capacity and utilization rate.

Table 3: FY2013-14 Building Capacity and Utilization

	Functional Capacity	FY 2013-14 Headcount ¹	Utilization Rate
Elementary (PK-7)	500	210	42.0%
High School (8-12)	400	229	57.3%
Total	900	439	48.8%

Source: EMIS data

¹Headcount was used instead of "percent time" in order to account for circumstances where all students enrolled within the District would need to be instructed within LLSD facilities

As shown in **Table 3**, the Junior/High School and Elementary School buildings were being utilized at 57.3 and 42.0 percent of their rated functional capacities, respectively. This rate of utilization is considered low, as Dejong & Associates suggests that a utilization rate of 85

⁵ The average benefit percentage is calculated by taking the District's total employee retirement and insurance benefits divided by the District's total personal service expenditures in FY 2012-13.

percent is ideal for high schools, while elementary buildings can reach 100 percent due to the limited rotation of students throughout the building.

The District could achieve cost savings through the consolidation of its two school buildings. By closing the Junior/Senior High School and educating all students in the Ledgemont Elementary School building, the District could achieve a utilization rate of 88 percent based on FY 2013-14 enrollment data. It should be noted that although the District's current enrollment permits the closure of the Junior/High School and enrollment projections compiled by AOS project no increases to student enrollment, the District should consider the viability of enrollment changes, particularly through the return of students that currently open-enrolled to other districts.

The closure of a building would net LLSLD savings by decreasing expenditures for duplicated personnel and utilities which are outlined in **Table 4**. Further savings⁶, as well as one time sales revenue, could be obtained by selling the vacated building.

Table 4: Building Closure Savings

Staffing ¹	Savings
1.0 FTE Principal	\$84,700
1.0 FTE Custodial	\$29,944
1.0 FTE Custodial	\$43,980
1.0 FTE Office/Clerical	\$28,573
Total Staffing Savings	\$187,197
Facilities²	
Electric (60%)	\$26,230
Care and Upkeep (90%)	\$24,373
Heating Oil (60%)	\$11,376
Propane Gas (60%)	\$10,636
General Operations and Maintenance (90%)	\$5,996
Cleaning Supplies (90%)	\$786
Total Utilities Savings	\$79,397
Total Savings From Building Closure	\$266,594

Source: LLSLD financial reports and Dejong & Associates

¹Savings from staffing reductions were estimated using the least senior employee salaries.

²Savings from utilities reductions were estimated based on allocations outlined in *Defining Capacity*.

Financial Implication: By closing the Junior/Senior High School, the District could save approximately **\$266,600** annually on building utilities, maintenance, repair costs, and the elimination of 2.0 custodial FTEs, 1.0 office/clerkical FTE and 1.0 administrator FTE.

⁶ Annual savings achieved from sale of the building include utilities and upkeep necessary to maintain a building not in use.

R.3 Reduce employee health insurance expenditures

Prior to making any changes to health insurance, the District should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the new legislation.

Full-time employees electing to receive single health insurance benefits receive this coverage at no cost to the employee. Employees electing to receive family health insurance benefit coverage are required to pay a monthly contribution of \$85.00 for certificated employees and \$70.00 for classified employees. All full-time bus driving positions employed by the District receive full health care single benefits or pro-rated family health care as is currently provided. In FY 2012-13, 42 employees were enrolled and receiving medical coverage, 19 of which were receiving single coverage and 23 receiving family coverage.

LLSD does not annually review options for cost efficiency such as seeking competitive bids for health insurance or partnering with other agencies to form or join a health insurance consortium. Furthermore, the District has had costly claims in the past which has contributed to its higher premiums.

The State Employment Relations Board (SERB) surveys public sector entities concerning health insurance costs and publishes this information annually. The purpose of this survey is to provide data on various aspects of health insurance, plan design, and cost for government entities in Ohio. LLSD's 2013⁷ premiums for single and family coverage were compared to regional averages published in the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector (SERB, 2013.)*⁸ **Table 5** illustrates this comparison.

Table 5: Premium Comparison

	LLSD Premiums	SERB Average Premium ¹	Difference to SERB Average
Single Coverage	\$613	\$515	19.0%
Family Coverage	\$1,686	\$1,378	22.4%

Source: LLSD and SERB

¹Reflects the 2013 average monthly medical/prescription premiums for the Cleveland region of Ohio.

As illustrated in **Table 5**, LLSD's monthly premiums for both single and family coverage exceeded the SERB averages. The primary cost driver of premiums for health insurance is the level of coverage provided by the chosen plan, including co-insurance, deductibles, and co-payments. Typically, the more comprehensive the coverage of the plan, the more expensive the premium will be to the employer / employee. However, an analysis of LLSD's coverage did not indicate that the District's plan coverage was generous. Specifically, the plan includes a

⁷ LLSD's insurance coverage runs from October to September.

⁸ The 2013 survey was sent to 1,325 governmental jurisdictions, 720 of which were school districts and educational service centers (ESC). The response rate for 2013 included 92.5 percent of all public jurisdictions responding to the health insurance survey including 700 school districts and ESCs.

deductible of \$2,000 for single coverage and \$6,000 for family coverage. According to SERB, this level represents the highest 16 percent of school district medical insurance deductibles in the State.

The District should investigate purchasing a new health insurance plan in which premiums better match coverage. To achieve this, the District could explore purchasing health insurance from a new provider or investigate obtaining health insurance through a consortium. *Renegotiate Benefit Contracts and Cut Costs* (SHRM, 2009) suggests that employers seek competitive bids each year for health insurance, surveying providers in order to make meaningful comparisons and selection. It also recommends that employers shop around for brokers, as different brokers are sometimes able to get different rates from the same providers.

One method of lowering insurance costs is to enter a joint purchasing arrangement (or consortium), which is created when employers join together to purchase health insurance. This method usually saves money by increasing the risk pool. SERB reports that of the school districts that responded to the 2013 survey, 74.0 percent were members of a health insurance consortium. SERB also illustrates that medical plans purchased through a consortium are significantly lower in cost compared to those plans that are not.

Purchasing health insurance through a consortium would allow LLSD to leverage purchasing power to obtain more competitive rates. As a tradeoff of receiving more competitive rates, districts obtaining health insurance through a consortium typically are bound to offering the coverage of the consortium's plan(s).

Financial Implication: Reducing health insurance premium expenditures to a level in line with the SERB regional averages would save approximately **\$85,300** annually.

R.4 Increase employee health insurance contributions

The current CBA mandates that the District will pay 100 percent of single employee medical, dental, and vision insurance benefits in FY 2013-14. Certificated employees who have a family plan contribute \$1,020 and classified employees pay \$840, contribution percentages of 5.0 percent and 4.2 percent respectively. Comparatively, the 2013 SERB Insurance Report shows the average percentage of the premium paid by employees in districts surrounding the Cleveland area was 9.6 percent for single and 9.7 percent for family.

Table 6 illustrates the annual savings that could be achieved if LLSD changed employee contributions to be more in line with the SERB average.

Table 6: Annual Savings from Employee Contributions

	LLSD	SERB Regional Average Percentage	Difference	Staff Members Contributing	Possible Savings
Contributions (Single)	\$0	\$714	\$714	19	\$13,566
Contributions (Family/Classified)	\$840	\$1,942	\$1,102	8	\$8,816
Contributions (Family/Certificated)	\$1,020	\$1,942	\$922	15	\$13,830
Total					\$36,212

Source: LLSD and SERB

Financial Implication: Increasing District employees’ contribution to SERB regional average levels would yield a cost savings **\$36,200**.

R.5 Reduce food service related supplies and materials expenditures

Table 7 compares LLSD’s cost per meal equivalent to the peer average.

Table 7: FY 2011-12 Expenditures per Meal Equivalent Comparison

	LLSD	Peer Average	Difference	Percent
Salaries	\$0.90	\$1.06	(\$0.16)	(15.1%)
Fringe Benefits	\$0.33	\$0.45	(\$0.12)	(26.7%)
Purchased Services	\$0.08	\$0.05	\$0.03	60.0%
Supplies and Materials	\$1.42	\$1.17	\$0.25	21.4%
Capital Outlay	\$0.06	\$0.03	\$0.03	100.0%
Other	\$0.00	\$0.01	(\$0.01)	(100.0%)
Total Expenditures	\$2.79	\$2.77	\$0.02	0.7%

Source: LLSD and peer district EFM data

As shown in **Table 7**, although LLSD’s cost per meal equivalent was only slightly higher than the peer average, supplies and materials purchasing represent an area where possible efficiencies can be gained. This expenditure classification, which represented over 50 percent of total meal costs, exceeded the peer average by 21.4 percent in FY 2011-12.

Meeting the Challenge of Rising Food Costs for Healthier School Meals (USDA, Food and Nutrition Service, 2008) outlines several strategies to control the supplies and materials expenditures of school food service programs. Included among these strategies are comparing prices among vendors and using purchasing cooperatives to help lower costs. LLSD does not utilize any cost saving techniques such as price comparison, shopping, or using a consortium to purchase supplies, resulting in increased costs.

Despite being a member of the Ohio Schools Council (OSC), the District does not utilize OSC’s purchasing program which would allow it to effectively utilize volume discounts to purchase in large quantities at lower prices. The District should research the OSC’s cooperative purchasing policy for its food service operation in an effort to reduce its supplies and materials expenditures. LLSD should also revisit its earlier practice of comparing prices between multiple vendors in order to identify the best price available for its supplies.

Financial Implication: Reducing supply and materials costs to the peer average would save **\$15,400** a year based on FY 2011-12 data.

R.6 Increase control of certificated and administrative sick leave

Collective bargaining agreements covering certificated and classified employees do not contain language that identifies what constitutes sick leave abuse and any associated penalties. In addition, administrative staff are not covered by a bargaining agreement and no separate sick leave policies have been developed for these employees. As a result, administrative and certificated staff used sick leave at a rate that exceeded the averages published by the Ohio Department of Administrative Services (DAS) in FY 2012-13. Specifically, administrative staff used an average of 95.8 hours of sick leave per employee, a level 58.9 hours higher than the DAS average and certificated staff used an average of 101.3 hours of sick leave per employee, 33.2 hours higher than the peer average. In contrast, classified staff used an average of 24.7 hours of sick leave per employee, a level 44.4 hours lower than the DAS average.

Absence Management: Strategies for Curbing Absenteeism in the Workplace (International Public Management Association, 2003) suggests that while discipline is necessary in many cases of excessive absenteeism, non-punitive steps can be taken to help improve attendance. The following are recommendations aimed at limiting and reducing employee absenteeism:

- Establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.
- Document employees' absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism by specific employees or whether absenteeism is a chronic problem throughout the organization.
- Try to pinpoint areas within the organization where absenteeism is excessive.
- Hold supervisors accountable for good attendance. Managers should be aware of each employee's attendance patterns and be instructed to look for performance problems. Supervisors should document chronic absenteeism, and speak privately with repeatedly absent employees as soon as possible after their absence, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.
- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.
- Pay attention to absences and progressively discipline employees who fail to meet attendance standards. Administer appropriate discipline fairly and consistently, and document any actions taken.

Financial Implication: Reducing the District's average sick leave usage to a level in line with the DAS average would save approximately **\$11,300** in substitute expenditures in FY 2012-13.

Strategic Recommendations

The following recommendations are more strategic in nature. While direct financial saving cannot be determined, these recommendations will result in more efficient and effective operations. These recommendations should be addressed as the District's financial condition improves.

R.7 Develop a comprehensive strategic plan that meets best practice standards

LLSD does not have a long term strategic plan. Historically, the District has taken a reactive approach to planning as a result of turnover in the administrative positions and its negative financial condition.

According to Ohio Administrative Code (OAC) § 3301-35-03(A), the proper governance, leadership, organization, administration, and supervision of a district requires effective and focused strategic planning. A strategic plan guides key stakeholders in the ongoing measurement of district performance to assure adequate progress is being made toward strategic goals and objectives. Strategic planning is the responsibility of the board of education, the superintendent and other key stakeholders and identifies short-and long-range goals and the strategies necessary to achieve them.

Recommended Budget Practice on the Establishment of Strategic Plans (GFOA, 2005) provides guidance on developing an effective strategic plan and suggests that a plan establishes logical links between authorized spending and broad organizational goals. In creating an effective strategic plan, the GFOA outlines several steps including the following:

- A mission statement;
- Identification of critical issues;
- An assessment of environmental factors;
- An agreement on a small number of broad goals;
- Strategies to achieve those goals; and
- Objectives so progress can be measured, monitored, and reassessed.

The GFOA also states the importance of creating a long term financial plan in parallel to the strategic plan. This would allow the District's budgeting and spending practices to be better oriented towards its goals and resources to be allocated efficiently.

Without a strategic plan connecting the District's goals with its finances, it may not be prepared for environmental changes and may not be in an optimal position to properly utilize current and future resources.

R.8 Enhance stakeholder communication

LLSD does not provide the following key information on its website:

- Detailed financial information;

- Current LLSD Board of Education (the Board) meeting agendas and minutes;
- Levy information;
- The annual tax budget; and
- Board policies.

Web Site Presentation of Official Financial Documents (GFOA, 2009) specifies that using a government website to disseminate information demonstrates both accountability and transparency to its shareholders in an easily accessible form. The GFOA recognizes the following benefits from having well maintained and updated information available online:

- Heightened awareness;
- Universal accessibility;
- Increased potential for interaction;
- Enhanced diversity;
- Facilitated analysis;
- Lowered costs;
- Contribution to sustainability; and
- Broadened potential scope.

The GFOA recommends that all government entities make their financial information, including the budget and financial forecast, available online through their website. In *Documentation of Accounting Policies and Procedures* (GFOA, 2007) the GFOA also notes that advances in technology have made it more cost effective to publish accounting policies and procedures online rather than utilizing traditional hard copy manuals.

By not making financial information readily available on its website, the District increases the risk it will not be able to fully engage with the community and provide meaningful input based on its financial information. LLSD should fully utilize its website to strengthen financial communications with the community by making its budget, five year forecast, and Board policies readily available to the public. These steps will help to ensure accountability and transparency to stakeholders.

R.9 Complete detailed assumptions for the five-year forecast

The District has no formal procedures to address how the five-year forecast is developed. The October 2013 forecast contains several major line items that are projected to remain constant throughout the majority of the forecasted period without detailed assumptions to support this expected trend. For example, general property taxes are projected to remain constant through FY 2017-18 without an assumption to indicate property valuation expectations. In addition, the District's unrestricted grants-in-aid line item is projected to remain constant in four of the five years presented due to legislative uncertainty. This lack of sufficient supporting detail or documentation in the assumptions does not allow users to determine reasonableness and could ultimately hinder the ability of the Board and other stakeholders to make critical decisions.

According to *Prospective Financial Information* (AICPA, 2008) detailed financial forecasts with well documented and supported assumptions are imperative when making well informed

decisions about future operations. Assumptions used in preparing the financial forecasts should be appropriate, reasonable and well-supported, and could include the following components: market surveys, general economic indicators, trends and patterns developed from the entity's operating history (historical trends), and internal data analysis (union contracts and labor rates).

Financial forecasts should provide adequate documentation of both the financial forecast and the process used to develop them. Documentation should also include the underlying assumptions and a summary of the supporting evidence for the assumptions.

LLSD should complete detailed assumptions to provide clarity on how projections were derived and allow stakeholders to assess the reasonableness of its five-year financial forecast. In addition, the District should establish formal procedures to ensure a sufficient level of transparency and consistency with how future forecasts are developed. LLSD should ensure that it routinely assesses these procedures and methodologies to ensure that changes to its environment, such as laws, regulations, and the funding structure are applied.

R.10 Update budgeting policies and implement a budgeting process

The District's budget is assembled based on input from the Superintendent, principals, and department heads combined with estimates of relevant factors such as inflation, fuel costs, and student population trends. Budget policies speak broadly of the necessity for budget planning, designating responsibility for completing the budget, and establishing a deadline for submittal. The policies, however, do not go in-depth to outline the process, strategies, or objectives that budget planning is intended to accomplish.

According to *Recommended Budget Practices* (NACLSB, 1998),

An entity should publish a comprehensive budget calendar that specifies when budget tasks are to be completed and that identifies timelines for those tasks. Furthermore, stakeholders need to be aware of when key budget tasks, events, and decisions will occur so they have an opportunity to plan and to participate in the process. The preparation of a calendar helps ensure that all aspects of the budget process have been considered and that adequate time has been provided.

High administrative turnover, in addition to the District's financial condition, has placed a greater emphasis on the need to have policies that outline a consistent budgeting process. The District should update its budgeting policies to create a clear process that will help to ensure that resources are being utilized efficiently and objectives are being accomplished. This will help the District use its limited resources efficiently and accomplish its goals by linking strategic planning, long-range financial planning, performance measures, budgeting, and evaluation.

R.11 Develop a purchasing manual

The District has Board-approved policies relating to purchasing practices but does not have a purchasing procedure manual on a departmental level. As a result, policies to guide purchasing within the District are high level and do not contain specific guidance regarding issues such as timely payment to vendors, required forms, and individual responsibilities. Without this detail, LLSD runs an increased risk of fraud, theft, and incurring additional fees for untimely payments.

Introduction to Procurement Practices (National Institute of Governmental Purchasing (NIGP), 2009) states that procedure manuals should be more detailed and specifically note the forms, process requirements, and steps for each purchasing action. Procedure manuals should be arranged following the same order as the purchasing cycle. This includes detailing the steps and associated forms for each, the total information required for each step, and a standard for how long each step should take to complete. Procedure manuals should, at a minimum, include:

- The procurement goals, objectives, and responsibilities;
- A step-by-step outline of the procurement process, including the processing of requisitions, solicitations, bid evaluations and awards, preparation and issuance of purchase orders and contracts, follow-up, and contract administration;
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting vendor performance;
- A step-by-step outline of the property and supply management programs, including inventory control and management and the transfer or disposal of surplus property;
- Other special procedures, such as a description of a cooperative purchasing program, how to process invoices for payment and how to process call-ups against term contracts and blanket purchase orders; and
- A listing of important forms used in the procurement process, instructions to bidders, and general conditions governing contracting, and a glossary of procurement terms used in the manual.

The manuals should include references to the applicable regulations and policies, and should be designed to guide both the purchasing authority and those charged with initiating requisitions.

LLSD should develop a comprehensive manual that includes detailed policies and steps that govern the purchasing process. Policies should be reviewed and updated annually to ensure they remain relevant and representative of the District's operational processes. Process steps should be comprehensive and include guidance on requisitions, solicitations, bids, purchase orders and contracts, follow-up, and contract administration. Development and distribution of a purchasing procedures manual in this manner should help to provide clarity and consistency to the District's purchasing processes and decrease the risk of fraud and theft.

R.12 Develop a comprehensive staffing plan

The District does not have a staffing plan to serve as a guide in efficiently and effectively allocating staffing resources.

Districts can consult a staffing plan to aid in explaining decisions to hire or reduce staff, particularly in time of adverse financial condition. According to *Strategic Staffing Plans* (Society for Human Resource Management (SHRM), June 2002), staffing plans help school districts prepare for the future by identifying staffing demands. They also:

- Ensure compliance with state and federal requirements;
- Allow Districts to develop staffing goals;

- Communicate staffing strategies to stakeholders; and
- Assist districts in identifying a contingency plan.

Two districts in Ohio that have developed effective staffing plans and would serve as good examples are Lakota Local School District (Butler County) and Cincinnati Public School District (Hamilton County). Lakota LSD has a plan that incorporates staffing allocation factors such as State and federal regulation, workload measures, and other leading practices. In general, staffing benchmarks in Lakota LSD's plan are calibrated to available general fund revenues, which assist it in ensuring a balanced budget. Cincinnati Public Schools has developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals. This plan includes central and site-based administrators in the staffing process and serves as a valuable tool for the district's leadership team and administration.

LLSD should develop and implement a comprehensive staffing plan which incorporates staffing allocation factors such as State and federal regulation, workload measures, available resources, contractual agreements, and educational goals. Implementing a comprehensive staffing plan will allow the District to efficiently allocate its staffing resources according to workload measures, ratios, and performance indicators. This will help to ensure that all of the District's goals are being adequately planned for, and increase the likelihood that they are met.

R.13 Reduce severance payouts

LLSD certificated and classified bargaining agreements stipulate that upon retirement, employees shall be paid a severance of sick leave days accumulated but not used of 25 percent of up to 320 days (80 days). This level of severance pay exceeds the minimum level established by ORC § 124.39 and the peer average. In comparison to the ORC, public employees are entitled to receive a quarter of accumulated sick days up to a 30-day payout, at the employee's ending rate of pay, if the employee retires with at least 10 years of service. In comparison to this minimum level, the District bases its severance payout on a level that is 50 days higher. LLSD's severance provision was also compared to the peer districts and it was found that LLSD provided a maximum payout that was based on a level 24.5 days higher than the peer average of 55.5 days.

More generous severance provisions cause the District to incur excess costs by allowing a higher severance payout at retirement. Reducing the payout to a level more closely in line with peers or down to ORC minimums will result in significant future cost avoidance. Annual savings could not be estimated as the number of employees retiring per year varies, however, the District paid out approximately \$124,000 in retirement benefits in FY 2012-13.

R.14 Improve accuracy of EMIS data

LLSD does not have a formal EMIS coordinator. Instead, the Special Education Coordinator performs this function. This EMIS reporting structure resulted in data provided that was inaccurate and not updated to reflect current staff. For example, EMIS data showed a staff member incorrectly coded in a principal position, missing full-time current staff members, and staff members no longer employed but still actively coded in bus driver positions.

According to the *FY 2011 ODE EMIS Manual*,

The accuracy and correctness of the data is the sole responsibility of the EMIS reporting entity. Data validation and error reports are provided; however, the reporting entities are responsible for correcting such errors in a timely manner and resubmitting their data. Each EMIS reporting entity must designate an individual to serve as their EMIS Coordinator. This person receives all EMIS mailings, disseminates information to the appropriate persons, and ensures EMIS data is collected and reported in accordance with the EMIS manual on behalf of the reporting entity.

School districts use EMIS in order to report data to ODE. Accuracy of this data must be ensured as it is used to derive State funding and to determine eligibility for federal funding.

The District should reevaluate the EMIS reporting process currently in place and ensure that sufficient time is designated to review each entry for accuracy and make corrections as needed. Furthermore, the District should take advantage of on-site training available from the Geauga County ESC. By strengthening its reporting processes and formally designating an EMIS coordinator, the District will be in a better position to ensure that its EMIS data is accurate and up-to-date.

R.15 Develop a bus replacement plan

LLSD began contracting with a third party to provide transportation service in FY 2013-14. Under this operating structure, the District maintained ownership of its buses. Despite this, LLSD does not consult a bus replacement plan that would allow administrators to track operating costs per bus and effectively plan for replacement. While the District has the ability to lease buses at an additional cost, the current contract with the transportation provider states that the Board shall provide buses in sufficient number.

In *School Bus Replacement Considerations*, the National Association of State Directors of Pupil Transportation Services (2002), states that establishing school bus replacement policies is an important activity, since it directly impacts the timeliness of introducing the latest safety, efficiency, and emissions improvements into the fleet. The plan should include both criteria for when buses should be replaced, and projections for when these criteria are likely to be met. Although there is no standard for when buses should be replaced, school districts should have their own methodology for determining when this should occur.

The District has not created a bus replacement plan due to the current financial position. The absence of a plan has resulted in a practice where used buses are purchased when needed. Creating and implementing a bus replacement plan will allow the District to plan for these large capital asset replacements and give a more accurate picture of the District's projected spending in the five-year forecast.

R.16 Develop procedures for reporting transportation data to ODE

AOS was unable to test the T-1 Report and sections of the T-2 Report for accuracy due to missing supporting documentation. This testing was important due to abnormalities observed on the T-2 Reports, specifically, that the District did not have any non-routine usage of its buses for FY 2010-11 though FY 2012-13. Although non-routine miles were not reported, AOS

determined that buses were used to transport students to athletic events and other functions during these years; uses that should be considered non-routine.

According to ODE, the T-2 Form is provided for use by each school superintendent and treasurer to certify the actual expenses incurred in the transportation of eligible pupils reported on the T-1 Form during the preceding fiscal year. School districts also are required to report annual miles for non-routine bus usage on this form (excluding expenditures associated with the non-routine use of buses).

Although the District attributed the lack of supporting documentation to recent changes in administration, LLSD would benefit from the development and implementation of formal procedures for reporting transportation data to ODE. Additionally, the District should implement a formal records retention policy for T Form data to ensure that future supporting documentation is available for potential users of its information.

R.17 Monitor the transportation service provider contract

In FY 2013-14, LLSD outsourced transportation for all students to a third party provider. The agreement stipulates that the contractor will provide six regular education routes daily, including mid-day and vocational education runs. In addition, the contractor agrees to provide special education transportation services at the previous year's level of service with regards to the number of students and trips at a base service rate of \$113,000 per year with additional services that could push this cost up to a cap of \$141,000. Contractor costs increase 3.9 percent per year. Prior to any increase, however, service levels needed for the upcoming year and costs and options associated with same are discussed.

The continued monitoring of an agreement is an important part of the contracting process. According to *Best Practices for Contracting Services* (National State Auditor's Association's (NSAA), 2003), without a sound monitoring process, a contracting agency does not have adequate assurance it receives what it contracts for. The NSAA recommends several steps for ensuring that the services requested are sufficiently provided, including the assignment of a contract manager and the evaluation of the contractor's performance against pre-established criteria.

The District should establish a formal contract manager and request quarterly report meetings and review all semi-monthly usage tracking reports as made available by the established contract. Monitoring the contract in this manner will ensure that the negotiated services are being provided in a manner that supports the goals of the District as well as control variable costs such as extracurricular and special education transportation. Strict monitoring of the service provider will ensure that any special education costs requested by the provider between the base and the cap are warranted. In addition, the District would be in optimal position when discussing annual payment increases at year end as required in the contract.

R.18 Develop a comprehensive preventive maintenance plan

Although the District maintains records of when preventive maintenance has been conducted, it does not have a formal plan outlining when equipment maintenance is necessitated by manufacturer guidelines.

The *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) indicates that a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative and that a good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a district should decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

The absence of a formal, written preventive maintenance plan limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively and may drive up costs due to early replacement of capital assets. Developing an effective preventive maintenance plan should help ensure that the District extends the life of capital assets and should allow for more accurate budgeting as potential costly replacements can be identified earlier in the process.

R.19 Develop a facilities master plan

LLSD does not have a facilities master plan. As a result, the District is not in an optimal position to assess how such factors as building condition, building age, and student enrollment will affect future facilities needs. As a result, the District may not be able to accurately forecast and fund future large-scale capital expenditures.

According to *School Planning Management* (Peter Li, 2001), school districts should have a district-wide facilities plan that allocates for changing demographics, building conditions, and potential capital improvement projects. Once implemented, the plan should be continuously updated, as conditions and projects change. A useful master plan should assist administrators in the financial forecasting and budgeting of major expenditures associated with a district's facilities.

Administrators have not created a master plan due to the District's adverse financial condition. Operating in times of scarce resources, however, may make the need for a facilities plan even greater as these conditions make prudent and effective allocation of funds imperative. Developing a facilities master plan would help ensure LLSD effectively determines long-term capital asset needs and increases the likelihood the District would have funds available to address them.

R.20 Create a cost allocation plan for the Food Service Fund

School districts in Ohio are required to use the Uniform School Accounting System (USAS) to process and track the accounting activity within the district. As required in USAS, the Food

Service Fund is set up as an enterprise fund. Because of this, fees charged for food service operations should be set to cover costs allowing the Fund to be self-sufficient. This requires all associated expenses to be tracked and allocated to the Food Service Fund. With the exception of costs associated with trash removal, LLSD does not charge all expenses associated with food service operations such as utilities and associated personnel. Without having these associated costs charged back to the Fund, its true expenditures are understated and the food service operation is not tracking and reporting its full costs.

ORC § 3313.81, specifically notes the importance of all receipts and disbursements that are made in connection with the food service operation be made directly into or out of the Food Service Fund. *Measuring the Cost of Government Services* (GFOA, 2002) provides guidance on how school districts and other entities can ensure the tracking and reporting of true costs. In this document, the GFOA specifically highlights wages and benefits of those employees providing the service as well as other functional costs such as supplies and materials, rent, training, and travel as costs to be tracked. This also includes indirect costs such as shared administration expenses, human resource expenses, and utilities which should be allocated using a systematic and rational methodology.

Without properly allocating all expenses related to the operation of the District's food service program, expenditures will be understated and the true fiscal condition of the Food Service Fund will not be fully represented. Ensuring all relevant costs are billed to the Food Service Fund will allow the District to fully evaluate the program's efficiency and performance and better situate food service operations to be fully self-sufficient.

R.21 Develop policies and procedures for completing reimbursement forms

The District does not have formal procedures in place regarding claims submittal to ODE for food service reimbursement. The District submitted all claims within the 45 day window required by ODE from the end of period for reimbursement from FY 2010-11 through FY 2012-13. During this time period, however, the District did not complete the MR10⁹ form on a monthly basis. In addition, it was noted that the District did not include its breakfast a la carte receipts in the total a la carte sales line item until January 2013. Identification of these errors underscores the need to have regularly updated policies and procedures for recording and reporting food service data. Furthermore, any errors in claims reporting could result in incorrect or delayed federal reimbursement.

Without documented policies and procedures, the District is left vulnerable to consistency issues and the possibility of internal control deficiencies. In *Documentation of Accounting Policies and Procedures* (GFOA, 2007), the GFOA notes the importance of documenting policies and procedures in manuals to increase consistency and accountability. It also states the importance of evaluating policies annually and updating them regularly in order to keep procedures both current and relevant. Establishing policies and procedures for its food service data recording and reimbursement process would help ensure that District data is valid and consistent.

⁹ The MR10 refers to the monthly cash receipts report that shows monthly lunch, milk, a la carte, adult, and breakfast receipts.

R.22 Promote and advertise the food service program

The District does not survey students to solicit feedback on meals, service, and customer satisfaction for the food service program. The District's main source of feedback occurs when the Cafeteria Manager works point-of-sale at Ledgemont Elementary School and has direct communication with students. Also, the District has not used promotional campaigns for the food service program besides sending home monthly menus and hanging food related posters.

The success of a food service program can be tracked by determining the percentage of students that participate through the purchase of meals. **Table 8** shows LLSD's participation rate for FY 2012-13 and the change in this rate from the prior year.

Table 8: Food Service Participation

	FY 2011-12	FY 2012-13	Difference	Percent Difference
% Total Participation	57.4%	45.9%	(11.5%)	N/A
Total Meals Served	52,518	44,937	(7,581)	(14.4%)

Source: LLSD

The participation rate of a district represents the percentage of students that purchase meals from the food service program. As shown in **Table 8**, LLSD's total food service participation rate experienced a steep decline in FY 2012-13 compared to the previous year. Specifically, the District's participation rate dropped from 57.4 percent in FY 2011-12 to 45.9 percent in FY 2012-13. For additional analysis, the participation rates of the peer districts were averaged and determined to be 74.2 percent, a level significantly higher than LLSD.

Recipes for Practical Research in Child Nutrition Programs (National Food Service Management Institute (NFSMI, 1998) and *Best Practices Could Help School Districts Reduce Their Food Service Program Costs* (Office of Program Policy Analysis and Government Accountability (OPPAGA), 2009) outline methods that schools can use to increase student participation in food service programs. The NFSMI notes that using surveys is a good way to gather information from a large group of people quickly without significant costs. In order for surveys to be as useful as possible they need to be designed specifically for the population targeted and identify the objective to be accomplished (finding methods to increase participation in the food service program). Beyond surveys, OPPAGA identifies several ways that can potentially increase participation in a food service program including promotional campaigns that promote the programs and healthy nutritional habits, distributing newsletters, menus, and nutritional information, holding special nutrition awareness events where students can win small prizes and by hosting theme days such as fajita cookouts.

Since FY 2008-09, the Food Service Fund has operated with expenditures that exceeded revenues in three of the five fiscal years. In FY 2009-10, the Food Service Fund received \$11,710 from the General Fund in order to avoid a negative fund balance. It is imperative the food service program achieve consistent profitability through a combination of reduced expenses and increased participation to alleviate further strain to the General Fund. Properly marketing the program through active promotion and advertising will give the District the opportunity to increase participation.

In addition, surveying students will allow decision makers to gather opinions and design program components that will allow for maximum participation. See **Appendix C** for Food Service Fund financial information.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with ODE and the District, the Ohio Performance Team (OPT) identified the following scope areas for detailed review: financial management, human resources, transportation operations, facility operations, and food service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. Objectives and scope areas assessed in this performance audit include:

- **Financial Management**
 - What has been the District's financial history?
 - Is the strategic planning process consistent with leading practices?
 - Is financial information valid and reliable?
 - Does the District maintain an effective process for preparing the financial forecast?
 - Are budgeting practices comparable to best practices?
 - Are purchasing and vendor payment practices comparable to best practices?
 - Is financial communication consistent with leading practices?

- **Human Resources**
 - What is the organizational structure and function of the human resources operations?
 - Are collective bargaining agreements consistent with leading practices?
 - Are athletics and other supplemental contracts comparable to best practices?
 - Is EMIS data accurate and reliable?
 - Is staffing efficient compared to the peers?
 - Are salaries comparable to the peers?
 - Are health benefits comparable to leading practices?
 - Is the special education program efficient?
 - How does special education spending and population compare to the peers?
 - Is sick leave usage comparable to State averages?

- **Transportation**
 - How have ridership levels changed over the past three years?
 - How have transportation expenditures changed over the past three years?
 - Does the District utilize its buses in an efficient manner?
 - How can the accuracy and reliability of its transportation data be improved?
 - Is T-1 Form data reported and verified in accordance with ODE instructions?
 - Does the District have written procedures and guidelines that ensure accurate and timely reporting of transportation data (T Forms) to ODE?
 - Does the District make efficient use of routing software?

- Are an appropriate number of spare buses maintained?
- Is bus replacement planning consistent with best practices?
- Is fuel procured in a cost-effective manner?
- Is the preventive maintenance plan consistent with best practices?

- **Facilities**
 - How do facilities expenditures compare to the peers?
 - How does the organizational structure and staffing level compare to benchmarks?
 - Is facility-related data reliable for use?
 - Is custodial and maintenance staffing efficient compared to the peers and other benchmarks?
 - Does the District effectively manage overtime and substitute costs?
 - Does the District make effective use of technology?
 - Are preventive maintenance efforts consistent with best practices?
 - Is capital planning effort consistent with best practices?

- **Food Services**
 - What is the financial status of the District's Food Service Fund?
 - Is the participation rate in line with peer averages and industry benchmarks? What could be done to increase participation if it is low?
 - Are meals priced competitively compared to the peers and benchmarks?
 - Are labor meals per hour in line with peer averages?
 - Is the District spending more per meal than the peers?

Appendix B: Additional Comparisons

Staffing

Table B1 illustrates FTE staffing levels per 1,000 students at LLSD and the average of the peer districts. The staffing levels have been presented on a per 1,000 student basis as staffing levels are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases differences attributable to district size.

Table B1: LLSD Staffing Comparison

	LLSD		Peer Avg.	Difference	
Students ¹	394		552	(158)	
	LLSD FTEs ²	LLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ³
Administrative	4.4	11.2	7.8	3.4	1.3
Office/Clerical	4.2	10.7	7.0	3.7	1.4
General Education Teachers	24.5	62.2	53.7	8.5	3.3
All Other Teachers	4.5	11.4	9.1	2.3	.9
Education Service Personnel (ESP)	3.5	8.9	8.1	.8	.3
Educational Support	0.0	0.0	2.0	(2.0)	(.8)
Other Certificated	.5	1.3	.6	.7	.3
Non-Certificated Classroom Support	1.8	4.6	9.8	(5.2)	(2.1)
Other Professional and Technical Staff	8.6	21.8	24.8	(3.0)	(1.2)

Source: LLSD and peer district FY 2012-13 staffing data as reported to ODE

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Adjustments were made to LLSD's EMIS data to reflect accurate staffing at the time of the assessment.

³ Represents the number of FTEs that, when added or subtracted, would bring LLSD's number of employees per 1,000 students in line with the peer average.

As illustrated in **Table B1**, LLSD was below the peer average in three of nine staffing categories compared. However, due to the District's projected deficit, general education teachers were assessed in relation to State minimum standards (see **R.1**) and administrative and clerical staffing was addressed in **R.2**.

Salaries

LLSD's starting wages and step increases were compared to the respective peer averages. This was completed using negotiated salary schedules from FY 2012-13 collective bargaining agreements for LLSD and the peer districts. **Table B2** shows the total salary LLSD should expect to pay an employee over the duration of a 30 year career, based on its current contract, compared to peer districts.

Table B2: Total Salary Comparison

	LLSD	Peer Average	Difference	% Difference
Certified (Teachers)				
Bachelor's Degree	\$1,161,726	\$1,355,327	(\$193,601)	(16.66%)
Bachelor's Degree + 15 Hours	\$1,259,635	\$1,448,234	(\$188,599)	(14.97%)
Master's Degree	\$1,420,809	\$1,586,770	(\$165,961)	(11.68%)
Master's Degree +15 Hours	\$1,505,344	\$1,601,337	(\$95,993)	(6.38%)
Classified				
Administrative Assistant	\$576,304	\$634,282	(\$57,978)	(10.06%)
Aide	\$651,560	\$797,533	(\$145,973)	(22.40%)
Cook	\$416,623	\$523,269	(\$106,646)	(25.60%)
Custodian	\$822,162	\$837,932	(\$15,770)	(1.92%)

Source: LLSD and peer district salary schedules

As shown in **Table B2**, LLSD career compensation levels were lower for all staffing categories.

Appendix C: Food Service Financial Information

Table C1 displays historical operating data for the Food Service Fund.

Table C1: Food Service Fund Historical Financial Data

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Beginning Balance	\$22,319	\$7,801	\$0.00	\$10,442	\$7,408
Revenue	\$170,204	\$148,755	\$166,008	\$169,065	\$158,528
Transfers	\$0	\$11,710	\$0	\$0	\$0
Expenditures	\$184,722	\$168,268	\$155,566	\$172,099	\$156,917
Revenues Over (Under) Expenses	(\$14,518)	(\$7,801)	\$10,442	(\$3,034)	\$1,611
Ending Balance	\$7,801	\$0	\$10,442	\$7,408	\$9,019

Source: LLSD Financial Reports

As shown in **Table C1**, LLSD's Food Service Fund incurred more expenditures than revenues in three of the five years shown. However, the Fund required only one General Fund transfer of \$11,710 in FY 2009-10.

Client Response

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

*Ledgemont Local School District
16200 Burrows Road
Thompson, Ohio 44086
(440) 298-3341*

June 2, 2014

Mr. David Yost
Auditor of State of Ohio
88 East Broad Street – 5th Floor
Columbus, Ohio 43215

Attention: Matthew Pettella – Performance Project Manager / Ohio Performance Team

Dear Auditor Yost:

Ledgemont School District would like to thank the Auditor of State's office for the professional and thorough analysis of Ledgemont School District's processes and procedures and for taking the time to summarize the recommendations for planning and efficiency during the Performance Audit your department recently completed.






Ledgemont School District has been busy during the 2013-14 school year creating pathways to success – already working on many of the recommendations provided during the audit process. The District has attained success in many of the areas, and we are happy to outline those newly implemented procedures and processes in our formal response to the Performance Audit (see attached documentation).











Thank you for allowing us the opportunity to formally present the steps already taken in the 2013-14 school year, the steps being taken in the 2014-15 school year, and the steps in the planning process for future school years.










We thank you again for the time and effort made and appreciate all the assistance made on our behalf and on behalf of all the students of Ledgemont Local Schools.

Regards,

Belinda Glavic Grassi, CPA
Treasurer – Ledgemont Local School District
Belinda.grassi@ledgemontschools.org
(440) 298-3341 ext: 102

	<u>RECOMMENDATION (LEDGEMONT LOCAL SCHOOL DISTRICT)</u>	<u>SAVINGS</u>
R1 and R2 	<u>Eliminate 9.0 FTE General Education Teacher Positions</u> The District has taken steps in March 2014 to formally close the High School building at the end of the 2013-14 school year. While a reduction of 9.0 FTE general education teacher positions is not attainable due to certification and licensure mandates by ODE, the District was able to reduce staffing by another 9 positions which included certified and non-certified positions largely as a result of closing the high school (see R2). Positions included custodial, food service, grounds-keeping and tutoring. Savings includes all costs associated with eliminated personnel.	\$207,600
R2 	<u>Close the Junior/Senior High School</u> In March of 2014, the Board of Education passed a resolution that would allow the District to move all students K-12 to the Elementary School building beginning with the 2014-15 School Year. The High School facility will tentatively remain open on a partial basis for extra-curricular purposes, but will be closed for educational needs. A good estimate on the potential savings from this move is still being tabulated as some costs will still be expected with the partial use. Personnel savings is included in R1 above while facility expenditure savings is not calculated at this time.	Unknown at this time
R3 	<u>Reduce Employee Health Insurance Expenditures</u> During the 2013-14 school year, the District explored health insurance options available to small group employers. In May of 2014, all bargaining unions collectively agreed to switch insurance benefits to the Lake County Healthcare Consortium (a Council of Governments in operation since 1994). The switch will take effect beginning in September of 2014. A buy-in is applicable to cover the possible cost of claims run-off should Ledgemont ever leave the group. The buy-in fee will be payable over 2 years. Thus the cost savings in year one and year two will be offset by the payment of the fee. Savings is attributable only to remaining personnel after reductions made in R1 .	Years 1 & 2 \$72,000 Years 3+ \$104,000
R4 	<u>Increase Employee Health Insurance Contributions</u> At the time of the Performance Audit, single insured's contributed \$0 towards District provided medical benefits and families contributed \$75 or \$85 depending on job classification. During the 2013-14 school year, a new negotiated agreement was reached for the 2013-14 year which saw premium contributions increased to 7% of plan premiums. For the 2014-15 school year, the recently ratified bargaining unit contracts include the switch to new healthcare plans. The Consortium (see R3) offers three levels of plan benefits. District employees will choose Plan 1 (least plan benefits) at 0% contribution, Plan 2 at 7% contribution or Plan 3 (greatest plan benefits) at 7% of Plan 2 cost + the difference in premium between Plan 2 and Plan 3. It is expected that most employees will choose Plan 2 and savings estimates are based on that assumption.	Included in calculation of R3 savings
R5 	<u>Reduce Food Service Related Supplies & Materials Expenditures</u> R5(a) - During the 2013-14 school year the District switched to a new consortium based food vendor for all non-commodity based products to insure the best pricing for all types of food purchases.	\$5,000

	R5(b) - During the 2013-14 school year the District made the switch back to a previous vendor for paper and cleaning supplies. This vendor also provides the kitchen with the same type of supplies for less.	\$1,000
R6 	<u>Increase Control of Certificated and Administrative Sick Leave</u> Project for 2014-15 school year	N/A
R7 	<u>Develop a Comprehensive Strategic Plan That Meets Best Practice Standards</u> Not yet planned	N/A
R8 	<u>Enhance Stakeholder Communication</u> Community Meetings and additional Board of Education work sessions occurring on a regular basis to communicate and update residents on the status of the closure of the high school building and other relevant information.	N/A
R9 	<u>Complete Detailed Assumptions for the Five-Year Forecast</u> Completed in both October 2013 and May 2014.	N/A
R10 	<u>Update Budgeting Policies and Implement a Budgeting Process</u> In process and ongoing. Budgets, cash flow and outstanding purchase orders are reviewed weekly.	N/A
R11 	<u>Develop a Purchasing Manual</u> Project for 2014-15 school year	N/A
R12 	<u>Develop a Comprehensive Staffing Plan</u> With staffing already at educational minimums, unless the District were to move to a non-traditional classroom approach by combining grade-levels, the District has no other personnel to eliminate.	N/A
R13 	<u>Reduce Severance Payouts</u> Severance payouts are a function of retirements – which are out of the control of District. The District cannot dictate individual retirement. Unlike many other districts across the state, Ledgemont has no bonus plan available for early (or first year eligible) retirement. Retirement payouts are bargained by union contract. Ledgemont has a negotiated payout of 25% of carryover sick-time up to 360 days – which amounts to 90 days. While this is likely higher than average, the District's salary schedule is much lower than other surrounding districts and thus the higher payout is considered a compromise. With negotiated agreements already ratified for the 2014-15 school year (in which health-care was a higher priority for negotiating purposes), the District may be able to review this policy during future negotiation proceedings.	N/A
R14 	<u>Improve Accuracy of EMIS Data</u> During the 2013-14 school year office personnel was restructured and duties were reassigned. EMIS data is now handled by a full-time dedicated staff member. Along with other administrative support duties, this staff member attends regular training on the EMIS data collection function. Accuracy should improve over time as a result. Off-site A-site monitoring of the entire EMIS data collection process helps ensure that reporting is as accurate as possible.	N/A

R15 	<u>Develop a Bus Replacement Plan</u> Project for 2014-15 school year. With an aging bus fleet, this is a priority project.	N/A
R16 	<u>Develop Procedures for Reporting Transportation Data to ODE</u> Project for 2014-15 school year. With outsourcing of transportation at the beginning of the 2013-14 school year, procedures are still being refined.	N/A
R17 	<u>Monitor the Transportation Service Provider Contract</u> Done monthly when invoices for supplemental bus runs are provided. Analysis of fuel consumption reviewed annually.	N/A
R18 	<u>Develop a Comprehensive Preventive Maintenance Plan</u> Project for 2014-15 school year. With closure of the high school for educational needs, this provides a natural opportunity to create a plan for one facility.	N/A
R19 	<u>Develop a Facilities Master Plan</u> See R18.	N/A
R20  	<u>Create a Cost Allocation Plan for the Food Service Fund</u> During the 2013-14 school year, the food service fund was already charged for all direct costs including personnel, retirement, insurance benefits and all repairs associated with kitchen equipment and food service preparation. An allocation process for utility and custodial costs has not been developed at this time based on materiality. This decision may be revisited during the 2014-15 school year.	N/A
R21 	<u>Develop Policies and procedures for Completing Reimbursement Forms</u> In process and ongoing.	N/A
R22 	<u>Promote and Advertise the Food Service Program</u> Project for 2014-15 school year. Plans to promote breakfast to high school students are underway for the upcoming school year, as students in grades 7-12 did not have breakfast options during the 2013-14 school year. In addition, plans are underway to increase awareness of free & reduced meal options for K-12 students. With all students now slated to be in one building and all meals prepared fresh in one location, it is hoped that students in grades 7-12 take more advantage of the opportunity to eat school meals.	N/A



In Planning Stages for Review in 2014-15 School Year



Already completed



Not yet planned



Dave Yost • Auditor of State

LEDGEMONT LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 17, 2014**