



Mary Taylor, CPA  
Auditor of State

# SOUTH - WESTERN CITY SCHOOL DISTRICT PERFORMANCE AUDIT

FEBRUARY 9, 2010



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Auditor of State

To the Residents and Board of Education of the South-Western City School District:

In July of 2009, the South-Western City School District (SWCSD) engaged the Auditor of State (AOS) to conduct a performance audit of select areas of District operations. The areas selected were financial systems, human resources, facilities, transportation, food service, and technology. These areas were selected because they are important components of SWCSD operations that support its mission of education children and because improvements in these areas can assist in improving efficiencies and reducing costs.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. While the recommendations contained in the audit report are resources intended to assist SWCSD, Board members and administrators are encouraged to also assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes a brief project history; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, assessments not yielding recommendation, key recommendations, issues for further study, and the financial implications. This report has been provided to SWCSD, and its contents discussed with the appropriate elected officials and administrators. SWCSD has been encouraged to use the results of the performance audit as a resource for further improving its overall operations, service delivery, and efficiency.

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 "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 9, 2010





# **Executive Summary**

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## **Project History**

In July 2009, the South-Western City School District (SWCSD or the District) engaged the Auditor of State (AOS) to conduct a performance audit of its financial and operations management. The Board of Education requested this independent assessment to determine whether operations are efficient and management practices are effective; and to identify areas for improvement. Accordingly, this audit examined the District's financial, human resource, and technology management, along with facility, transportation, and food service operations. Audit work concluded in November 2009.

In 1999, AOS also conducted a performance audit of SWCSD under the 21 district urban initiative. Many, but not all, of the 1999 performance audit recommendations have been implemented. Where appropriate, this audit identifies the implementation status of certain recommendations.

The overall objective of this project was to identify opportunities for savings and process improvements, as well as highlight noteworthy accomplishments within the District. Where appropriate, recommendations were made that would reduce costs, improve efficiency, or enhance management effectiveness. The resulting recommendations provide options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

## **Objectives, Scope and Methodology**

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability<sup>1</sup>.

AOS conducted the performance audit of SWCSD in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform

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<sup>1</sup> Government Auditing Standards, July 2007 Revision, United States Government Accounting Office

the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

To complete this report, auditors gathered and assessed data from SWCSD; conducted interviews with District personnel; identified applicable benchmarks and leading practices; and developed a composite of ten “peer” districts from Franklin County and around the State. **Table 1-1** lists the ten peer districts, along with key demographic and academic performance data.

**Table 1-1: Selected SWCSD Peer Districts**

District Name	County	Enrollment	Performance Indicators Met	Expenditures Per Pupil	Percent of Students with Disability
South-Western CSD	Franklin	20,406	16	\$9,336	13.14%
Elyria CSD	Lorain	7,315	14	\$9,983	14.48%
Gahanna-Jefferson CSD	Franklin	6,824	25	\$10,719	13.51%
Groveport-Madison LSD	Franklin	5,869	14	\$9,501	15.31%
Huber Heights CSD	Montgomery	6,095	22	\$10,126	12.83%
Parma CSD	Cuyahoga	12,279	25	\$11,727	17.68%
Reynoldsburg CSD	Franklin	6,398	26	\$9,412	14.03%
Washington LSD	Lucas	6,568	21	\$10,993	14.40%
West Clermont LSD	Clermont	8,679	24	\$8,528	12.23%
Westerville CSD	Franklin	13,470	25	\$9,874	11.07%
Willoughby-Eastlake CSD	Lake	8,440	28	\$10,221	13.02%

**Source:** Ohio Department of Education

In certain assessments in this report, AOS used different peer groups to provide comparisons that are more relevant. In these cases, the different peers are noted.

In addition to peer data, AOS used external organizations to identify leading and recommended practices for comparisons. Key external sources included the Ohio Department of Education, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National State Auditors Association (NSAA), the United States Government Accountability Office (GAO), and other industry organizations. Data from peer districts and external sources used as criteria were not tested for reliability.

The performance audit process involved significant information sharing with SWCSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to confirm preliminary findings. Throughout

the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, SWCSD provided verbal comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the final report based on the District's comments.

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

## **District Overview**

SWCSD is located in Franklin County and encompasses 119 square miles. In FY 2008-09, the District reported providing educational services to 21,331 preschool through grade twelve students, which makes it the sixth largest school district in Ohio. After peaking in FY 2004-05, enrollment has generally been on a slow decline (see **Table 4-4** in facilities). For FY 2009-10, the District closed two schools, leaving it with a total of 31 school buildings in operation. Prior to the passage a new 7.4 mill operating levy in November, 2009, the last time a new operating levy passed was May, 2005.

In FY 2008-09, the District employed 2,359.8 full-time equivalent (FTE) staff, including 1,052.2 FTE teaching staff, 132.0 FTE office/clerical staff, and 95.5 FTE administrative personnel. Its regular education student-to-teacher ratio was 18.8 to 1.

For FY 2008-09, ODE reported that SWCSD received 44.3 percent of its revenue from local sources, 47.7 percent from the State, and 8.0 percent from federal and other sources. ODE also reported that the District's expenditures per pupil were \$9,336, which was below the State average of \$10,184. In FY 2009-10 the District's general operating budget was about \$192.9 million.

SWCSD has three separate collective bargaining agreements. Most administrative personnel are represented by the South-Western Administrators' Association (SWAA). The collective bargaining agreement was to expire on February 28, 2009 but was extended for one year with no base wage increase. Teachers and other certificated personnel are governed by a negotiated agreement with the South-Western Education Association (SWEA), which is affiliated with the Ohio Education Association (OEA). This agreement was to expire effective June 30, 2009 but was extended for one year with no base wage increase. Finally, classified personnel, such as secretaries, custodians, maintenance workers, bus drivers, and cooks, are governed by a negotiated agreement with the Ohio Association of Public School Employees (OAPSE) and its Local Chapter #211. This agreement was in effect from July 1, 2006 until July 31, 2009 but was also extended for one year with no base wage increase. (See **human resources** for assessments and more details about these collective bargaining agreements).

For FY 2008-09, SWCSD was categorized as a *continuous improvement* district having met 16 of 30 academic performance indicators established by ODE but did not meet its adequate yearly progress goals.

## Subsequent Events

During the course of the audit, FY 2007-08 was the most recent year for which financial data was available. After the completion of field work, FY 2008-09 financial data became available.

Recent levy attempts, in May and August of 2009, failed therefore, the District's October 2009 five-year forecast showed a deficit of about \$9.2 million beginning in FY 2010-11. However, voters approved a new 7.4 mill operating levy in November 2009. As a result, the District plans to restore transportation service and extracurricular activities.

## Noteworthy Accomplishments

This section of the executive summary highlights specific SWCSD accomplishments identified throughout the course of the audit.

- **Specialized Instruction:** SWCSD provides instruction to its special education/disabled students, limited English proficient students, and gifted students in a cost effective manner. The District effectively evaluates opportunities to provide services through alternative means and maximizes its available resources dedicated to specialized educational services. SWCSD applies leading and innovative practices to its management of its specialized educational programs.
- **Workers' Compensation Premiums:** The District actively manages its workers' compensation costs and is involved in risk abatement activities recommended by the Bureau of Workers Compensation which have created premium discount opportunities. The most relevant of these activities is the "retrospective rating" program, where SWCSD agrees to assume a portion of the claim costs in return for a reduction in premium. By joining the Retro 150 or Tier I program, the District will realize a decrease in its workers' compensation premium of about 55 percent<sup>2</sup>, from \$1.35 per \$100 in payroll to \$.61 per \$100.
- **Enrollment Projection:** SWCSD prepares annual enrollment projections for each school building and the District in total. The enrollment projections are based on each individual building's three-year average cohort survival ratio which has been identified as a leading

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<sup>2</sup> This should result in \$475,000 of savings per year while involved in the retro-program.



practice. A comparison of the District's enrollment projections to independent AOS projections found them to be reasonably predictive of future enrollment.

- **Classroom Inventory and Building Utilization:** SWCSD has a Classroom Space Inventory Committee that includes representation from staff and administration. On an ongoing basis, the committee reviews classroom space and utilization for each building. As a result, the District has up-to-date data, which it can use to ensure that all buildings are efficiently utilized. Furthermore, the data helps SWCSD target those buildings that are not efficiently utilized for future changes to configuration. For example, the District was in a position to be able to increase the efficiency of its overall building use through the closure of Harrisburg Elementary School. Increasing building utilization and closing a building helped the District to operate its facilities in a more cost effective manner. In order to maintain this efficiency, the District should only re-open Harrisburg Elementary School if increasing enrollment or mandated programmatic changes clearly require it to do so.
- **Transportation Plan:** When SWCSD's Board reduced transportation services in FY 2009-10, it applied a detailed methodology to change eligibility requirements. Rather than limiting eligibility for transportation services using the two-mile standard, the District methodically examined the eligibility boundaries for each of the District's elementary, intermediate, and middle schools. It applied unique standards to each school depending on the geography surrounding the particular building. This ensured that SWCSD could attain savings in its transportation program while maintaining the safety of its students as they travel to and from school.
- **Network Infrastructure:** The District's network infrastructure allows for a closely managed network operation with a central data service center. The network is equipped with remote access technology to provide technology support to users in a more efficient manner. Moreover, the Technology Department regularly pushes updates and images to computers using the network infrastructure during times of off-peak network use rather than loading information on individual computers which reduces costs and increases efficiency.
- **Software Application Integration:** Technology Department employees have developed numerous computer programs to integrate the District's many separate software applications across the organization. By integrating staff and student information systems, the District can capitalize on the existing information and reduce the need for multiple and redundant data entry processes.
- **Technology Inventory System:** The District's technology inventory system (HEAT) is versatile and useful to the Technology Department. HEAT supports the help desk function and computer technicians use the system to prioritize and respond to requests for

technology support remotely through iHEAT. Because the system is integrated with the technology inventory, the District is able to track support by computer model, building, or user, in order to identify potential network support issues.

## **Assessments Not Yielding Recommendations**

This section of the executive summary highlights SWCSD processes and efforts that were in line with benchmark or standard organizational practices.

### *Financial Systems*

- SWCSD's financial management, ethics, credit card, payroll, and purchasing policies meet leading practices.
- The District's forecasting and budgeting processes meet leading practices and the District's forecast assumptions for major line items are reasonable and sufficiently documented.
- The District has limited payroll runs, which allow adequate time for reconciliation. In addition, the District has established effective internal controls over the time and attendance reporting process.
- SWCSD has established inventory controls over textbooks and custodial, maintenance, and transportation supplies that meet leading practices.

### *Human Resources*

- Staffing levels were comparable to peer districts on a FTEs per 1,000 students educated basis. Though some functional categories fluctuated above or below the peers, the total FTEs per 1,000 students educated was slightly below the peer average.
- SWCSD offers substitute teacher pay rates that are comparable to similar districts in the area.
- In FY 2007-08, SWCSD spending on extracurricular activities per student was similar to the peer average.

- SWCSD spends a smaller percent of General Fund money on vocational programs when compared to the average of selected districts with comprehensive high schools.<sup>3</sup> The District monitors vocational class sizes and program offerings at other area vocational schools. It is cognizant of its financial constraints and has recently eliminated or replaced programs with low enrollment. However, the District may want to consider ways to increase enrollment to more fully utilize available space (see **issues for further study**).
- The District's website provides general information about the Board of Education including agendas, minutes, and contact information. In accordance with its policy, the Board evaluates the Superintendent and Treasurer each year. Board members also reported having received orientation and training through the Ohio School Boards Association.

### *Facilities*

- The Maintenance and Operations (M&O) Department has a new employee shadowing process. This process allows for a new employee to work with a high performing employee to learn the proper and expected procedures for carrying out the day-to-day duties of the custodial function.
- The M&O Department has implemented recommended energy management practices with regard to energy use tracking, monitoring, and inefficiency auditing. The District's utility costs in FY 2007-08 were 13 percent lower than the peer average and 8 percent lower than the industry benchmark.
- SWCSD purchases its gas and electric in a manner that maximizes purchasing power when possible which should provide an overall competitive market price for the District.
- An analysis of SWCSD's FY 2008-09 building utilization found that overall the District is maximizing the use of its educational space and has alleviated capacity needs through the use of modular units.
- SWCSD's average compensation for custodians and head custodians is comparable to the average of similar districts in the area.

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<sup>3</sup> Selected vocational peer districts include: Akron CSD (Summit County), Mansfield CSD (Richland County), Parma CSD (Cuyahoga County), Toledo CSD (Lucas County), and Washington LSD (Lucas County).

### *Transportation*

- Transportation policies, as approved by the Board are in line with State requirements and are implemented by transportation staff.
- SWCSD has sufficient controls to ensure the security of its fleet, equipment, and supplies. The bus garage, fuel tank, and buses are located within a fenced-in area and the District has measures in place that effectively assure the security of its transportation assets.
- The District's purchasing practices for transportation supplies and materials have led to costs which are lower than both the peer average and industry benchmarks. These practices, which include regularly calling suppliers for quotes, help ensure SWCSD is obtaining competitive prices for purchases.
- Preventive maintenance activities for the transportation fleet are in line with leading practices, including tracking and maintaining repair costs by bus.

### *Food Service*

- The food service operation has developed a handbook for employees, which includes information regarding dress code, sanitation, safety, general information, forms, and pertinent cooking information. Procedures for inventory and cash handling are also in place. These tools serve as a basis for training new employees.
- The food service operation has meetings four times each year to cover security and safety topics, as well as general information regarding purchasing, cash handling, and inventory. Additionally, school nurses provide training in the Heimlich maneuver, blood borne pathogens, and other health and safety issues each year.
- The process for evaluating meal prices is appropriate, and meal prices, while somewhat higher than the average of similar districts in the area, are appropriate for SWCSD.
- Participation in the school lunch program exceeded the peer average. The District has surveyed students in the past and continues to monitor participation by examining sales of menu items.
- The food service operation has taken steps to contain costs of supplies and materials, including the development of an internal order guide, which is based on the District's five-week cycle menu, and participation in consortium pricing and government commodity purchases. These actions aid the District in minimizing food costs.

- The food service operation consistently submits reimbursement claims for the National School Lunch Program well within ODE's 45 day timeframe.

### *Technology*

- The District has developed a comprehensive technology plan that provides direction for administrative and instructional technology decision making.
- The District is in line with recommend staffing levels for a closely managed network. SWCSD employs 6 FTE who provide direct end-user support to staff and students, yielding a ratio of approximately 1:1,000 (technicians per computers). If related positions that also provide some technology support are included in the calculation, the District employs 12.5 FTEs, for a ratio of approximately 1:487.
- SWCSD has a professional development center that provides a variety of technology courses to teachers, administrators, and other classified staff. Moreover, the District's Building Technology Coordinators and Educational Technology Teachers provide building level technology support and training to promote integration of technology into the curriculum.
- The District's network has sufficient bandwidth and can be easily upgraded to meet additional data needs. Moreover, the network is VoIP (Voice over Internet Protocol) ready so the District can implement this technology.
- The District schedules regular updates and uses off-peak network hours to push anti-virus software and system updates. The District also maintains firewalls and filters, which work to block harmful data entering the network. Additionally, the District works to ensure network security by limiting user access to the system, and by enforcing an acceptable use policy.
- The District has implemented uniform equipment standards for computer and printer purchases. These practices allow for better management of technology equipment and provide greater efficiencies in the deployment of technology support.
- SWCSD has implemented minimum equipment standards for donated equipment. The use of donated equipment allows the District to provide students greater access to technology while also maintaining a network of hardware that technology staff is able to support in an efficient manner.
- The District takes into consideration the total cost of ownership when making technology purchases and is mindful of the lower ongoing costs of supporting and maintaining laser

printers over inkjet printers. SWCSD has implemented the use of network laser printers and does not support inkjet printers at the District level.

- The District requires staff members to submit notifications to the central office when technology purchases at the building level are desired. This requirement ensures interested parties, including technology, review the application for compliance with uniform equipment standards and technology support guidelines.
- The District auctions equipment off at public auctions held by the District's Property Services Department, or disposes of equipment through an asset recovery program, upon the end of its useful life.
- The District has developed instructional software bundles to aid in student learning. The implementation of these software packages is part of the District's desire to integrate technology into the curriculum rather than isolating student access to technology. Moreover, the District discourages the use of localized software programs and the Technology Department must approve the installation of any building level software programs.

## Key Recommendations

The following are key recommendations from the performance audit report. As school district issues are often complex, users of this report are encouraged to examine the full findings and recommendations contained in the detailed report sections.

*In the area of financial and strategic management, SWCSD should:*

- Implement the recommendations contained in the performance audit to help offset projected deficits. In addition, the District should continue to update its five-year forecast on a regular basis or whenever material changes in assumptions are made or unanticipated events occur.
- Develop a clearly written, multi-year strategic plan that provides vision and direction for its Board and employees. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP) and any other educational and operational plans. Once a comprehensive strategy is adopted and approved, SWCSD should assess all parts of the strategic plan on an annual basis and, as appropriate, amend its priorities to reflect changes in internal and external conditions.

- Consider supplementing its comprehensive annual financial report (CAFR) with a popular annual financial report (PAFR) that contains GFOA-recommended characteristics.
- Develop a policy requiring timely payments in order to take advantage of vendor discounts and avoid late fees and other charges.
- Create an internal auditor position to monitor and review the District's operations and programs, or assign internal audit duties to current District employees. The internal auditor should report administratively to the Superintendent and functionally to the Board of Education.
- Approach bargaining unit representatives and request a memorandum of understanding requiring mandatory direct deposit for all employees and long-term substitute teachers, regardless of hire date. Furthermore, the District should explore the possibility of discontinuing the practice of issuing paper pay stubs and instead issue only electronic pay stubs.

*In the area of human resource management, SWCSD should:*

- Develop a formal and comprehensive staffing plan at the District level that addresses current and future staffing needs.
- Develop policies and procedures to ensure that its Education Management Information System (EMIS) staffing data are accurately prepared and reconciled prior to submission to ODE. Staff responsible for collecting and reporting EMIS data should work closely throughout the year to address any data discrepancies.
- Establish a formal process for updating and distributing an employee handbook. In addition, SWCSD should ensure that employee job descriptions are current by establishing a process for regularly reviewing and updating them. Last, the District should routinely solicit formal employee feedback regarding the work environment and job satisfaction.
- Attempt to adjust or remove provisions in its bargaining agreements that exceed what similar districts in the area offer or that unnecessarily restrict management's ability to efficiently manage the District.
- Continue to work with its health insurance committee and attempt to negotiate the implementation of additional cost containment strategies to further reduce medical and dental insurance costs. Strategies should focus on bringing monthly premiums more in line with the SERB averages for the Columbus region, enrolling more employees in its

lower cost medical insurance plan, and increasing employee contribution rates for dental and vision insurance.

- Follow the Government Finance Officers Association (GFOA) recommendations for evaluating retirement incentives. Furthermore, SWCSD should attempt to negotiate contract language that allows it to offer retirement incentives only when needed to meet specific staff or financial goals.

*In the area of facilities, SWCSD should:*

- Reduce M&O Department staffing by 15.5 FTE employees to bring staffing in line with the total calculated staffing need based on industry standards for custodians, maintenance staff, and groundskeepers. In addition, the District should discontinue its practice of employing seasonal M&O Department staff.
- Seek to modify its maintenance staff step schedules or limit future negotiated wage increases to bring compensation more in line with the average of similar districts in the area.
- Develop a formal facilities master plan that is consistent with leading practices, District-wide priorities as identified in the strategic plan, and the five-year forecast (see **R2.1** financial systems). In addition, the District should develop five-year enrollment projections as a component of the facilities master plan.
- Make better use of its existing work order system capabilities by developing and fully implementing a formal preventive maintenance program.
- Develop a formal handbook for custodial and maintenance operations that addresses topics such as the mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, vehicle use guidelines, security standards, and work order procedures. The handbook should detail time standards and processes for accomplishing tasks. The District should also provide periodic training to ensure that all staff are aware of the processes and expectations outlined in the handbook and are performing their functions consistently.

*In the area of transportation, SWCSD should:*

- Develop and implement written procedures for completing, reconciling, and submitting transportation information that are consistent with ODE guidelines.
- Consider eliminating at least nine active buses in order to improve the efficiency of the transportation operation and reduce its costs. In order to improve the efficiency of the



operation, the District should review bell schedules to maximize the use of triple routing and route buses for actual riders rather than those students eligible for transportation.

- Attempt to reduce the costs associated with special needs transportation by exploring alternate forms of transportation as well as reducing the number of bus aides on special needs buses. Furthermore, the District should revise its individualized education program (IEP) development process to include transportation personnel when appropriate.
- Renegotiate contractual provisions regarding compensation, eliminating the payment in lieu of vacation that bus drivers receive, and re-evaluate base salaries to make them more comparable with similar districts in the area (see **R3.5** in human resources).
- Develop a formal bus replacement plan to ensure proper planning and budgeting for the procurement of new buses. Furthermore, the replacement plan should take into consideration all maintenance and repair costs, including labor, to allow the District to effectively plan for the replacement of buses at the most economically advantageous points in their lifecycles.

*In the area of food service, SWCSD should:*

- Develop a strategic plan for its food service operation with specific goals, objectives, and performance measures that are consistent with and supportive of the District's comprehensive strategic plan.
- Ensure that all food service related expenses are charged to the Food Service Fund, regardless of any future need for transfers from the General Fund. Specifically, a portion of utilities and refuse removal expenses should be allocated to the Food Service Fund.
- Eliminate up to 45.5 labor hours from its daily food service operations. Such a reduction in labor hours would bring the District in line with industry standards for kitchen efficiency and reduce the percentage of expenses spent on labor costs.
- Renegotiate salary schedules for food service employees and/or limit future negotiated wage increases in order to bring hourly compensation levels in line with the average for similar districts in the area. SWCSD should also seek to discontinue providing vacation pay to 9 and 10 month employees, which represents a hidden salary cost and does not allow for transparent and comparable salary schedules.

*In the area of technology management, SWCSD should:*

- Ensure funding for the five-year replacement cycle outlined in its technology plan. Replacing technology on a five-year schedule will improve the operational performance of computers, ensure students and staff have up-to-date hardware, and that older, higher-maintenance machines are replaced in a timely manner.
- Consider implementing a student support program to train students in technical support. These students could support District technology in a peripheral manner as part of a volunteer, paid, or curricular program.
- Develop and implement a formal disaster recovery plan that incorporates leading practices outlined by the National Center for Education Statistics (NCES). Once developed, the plan should be reviewed and updated annually.

## **Issues 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 did not have the time or resources to pursue. AOS has identified the following issues that may require further study:

- **Vocational Programs:** SWCSD should study ways to increase its vocational enrollment to more fully utilize available resources and increase class sizes. It may be possible to increase enrollment through more aggressive marketing activities, further altering program offerings, or allowing students from neighboring districts to enroll.
- **All-Day Kindergarten and Building Utilization:** SWCSD should further study the District's ability to comply with all day kindergarten requirements included in House Bill 1 (HB 1) as passed by the General Assembly. Based on a sample of elementary school buildings it appears that the District will not have sufficient space to accommodate all-day kindergarten within its current building configuration. In order to address this requirement, the District may need to pursue programmatic changes, adjust building boundaries; add modular unit classrooms, or reopen currently unused space (i.e., the Kingston School or Harrisburg Elementary School). However, the District should ensure that it takes into account the projected cost of each potential solution prior to implementation.
- **Compensation for Grounds Keeping:** SWCSD should study the cost effectiveness of having its maintenance staff complete grounds keeping duties at the maintenance compensation rate. The District's maintenance staff compensation is high when

compared to the average of similar districts in the area (see **R4.2 in facilities**). In addition, general grounds keeping is typically not considered a skilled position and as a result compensation is typically lower than that of a skilled position like maintenance. One alternative to completing this service in-house would be to contract for the service. Another alternative would be to negotiate a lower compensation rate for performing grounds keeping functions.

- **Bus Replacement:** The District's fleet for regular needs students is comprised of 84 passenger buses. While the use of larger buses allows for each route to provide services to more students, few of the District's regular buses are operating at the target benchmark capacity due to time constraints surrounding bell schedules and/or the rural nature of some routes. When developing a formal bus replacement plan (see **R5.3 in transportation**) and purchasing new buses, the District should consider the operating environment and constraints of bell schedules and rural routes when determining the size of buses to purchase.

## Summary of Financial Implications

The following table summarizes the financial implications of the performance audit recommendations. These recommendations provide a series of ideas or suggestions that SWCSD should consider. Additional information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

**Table 1-2: Summary of Financial Implications for the General Fund**

<b>Recommendation</b>	<b>Annual Savings <sup>1</sup></b>	<b>Implementation Costs</b>
<b>R3.5</b> Implement further cost containment strategies to bring medical insurance premiums more in line with the SERB average.	\$1,400,000	
<b>R3.5</b> Implement cost containment strategies to bring dental insurance premiums and employee contribution rates more in line with SERB averages. <sup>2</sup>	\$588,000	
<b>R4.1</b> Eliminate 15.5 FTE M&O Department staff positions.	\$677,000	
<b>R4.1</b> Eliminate the use of seasonal M&O staff.	\$84,000	
<b>R5.2</b> Eliminate nine active buses from regular transportation operations.	\$305,000	
<b>R6.2</b> Allocate all appropriate costs to the Food Service fund. <sup>3</sup>	\$194,000	
<b>R7.1</b> Fully fund the District's 5-year replacement schedule for technology.		\$700,000
<b>Total</b>	<b>\$3,248,000</b>	<b>\$700,000</b>

**Source:** Auditor of State

**Note:** Savings are rounded to the nearest thousand.

<sup>1</sup> Savings based on implementation in FY 2010-11.

<sup>2</sup> Implementation is subject to negotiation.

<sup>3</sup> Savings are for the General Fund. There will an additional cost to the Food Service Fund of the same amount.



# Financial Systems

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## Background

This section focuses on the strategic and financial management systems in the South-Western City School District (SWCSD, or the District). It analyzes strategic planning, financial policies and procedures, historical revenue and expenditures, and the current financial condition of the District for the purpose of developing recommendations to improve strategic management and financial decision making. Plans, procedures, and operations were evaluated against leading practices, industry benchmarks, operational standards, and selected peer districts.<sup>1</sup> Leading practices and industry standards were drawn from various sources, including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), and the United States Government Accountability Office (GAO).

The following questions were used to evaluate the District's strategic and financial management practices:

- Does the District's financial data appear to be valid and reliable?
- What has been the District's recent financial history?
- How do the District's revenue and expenditures per pupil compare with peer districts?
- Does the District have comprehensive policies and procedures that meet recommended practices?
- Do the District's forecasting and budgeting processes meet leading practices?
- What is the likely financial position of the District based on the implementation of the performance audit recommendations?
- Does the District report appropriate financial information to management and the community?
- Has the District developed a strategic plan and performance measures which meet recommended practices?
- Does the District effectively manage payroll operations?
- Has the District established inventory controls over consumable supplies and materials that meet recommended practices?

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<sup>1</sup>Peers districts include: Elyria CSD (Lorain County), Gahanna-Jefferson CSD (Franklin County), Groveport-Madison LSD (Franklin County), Huber Heights CSD (Montgomery County), Parma CSD (Cuyahoga County), Reynoldsburg CSD (Franklin County), Washington LSD (Lucas County), West Clermont LSD (Clermont County), Westerville CSD (Franklin County), and Willoughby-Eastlake CSD (Lake County).

### *Treasurer's Office Operations*

The Treasurer's Office is responsible for payroll, accounts payable, accounts receivable, tracking fixed assets, managing insurance benefits, and accounting for the District's grants. The Treasurer's Office consists of the Treasurer, an Assistant Treasurer, an accounts receivable clerk, three employees who handle accounts payable (one of these employees also handles fixed assets), two accountants, three payroll officers, and one employee who handles insurance issues. The Treasurer has worked for the District for over eight years. The District does an excellent job of sharing appropriate financial information with management and the community through monthly financial reports, the District's official website, and the comprehensive annual financial report (CAFR).

### *Previous Performance Audit*

As discussed in the **executive summary**, a previous performance audit of SWCSD was released in 1999. As part of that audit, the District's financial systems were assessed, and recommendations were made to improve the District's efficiency and effectiveness and to reduce costs. The performance audit conducted in 1999 included recommendations to better monitor the goals and objectives in the District's strategic plan, publish a popular annual financial report, develop an internal auditor position, and develop a capital improvement plan. Those recommendations have not been fully implemented and are repeated in this audit (see **R2.1**, **R2.2**, **R2.4**, and **R4.3**). All other financial systems recommendations from the 1999 audit have been implemented, were no longer relevant, or were outside the scope of this audit.

### *Financial Condition*

**Table 2-1** compares SWCSD's assessed valuation, millage, and local revenue with the peer average for Fiscal Year (FY) 2007-08, which was the latest year available at the time of the audit.

**Table 2-1: Assessed Valuation and Millage Comparison**

	SWCSD FY 2007-08	Peer Average FY 2007-08	Difference	Percent Difference
June 30 <sup>th</sup> Average Daily Membership	20,406	8,174	12,232	149.6%
Assessed Valuation	\$2,732,706,463	\$1,458,467,918	\$1,274,238,545	87.4%
Assessed Valuation Per ADM	\$133,917	\$173,126	(\$39,209)	(22.6%)
Property / Income Tax Collections	\$81,734,429	\$44,516,292	\$37,218,137	83.6%
Collections Per ADM	\$4,005	\$5,255	(\$1,250)	(23.8%)
Ratio of Assessed Valuation per ADM to Collections per ADM	33.43	33.25	0.19	0.6%
<b>Effective Millage</b>				
> Residential (Class I)	27.59	31.88	(4.29)	(13.5%)
> Business (Class II)	41.65	36.68	4.98	13.6%

Source: Ohio Department of Education

**Table 2-1** shows that SWCSD has a lower assessed valuation per average daily membership (ADM) and thus lower tax collections per ADM than the peer average. In order to equal the collection levels of the peers, the District would need to collect an additional \$22 per student.

According to the Treasurer, House Bill 66 had a substantial impact on the District with the elimination of the Tangible Personal Property Tax as this represented approximately 10 percent of the District's budget. In addition, the District has seen large increases in its English for Speakers of Other Languages (ESOL) population and steady increases in its special education population. Both of these programs are costly to operate. The five-year forecast that the District submitted to ODE in October 2009 projected a potential deficit of over \$9 million by FY 2010-11. SWCSD passed an Operating/Permanent Improvement levy for 9.7 mills in May 2005. However, between 2005 and 2009, District voters rejected an income tax levy, a bond issue, and two operating levies. In November 2009, the District passed a 7.4 mill operating levy.

In order to reduce projected deficits, the District has made several reductions in expenditures. Beginning in 2006, the District has reduced expenditures by \$14 million and eliminated about 260 positions. This past fiscal year, the District reduced \$8 million in expenditures and approximately 70 positions. The District also reduced hours for bus drivers through the elimination of high school busing and eliminated supplemental contracts for supervising extra-curricular activities. These reductions were made to maintain the District's solvency. Rather than offering half-day, every day kindergarten, SWCSD implemented all day, every other day kindergarten beginning with the 2006-07 school year. This saved the District approximately \$250,000 per year in transportation costs. Also, by closing buildings outside of normal school hours during the 2009-10 school year and restricting thermostat settings, the District expects to save approximately \$350,000 in utility costs.



*Expenditures and Revenues*

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, operational expenditures by function level should continually be evaluated and prioritized. **Table 2-2** compares SWCSD’s FY 2007-08 expenditures on a per pupil basis to the peer average. This was the most recent financial information available at the time of the audit. Total expenditures are based on the Ohio Department of Education (ODE) Expenditure Flow Model (EFM).<sup>2</sup>

**Table 2-2: FY 2007-08 Expenditure per Pupil Comparison <sup>1</sup>**

	SWCSD		Peer Average		Difference Per Pupil	Percent Difference Per Pupil
	Total	Per Pupil	Total	Per Pupil		
<b>Administration</b>	\$21,601,689	\$1,059	\$9,797,026	\$1,166	(\$107)	(9.2%)
<b>Building Operations</b>	\$34,359,793	\$1,684	\$15,920,052	\$1,956	(\$272)	(13.9%)
<b>Staff Support</b>	\$6,863,569	\$336	\$2,016,051	\$258	\$78	30.4%
<b>Pupil Support</b>	\$17,831,090	\$874	\$8,289,559	\$986	(\$112)	(11.3%)
<b>Instruction</b>	\$109,849,768	\$5,383	\$47,117,604	\$5,744	(\$360)	(6.3%)
<b>Total</b>	<b>\$190,505,909</b>	<b>\$9,336</b>	<b>\$83,140,292</b>	<b>\$10,108</b>	<b>(\$773)</b>	<b>(7.6%)</b>

Source: Ohio Department of Education

Note: Because districts often account for funds that are unrelated to the instruction of school-age students (i.e., special trust funds or adult education), not all money spent by a school district is included in the expenditure per-pupil calculation.

<sup>1</sup> FY 2007-08 was the most recent data available at the time audit work was completed.

As **Table 2-2** shows, SWCSD spent, in total 7.6 percent less per pupil than the peer average. The following is a brief explanation of the District’s spending by category:

- **Administration:** In FY 2007-08, SWCSD spent approximately 9 percent less per pupil than the peers. Aside from salary and benefit expenses, these costs were associated with the board of education, superintendent's office, fiscal services, support services, and building principals. These expenditures do not relate directly to the education of students. Instead, they encompass expenses relating to planning, research, information services, staff services, and data processing.
- **Building Operations:** In FY 2007-08, SWCSD’s building operations costs were nearly 14 percent per pupil below the peer average. These expenditures are comprised of salaries and benefits, and vendor contracts for the direction of maintenance, transportation, and the food service operations. Building Operations also includes facilities-related

<sup>2</sup> The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of kindergarten through twelfth grade students and does not include all the funds accounted for by a school district. Furthermore, the funds identified within the EFM do not match funds found within the five-year forecast.

operations at the building and central office levels, as well as any purchasing for the enterprise funds, the largest of which is the lunchroom operation.

- Staff Support:** In FY 2007-08, SWCSD spent approximately 30 percent more per pupil than the peer average on staff support. Expenditures in this category are related to staff needs, such as professional development, training, and tuition reimbursement. Within the area of Staff Support, SWCSD spent more than the peer average on Salaries and Wages (40.6 percent more), Retirement & Benefits (42.4 percent more), Purchased Services (4.0 percent more), and Supplies & Materials (37.1 percent more). However, the District’s Staff Support expenditures per pupil have decreased by an average of 27.8 percent over the past three fiscal years (see **Table 2-3**).
- Pupil Support:** In FY 2007-08, SWCSD’s pupil support expenditures were approximately 11 percent per pupil below the peer average. These expenditures are related to student needs outside of the classroom, such as guidance counseling, help in the media center or library, college advising, field trips, and psychological testing.
- Instruction:** In FY 2007-08, SWCSD spent over 6 percent less per pupil on instruction than the peer average. This function includes costs for teachers, teacher aides, and paraprofessionals, in addition to costs associated with instructional materials such as computers, books and other supplies and materials that are used in the classroom setting. These expenditures are directly related to the education of students.

**Table 2-3** compares the District’s expenditures per pupil from FY 2005-06 through FY 2007-08.

**Table 2-3: Historical Expenditures Per Pupil**

	FY 2005-06 Expenditures	FY 2006-07 Expenditures	Percent Change	FY 2007-08 <sup>1</sup> Expenditures	Percent Change	Average Percent Change
<b>Administrative</b>	\$1,164	\$1,047	(10.1%)	\$1,059	1.1%	(4.5%)
<b>Building Operations</b>	\$1,801	\$1,497	(16.9%)	\$1,684	12.5%	(2.2%)
<b>Staff Support</b>	\$663	\$403	(39.2%)	\$336	(16.5%)	(27.8%)
<b>Pupil Support</b>	\$960	\$818	(14.8%)	\$874	6.8%	(4.0%)
<b>Instruction</b>	\$5,582	\$5,111	(8.5%)	\$5,383	5.3%	(1.6%)
<b>Total</b>	<b>\$10,170</b>	<b>\$8,875</b>	<b>(12.7%)</b>	<b>\$9,336</b>	<b>5.2%</b>	<b>(3.8%)</b>

**Source:** Ohio Department of Education

**Note:** Because districts often account for funds that are unrelated to the instruction of school-age students (i.e., special trust funds or adult education), not all money spent by a school district is included in the expenditure per-pupil calculation.

<sup>1</sup> FY 2007-08 was the most recent data available at the time audit work was completed.

As shown in **Table 2-3**, the District has reduced its expenditures in all areas over the past three fiscal years. The most significant decreases were in the area of Staff Support. These decreases

can be attributed to the District’s elimination of 61 positions such as classroom coaches, classroom development teachers, and department heads.

**Table 2-4** compares SWCSD’s five-year forecast expenditures by object with the peer average for FY 2007-08.

**Table 2-4: Five-Year Forecast FY 2007-08 Expenditure Comparison <sup>1</sup>**

Line #	Line Item	SWCSD		Peer Average		Difference	
		Dollars	Per Student	Dollars	Per Student	Dollars Per Student	Percent Per Student
3.01	Personnel Services	\$113,172,633	\$5,546	\$47,245,316	\$5,722	(\$176)	(3.1%)
3.02	ERIB	\$35,881,649	\$1,758	\$16,007,028	\$1,920	(\$161)	(8.4%)
3.03	Purchased Services	\$22,254,798	\$1,091	\$11,571,717	\$1,476	(\$385)	(26.1%)
3.04	Supplies and Materials	\$3,769,072	\$185	\$2,131,027	\$264	(\$80)	(30.1%)
3.05	Capital Outlay	\$765,870	\$38	\$607,129	\$80	(\$42)	(53.1%)
4.01	All Principal	\$0	\$0	\$83,164	\$12	(\$12)	(100.0%)
4.02	Principal - Notes	\$3,170,000	\$155	\$0	\$0	\$155	n/a
4.05	Principal - HB 264 Loans	\$355,000	\$17	\$273,412	\$25	(\$8)	(30.9%)
4.06	Interest and Fiscal Charges	\$337,377	\$17	\$6,477	\$1	\$15	1,469.1%
4.3	Other Objects	\$2,540,513	\$124	\$1,473,926	\$186	(\$62)	(33.1%)
4.5	Total Expenditures	\$182,246,912	\$8,931	\$79,399,197	\$9,686	(\$755)	(7.8%)

**Source:** Five-Year Forecasts submitted to the Ohio Department of Education

**Note:** School district five-year forecasts include only general operating revenue and expenses and therefore will not match the district’s total expenditures per pupil reported elsewhere.

<sup>1</sup> FY 2007-08 was the most recent data available at the time audit work was completed.

As shown in **Table 2-4**, SWCSD spent nearly 8 percent less per pupil than the peer average in total five-year forecast expenditures. However, the District spent more per pupil than the peer average on Interest and Fiscal Charges. This can be attributed to the District’s tax anticipation note, which was paid off in FY 2007-08.

**Table 2-5** compares SWCSD’s revenue by source with the peer average for FY 2007-08.

**Table 2-5: FY 2007-8 Revenue by Source Comparison <sup>1</sup>**

	SWCSD	Peer Average FY	Difference	Percent Difference
<b>Local Revenue Per Pupil</b>	\$4,249	\$5,731	(\$1,482)	(25.9%)
<b>Total Local Revenue</b>	\$86,699,032	\$48,138,995	\$38,560,037	80.1%
<b>Local Revenue as a Percentage of Total Revenue</b>	44.3%	58.2%	(13.9%)	(23.9%)
<b>State Revenue</b>				
<b>State Revenue Per Pupil</b>	\$4,572	\$3,790	\$782	20.6%
<b>Total State Revenue</b>	\$93,307,465	\$29,814,942	\$63,492,523	213.0%
<b>State Revenue as a Percentage of Total Revenue</b>	47.7%	36.0%	11.6%	32.3%
<b>Federal Revenue</b>				
<b>Federal Revenue Per Pupil</b>	\$769	\$607	\$162	26.8%
<b>Total Federal Revenue</b>	\$15,692,275	\$4,790,164	\$10,902,111	227.6%
<b>Federal Revenue as a Percentage of Total Revenue</b>	8.0%	5.8%	2.2%	38.5%
<b>Total Revenue</b>				
<b>Total Revenue Per Pupil</b>	\$9,590	\$10,127	(\$537)	(5.3%)
<b>Total Revenue</b>	\$195,698,772	\$82,744,101	\$112,954,671	136.5%

**Source:** Ohio Department of Education

**Note:** Because districts often account for funds that are unrelated to the instruction of school-age students (i.e., special trust funds or adult education), not all money received by a school district is included in the revenue per-pupil calculation.

<sup>1</sup> FY 2007-08 was the most recent data available at the time audit work was completed.

As shown in **Table 2-5**, the District receives a smaller percentage of its total revenue from local sources than the peers which means it is more dependent on State and federal revenue sources. Since State and federal funding may, at times, be difficult to predict, it is important for SWCSD to closely monitor projected revenue from these sources.

## Recommendations

### *Planning*

**R2.1 SWCSD should develop a clearly written, multi-year strategic plan that provides vision and direction for its Board and employees. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP) and any other educational and operational plans. In developing the strategic plan, the Board should identify and formally adopt a limited number of District priorities to guide its strategies and major financial needs, capital needs, and program decisions. The District should also develop a performance measurement system, which should be formally documented in its strategic plan and could be used to guide future decision-making.**

**The strategic plan should clearly delineate the District’s goals and objectives, and the strategies for achieving them; the priorities the Board assigns to its goals, objectives, and strategies; the performance measures and standards the District will use to judge its progress toward meeting its goals; and the entities or departments responsible for implementing the strategies. Once a comprehensive strategy is adopted and approved, SWCSD should assess all parts of the strategic plan on an annual basis and, as appropriate, amend its priorities to reflect changes in internal and external conditions.**

The District does not have a formal strategic plan in place. However, it does have a Comprehensive Continuous Improvement Plan (CCIP). The District-wide strategic planning process runs on a five-year cycle. Each department is responsible for developing and updating its own strategic plan. While the intent is to link each departmental plan to the District-wide CCIP, this is difficult because the District-wide plan focuses on student achievement, math, reading, and parental involvement.

SWCSD’s District-wide plan recently went through an overhaul because the District is in School Improvement status. The District worked with a State support team and used the Decision Framework methodology<sup>3</sup> to ensure that its plan would meet federal requirements and include measurable goals.

The District’s strategic planning committee also worked on updating the CCIP. District administrators, staff (certified and classified), and parents serve on this committee, which reconvenes quarterly to assess the District’s progress toward achieving its goals. The overarching goal of the CCIP is to guide the District toward achieving adequate yearly progress. The CCIP is posted on the District’s website so that the public can review it and

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<sup>3</sup> Visit <http://www.ohioschoolleaders.org/framework/index.cfm> to learn more about Ohio’s Decision Framework process.

provide input. Although the CCIP meets federal requirements and includes measurable goals, it does not take the place of a District-wide strategic plan because it does not address the complete spectrum of the District's educational and operational programs.

OAC 3301-35-03(A) requires school districts that have failed to meet adequate yearly progress for two consecutive years to develop strategic plans. According to OAC 3301-35-03(A), a strategic plan guides school districts and key stakeholders in the ongoing measurement of performance to assure adequate progress is being made toward strategic goals and objectives. Strategic planning identifies short- and long-range goals and the strategies necessary to achieve them.

According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), every government entity should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment, and revenues. Accordingly, the District should take the following actions when developing its strategic plan:

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

North Union Local School District (Union County) and Westerville City School District (Franklin County) are examples of school districts that have successfully developed and implemented strategic plans.

According to *Best Practices in Performance Measurement- Developing Performance Measures* (National State Auditors Association (NSAA), 2004), performance measurement is a critical element of accountability for public resources. It is important to know and understand the public resources used to provide government services and whether these resources were spent in accordance with laws, rules, and regulations. Equally important is the ability to show what was received from the use of these resources and whether the public is receiving an acceptable benefit. Before beginning the process of developing performance measures, NSAA states that public program managers must first know what they are measuring. That involves developing a mission statement, establishing goals, setting objectives, and developing an action plan. According to NSAA, a good process for developing performance measures would include:

- Defining the desired performance measures based on the agency's mission, goals, and objectives;
- Assessing each performance measure to ensure it is meaningful, focused on stakeholder needs and demands, based upon available data, and simple enough to be understood;
- Selecting key performance measures to be reported to Board members, the public, and other stakeholders;
- Clearly defining each performance measure so that all users can easily understand it; and
- Establishing performance targets.

By maintaining a comprehensive strategic plan, SWCSD can gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational mission. In addition, a strategic plan can serve as a tool to improve communication between the District and community, provide direction for the Board, and align planning and budgeting processes.

### *Financial Reporting*

**R2.2 SWCSD should consider supplementing its comprehensive annual financial report (CAFR) with a popular annual financial report (PAFR) that contains GFOA-recommended characteristics. The District should ensure that the PAFR is readily available and publicized through several forms of communication such as postings at public libraries, mailings to major businesses, posting on the District's website, and press releases to the local media. The reports should also be reviewed by Board members and administrators, and copies should be made available to the public upon request.**

The District issues a CAFR, but not a PAFR. When the CAFR is completed, it is sent to various stakeholders (local libraries, AOS, ODE, etc.), publicized on the District's website, and promoted through the issuance of a press release. The District issued its nineteenth CAFR in FY 2007-08.

According to *Preparing Popular Reports* (GFOA, 2001), government entities should supplement their CAFRs with simpler, "popular" reports designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant.

- The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information.
- The popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format and be written in a concise and clear style.
- The popular report should avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics. Narratives should be used, as appropriate, to highlight and explain items of particular importance.
- Comparative data should be used constructively to help identify trends useful in the interpretation of financial data.
- Most importantly, the popular report should establish credibility with its intended readers by presenting information in a balanced and objective manner.

Although outsourcing the development of a PAFR can be costly, the District can create a PAFR-like document using the characteristics GFOA recommends. The Westerville and Worthington City School Districts in Franklin County develop both a CAFR and PAFR, which are used by community members, Board members, staff, and local businesses to gain insight into the financial operations of the districts.

According to *Preparing Popular Reports* (GFOA, 2001), annual financial reports are essential if governments are to meet their obligation to be accountable to their citizens. Unfortunately, the comprehensiveness and level of detail found in some reports may confuse or discourage those unfamiliar with accounting and financial reporting. By providing enhanced financial and statistical reporting in a user-friendly format through the issuance of a PAFR or PAFR-like document, the District can provide stakeholders insight into District operations and a better understanding of the District's financial condition and outlook.

### *Internal Controls*

**R2.3 SWCSD should develop a policy requiring timely vendor payments in order to take advantage of discounts and avoid late fees and other charges. The policy should be formally documented in the District's Financial Handbook, adopted as part of the District's Board Policies, and communicated to appropriate staff.**

The District does not have a written policy requiring timely payment of invoices or other bills. A test of 15 randomly selected purchase orders from Fiscal Years 2007-08 and



2008-09 revealed that 40 percent of the associated invoices were paid after their due dates. The average length of time these bills were overdue was 12 days. In one instance, the District failed to receive a nominal (0.5 percent) vendor discount because it missed a payment deadline.

According to *Extension of Federal Prompt-Pay Requirements to State and Local Governments* (GFOA, 1989), the timely payment of bills is an important financial management practice that can save governments money. By developing a formal policy on timely payments and carefully timing payments so that they are neither late nor too early, the District could take advantage of discounts, avoid penalties, and maximize its return on short-term investments. Furthermore, prompt bill paying reduces vendor costs, which, in turn, reduces government procurement costs.

**R2.4 SWCSD should create an internal audit position to monitor and review the District's operations and programs, or assign internal audit duties to current District employees. An internal auditor could help the District accomplish its goals by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of internal control processes. The internal auditor should report administratively to the Superintendent and functionally to the Board of Education.**

In the 1999 performance audit of the District, AOS recommended the establishment of an internal auditor position. However, the District has not implemented that recommendation due to the costs involved in hiring an internal auditor.

According to the *Internal Control Management and Evaluation Tool* (GAO, 2001), every government agency should have mechanisms in place to monitor and review operations and programs. One such mechanism is the creation of an internal audit function. According to the GAO, an internal auditor should review the agency's activities and systems and provide information, analyses, appraisals, recommendations, and counsel to management. To avoid conflicts of interest, the internal auditor should report directly to the agency head.

According to *Establishment of an Internal Audit Function* (GFOA, 2006), every government entity should consider the feasibility of establishing a formal internal audit function because such a function can play an important role in helping management maintain a comprehensive framework of internal controls.

Although there is a cost involved in creating an internal auditor position, the District's large enrollment and sizable operating budget justify the expense of such an oversight position. According to the GFOA, if it is not feasible to establish a separate internal audit function, a government is encouraged to consider either assigning internal audit

responsibilities to its regular employees or obtaining the services of an accounting firm (other than the independent financial auditor) for this purpose.

According to GFOA, internal auditors can be of great value to state and local governments in a variety of ways. In particular, they commonly assist management in monitoring the design and proper functioning of internal control policies and procedures. In this capacity, internal auditors themselves function as an additional level of control and thus help to improve the government's overall control environment. Internal auditors can also play a valuable role by conducting performance audits, as well as special investigations and studies. Without a formal internal audit function, SWCSD is at risk of having weak or outdated internal controls, or control procedures that are not consistently followed.

### *Payroll*

**R2.5 SWCSD should approach bargaining unit representatives and request a memorandum of understanding requiring mandatory direct deposit for all employees and long-term substitute teachers, regardless of hire date. Furthermore, the District should explore the possibility of discontinuing the practice of issuing paper pay stubs and instead issue only electronic pay stubs. By expanding the use of these practices, the District could reduce the supply and material costs associated with producing paper paychecks and pay stubs while improving the efficiency of operations in the Treasurer's Office. In addition, the District's employees would benefit from ease of access to and availability of historical pay stub information. Once the mandatory direct deposit and electronic pay stub programs are developed, the District will need to adopt formal written procedures to govern the programs and their related processes.**

The District offers electronic pay stubs as an option to its employees. Since 2004, direct deposit has been mandatory for new employees. However, employees who started before 2004 can still receive paper checks. Approximately 80 percent of District employees use direct deposit. District officials have recently been promoting the use of electronic pay stubs.

According to *Costs and Benefits of Direct Deposit of Salary Checks* (National Federation of Independent Businesses (NFIB), 2004), direct deposit of paychecks provides many benefits to both employers and employees. Benefits to employers include:

- Reduced risk of check fraud and lost or stolen checks;
- Greater control over payroll and payroll expenses;
- Timely payment of salary checks, even when employees are away from the office;

- Reduced time spent on bookkeeping because of immediate payments into employee accounts (no lost checks, delayed check cashing, etc.); and
- Online transaction reports are available immediately.

Benefits to employees include:

- Reduced time required for checks to clear;
- Reduced chance of losing checks or having checks stolen;
- No need to spend time visiting a bank or ATM to deposit paychecks;
- Payments can be divided automatically among designated employee accounts; and
- There is no cost to employees for direct deposit. In fact, many banks offer free checking services to individuals who will be paid via direct deposit.

The Electronic Payment Association states that employers and employees can financially benefit from the use of electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The employer benefits because electronic pay stubs eliminate the need to print, mail, and distribute pay stubs or reproduce lost pay stubs. At the same time, the employee benefits because he or she can easily access pay information from any computer with a browser and internet connection. Also, a more extensive record of the employee's pay history is available, beginning with the first electronic pay stub. Electronic pay stubs also make it easy for employees to provide pay stub information to third parties, such as accountants, mortgage lenders, and other agencies requiring salary verification.

Computer access for bus drivers, cooks, and custodians sometimes creates a logistical problem. However, the District could provide access to a centralized computer for these employees.

Although the savings associated with implementing mandatory direct deposit and electronic pay stubs is difficult to quantify, the District could save money from the cost of paper, envelopes, and stamps. Also, the time employees spend printing checks and stuffing envelopes could be allocated to other activities. Although implementing mandatory direct deposit of paychecks can produce cost savings, employers must also consider potential costs, such as set-up fees or transaction fees, which are established by the bank. According to the Electronic Payments Association, organizations can save anywhere from \$0.50 cents to \$1.25 per payment by using direct deposit instead of checks.



# Human Resources

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## Background

This section of the performance audit focuses on the South-Western City School District (SWCSD or the District) human resource (HR) functions, including staffing levels, compensation, employee benefits, negotiated agreements, HR management issues, board operations, special programs, and early retirement incentives. Where appropriate, recommendations were developed to improve efficiency and business practices. Recommendations also identify potential cost savings to assist the District in its continuing efforts to address projected deficits. The District's human resource functions were evaluated against leading practices, industry benchmarks, operational standards, the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), and selected peer districts<sup>1</sup>, as well as similar districts in the area.<sup>2</sup> Leading practices and industry standards were drawn from the State Employment Relations Board (SERB), the Government Finance Officers Association (GFOA), the Kaiser Family Foundation (Kaiser), the Society for Human Resource Management (SHRM), the Ohio Education Association (OEA), the Ohio Department of Education (ODE), the Ohio Department of Administrative Services (DAS), and the National School Boards Association (NSBA).

The following questions were used to evaluate the District's human resource functions:

- How do staffing levels compare with selected peer districts?
- Is employee compensation in line with selected peer districts, similar districts in the area, 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 similar districts in the area, State minimums, and leading practices?
- Does the District effectively address human resource management issues?
- Has the District created a working environment that enhances its workforce?

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<sup>1</sup> Peer districts include: Elyria CSD (Lorain County), Gahanna-Jefferson CSD (Franklin County), Groveport-Madison LSD (Franklin County), Huber Heights CSD (Montgomery County), Parma CSD (Cuyahoga County), Reynoldsburg (Franklin County), Washington LSD (Lucas County), Westerville CSD (Franklin County), Willoughby-Eastlake CSD (Lake County), and West Clermont LSD (Clermont County).

<sup>2</sup> Similar districts in the area include: Columbus CSD (Franklin County), Gahanna-Jefferson CSD (Franklin County), Groveport-Madison LSD (Franklin County) Reynoldsburg (Franklin County) and Westerville CSD (Franklin County). These districts were selected because they are geographically close to South-Western CSD and have similar demographics.

- Does the Board operate in an effective manner?
- Does the District provide services to exceptional children in ways that are cost effective and maximize resources?
- Are District retirement incentives analyzed and implemented in accordance with recommended practices?
- Does the District provide effective and efficient workforce development programs (such as vocational-technical education)?

### *Organizational Structure and Function*

SWCSD's Superintendent reports directly to the Board of Education (the Board). The District has two primary departments within the Superintendent's Office that share the responsibilities relating to human resource management. The Assistant Superintendent of Personnel reports to the Superintendent's Office and is responsible for District personnel issues including recruiting and hiring staff, and managing staffing levels. These functions are managed collectively by the Assistant Superintendent of Personnel, an administrative assistant, three directors of personnel, and three secretaries. The District plans for certificated staffing levels through annual classroom utilization reviews and meetings with building principals. The District process for planning and staffing operational positions was examined in the **facilities**, **food service**, and **transportation** sections of this performance audit.

The Assistant Superintendent of Curriculum and Instruction also reports to the Superintendent's Office and is responsible for all District areas that do not relate to personnel or operations. These include instruction, special education, English as a Second Language (ESL), and federal programs. The Assistant Superintendent of Curriculum and Instruction oversees the directors of these departments and the executive directors of instruction.

### *Previous Performance Audit*

As discussed in the **executive summary**, a previous performance audit of SWCSD was released in 1999. As part of that audit, the District's management of human resources was assessed, and recommendations were made to improve management effectiveness and reduce costs. The performance audit conducted in 1999 included recommendations to reduce health insurance costs, provide management more flexibility and control through renegotiating contract provisions, and re-evaluate the goals and effectiveness of its retirement incentive. Those recommendations have not been fully implemented and are repeated in this audit (see **R3.4**, **R3.5**, and **R3.6**). All other human resource recommendations from the 1999 audit have been implemented, were no longer relevant, or were outside the scope of this audit.

### Staffing

**Table 3-1** illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at SWCSD and the average of the peer districts. Peer data is from FY 2008-09, the most recent year available, as reported to the ODE through the Education Management Information System (EMIS), while SWCSD's data is for FY 2009-10. EMIS position codes were grouped into categories that represent broad functional areas which do not match the sub-totals shown on EMIS reports. The staff levels shown in **Table 3-1** have been presented on a per 1,000 student basis because staffing levels are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases variances attributable to the size of the peers.

**Table 3-1: Staffing Comparison (in FTEs) <sup>1</sup>**

	SWCSD	Peer Average	Difference	
<b>Students Educated <sup>2</sup></b>	19,660	8,096	11,564	
	<b>Staff Per 1,000 Students</b>	<b>Staff Per 1,000 Students</b>	<b>Difference Per 1,000 Students</b>	<b>FTEs Above/(Below) Peers<sup>3</sup></b>
Administrative	4.9	5.1	(0.2)	(4.5)
Office/Clerical	6.7	7.8	(1.1)	(22.6)
Teaching	53.8	56.4	(2.6)	(51.1)
Education Service Personnel (ESP)	6.0	8.1	(2.1)	(41.9)
Educational Support	8.9	6.1	2.8	54.3
Other Certificated	1.9	2.5	(0.6)	(10.2)
Non-Certificated Classroom Support	10.1	7.8	2.3	46.2
Other Technical/Professional Staff	1.8	2.0	(0.2)	(3.5)
Other Student Services	2.5	2.6	(0.1)	(1.8)
Operations	23.4	23.2	0.2	4.3
<b>Total Staff</b>	<b>120.0</b>	<b>121.5</b>	<b>(1.5)</b>	<b>(30.1)</b>

**Source:** South-Western City School District and the Ohio Department of Education

**Note:** Totals may vary due to rounding.

<sup>1</sup> According to the *FY 2010 EMIS Reporting Manual* (ODE, 2010) instructions for reporting staff data, full-time equivalency (FTE) is 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.

<sup>2</sup> Reflects the number of FTE students receiving educational services from district and excludes the percent of time students are receiving educational services outside of the district.

<sup>3</sup> Calculated by taking the difference per 1,000 students times the number of students educated by SWCSD.

As illustrated in **Table 3-1**, SWCSD total staff per 1,000 students is slightly lower than the peer average. Detailed explanations of staffing variances are as follows:

- **Administrative:** SWCSD employs 4.9 administrative staff per 1,000 students which is 0.2 FTE less than the peer average. This category includes central office and building

level administrators, directors and coordinators, and other personnel responsible for the planning, management, evaluation, and operation of the District. An evaluation of this staffing area showed SWCSD employs fewer central office administrative staff and about the same level of building administrators compared with the average of the peer districts. The category of central office administrators includes the positions of treasurer and superintendent, as well as coordinators, supervisors, and directors. A comparison of SWCSD's central office administrative staffing levels also showed the number of employees per central office administrators is higher than the peer average.

- **Office/Clerical:** SWCSD employs 6.7 office/clerical staff per 1,000 students which is below the peer average by 1.1 FTE per 1,000 students, or 22.6 FTEs. This category includes administrative assistants, secretaries, clerks, bookkeepers other personnel responsible for clerical duties. The number of employees per FTE office/clerical staff is above the peer average which also indicates that SWCSD has fewer staff than the peers in this category.
- **Teaching:** This category includes regular, special, gifted, pre-school, and career technical teachers. SWCSD employs 53.8 teachers per 1,000 students which is 2.6 fewer FTEs per 1,000 students than the peer average, or about 51.1 FTE teachers. SWCSD uses a student to teacher ratio of 25:1 for planning purposes and indicated that it operates some classrooms with a student census above this level. The certificated negotiated agreement provides that each kindergarten classroom be staffed with an aide and the Districts uses aides in other areas to support education and larger class sizes. Lastly, the District's high population of special education and Limited English Proficient (LEP) students, are often served by intervention specialists and tutors, which allows the District to operate with fewer teachers.
- **Education Service Personnel (ESP):** SWCSD employs 6.0 FTE staff per 1,000 students in this category which is below the peers by 2.1 FTEs per 1,000 students, or 41.9 FTE positions. This category includes kindergarten through grade eight art, music, and physical education teachers, as well as counselors, librarians, media specialists, school nurses, and social workers. When examining these specialists individually, SWCSD is below in each area.
- **Educational Support:** Personnel in this category are certificated or licensed employees who work directly with students but are not the classroom teacher. Specifically, educational support staff includes the positions of remedial specialists and tutors/small group instructors who serve the regular student population. The category also includes supplemental service teachers who work with students with specialized needs. SWCSD reported about 8.9 FTE staff per 1,000 students which is more than peer average. However, some positions were miscoded (see **R3.2**) and all



but three of the positions are funded through State or federal grants. The three locally funded positions provide home instruction to students with specialized needs.

- **Other Certificated:** This category represents the remaining certificated positions at the District and includes curriculum specialists and Teachers of English to Speakers of Other Languages (TESOL).<sup>3</sup> As illustrated in **Table 3-1**, SWCSD has 1.9 FTEs per 1,000 students which is lower than the peer district average despite having a significantly higher number of students with English as their second language (see **noteworthy accomplishments** in executive summary).
- **Non-Certificated Classroom Support:** This category represents classified employees who assist in the classroom setting and include teaching aides, instructional paraprofessionals, and attendants. At SWCSD this category is comprised of classroom assistants, aides for emotionally disturbed students, assessment aides, pre-school aides, kindergarten aides, special education aides, and health aides. As shown in **Table 3-1**, SWCSD employs 10.1 FTEs per 1,000 students which 2.3 FTEs per 1,000 students more than the peer average, or about 46 FTE positions. However, SWCSD has 42.4 FTE positions in this category who serve special needs children, which accounts for most of the difference. Using non-certificated classroom support to provide services to special needs students is a cost effective practice (see **noteworthy accomplishments** in executive summary).
- **Other Technical /Professional Staff:** This category represents other technical and professional staff including library aides and computer support staff. SWCSD is in line with the peer district average employing 0.2 fewer FTEs per 1,000 students.
- **Other Student Services:** SWCSD employs 0.1 fewer FTEs per 1,000 students in this category than the peers. This category includes psychologists, therapists, and speech and language therapist. Many of these positions serve students with disabilities. A detailed analysis of SWCSD's special education program was completed and showed the Districts' overall costs to be below the peer average because of the use of recommended special education program management techniques (see **noteworthy accomplishments** in the executive summary).
- **Operations:** As illustrated in **Table 3-1**, SWCSD's operational staff are above the peer average on a per 1,000 student basis. This category captures all operations positions including bus drivers, custodians, maintenance workers, and food service employees. Detailed analyses for these positions were completed in other sections of

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<sup>3</sup> TESOL included in this category are teachers that provide supplementary instruction in addition to the content being taught in classrooms by the teacher of record.

the report in order to capture the specific industry benchmarks and workload measures unique to these functional areas (see **facilities, transportation, and food service**).

*Compensation*

**Table 3-2** shows the District’s average salary and salary cost per student in comparison to the peer average. Beginning wages, years of service, negotiated wage increases, step increases, other personnel benefits, and in some cases, the educational level attained all impact average salaries.

**Table 3-2: Salary Comparison**

	Average Salaries <sup>1</sup>			Salaries Per Student Educated <sup>2</sup>		
	SWCSD	Peer District Average	Percent Difference	SWCSD	Peer Salaries per Student	Percent Difference
<b>Administrative</b>	\$91,944	\$88,676	3.7%	\$447	\$448	(0.2%)
<b>Office/Clerical</b>	\$32,376	\$34,107	(5.1%)	\$217	\$265	(18.1%)
<b>Teaching</b>	\$60,828	\$59,777	1.8%	\$3,274	\$3,369	(2.8%)
<b>Education Service Personnel (ESP)</b>	\$64,747	\$62,949	2.9%	\$387	\$514	(24.7%)
<b>Educational Support</b>	\$60,237	\$56,358	6.9%	\$535	\$334	60.2%
<b>Other Certificated</b>	\$61,848	\$52,700	17.4%	\$120	\$113	6.2%
<b>Non-Certificated Classroom Support</b>	\$21,444	\$20,526	4.5%	\$217	\$154	40.9%
<b>Other Technical/Professional Staff</b>	\$32,202	\$35,512	(9.3%)	\$58	\$65	(10.8%)
<b>Other Student Services</b>	\$60,931	\$58,112	4.9%	\$154	\$150	2.7%
<b>Operations</b>	\$25,400	\$24,371	4.2%	\$594	\$554	7.2%
<b>Total Staff</b>	<b>\$50,005</b>	<b>\$49,413</b>	<b>1.2%</b>	<b>\$6,004</b>	<b>\$5,965</b>	<b>0.7%</b>

**Source:** South-Western City School District and the Ohio Department of Education

<sup>1</sup> Reflects updated salary information confirmed by SWCSD and may not agree with EMIS data. Peer district salary information is from FY 2008-09 EMIS data.

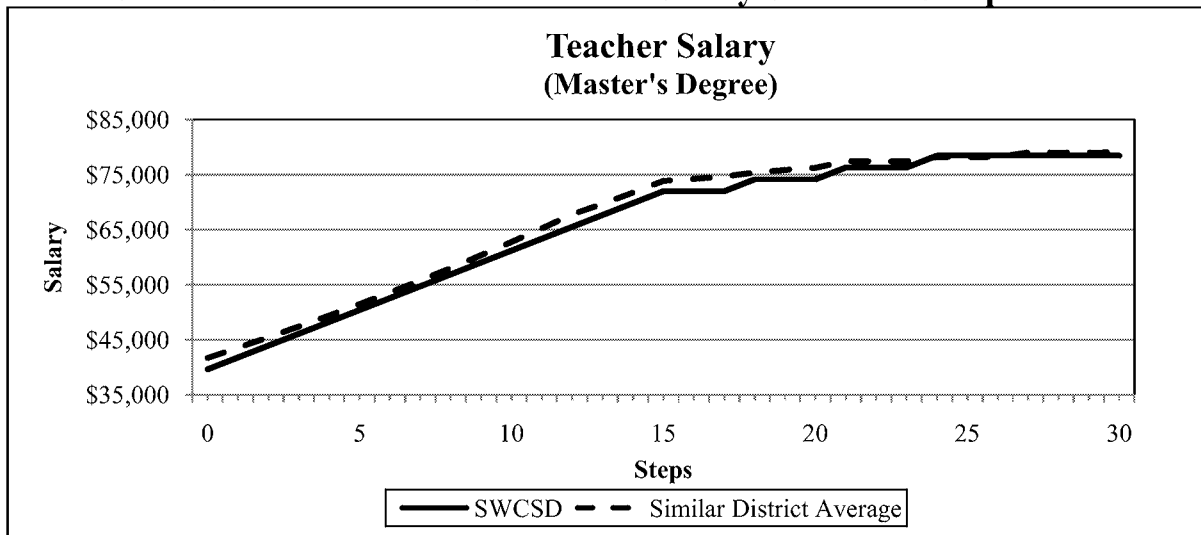
<sup>2</sup> Students Educated reflects the number of FTE students receiving educational services from district and excludes the percent of time students are receiving educational services outside of the district.

**Table 3-2** shows that overall average salaries were 1.2 percent above the ten peer district average. More importantly, salary costs per student were in line with or below the peer averages in all categories except educational support and non-certificated classroom support. These two categories were also identified as having more staff per 1,000 students than the peers. A comparison of average salaries to similar districts in the area was not completed.

Because nearly 60 percent of SWCSD staff are licensed/certificated personnel that are paid according to the negotiated teacher salary schedule, a separate analysis was completed that

compared the certificated staff salary schedule to similar districts in the area. **Chart 3-1** provides a visual illustration of how SWCSD’s salary schedule for teachers with a master’s degree compares to the similar districts in the area.

**Chart 3-1: FY 2009-10 Certificated Salary Schedule Comparison**



Source: SWCSD and similar district negotiated salary schedules.

As the **Chart 3-1** demonstrates, SWCSD’s salary schedule for teachers with a master’s degree is comparable to similar districts in the area. Therefore, differences in average salaries for certificated staff are likely due to experience and/or educational attainment in comparison to other area districts.

*Benefits*

In 2006, SWCSD decided to self-fund its medical, dental, and vision insurance plans. The Board and its employees (through employee contributions) pay into a special fund that is used to pay healthcare claims when they occur, as well as the costs to administer the fund. The District uses a third party administrator to manage its medical, dental, and vision insurance programs. Unlike fully insured plans purchased from insurance carriers, a self-insured fund does not make a profit and does not incur advertising or overhead costs. The decision by SWCSD to self insure was based on the idea that the District could realize additional revenue through the interest accrued from investing money in the health insurance fund.

The District’s third party administrator also reports on the District’s compliance with the State’s self-insurance minimum reserve requirement and establishes the premium amounts that are paid into the Self Insurance Fund. The minimum reserve requirement is dictated by ORC § 9.833 (C)(1), which states that “the self-insurance funds shall be reserved as are necessary, in the

exercise of sound and prudent actuarial judgment, to cover potential cost of health care benefits for the officers and employees of the political subdivision”. The Treasurer indicated that the Self Insurance Fund had a balance of approximately \$1.8 million in FY 2008-09, which its actuarial consultant determined covered the District’s potential cost of health care benefits.

The District has a health insurance committee with representation from its three bargaining units and the Board. The committee meets regularly to discuss wellness and healthcare data and has the authority to implement changes to health insurance plan design, select the insurance carrier/network, and select the plan administrator.

SWCSD offers two medical insurance plans to its employees (Plan A and Plan B). **Table 3-3** illustrates some of the general features included in each plan.

**Table 3-3: Medical Insurance Plan Features**

	Plan A	Plan B
<b>Deductible (individual/family)</b>	\$0/\$0	\$500/\$1,000
<b>Member Coinsurance</b>	0%	10%
<b>Out-of-Pocket Maximum (individual/family)</b>	\$500/\$1,000	\$1,500/\$3,000
<b>Copayment</b>	\$10	\$20

**Source:** South-Western City School District

As shown in **Table 3-3**, Plan A has the fewest cost-sharing measures of the two plans. Plan B includes deductibles, member coinsurance, and higher out-of-pocket maximum and copayment amounts. The District stated that it seeking to encourage a shift in enrollment from Plan A to Plan B to help reduce its medical insurance costs. As part of this effort, SWCSD has begun providing employees that elect single coverage in Plan B with semi-annual payments of \$329 as an incentive for assuming a higher level of cost-sharing.

*During the course of the audit, the insurance committee approved changes in plan designs effective January 2010. Notably, Plan A will include deductibles of \$250 for individuals and \$500 for families and higher copayment amounts.*

**Table 3-4** compares the District’s FY 2008-09 monthly medical premiums and employee contribution rates to the SERB averages for the Columbus region.

**Table 3-4: Medical Premium and Employee Contribution Comparison**

	Medical Premiums		Employee Contributions	
	Single	Family	Single	Family
SWCSD Plan A	\$548.06	\$1,479.72	0.0%	35.0%
SWCSD Plan B	\$548.06	\$1,331.76	0.0%	30.0%
<b>SERB Columbus Region Average</b>	<b>\$475.77</b>	<b>\$1,218.09</b>	<b>10.9%</b>	<b>13.5%</b>
<b>Difference <sup>1</sup></b>	<b>\$72.29</b>	<b>\$261.63</b>	<b>(10.9%)</b>	<b>21.5%</b>
SERB State-wide Average	\$437.98	\$1,148.88	9.1%	10.3%

Source: SWCSD and the 17<sup>th</sup> Annual Report on the Cost of Health Insurance in Ohio’s Public Sector (SERB, 2009).

Note: SWCSD medical premiums include administrative costs as well as, semiannual payments of \$329.92 to employees enrolled in Plan B – single coverage.

<sup>1</sup> Difference compared to Plan A which is where most employees enroll.

As shown in **Table 3-4**, SWCSD’s medical insurance premiums for single and family coverage are above the SERB averages for the Columbus region. State-wide the average premium for single coverage (\$437.98) and family coverage (\$1,148.88) were lower than Columbus region. Medical insurance employee contributions for single coverage were lower than the SERB average but higher for family coverage (see **R3.5**).

SWCSD provides dental insurance for employees that elect to receive the insurance with the entire cost paid by the Board. **Table 3-5** compares the FY 2008-09 monthly dental premiums and employee contributions to the SERB averages for the Columbus region.

**Table 3-5: Dental Premium and Employee Contribution Comparison**

	Dental Premiums		Employee Contributions	
	Single	Family	Single	Family
SWCSD	\$76.66	\$76.66	0.0%	0.0%
SERB Columbus Region Average	\$39.40	\$75.76	13.1%	19.1%
<b>Difference</b>	<b>\$37.26</b>	<b>\$90</b>	<b>(13.1%)</b>	<b>(19.1%)</b>

Source: SWCSD and the 17<sup>th</sup> Annual Report on the Cost of Health Insurance in Ohio’s Public Sector (SERB, 2009).

As shown in **Table 3-5**, SWCSD has established a composite premium of \$76.66 which is above SERB averages for both single and family dental coverage. In addition, the Board pays the entire amount of the dental premium compared to the SERB average employee contributions of 13.1 percent for single coverage and 19.1 percent for family coverage (see **R3.5**).

The District also offers vision insurance to its employees. **Table 3-6** compares the FY 2008-09 monthly premiums and employee contributions for vision insurance to the SERB averages for the Columbus region.

**Table 3-6: Vision Premium and Employee Contribution Comparison**

	Vision Premiums		Employee Contributions	
	Single	Family	Single	Family
SWCSD	\$4.90	\$13.70	0.0%	0.0%
SERB Columbus Region Average	\$11.86	\$21.89	29.9%	34.1%
<b>Difference</b>	<b>(\$6.96)</b>	<b>(\$8.19)</b>	<b>(29.9%)</b>	<b>(34.1%)</b>

**Source:** SWCSD and the 17<sup>th</sup> Annual Report on the Cost of Health Insurance in Ohio's Public Sector (SERB, 2009).

As shown in **Table 3-6**, the District has below average vision insurance premiums. However it also has significantly lower employee contribution rates as a result of the District not requiring enrolled employees to contribute towards the monthly vision insurance premiums (see **R3.5**).

### *Negotiated Agreements*

SWCSD has three separate collective bargaining agreements with its employees. All three negotiated agreements have expired but have been extended for one year without any increase in the base pay schedules. Most of SWCSD's administrative personnel are governed by a negotiated agreement between the South-Western City Schools Board of Education (the Board) and the South-Western Administrators' Association (SWAA). This agreement was in effect between March 1, 2007 and February 28, 2009. SWAA represents certificated/licensed administrators employed by the Board and includes executive directors, directors, principals, assistant principals, coordinators, and supervisors. The Superintendent, Deputy Superintendent, Assistant Superintendent of Personnel, Assistant Superintendent of Curriculum, Executive Director of Data and Informational Services, Executive Director of Communications, Assistant Treasurer, and Treasurer are excluded from the administrative bargaining unit.

Certificated personnel in SWCSD are governed by a negotiated agreement between the Board and the South-Western Education Association (SWEA), which is affiliated with the Ohio Education Association (OEA). This negotiated agreement was in effect between July 1, 2007 and June 30, 2009. SWEA represents certificated/licensed employees such as teachers, guidance counselors, nurses, librarians, tutors, and teaching aides.

SWCSD's classified personnel are governed by a negotiated agreement between the Board and the Ohio Association of Public School Employees (OAPSE) and its Local Chapter #211. OAPSE and its Local Chapter #211 are the exclusive bargaining representatives for food service cooks, central office and school building secretaries, computer programmers and technicians, custodians, maintenance staff, bus drivers, and Head Start instructors. This agreement was in effect from July 1, 2006 until July 31, 2009.

During the performance audit, certain contractual and employment issues such as length of school year, instructional days; professional days, length of work day, and leave time were

assessed and found to be generally in line with provisions of the ORC, OAC, standard practices, or the negotiated agreements of similar districts in the area. Contract provisions that significantly limit or restrict management's ability to efficiently operate the District are addressed in **R3.4**. The Deputy Superintendent, Assistant Superintendent of Personnel, Treasurer, and the Board's legal counsel who are all experienced with negotiations, form a core team that represents the Board during the collective bargaining processes. The Superintendent, other administrators, and the Board are engaged as necessary during the process.

### *Specialized Education Services*

In addition to regular classroom education, SWCSD provides specialized education services to its students. Some of these services are required by State statute and federal law while others are discretionary to the District. The following are some of the specialized services offered to students at SWCSD:

- **Special Education:** SWCSD's special education population made up approximately 14 percent of its total population in FY 2008-09. States use a variety of methods to fund special education. In Ohio, state funding is based on the number of special needs students plus an additional weighted amount for each child based on the type of disability. The District effectively evaluates opportunities and maximizes strategies available to contain expenditures dedicated to special education services while continuing to provide a high level of education to its students. When compared to the peer average, SWCSD special education costs were below on a per student basis and when compare to the percent above the State required spending (see **noteworthy accomplishments** in executive summary).<sup>4</sup>
- **English as a Second Language (ESL):** Limited English proficient (LEP) students are those students whose primary or home language is something other than English and whose ability to speak, read, understand, or write in English impedes upon their education in such a way that they are unable to effectively participate in the educative process. Ohio school districts are required to identify and serve LEP students but there are not specific requirements for program design. In FY 2008-09 SWCSD identified 2,569 students as LEP (approximately 12 percent of its total student population) and provided educational services through its ESL program. LEP students receive core curriculum using State standards for math, science, and social studies and ESL intervention services for reading, writing, listening, and speaking.

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<sup>4</sup> ODE's FY 2007-08 Special Education Accountability Report was used to compare SWCSD and peer average expenditures dedicated to special education. School districts, as required by ORC § 3317.022, must spend at least that amount received in special education funding on the provision of special education. Because it is common practice that school districts spend beyond amount on special education, a cost comparison was completed to examine what percent above requirements in relation to the peer districts.

- **Gifted Education:** Gifted students are defined by ORC § 3324.01 as students who perform or show potential for performing at remarkably high levels of accomplishment when compared to others of their age, experience, or environment. Ohio school districts are required to test and identify gifted students. Although districts are not required to provide services for gifted students, the majority of districts, including SWCSD, choose to provide some level of service.

In order to provide valuable education and simultaneously control costs, specialized services require effective planning and continuous monitoring efforts. SWCSD works to maximize these specialized services through continuous evaluation of the programs and associated funding. SWCSD effectively plans for and evaluates its specialized education programs and consequently is able to provide these services at an optimal level for students and in a cost effective manner for the District (see **noteworthy accomplishments** in the executive summary).



## Recommendations

- R3.1 SWCSD should develop a formal and comprehensive staffing plan at the District level that addresses current and future staffing needs. Establishing staffing allocations for administrative, certificated, and classified personnel will assist the District in better planning for the future. Additionally, the development of a formal staffing plan will help SWCSD ensure it is in compliance with State and federal requirements. The development of a staffing plan will also help the District formalize existing planning processes; identify and achieve staffing goals; and better communicate those goals to its building administrators and the public.**

The District does not have a formal staffing plan. Instead, SWCSD has developed an informal process that contains some elements of leading practices to determine its staffing levels. The Assistant Superintendent of Personnel described a process that utilizes student enrollment projections to determine staffing levels throughout the District. Specifically, the Assistant Superintendent of Personnel stated that the District reviews student enrollment at each building in order to determine or adjust certificated and classified staffing levels. A classroom inventory is conducted each year which summarizes utilization rates and identifies vacant space. This utilization summary is used, along with District-wide enrollment projections, student to teacher ratios, and discussions with building principals, to plan for teaching staff. There are also contractual provisions, such as maximum classroom sizes, that are considered.

The details of the initial analysis of each building's staffing needs are forwarded from the central office to the respective building principals, whereupon staffing assignments are completed at the individual schools. Regular students and teachers are analyzed first, followed by special needs, ESL, and other staffing and instructional considerations. Funding streams and the special requirements noted in student IEPs are an integral part of staffing decisions. Although there is some give and take in discussions with the District central office, most of the time staffing is a function of student to teacher ratios. Decisions that result in lower ratios are often the result of students who are outside the regular student population.

The Society for Human Resource Management (SHRM) publication *Strategic Staffing Plans* (SHRM, June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. A strategic staffing plan forms an infrastructure to support effective decision-making in an organization. In addition, *Estimating Future Staffing Levels* (SHRM, 2006) highlights the need for a staffing plan. SHRM notes that the most important question for any organization is what type of workforce it will need in order to successfully implement its business strategy. Once this question is answered, the organization must focus on recruiting, developing,

motivating, and retaining the number and mix of employees that will be required at each point in time.

Lakota Local School District (Butler County) has established staffing plans that incorporate staffing allocation factors such as State and federal regulations, workload measures, and other leading practices. In general, staffing benchmarks in this plan is calibrated to available General Fund revenue, which assists the district in ensuring a balanced budget. Staffing plans can not only be used as guides for determining staffing levels on an annual basis, but can also aid in determining mid-year staffing levels when changes are necessary. The Cincinnati City School District (Hamilton County) has developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals into a process that includes central and site-based administrators and other personnel.

Because SWCSD's process is not formally documented in a comprehensive staffing plan, the Assistant Superintendent of Personnel indicated that when the previous employee who oversaw the process left the District, that person had to return to the District on occasion to train employees and assist with staffing plans. Although the District attests that the system has worked well, without formally documenting the process, the process could experience failure in the event that the person overseeing the process is no longer available. Therefore, formally documenting the process used to determine staffing levels through a staffing plan would ensure that the District could continue performing the staffing analysis regardless of who is assigned to oversee it.

By having a formalized staffing plan, the District can openly communicate staffing strategies and priorities, as well as contingency plans should the District fail to secure sufficient revenue to avoid projected deficits. Furthermore, the District can explain or defend its decisions to hire or reduce personnel based on the objective analysis and clear reasoning that a staffing plan offers.

**R3.2 SWCSD should develop policies and procedures to ensure that its Education Management Information System (EMIS) staff data are accurately prepared and reconciled prior to submission to ODE. Persons responsible for collecting and reporting EMIS staff data should work closely throughout the year to address any data discrepancies. Additionally, the District should require its EMIS staff to attend formal training on a regular basis to ensure they are up-to-date on changes in EMIS reporting procedures. The District should also consider creating an EMIS team to review staffing data and reports, and ensure their accuracy before final submission.**

EMIS is the statewide data collection system for Ohio's primary and secondary education. Staff, student, district/building, and financial data are collected through this system. During review of SWCSD's EMIS staff data, it was determined that the District

is not reporting all its full-time equivalents (FTEs) or positions codes in accordance with EMIS procedures.<sup>5</sup> For example, the District records all bus drivers as 1.0 FTE regardless of whether the bus driver works 4 or 8 hours. Teacher aides working 6.5, 7, or 8 hours are all coded as 1.0 FTE. In addition, SWCSD does not always choose position codes that most accurately reflect the staffing assignments. For example, bus aides were coded as teacher aides, inconsistent with the duties of the assignment. Special education tutors were coded in EMIS position code 208 which is an assignment code for staff who tutor students without disability conditions.

ODE's EMIS manual provides explanation for appropriate recording of staff data. Specifically, it states that full-time equivalency (FTE) is 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. The number 1.00 represents one full-time assignment. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.<sup>6</sup>

In 2006, the Ohio Association of EMIS Professionals (OAEP) presented "EMIS in Perspective – Pertinent Issues for New EMIS Coordinators." This presentation discussed why accurate EMIS reporting is vital for every school district. Specifically, EMIS data is directly related to District funding and accountability, public relations and district image, and professional reputation. OAEP also provides tips and recommendations to help ensure accurate EMIS data. It recommended EMIS staff periodically check the ODE/EMIS web site to see if the reporting guidelines (in the EMIS manual) have been updated or changed.<sup>7</sup> OAEP also recommends data reports be shared with district administrators before the close of the reporting period so that they can assist in identifying incorrect or missing data.

A representative from the Stark Portage Area Regional Computer Consortium, who also presented at the OAEP conference, recommended creating an EMIS team to work together throughout the year in the EMIS data process. Having an EMIS team such as this would provide support to the employees responsible for EMIS data collection and reporting, as information pertaining to specific departments and programs of the District would be more readily available. This team should include the following district employees:

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<sup>5</sup> For purposes of this audit, EMIS adjustments were made to ensure accurate staffing comparisons

<sup>6</sup> ODE provides an example of this calculation: A district employs eight cooks. Three cooks work three hours per day, two work four hours per day, and three work five hours per day. The district has defined that 5 hours is equal to one (1.0) FTE for a cook's position. Therefore, the FTE for a cook who works five hours a day is 1.0. The FTE for a cook who works 4 hours a day is 0.80 FTE, and the FTE for a cook who works three hours a day is 0.60.

<sup>7</sup> The EMIS manual is released annually, with periodic updates.

- EMIS professional;
- Superintendent;
- Treasurer;
- Curriculum director;
- Special education director;
- Vocational director;
- Technology coordinator;
- Building administrators; and
- Staff who are responsible for staff/payroll data.

Using the tools and techniques recommended by OAEP will help SWCSD improve its controls over EMIS data submission and ensure a greater degree of accuracy in its reports. This, in turn, will help ensure that its data correctly depicts conditions at the District and provide for more accurate future comparisons of staffing and salaries to peer and similar districts.

**R3.3 To ensure all employees have accurate and consistent information regarding Board policies, procedures, and expectations, SWCSD should establish a formal process for updating and distributing an employee handbook. In addition, SWCSD should ensure that employee job descriptions are current by establishing a process for regularly reviewing and updating them. Last, the District should routinely solicit formal employee feedback regarding the work environment and job satisfaction.**

SWCSD has an employee handbook that was created many years ago but it has not been consistently reviewed and updated. The District does not have a formal process for updating its employee handbook and does not track changes that are made to it. SWCSD also distributes an annual planner to employees and students that contains general information regarding policies, procedures, and expectations. Some building administrators use the planner and the handbook to establish their own building handbooks but the practice is not required or consistent among buildings. To maintain clear and effective channels of communication, *Is It Time to Revise Your Employee Handbook* (Society of Human Resource Management (SHRM) 2003) recommends districts provide readily accessible updated copies of employee handbooks, ensuring that the books are clearly written and organized so that they can be understood by all employees. Furthermore the handbook disclaimers should note among other things that the handbook does not create a contract expressed or implied, and that it is only a set of guidelines.

SWCSD also does not consistently update employee job descriptions. According to the District, job descriptions were last updated in 2002. However, it is not always apparent which job descriptions have been updated because the date reviewed or updated is not always indicated on the job description. *The Handbook of Model Job Descriptions*

(Cushway, 2003) notes that job descriptions require frequent updating because over time the work actually carried out by the jobholder may become significantly different from the responsibilities set out in the job descriptions.

Finally, while attempts to solicit employee feedback have been made in the past, the District does not consistently solicit formal feedback from its employees. According to the Society for Human Resource Management (SHRM), a large part of understanding where an organization is going depends on knowing where it is and where it has been. Climate surveys and employee satisfaction surveys can be a great tool for understanding where the district stands. Climate surveys are intended to gage the general work environment where as, employee satisfaction surveys are designed to dig a little deeper. With employee surveys, employees are questioned on specific topics relevant to their jobs.

Informal processes often lead to documents that do not contain the most recent information regarding expectations and actual practices. Providing a clear direction to employees through up-to-date job descriptions and employee handbooks will help SWCSD maintain an efficient workforce. Due to budget reductions, SWCSD has not been able to routinely survey its employees to gage their satisfaction with their work environment and job. However, survey results are valuable information for improving the effectiveness of employees and there are low cost ways to survey employees.

**R3.4 SWCSD should attempt to adjust or remove provisions in its bargaining agreements that exceed what similar districts in the area offer or that unnecessarily restrict management's ability to efficiently manage the District. Provisions that require certain staffing levels be maintained or that entitle employees to pay or benefits above and beyond what is considered typical are particularly costly to the District.**

Most SWCSD personnel are governed by one of three separate collective bargaining agreements: administrative, certificated, and classified. SWCSDs negotiated agreements were compared to the Ohio Revised Code, Ohio Administrative Code, standard practices, and agreements from similar districts in the area. Although it is not uncommon for districts to negotiate more than one agreement for the different segments of its classified personnel, it is less common for there to be a negotiated agreement for administrative personnel. While some large city school districts have administrative bargaining units, only one of the similar districts in the area has a negotiated agreement specifically for administrative personnel. The other districts operate without an administrator specific agreement and stated that their administrators generally receive the benefits provided in the certificated agreement. Therefore, SWCSD's administrative agreement was compared to the District's certificated agreement and the certificated agreements of the similar districts in the area. SWCSD's classified agreement was compared to the classified agreements of similar districts in the area.

The certificated agreement contains several provisions that require certain staff be employed. For example, there is a provision that requires SWCSD to provide each kindergarten teacher with the services of a full-time aide. There is also a provision to maintain three full-time aides to assist the District's school nursing staff. Further, the agreement requires tutors be employed for 5 hours per day, 185 days per year, unless otherwise agreed upon by the tutor.

The certificated agreement also sets maximum class sizes for elementary, intermediate, middle and high schools. The agreement specifies what, how, and when management must adjust to bring class sizes in line with class size restrictions. While these contract provisions do not appear to be in conflict with OAC § 3301-35-05, which states the ratio of teachers to students district-wide shall be at least one full-time equivalent classroom teacher for each twenty-five students in the regular student population, these provisions are unnecessarily restrictive and complicated, and require the Board to employ staff in ways it may not need or be able to afford based on class-by-class student censuses.

Lastly, the certificated agreement specifies the time when schools start and are to be dismissed, and the time preschool teachers are to report to work. These overly restrictive provisions limit management's ability to efficiently manage the District. For example, SWCSD may be required to have more than the optimal number of buses because building start and end times cannot be adjusted to maximize routing efficiency (see **R5.2** in transportation). Leading school management practices indicate districts should have the flexibility to alter bell schedules to improve operating efficiencies.

The classified agreement also contains provisions that were found to be costly to taxpayers. First, it requires employees working a minimum of 4.5 hours a day, to be considered full-time employees and therefore entitled to the same benefits as employees working 7 or 8 hours per day. In addition, the classified agreement contains a unique and costly provision that provides employees working 9 or 10 months per year with 8 vacation days. The agreement specifies that these employees are to be paid for any unused vacation days in September of each year, thus providing them with an "annual bonus".

Finally, certificated, classified, and administrative personnel have negotiated agreements that allow sick days and personal days to accrue and be paid out upon separation at rates that exceed the averages of similar districts in the area.

Negotiating collective bargaining agreements typically requires trade-offs and compromises. Negotiated agreements can also be considered living documents and, as such, may include several different variations of ideas belonging to previous school boards and negotiators. As a result, the agreements may contain provisions that affect the District in a variety of ways, both positively and negatively. Nevertheless, administrators

indicated the District planned to make proposals for the renegotiation of certain provisions that would better align the bargaining agreement provisions with the current economic climate.

Negotiated agreements that provide benefits beyond what is required or typically offered in other school districts, creates an additional and unnecessary financial burden. In addition, provisions that are overly restrictive or complicated make it more difficult for school boards and administrators to efficiently manage the district. Any progress made through negotiations that would make contract provisions more cost effective or restore management rights, would be beneficial to the Board and its constituents.

**R3.5 SWCSD should continue to work with its health insurance committee and attempt to negotiate the implementation of additional cost containment strategies to further reduce medical and dental insurance costs. Strategies should focus on bringing monthly premiums more in line with the SERB averages for the Columbus region, enrolling more employees in its lower cost medical insurance plan, and increasing employee contribution rates for dental and vision insurance.<sup>8</sup>**

**Table 3-7** details medical insurance costs to SWCSD for its two plans and in total. Costs are based on FY 2008-09 plan enrollment, premiums, and employee contribution rates.

**Table 3-7: Cost to District for Medical Insurance**

	Single	Family	Total
Plan A Monthly Premium	\$548.06	\$1,479.72	NA
Employees Enrolled	1,414	630	2,044
Monthly Health Insurance Cost	\$774,956.84	\$932,223.60	\$1,707,180.44
Employee Contribution (35%)	\$0	\$326,278.26	\$326,278.26
<b>Monthly Cost for Plan A</b>	<b>\$774,957</b>	<b>\$605,945</b>	<b>\$1,380,902</b>
Plan B Monthly Premium	\$548.06	\$1,331.76	NA
Employees Enrolled	28	55	83
Monthly Health Insurance Cost	\$15,345.68	\$73,246.80	\$88,592.48
Employee Contribution (30%)	\$0	\$21,974.04	\$21,974.04
<b>Monthly Cost for Plan B</b>	<b>\$15,346</b>	<b>\$51,273</b>	<b>\$66,618</b>
<b>Total Annual District Cost</b>			<b>\$17,370,247</b>

Source: South-Western City School District

As shown in **Table 3-7**, total medical insurance costs to the District was about \$17.4 million in FY 2008-09. If SWCSD premiums and employee contribution rates were equal to the SERB averages for the Columbus region shown in **Table 3-4**, its medical insurance

<sup>8</sup> SWCSD could also consider discussing options such as spousal carve outs (also known as the working spouse rule) as a means to maintain its high participation in single coverage and achieve additional cost containment.

costs would about \$1.4 million less, assuming enrollment in single and family coverage remained the same.

SWCSD has an abnormally high proportion of its employees (67.8%) enrolled in single coverage medical insurance. This can be attributed to the Board having no employee contribution for single coverage and high contributions for family coverage. Because the District does not require an employee contribution for those enrolled in single coverage, it is responsible for paying the entire monthly premium of \$548.06. However, because SWCSD requires a 30 - 35 percent employee contribution for family coverage, the District pays \$961.82 per month per employee for Plan A family coverage and \$932.23 per month for Plan B. Therefore, it is less expensive for SWCSD to pay 100 percent of the cost for single coverage insurance than it is for it to pay 65 – 70 percent of the cost for family insurance. By having high employee contributions for family coverage and no contributions for single coverage, the District is intentionally attempting to steer enrollment towards single coverage to reduce its overall cost for medical insurance. A cost analysis that used District premiums and the SERB average employee contributions for single and family coverage resulted in a total medical insurance cost of \$18.9 million, which is \$1.5 million more than its FY 2008-09 costs.

**Table 3-8** illustrates SWCSD’s total dental insurance cost.

**Table 3-8: Cost to District for Dental Insurance**

	Single	Family	Total
Monthly Premium	\$76.76	\$76.76	\$153.32
Employees Enrolled	522	1,667	2,219
Monthly Health Insurance Cost	\$42,316.32	\$127,792.22	\$170,108.54
Employee Contribution (0%)	\$0	\$0	\$0
District Contribution	\$42,316.32	\$127,792.22	\$170,108.54
<b>Total Annual District Cost</b>			<b>\$2,041,302.48</b>

**Source:** South-Western City School District

As shown in **Table 3-8**, dental insurance cost the District just above \$2 million in FY 2008-09 based on plan enrollment, its composite premium, and not requiring employee contributions. Based on employees enrolled in dental insurance plans in FY 2008-09, if SWCSD operated at the SERB averages, its total cost would have been about \$1,453,000, which would be approximately \$588,000 or 40.5 percent less. To achieve these savings through employee cost sharing alone, the District would need to establish an employee contribution rate of about 29 percent, which is significantly higher than the SERB average contribution rates. Conversely, if SWCSD employees paid the SERB average employee contribution rates, the District would still need to lower its composite premium to \$54.56 per month.



*Strategic Health-Care Plan Design* (GFOA, 2009) recommends that plan sponsors consider the following actions to contain costs:

- **Eligibility Management** strategies that include auditing dependents, Medicare eligibility, and retirees;
- **Vendor Management** strategies that include auditing claims to ensure that carriers or third-party administrators pay benefits according to plan rules, coordinating benefits, adopting procedures for addressing complaints about vendor activity, periodically reviewing contracts, and implementing achievable performance goals;
- **Health-care Management** programs such as wellness, disease management, large-case management, utilization review, and pharmacy benefit management programs;
- **Participant Behavior Management** programs that can improve participant health and drive down costs. This might include educational programs about improving health habits and behaviors, individual health risk appraisals, and online information about certain illnesses, as well as financial incentives for modifying behaviors;
- **Cost Sharing Measures** such as high deductibles, co-payments, co-insurance provisions, and employee contributions;
- **Aggregating resources** to get better pricing through health-care insurance pools, intergovernmental agreements for procurement of prescription drugs, or partnerships with private-sector organizations; and
- **Self-Funding** or at least evaluate the viability of self-funding.

The District has already implemented some cost containment strategies, such as wellness programs, employee contributions towards family medical insurance, higher deductibles and copays, and self-funding of its health insurance programs. The Treasurer noted that the employee contribution rates have long been in the contract and that the health insurance committee is primarily responsible for governing the District's healthcare program. By working with its insurance committee, SWCSD has implemented many of the recommended cost containment strategies to some degree. For example, the development and implementation of the alternative "Plan B" coverage has the potential to significantly reduce costs. In fact, if the District only offered Plan B coverage and stopped the semi-annual payments to employees enrolled in Plan B single coverage, its

medical insurance costs would be about \$350,000 per year less than if it operated with premiums and employee contribution rates equal to the SERB averages.

By continuing to implement cost containment strategies, SWCSD can increase consumer awareness while achieving additional savings. The strategies will also ensure that the District's medical insurance administrative practices and processes in place are effective and are not resulting in unnecessary time and costs.

*Financial Implication:* By reducing its medical premiums for single and family coverage to a level more comparable to the SERB average, the District could save approximately \$1.4 million based on FY 2008-09 data. By bringing its dental premiums and employee contributions for single and family coverage to the SERB average, the District could save an additional \$588,000 based on FY 2008-09 plan data.

**R3.6 SWCSD should follow the Government Finance Officers Association (GFOA) recommendations for evaluating retirement incentives. Specifically, SWCSD should establish goals for the incentive, perform a thorough cost analysis, estimate the budget impact, and develop an implementation plan before offering a retirement incentive. Furthermore, SWCSD should attempt to negotiate contract language that allows it to offer retirement incentives only when needed to meet specific staff or financial goals.**

The District's three collective bargaining agreements each have a retirement incentive provision. The incentives in the certificated and classified negotiated agreements are only offered to employee when they are first time eligible for retirement. The administrative agreement offers an incentive when the administrator is first eligible to retire but the incentive is initially reduced if not accepted. The incentive is then increased each year for the next 5 years.

The retirement incentives provisions have been in the collective bargaining agreements for many years. The Treasurer indicated that although he does not do formal planning in terms of a cost benefits analysis for the retirement incentive, it has been cost effective simply by the practice of replacing higher salary employees with dramatically lower salary employees. However, because of the way the incentives are structured, there is no way to know if employees would have retired when first eligible without the incentive. The District has no specific staffing or financial goals it is trying to attain through the incentive. By providing a small incentive to any employee when first eligible, the District may not necessarily be swaying employees to retire but rather providing employees who plan to retirement when first eligible with a bonus.

GFOA's *Evaluating the Use of Early Retirement Incentives* (October 2004), recommends that governments exercise extreme caution if considering ERIs. Governments should take

several actions prior to the decision to offer an ERI in terms of goal-setting, cost/benefit analysis, and budgetary analysis. Governments should also develop an implementation plan. The following is a brief description of what each of these actions should include:

- **Goal-Setting:** Governments should be explicit in setting documented goals for the ERI. Goals can be financial in nature, such as realizing permanent efficiencies in staffing or achieving budgetary objectives. ERIs can also be designed to achieve human resource goals, such as creating vacancies that allow for additional promotion opportunities and allowing management to bring in new staff. Any ERI goals should not conflict with other retirement plan goals (e.g., features increase retention).
- **Cost/benefit analysis:** In judging whether an ERI should be offered, governments should assess the potential costs and benefits of the proposals, and the cost/benefit analysis should be linked to the goals of the ERI. For example, if a government sets a financial goal of obtaining long-term staffing efficiencies, then an independent cost/benefit analysis should determine whether the ERI will actually bring about such staffing efficiencies.
- **Budgetary considerations:** In order to develop accurate budgetary estimates for the ERI, it is necessary to estimate the incremental cost of the ERI, which will vary according to the level of employee participation. Any budgetary analysis should project multiple scenarios for employee participation levels.
- **Implementation Plan:** Governments should consider a communication plan to help employees understand the ERI in the context of overall retirement planning. It may be necessary to gain input from collective bargaining units. Governments should consider the impact upon service delivery after employees retire, with identification of critical personnel whose services must be maintained. The duration of the window should take into account the ability of retirement staff to manage retirement application workloads, among other factors. Lastly, performance measures should be used to ensure ERI goals are met.

An example of a properly structured early retirement incentive exists in the Worthington CSD (Franklin County) certificated agreement. To ensure adequate savings, Worthington CSD has determined the required number of staff and levels of experience that would need to be met in order for the incentive to be beneficial to the District. This ensures that the District will achieve a specific amount of savings. The agreement also reserves the right to provide the incentive only if enough employees apply for the incentive.

The retirement incentive provisions in the SWCSD's collective bargaining agreements commit it to a buyout of eligible employees without any planning and regardless of the

financial impact. Therefore, the District should follow the GFOA recommendations for evaluating retirement incentives before deciding to offer one. Specifically, SWCSD should establish goals for the incentive, perform a thorough cost analysis, estimate the budget impact, and develop an implementation plan. If the District finds a retirement incentive will help it achieve certain specified goals, it should attempt to revise the retirement incentive language in its collective bargaining agreements to include stipulations similar to those found in the agreement with Worthington CSD certificated employees.

## Financial Implications Summary

The following table is a summary of estimated annual savings for the recommendations in this section of the performance audit.

**Table 3-9: Summary of Financial Implications for Human Resources**

<b>Recommendation</b>	<b>Annual Savings</b>
<b>R3.5</b> Implement further cost containment strategies to bring medical insurance premiums more in line with the SERB average	\$1,400,000
<b>R3.5</b> Implement cost containment strategies to bring dental insurance premiums and employee contributions more in line with the SERB average	\$588,000
<b>Total</b>	<b>\$1,988,000</b>

Source: Auditor of State

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# Facilities

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## Background

This section focuses on the maintenance and operations (M&O) of facilities in the South-Western City School District (SWCSD or the District), including assessments of staffing levels, planning efforts, expenditures, policies, and operating procedures. The District's operations were evaluated against leading practices, operational standards, and selected peer districts<sup>1</sup>. Leading practices and operational standards were derived from the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), the International Sanitary Supply Association (ISSA), the Minnesota Office of the Legislative Auditor, and DeJong and Associates, Inc.

The following questions were used to evaluate the M&O functions:

- How has spending on facilities changed recently and how does it compare with benchmarks?
- How do M&O Department staff allocations and workloads compare with industry benchmarks?
- Does the M&O Department have the operational procedures, employee training, and performance standards recommended for maintaining an effective workforce?
- Does the District have a formal energy conservation program that is comparable to leading practices?
- Do enrollment trends and building capacities suggest that the District should change how it plans to use its buildings?
- Does the District meet leading practices for planning and maintaining its facilities?
- How do the District's maintenance and operations wages and step increases compare with selected peer districts?

### *Facilities Composition*

In FY 2009-10, SWCSD operated 16 elementary school buildings (grades K to 4), 5 intermediate school buildings (grades 5 to 6), 5 middle school buildings (grades 7 to 8), 4 high school buildings (grades 9 to 12) and a Career Academy (grades 11-12). It also has a District service center, which houses the administrative offices; a bus compound; three Head Start buildings

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<sup>1</sup> Peers districts include: Elyria CSD (Lorain County), Gahanna-Jefferson CSD (Franklin County), Groveport-Madison LSD (Franklin County), Huber Heights CSD (Montgomery County), Parma CSD (Cuyahoga County), Reynoldsburg (Franklin County), Washington LSD (Lucas County), Westerville CSD (Franklin County), Willoughby-Eastlake CSD (Lake County), and West Clermont LSD (Clermont County).



(Bostic Center, Norton Road, and an administrative office); the South-Western Preschool Center; the Stiles Family Resource Center; and three recreation centers.

As a result of the District's May 2009 levy failure, two buildings were closed for FY 2009-10, Harrisburg Elementary School and the Kingston School (the alternative education facility). In addition, the District eliminated all after-school building use. The District's recreation centers were also closed to students and the community but the Franklin Heights Recreation Center was kept open as a teaching station.

### *Previous Performance Audit*

As discussed in the **executive summary**, a previous performance audit of SWCSD was released in 1999. As part of that audit, the District's facility maintenance and operations were assessed, and recommendations were made to improve management effectiveness and reduce costs. The performance audit conducted in 1999 included recommendations to improve planning and budgeting for preventive and capital maintenance, implement a comprehensive work order system (including a preventive maintenance function), and develop a maintenance and operations handbook. Those recommendations have not been fully implemented and are repeated in this audit (see **R4.3, R4.4, and R4.5**). All other facilities recommendations from the 1999 audit have been implemented, were no longer relevant, or were outside the scope of this audit.

### *Staffing and Key Statistics*

SWCSD's Property Services Coordinator is responsible for oversight of the M&O Department and reports directly to the Superintendent. The Property Services, Assistant Supervisor assists the Property Services Coordinator in the day-to-day management of the maintenance staff. Custodial staff are primarily overseen by the building principals during the school year, but with input and oversight from the Property Services Coordinator.

As part of the District's FY 2006-07 budget reductions, the District eliminated 2 assistant supervisors, 19 custodial staff, and 7 maintenance staff positions.

**Table 4-1** shows SWCSD's FY 2009-10 M&O Department staffing by classification, position, and full-time equivalent (FTE).

**Table 4-1: FY 2009-10 M&O Department Staffing Distribution**

Classification <sup>1</sup>	Positions	FTEs
<b>Administration &amp; Support:</b>		
Property Services Coordinator	1.00	1.00
Property Services, Assistant Supervisor	1.00	1.00
Clerk	2.00	2.00
<b>Total Administration &amp; Support</b>	<b>4.00</b>	<b>4.00</b>
<b>Maintenance:</b>		
Specialist (ME - 1)	12.00	12.00
Maintenance I / Courier (ME - 2) <sup>2</sup>	16.00	16.75
Licensed Electrician / Master Plumber (ME - 3)	2.00	2.00
<b>Total Maintenance</b>	<b>30.00</b>	<b>30.75</b>
<b>Custodial:</b>		
Custodian (CU - 1)	85.00	85.00
Head Custodian I (CU - 2)	17.00	17.00
Head Custodian II (CU - 3)	11.00	11.00
Head Custodian III (CU - 4)	5.00	5.00
<b>Total Custodial</b>	<b>118.00</b>	<b>118.00</b>
<b>Total M&amp;O Department Staff</b>	<b>152.00</b>	<b>152.75</b>

**Source:** South-Western City School District

<sup>1</sup> SWCSD does not employ grounds keepers as a separate classification of employees. A portion of the District's maintenance staff are assigned to complete these duties (see **issues for further study** in executive summary).

<sup>2</sup> The District has three employees classified as "food transportation". However, these employees allocate a portion of their time (the summer) to the M&O Department. Review of the District's payroll information found that the District allocates 75 percent of these employees wages to the Food Service Department and the remaining 25 percent to the M&O Department. The auditor determined that this allocation was reasonable and the FTE count was adjusted to include an addition total of 0.75 FTE.

**Table 4-1** represents the total number of M&O Department staff employed by SWCSD for FY 2009-10. SWCSD reports 152.75 FTE M&O Department employees, which does not include seasonal staff. See **R4.1** for analysis of the District's M&O Department staffing. Administrative and support staff are included as part of the District-wide staffing assessments of these areas in **human resources**.

**Table 4-2** shows SWCSD's FY 2007-08 M&O Department financial information as compared to the peer average on a per square foot basis.

**Table 4-2: FY 2007-08 M&O Department Expenditures Comparison**

Category of Expenditure	SWCSD Per Sq. Ft.	Peer Average Per Sq. Ft.	\$ Difference	% Difference
<b>Personal Services</b>	<b>\$2.49</b>	<b>\$2.56</b>	<b>(\$0.08)</b>	<b>(3.0%)</b>
<b>Employee Retirement &amp; Insurance Benefits (ERIB)</b>	<b>\$0.88</b>	<b>\$1.00</b>	<b>(\$0.12)</b>	<b>(12.2%)</b>
<b>Purchased Services</b>	<b>\$1.68</b>	<b>\$2.85</b>	<b>(\$1.18)</b>	<b>(41.2%)</b>
Purchased Services (Excluding Utilities)	\$0.28	\$1.25	(\$0.97)	(77.6%)
Utilities	\$1.40	\$1.61	(\$0.21)	(13.0%)
451 - Electricity	\$0.82	\$0.91	(\$0.10)	(10.4%)
452 - Water & Sewage	\$0.11	\$0.11	\$0.00	0.0%
453 - Gas	\$0.47	\$0.59	(\$0.12)	(19.8%)
<b>Supplies &amp; Materials</b>	<b>\$0.28</b>	<b>\$0.39</b>	<b>(\$0.11)</b>	<b>(27.0%)</b>
<b>Capital Outlay</b>	<b>\$0.03</b>	<b>\$0.40</b>	<b>(\$0.37)</b>	<b>(93.2%)</b>
<b>Capital Outlay Replacement</b>	<b>\$0.02</b>	<b>\$0.04</b>	<b>(\$0.01)</b>	<b>(37.7%)</b>
<b>Other Objects</b>	<b>\$0.00</b>	<b>\$0.03</b>	<b>(\$0.03)</b>	<b>(95.2%)</b>
<b>Total Expenditures</b>	<b>\$5.38</b>	<b>\$7.26</b>	<b>(\$1.89)</b>	<b>(26.0%)</b>

**Source:** South-Western City School District and the Ohio Department of Education

**Note:** Totals may vary due to rounding.

As shown in **Table 4-2**, SWCSD's FY 2007-08 expenditures were below the peer average in nearly all categories of comparison. The figures shown in **Table 4-2** are indicators that the District is operationally efficient when compared to its peers. The auditor reviewed the appearance and condition of the District's buildings through on-site tours. The buildings appeared to be clean and well maintained. However, the District's low expenditures could, in part, be due to the lack of preventive maintenance (see **R4.4**) and capital planning (**R4.3**) resulting in deferred maintenance.

Further comparisons to national benchmarks were made to provide a more comprehensive analysis. **Table 4-3** shows SWCSD's FY 2007-08 M&O Department financial information as compared to the AS&U *37th Annual Maintenance and Operations Cost Study* (2008) national median.

**Table 4-3: FY 2007-08 M&O Department Expenditures to AS&U**

Expenditure Category	SWCSD	AS&U	Difference	% Difference
<b>Square Footage</b>	<b>2,809,182</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Personal Services and ERIB	\$3.36	\$2.05	\$1.31	64.1%
Purchased Services (Excluding Utilities) <sup>1</sup>	\$0.28	\$0.61	(\$0.33)	(54.1%)
Utilities	\$1.40	\$1.52	(\$0.12)	(8.0%)
Supplies & Materials and Capital Outlay	\$0.33	\$0.38	(\$0.05)	(12.1%)
<b>M&amp;O Expenditure Total</b>	<b>\$5.38</b>	<b>\$4.56</b>	<b>\$0.82</b>	<b>17.9%</b>

**Source:** SWCSD, ODE and the AS&U 37th Annual Maintenance and Operations Cost Study (2008)

**Note:** Totals may vary due to rounding.

<sup>1</sup> In order to be consistent in the comparison, SWCSD's expenditures for purchased services (other than utilities) and miscellaneous items are included in this category. AS&U national median includes "Outside Contract Labor" and "Other."

As shown in **Table 4-3**, SWCSD's M&O Department expenditures were higher than the AS&U national median in the category of personal services and ERIB but were lower than the national median in all other categories of comparison. Recommendation **R4.1** would help reduce spending on personal services and **R3.6** in human resources would help bring ERIB costs more in line with the national benchmark.

### *Enrollment*

SWCSD prepares an annual enrollment projection based on three-year trends in enrollment and cohort survival ratios by grade-level and building (see **noteworthy accomplishments** in executive summary). AOS reviewed the District's projection and methodology and found them to be reasonable. However, as a component of the facilities master plan, the District should increase its enrollment projection to cover at least five years (see **R4.3**).

DeJong – Healy developed an enrollment projection in April, 2008 as part of the District's OSFC assessment. This enrollment projection is based on historical data through FY 2007-08 and projects enrollment for the next ten years. While the DeJong-Healy projection shows moderate growth over the ten-year period, this projection was prepared before the recent downturn in economic conditions and a series of levy failures began to negatively impact District enrollment.

AOS prepared an updated enrollment projection using the 2008-09 headcount, and consistent with SWCSD's methodology, used historical enrollment trends and cohort survival ratios. **Table 4-4** shows AOS projected enrollment for SWCSD based on ODE reported enrollment from FY 1999-00 through FY 2008-09.

**Table 4-4: AOS Projected Enrollment FY 2009-10 to FY 2013-14**

Grade	FY 2009-10 <sup>2</sup>	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b>K</b>	1,460	1,428	1,397	1,365	1,334
<b>1</b>	1,518	1,497	1,464	1,432	1,400
<b>2</b>	1,524	1,488	1,467	1,436	1,404
<b>3</b>	1,527	1,500	1,465	1,445	1,414
<b>4</b>	1,569	1,516	1,489	1,454	1,434
<b>5</b>	1,579	1,588	1,534	1,507	1,472
<b>6</b>	1,708	1,607	1,616	1,561	1,534
<b>7</b>	1,618	1,724	1,623	1,632	1,577
<b>8</b>	1,619	1,605	1,711	1,610	1,619
<b>9</b>	1,912	1,967	1,950	2,078	1,956
<b>10</b>	1,615	1,511	1,555	1,541	1,643
<b>11</b>	1,482	1,501	1,404	1,445	1,432
<b>12</b>	1,455	1,416	1,434	1,342	1,380
<b>Total</b>	<b>20,585</b>	<b>20,348</b>	<b>20,109</b>	<b>19,849</b>	<b>19,599</b>

Source: AOS based on ODE historical enrollment

<sup>1</sup> AOS enrollment projections do not include preschool enrollment.

<sup>2</sup> FY 2009-10 is a projected enrollment and does not take into account the District's 2009 October head count information which was developed during the course of the audit but will not be finalized and approved by ODE until February 2010.

As shown in **Table 4-4**, AOS projects SWCSD's enrollment to begin a marginal declining trend. The AOS FY 2009-10 enrollment projection (20,585) is approximately 1.0 percent lower than SWCSD's projected enrollment of 20,795. The District's preliminary October FY 2009-10 headcount was reported as 19,944,<sup>2</sup> this is 757 less students than the FY 2008-09 headcount of 20,701. However, this decrease was seen as an anomaly so the projection was based on a six-year cohort survival methodology that took into account FY 2004-05 through FY 2008-09 only. Although the District's headcount has increased by an average of 1.27 percent per year over the past ten complete fiscal years the increase over the last six of those years has been only 0.14 percent per year. The AOS projection provides a conservative projection of enrollment that takes into account recent trends in actual headcount but does not take into account the FY 2009-10 anomaly.

<sup>2</sup> This figure excludes preschool students for consistency with the AOS projection.

## Recommendations

### Staffing and Compensation

**R4.1** SWCSD should reduce M&O Department staffing by 15.5 FTE positions. Doing so would help the Department bring its staffing in line with the total calculated staffing need based on industry standards for custodians, maintenance staff, and grounds keepers. In addition, the District should discontinue its practice of employing seasonal M&O Department staff. Comparisons to industry standards indicate that the District already maintains a higher-than-average staffing level and additional personnel should not be necessary to maintain the buildings and grounds in an acceptable manner.

Table 4-5 shows SWCSD's FY 2009-10 square footage cleaned, square footage maintained, and acreage maintained as well as calculated staffing need based on industry standards from the NCES and AS&U.

**Table 4-5: FY 2009-10 M&O Department Calculated Staffing Need**

District Staffing	
Total FTE Maintenance Staffing <sup>1</sup>	30.75
Total FTE Custodian Staffing	118.00
<b>Total FY 2009-10 Maintenance &amp; Custodial FTE Staffing</b>	<b>148.75</b>
District Statistics	
Square Footage Maintained	2,809,182
Acreage Maintained	610.6
Square Footage Cleaned	2,603,597
Maintenance & Grounds Keeping Staffing Benchmark	
AS&U Five Year Avg. Sq. Ft. per FTE Maintenance	94,872
<b>Calculated FTE Maintenance Need</b>	<b>29.61</b>
AS&U Five Year Avg. Acres per FTE Grounds Keeper	40.2
<b>Calculated FTE Grounds Keeping Need</b>	<b>15.19</b>
<b>Total Maintenance &amp; Grounds Keeping Staffing Need</b>	<b>44.80</b>
Custodian Staffing Benchmark	
NCES Level 3 Cleaning Median Square Footage per FTE	29,500
<b>Calculated FTE Custodian Need</b>	<b>88.26</b>
<b>Total District Maintenance &amp; Custodial FTE Staffing</b>	<b>148.75</b>
<b>Total Calculated M&amp;O Department Staffing Need</b>	<b>133.06</b>
<b>Difference Over / (Under) Benchmarks</b>	<b>15.69</b>

**Source:** SWCSD, NCES Planning Guide for Maintaining School facilities, and American School and University Maintenance and Operations Cost Studies for FY 2004-05 through FY 2008-09.

<sup>1</sup> SWCSD's maintenance staff are responsible for the majority of the District's grounds keeping activities.

As shown in Table 4-5, SWCSD maintains a higher overall M&O Department staffing level than industry standards suggest is appropriate based on the number of square feet

and acres cleaned and maintained. As a result the District would need to eliminate approximately 15.5 FTE positions to bring its staffing and productivity levels in line with the benchmarks.

In addition, SWCSD has a practice of employing seasonal labor in the M&O Department. These employees are typically District employees otherwise employed in less than 12 month positions (e.g., bus drivers, cooks, and aides). During the summer of 2009 the District employed three additional grounds keeping staff, four additional painting staff, and six additional custodial support staff. According to the Treasurer, the District spent \$84,300 on seasonal staff wages in FY 2008-09. However, as shown in **Table 4-5**, the District already employs more regular M&O Department staff than industry standards would suggest are needed.

The District has reviewed custodial staffing and square footage allocations per custodian, excluding head custodians. However, the District's review of custodial staffing analysis did not benchmark square footage per FTE custodian to an industry standard. As a result, the District's M&O Department is overstaffed when compared to industry standards as they relate to custodians, maintenance staff, and grounds keepers.

*Financial Implication:* If SWCSD were to reduce M&O Department staffing by 15.5 FTE it could save approximately \$677,000 in salaries and benefits in FY 2010-11.<sup>3</sup> In FY 2008-09 the District spent a total of \$84,300 on seasonal employee wages. If SWCSD were to discontinue its use of seasonal labor in the M&O Department the District would no longer incur the cost of these seasonal employees. Cost savings are estimated at approximately \$84,000 for FY 2010-11.

**R4.2 SWCSD should seek, through the negotiation process, to modify its maintenance staff step schedules or to limit future negotiated wage increases (NWIs) for these staff in order to bring compensation more in line with the average of similar districts in the area. Doing so would help the District to remain competitive within the area labor pool while at the same time reducing overall M&O Department expenditures.**

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<sup>3</sup> This figure is based on actual 2009-10 wages and calculated historical benefits percentage. The FY 2010-11 figure does not include any negotiated wage increase because the District's classified agreement has not yet been negotiated for FY 2010-11 (see **human resources** for further information).

**Table 4-6** compares SWCSD's FY 2009-10 average maintenance step schedule to the average of similar districts in the area.<sup>4</sup>

**Table 4-6: Maintenance Step Increase Comparison**

Step <sup>1</sup>	SWCSD <sup>2</sup>	Average of Similar Districts in the Area	Per Hour \$ Difference	Per Hour % Difference
0	\$18.23	\$17.54	\$0.69	3.9%
5	\$20.24	\$19.35	\$0.89	4.6%
10	\$22.68	\$21.00	\$1.67	8.0%
15	\$22.98	\$21.67	\$1.31	6.0%
20	\$23.29	\$22.28	\$1.00	4.5%
25	\$23.45	\$22.55	\$0.90	4.0%
30	\$23.45	\$22.55	\$0.90	4.0%

**Source:** SWCSD and similar district negotiated salary schedules

**Note:** Dollar per hour difference and percent difference may vary due to rounding.

<sup>1</sup> All step schedules were extrapolated over a 30 step period in order to ensure comparability over an entire length of employment.

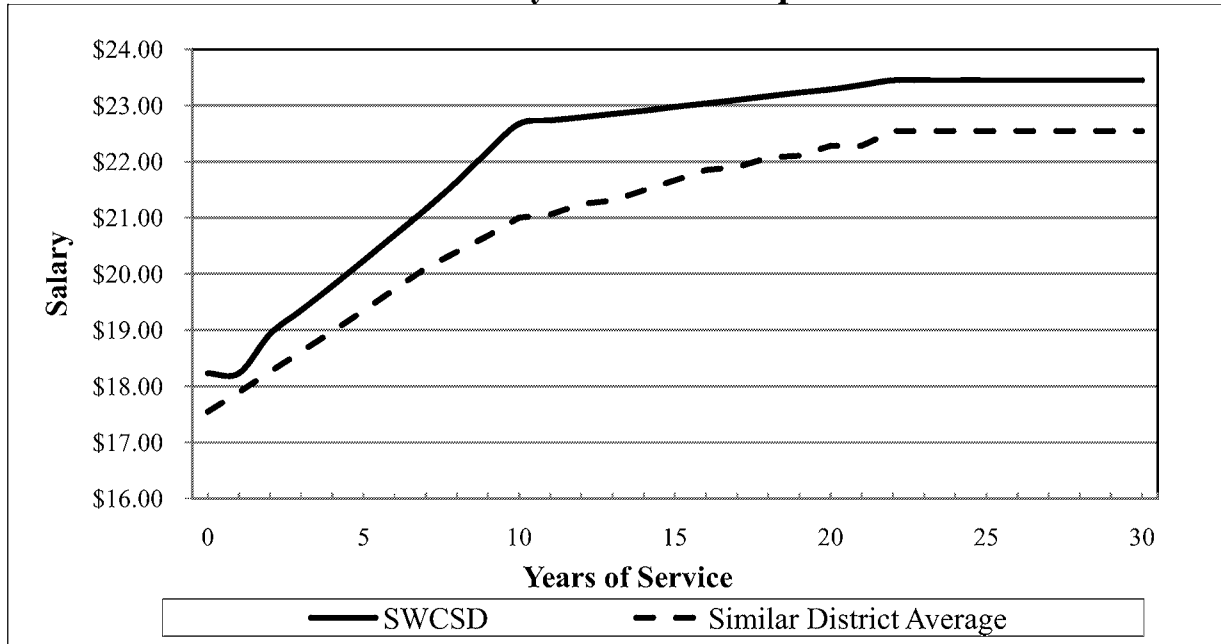
<sup>2</sup> SWCSD's classification of Licensed Electrician / Master Plumber was excluded from the average maintenance step shown in **Table 4-6** because the District has only two employees in this classification and inclusion would skew SWCSD's average maintenance step as it is a statistical outlier,

<sup>4</sup> The average of similar districts in the area includes: Gahanna-Jefferson CSD, Groveport Madison LSD, Reynoldsburg CSD, and Westerville CSD. Columbus CSD (CCSD) was originally planned for inclusion in this analysis but appropriate comparisons were not possible for this analysis given the distribution of CCSD M&O Department classifications and the specificity of classification designations. Therefore CCSD was excluded from the comparison.



Chart 4-1 is a graphic representation of the comparison in Table 4-6.

**Chart 4-1: FY 2009-10 Salary Schedule Comparison - Maintenance**



Source: SWCSD and similar district negotiated salary schedules.

As shown in Table 4-6 and again in Chart 4-1 SWCSD’s average maintenance step schedule begins and ends higher than the average of similar districts in the area. The net result is that the District’s average maintenance step schedule, in total, is approximately 5.0 percent higher than the average of similar districts in the area. Total compensation for the average SWCSD maintenance employee would be approximately \$68,000 higher over 30 years when compared to the average of similar districts in the area.

*Planning*

**R4.3 SWCSD should develop a formal facilities master plan that is consistent with leading practices, District-wide priorities as identified in the strategic plan (see R2.1 in financial systems), and the five-year forecast. In addition, the District should develop five-year enrollment projections as a component of the facilities master plan. A formal facilities master plan will help the District identify and address long-term facilities needs, including ongoing and planned preventive maintenance (see R4.4), and ensure appropriate funding in relation to it education and other operational programs. The plan should be reviewed annually and periodically updated to ensure consistency with District program needs and available funding.**

SWCSD does not have a facilities master plan or accompanying capital plan. The District allocates approximately \$1 million from its Permanent Improvement Fund each year for M&O Department capital and maintenance project needs.

The District has several pieces in place that could be combined and updated or supplemented to serve as a basis for a comprehensive facilities master plan and capital plan. It has the OSFC facilities assessments (i.e., the makeup, condition, and replacement / repair cost for its buildings and their components) that were completed in 2008. The District, with the help of an outside architect, developed a roof replacement plan projecting District-wide roof replacement needs over a 25 year period. It also has a year-to-year enrollment projection that it develops in-house that can be expanded to cover at least five years. The District does not have a preventive maintenance plan; however, the work order system has the capability to facilitate the implementation of a preventive maintenance plan (see **R4.4**). Finally, the District has an ongoing process for reviewing classroom space and building utilization (see **noteworthy accomplishments** in executive summary).

The District used to complete routine building inspections to assess the ongoing condition of its facilities as well as to benchmark the performance of staff; however, these activities were eliminated through budget reductions.

*Creating a Successful Facilities Master Plan* (DeJong, 2001) states that school districts should develop long-term facilities plans that contain information on capital improvements and financing, preventative maintenance and work orders, overall safety and condition of buildings, enrollment projections, and capacity analysis. The plans should be developed based on foundations of sound data and community input. If developed properly, a facilities plan has the potential to significantly impact the quality of education in a school district. As a road map, 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 plan is typically a 10-year plan that should be updated periodically to incorporate improvements that have been made, changes in demographics, or other educational directions. *Preventative Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000) describes a capital improvement plan as a schedule of capital improvement projects listed in priority order over a number of years (usually five or more). Capital improvement plans typically include remodeling and new construction as well as major maintenance projects.

Although the District has a year-to-year facility planning process, it has not formally projected its facilities needs out over an extended timeframe. The District has been reluctant to fully implement some of the best practice elements of a facilities master plan (e.g., the capital plan and the preventive maintenance plan) because it believes there is inadequate funding and staff resources to implement these programs. In addition, the

District had processes in place (i.e., building inspections) that were eliminated as a result of past budget reductions.

By developing a more comprehensive facility planning process, the District will be better positioned to advance its educational mission through the quality and configuration of its facilities. Incorporating long-term facility planning into its strategic plan and budget will not only improve the District's ability to plan for the use of its facilities, but it will also ensure that facility needs are evaluated and addressed on a regular basis and in the most cost efficient manner possible.

**R4.4 SWCSD should make use of its existing work order system capabilities by developing and fully implementing a preventive maintenance program. The planned preventive maintenance activities and the resources to carry out these activities should be included in the District's facilities master plan (see R4.3).**

SWCSD's work order system includes a preventive maintenance component. This is the District's only preventive maintenance system. The preventive maintenance component is the same as the work order in content (e.g., location, priority, staff assignment, etc.) but it has the added feature of automatic regeneration of preventive maintenance work orders based on a set schedule. However, the District does not make full use of the preventive maintenance component.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends that all districts have formal preventive maintenance programs focused on regularly scheduled equipment maintenance to prevent sudden unexpected equipment failure. NCES notes that many school districts practice "breakdown maintenance," whereby maintenance problems are fixed as they occur. This method often defers major repairs and allows damage to compound over time. A well-designed facility management system generally encompasses four categories of maintenance: including emergency (or response), routine, preventative, and predictive. Maintenance tasks can be scheduled through the work order system and are typically based on manufacturer recommended service intervals.

With the exception of roofing projects, SWCSD has not fully developed and implemented a preventive maintenance function because of a perception that the District lacks sufficient funds and staff to keep up with a full preventive maintenance program. However, as shown in **R4.1**, SWCSD maintenance staff exceeds the industry benchmark.

Without a properly planned and implemented preventive maintenance program the District is practicing what the NCES terms "breakdown maintenance". This maintenance method causes damage to compound over time, which can ultimately result in more expensive repairs.

*Process Formalization*

**R4.5 SWCSD should develop a formal handbook for custodial and maintenance operations. The handbook should address topics such as the mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, vehicle use guidelines, security standards, and work order procedures. The handbook should detail time standards and processes for accomplishing tasks. It should contain specific instructions on the performance of routine and non-routine tasks and directions for operating any equipment to be used in completing the tasks. The District should review the handbook annually and update the procedures as necessary. Finally, the District should provide periodic training to ensure that all staff are aware of the formalized processes and expectations outlined in the handbook, and are performing their functions consistently.**

SWCSD does not have an M&O Department handbook. In 2005, the District held formal District-wide training for all custodial staff. The purpose of this training was to standardize custodial processes across the entire District. Maintenance staff are provided with specific direction on an as-needed basis through the work order requests, but no standardized, formal procedures are in place.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible (perhaps through the District's intranet or Internet sites). NCES recommends that at a minimum, the manual contain departmental:

- Mission statement;
- Personnel policies;
- Purchasing regulations;
- Accountability measures;
- Asbestos procedures;
- Repair standards;
- Vehicle use guidelines;
- Security standards; and
- Work order procedures.

The International Sanitary Supply Association (ISSA) has developed a custodial training program manual designed to help train and guide custodians. The publication details the correct cleaning methods as well as the proper use of custodial equipment and offers guidelines and tips on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

SWCSD discontinued its formal effort to standardize custodial procedures due to the loss of staff and financial resources during the District's 2006 budget reductions. SWCSD does not have a preventive maintenance plan, and as a result, the standardized procedures which would normally underlie a preventive maintenance plan are also absent from District protocols (see **R4.4**).

Without a formal policy and procedures handbook to guide custodial and maintenance operations, procedures and standards may not be consistently followed. Developing and incorporating policy and procedures manuals and standards for all custodial staff will help ensure more efficient and effective cleaning. Furthermore, written policies and procedures would help ensure that issues are managed in a consistent manner. Once the District has developed and implemented a manual, it should make this information available to interested parties and disseminate the information internally. Development of a policy and procedures manual could be implemented at no additional cost to the District.

## Financial Implications Summary

The following table is a summary of estimated annual savings for the recommendations in this section of the performance audit.

**Table 4-7: Summary of Financial Implications for Facilities**

<b>Recommendation</b>	<b>Annual Savings</b>
<b>R4.1</b> Reduce 15.5 FTE M&O Department staff.	\$677,000
<b>R4.1</b> Eliminate the use of seasonal staff.	\$84,000
<b>Total</b>	<b>\$761,000</b>

Source: Auditor of State

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# Transportation

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## Background

This section of the performance audit focuses on South-Western City School District's (SWCSD or the District) transportation operations. Transportation operations were evaluated against leading practices, operational standards, and selected peer school districts.<sup>1</sup> Comparisons were made for the purpose of developing recommendations to improve the efficiency and effectiveness of business practices and, where appropriate, to reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), the Legislative Office of Education Oversight (LOEO), the American Association of School Administrators (AASA), the Government Finance Officers Association (GFOA), and the National State Auditors Association (NSAA).

The following questions were used to evaluate the District's transportation function:

- How do the District's transportation policies and procedures compare with best practices and how do they impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How does the District's "yellow bus" transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?
- Does the District have sufficient controls in place to ensure the security of its buses, equipment, parts, supplies, and fuel?
- How does the District ensure it gets the best value when purchasing transportation related items?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing specialized transportation service in an effective and efficient manner?

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<sup>1</sup> Peer districts for transportation include: Hamilton LSD (Franklin County), Northwest LSD (Hamilton County), Youngstown CSD (Mahoning County), Mansfield CSD (Richland County), and Miamisburg CSD (Montgomery County). These districts were selected because they have a similar number of riders per square mile and exceeded the ODE transportation efficiency target.

### *Previous Performance Audit*

As discussed in the **executive summary**, a previous performance audit of SWCSD was released in 1999. As part of that audit, the District's management of transportation operations was assessed, and recommendations were made to improve management effectiveness and reduce costs. The performance audit conducted in 1999 included recommendations to reduce operating costs through increased efficiency and evaluating special needs transportation. Those recommendations have not been fully implemented and are repeated in this audit (see **R5.2** and **R5.3**). All other transportation recommendations from the 1999 audit have been implemented, were no longer relevant, or were outside the scope of this audit.

### *Transportation Policy*

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 (K-8) who live more than two miles from their assigned schools. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to their own students. In addition, 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), districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the student.

The District's policies outline its established service-levels. Eligible riders include elementary and intermediate school students who live 1 mile from school, and middle school and high school students who live more than 2 miles away. SWCSD modifies eligibility requirements when safety concerns and the feasibility of walking outweigh arbitrary boundaries. However, after the failure of the District's operating levy on August 4, 2009, SWCSD eliminated busing service for high school students and reduced service levels for K-8 students for FY 2009-10. Following the passage of a new operating levy on November 3, 2009, the District restored transportation services effective November 30, 2009, operating with service levels comparable to FY 2008-09.

### *Operating Environment*

SWCSD provides transportation using Board-owned and operated buses (or yellow buses) to eligible regular and special needs riders. The bus garage, fuel tank, and buses are located within a fenced-in area and the District has sufficient controls to ensure the security of its transportation fleet, equipment, and supplies.

The Transportation Department is managed by the Transportation Supervisor, who reports to the Director of Business and Administrative Services. In FY 2008-09, the operation consisted of 208 employees, including the Transportation Supervisor. Three routing coordinators share

responsibilities for the District's public, special needs, and non-public routes, and four employees provide clerical support to the operation. The Department employed 159 bus drivers in FY 2008-09, as well as 32 bus attendants, one for each of the District's special needs buses. Finally, the transportation operation used eight mechanics and a parts manager to provide maintenance services to the District's fleet. While the District made reductions in bus drivers and mechanics in the first half of FY 2009-10, the District restored transportation services November 30, 2009 and plans to operate with staffing levels near FY 2008-09 levels.<sup>2</sup>

For transportation purposes, the District is separated into four quadrants, using the boundaries of its 4 high schools. Within those quadrants, transportation is provided to a total of 16 elementary, 5 intermediate, and 5 middle schools. SWCSD also shuttles students from each of the four high schools to its Career Academy. In addition to transporting students to District school buildings, SWCSD provides specialized transportation to special needs students who receive services at 17 different locations both inside and outside of the District. The District also provides service to pre-school students who attend one of 5 preschool centers, as well as students who attend one of 13 different non-public and community schools.

### *Operating Statistics*

Each school district in Ohio is required to report detailed information about its transportation operations to ODE on an annual basis. The T-1 form is used to report information on students, buses, and miles. The T-2 form is used to report the expenses incurred in the transportation of students to and from their school. SWCSD submits the required reports to ODE in a timely manner. However the District does not have a formal documented procedure in place to ensure the compliance and accuracy of its transportation information (see **R5.1**).

In FY 2008-09, SWCSD reported providing transportation for 13,823 students, 98.7 percent of whom were transported on Board-owned yellow buses. **Table 5-1** compares the District's transportation statistics with the peer averages for FY 2008-09.

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<sup>2</sup> The District expects to operate with approximately 159 bus drivers. The 1 FTE mechanic position left vacant in FY 2009-10 will not be filled.

**Table 5-1: FY 2008-09 Key Statistics and Operating Ratios**

Key Statistics	SWCSD	Peer Average	Percent Above (Below) Peers
Square Miles	119.0	33.2	258.4%
ODE Enrollment	21,331	5,958.8	258.0%
Total Students Transported (All Types)	13,823	4,045.0	241.7%
<b>Total Yellow Bus Riders</b>	<b>13,642</b>	<b>3,778.2</b>	<b>261.1%</b>
• Public	11,802	2,824.8	317.8%
• Non-Public	716	522.8	37.0%
• Community School	632	319.4	97.9%
• Special Needs	492	111.2	342.4%
<b>Total Yellow Buses</b>	<b>190.0</b>	<b>60.2</b>	<b>215.6%</b>
• Active Buses	159	46.0	245.7%
• Spare Buses	31	14.2	118.3%
<b>Total Annual Miles</b>	<b>2,438,029</b>	<b>614,862.4</b>	<b>296.5%</b>
• Routine Miles	2,322,540	565,452.0	310.7%
• Non-routine Miles	115,489	49,410.4	133.7%
<b>Operating Ratios</b>			
• Enrollment per Square Mile	179.3	181.7	(1.4%)
• Daily Miles per Yellow Bus Rider	0.9	0.8	18.5%
• Riders Per Square Mile	114.6	114.9	(0.2%)
<b>Yellow Bus Riders per Active Bus</b>	<b>85.8</b>	<b>85.6</b>	<b>0.3%</b>
Routine Miles per Active Bus	14,607	12,105	20.7%
Non-routine Miles as a % of Total Miles	4.7%	8.1%	(3.4%)
Percent Public Riders	86.5%	78.6%	7.9%
Percent Special Need Riders	3.6%	3.3%	0.4%
Percent Non-public & Community School Riders	9.9%	18.2%	(8.3%)

**Source:** FY 2008-09 transportation reports as submitted to ODE.

**Note:** Peer districts for transportation include Hamilton LSD (Franklin County), Northwest LSD (Hamilton County), Youngstown CSD (Mahoning County), Mansfield CSD (Richland County), and Miamisburg CSD (Montgomery County).

As **Table 5-1** indicates, SWCSD transported a nearly identical number of regular riders per bus (85.8) as the peer district average (85.6) while logging nearly 21 percent more routine miles per bus.

The District uses a routing software package to aid it in the efficient routing of buses. SWCSD has also adopted a staggered bell schedule to operate a triple routed operation, with most buses making three distinct runs in the morning and afternoon. While the use of cluster stops also aide the District in providing an efficiency transportation service, there are additional opportunities for the District to improve its routing efficiency (see **R5.2**).

### Operating Expenditures

**Table 5-2** compares the District's transportation expenditures with the peer averages on a per-student, per-bus, and per routine mile basis.

**Table 5-2: FY 2008-09 Transportation Cost Ratios**

	South-Western CSD	Peer Average	Difference vs. Peers
<b>Salaries</b>			
• Per Yellow Bus Rider	\$401.74	\$302.81	32.7%
• Per Active Bus	\$34,468.53	\$25,393.89	35.7%
• Per Routine Mile	\$2.36	\$2.10	12.1%
<b>Benefits</b>			
• Per Yellow Bus Rider	\$186.13	\$148.50	25.3%
• Per Active Bus	\$15,970.03	\$12,537.27	27.4%
• Per Routine Mile	\$1.09	\$1.04	5.0%
<b>Maintenance &amp; Repairs</b>			
• Per Yellow Bus Rider	\$61.05	\$76.93	(20.6%)
• Per Active Bus	\$5,237.58	\$6,527.56	(19.8%)
• Per Routine Mile	\$0.36	\$0.55	(34.5%)
<b>Fuel</b>			
• Per Yellow Bus Rider	\$57.49	\$58.11	(1.1%)
• Per Active Bus	\$4,932.33	\$4,907.31	0.5%
• Per Routine Mile	\$0.34	\$0.41	(17.1%)
<b>Bus Insurance</b>			
• Per Yellow Bus Rider	\$3.12	\$8.71	(64.2%)
• Per Active Bus	\$267.36	\$746.08	(64.2%)
• Per Routine Mile	\$0.02	\$0.06	(69.9%)
<b>All Other Costs</b>			
• Per Yellow Bus Rider	\$16.71	\$23.06	(27.5%)
• Per Active Bus	\$1,433.58	\$1,983.18	(27.7%)
• Per Routine Mile	\$0.10	\$0.16	(38.2%)
<b>Total Expenditures</b>			
• Per Yellow Bus Rider	\$726.23	\$618.12	17.5%
• Per Active Bus	\$62,309.42	\$52,095.30	19.6%
• Per Routine Mile	\$4.27	\$4.32	(1.3%)

**Source:** FY 2008-09 transportation reports as submitted to ODE.

**Note:** Peer districts for transportation include Hamilton LSD (Franklin County), Northwest LSD (Hamilton County), Youngstown CSD (Mahoning County), Mansfield CSD (Richland County), and Miamisburg CSD (Montgomery County).

As **Table 5-2** displays, overall transportation costs at SWCSD were higher than the peer average on both a per rider and per bus basis. The overall higher costs stem from both salary and benefit costs, which were significantly higher than the peer district averages. The use of bus aides on each special education bus (see **R5.3**) and a contract provision that pays bus drivers for unused vacation days (see **R5.4**), contribute to higher salary expenditures. District-wide employee compensation and benefit issues are discussed in greater detail in **human resources**. While

salary and benefit expenditures were higher than the peer average, the District reported significantly lower costs in the areas of maintenance and repair, fuel, bus insurance, and other costs. Reported costs in these areas are driven by leading practices, which include regularly calling suppliers for quotes. For example, a comparison of fuel purchases from FY 2008-09 indicates that SWCSD procured fuel at a rate that was on average \$0.13 less than the price available through the Ohio Department of Administrative Services fuel-purchasing consortium.

## Recommendations

**R5.1 SWCSD should develop and implement written procedures for completing, reconciling, and submitting transportation information that are consistent with ODE guidelines. The Transportation Supervisor and the Treasurer should verify all expenditures reported are consistent with ODE instructions and represent only costs associated with the routine use of school buses. Likewise, the District should ensure ridership data is collected in a manner which meets ODE requirements and is amended when appropriate.**

ODE requires school Districts to collect and submit transportation ridership and cost data. The Transportation Department is responsible for preparing the ridership data submitted on the T-1 form, while the Treasurer's office provides much of the financial information required for the T-2 form. This is a somewhat informal process at SWCSD, as the District does not have written procedures for compiling and verifying the information.

Auditors identified two errors following a review of the District's process and methodology for preparing and submitting transportation data. Bus drivers gather and report data using a standard form, which counts students by building level and allows bus drivers to differentiate between public, non-public, community school, and special education students. However, the form does not allow the driver to indicate if students live within 1 mile of the school they attend, and there are some students receiving transportation services who live within 1 mile of their school.

*Form T-1 Instructions* (ODE, 2007) states that the data for the T-1 report shall be the average number of pupils enrolled and regularly transported to school during the first full week in October that school is in session. Districts are required to report students by the type of school they attend (public, nonpublic, or community school), and must separate students based upon how far they live from the school (within one mile or 1 mile or more).

The other error identified related to the financial data reported on the T-2 form. *Form T-2 Instructions* (ODE, 2007) states that the T-2 should reflect expenses for services for the transportation of pupils as identified on the T-1 form, and should not include expenditures for non-routine use of school buses. The expense information provided by the Treasurer's Office excludes salary and benefit information paid for the transportation of students for extra-curricular events and other non-routine transportation. However, cost data for other expenses, such as fuel and bus insurance, reflect the total cost to the District, even though some of these costs were associated with non-routine transportation services.

Accuracy problems for transportation related data are not unique to SWCSD. *Student Transportation in Ohio* (LOEO, 2003), suggests the first step in ensuring accurate data is

for a district to create and adhere to formal policies and procedures that govern the submission of district T-forms. Moreover, AOS suggests that a well-designed internal control structure, framed through clear policies and procedures, helps to reduce improper activities and errors (*Best Practices*, 2006). Carefully designed internal controls can also help management provide a reasonable level of assurance that proper reporting is occurring.

ODE uses the transportation data submitted by school districts on the T-forms for funding, planning, and research purposes. As such, it is important that these forms be accurate and that the processes for completing them be documented. SWCSD can improve the accuracy of data submitted to ODE by developing then strictly following written procedures for collecting and reporting the data. For example, by modifying the form used to collect student ridership data for the T-1 to differentiate between student living within one mile or greater than one mile from their assigned school, accuracy issues on the T-1 can be resolved.

Well-documented procedures enhance the accountability and consistency among staff and management. Without written procedures that identify the process and methodology for completing the T-forms and reviewing the forms for their accuracy and completeness, SWCSD will continue to be at risk of submitting erroneous or improperly derived information to ODE. Establishing a formal procedure that explains the methodology used to prepare T-reports will ensure that the District is reporting accurate information.

**R5.2 SWCSD should consider reducing at least nine active buses in order to improve the efficiency of the transportation operation and reduce its costs. In order to improve the efficiency of the operation, the District should review bell schedules to maximize the use of triple routing and route buses for actual riders rather than those students eligible for transportation. Allowing additional time in between building start times will allow buses more time to transport students and allow for greater use of the District's large 84 passenger buses. Moreover, routing for actual riders, rather than eligible riders will better utilize the space available on each bus. If the District is not able to more fully utilize its buses, the District should consider using 65 or 72 passenger buses rather than the 84 passenger buses that comprise the majority of its fleet (see issues for further study in executive summary).**

The majority of the students who receive transportation services at SWCSD are public school students attending one of the District's 31 buildings. The majority of the buses transporting these regular needs public school students operated on a three-tier system in FY 2008-09, with each bus making three trips each morning and afternoon. This is made possible because of the staggered bell schedule in place. The Transportation Supervisor indicated while some rural routes can take as long as 50 minutes, many of the District's routes are no more than 30 minutes. Therefore, building bell schedules could be adjusted



in order to increase route times and put more students on the buses. However, school start and dismissal times are specified in the collective bargaining agreement with certificated staff (see **R3.5** in human resources).

The District uses a computer software program to route buses and makes use of cluster stops, where appropriate, to limit the number of stops each bus makes. Routes are determined annually, and are updated when students enroll or leave the District. For students attending SWCSD buildings, the Transportation Department includes all students who are eligible to receive transportation service in its route calculations. The Transportation Supervisor is aware of variances between eligible and actual riders, and indicated the District routes with the anticipation that not all eligible students will use the transportation services. As a result, the District plans for a maximum of 85 elementary students, 65 intermediate/middle school students, and 110 high school students per bus. However, for students who attend a non-public or community school, the District requires students show proof of residency and formally request transportation services to more appropriately control the cost of providing this service.

**Table 5-3** compares the District's ridership with the American Association of School Administrators (AASA) benchmark, which suggests buses operate at 80 percent of their capacity.<sup>3</sup> Because of the unique challenges surrounding the transportation of special needs, non-public, and community school students, AOS excluded these buses and riders in the comparison to the industry standard.

**Table 5-3: Public Regular Needs Ridership Comparison**

SWCSD Active Public Regular Needs Buses	89.0
Total Benchmark Capacity <sup>1</sup>	13,337.3
Benchmark Capacity per Bus	149.9
SWCSD Public Regular Needs Riders	10,305.0
SWCSD Average per Bus	115.8
<b>Number of Buses to Achieve Benchmark</b>	<b>68.8</b>
<b>Number of Bus Reductions</b>	<b>20.2</b>

**Source:** ODE, SWCSD, and AASA

<sup>1</sup>Total Benchmark Capacity was calculated by determining the size of each bus providing regular public school service, the number of tiers each bus ran, and the students transported on each tier. Three students per seat was used to determine capacity for elementary school routes, while two students per seat was used to determine capacity intermediate, middle, and high school routes. An 84 passenger bus with three tiers (elementary, intermediate/middle, and high school) has a maximum capacity of 196 students. At 80.0 percent efficiency, the benchmark capacity is 156.8.

As **Table 5-3** shows, the District would need to reduce 20 regular needs public school buses in order to meet the AASA capacity benchmark.

<sup>3</sup> *Hidden Savings in Your Bus Budget* (AASA: The School Administrator, December 2005).

There are three major factors that hinder the District's ability to operate at the 80 percent capacity benchmark. First and most importantly, is the District's practice of routing for eligible rather than actual riders. While the District factors in the percent of eligible students who will not use transportation services, the District could design more accurate and efficient routes by only routing for actual riders. The second factor is the District's bell schedules. By adjusting and staggering school building start and dismissal times, routes could be lengthened to increase the number of riders per bus. Lastly, the use of 84 passenger buses increases the capacity benchmark for the District. Most buses used by school districts in Ohio have a capacity of 65 or 72 passengers. The efficiency benchmark for SWCSD's three-tier system with 84 passenger buses is 156.8 students per bus. If SWCSD ran the same system with 72 passenger buses, it could transport 134.4 students per bus and maintain an 80 percent of capacity. Based on its FY 2008-09 regular public riders, the District would need to use nine fewer buses to achieve an average of 134.4 students per bus, which would be considered highly efficiency for 72 passenger buses.

According to the AASA, operating buses more efficiently is one of the most effective ways to achieve savings in a school district's transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses.

The ODE Pupil Transportation Department advises districts to review and revise bus routes on a regular basis in order to provide a more accurate depiction of ridership and to control costs. Because there is no obligation in law to provide a seat to children who do not ride the bus, district's can work to align routes for the actual riders within a district, rather than eligible riders. To meet this end, ODE suggests that districts create a policy where students are suspended from routes when they do not ride the bus for a certain period.<sup>4</sup> Additionally, some districts send out postcards to all of the previous year's riders, prior to the new school year, requesting they confirm whether they still want transportation services before developing initial routes.

SWCSD has the opportunity to improve efficiency by addressing the causes identified above. While changes in bell schedules must be negotiated (see **R3.5** in human resources), the District can begin to review routes and only route for actual riders, rather than for those students who are eligible for transportation services.

*Financial Implication:* If the District reduced nine buses to increase the efficiency of the transportation operation, SWCSD could save approximately \$305,000 per year. By reducing 20 buses the District could reduce transportation costs by more than \$679,500.

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<sup>4</sup> Cincinnati CSD (Hamilton County) has a similar policy in place.

**R5.3 SWCSD should attempt to reduce the costs associated with special needs transportation by exploring alternate forms of transportation as well as reducing the number of bus aides on special needs buses. The District should revise its individualized education program (IEP) development process to include transportation personnel when appropriate. This would allow the District to ensure the safest and most economically feasible transportation service is provide for special needs students who require specialized transportation. Furthermore, the involvement of transportation personnel would help make certain the District complies with OAC requirements.**

In FY 2008-09, the District reported spending \$3,510,987 dollars to provide specialized transportation services to 492 students which was nearly ten times the overall cost per yellow bus rider (see **Table 5-2**). The IEP process determines whether special needs students require specialized bussing. Rather than being involved in the IEP process, the Transportation Department is provided a list of students needing specialized transportation and their special requirements. This practice evolved because of the large number of students who have IEPs that require specialized transportation.

According to the Director of Special Education, the majority of students with IEPs do not have transportation identified as a related service. While the District has more than 3,000 students with IEPs, less than 500 students receive specialized transportation services. Through the IEP process, it is determined whether students can safely access the educational services provided by the District without specialized transportation. If that is not possible without the provision of specialized busing, then transportation is identified as a related service on the students' IEP. Students with more advanced special needs are likely to be candidates for specialized transportation, including students with emotional disturbance and multiple handicaps.

SWCSD invests substantial human capital in special needs transportation. One of the routing coordinators is responsible for routing special needs buses. In FY 2008-09 SWCSD employed 32 special needs bus drivers. Moreover, each special needs bus is staffed with a bus aide. The Transportation Supervisor and Treasurer both indicated that it has been a past practice to staff each bus with an aide, however, both indicated that it may not be necessary to continue that practice.

Special needs transportation is governed by State law and is dependent on each child's IEP. Special transportation means vehicle transportation service directly related to the child's disability and required by the IEP. OAC section 3301-51-10 (C)(2) stipulates that "school district transportation personnel shall be consulted in the preparation of [IEPs] when transportation is required as a related service and when the child's needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation."

School transportation personnel are in the best position to determine if specialized transportation is needed when transportation is identified as a related service for a particular child. Moreover, the IEP must describe accommodations, modifications, and supports that must be provided to the child, and transportation personnel are best able to help determine what assistive resources are available and how they can be used.

Automatically assigning special needs students to a Board-owned yellow bus with an aide increases the cost of providing transportation. Moreover, without consulting the transportation staff in determining transportation provisions within the IEP, the District is not capitalizing on a tool that may help reduce special needs transportation expenditures. The District may be able to provide the same services with alternative forms of transportation and/or without an aide on each bus.

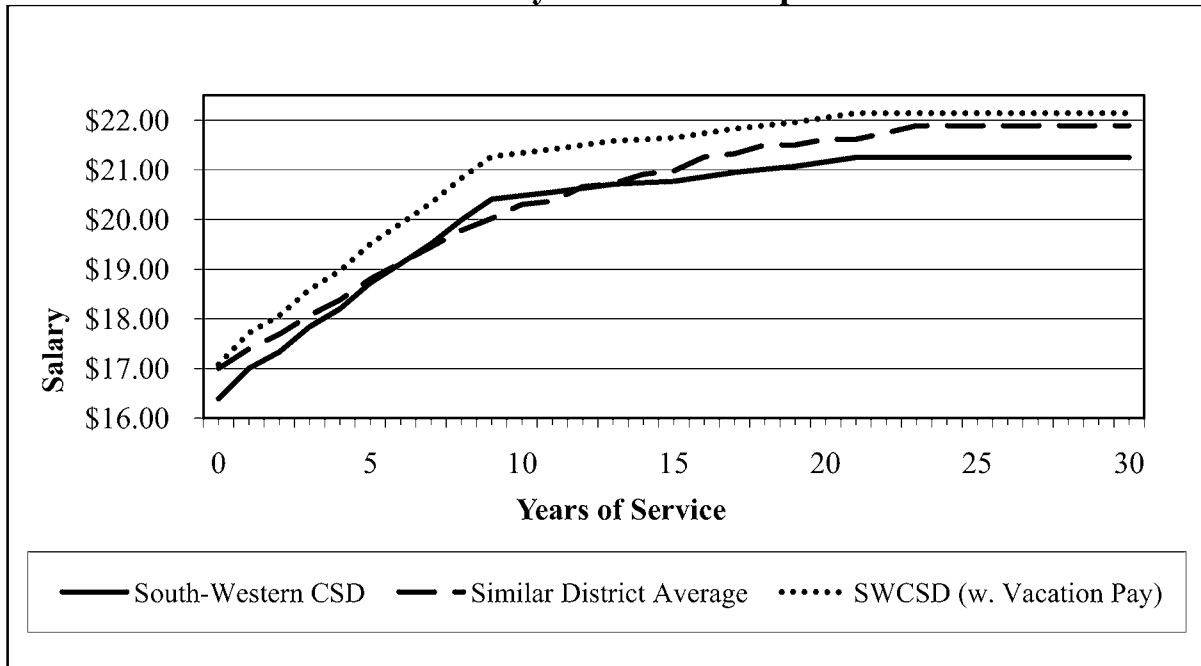
**R5.4 SWCSD should work to renegotiate contractual provisions regarding compensation, eliminating the payment in lieu of vacation that bus drivers receive, and re-evaluate base salaries to make them more comparable with similar districts in the area. Doing so would remove the hidden additional salary cost generated through this lump sum payment, and make salary data more transparent and comparable to other districts (see R3.5 in human resources).**

Compensation is set through the salary schedules within the classified negotiated agreement. Using selected school districts in Franklin County,<sup>5</sup> auditors compared salary schedules for bus drivers. **Chart 5-1** illustrates this comparison.

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<sup>5</sup> Franklin County districts include Columbus CSD, Gahanna-Jefferson CSD, Reynoldsburg CSD, and Westerville CSD

**Chart 5-1: FY 2009-10 Salary Schedule Comparison – Bus Drivers**



Source: SWCSD and similar district negotiated salary schedules.

As **Chart 1** illustrates, the base compensation for bus drivers at SWCSD is in line with compensation of similar districts in the area. However, the hourly salary displayed above is inflated through a provision contained within the classified negotiated agreement. SWCSD provides 9 and 10 month employees with eight days of vacation each year. Employees are severely restricted in their ability to actually use these days, and receive payment in lieu of vacation at the end of each year. This provision is unique to SWCSD when compared to other similar districts, and amounts to about a 4.2 percent bonus for employees. **Chart 5-1** illustrates the effect that this provision has on the base wages.

Providing payment in lieu of vacation for 9 and 10-month employees represents a hidden salary cost. By eliminating this provision and adjusting the base salary, the District can make its salary data more transparent and comparable to other districts. For bus drivers, the existence of this additional compensation leads to adjusted hourly rates above the similar districts in the area.

**R5.5 SWCSD should develop a formal bus replacement plan to ensure proper planning and budgeting for the procurement of new buses. The plan should be evaluated and updated regularly. Furthermore, the replacement plan should take into consideration all maintenance and repair costs, including labor, to allow the District to effectively plan for the replacement of buses at the most economically**

**advantageous points in their lifecycles. Without a replacement plan, the District may be unprepared for future capital needs and risks devoting additional resources to maintaining older, more costly buses.**

The Transportation Department's preventive maintenance software is integrated with the operation's routing software and computerized fuel pump. The system tracks preventive maintenance by bus, including the cost of maintenance and repairs. Compared to the peer districts, SWCSD's reported costs for maintenance and repairs for FY 2008-09 were 19.8 percent less on a per-bus basis (see **Table 5-2**). Moreover, on a per routine mile basis, expenses were 34.5 percent less than the peer average. To track expenditures, the maintenance operation maintains files for each bus, which includes the cost of parts and supplies used to maintain the bus. This provides valuable information to assist in identifying which buses to replace.

While the District considers the cost of each bus, as well as the age of the fleet when replacing buses, SWCSD does not have a formal bus replacement plan in place. SWCSD has historically appropriated a portion of the funds generated through the District's permanent improvement levy for the purchase of new buses each year. In FY 2009-10, the District did not purchase any buses, in order to establish a contingency amount within Permanent Improvement Fund.

An analysis of the District's fleet indicated the average age of fleet was 6.2 years old in FY 2009-10, with only 18.2 percent of the fleet being 12 years old or more. According to the Associate Director of ODE's Pupil Transportation Office, the ODE vehicle database of school buses reports an average age of 8.5 years for active buses (excluding substitute and spare buses). Moreover, none of the District's buses have 250,000 miles or more.

*School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002) recommends that buses be replaced after 250,000 miles and/or 12 to 15 years of service, as the annual operating cost begins to increase significantly thereafter. Establishing a school bus replacement policy is an important activity, since it directly affects the timeliness of introducing the latest safety, efficiency, and emissions improvements into the fleet. The elimination of school buses that do not meet the latest standards and requirements must be planned for within a realistic number of years. Policy makers must realize that school buses will not last forever, regardless of how they are equipped when purchased or maintained during their lives.

The implementation of a formal bus replacement plan would create a greater awareness and understanding of future capital needs. The District can use this information to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement, and any risks posed by the current state

of the fleet. Furthermore, a plan will help the District identify the type of buses best suited for the transportation operation (see **issues for further study** in executive summary). The District's fleet, as of FY 2009-10, is newer and has fewer miles than reported State averages. As a result, the District may also find that the condition of the fleet may allow it to purchase fewer buses each year.

## Financial Implications Summary

The following table is a summary of estimated annual savings for the recommendations in this section of the performance audit.

**Table 5-4: Financial Implications for Transportation**

Recommendations	Annual Savings
R5.2 Reduce nine active buses from the regular operation.	\$305,000

Source: Auditor of State





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# Food Service

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## Background

This section focuses on the operational efficiency of the South-Western City School District's (SWCSD or the District) food service operations. Management and operational practices of the District's food service program were analyzed for the purpose of developing recommendations to improve its efficiency and financial condition. The program's results and operations were evaluated against leading practices, operational standards, and other Ohio school districts. Recommended practices and standards were drawn from the National Food Service Management Institute (NFSMI), *School Foodservice Management for the 21st Century* (Pannel-Martin, 1999), and the Government Finance Officers Association (GFOA). Throughout this section, comparisons were made with peer districts<sup>1</sup> as well as similar districts in the area.<sup>2</sup>

The following questions were used to evaluate the District's food service operations:

- What is the financial status of the District's Food Service Fund?
- How can the District improve the efficiency of its food service staff?
- What steps can the District take to minimize the cost of food service items?
- Are the District's meal prices in line with similar districts in the area?
- What can the District do to maximize program participation?
- Does the food service management effectively use data to make strategic plans and operational decisions?
- Are there costly or inefficient items in the classified employee negotiated agreement that limits or hinders the food service program's ability to remain self-sufficient?

### *Organizational Structure and Function*

The Food Service Department at SWCSD employed 179 individuals in FY 2009-10, including the Food Service Supervisor, Assistant Supervisor, 3 clerical employees, 3 food transporters, and 171 food service positions (e.g., cooks and cashiers). Of those food service positions, 84 are

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<sup>1</sup> The peer districts include: Elyria CSD (Lorain County), Gahanna-Jefferson CSD (Franklin County), Groveport-Madison LSD (Franklin County), Huber Heights CSD (Montgomery County), Parma CSD (Cuyahoga County), Reynoldsburg (Franklin County), Washington LSD (Lucas County), Westerville CSD (Franklin County), Willoughby-Eastlake CSD (Lake County), and West Clermont LSD (Clermont County).

<sup>2</sup> The similar districts in the area include: Columbus CSD (Franklin County), Gahanna-Jefferson CSD (Franklin County), Groveport-Madison LSD (Franklin County) Reynoldsburg (Franklin County) and Westerville CSD (Franklin County). These districts were selected because they are geographically close to South-Western CSD and have similar demographics.

classified as full-time, while the remaining 87 are part-time positions, meaning the majority of these employees are not eligible for health insurance and other ancillary benefits. The Food Service Supervisor indicated that as a result of the August 2009 levy failure, the District left several food service positions vacant in FY 2009-10. This allowed the District to evaluate the effect of reduced transportation services and the suspension of extra-curricular activities had on participation in the school breakfast and lunch programs. Upon review of participation, the District filled all of the vacant positions, with the exception of a 4 hour position at Franklin Heights High School.

The food service operation prepares and serves breakfast and lunch in each of the District's educational facilities. The Food Service Supervisor is responsible for overseeing day-to-day food service operations, meeting nutritional guidelines, overseeing purchasing and budgeting, managing food service personnel, and ensuring that federal regulations are met. The Food Service Supervisor reports to the Director of Business and Administrative Services.

To ensure proper oversight of food service staff, the Food Service Supervisor has developed a handbook for employees, which includes information regarding sanitation, safety, dress code, and forms, as well as pertinent cooking and other general information. Procedures for inventory and cash handling are also in place. These tools serve as a basis for training new employees. In addition to a Department handbook, the food service operation has meetings four times each year to cover security and safety topics, as well as general information regarding purchasing, cash handling, and inventory. Additionally, school nurses provide training in the Heimlich maneuver, blood-borne pathogens, and other health and safety issues each year.

### *Financial Condition*

The Food Services Department is organized as an enterprise operation which means it is intended to be self-funded, relying on charges for services to cover operating costs.<sup>3</sup> **Table 6-1** presents the food service operation's financial performance from FY 2006-07 through FY 2008-09.

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<sup>3</sup> ORC 3313.81 stipulates that foods service operations may not be used to make a profit.

**Table 6-1: Food Service Fund Historical Financial Data**

	FY 2006-07	FY 2007-08	Variance	FY 2008-09	Variance
Beginning Fund Balance	\$165,557	\$581,671	251.3%	\$628,163	8.0%
<i>Revenue:</i>					
Student Charges	\$3,343,750	\$3,256,376	(2.6%)	\$3,247,311	(0.3%)
Interest	\$3,677	\$20,347	453.4%	\$7,400	(63.6%)
Miscellaneous	\$56,452	\$44,669	(20.9%)	\$43,639	(2.3%)
Grants-In-Aid <sup>1</sup>	\$4,099,921	\$4,457,711	8.7%	\$4,808,582	7.9%
<i>Total Revenue</i>	<i>\$7,503,799</i>	<i>\$7,779,103</i>	<i>3.7%</i>	<i>\$8,106,932</i>	<i>4.2%</i>
<i>Expenditures:</i>					
Personal Services	\$3,016,610	\$3,087,215	2.3%	\$3,135,950	1.6%
Employees Retirement and Insurance	\$1,152,660	\$1,203,610	4.4%	\$1,262,724	4.9%
Purchased Services	\$145,340	\$191,249	31.6%	\$217,344	13.6%
Supplies and Materials	\$2,723,663	\$3,175,200	16.6%	\$3,503,851	10.4%
Capital Outlay	\$27,470	\$74,377	170.8%	\$36,166	(51.4%)
Other Objects	\$213	\$960	350.7%	\$362	(62.3%)
Refund of Prior Years Receipts	\$162	\$0	(100.0%)	\$0	0.0%
<i>Total Expenditures</i>	<i>\$7,066,118</i>	<i>\$7,732,612</i>	<i>9.4%</i>	<i>\$8,156,397</i>	<i>5.5%</i>
<b>Spending Surplus (Deficit)</b>	<b>\$437,681</b>	<b>\$46,492</b>	<b>(89.4%)</b>	<b>(\$49,466)</b>	<b>(206.4%)</b>
Net Transfers/Advances	(\$21,567)	\$0	(100.0%)	\$0	0.0%
Ending Fund Balance	\$581,671	\$628,163	8.0%	\$578,697	(7.9%)

**Source:** SWCSD FY 2006-07 through FY 2008-09 year-end financial data and federal claim reimbursement reports.

<sup>1</sup> The Grants-In-Aid line item was adjusted to reflect the amount SWCSD claimed each fiscal year, rather than the amount actually received, due to regular delays in receiving federal reimbursements.

As **Table 6-1** illustrates, the District posted a small operating deficit at the end of FY 2008-09. However, this operating deficit reflects less than 1 percent of the food service operation's expenditures for the year. The Treasurer indicated the District had a higher than average number of calamity days in FY 2008-09 during which the District was closed. This created a lost opportunity for income generation for the food service operation, though it still incurred the same fixed expense for staffing, as employees are compensated even through the District is closed. Moreover, the food service operation continues to maintain a healthy fund balance and has not required support from the General Fund in the past three fiscal years. However, over the same period, expenditures have increased at a rate that exceeds the growth in income.

The food service operation's largest source of income comes in the form of Grants-In-Aid from the federal reimbursement school districts receive for meals served under the National School Lunch Program and School Breakfast Program. The Food Service Supervisor indicated the District works to submit claim reimbursement data within 15 days of the close of the month, using the data maintained in the operation's point of sale system. A review of the food service operation's claims submissions for the past three years indicates that, while not always within 15 days of the close of the previous month, the District consistently submits data well within ODE's 45 day timeframe.

**Table 6-2** displays SWCSD's Food Service Fund revenues and expenditures for FY 2008-09 on a per meal equivalent basis.<sup>4</sup>

**Table 6-2: FY 2008-09 Food Service Revenue and Expenditures per Meal**

	Revenues per Meal Equivalent	% of Total Revenue
Operating Revenue	\$1.02	40.1%
Non-Operating Revenue	\$1.52	59.9%
<b>Total Revenue</b>	<b>\$2.54</b>	<b>100.0%</b>
	Expenditures per Meal Equivalent	% of Total Expenditures
Salaries	\$0.98	38.4%
Fringe Benefits	\$0.40	15.5%
Purchased Services	\$0.07	2.7%
Supplies and Materials	\$1.10	43.0%
Capital Outlay	\$0.01	0.4%
Other	\$0.00	0.0%
<b>Total Expenditure</b>	<b>\$2.56</b>	<b>100.0%</b>
<b>Net Gain or (Loss) per Meal</b>	<b>(\$0.02)</b>	

**Source:** SWCSD year-end financial data and management reports.

**Note:** Calculations based on 3,189,999 meal equivalents served in FY 2008-09.

As shown in **Table 6-2**, SWCSD lost approximately \$0.02 per meal equivalent served in FY 2008-09. While the amount represents less than 1 percent of total revenues, **Table 6-2** suggests that salary and fringe benefit expenses account for nearly 54 percent of total expenditures, which is above the recommended cost ratio of 50 percent suggested in *School Foodservice Management for the 21st Century* (Pannel-Martin, 1999). Changes to the food service operation's staffing and limits in employee compensation will help the District bring labor costs to a level that is within anticipated revenues (see **R6.4**).

### Key Statistics

**Table 6-3** compares SWCSD lunch program participation rates to the peer average for FY 2008-09. These measures, as calculated by ODE's online reporting system, can be used to evaluate the performance of the food service operation.

<sup>4</sup> Per meal equivalents were based on definitions from the National Food Service Management Institute. The conversion for meal equivalents used is as follows:

- 1 lunch = 1 meal equivalent;
- 3 breakfasts = 2 meal equivalents; and
- A la carte meal equivalents = a la carte sales divided by free lunch reimbursements plus commodity value per meal.

**Table 6-3: FY 2008-09 Lunch Participation Comparison**

	Total Meals Served	Average Daily Attendance	% Free Meals Served	% Reduced Price Meals Served	Average Daily Participation <sup>1</sup>	% Total Participation
SWCSD	2,263,668	13,012	52.50%	9.84%	71.23%	78.16%
Peer Average	625,050	3,617	45.18%	10.52%	57.10%	63.14%
<b>Difference in Lunch Participation</b>	<b>1,638,618</b>	<b>9,395</b>	<b>7.32%</b>	<b>(0.68%)</b>	<b>14.13%</b>	<b>15.02%</b>

Source: SWCSD and peer district site applications for federal reimbursement.

<sup>1</sup> As a percentage of average daily attendance.

Table 6-3 illustrates the percentage of participants who are enrolled in the free and reduced meal programs. Average daily participation provides an indicator of the percent of students who are purchasing reimbursable meals. Total participation is calculated when non-reimbursable meals, including a la carte items, are included. As indicated above, the District averages about 14 percent higher participation for reimbursable lunches than the peer districts. Similarly, the total participation at SWCSD is about 15 percent above the peers. Further analysis indicates that participation in the school lunch program has increased over the past three years, despite a slight decrease in enrollment. The District’s higher participation levels can be attributed, in part, to an increase in the free and reduced price population, which is higher than the peer average.

Participation is often influenced by meal prices, which are tied to the food service operation’s ability to generate revenues through breakfast, lunch, and a la carte items. Meal prices at SWCSD were last increased in FY 2007-08, in conjunction with a projected increase in food costs. The budgeting process used by the food service operation justified the meal price increase and allowed the District to avoid an operational deficit that year. Table 6-4 displays SWCSD’s meal prices for breakfast and lunch for FY 2009-10 compared to similar districts in the area.

**Table 6-4: FY 2009-10 Meal Price Comparison**

	SWCSD	Similar Districts in the Area	Above (Below) Similar Districts
<b>Breakfast</b>			
<b>Elementary School</b>	\$1.00	\$0.70	\$0.30
<b>Intermediate/Middle School</b>	\$1.00	\$0.75	\$0.25
<b>High School</b>	\$1.00	\$0.75	\$0.25
<b>Lunch</b>			
<b>Elementary School</b>	\$2.50	\$2.13	\$0.37
<b>Intermediate/Middle School</b>	\$2.50	\$2.45	\$0.05
<b>High School</b>	\$2.75	\$2.50	\$0.25

Source: SWCSD and peer district site applications for federal reimbursement.

As Table 6-4 displays, meal prices at SWCSD are, on average, more than the meal prices charged at similar districts in the area. Despite this, SWCSD has not seen a decrease in

participation in the school lunch program, and as such, there is not a concern that higher meal prices have led to decreased participation (see **Table 6-3**).

## Recommendations

**R6.1 SWCSD should develop a strategic plan for its food service operation with specific goals, objectives, and performance measures that are consistent with and supportive of the District's comprehensive strategic plan (see R2.1 in financial systems). Based on the identified strategic goals and objectives, SWCSD should extend its annual budget process and develop a five-year forecast for the Food Service Fund. A strategic plan with readily available budget information and performance measures will assist management in ensuring the financial viability of the food service operation.**

SWCSD does not have a formal food service strategic plan to guide the operation in setting and achieving operational goals and measuring progress toward those goals. In the past, the food service operation developed annual continuous improvement plans, setting operational goals for the year. This practice was last used in FY 2005-06. Similarly, the Food Service Supervisor prepares an annual budget, which projects anticipated revenues and expenditures for the year. However, the operation lacks a five-year projection of anticipated income and expenditures. Finally, the food service operation uses a point of sale system for data collection and cash control. While the system does not have the capability of generating performance reports without an additional expense of a system upgrade, the Food Service Supervisor uses the system to monitor participation and meals per labor hour (MPLH) at each building.

According to *Best Practices in Public Budgeting* (GFOA, 2000), a government should prepare policies and plans to guide the design of programs and services. These policies and plans may address items such as: groups or populations to be served, service delivery issues, examples of possible programs, standards of performance, expected costs, time frames for achievement of goals, issues pertaining to organizational structure, and priorities for service provision. While these broad long-range plans guide operations, they must be supplemented and integrated with short-term operations planning to achieve these broader purposes.

Two important components of a strategic plan for the food service operation are a current-year budget and a long-range forecast. According to *School Foodservice Management for the 21<sup>st</sup> Century* (Pannell-Martin, 1999), a budget, when used as a plan for financial management, can help managers forecast revenue and expenses based on prior years' data, estimates, and planned changes; identify potential problems by contrasting actual financial activity and providing a basis for comparison; set performance standards; control erratic expenditures; and assess the affordability of planned purchases. It is also recommended to forecast revenue and expenditures over a five-year period for long-range planning. Forecasting can provide sufficient notice of emerging issues so that action can be taken to address them. With increases in labor costs



and the rising costs of fringe benefits, lunch prices increases and costs savings measures need to be evaluated annually.

Moreover, performance measures can be used to identify operational goals and evaluate progress toward the achievement of said goals. *Using Performance Measurement for Decision Making* (GFOA, 2002) recommends performance measures be based on program goals and objectives, and when linked to the budget and strategic planning process, can be used to assess accomplishments on an organization-wide basis.

The National Food Service Management Institute, through a nationwide task force, identified five performance measures essential to evaluating school food service operation:

- Measure of profitability;
- Operating ratios;
- Meal and meal equivalent cost;
- Participation rates; and
- Measure of productivity

The Springfield Local School District (Summit County) tracks the performance of the food service operation on a monthly basis. Analyses are performed at the building and district level. Measures used to analyze the food service operation include profit/losses at the district level, and operating profit/losses, labor costs per meal, meals per labor hour (MPLH), food costs per meal, and the percentage of free and reduced lunches at the building level.

Short-term goals and annual budgets are useful tools to assist in planning. In fact, these documents will aid SWCSD in preparing a strategic plan and forecast. While the financial condition of the District has limited the amount of resources available for strategic planning activities, the absence of long-term planning tools hampers the food service operation's ability to identify potential problems, such as the need to generate additional revenue or reduce expenditures. Long-term planning will help SWCSD evaluate the effectiveness of operational decisions and make decision makers aware of potential issues. The food service operation already has many of the tools in place to aid in the development of long-range plans, including operational plans, annual budgets, and limited performance measures. The expansion and enhancement of these tools will engender a more effective management of the food service operation, and ensure continued solvency of the Food Service Fund.

**R6.2 SWCSD should ensure that all food service related expenses are charged to the Food Service Fund, regardless of any future need for transfers from the General Fund. Specifically, a portion of utilities and refuse removal expenses should be allocated to the Food Service Fund. By correctly allocating all food service expenses, a more accurate financial picture will be available and allow for improved decision-making.**

While the expenditures for purchased services have increased over the past two fiscal years (see **Table 6-1**), a review of the District's Food Service Fund shows that the District has not charged a portion of utility or refuse expenditures to the Food Service Fund. The Food Service Supervisor indicated however that the food service operation is responsible for half of the cost for the District to belong to the Metropolitan Educational Council (MEC) purchasing consortium, a service the Treasurer indicated the District would subscribe to regardless of the food service operation's participation in the group's purchasing consortium. This represented a \$4,200 expense to the Food Service Fund in FY 2008-09.

*Measuring the Cost of Government Services* (GFOA, 2002), suggests governments should measure the full cost of their services. For the food service operation, ORC § 3313.81 emphasizes the need for this practice by stating:

“All receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes shall be paid directly into and disbursed from the food service fund which shall be kept in a legally designated depository of the board.”

One method for calculating utilities expenses is to take the total space occupied by the food service operation, including kitchen, office, storage, and cafeteria space, and calculate the percentage this total occupies of the total square feet of the school building. Expenses for gas, electric, water/sewer, and refuse could then be allocated using this percentage. For example, an estimated 4.8 percent of SWCSD's educational facilities are occupied by the food service operation<sup>5</sup>, therefore 4.8 percent of utility expenditures could be allocated to the food service operation.

By not including all of the costs associated with the Food Service Fund, the District is understating the operation's cost. Capturing all costs in the Food Service Fund will allow SWCSD to evaluate the efficiency and performance of its food service operation and make more informed decisions. This in turn, will provide the District with a more accurate cost of the food service operation and aid in the planning and development of a forecast and strategic plan (see **R6.1**). In general, those costs which would be incurred regardless of the operation of a food service program should be paid out of the General

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<sup>5</sup> Percentage of space occupied by food serve was arrived at through a sampling of the District's educational facilities.

Fund, while those directly incurred as a result of the food service operation should be appropriately charged to the Food Service Fund.

*Financial Implication:* Based on FY 2008-09 expenditures, if the District allocated utility and refuse expenditures to the Food Service Fund, prorated based on square footage, purchased services would increase by approximately \$198,000 in the Food Service Fund and decreased by the same amount in the General Fund. Additionally, if the District ceased the practice of charging the Food Service Fund a portion of the cost for its MEC membership, purchased service expenditures would decrease by approximately \$4,200 and increase by the same amount in the General Fund.

**R6.3 In order to reduce operational expenses and increase the efficiency of the food service operation, SWCSD should reduce up to 45.5 labor hours from its daily food service operations. Such a reduction in labor hours would bring the District in line with industry standards for kitchen efficiency and reduce the percentage of expenses spent on labor costs.**

Meals per Labor Hour (MPLH) is an industry standard used to measure a food service operation's productivity and efficiency. The measurement is calculated by dividing the total labor hours worked by the total average meal equivalents (breakfast, lunch, and a la carte meals) served per day at each building.<sup>6</sup>

SWCSD has developed an internal measure to target MPLH, which has been used to monitor productivity at each building. The District's measurement of efficiency, however, does not follow the same method of conversion designed by NFSMI. The industry standard for MPLH employed by AOS assumes the more meal equivalents served per day, the greater the efficiency. Conversely, SWCSD's analysis did not include a comparison to any industry standard or benchmark. **Table 6-5** compares SWCSDs actual food service labor hours to the industry standard<sup>7</sup> for efficient operations.

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<sup>6</sup> Per meal equivalents were based on definitions from the National Food Service Management Institute. The conversion for meal equivalents used is as follows:

- 1 lunch = 1 meal equivalent;
- 3 breakfasts = 2 meal equivalents; and
- A la carte meal equivalents = a la carte sales divided by free lunch reimbursements plus commodity value per meal.

<sup>7</sup> Industry standard is based on convenience system with high productivity.

**Table 6-5: FY 2008-09 Meals per Labor Hour**

Building	Meal Equivalents Served per Day	Daily Labor Hours	MPLH	Industry Benchmark	Total Labor Hours Required	Labor Hours Over/(Under) Industry Standard
Alton Hall Elementary	413	20.0	20.7	19.0	21.7	(1.7)
Buckeye Woods Elementary	555	31.5	17.6	19.0	29.2	(3.7)
Darby Woods Elementary	797	34.5	23.1	22.0	36.2	(1.7)
Darbydale Elementary	196	11.8	16.6	14.0	14.0	(0.7)
East Franklin Elementary	281	13.0	21.6	16.0	17.6	(3.1)
Finland Elementary	356	16.0	22.3	18.0	19.8	(3.8)
Harrisburg Elementary <sup>1</sup>	113	7.8	14.5	13.0	8.7	0.6
Highland Park Elementary	303	14.0	21.6	18.0	16.8	(1.3)
James A. Harmon Elementary	473	22.0	21.5	19.0	24.9	(2.9)
JC Sommer Elementary	403	17.0	23.7	19.0	21.2	(4.2)
The Kingston School <sup>1</sup>	51	6.0	8.5	12.0	4.3	1.7
Monterey Elementary	302	16.0	18.9	18.0	16.8	(0.8)
North Franklin Elementary	240	16.0	15.0	15.0	16.0	0.0
Prairie Lincoln Elementary	389	16.5	23.6	18.0	21.6	(5.1)
Prairie Norton Elementary	430	19.0	22.6	19.0	22.6	(3.6)
Richard Avenue Elementary	380	16.5	23.0	18.0	21.1	(4.6)
Stiles Elementary	463	22.5	20.6	19.0	24.4	(1.9)
West Franklin Elementary	527	25.0	21.1	19.0	27.8	(2.8)
<b>Elementary School Sub-Total</b>	<b>6,673</b>	<b>325.0</b>			<b>364.7</b>	<b>(39.7)</b>
Franklin Woods Intermediate	757	37.5	20.2	22.0	34.4	3.1
Galloway Ridge Intermediate	709	35.5	20.0	22.0	32.2	3.3
Hayes Intermediate	350	20.0	17.5	18.0	19.4	0.6
Holt Crossing Intermediate	723	35.0	20.7	22.0	32.9	2.1
Park Street Intermediate	693	32.5	21.3	20.0	34.7	(2.2)
<b>Intermediate School Sub-Total</b>	<b>3,232</b>	<b>160.5</b>			<b>153.6</b>	<b>6.9</b>
Brookpark Middle	471	29.0	16.2	19.0	24.8	4.2
Finland Middle	619	37.0	16.7	20.0	30.9	6.1
Jackson Middle	541	31.0	17.5	19.0	28.5	2.5
Norton Middle	478	29.0	16.5	19.0	25.2	3.8
Pleasant View Middle	729	32.5	22.4	22.0	33.1	(0.6)
<b>Middle School Sub-Total</b>	<b>28,39</b>	<b>158.5</b>			<b>142.5</b>	<b>16.0</b>
Central Crossing High	1,134	53.0	21.4	23.0	49.3	3.7
Franklin Heights High	776	41.0	18.9	22.0	35.3	5.7
Grove City High	1,077	47.0	22.9	23.0	46.8	0.2
South-Western Career Academy	366	25.0	14.6	18.0	20.3	4.7
Westland High	1,056	51.5	20.5	23.0	45.9	5.6
<b>High School Sub-Total</b>	<b>4,408</b>	<b>217.5</b>			<b>197.6</b>	<b>19.9</b>
<b>District Total</b>	<b>17,152</b>	<b>861.5</b>			<b>858.4</b>	<b>3.1</b>

Source: SWCSD, ODE, NFSMI, and *School Foodservice Management for the 21st Century*

<sup>1</sup> Building was closed for FY 2009-10.

**Table 6-5** indicates that while some of the District's schools operate at a level more efficient than the industry standard, many operate at a level below the standard. District-wide, the food service operation is only 3 hours less efficient than suggested by the industry standard. Examined individually however, 15 of the food service facilities are operating at a level below the standard. Two of those schools, Harrisburg Elementary and The Kingston School were closed for FY 2009-10. Excluding those two schools, as well as those operating more efficiently than the industry standard (using fewer hours), the District could eliminate up to 45.5 labor hours each day.

*School Foodservice Management for the 21<sup>st</sup> Century* notes several factors which affect MPLH and the number of hours required to staff the operation. These factors include the type and size of the food service operation; menu design and type of food used; number of lunch periods and serving lines; equipment and kitchen design; and the experience and training of staff. The Food Service Supervisor noted that some of the food service operation's facilities contain older kitchens. Also, the operations at the intermediate, middle, and high schools offer more meal choices than what is prepared at the elementary schools, which bolsters participation in the breakfast and lunch programs. What is important to note, however, is that there are buildings at each grade level that are operating at a level near or above the industry standard, indicating a higher degree of efficiency than other buildings in the District.

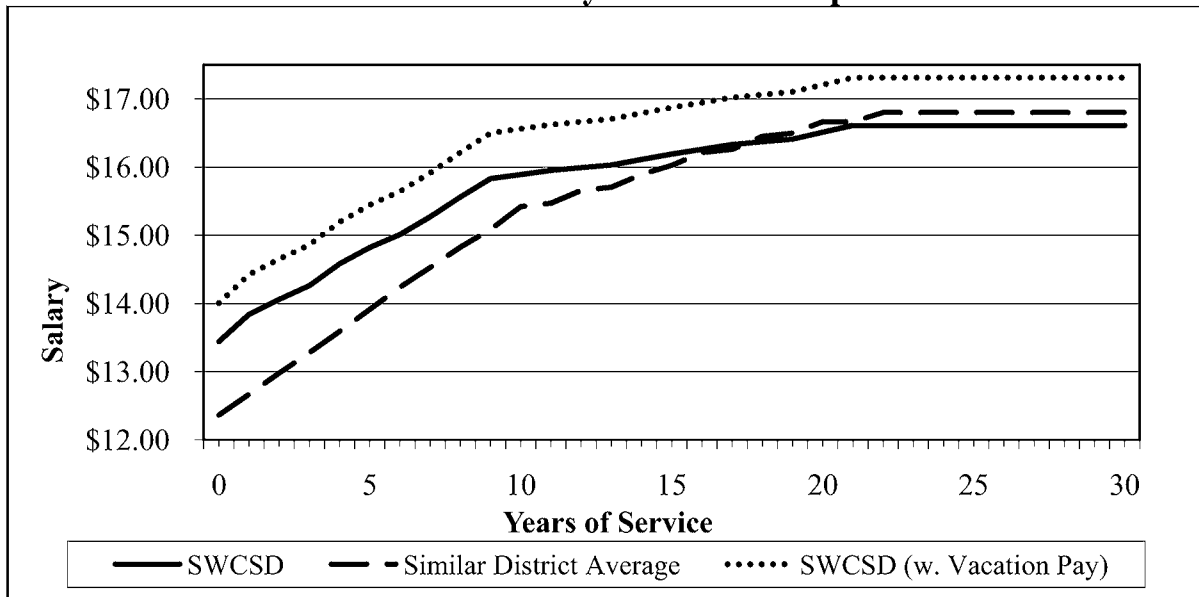
Operating at a level which is less efficient than established industry standards is costly to the food service operation. Reducing staff levels at inefficient buildings will help lower salary and benefit expenditures and promote the long-term sustainability of the food service operation. The District should reduce labor hours to ensure that each building is meeting MPLH efficiency standards. Due to changes in operations for FY 2009-10 and shifts in enrollments, SWCSD has left several positions open following the retirement/resignation of several staff members. These positions are being filled with substitutes while the District evaluates changes in participation and the need to reduce labor hours. While **Table 6-5** represents staffing needs for FY 2008-09, SWCS should ensure the absence of dramatic shifts or decreases in participation resulting from decreases in enrollment, before finalizing staffing reductions.

*Financial Implication:* SWCSD data shows that the lowest wage rate for food service employees is \$13.84 per hour and these employees work 190 days per year. In addition, **Table 6-1** shows that fringe benefits account for 40.1 percent of total salaries. Based on these figures, a reduction of 45.5 daily labor hours would yield savings of approximately \$168,000 in salaries and benefits.

**R6.4 SWCSD should work to renegotiate salary schedules for food service employees and/or limit future negotiated wage increases in order to bring hourly compensation levels in line with the average of similar districts in the area. SWCSD should also seek to discontinue providing vacation pay to 9 and 10 month employees, which represents a hidden salary cost and does not allow for transparent and comparable salary schedules (see R3.5 in human resources).**

Using selected similar school districts in Franklin County,<sup>8</sup> SWCSD salary schedules were compared for three of the District’s food service classifications. **Charts 6-1, 6-2 and 6-3** illustrate these comparisons.

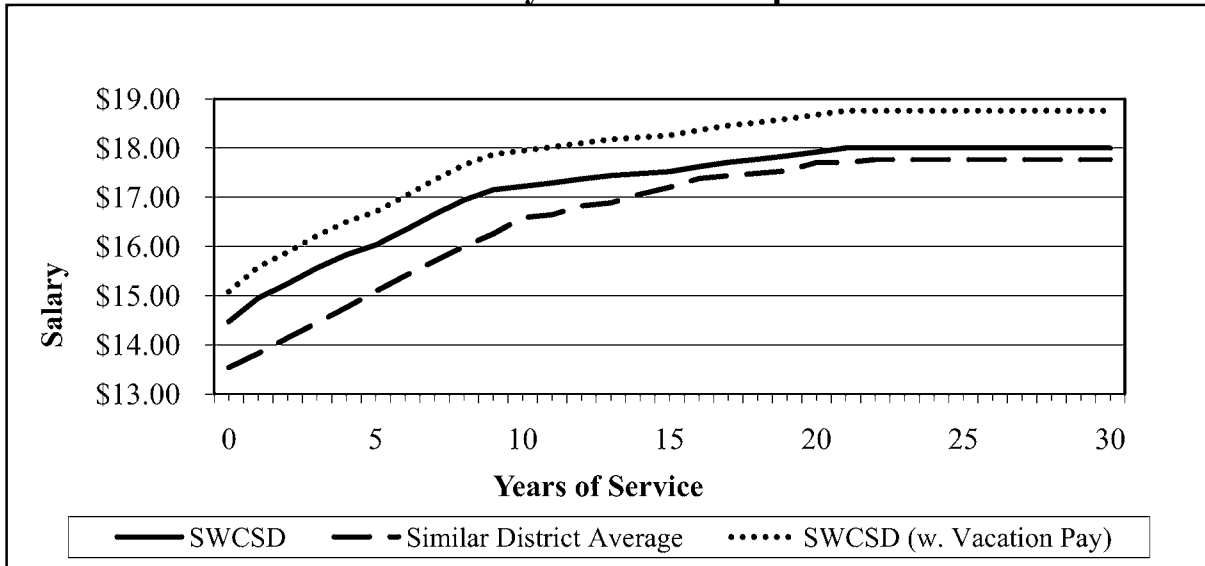
**Chart 6-1: FY 2009-10 Salary Schedule Comparison – Cook**



Source: SWCSD and peer district negotiated salary schedules.

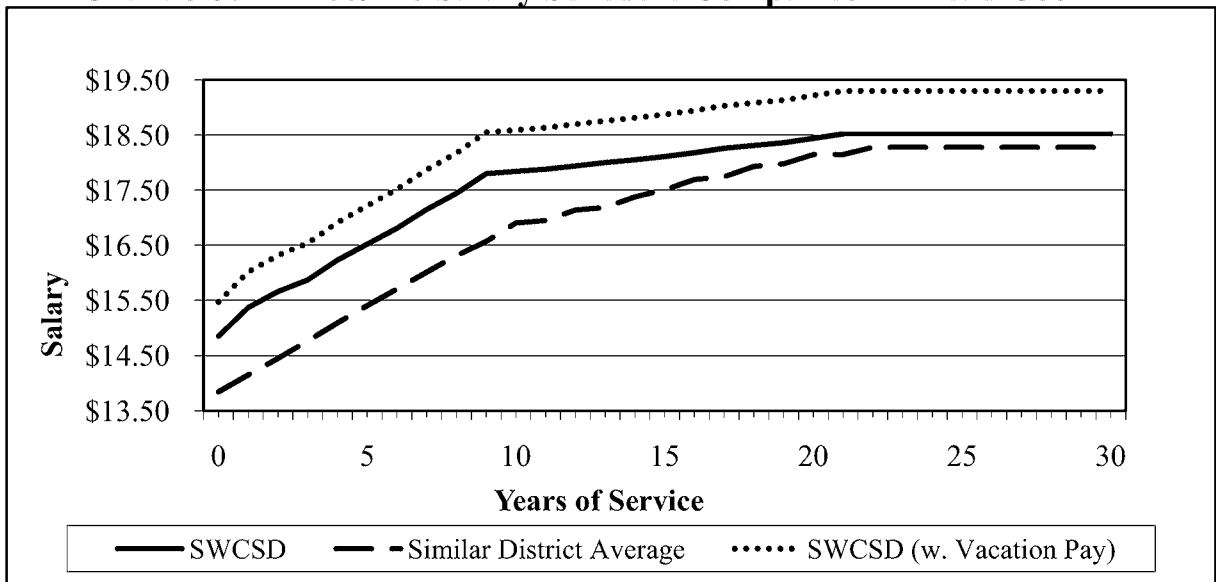
<sup>8</sup> Similar districts in Franklin County include Gahanna-Jefferson CSD, Groveport Madison LSD, Reynoldsburg CSD, and Westerville CSD.

**Chart 6-2: FY 2009-10 Salary Schedule Comparison – Head Cook I**



Source: SWCSD and similar district negotiated salary schedules.

**Chart 6-3: FY 2009-10 Salary Schedule Comparison – Head Cook II**



Source: SWCSD and similar district negotiated salary schedules.

As the charts above illustrate, compensation for the three classifications of food service employees is above the average of the similar districts in the area. It is difficult to determine the actual cost to the District for providing employees with wages above the peer district average due to the various hours worked, classifications, and experience of

employees. There are however significant variances between SWCSD and the average salary schedules of similar districts. For example, a cook with between zero and five years of experience, working six hours a day makes more than \$1,000 more than the same classification would earn at the similar district average. Moreover, the hourly salary displayed above is increased by a provision within the classified negotiated agreement that provides 9 and 10 month employees with eight days of vacation each year. These employees are severely restricted in their ability to actually use these vacation days, and receive payment in lieu of vacation. This provision is unique to SWCSD when compared to the similar districts in the area. This negotiated provision amounts to a 4.2 percent bonus. The charts above also illustrate the effect that this provision has on the base wages.

Compensating employees at higher levels than comparable districts results in higher costs and may increase the likelihood of future financial insolvency. By renegotiating the salary schedule and/or limiting future negotiated wage increases, the District can bring compensation more in line with similar districts in the area. Moreover, providing payment in lieu of vacation for 9 and 10 month employees represents a hidden additional cost. By eliminating this provision and adjusting the base salary, the District can make its salary schedules more transparent and comparable to other districts. While the financial benefit of a renegotiated salary schedule may not appear immediately, compensation would gradually move to a level commensurate with the average of similar districts in the area.



## Financial Implications Summary

The following table is a summary of estimated annual savings and implementation costs for the recommendations in this section of the performance audit.

**Table 6-6: Summary of Financial Implications for Food Service**

Recommendation	Annual Savings	Annual Implementation Costs
<b>R6.2</b> Appropriately allocate costs to the food service fund.		\$194,000 <sup>1</sup>
<b>R6.3</b> Reduce 45.5 daily labor hours within the food service operation.	\$168,000	
<b>Total</b>	<b>\$168,000</b>	<b>\$194,000</b>

**Source:** Auditor of State

**Note:** Savings do not reflect potential impact of recommendations in the **human resources** section.

<sup>1</sup> There would be offsetting savings in the General Fund of an equal amount.



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# Technology

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## Background

This section of the performance audit focuses on the technology functions within the South-Western City School District (SWCSD or the District). The objective of this section is to assess the efficiency and effectiveness of the Technology Department. Technology utilization practices and leading practice information from relevant sources are used for comparisons throughout this section of the report. These sources include Ohio's 2008-09 Biennial Educational Technology Assessment (BETA) survey, the Consortium for School Networking (CoSN), the International Society for Technology in Education Foundation (ISTE), the National Center for Education Statistics (NCES), Ohio SchoolNet, and the Texas School Performance Review (TSPR).

The following questions were used to evaluate the District's technology function:

- Is the District effectively planning and budgeting for technology implementation and maintenance?
- 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 effectively and efficiently 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 for users?
- Does the District have effective network and physical asset security?
- Does the District use technology to improve communication?

### *Organizational Function*

Technology implementation and management is guided by a technology plan crafted by the District Technology Committee. The Committee is comprised of technology staff, administrators, teachers, board members, parents, and members of the community. The three year plan (FY 2008-09 – FY 2010-11) required by eTech Ohio provides a summary of how the District has implemented technology; and identifies goals related to curriculum alignment and instructional integration; technology policy, leadership, and administration; and technology infrastructure, management, and support. While the District has created and is working towards the goals outlined within the technology plan, it has not fully implemented the five-year replacement schedule for technology contained within the technology plan (see **R7.1**).

### *Previous Performance Audit*

As discussed in the executive summary, a previous performance audit of SWCSD was released in 1999. As part of that audit, the District's management of technology was assessed, and recommendations were made to improve management effectiveness and maximize resources. This audit provides three additional recommendations that will further enhance the effectiveness of technology management. All of the other technology recommendations from the 1999 audit have been implemented, were no longer relevant, or were outside the scope of this audit.

### *Organization and Staffing*

The Executive Director of Data and Informational Services (Executive Director) and the Technology Coordinator, who also serves as the District's EMIS coordinator, direct the District's technology function. Responsibilities and duties related to technology are divided between the two positions. In total, the Technology Department is comprised of 14.5 FTE employees.

The Executive Director is responsible for maintaining business and support technology. This includes the payroll, accounting, and student information systems, as well as the District's telephone system. Six employees service this branch of the Technology Department, including:

- 1 FTE systems analyst and 2 FTE computer programmers who operate the numerous software programs used by District staff and write programs to integrate software applications;
- 1 FTE operations coordinator and 1 FTE help desk operator who assist staff with the operation of the District's student information system (eSIS); and
- 1 FTE telephone technician who operates the private branch exchange (PBX) system and provides technical support to staff at the District Service Center.

The Technology Coordinator is responsible for technology in each of the District's buildings including network administration, maintenance and support of the District's 6,092 network computers, and network support of other building-level technology. This branch of the Technology Department is comprised of:

- 4 FTE computer technicians, who respond to technology work orders;
- 1 FTE help desk operator, who can trouble shoot remotely from the central office; and
- 2 FTE network administrators, who maintain the Local Area Networks (LAN) and Wide Area Network (WAN).

Outside of the Technology Department, the District's Curriculum Department also provides support through 3 FTE educational technology teachers. These certificated employees provide training in new instructional technology and assist teachers with integrating technology in their

teaching practices. In addition, these employees often serve as instructors for the District's technology professional development classes for teachers. The District also employs building technology coordinators (BTC) at each building to assist in the integration of technology in the classroom and serve as the first level of contact for staff who require technical assistance. The BTCs at the four high schools are half-time positions, and the BTCs at the other schools are supplemental positions.

SWCSD employs 6 FTE who provide direct end-user support to staff and students, yielding a ratio of approximately 1 technician per 1,000 computers. When related positions that also provide some technology support are included in the calculation, the District employs 12.5 FTEs, for a ratio of approximately 1:487.<sup>1</sup> The Consortium for School Networking (CoSN) publication recommends computer support at a ratio of one person for every 500 computers in a closely managed network environment, but notes technology-staffing levels vary, depending on the special needs and circumstances of the District such as large geographical areas, multiple buildings, and an aging computer network. Considering the District's network, technology staffing levels for end-user support appear to be appropriate.

### *Network Infrastructure and Security*

SWCSD belongs to the Metropolitan Educational Council (MEC), which serves as the District's Information Technology Center (ITC). The District is connected to MEC through a 100 Mb Ethernet, which provides internet service to all of the District's facilities. In 2008, the District updated its internal fiber network, replacing the T-1 lines that connected each of SWCSD's buildings to the District Service Center with 10Mb voice and data lines. In order to minimize the initial and future costs of upgrading the network, the District collaborated with two other Central Ohio school districts to leverage the network purchase. Moreover, the network infrastructure is VoIP (Voice over Internet Protocol) ready and can be easily expanded to 50 or 100 Mb lines.

The District's network architecture, which connects each building centrally through the District Service Center, allows for a closely managed network operation. The network is equipped with remote access technology. This program allows technology staff to provide assistance from a remote location, thus reducing the time employees spend traveling to buildings and allowing for management of the network from a central location. Additionally, the District is able to load and manage software programs centrally. Rather than manually loading software on individual computers, software is imaged onto the network computers through regular updates from the District Service Center (see **noteworthy accomplishments** in the executive summary).

The District provides every student access to the network. Students attending the District's intermediate, middle, and high schools receive individual network accounts, while students in elementary schools access the network through a building-wide access key. In November, 2009,

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<sup>1</sup> Related positions include 3 FTEs who are supervised by the District's Curriculum Department.

the District reported 12,326 individual student network accounts, 2,501 staff network accounts, and 176 building level or non-staff accounts.

Similar to the remote desktop application, the District schedules regular updates and uses off-peak network hours to push anti-virus and system updates. The District also maintains firewalls and filters, which work to block harmful data entering the network and uses the First Class e-mail server rather than Microsoft Exchange, which has historically been less susceptible to network threats. Additionally, the District works to ensure network security by limiting user access to the system, and by enforcing an acceptable use policy.

Because of these activities, SWCSD technology personnel reported no major security breaches or threats to the integrity of the network system. However, while the District has procedures in place to ensure the physical security and policies that limit user access to the network, the District does not have a formal plan in place in the event of an emergency (see **R7.3**).

### *Hardware*

SWCSD has implemented uniform equipment standards for computer and printer purchases. These practices allow for better management of technology equipment and provide greater efficiencies in the deployment of technology support. Without these standards, it would become extremely difficult for the limited staff to service District equipment. The technology hardware that staff and students use to access the network are generally purchased through permanent improvement funds, but are also procured using building level funds or grants. To ensure technology personnel, or other pertinent central office staff, stay abreast of building level purchases, schools are required to complete a site prep form, which identifies technology issues and ensures that individuals are purchasing technology that can be supported and is in line with standard equipment configurations. For individuals requesting grants, SWCSD follows a grant application checklist, which allows the District to review how grant monies will be used, including technology related purchases.

SWCSD has also implemented minimum standards for equipment donations. The use of donated equipment allows the District to provide students greater access to technology while also maintaining a network of hardware that technology staff is able to support in an efficient manner.

For printer technology, the District has implemented the use of network laser printers and does not support inkjet printers at the District level. The District takes into consideration the total cost of ownership when making technology purchases and is mindful of the lower ongoing costs of supporting and maintaining laser printers over inkjet printers. While ink jet printers are sporadically used throughout the District, this technology must be supported and maintained by the building technology coordinator and supplies for the inkjet printers purchased through department or building accounts. The Technology Coordinator noted that the District's prior

practice was to supply each classroom with an inkjet printer. Now, the District provides network laser printers, which is shared by 4 or 5 classrooms.

Once technology is procured, the District's integrated technology inventory and help desk software (HEAT), maintains a real time listing of technology hardware, and its location, differentiating between classroom and administrator computers. HEAT is also used to prioritize technology work orders. The District computer technicians have access to the system remotely, using iHEAT. The system also allows the Technology Coordinator to review performance measures, including outstanding work orders, work order volume by site, and productivity by computer technician. The integration of the inventory system with the help desk application also allows the District to track support by computer model, building, or user, in order to identify potential network support issues. As a result, the inventory system aids the District's Technology Committee in assessing technology replacement parameters (see **noteworthy accomplishments** in the executive summary).

According to HEAT, the District reported 6,092 computers, with 5,439 instructional terminals. This represents a student to computer ratio of 3.6:1. The District noted prior technology goals were to exceed the benchmark of a 5:1 student to computer ratio, ensuring access to computers. However, now that students have access to technology, the District is focusing on the integration of technology into the classroom. For example, in the summer of 2009, the District replaced outdated technology in four of the intermediate buildings. In one building, the Technology Department replaced 600 computers with fewer than 450, because teachers requested LDC projectors, smart boards, and other forms of technology.

Once technology equipment has reached the end of its useful life, the District either auctions equipment off at public auctions held by the District's Property Services Department, or disposes of equipment through an asset recovery program.<sup>2</sup>

### *Software*

The District contracts with MEC for its accounting (USAS), payroll (USPS), education management information system (EMIS), and other software programs. SWCSD has developed and maintains its own student information system, eSIS (electronic Student Information System), to better meet its specific needs. The District also uses several other ancillary software packages for transportation, food service, professional development, and personnel, as well as an e-mail application.

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<sup>2</sup> An asset recovery program provides organizations with a secure and environmentally sensitive solution for computer and other technology disposal. The program sanitizes, destroys, and removes any trace of the origin and then either remarkets the equipment or recycles the technology.

In order to more appropriately manage its multiple software applications, the Technology Department developed and maintains numerous programs to integrate software, increasing the functionality, and allowing for greater efficiencies in the District's work processes. Notable examples include the following:

- When a new student enrolls in the District or a current student changes schools, eSIS updates Versatrans, the transportation routing software, so the student is included on a route and receives transportation services immediately. Conversely, Versatrans updates eSIS with each student's bus stop information. Similarly, eSIS communicates with the food service operation's point of sale system, which relays information back to eSIS if the student is determined eligible for free or reduced price meals. Finally, eSIS connects with INFOhio, a statewide virtual K-12 library, to create user accounts for new students.
- When the District creates a new employee profile in the payroll system (USPS), separate systems generate an employee e-mail and network account, as well as access to INFOhio.
- When a staff member takes leave, they log their absence into Aesop (Automated Substitute Placement and Absence Management). The District created a program so that information in Aesop updates the leave balances for absent employees and any substitute time in the payroll system (USPS).
- The District has also connected its tracking program for professional development, PDExpress, to eSIS, which ensures accuracy of classroom teacher certifications.
- Finally, SWCSD sends daily absence reports to the Franklin County Board of Health from eSIS to allow for more efficient tracking of the pandemic flu.

In each of the areas discussed above, the development of specialized computer programs to integrate software applications has worked to capitalize on the existing information and reduce the need for multiple and redundant data entry processes. By linking information, the District reduces the likelihood of errors when data is entered and promotes more efficient administration within the District (see **noteworthy accomplishments** in the executive summary).

In addition to the software used in the operation of the District, the Technology Department is also involved with the deployment of instructional software. In coordination with the Curriculum Department, the District has developed instructional software bundles to aid in student learning. The implementation of these software packages is part of the District's desire to integrate technology into the curriculum rather than isolating student access to technology. From a technology perspective, the largest consideration when choosing instructional software is the ability to support and maintain any software programs on the network. Software bundles standardize the applications the technology staff has to support as the District manages and supports the bundles centrally.



The use of local programs at buildings is discouraged and individual teachers do not have administrator access to load software on their desktop system. For teachers or buildings seeking to use software programs not supported at the District level, the Technology Department implemented a software evaluation form. This process ensures that software programs meet minimum system requirements and curriculum standards, and identifies the method by which initial and ongoing expenses and maintenance can be funded through grants or building level funds.

### *Financial Data*

**Table 7-1** shows the District's Technology Department expenditures for FY 2008-09. Although USAS does not have a specific object code for technology purchases which makes tracing these expenditures difficult, SWCSD assigns District level technology expenditures to an operational unit to account for and track technology expenditures. Building-level purchases however are not captured through the use of operational units. AOS encourages SWCSD to further refine its practices to better track all technology related expenditures.

**Table 7-1: FY 2008-09 Technology Expenditures**

Category	SWCSD	% of Total
Personal Services	\$1,084,304	34.3%
Employees' Retirement and Insurance Benefits	\$520,892	16.5%
Purchased Services	\$738,132	23.3%
Supplies and Materials	\$62,258	2.0%
Capital Outlay	\$757,401	23.9%
<b>Total</b>	<b>\$3,162,987</b>	<b>100.0%</b>

**Source:** South-Western City School District

As indicated by **Table 7-1**, the District's largest expenditures are related to staff salaries and benefits. Moreover, while the District reported nearly 24 percent of expenditures were spent on capital outlay; the District's 5-year replacement schedule calls for replacement expenditures of \$1.2 million annually (see **R7.1**).

## Recommendations

**R7.1 SWCSD should ensure funding for the five-year replacement cycle outlined in the District's technology plan. Following the replacement cycle will require the District to set aside addition funds for technology purchases. Replacing technology on a five-year schedule will improve the operational performance of computers, ensure students and staff have up-to-date hardware, and that older, higher-maintenance machines are replaced in a timely manner.**

The District's technology plan, submitted to eTech Ohio, identifies the processes it will implement for integration of technology into curriculum and the continued improvement of the District's infrastructure, security, network support, and access to technology. However, the District's limited resources were identified as an overarching issue to full implementation of its plan and present a challenge to the District.

The Technology Department assesses technology after five years to determine if it has reached the end of its useful-life-cycle. Useful-life-cycle is determined through the application of the District's technology replacement parameters, which assign points based on ten different factors, including the failure rate, functionality, and age of the technology. This allows the District Technology Committee to prioritize equipment replacement.

The District has historically received approximately \$500,000 in permanent improvement funds to replace outdated technology. However, SWCSD estimates it would cost \$1,200,000 per year to replace all current technology on a five-year cycle. The Technology Coordinator and Treasurer confirmed that while the District uses permanent improvement funds to replace hardware, software, and upgrade the District's infrastructure, the funds allocated are not sufficient to fully fund the five-year replacement schedule. The District allocates permanent improvement funds between technology, facilities, curriculum, and transportation purchases.

The *Technology Support Index* (International Society for Technology in Education, 2002) recommends that school districts replace equipment according to a three to five-year cycle, either by leasing or purchasing equipment. Further supporting this, *Taking TCO to the Classroom: A School Administrator's Guide to Planning for the Total Cost of New Technology* (Consortium for School Networking, 2001) recommends a five-year replacement cycle for school districts. The lack of a formal replacement cycle and the use of older machines may result in equipment becoming obsolete, which can ultimately lead to increased staff time and costs for troubleshooting and support.

While the Technology Department aspires to meet the recommended practice, the financial condition of the District does not permit it. As a result, the District cannot fully

realize the benefits of an established replacement schedule and the accompanying evaluation tool for technology without sufficient funding. However, delaying technology replacement risks higher costs in the area of support and maintenance. The District's own performance indicators of call volume and service response times show decreases over the past three years, due in part to the replacement of antiquated technology. The use of newer equipment leads to fewer support needs and a network that is less susceptible to system failure.

*Financial Implication:* According to the District's technology plan, fully funding a five-year replacement schedule is estimated to cost \$1,200,000 or an additional \$700,000 annually. However, if the District replaces technology with fewer desktop computers, as it did when replacing technology in the intermediate schools, it may find the actual replacement cost to be less.

**R7.2 SWCSD should consider implementing a student support program to train students in technical support. These students could support District technology in a peripheral manner as part of a volunteer, paid, or curricular program. Student technology support provides opportunities for students interested in technology support and deployment, and provides additional support to the technology function at the District.**

The District used high school students once in the past to assist technology staff with work during the summer. These students helped remove old technology equipment to prepare schools for the installation of new technology. During that time, the Technology Coordinator received notice from the personnel office that the classified bargaining unit was planning to file a grievance. This occurred because of a provision in the classified negotiated agreement that requires the District to offer seasonal work opportunities to bargaining unit employees before offering employment to others persons. While the students continued working that summer, the program was not pursued in following years.

The Technology Department has also discussed collaborating with the Career Academy to create a student internship program. Under such an arrangement, a career technical instructor would work with the Technology Department to integrate an internship into the curriculum and allow students to train with and assist District technology staff. The District, however, has not implemented such a program.

Even without a formal program, 15 percent of SWCSD teachers responded in the FY 2008-09 BETA Survey that students provided technical support when classroom computer did not work. While comparable to the Franklin County and State averages, the survey indicates that even without a formal program, students are providing technical support at the District.

According to the *Technology Support Index* (International Society for Technology in Education, 2006), school districts should design curricular programs to train students in technical support by allowing them to provide peripheral support. In a 2002 survey by the National School Boards Foundation, more than half of respondents indicated that students provided some form of technical support in their district, in the form of technical maintenance, setting up equipment and wiring, and troubleshooting problems. One district even set up help desks at every school, which were manned by students trained by a technician.

The *Ohio SchoolNet ASSIST Project Final Report* (Metiri Group, 2002) explains that, through student support programs, students experience working in situations that demand a range of skills, particularly strong communication and problem-solving skills that transfer to a variety of higher-level working environments. Through student support programs, student participants:

- Acquire technical skills in networking, programming, technical support, and system design;
- Gain experience working in teams, negotiate with adults and people with authority, and communicating both verbally and in writing;
- Learn self-direction and adaptability as they support teachers and fellow students and troubleshoot unknown problems; and
- Learn to prioritize complex tasks.

Moreover, *A Guide to Student Technology Intern Programs in K-12 Schools* (Ohio SchoolNet, 2004) suggests there are a number of models that provide viable student support technology programs. Possible student intern program types include classroom technology assistants, technology curriculum based programs, summer student training programs, volunteer student technology workers, paid student technology workers, or a hybrid program. One model is based on volunteer student technology workers. For these volunteers, work sessions are scheduled during a study hall period, during an open portion of their school day, or after regular school hours. Other schools have successfully implemented technology curriculum based programs, summer student training programs, as well as other paid and volunteer programs.

Training students in technical support provides a mutually beneficial program for the District and its students. It prepares students for careers in technology and educates them in technology support and deployment. Furthermore, it allows the District to support some of its technology needs while creating an opportunity for both parties to work toward mutual goals within the venue of technology use and support activities. Over time, a student technical support program would make participating SWCSD students more marketable after graduation by providing experience and technical training that students would not receive through the core curriculum.

While the District has pursued a student support program in the past, the presence of the Career Academy represents an untapped potential for a student support program connected to District curriculum. The District should capitalize on the opportunity to foster student learning through the development of a student support program. Although this recommendation may increase technology instructional costs or require a supplemental contract for a teacher advisor for the program, the costs could not be quantified at this time. Likewise, the savings related to using students to fulfill certain technology duties could not be quantified due to lack of specifics.

**R7.3 SWCSD should develop and implement a formal disaster recovery plan that incorporates leading practices outlined by the National Center for Education Statistics (NCES). While the District has the tools in place to protect data and critical network applications, developing a disaster recovery plan prepares a school district for recovery from a breach in security, a natural disaster (e.g., fire, flood, etc.), or other catastrophic event. Once developed, the plan should be reviewed and updated annually.**

While the District has procedures in place to ensure the physical security of the network and policies that limit user access, there is not a formal plan in place in the event of a system failure, through natural disaster, virus, or by other means. The District works to prevent system failure through a system firewall and regular anti-virus updates to all network computers. In the event of a system failure, the District has three Storage Area Networks (SAN), which backup system data. Two of the SANs are housed at the District's Service Center with a third SAN located off-site. The SANs performs a full backup each weekend with interim back-ups each evening, and house two weeks' worth of data. The District's network also contains 25 virtualized servers on three physical servers. In the event that one server fails, the virtualized servers are able to migrate to either of the two remaining physical servers. Finally, data contained within the software programs obtained and managed through MEC are backed-up at MEC's facility, as well as at an off-site facility. In the event of a system failure at SWCSD, critical systems maintained by MEC, such as payroll and the District's accounting system, can be accessed at the MEC or through any member District.

According to *Best Practices* (Auditor of State, Winter 2007), disaster recovery planning is the process an organization uses to prepare for events that disrupt normal operations. A disaster recovery plan, also called a business resumption plan, incorporates the actions an organization anticipates taking when normal operations are disrupted. The main objective of such planning is to help an organization survive disaster and to guide the organization in resuming normal business operations.

According to *Safeguarding your Technology* (National Center for Education Statistics, 1998), it is a good practice to plan for potential security threats in advance, whether it be

a system failure, an external intruder attack, or natural disaster. In order to protect an organization, NCES recommends schools develop contingency, or disaster recovery plans. **Table 7-2** displays the process by which organizations can develop and test a disaster recovery plan.

**Table 7-2: Key Elements of a Disaster Recovery Plan**

<b>Build Disaster Recovery Team</b>	<ul style="list-style-type: none"> <li>Identify a disaster recovery team that includes key policy makers, building management, end-users, key outside contractors and technical staff.</li> </ul>
<b>Obtain and/or approximate key information</b>	<ul style="list-style-type: none"> <li>Develop an exhaustive list of critical activities performed within the district.</li> <li>Develop an estimate of the minimum space and equipment necessary for restoring essential operations.</li> <li>Develop a time frame for starting initial operations after a security incident.</li> <li>Develop a key list of personnel and their responsibilities.</li> </ul>
<b>Perform and/or delegate duties</b>	<ul style="list-style-type: none"> <li>Create an inventory of all assets, including data, software, hardware, documentation and supplies.</li> <li>Set up reciprocal agreements with comparable organizations to share each other’s equipment in an event of an emergency at one site.</li> <li>Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay.</li> <li>Establish contractual agreements with backup sites.</li> <li>Identify alternative meeting and start-up locations to be in used in case regular facilities are damaged or destroyed.</li> <li>Prepare directions to all off-site locations.</li> <li>Establish procedures for obtaining off-site backup records.</li> <li>Gather and safeguard contact information and procedures.</li> <li>Arrange with manufacturers to provide priority delivery of emergency orders.</li> <li>Locate support resources that might be needed (i.e. trucking and cleaning companies).</li> <li>Establish emergency agreements with data recovery specialists.</li> </ul>
<b>Specify details within the plan</b>	<ul style="list-style-type: none"> <li>Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done.</li> <li>Define actions in advance of a disaster.</li> <li>Define actions to be taken at the onset of a disaster to limit damage, loss and compromised integrity.</li> <li>Identify actions to be taken to restore critical functions.</li> <li>Define actions to be taken to re-establish normal operations.</li> </ul>
<b>Test the plan</b>	<ul style="list-style-type: none"> <li>Test the plan frequently and completely.</li> <li>Analyze test results to determine further needs.</li> </ul>
<b>Deal with the damage appropriately</b>	<ul style="list-style-type: none"> <li>If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.</li> </ul>
<b>Give consideration to other significant issues</b>	<ul style="list-style-type: none"> <li>Do not make the plan unnecessarily complicated.</li> <li>Make one individual responsible for maintaining the plan, but have it structured so that others are authorized and prepared to implement if it is necessary.</li> <li>Update the plan regularly and whenever changes are made to the system.</li> </ul>

Source: National Center for Education Statistics

Contingency planning does not protect the organization from a threat, but instead, explicitly details what is to happen if (or when) the computer system becomes inoperable, and helps organizations to recover in a quick and efficient manner. A disaster recovery plan identifies the critical functions of an organization along with the manner in which those systems can be restored following a loss of data. The plan assigns responsibility and works to ensure that relevant parties are fully aware of the process for system restoration.

While the District has already established many of the safeguards recommended to protect information in the event of a system failure or on-site disaster, a formal plan, which documents specific processes to follow in the event of system failure, has not been created. Without a formal plan for disaster recovery, District leaders may not be able to appropriately respond and may face difficulty in restoring critical data or service. Creating and testing a plan helps to provide greater assurance of recovery following a natural disaster or other catastrophic event. A formal plan could be developed at no additional cost to the District.

## Financial Implications Summary

The following table is a summary of estimated annual implementation costs for the recommendations in this section of the performance audit.

**Table 7-3: Summary of Financial Implications for Technology**

Recommendation	Implementation Costs
R7.1 Fully fund the District's 5-year replacement schedule for technology.	\$700,000

Source: Auditor of State





## **District Response**

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

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## South-Western City Schools

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### District Service Center

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January 25, 2010

Mary Taylor, CPA  
Auditor of State  
88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506

Dear Auditor Taylor,

On behalf of the South-Western City School District's Board of Education and administrative team, we would like to thank you and your staff for your time and effort in the preparation and recommendations of the performance audit. The Board will use the performance audit as a tool to further streamline its operations, improve efficiencies, and effectiveness.

We appreciate the noteworthy accomplishments presented in the performance audit which recognize many of our operational practices that have allowed our expenditure per pupil amount to be consistently below the state average. The noteworthy accomplishments reinforce decisions that have been made in the past that have served to streamline District operations.

The District passed an operational levy in November 2009 and has committed to reduce the budget by \$15 million over four years to insure the levy will last. The specific recommendations noted in the financial systems, human resources, facilities, transportation, food service, and technology sections of the performance audit will be the catalyst to make these reductions. The District will be holding community meetings to engage and inform community members regarding the findings within the audit and an action plan will be developed to implement the recommendations where possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'William H. Wise', written over a large, loopy flourish.

William H. Wise  
Superintendent  
South-Western City Schools

A handwritten signature in black ink, appearing to read 'Hugh W. Garside, Jr.', written in a cursive style.

Hugh W. Garside, Jr.  
Treasurer  
South-Western City Schools



**Auditor of State  
Mary Taylor, CPA**

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