East Cleveland City School District

Performance Audit Summary

WHAT WE LOOKED AT

East Cleveland City School District is an urban school district located in northeast Ohio. As of FY 2022, the District had approximately 1,400 students. The District has historically underperformed compared to statewide academic performance measures. Academic progress can be measured in a variety of ways, including grades, standardized test scores, and graduation rates. Though its method of measuring success has shifted several times, the Ohio Department of Education (ODE) publishes the Ohio School Report Cards. These reports "grade" school districts on the academic success of their students. Under ORC 3302.10, districts that chronically underperform on the Ohio School Report Card are subject to state oversight. This process, the creation of an Academic Distress Commission (ADC), removes authority from the school district's local board of education and authorizes the ADC to appoint a CEO to replace the superintendent. This CEO is granted complete operational, managerial, and instructional control of the district. This control includes authority to enact interventions intended to improve academic performance. Examples of these interventions include conducting employee evaluations; making adjustments to staffing; modifying policies and procedures established by the district board; and selecting instructional materials and assessments. In 2018, ODE placed the District in Academic Distress due to continued failure to meet minimum statewide academic performance measures.

Our office conducted a performance audit of the District in accordance with ORC 3302.103, effective June 30, 2021, which provided districts under the authority of an ADC an alternative means of resolution. Under this law, the District is required to develop and submit an Academic Improvement Plan detailing academic improvement benchmarks and strategies for achieving those benchmarks within the designated implementation period. Our performance audit identified the District's progress towards meeting its Academic Improvement Plan goals, the financial feasibility of reaching those goals, and how district operations may impact academic progress. Based on the timing of our audit, we were able to review both baseline data as well as the impact of the first year of Academic Improvement Plan implementation. This information may be used by the District to adjust operations as necessary to achieve its Academic Improvement Plan benchmark targets by June 30, 2025.

WHAT WE FOUND

ECCSD, not unlike other urban districts, faces challenging circumstances with the students it serves. These challenges include having a much greater share of its students qualify as economically disadvantaged, differing household makeups, issues with student attendance and student mobility, and higher rates of violent crime in the District than statewide averages. To combat some of these challenges, ECCSD both receives and spends more on educating its students than its peers.

The District's leadership minimally cooperated with this legislatively-mandated performance audit. There were several instances where we did not receive responses from District leadership, nor from District staff. Oftentimes the response that were sent to us lacked the context or explanation necessary to allow the audit team to fully understand the nuances associated with the management and operations of the District. Performance audits are meant to be a collaborative process between audit staff and clients. Because District officials chose to be minimally involved in this performance audit, it not only increased the time and effort put forth by the audit team, it also potentially reduced the relevance of audit results for the District.

During the course of the audit, the District's FY 2023 report card was released by ODE. Based on their progress to date, the District met half of their FY 2023 benchmarks. If the District does not make more progress during FY 2024 and FY 2025 than they did during FY 2023, they will not be on track to meet the majority of their Academic Improvement Plan benchmarks and will need to ask for an extension or will fall back under Academic Distress Commission control.

KEY OBSERVATIONS

Key Observation 1: ECCSD has historically been reliant on guaranteed payments through the state foundation funding formula. In FY 2023, with the implementation of a new foundation formula, this trend continued. For example, under the new formula, if fully phased-in, the District would have received approximately $11.4 million less, or 40.7 percent less, in total state foundation funding in FY 2023, if not for existing guarantees. While these guarantees are included in state law, if changes are made to how these are calculated, the District's finances would be particularly vulnerable.

Key Observation 2: The District received approximately $20,000 in state foundation funding on a per-pupil basis compared to the peer average of approximately $10,000 in FY 2022. The stark difference in per-pupil funding can be attributed to a number of factors, but is particularly impacted by the District's declining enrollment along with the District's reliance on state guaranteed funding levels. So long as the guaranteed funding levels remain in place and the District's enrollment continues to decline, the difference in per-pupil funding levels between ECCSD and the peer group will likely continue to grow.

Key Observation 3: In FY 2022, ECCSD spent more than twice as much per-pupil as the peer average on non-classroom operating costs. This resulted in approximately $6,250 more in expenditures for each student educated compared to the peers. These expenditures were driven by a variety of factors including payments to utility providers, salaries and benefits of employees, and legal services.

Key Observation 4: The District spent $5.1 million in ESSER funds in FY 2022 and $15.6 million in FY 2023; as of October 2023, $7.1 million remains to be expended before the funding expires. After reviewing ESSER-funded expenditures and interviewing ECCSD personnel regarding ESSER spending, it appears the District generally followed ODE's ESSER spending guidance, and—for the most part—utilized funds for one-time and short-term purchases. The District should continue to carefully manage its ESSER dollars by tracking ESSER Fund spending, following available guidance, and assessing the financial and academic impact of expenditure decisions, especially those that will either need to be continued or discontinued in the future.

Key Observation 5: ORC §3319.111 requires teacher expertise and performance to be evaluated on an annual basis. The District's management paused the statutorily required evaluations during the COVID-19 pandemic. This resulted in the District not completing teacher evaluations in FY 2022 and completing approximately half of the evaluations in FY 2023. Because this data was unavailable, we were unable to complete comparative analyses regarding teacher performance. While ECCSD stopped teacher evaluations starting in FY 2022 and into FY 2023, they reported that they are working to resume evaluations and return to typical evaluation cycles.

Key Observation 6: ORC §3319.02 requires principals to be evaluated on an annual basis. The District's FY 2022 principal evaluations revealed half of the District's principals are reported as developing and the other half is reported as skilled. These numbers indicate that the District's principals are less accomplished than the peer average, which had approximately 7 percent rated as developing, 70 percent rated as skilled, and 17 percent rated as accomplished. As part of the Academic Improvement Plan, the District is working to build upon the professional development of building leadership. However, despite this stated goal, the District's expenditures directed to professional development have been decreasing, which could limit the ability to improve principal performance.

Key Observation 7: Despite having policies and reported actions that meet best practices established by ODE and Attendance Works, the District's student attendance rate and chronic absenteeism rate worsened from FY 2022 to FY 2023. This has resulted in the District not meeting its FY 2023 Academic Improvement Plan chronic absenteeism benchmark target. Further, the benchmark goals continue to increase in FY 2024 and FY 2025, which means that the District will have to increase efforts and make more progress than initially planned in FY 2024 to meet the Academic Improvement Plan benchmark goal. While reducing chronic absenteeism is important for the District to achieve its benchmarks, it is also important because high chronic absenteeism may be negatively impacting student performance.

Key Observation 8: The District met 10 of 20, or half, of the FY 2023 benchmark targets, which is not a majority of benchmarks. To be removed from Academic Distress, the District must meet the majority of its stated Academic Improvement Plan benchmarks. In addition to maintaining progress for the ten goals that met the FY 2023 benchmark, the District will have to make up ground on the other benchmarks to meet the FY 2025 goals and be removed from Academic Distress. While the District did not meet a majority of the FY 2023 benchmark targets, it did make improvement on 19 of the 20 benchmarks. Additionally, the District already met or surpassed 7 of 20 (35 percent) of its FY 2024 benchmark targets and 6 of 20 (30 percent) of its FY 2025 benchmark targets. It should be noted that regardless of FY 2023 results, the District will need to continue to work towards meeting the stated benchmark goals at the end of FY 2025. If, for example, it met a goal in FY 2023 or FY 2024 and then regresses, the benchmark would not be considered met in FY 2025.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: While the District creates an annual budget, it does not have a formal, written budgeting process. ECCSD spent more than $47 million in FY 2022, and the budget process led to the decisions on where to allocate each one of these dollars. GFOA School Budgeting Best Practices outline the ideal contents of such a process, and while ECCSD generally follows these best practices, it does not meet all of the GFOA criteria. A formal, written budgeting process that identifies roles and responsibilities for employees would allow for a more transparent and effective budget. In order to ensure the District is making the most informed decisions with their resources, and is as prepared as possible for future needs, they should consider developing a written budget plan and addressing each of the GFOA elements into their annual budget process through the addition of steps or design and implementation of relevant polices/plans.

Recommendation 2: Capital expenditures occur each year and require adequate planning and preparation. In FY 2022, ECCSD spent more than $6 million on these types of expenditures, fueled by ESSER funds. A capital plan aids an organization in outlining current and future capital expenditures and how they are to be funded, as well as tracking capital assets to prepare for replacement or repair. As ECCSD does not currently have a formal approved capital plan, the District should design, approve, and implement a formal capital improvement plan, including taking steps to align their plan with GFOA best practices for a Capital Improvement Plan and its contents, as well as incorporating an asset maintenance and replacement plan.

Issue for Further Study 1: Our audit did not include a detailed building utilization or facilities staffing analysis. However, during the course of the audit, we identified potential opportunities for increased efficiency in this area along with overall staffing based on other areas of analysis. The District's enrollment declined by nearly 30 percent between FY 2018 and FY 2022. We found that building related expenditures for the District were significantly higher than the peer averages, likely driven by declining enrollment. A strategic review of building operations could identify opportunities for consolidation or improved efficiency that may lead to reductions in expenditures in this area.

Recommendation 3: While ECCSD has goals and action steps relating to staffing integrated into the Academic Improvement Plan, the District does not have a formalized strategic staffing plan. As future staffing decisions are made, the District should adopt a strategic approach designed to improve teaching quality and enhance student performance. The District should develop a formal and comprehensive strategic staffing plan that addresses districtwide staffing needs and is linked to the District's budget and forecast. Establishing staffing allocation for administrative, certificated, and support staff will assist the District in better planning for the future, both in the areas of ensuring adequate delivery of education as well as proper management of financials. A strategic staffing plan will help ensure staffing is appropriate and can be leveraged to achieve the goals and objectives of the District, such those in the Academic Improvement Plan, in a way that aligns with available financial resources.

Recommendation 4: Employee compensation has multiple components including salaries or wages and insurance benefits. Our analysis found that the District's salaries are generally lower than the local peer averages, but the insurance benefits offered by the District are more generous than the peer averages. Because total compensation involves both salaries and insurance, the District must consider the impact of its offerings to ensure it is competitive in the local market. Particularly, we found that offering lower salaries and generous insurance benefits may result in lower total compensation for those employees that do not utilize their full insurance benefits. Conversely, for those employees that hit out of pocket maximums for insurance, the total value of their salaries and insurance benefits exceeds that of the peer average. The District should work to determine which compensation factors would help to attract and retain educators. Evaluating salary and insurance offerings together could assist the District in negotiating compensation packages that are competitive within the local market. This could assist the District in attracting and retaining quality staff, while ensuring District costs are in alignment with local peers.

Recommendation 5: ECCSD officials expressed concerns about the impact of employee leave usage on District operations. We found that usage of employee leave at the District is in-line with peer averages. However, the District does not use specific USAS coding to identify detailed information about leave usage. Without detailed information, it is difficult to evaluate the impact leave usage and policy decisions have on the budget. The District should follow the level of coding designated by the USAS manual and required by OAC to identify which expenditures are dedicated to employee leave usage. By coding to the required level of detail as indicated by USAS, the District will comply with OAC and be able to quantify the costs for planning and management purposes.

Recommendation 6: The District must achieve a majority of its benchmarks at the end of FY 2025 to be released from Academic Distress. Because the District met only half of the FY 2023 benchmark targets, it will need to work to make up ground to meet the FY 2024 targets and ultimately the FY 2025 Academic Improvement Plan benchmarks. Since the FY 2023 results were released, the District has not communicated whether it plans to make adjustments to its Academic Improvement Plan implementation strategies in order to improve progress toward achieving a majority of benchmark targets in FY 2024 and FY2025. Because the District did not make the necessary improvements to meet FY 2023 benchmark targets, it should determine how its Academic Improvement Plan implementation strategies need to be adjusted. Once these adjustments are identified, the District should communicate its decisions with appropriate stakeholders. Additionally, the District should use the results of this report to evaluate whether additional resources, such as its $7 million in remaining ESSER funding, should be dedicated toward implementing strategies to meet the future benchmark targets in FY 2024 and FY 2025. Communicating any adjustments with stakeholders will allow for greater transparency and sustained outcomes, while continuing to evaluate the allocation of Districts funds will allow the District to best utilize its resources in implementing the Academic Improvement Plan.