



Dave Yost • Auditor of State





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To the Residents and elected officials of the Upper Scioto Valley Local School District:

At the request of the Ohio Department of Education, a performance audit of the Upper Scioto Valley Local School District was initiated in August, 2011. The functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of the District's operations that support its mission of educating students. Improvements in these areas can assist in ensuring a stable financial future.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements, while providing an independent assessment of the operations. While the recommendations contained in the audit report are resources, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

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

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

Sincerely,

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

Dave Yost  
Auditor of State

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# Executive Summary

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## Background

In August 2011, the Auditor of State (AOS) initiated a performance audit of the Upper Scioto Valley Local School District (USVLSD) based on a referral from the Ohio Department of Education. The audit recommendations are designed to be used by the Board and administration for planning of future programs, staffing levels, policies, and procedures to increase operational effectiveness. The analysis, assessments, and comparisons will provide the District and the community with information that can be used to make decisions on operations in light of potential deficits. Based on a review of relevant information and discussions with the District, the following functional areas were included in the performance audit:

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

## District Overview

USVLSD was established in 1929 and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. It serves an area of approximately ninety-five square miles and is located in Auglaize, Hardin, and Logan Counties. Enrollment for FY 2011-12 was 554, making it the 585th largest district in the State of Ohio (among 934 school districts and community schools). Staffing includes 44 classified employees, 45 certified teaching personnel, and 3 administrative employees.

## Audit Methodology and Scope

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. They 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 and contribute to public accountability.

AOS conducted the performance audit of USVLSD in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

## **Conclusions and Key Recommendations**

Each section of the audit report contains recommendations that are intended to provide the District with options to enhance its operational efficiency and improve its long-term financial stability. The following summarizes the key recommendations from the performance audit report.

### **1. Financial Systems**

Develop a strategic plan.

Implement a formal budgeting process to improve financial accountability.

### **2. Human Resources**

Enhance controls over the EMIS reporting process to eliminate inaccuracies within the finalized data.

Eliminate 4.0 FTE general education teacher positions, 3.0 FTE remedial specialist positions and 2.0 FTE special education teacher positions.

Ensure accurate salary and compensation information is maintained.

Reduce the variety of health insurance plans and require employee contributions to vision insurance.

Reduce provisions within the Superintendent's contract, specifically salary and annual leave payouts.

Reduce the daily compensation rate for substitute teachers to \$80.

### **3. Facilities**

Convert custodians to a 12 month schedule and subsequently reduce the number of subs hired over the summer.

Discontinue the use of the Green Lab.

### **4. Transportation**

Recover costs for non-routine transportation.

Eliminate two bus routes and monitor ridership throughout the school year.

Create internal control procedures to ensure the accurate and timely submission of T-report information

Monitor fuel market rates and apply for Motor Fuel Tax Refund.

### Summary of Financial Implications

Recommendation	Impact
R2.1 Eliminate regular education teacher, remedial specialists, and special education teacher positions to bring staffing in line with peer districts.	\$473,000
R2.3 Reduce the variety of plans, require employee contributions to vision insurance and ensure employee eligibility for health insurance benefits.	\$14,000
R2.5 Adjust provisions within the Superintendent's contract to better reflect market conditions and similar districts.	\$52,500
R2.7 Reduce daily compensation substitute teachers	\$1,400
R3.1 Move custodians to a 12 month schedule and reduce the use of substitute custodians.	\$14,000
R3.2 Develop a formal energy management plan that is consistent with best practices.	\$52,000
R4.1 Recover costs from non-routine transportation	\$18,000
R4.2 Eliminate two bus routes	\$60,000
R4.4 Apply for Motor Fuel Tax	\$2,000
<b>Total Cost Savings from Performance Audit Recommendations:</b>	<b>\$686,900</b>

### Financial Outlook

The following table presents USVLSD's financial condition after applying the impact of the performance audit recommendations to the District's October 2011 forecast.

#### Impact of Performance Audit Recommendations

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Revenues	\$6,663,800	\$6,709,183	\$6,631,513	\$6,571,729	\$6,591,862
Expenditures	\$6,584,739	\$6,707,957	\$6,840,174	\$6,977,161	\$7,120,352
Excess of Revenues over Expenditures	\$79,061	\$1,226	(\$208,661)	(\$405,432)	(\$528,490)
Fund Balance	\$217,759	\$218,985	\$10,324	(\$395,108)	(\$903,598)
Performance Audit Recommendations		\$229,000	\$686,900	\$1,373,800	\$2,060,700
<b>Amended Unreserved Fund Balance</b>	<b>\$217,759</b>	<b>\$447,985</b>	<b>\$697,224</b>	<b>\$978,692</b>	<b>\$1,157,102</b>

Source: USVLSD October 2011 Forecast

As shown in the table, implementing one-third of the performance audit recommendations per year should enable the District to avoid future forecasted fund deficits. Prior to the adoption of these strategies, USVLSD is encouraged to discuss all potential options with stakeholders for feedback and expectations.

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# Audit Objectives

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The following detailed audit objectives were utilized. The objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. In some instances, objectives were modified based on actions taken by the District to address its deficit or high risk environments identified during the project.

## Finance

- Is the District's financial reporting and payroll processing consistent with leading practices?
- How do the District's revenues and expenditures per student compare with the peer districts (including Board costs)?
- What is the District's financial condition and are historical figures valid and reliable?
- Does the District maintain an effective process for preparing financial forecasts?
- Are the District's strategic planning and budgetary processes consistent with leading practices?
- Are the District's financial management policies updated and consistent with leading practices?
- Does the District use technology in an efficient manner?

## Human Resources

- Are the District's salaries comparable to peers?
- Are the District's collective bargaining agreements consistent with leading practices?
- Are the District's employee contributions to health benefits comparable to leading practices?
- Is the District's EMIS data accurate and reliable?
- Is the District's special education program cost-effective?
- Is the District's workers' compensation program consistent with leading practices?
- Is the District's sick leave usage comparable to State averages?
- Are the teacher substitute rates comparable to the peer average?

## Facilities

- How does District utility usage compare to peer and national benchmarks and does it have a system in place to control energy usage?
- For what purpose does the District use temporary labor and is this spending comparable to the peer benchmarks?
- Is District spending on supplies and materials in line with peer and national benchmarks and are adequate controls in place over inventory?
- Are District staffing levels consistent with peer and national benchmarks and do staffing levels reflect the needs of the District?

- Does the District have a facilities master plan and a capital improvement plan that incorporate and are consistent with leading practices?
- Does the District provide adequate training to its facilities staff?
- Does the District have an effective preventative maintenance plan that is consistent with best practices?
- Does the District have a formal policies and procedures handbook for the maintenance department that complies with best practices?
- Do facilities department job titles match actual duty assignments?

### **Transportation**

- Is the District effectively maintaining and managing its fleet?
- How does the District's "yellow bus" (Type I & II) transportation service and efficiency compare with peer districts and/or industry standards?
- Does the District have policies and procedures that ensure effective management of transportation service?
- Is the District effectively managing the salary and benefits costs for transportation personnel?

In some areas USVLSD performed at benchmark levels or had already adopted recommended practices. These areas are omitted from the report.

# Financial Systems

## Background

USVLSD has experienced considerable turnover in executive management over the past three years. According to Board meeting minutes since the start of FY 2008-09, three treasurers and one assistant treasurer have resigned. During the course of the audit, the District hired a permanent treasurer who will assume responsibility of these functions; however, this high level of turnover has reduced continuity and accountability in the financial management and oversight of the District. As a result, internal controls, financial reporting, and oversight are inadequate, leading to unreliable financial information. In financial audits completed for FY 2009-10, the District was cited with ten findings and was declared a high risk auditee. In general, USVLSD did not have basic management practices in place at the time of this audit. Planning, budgeting, expenditure monitoring, and basic policies were not implemented or adhered to. As noted in this section, the implementation of basic management practices by the new administration and Board would significantly enhance USVLSD's ability to control and direct its expenditures and efforts.

**Table 1-1: Historical Expenditures**

	FY 2007-08	FY 2008-09	% Change	FY 2009-10	% Change
Administrative	\$903,022	\$1,195,039	32.3%	\$1,567,136	31.1%
Building Operations	\$1,189,998	\$1,370,912	15.2%	\$2,047,387	49.3%
Staff Support	\$38,297	\$50,435	31.7%	\$236,962	369.8%
Pupil Support	\$316,668	\$344,118	8.7%	\$587,381	70.7%
Instruction	\$2,799,308	\$2,838,957	1.4%	\$3,920,035	38.1%
<b>Total</b>	<b>\$5,247,293</b>	<b>\$5,799,461</b>	<b>10.5%</b>	<b>\$8,358,901</b>	<b>44.1%</b>

Source: ODE Expenditure Flow Model Reports

As highlighted in **Table 1-1**, total expenditures increased approximately \$3.1 million or 59 percent in the three year period. Despite poor economic conditions and minimal revenue growth, USVLSD continued to significantly increase expenditures. In all, the District's rise in expenditures led to approximately \$1.5 million in deficit spending in FY 2008-09.

**Table 1-2** compares USVLSD's FY 2009-10 expenditures on a per pupil basis to the peer average.

**Table 1-2: FY 2009-10 Expenditures per Pupil Comparison**

	USVLSD	Peer Average	Difference	Percentage Difference
<b>Administrative</b>	\$2,268	\$1,184	\$1,084	47.8%
<b>Building Operations</b>	\$2,963	\$1,894	\$1,069	36.1%
<b>Staff Support</b>	\$343	\$133	\$210	61.3%
<b>Pupil Support</b>	\$850	\$744	\$106	12.5%
<b>Instruction</b>	\$5,673	\$4,730	\$943	16.6%
<b>Total</b>	\$12,097	\$8,684	\$3,413	28.2%

Source: ODE Expenditure Flow Model Reports

The District's FY 2009-10 total expenditures per pupil of \$12,097 was significantly higher (28.2 percent) than the peer district average as USVLSD outspent the peers in every category displayed. The largest increase occurred in administrative and staff support costs. Staff support costs increased due to additional elementary education spending as well as curriculum development services.

## Recommendations

### **R1.1 Develop a strategic plan to improve District management.**

**USVLSD should create a strategic plan that outlines the mission and goals of the District. Once developed, the District should link the strategic plan to the budget, the five-year forecast, and other related plans.**

The District does not have a strategic plan. What USVLSD views as a strategic plan is a business plan that focuses on revenue generation through wind turbines and solar panels.

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 the budget, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment, and revenues.

Although there are costs associated with developing and implementing a comprehensive strategic plan, USVLSD will gain a better perspective on its future financial needs and be able to develop a more comprehensive approach to balancing its finances with its educational mission.

### **R1.2 Implement a formal budgeting process to improve financial accountability.**

**USVLSD should develop a budgeting process that communicates the District's priorities and other pertinent information to key stakeholders. In doing so, the District should ensure that budgetary goals are linked to objectives stated in the strategic plan.**

USVLSD does not have a formally documented budgeting process. Ineffective budgeting practices, coupled with loose fiscal oversight, contributed to a total of \$2.7 million in deficit

spending in FYs 2009-10 and 2010-11. Under its current process, the District does not hold meetings specifically designed to discuss the budget and there are no forums that would allow an opportunity for input from various stakeholders. Lastly, there are no monitoring tools or budgetary performance measures used to hold key personnel accountable for the use of public funds.

The manner in which the budget is developed and presented can have a significant practical impact on a government's approach to planning, control, and overall management of its programs, services, and finances, and on the quality of information provided to stakeholders. According to *Best Practices in Public Budgeting* (GFOA, 2000) a government should choose the type of budget, the manner in which it will be presented, and time period covered that best fits its needs. Budgetary practices should be an integral part of a District's financial management practices.

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# Human Resources

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## Background

USVLSD does not have a separate department dedicated to human resources. Instead, the Superintendent is responsible for overall management of these functions. General operational tasks are divided among several administrators. The Board reviews and updates District-wide policies, which include governing personnel and management. These policies include descriptions of the roles and responsibilities of the Board, Superintendent, and Treasurer, as well as the process for communication among the Board, staff, and the community.

AOS requested but did not receive documentation concerning the tracking of days worked by the Superintendent. The total work days required by the Superintendent was changed from 250 days per year in the original contract to 240 days with days worked in excess counted as overtime to be paid out at the per diem rate. Documentation identifying days the Superintendent worked and days recorded as sick days, vacation days, and personal days was requested. This was needed to ensure deductions from leave balances were accurately made, and to determine if the amendment to the required work days was made to obtain an additional form of compensation for days he was already normally working. The request was made directly to the Superintendent who stated documentation was not available of that detail. The Superintendent stated that his secretary was in charge of tracking that information and he knew that she didn't always record accurate information. It was also stated that the secretary would have been the only person that had that information and he was unaware of where the information was kept. The Superintendent's secretary terminated employment with the District during the audit process before producing the requested documentation.

### *Collective Bargaining Agreements*

The Collective Bargaining Agreements (CBA) for certificated and classified staff were reviewed and compared to surrounding districts to identify excessive or overly restrictive contract language. The surrounding districts selected were Ada Exempt Village School District (EVSD), Hardin Northern LSD, and Kenton CSD.

Areas specifically reviewed were: sick leave, personal leave, attendance bonus, classified vacation leave, minimum hour requirements for insurance eligibility, insurance opt out bonus, classified overtime policy, severance policy, and certificated early retirement incentive. **All areas are in line with the CBA provisions of the surrounding peer districts.**

### *Staffing*

**Table 2-1** illustrates the full time equivalent (FTE) staffing levels per 500 students at USVLSD compared to the average of the peer districts.

**Table 2-1 : Staffing Comparison Summary (in FTEs)**

	USVLSD		Peer Average FTE/500 Students	Difference
	FTE	FTE/500 Students		
Administrative	3.0	2.7	3.8	(1.0)
Office/Clerical	5.0	4.6	3.9	0.6
General Education Teachers	32.5	29.7	25.6	4.1
All Other Teachers	6.2	5.7	5.5	0.2
Education Service Personnel (ESP)	5.5	5.0	4.0	1.0
Educational Support	5.0	4.6	1.3	3.3
Other Certificated	1.0	0.9	0.5	0.4
Non-Certificated Classroom Support	2.0	1.8	3.0	(1.2)
<b>Sub-Total</b>	<b>60.2</b>	<b>55.1</b>	<b>47.6</b>	<b>7.5</b>
Operations	20.5	18.8	16.1	2.7
All Other Staff	1.5	1.4	1.1	0.3
<b>Total Staff</b>	<b>82.2</b>	<b>75.2</b>	<b>64.8</b>	<b>10.4</b>

Source: FY 2010-11 EMIS data submitted to ODE

USVLSD's overall staffing exceeded the peer average by 10.4 FTE per 500 students. General education teachers and educational support personnel (remedial specialists) both displayed high relative staffing levels. A reduction of four regular education teachers, two special education teachers and three remedial specialists would be needed to bring staffing levels in the highlighted areas to be more comparable with the peer average.

## Recommendations

### R2.1 Ensure accurate EMIS data.

**The District should reevaluate the EMIS reporting process currently in place. Due to the many inaccuracies, the District should designate sufficient time to review each entry for accuracy and make corrections as needed.**

Overall, the information contained in the EMIS staffing and student reports was determined to be unreliable. Specifically, the Staff Demographic Certificated and Classified reports and the All Staff Similar Districts report had numerous errors. Inconsistencies occurred during FTE assignment and position code assignment as this data varied drastically within specific position codes. In general, food service workers and bus drivers were all recorded as one FTE regardless of time spent in the position. The FTE status of each employee should reflect the amount of time within that position.

Employees were also assigned inaccurate FTE amounts. This was present in the classification of several special education staff as less than one full FTE when they should have been recorded as full time. Several employees were also still present on the District's reports that were no longer employed with the District. In a few instances, employees had been gone from the District for more than a year.

The following factors are the primary drivers of the inaccuracies that were present in the EMIS

information:

- The EMIS Coordinator position was shared between two employees. During FY 2010-11, two separate employees updated EMIS staffing information; one employee handled the Academy staff and the other employee handled the remaining employees resulting in two distinct methods of reporting.
- The EMIS Coordinator did not receive formalized training on the EMIS reporting requirements resulting in several significant errors in the FTE reporting.
- The District has experienced considerable staffing changes throughout the last three fiscal years. A high level of staffing changes makes it difficult to keep all information up to date.
- The required review by the Superintendent and Treasurer that is designed to identify and correct all the issues present in the EMIS data did not take place.

## **R2.2 Eliminate regular education teacher, remedial specialists, and special education teacher positions to bring staffing in line with peer districts.**

**USVLSD should eliminate six teacher positions (four FTE general education and two special education) and three FTE remedial specialist positions in order to bring staffing levels in line with the peer average. As it adjusts its staffing, USVLSD should create a staffing plan to better monitor and anticipate its staffing needs.**

*Prior to the release of the audit, USVLSD reduced six teacher positions and one intervention specialist effective for the FY 2012-13.*

The District does not have an effective staffing plan in place to allow for staffing changes based on student population. No formal policy exists within the District to regularly review staffing levels to determine needs from one fiscal year to another.

Because EMIS data was unreliable, AOS worked to ensure that corrections were made to the identified areas of inconsistency. Based on the revised, accurate staffing data, USVLSD's staffing levels exceeded the peer average in the following areas:

- **General Education Teachers:** USVLSD employs 29.7 FTE general education teachers per 500 students compared to the peer average of 25.6. Adjusted for the District's enrollment of 554 would constitute a reduction of 4.6 FTE. This would result in a staffing level of 28 FTEs still allowing the District to remain above the State minimum required teachers staffing level of 22.2 FTE (based on current enrollment).
- **Educational Support Staff:** USVLSD employs 4.6 FTE educational support staff per 500 students compared to the peer average of 1.3. Based on the District's enrollment, this would constitute a reduction of 3.7 FTE.
- **Special Education Teachers:** Special education teachers were analyzed based on student/teacher ratios. USVLSD's special education teacher staffing level of 4.8 FTE constituted a student/teacher ratio of 15.4, significantly lower than the peer average of 29.0. In order to approach the peer average student teacher ratio, USVLSD would need to reduce 2.5 special education teachers.

**Financial Implication:** Reducing the six positions outlined above would save the District approximately \$473,000. Savings were estimated as follows: \$223,000 in salaries and benefits for the reduction of 4 regular education teachers; \$77,000 by reducing 2 special education teachers; and \$173,000 in salaries and benefits by reducing 3 remedial specialists.

### **R2.3 Ensure actual employee pay matches proper compensation rates.**

**USVLSD should implement a more formalized process to ensure compensation amounts reflected in the certificated and classified negotiated agreements accurately reflect the pay received by each employee.**

According to ORC 4115.07, all employers are required to keep full and accurate payroll records with respect to wages paid to each employee and the number of hours worked by each employee. Despite this requirement, the certificated and classified negotiated salary schedules are not followed at USVLSD when compensating select employees. Several District employee payroll records show a pay increase compared to the agreed upon salary schedule present in the negotiated agreements. Information was requested by AOS from the District to justify salary variations; however, the District was unable to provide documentation for the areas of concern. A review of actual compensation amounts showed:

- Two custodians and two cooks receiving pay one percent pay higher than what was outlined in the salary schedule;
- One bus driver paid three percent more than the contracted amount and one driver paid 13 percent more; and
- One secretary receiving pay 30 percent higher than the amount outlined in the salary schedule.

There were also two instances of employees being compensated at lower amounts than those present in the salary schedule.

### **R2.4 Reduce the variety of health insurance plans and require employee contributions to vision insurance.**

**The District should reduce insurance expenditures by eliminating the PPO1 and PPO2 health plans and requiring all employees to enroll in the HSA plan; requiring employees enrolled in vision insurance coverage to contribute a portion of the premium; and more accurately tracking the FTE status of enrolled employees to ensure those working less than full time are receiving coverage on a prorated basis.**

The District offers three medical plan options for all employees with part time staff members not eligible for full benefits. A majority of the District employees are enrolled in the less costly HSA plan; however some employees are still enrolled in one of the two PPO plans offered. **Table 2-2** displays the premiums and contributions of USVLSD's three insurance plans.

**Table 2-2: USVLSD Insurance Plans**

	PPO1		PPO2		HSA	
	Single	Family	Single	Family	Single	Family
Premium	\$503.73	\$1,346.24	\$451.58	\$1,206.88	\$418.18	\$1,117.38
District Contribution	\$397.95	\$955.83	\$383.84	\$1,025.85	\$355.45	\$949.77

Source: USVLSD

The HSA plan has lower premiums and lower District contribution amounts. In addition, in a comparison to the SERB average premiums and contributions for the Dayton region, the HSA plan has a lower premium for single and family plans and has higher employee contribution amounts. The SERB Dayton average was also used to compare vision premium coverage, which showed that the average employee is required to contribute 77 percent for single plans and approximately 64 percent for family plans. In contrast, USVLSD does not require full time employees to contribute to their vision coverage premium.

Although part-time employees are not eligible for full insurance benefits, the District is not properly tracking FTE status. As a result, it is unable to ensure only those employees that are classified as full time are receiving benefits. Due to this inaccurate reporting, AOS was unable to determine the number of employees that are receiving full coverage insurance instead of prorated insurance.

**Financial Implication:** Requiring all employees enrolled in health coverage to enroll in the HSA plan would save the District approximately \$10,000 annually. Also, requiring employees to contribute 50 percent of their vision premium would save the District approximately \$4,000 annually.

### **R2.5 Adjust provisions within the contract of the Superintendent to better reflect market conditions.**

**The District should realign the salary of the Superintendent position to a level more comparable to the peer average. Additionally, USVLSD should discontinue the practice of allowing the Superintendent to cash out his accrued but unused vacation and sick leave each year.**

The Superintendent's annual salary amount was increased from \$85,000 to \$122,500 during the midpoint of his contract period. No explanation was provided for the change in compensation and the Superintendent's duties had largely remained the same, with the exception of serving as the elementary school principal. By comparison, the average superintendent salary at the peer districts is approximately \$88,000. In addition, AOS analyzed superintendent pay at two similar sized and similar structured (one building) districts, Bettsville Local School District and New Boston Local School District. The average superintendent salary at these districts is \$85,908.

In addition to the salary increase, the Superintendent was given the option to cash out all or a portion of accrued vacation (20 days per year) each year at his per diem rate of \$510.42, as well as all accrued sick leave (15 days per year). This fringe benefit is not provided to other District employees as vacation and sick leave payout are traditionally a severance payout only at employment termination. In addition, districts typically incorporate a cap of these payment

categories as a standard to prevent excessive accumulation. For example, USVLSD's bargaining agreements contain provisions that allow certificated and classified employees to be paid only one-fourth the value of accrued sick leave credit up to a maximum of 60 days.

Compounding the effects of salary increase and leave payout benefits is the ineffective tracking of sick leave and vacation days. This has enabled the Superintendent to show an accrued but unused balance for the full amount earned each year. A review of total salary payments made to the Superintendent in 2010 showed total compensation of approximately \$177,000.

Financial Implication: Reducing the Superintendent's salary to more align with the peer average, would save approximately \$35,000 annually while eliminating sick leave payouts could save up to \$17,500 annually.

### **R2.6 Reduce daily compensation for substitute teachers.**

**The District should reduce the daily compensation rate for substitute teachers to \$80 to reflect local rates.**

*Prior to the release of the audit, USVLSD reduced substitute teacher compensation to \$80 per day effective for FY 2012-13.*

USVLSD's daily compensation rate for substitute teachers is \$85. Daily compensation rates for substitute teachers were compared to five surrounding peer districts (Ada Exempted Village School District, Allen East Local School District, Hardin Northern Local School District, Kenton City School District, and Waynesfield-Goshen Local School District). Four out of the five surrounding districts offer a daily compensation rate for substitute teachers of \$80 with Allen East LSD offering a rate of \$68.

Financial Implication: By reducing the daily substitute compensation rate by \$5, the District would save approximately \$1,400 based on FY 2010-11 sick leave usage.

# Facilities

## Background

USVLSD is comprised of three buildings: the main building in McGuffey which houses all students, the Green Lab building which is located on the same campus as the main building, and the old Alger Elementary building which is no longer used for classes. The District also owns 640 acres of farmland near McGuffey which is leased for farming and generates \$70,000 per year in lease revenue. A total of five FTEs are dedicated to maintenance and operations, all of whom report to the Superintendent.

**Table 3-1** displays USVLSD's FY 2010-11 facilities expenditures per square foot in comparison to the peer district average.

**Table 3-1: Facilities Expenditures per Square Foot**

	USVLSD	Peer Average	Difference	Percent Difference
Salaries and Wages	\$1.39	\$1.45	(\$0.07)	(4.5%)
Employee Benefits	\$0.63	\$0.62	\$0.01	1.4%
Utilities	\$1.68	\$1.29	\$0.38	29.6%
Purchased Services (Ex Utilities)	\$3.69	\$0.75	\$2.93	388.8%
Supplies and Materials	\$1.17	\$0.35	\$0.82	232.9%
Capital Outlay	\$0.77	\$0.10	\$0.67	682.5%
<b>Total</b>	<b>\$9.32</b>	<b>\$4.59</b>	<b>\$4.73</b>	<b>103.2%</b>

Source: ODE

USVLSD's facilities expenditures per square foot were more than double the peer average. Four cost categories were significantly higher: utilities, purchased services, supplies and materials, and capital outlay. Utilities expenditures have been driven higher by expanded HVAC service to the District's field house as well as increased water costs due to water infrastructure enhancements. The primary driver of the District's excessive costs in the purchased services, supplies and materials and capital outlay categories resulted from upgrades to the field house as well as several construction and paving projects. These projects incurred costs of over \$500,000 in 2010.

## Recommendations

### R3.1 Move custodians to a 12 month schedule and reduce the use of substitute custodians.

**The District should employ custodians on a 12 month schedule in order to reduce the number of temporary workers hired over the summer.**

The District employs custodians for 240 days per year which results in the custodians having most of the month of July off, despite this being the optimal time to complete cleaning and maintenance projects that would be inconvenient during the school year. With the regular custodians off during this time, the District hires substitute custodians to work on summer projects.

During July 2010, the District spent almost \$24,000 to hire substitute custodians to assist with the summer cleaning projects and to fill in for the regular custodians. Between FY 2007-08 and FY 2009-10, spending on substitute custodians increased nearly 85 percent: from approximately \$15,000 per year to over \$23,000 per year. In contrast, paying all four custodians their regular salary for an additional month would cost the District approximately \$9,000.

Financial Implication: USVLSD could save approximately \$14,000 by moving its custodians to a 12-month schedule and eliminating its substitute custodians.

### R3.2 Discontinue the use of the Green Lab.

**The District should completely discontinue use of the Green Lab. The building housing the lab is costly to operate and is not used for any academic classes.**

Table 3-2 displays USVLSD's FY 2009-10 utilities expenditures in comparison to the peers and the American Schools & Universities (AS&U) national average.

**Table 3-2: FY 2009-10 Utilities Expenditures Per Square Foot Comparison**

	USVLSD	Peer Average	Difference	Percentage Difference	AS&U Benchmark	Difference	Percentage Difference
Energy	\$1.46	\$1.17	\$0.29	24.8%	\$1.19	\$0.27	22.7%
Water & Sewage	\$0.22	\$0.11	\$0.11	100.0%	\$0.18	\$0.04	22.2%
<b>Total</b>	<b>\$1.68</b>	<b>\$1.28</b>	<b>\$0.40</b>	<b>31.2%</b>	<b>\$1.43</b>	<b>\$0.25</b>	<b>17.3%</b>

Source: Facilities EFM Comparison Workbook; AS&U Survey

USVLSD's FY 2009-10 energy expenditures exceeded the peer average and the national benchmark published by the AS&U by 29.6 percent and 17.3 percent, respectively. When analyzing specific categories, the largest difference between the District and peers occurred in water and sewage expenditures which double the peer average.

In an effort to reduce energy costs, the District signed a contract with NextGen Energy Partners, to construct two large wind turbines on the grounds of the District's main building in 2009. The

District also entered into a similar agreement with Scioto Valley Solar LLC for the purchase of power from two solar panels, which were also built on the grounds of the McGuffey building. Along with the construction of the turbines and solar panels, the District completed construction on a Green Lab building with the intent that this building would house an entire curriculum dedicated to alternative energy. However, two years after completing the construction of the building, the District is not using it for any educational purposes. As a result, payments for utilities and other upkeep are taking place with no educational benefits yielded.

Between the fall of 2009 and 2010, the turbines and solar panels saved the district approximately \$2,000. It is likely that energy savings from the solar panels will increase, as the panels were only online for three months during the 12 month period which is reflected in the estimated 2009-2010 savings report. An analysis of monthly savings from 2010 showed the District saved an average of \$91 per month from the use of the solar panels. Projecting this savings over a one year span could result in an estimated \$1,000. In total, the turbines and solar panels could reduce the District's electricity expenditures by approximately \$3,000 per year. It should be noted that the contracts guarantee that the electricity from the solar panels and wind turbines will increase in cost at the rate of 4 percent per year, so the savings are likely to diminish over time.

Financial Implication: Discontinuing use of the Green Lab could save the District \$7,300 based on the building's size of 5,000 square feet and estimated energy costs of \$1.46 per square foot.

# Transportation

## Background

The Transportation Department was overseen by a Transportation Facilitator who retired during the course of the audit. Due to this development, the transportation function now falls under the management of the superintendent, an administrative assistant, and the facilities maintenance worker. For FY 2011-12, the District has eight drivers and has chosen to not fill the vacant facilitator position. The District also does not employ mechanics as all repairs are contracted out.

The District begins the routing process by modifying routes from the previous year to accommodate changes in enrollment. A single bell schedule is used with single-tier routing. Cluster stops are used where appropriate. Six routes travel to the District school building and the remaining two routes transport students to non-District school sites. All routes begin no earlier than 7:00 AM and run for an average of 61 minutes, with all routes falling within fifteen minutes of that average.

**Table 4-1** compares USVLSD's transportation operational data to the peer average.

**Table 4-1: Key Statistics and Operating Ratios**

	USVLSD	Peer Average
Daily Miles per Rider	2.2	1.6
Riders per Square Mile	3.5	6.3
Enrollment per Square Mile	6.7	10.1
Public Riders as % of Enrollment	48%	61%
Regular Riders per Regular Bus	33.8	55.4
Yellow Bus Riders per Active Bus	34.6	51.1
ODE Efficiency Ratio	1.0	1.2
Routine Miles per Active Bus	13,716	14,581
Non-routine to Routine Ratio	9.3%	11.4%
Non-routine Miles per Enrollment	19.5	19.8
Per Yellow Bus Rider	\$1,085.33	\$872.78
Per Active Bus	\$37,552.30	\$44,214.43
Per Routine Mile	\$2.74	\$3.04

**Source:** USVLSD and peer district T-forms

USVLSD transported fewer students per bus at a higher cost than the peers. Specifically, the District transported approximately 22 fewer students per bus at a rate 24.2 percent more costly per student. A primary driver of the lower ridership can be seen by the District have fewer enrollment per square mile (6.7 compared to 10.1 for the peer average) as well as fewer riders

per square mile (3.5 compared to 6.3). As a result of the lower population density, USVLSD had to travel an additional 39 miles per day in comparison to the peers.

## Recommendations

### **R4.1 The District should recover costs for non-routine transportation.**

**The District should comply with Board policy and the Ohio Administrative Code and recover the costs associated with non-routine transportation.**

Board policy states that the costs for non-routine transportation should be reimbursed. These costs include driver salary and benefits, fuel, maintenance, service, supervision, and insurance, as reported on the district's T-2 reports. The Superintendent stated that the Board chooses not to charge extra-curricular funds for the use of buses.

The District demonstrated that detailed paper records are kept for non-routine transportation, however that detail does not extend to the records stored within the accounting information system. Auditors examined the District's financial records and found inconsistent treatment of non-routine costs from FY 2009-10 to FY 2010-11.

Financial Implication: Recovering costs for non routine transportation of students could save the District approximately \$18,000 based on average non routine costs since FY 2009-2010.

### **R4.2 The District should eliminate two bus routes and periodically monitor routing efficiency.**

**The District should formally monitor ridership throughout the school year and adjust routes accordingly. In order to do this, the District should conduct frequent ridership counts and recalibrate routes to achieve maximum ridership; monitor active riders and discontinue service to those who may no longer be using USVLSD bus service; and require parents to confirm planned use of District transportation services annually. In addition, USVLSD should determine a ridership benchmark which reflects its desired service level, balance this service level with its financial condition, and periodically evaluate its success in achieving this level of efficiency.**

*Prior to the release of the audit, USVLSD eliminated one bus effective for FY 2012-13.*

USVLSD deployed ten active buses in FY 2009-10, operating on single tier routes and transporting a total of 346 students (33.8 riders per active bus). In FY 2010-11, the District operated eight buses to transport 289 riders, increasing ridership to 36.1 students per active bus. Service levels, routing parameters, and the geographical attributes of the District affect its ridership and bus utilization rates.

In order assess bus utilization, AOS created a target efficiency calculation that assumes three students per seat for elementary transportation and two students per seat for middle and high school transportation. This target is based on bus manufacturer's rated capacity and other

industry sources. Subsequently, an 80 percent utilization factor is applied to the bus capacity calculations, based on information from American Association of School Administrators (AASA) and Management Partnership Services (MPS). **Table 4-2** shows this analysis based on the District's FY 2011-12 reported ridership. Because the District effectively operates on a single tier for all grade levels, the analysis assumes that half the ridership is elementary and half is middle/high school riders reflecting the proportion of the District's actual student population.

**Table 4-2: Bus Capacity Analysis**

	FY 2011-12
Active Regular Buses	8
Total Benchmark Capacity	384.0
Benchmark Capacity per Bus	48.0
Type 1 Riders	289
Average per Bus	36.1
<b>Number of Buses to Achieve Benchmark</b>	<b>6</b>
<b>Number of Bus Reductions</b>	<b>2</b>

Source: USVLSD T-1 form

Target efficiency calculations show that USVLSD could eliminate two active buses. It should be noted that, in order to verify the reliability of the FY 2011-12 headcounts as well as obtain a broader sample of actual ridership, auditors conducted headcounts of two buses. From these counts, it was determined that USVLSD's ridership is apt to change significantly. An analysis of ridership counted in November for a sample of two routes compared to the October headcount of the same buses showed 38 percent less students on each bus compared to count reported in October. This signifies that actual riders may be lower in practice than reported and may allow USVLSD to reduce more than two buses.

Financial Implication: Eliminating two active buses could save approximately \$60,000 per year based on FY 2010-11 transportation costs.

#### **R4.3 Create internal control procedures to ensure the accurate and timely submission of T-report information.**

**USVLSD should implement appropriate internal control procedures for completing all T-forms to ensure accurate and complete reporting. The procedures should provide checks to ensure submitted reports reconcile with the Treasurer's records. In order to ensure more accurate reporting, USVLSD should:**

- **Ensure the Treasurer's Office and Transportation Department work together to improve the accuracy in reporting, based on ODE's T-reporting instructions.**
- **Establish a process to properly classify and identify special needs costs and distinguish them from regular busing costs.**
- **Establish a process to separate expenditures for routine and non-routine**

**transportation**

- **Require the Treasurer and Transportation Supervisor to attend the next T-reporting training provided by OASBO and ODE, so that they have a shared understanding of reporting requirements prescribed by ODE.**
- **Develop written procedures outlining the nature of any required collaboration between key administrators, and document the processes used in recordkeeping to help USVLSD improve its reporting.**

School districts in Ohio are required to submit transportation forms (T-forms), which report ridership and cost data to ODE. Ridership data is reported to ODE through the submission of the T-1 form. USVLSD does not have formal control procedures to ensure the accuracy and timeliness when reporting transportation data to ODE. As a result, the following errors were noted in USVLSD's T-1 forms:

- The FY 2011-12 report was submitted two days late because it had not been signed by both the Superintendent and the Treasurer by the due date;
- The FY 2010-11 report included several errors that amounted to overstating ridership by 16 percent and daily miles traveled by five percent; and
- The FY 2009-10 report reported 14 percent more riders than October count sheets could substantiate and understated the fleet's total daily miles traveled by nine percent.

Transportation cost information is submitted to ODE through the submission of the T-2 form. Within several expenditure categories of the District's FY 2009-10 T-2 form were several differences between reported expenditures and accounting records. In particular, the District reported bus driver salaries as \$5,644 less and maintenance supplies as \$4,177 more than can be substantiated with accounting records. The District reported 9.8 percent of total transportation expenditures were used for special education transportation in FY 2009-10, however, the District only reported seven special education riders of nine total riders on the bus. The cost for the two regular riders should have been prorated and subtracted from the total expenditures for special education. The result is the District reported \$8,204 more in special education transportation expenditures than ODE instructions permit.

**R4.4 Monitor fuel market rates and apply for Motor Fuel Tax Refund.**

**The District should join the DAS State of Ohio Purchasing Program and take advantage of fuel prices available through this program when warranted. Additionally, the District should claim the Motor Fuel Tax Refund which is available up to 365 days following a fuel purchase.**

The Department of Administrative Services (DAS) offers a cooperative purchasing program for school districts in Ohio at an annual price of \$100. USVLSD has not taken part in this program, instead purchasing diesel fuel through a local cooperative. **Table 4-3** shows a comparison between a sample of USVLSD's fuel invoices and the price available through the DAS program contract from the same date.

**Table 4-3: DAS Diesel Fuel Price per Gallon Comparison**

Week	Gallons Purchased	District Price per Gallon	DAS Price per Gallon	Difference
10/4/2011	600	\$3.468	\$3.282	\$0.186
0/11/2011	318	\$3.438	\$3.377	\$0.061
10/18/2011	550	\$3.518	\$3.500	\$0.018
10/25/2011	510	\$3.548	\$3.620	(\$0.072)
<b>Average Price</b>		<b>\$3.493</b>	<b>\$3.445</b>	<b>\$0.048</b>

**Source:** USVLSD fuel invoices and DAS fuel contract price adjustments

The District paid a higher price than the DAS program average in three of the four weeks sampled. An analysis of the DAS program revealed that the District is purchasing fuel from the same vendor that supplies fuel through the regional DAS fuel contract, but at an average of almost \$.05 a gallon more during the month sampled. Being a member of the DAS program would allow USVLSD to compare prices between DAS and the local cooperative and select the lower price.

Further escalating the District's fuel costs is the fact that it has not historically applied for the Motor Fuel Tax Refund of \$.06 per gallon available through Ohio Department of Taxation. This refund is available to government entities that purchase fuel for road use within one year of the fuel purchase.

Financial Implication: Applying for and receiving the Motor Fuel Tax Refund of \$.06 per gallon would save the District approximately \$1,100 annually while using the DAS State of Ohio Purchasing Program could save \$900 based on average gallons of fuel purchased since FY 2008-09.

## District Response

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

As noted in the response, the District stated that it chose to voluntarily undergo this audit. AOS undertook this audit at the request of the Ohio Department of Education and various governmental entities in Hardin County that had communicated concerns about the District's operations to AOS. During the early phases of the audit, prior District administrators did not cooperate with auditors and did not provide requested information. This delayed the audit process and required auditors to omit areas where the District could not provide documentation. These individuals were replaced by the Board during the audit.



# Upper Scioto Valley Local Schools

510 S. Courtright Street, PO Box 305 • McGuffey, Ohio 45859 • Telephone (419)757-3231 • Fax (419)757-0134

**Dennis Recker, Superintendent**

[www.usv.k12.oh.us](http://www.usv.k12.oh.us)

**Stacy Gratz, Treasurer**

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

Dear Auditor Yost,

On behalf of the Upper Scioto Valley Local School District's Board of Education and administrative team, we would like to thank the entire Performance Audit team for their time and effort in preparing the audit report for USV. The staff was thorough and professional during all phases of the performance audit. The district voluntarily engaged in this audit process to give the Board of Education and district leadership an additional tool to further streamline district operations and continue to improve district efficiencies.

The recommendations identified in the report will lead us in new and productive directions in managing the affairs of the District. The recommendation to develop a strategic plan to improve district management is not financially feasible at this time. However, USV will continue to monitor its finances and as soon as financially possible, develop and implement a comprehensive strategic plan.

The treasurer's office affirms a commitment to improving financial accountability by implementing a formal budgeting process for the upcoming school year. Every department will be held accountable. Everyone will be responsible for establishing a budget and a spending plan. With the forecasted outlook of the district, a deviation from the plan will not be tolerated.

The district staffing analysis has already been used to make informed decisions in recent budget reductions, resulting in the elimination of several identified positions through attrition and a reduction in force (RIF). For the upcoming 2012-2013 school year, USV has reduced an additional seven (7) positions. For the 2011-2012 school year, nine (9) teaching positions were reduced. We will continue to monitor class size and children needs and modify or reduce positions as needed.

The administrative staff is looking at ways to address the reported inefficiencies of the human resource department. Since the time this audit was initiated USV has employed five (5) different treasurers, four (4) payroll administrators, and a new administrative assistant. We are very aware of how difficult this makes it in keeping all information accurate and up to date. The

current staff is attending trainings and reviewing reports daily to make sure the data being reported to ODE is accurate. We will continue professional development in the area of EMIS to ensure accuracy of data.

The new fiscal staff is implementing a process for cross checking compensation amounts for employees. We are hopeful this will eliminate any pay discrepancies in the future. Also the new treasurer has reinforced the importance of timesheets and now ALL hourly employees are required to complete a timesheet.

USV participates in the Hardin County Health Insurance Consortium. At this time, three (3) health insurance plans are being offered. The consortium continues to monitor costs and evaluate the types of plans offered to the employees. USV will address having employees contribute to their vision premiums, but this is subject to negotiations with the unions in the collective bargaining agreements.

The contract of the superintendent has been addressed. USV is very confident these issues are behind us, by hiring an experienced superintendent who has successfully dealt with similar issues.

USV will be reducing the daily compensation rate for substitute teachers to \$80.00 per day a 6.25% reduction for the upcoming 2012-2013 school year. We are also looking into ways to reduce the hourly amounts of the classified substitutes.

The current administration is aware of the issues reported in the facilities portion of the performance audit and have addressed those issues with the current board of education and staff. The current administration has, or will be, implementing the proper changes moving forward. We are closely monitoring the utility expenditures and are exploring methods of immediately reducing those costs.

USV has rehired its transportation facilitator since this audit was completed and has had a bus driver retire. We will not be replacing that driver for the 2012-2013 school year, thus reducing costs. We are evaluating the routes and student bussed for the upcoming school year. We are aware that our utilization rates are not as high as peer districts but our goal here at USV is to keep bus riding time at a minimum for our students since we do cover such a large area. We are also in the process of reviewing the non-routine transportation costs and evaluating ways to better track this information in the accounting system as well as in detailed paper records for T-2 reporting. USV will be employing a Supervisor to oversee the transportation department. With this employment a process will be implemented to ensure the accurate and timely submission of T-reports and establish an internal control process.

USV will be enrolling in the Department of Administrative Services cooperative purchasing program for the 2012-2013 school year. We will then compare prices between DAS and the local cooperative and select to purchase from the lower priced vendor. USV will also be applying for the Motor Fuel Tax Refund available through the Ohio Department of Taxation.

The administrative team at USV is also working cooperatively in implementing more recommendations from your report. We will continue to analyze the information gained through the audit process for the continued improvement of our school district. We thank you for your time and efforts.

Most importantly, what you have provided us will benefit children in Upper Scioto Valley for years to come.

Sincerely,

*Dennis L. Recker*

Dennis Recker  
Superintendent  
Upper Scioto Valley LSD

*Stacy Gratz*

Stacy Gratz  
Treasurer  
Upper Scioto Valley LSD