



**JIM PETRO**  
**AUDITOR OF STATE**

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STATE OF OHIO

# CLEVELAND MUNICIPAL SCHOOL DISTRICT PERFORMANCE AUDIT

## FOLLOW-UP REPORT

SEPTEMBER 9, 1999

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# EXECUTIVE SUMMARY

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## Project History

The State Legislature included, within the FY 1998-99 Biennial Appropriations Act passed on June 30, 1997 (Am. Sub. HB 215-122nd G.A.), an urban initiative package which earmarked an additional budget allocation of \$113.58 million for the largest twenty-one urban school districts in the State of Ohio. The urban initiative package resulted from a series of programs/ideas proposed by the urban districts to help solve unique problems the urban districts face in effectively educating their students. The programs contained within the urban initiative package included extended and full-day kindergarten (\$86.8 million); school readiness resource centers (\$10.2 million); the Jobs for Ohio Graduates Program (\$3.3 million); Graduation, Reality and Dual Role Skills Program (\$1.8 million); professional development for urban leadership academies (\$6 million); and teacher-peer review (\$5.48 million). As a condition to receiving these additional dollars, the urban districts were required to comply with two conditions. The first condition required the districts to implement an academic performance benchmarking program. The program must contain certain performance indicators including graduation rates, attendance rates and literacy levels, while also establishing a strategy for achieving enhanced performance levels on all indicators.

The second condition required the urban districts to undergo performance audits conducted by the State Auditor's Office. Within six months of the completion of the performance audit, each school district is required to complete an "*economy and efficiency plan*" consistent with the recommendations of the performance audit. The district's school board or other managing authority is required to approve the economy and efficiency plan. The economy and efficiency plan then must be approved by the Superintendent of Public Instruction of the Ohio Department of Education (ODE) in consultation with the Office of Budget and Management.

The performance audits on the urban districts were completed by June 30, 1999. Because comprehensive performance audits had already been completed in the Cleveland and Youngstown School Districts prior to enactment of Am. Sub. HB 215, it was determined that new audits would not be conducted. Rather, a determination was made to conduct follow-up assessments of the implementation status of the recommendations contained in the 1996 audits.

Included within the Am. Sub. HB 215 was the requirement that Cleveland Municipal Schools and Youngstown City School District submit an economy and efficiency plan by October 30, 1997. The economy and efficiency plan should represent a formal self-assessment of internal operations allowing for the development of recommendations which will facilitate the generation of monetary savings, additional revenue or the improvement of district efficiency. The economy and efficiency plan should correlate with other district strategic plans and formal procedures should be utilized to

provide detailed assessments of the progress of current recommendation implementation and future implementation plans. Recommendations should be comprehensive, outlining implementation plans, steps to be completed, targeted completion dates and potential cost savings or efficiency improvements. The inclusion of such detailed information allows for an assessment regarding the effectiveness of the district's economy and efficiency plan implementation.

Initially, Cleveland Municipal Schools' internal audit department was charged with monitoring the implementation of the economy and efficiency plan and the Financial Planning and Supervisory Commission was overseeing its implementation. However, as of July 1998, Cleveland Municipal Schools discontinued its formal monitoring of the implementation. Cleveland Municipal Schools had been encouraged to re-establish its past practice of monitoring its economy and efficiency plan.

## **District Overview**

In March 1995, a federal judge overseeing the district's desegregation case ruled that the management of the district would be placed under the control of the Ohio State Superintendent of Public Instruction. The results of a performance audit conducted in March 1996 indicated that if current revenue, spending and borrowing trends continued unchecked at Cleveland Municipal Schools, the district would be \$1.4 billion in debt by the year 2004.

The State Superintendent was ordered to institute reforms to enable the district to achieve financial stability. During the same period, the state legislature created two new pieces of legislation to assist local government entities and Cleveland Municipal Schools, in particular, in achieving financial stability and in changing the district's governance structure. House Bill 462, passed in September 1996, established a fiscal emergency status and created a Financial Planning and Supervisory Commission to oversee financial management practices for entities placed in fiscal emergency. Upon being placed in fiscal emergency, a Financial Planning and Supervisory Commission was instituted to oversee financial and management reforms in Cleveland Municipal Schools. House Bill 269 initiated changes in the governance structure of the district. A repeal of the 1995 ruling was necessary to alter the governance of the district to fulfill the legislation and Ohio Substitute House Bill 269 was immediately implemented after the federal ruling was vacated on September 9, 1998. The legislation called for the transfer of supervision and control of the district to a nine member board appointed by the Mayor of the City of Cleveland.

The performance audit conducted by the State Auditor's Office in March 1996 contained 144 recommendations. The performance audits were designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. Cleveland Municipal Schools has demonstrated a commitment to improving its operational efficiency by fully or partially implementing 93, or 65 percent, of the 144 recommendations.

Since the 1996 performance audit, many positive changes have taken place at Cleveland Municipal Schools, of which certain changes can be directly attributed to the performance audit. The district's five-year forecast dated August 1999 projects a level of financial stability through FY 2003-04. The district's financial recovery can be attributed to the following:

- ! Development of a five-year financial recovery plan by the district in March 1997. The implementation of the recovery plan was successfully overseen by the Financial Planning and Supervisory Commission.
- ! Passage of a 13.5 mill continuing property tax levy in November 1996, which is expected to generate approximately \$70 million annually.
- ! Implementation of recommendations in the performance audit, which has generated approximately \$49.6 million in financial benefits including approximately \$39.8 million of

expenditure reductions and approximately \$9.8 million of revenue enhancements.

- ! Receipt of additional revenues including intergovernmental revenue provided by the new state funding formula, partial return of abated properties to the tax rolls, restructuring of operating debt and a capping of the interest rate and additional revenues generated from the urban initiative package pursuant to Am. Sub. H.B. 215.

Cleveland Municipal Schools has made significant progress in implementing recommendations contained within the performance audit. Certain major recommendations which were implemented include:

- ! One of the largest areas of savings recommended in the performance audit was achieved in the area of staffing reductions and salary freezes. The district indicated that 279 teaching positions and 22 administrative positions were eliminated effective with the 1996-97 school year generating a savings of approximately \$8.1 million.
- ! The district realized approximately \$10.5 million dollars in savings as a direct result of a one year salary freeze.
- ! Employee contributions for health care coverage were increased across the board beginning July 1, 1997. Additionally, the district eliminated the costly traditional plan and added a lower cost alternative. The district realized approximately \$7.6 million dollars in savings as a direct result of changes to medical benefits.
- ! The district has sold nine facilities since the performance audit generating approximately \$1.0 million. There are pending sales on eleven facilities with an approximate value of \$2.6 million and two facilities are to be placed on the market in the near future with a combined appraised value of \$107,000.
- ! The district has effectively used the performance audit recommendations as a tool to manage technology throughout the district. The changes that are being implemented in the technology area are contributing to overall management efficiencies and are a required component of being removed from fiscal emergency. The district utilizes several long-range strategic planning documents as a guide to aligning technical staff, funding and technical resources with the district's long-term objectives. In 1997, the district created the Student Teacher Education and Process System (STEPS) to manage and monitor current technology projects as well as plan for future technology projects. The district also acquired and installed an automated purchasing system, a financial management system and a transportation management system. Currently, the district is in the process of implementing an integrated human resources and payroll system and is planning on implementing other key software in the near future. In addition, Cleveland Municipal Schools has installed a variety of computer

hardware as well as local area networks and a wide area network.

- ! As recommended in the performance audit, the district contracted with an outside consulting firm to perform Medicaid billing. As a result, the district has realized approximately \$5.8 million dollars in additional Medicaid reimbursements since July 1997.
- ! Changes were implemented in the peer review program and the number of professional days for teachers which resulted in savings of \$6.3 million.

## **Report Structure and Organization**

This performance audit follow-up report has been structured to parallel the organization of the original performance audit released on March 15, 1996. That audit included a review of the 12 operational areas listed below and provided several recommendations in each area.

- ! Finance-Revenue and Debt
- ! Governance
- ! Purchasing
- ! Facilities
- ! Food Services
- ! Transportation
- ! Technology Utilization
- ! Payroll
- ! Human Resources
- ! Management Reporting/Budgeting
- ! Competitive Contracting/Private Contracted Services
- ! Average Daily Membership

Each section of the follow-up report provides an abbreviated statement of the original recommendation, followed by a summary of each recommendation as found in the performance audit.

Each recommendation is followed by the district's response which reflects its intent with respect to implementation. The information in this section is derived from four sources: the district's initial response to the performance audit, the district's economy and efficiency plan dated October 28, 1997, supporting documentation provided by the district, and interviews with key district administrators.

Some recommendations also include an internal auditor's response. The internal audit division was initially assigned by the district to monitor and report on the status of implementation of the performance audit recommendations and the economy and efficiency plan. Where available, the internal auditor's comments have been incorporated in the follow-up report to more fully support the assessment of implementation status.

Next, an assessment of the implementation status is reported. This assessment is based upon information provided by the district and is highly dependent upon the accuracy and adequacy of the supporting documentation provided. Recommendations lacking sufficient supporting documentation were determined not to have been implemented.

Finally, some recommendations include a performance auditor's comment. These comments are

intended to reinforce, clarify or modify the intent of the original performance audit recommendation; to expand upon an implementation status assessment; or to encourage further action by the district with respect to a particular recommendation.



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<b>Finance Revenue and Debt</b>		<b>Audit Assessment of Implementation Status</b>			
<b>Rec. No.</b>	<b>Recommendation</b>	<b>Full</b>	<b>Partial</b>	<b>None</b>	<b>Requires Negotiation</b>
3.1	Maximize non-traditional income		<b>B</b>		
3.2	Seek reimbursement on abated properties			<b>E</b>	
3.3	Maximize Medicaid reimbursement	<b>A</b>			
3.4	State Auditor to audit desegregation expenditures			<b>G</b>	
3.5	Separately track desegregation expenditures			<b>F</b>	
3.6	Set up year-round school assessment team	<b>A</b>			
3.7	Labor agreement - spending not related to instruction			<b>E</b>	<b>X</b>
3.8	Labor agreement - flexibility			<b>E</b>	<b>X</b>
3.9	Labor agreement - outsourcing permission			<b>E</b>	<b>X</b>
3.10	Labor agreement - automatic increases	<b>A</b>			<b>X</b>
<b>Governance</b>		<b>Audit Assessment of Implementation Status</b>			
4.1	Place District's financial planning under Financial Planning and Supervision Commission	<b>A</b>			
4.2	Gradually return the district to local control	<b>A</b>			
4.3	Clearly define and limit the school board's roles		<b>C</b>		
4.4	Legislation mandating a governance review process for school districts			<b>G</b>	
4.5	Enact a charter school law in Ohio	<b>A</b>			

**Key to Audit Assessment of Implementation Status**

- A** Recommendation fully implemented
- B** Recommendation partially implemented, further action required
- C** Recommendation implemented, on-going action required
- D** Recommendation no longer pertinent, no action required
- E** Management concurs with recommendation, no action taken
- F** Management does not concur with recommendation, no action taken
- G** Recommendation requires legislative action or action by other

<b>Purchasing</b>		<b>Audit Assessment of Implementation Status</b>			
<b>Rec. No.</b>	<b>Recommendation</b>	<b>Full</b>	<b>Partial</b>	<b>None</b>	<b>Requires Negotiation</b>
5.1	Limited scale automation		B		
5.2	Fully integrated purchasing system		B		
5.3	Update and distribute purchasing manual		B		
5.4	Clarify vendor coding instructions			E	
5.5	Minority Business Enterprise certification			E	
5.6	Increase the number of term agreement contracts			E	
5.7	Reduce number of direct pay requests		B		
5.8	Minimize/eliminate duplication in the purchase order process		B		
<b>Facilities</b>		<b>Audit Assessment of Implementation Status</b>			
6.1	Address the physical conditions of the district's facilities		B		
6.2	Develop capacity analysis and space plan		B		
6.3	Restructure labor agreements for maintenance/custodial workers		B		X
6.4	Subcontracting facilities			E	
6.5	Restructure facilities organization structure		B		
6.6	Determine appropriate staffing levels			E	
6.7	Formalize budget development process		B		
6.8	Implement a preventive maintenance program			F	

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
6.9	Keep the Ridge Road Trades building open	A			
6.10	Relocate Facilities Division to Ridge Road building			F	
6.11	Feasibility of purchasing vehicles for Trades staff		B		
6.12	Inventory control procedures			E	
6.13	Utilize the work order maintenance system		B		
6.14	Centralize grounds equipment and crews			F	
6.15	Develop work performance and material utilization standards			E	
6.16	Develop and implement a formal communications process	A			
6.17	Establish guidelines for minimum custodial budget allocations		B		
6.18	Revise the purchasing process for custodians		B		
6.19	Pagers	A			
6.20	Rubbish collection	A			
6.21	Custodial training program		B		
6.22	Sale of properties		B		
<b>Food Service</b>		<b>Audit Assessment of Implementation Status</b>			
7.1	Implement Point of Sale system		B		
7.2	Keep the Central Kitchen at its current location	A			
7.3	Increase meal and à la carte meal prices		B		

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
7.4	Modify food service employee benefits		B		X
7.5	Increase participation rates			E	
7.6	Modify lunchroom attendant hours	A			
<b>Transportation</b>		<b>Audit Assessment of Implementation Status</b>			
8.1	Restructure labor agreements		B		X
8.2	Subcontracting transportation			E	X
8.3	Develop an automated routing system	C			
8.4	Provide in-house bus service for field trips	A			
8.5	Methodology for charging schools for field trips	C			
8.6	Reduce obsolete inventory	C			
8.7	Reduce inventory levels	C			
8.8	Consolidate the Ridge Road parts shop with the Central Parts Warehouse	A			
8.9	Management of bus parts inventory		B		
8.10	Coordinate professional days for districts	A			X
8.11	Eliminate the second bid process		B		X
8.12	Establish a cut-off date for student registrations			B	
8.14	Reassess the tiered bell policy			F	
8.15	Eliminate the current residency requirement for bus drivers			E	

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
<b>Technology</b>		<b>Audit Assessment of Implementation Status</b>			
9.1	Long range strategic systems plan - replacement initiative		B		
9.2	Enhance technical skills		B		
9.3	Regulate procurement, technical support and maintenance		B		
9.4	Operational enhancements		B		
<b>Payroll</b>		<b>Audit Assessment of Implementation Status</b>			
10.1	Automated Time & Attendance System			E	
10.2	Outsourcing payroll			F	
10.3	Perform a payroll payoff		B		
10.4	Complete time sheets on an exception basis	A			
10.5	Provide in-service meetings	C			
10.6	Distribute time sheets in a timely manner	A			
10.7	Establish a "sweep account"			E	
10.8	Resort time sheets and checks			F	
10.9	Establish electronic funds transfer			E	
10.10	Obtain health care invoices electronically if feasible	A			
10.11	Do not renew provision on health insurance dividends	A			

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
<b>Human Resources</b>		<b>Audit Assessment of Implementation Status</b>			
11.1	Change Department Structure	A			
11.2	Implement a Human Resources Information System		B		
11.3	Automate Substitute Calling System	A			
11.4	Health Care Agreements		B		X
11.5	Develop Board Policies		B		
11.6	Residency Requirement		B		
11.7	Employment Transactions			E	
11.8	Contracts with Administrators			F	
11.9	Student Records			E	
11.10	Mission Statement			E	
11.11	Peer Review Program		B		X
11.12	Career Ladder Program	A			
11.13	Campus Recruiting		B		
11.14	Records Retention	C			
11.15	Turnover Rates and Exit Interviews	C			

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
11.16	Job Classifications, Evaluation and Salary Administration System		B		X
11.17	Management Information Reports			E	
11.18	Tracking Grievances		B		
11.19	Properly cross-train staff		B		
11.20	Eliminate duplication of efforts			D	
11.21	Hire new substitute teachers from available pool		B		
11.22	Modify performance appraisal system		B		
11.23	Eliminate performance bonus component			F	
11.24	Health care		B		X
11.25	Teacher certification monitoring	A			
11.26	Using the Ohio Bureau of Employment Services for Hiring Classified Personnel	C			
<b>Management Reporting/Budgeting</b>		<b>Audit Assessment of Implementation Status</b>			
12.1	Community input		B		
12.2	Develop goal oriented budget			E	
12.3	Automate budget process		B		
12.4	Permit carryover of funds		C		
12.5	Reallocate inside millage			D	
12.6	Establish capital plan and budget		B		

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
12.7	New reports for public			E	
12.8	New reports for management			E	
12.9	Reports on-line		B		
12.10	Download software		B		
12.11	Internal Audit - add EDP auditor	C			
12.12	Internal Audit to Report to independent committee			F	
12.13	Internal Audit Mission Statement			F	
12.14	Internal Audit - allocation of time	A			
12.15	Internal Audit - verbal reports to Board			F	
12.16	Internal Audit - audit letters to Board			F	
12.17	Internal Audit follow-up			F	
12.18	Internal Audit training budget	A			
<b>Competitive Contracting/Private Contracted Services</b>		<b>Audit Assessment of Implementation Status</b>			
13.1	Begin evaluating the use of private contractors		B		
13.2	Implement a Privately Contracted Services initiative			E	X
13.3	Prepare for union opposition to outsourcing			E	X
13.4	Activity based costing system			F	
13.5	Central monitoring center		B		

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Rec. No.	Recommendation	Full	Partial	None	Requires Negotiation
13.6	Consider a private contractor for security services			F	
13.7	No Recommendation was made				
13.8	On-line access for Medicaid coordinator			F	
13.9	Eliminate county MRDD billing fee	A			
13.10	Subcontracting billings	A			
13.11	Tuition billing		B		
13.12	Negotiate cost-per-copy contract		B		
13.13	Copy & print services			E	
13.14	Internal copy machine usage			F	
<b>Average Daily Membership</b>		<b>Audit Assessment of Implementation Status</b>			
14.1	Mid morning homeroom			F	
14.2	In-school attendance follow-up			F	
14.3	Duplicate data identification		C		
14.4	Computer calling system	A			
14.5	Tracking student files	A			
14.6	Communicating the importance of ADM	A			
14.7	ADM accountability	A			

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## Finance - Revenue and Debt

### Major Recommendations

Under current state law the only viable way that the CCSD can eliminate its cumulative operating debt, in order to achieve financial stability and balance its budget, is for the “governing body” to implement a long-term plan consisting of 10 steps which combine significant spending reductions, voter-approved local taxes, and additional borrowing. Currently, the governing body of the District under Court Order is the Ohio Department of Education. It is recommended, as described fully in the Governance Section of this report, that the District’s operations should be placed under the control of a Financial Planning and Supervision Commission. Further, it is believed that such a commission could be ordered and created by the federal desegregation judge and, if he chooses not to do so, then the General Assembly could enact legislation to do so. In the following steps, the term “governing body” is used to identify who should be responsible for taking the specified actions, but it should be understood that it is the Auditor’s recommendation that the governing body be an appointed Financial Planning & Supervision Commission.

The fiscal implications of the following steps are outlined in Scenario B at the end of this section.

#### 10 Steps to Restoring Financial Stability to the Cleveland City School District

**Step 1) The CCSD governing body should focus its immediate attention on reducing the District’s General Fund debt before addressing capital concerns.**

##### District Response

Since the issuance of the Performance Audit in March 1996, a number of developments have occurred which have dramatically improved the financial prospects of the District. Among these developments are: 1) staff reductions and realignments resulting in a savings in personnel costs, 2) completion of collective bargaining with all employee groups resulting in three-year agreements expiring in 1999, and 3) the declaration of a “fiscal emergency” by the State Auditor leading to the establishment of the Financial Planning and Supervision Commission for the District in November 1996, which, in turn, led to the adoption of a Financial Recovery Plan approved by that Commission on March 28, 1997, and, 4) the refinancing of the General Fund operating debt over a 10 year period. Also, the voters approved a 13.5 mill levy, the first in many years, in November 1996.

The creation of the Financial Planning and Supervision Commission and the

development of the Financial Recovery Plan provided the District with the ability to issue Series 1997 Revenue Anticipation Notes in the principal amount of \$138,955,000 through a public offering. This issue provided funds with which to pay current expenses of the District between the date of issuance of the Notes (May 22, 1997) and June 30, 1997, the end of the last fiscal year, and to advance refund the Series 1993 and Series 1996 Revenue Anticipation Notes previously issued by the District. The 1997 Notes will be repaid over a 10 year period (rather than the previously required two years), thereby reducing the District's annual debt service requirements by a budgeted \$70 million in fiscal 1998 and approximately \$73 million in each of fiscal years 1999, 2000 and 2001.

The Financial Planning and Supervision Commission has broad powers to manage the financial affairs of the District and will continue to be in existence until such time as a determination is made by the State Auditor that, among other conditions, an effective accounting and reporting system is being implemented, (such implementation is reasonably expected to be completed within two years) the financial conditions which led to the District being declared in a state of fiscal emergency have been corrected or eliminated, and the objectives of the Financial Recovery Plan are being adequately met.

The 13.5 mill operating levy provided approximately \$31,525,000 to the District's operating revenues in fiscal year 1997. Largely as a result of the passage of the levy and the refinancing of the General Fund operating debt, the District earmarked \$10 million for roof repairs in fiscal year 1997 and \$12 million in fiscal 1998, to start the long-delayed infrastructure repair. Additional annual commitments of \$3.5 million are planned in each of the years after fiscal 1997 - 1998. A new 9 mill levy is contemplated for operating purposes in November 2000, when State desegregation funding ends. No separate levy for capital improvements is currently contemplated by District management.

The Ohio Supreme Court recently declared unconstitutional the State's School Foundation Program and several other aspects of the state school finance law. The Governor and the General Assembly are now attempting to devise a system for funding schools to address the court's decision.

- Step 2) The District should suspend and/or delay collective bargaining until the District's governing body has adopted and begun implementation of a comprehensive plan to restore financial stability such as the one recommended in this report. Further, the District should notify all non-teaching personnel before March 30 that their contractual status has been suspended pending**

**consideration by the governing authority. Teaching personnel should be provided with similar notification before April 30.**

*District Response*

A decision was made by District management to proceed with collective bargaining in the late summer of 1996 and it was successful in entering into new collective bargaining agreements with all of its unions without any work stoppage. Each agreement was for three years, with no increases in base pay for the first two years and a 3% increase in the third year. Givebacks in health care coverage were also obtained. The District realized approximately \$12,500,000 in expenditure reductions in fiscal 1997 as a result of these agreements.

Administrator contracts were suspended in March 1996 and the performance of all principals was evaluated with four being terminated as a result. All of the executive positions in the Central Office were declared vacant as a part of the restructuring process. The contracts of 451 teachers were not renewed until a determination could be made of the approximate number of teaching positions needed for fiscal 1997. Only 12 actually lost their jobs because a large number of retirements helped the District achieve the teaching staff level required for its enrollment. A total of 144 teacher and 11 administrators retired between 09/01/96 - 08/01/97.

**Step 3) The State Controlling Board should approve the District's FY 96 request for a \$47 million loan contingent upon the inclusion of an expenditure reduction plan which stipulates that the District must reduce expenditures by an amount equal to the loan plus interest (~\$53 million) in FY 97.**

*District Response*

On June 3, 1996 the State Controlling Board approved the District's request to borrow \$42.1 million. The Board did so after listening to the District's presentation that included a three part financial stability plan:

1. Reduction of expenditures, projected to total \$66.68 million,
2. Generation of income through the November 1996 property tax levy, which added \$31.525 million to the District's budget, and
3. Restructuring of its debt in accordance with Ohio law, which reduced the amount of debt service by \$70 million in fiscal 1998 and \$73 million for each of the following three years.

**Step 4) The governing body should immediately identify and detail plans to make permanent spending reductions totaling \$53 million in FY 97. These reductions would remain in place until financial stability has been restored to the District.** Recognizing that various factors may inhibit the District’s ability to cut spending, we have outlined over \$73 million in possible reductions in order to provide the District with flexibility in its effort to achieve reductions of \$53 million.

- The governing authority should implement at least \$22 million of the \$42 million in spending reductions identified in other sections of this audit.
- Further, the governing authority should institute the following recommendations pertaining to wages, salaries and staffing levels. It is estimated that these spending reductions will save the District an additional \$31 million annually. Considering the fact that 85 percent of the District’s General Fund budget is comprised of salaries, wages and benefits, there is no other reasonable alternative to save an additional \$31 million except through staff reductions, wage “give backs”, and pay freezes.

The following table summarizes \$22-42 million in possible savings identified in other sections of this audit as well as the \$31 million identified above. While the table does not include implementation costs outlined in this report, predominately the Technology Utilization Section, a one-time expenditure of \$10 million has been included in Scenario B to cover these costs.

<b>Estimated Cost Savings (000's)</b>			
<b>Ref.</b>	<b>Recommendation From All Sections</b>	<b>Range</b>	<b>Recommended</b>
	<i>Facilities</i>		
R6.2	Close additional schools (7-14) in accordance with reduced ADM count	\$2,300-\$4,900	\$2,300
R6.3	Restructure labor agreements for maintenance and custodial workers	\$4,953-\$5,003	\$4,900
R6.5	Restructure facilities organization structure	(\$160-\$1,045)	(\$1,000)
	<i>Food Service</i>		
R7.1	Implement Point-of-Sale System	\$861	*\$100
R7.3	Increase meal prices	\$187	*\$50
R7.4	Modify employee benefits	\$871	*\$500
R7.5	Increase participation rates	\$55	*\$20
	<i>Transportation</i>		
R8.1	Restructure labor agreements for transportation workers	\$3,600	\$3,600
R8.3	Develop an automated routing system	\$1,400-\$2,750	\$2,000
R8.4	Provide in-house bus service for field trips	\$100	\$100
R8.10	Coordinate professional days of the District to eliminate two days of busing	\$100-\$200	\$100
	<i>Payroll</i>		
R10.1/2	Automated time and attendance system <u>and</u> outsourcing payroll	\$902-\$1,340	\$400
R10.9	Establish electronic funds transfer for payroll	\$25	\$25
R10.11	CCSD should not renew provision concerning health insurance dividends	\$290	\$290
	<i>Human Resources</i>		
R11.4	Modify employee benefit contribution rates for health, dental & vision care	\$2,351-\$16,830	\$4,965
R11.11	Restructure the Peer Review Program	\$618	\$600
R11.12	Elimination of the Career Ladder Program	\$100	\$100
R11.23	Elimination of permanent performance bonuses for administrative positions	\$300	\$900
R11.24	Restructure medical care options	\$3,000	\$1,500
	<i>Budget &amp; Management</i>		
R12.1	Reduce administrative expenses	\$1,500-\$2,000	\$1,700
	<i>Finance-Revenue &amp; Debt</i>		
Step 4	Cut teaching staff by 205 in accordance with reduced ADM count	\$10,950	\$10,950
Step 4	Reduce <u>all</u> certificated salaries by 2%	\$5,000	\$5,000
Step 4	One year pay freeze for <u>all</u> employees	\$10,500	\$10,500
Step 4	Reduce administrative staff by 15% and cut pay of top administrators by 5-10%	\$4,000	\$4,000
	<b>Total</b>	<b>\$52,118 - \$73,320</b>	<b>\$53,000</b>

\*Note: Savings reflect the effect from realizing cost savings over the period of implementation.



District Response

1. Many of the 526 teachers in excess of state minimum are in place as a result of the consent decree from the Federal Court and cannot be reduced. However, as of February 5, 1997, reductions of 279 teaching staff positions from the prior year have been documented in the Financial Recovery Plan. This exceeds the 205 recommended staff reduction. This number will vary throughout the year as the number of permanent substitute teachers changes. On February 5, 1997, there were 100 fewer permanent substitutes than at the end of June 1996 thus the savings when compared to June 1996 are understated. Efforts will continue during 1997 - 1998 to maintain the number of teachers as close as possible to the state minimum standard pupil/teacher ratio of 25:1. A noted exception would be where Court orders or union contracts require additional staff.

While the assumption is that fiscal 1997 staffing levels subject to enrollment changes will be maintained over the next five years, as a result of the passage of the 13.5 mill levy in November 1996, there will be an increase in teaching staff limited strictly to implementing certain promised levy enhancements. For example, foreign language teachers have been increased, community model school teachers, full day kindergarten teachers, and those teachers needed to staff the two new alternative schools (Cleveland Learning Centers) have been added.

In addition, the District is eligible for compensatory education funds from the Federal Government for certain remedial programs. The District met the requirements in 1996 and was able to move middle school teachers, reading recovery specialists, and summer school teachers to the Title I program paid through Fund 58 rather than the General Fund. According to the Expenditure Reduction Plan, the reduction for middle school teaches shifted \$4.486 million in 1996/97 and \$5.302 million in 1997/98; Reading Recovery shifted \$935,000 in 1996/97 and \$1.132 million in 1997/98; Summer School shifted \$509,000 in 1996/97 and \$800,000 in 1997/98.

2. An attempt to reduce salaries through Union negotiations in August 1996 was unsuccessful. However, management did eliminate two teacher professional days in the 1996 - 1997 school year. Restoration of one day will occur in the 1997 - 1998 school year and the second day in the 1998 - 1999 school year. As documented in the Financial Recovery Plan, the negotiation for the two professional days resulted in a savings approximating \$2,002,000 in the first year.
3. During Union negotiations in 1996, management requested a total wage freeze, including automatic step increases, for the life of the new contract. The union refused

to accept this demand, but did agree to a new contract which maintained step increases but provided for no basic contractual salary increases during the first two years followed by a 3% increase in the third year.

4. The administrative staff was reduced from 305 to 281 between 1996 and 1997, a decrease of 8.5%, however, (the reduction from 1995 to 1996 was 101 positions or 24.9%). The areas reduced in 1997 were Executive Management/Directors (4 positions), Supervisory Management (1 position), Clerical/Support (14 positions), and Technical/Professional (5 positions). These reductions were achieved by attrition.

**Step 5) In collective bargaining discussions, parties must agree to the wages and benefits reductions mentioned above as well as the following items:**

- ! Various provisions which provide the District with greater flexibility to re-assign teachers, assign workers to different job classifications, and the ability to contract with outside entities.
- ! Contingencies which require pay and spending increases must be removed.

District Response

The District presented a broad list of bargaining proposals to the unions in the 1996 negotiations, many, but not all of which were agreed to by the unions, as is typical in all union negotiations. Although the list included a number of revisions that should be made to allow the managers of the District greater flexibility in managing the affairs of the schools, the primary achievements were to hold the line for two years on wage increases, and to scale back health insurance benefits, as documented in the management response to Step 4 above and the responses to Recommendations R11.11 (Peer Review), R11.12 (Career Ladder), R11.23 (Performance Bonus) and R11.24 (Health Care) of the Human Resources section of the Performance Audit. Human Resources management will again attempt to secure greater management flexibility in the 1999 negotiations. The specific recommendations made by the State Auditor with regard to flexibility of teacher assignments, job classification changes and outside contracting were not successfully negotiated in any of the new contract agreements.

**Step 6) The District should ask the District Court to reverse, suspend or modify its previous orders and consent decrees mandating specific levels of spending or specific items of spending.** While neither the School District nor the District Court

should stop trying to achieve the worthy goal of desegregation, one means of restoring the School District to financial viability, and thus ensuring a quality education for all students no matter what their race, is to ask the District Court to shift its focus to a more general monitoring of the progress toward desegregation. The School District is in an unprecedented financial crisis; it cannot make vital spending reductions if it is subjected to continual court challenges and the delays those challenges entail. It cannot reduce its debt or operate within available revenues as long as there is a court order that requires the District to spend any monies received from an operating levy on "Vision 21" program enhancements. Therefore, from a financial standpoint, it is preferable that the District Court set some clearly defined general desegregation goals for the School District to meet, but at the same time give it the flexibility to take those actions that are necessary to reduce its overall spending and debt.

#### *District Response*

District management chose not to seek relief from specific Court orders and consent decrees mandating certain spending practices. Rather, in May 1994, the District entered into a Consent Decree implementing a Settlement Agreement between all parties to the desegregation case which provided for a seven year phaseout of the case starting July 1, 1993, after which the District and the other defendants will be released from all further obligations thereunder. An integral part of the Agreement is the District's implementation of Vision 21, a seven-year educational improvement and desegregation plan to improve the educational achievement of all children in the District. The provisions of the Agreement are being funded jointly by the State and the District through June 30, 2000, with the State paying a total of \$295 million to the District in installments through that date. Following the State takeover of the school system in March 1995, further negotiations with the desegregation case defendants ensued resulting in a determination by the Court in May 1996 that partial unitary status had been reached. The District's motion to create its own system of student assignment was granted and led to a substantial decrease in mandatory transportation of students to achieve racial balance. This summer the District filed a motion seeking full unitary status, and a hearing on this motion began in November 1997.

- Step 7) Having demonstrated its ability to operate the District more efficiently and effectively, the District should seek voter approval of a 9.8 mill levy in November 1996.** A 9.8 mill levy would generate approximately \$25 million in FY 97 and \$50 million annually from that point forward, which is roughly equal to the permanent spending reductions of \$53 million and in accordance with concept that the citizens of Cleveland provide one dollar of local support for every one dollar in spending cuts.

It has already been noted that the District's local property tax effort is only at 86 percent of other urban districts and that sufficient capacity exists for local taxpayers to support an additional ten mills. The proceeds of this levy should be divided between current operating expenses and debt retirement.

*District Response*

In November 1996 a new 13.5 mill property tax levy was passed by the voters, resulting in approximately \$31,525,000 of new revenues being received in fiscal 1997 and approximately \$66,991,000 of new revenues in fiscal 1998. The levy proceeds will be used partly for "educational enhancements" promised to the voters in exchange for their support of the levy, and some major capital improvements. The remaining portion of the revenues generated by the new levy will be used to address the District's chronic financial problems and to pay debt service on the District's indebtedness.

**Step 8) Only after spending reductions are underway and a levy is passed, is it recommended that the General Assembly authorize the District to consolidate and refinance its debt over an extended period in order to reduce annual debt service requirements to a manageable level.**

*District Response*

The District succeeded in refinancing its debt over an extended period through the issuance of the Series 1997 Revenue Anticipation Notes in the principal amount of \$138,955,000 due serially until June 1, 2007. Pursuant to Section 3316.06 of the Ohio Revised Code, a school district which is under a "fiscal emergency" is authorized to restructure outstanding debt obligations if the electors of the District approve a new operating tax during the period of fiscal emergency and the restructuring is approved by the Financial Planning and Supervision Commission for the District. The State Auditor determined that the District was in a state of fiscal emergency on October 25, 1996, and on November 5, 1996 the electors of the District approved an additional 13.5 mill property tax levy. The Financial Planning and Supervision Commission approved the restructuring of the District's outstanding Series 1993 and Series 1996 Revenue Anticipation Notes. Legal prerequisites to the restructuring were accomplished and the Series 1997 Revenue Anticipation Notes were issued on May 22, 1997.

**Step 9) Additional borrowing by the District may also be necessary in order to provide**

**the District with the opportunity to restructure its finances, and it is recommended that the State Controlling Board approve these future requests as long as they are consistent with the long-term financial stability plan.**

District Response

The Financial Planning and Supervision Commission was, in fact, established after the State takeover of the District and after the declaration by the State Auditor of a fiscal emergency. The Commission adopted a Financial Recovery Plan on March 28, 1997. No additional borrowing is contemplated under this plan. However, in the Plan's financial projections for the fiscal years ended June 30, 1996 through June 30, 2001, one of the financial assumptions upon which the projections were made is a projected revenue increase from a property tax levy of 9.0 mills to be submitted to the voters in the District in November 2000. Also, the Financial Recovery Plan does not contemplate spending reserve borrowing in the future.

The Financial Planning and Supervision Commission adopted the District's Economy and Efficiency Plan in October 1997. This represents a commitment made by specific operational areas which will continue to encourage the District to make economical and efficient decisions in their specific area of responsibility. Approval of the Economy and Efficiency Plan positions the District for eligibility of Urban Initiative funding worth approximately \$10 million.

The new revenue projected and included in the forecast from the 9.0 mill levy is \$21.017 million for fiscal year 2001 and \$42 million in fiscal year 2002. Thus, the District, through its Financial Planning and Supervision Commission, has considered the need for revenues beyond those which exist today. The Commission and the District have not, however, considered or projected any additional borrowings, and the stated purpose of the projected 2001 property tax levy is to replace State desegregation funding which ends in fiscal year 2000. At the present, District management and the Financial Planning and Supervision Commission do not believe that additional borrowing by the District is necessary.

- Step 10) If the foregoing changes have made a significant impact on the operations of the District and CCSD is able to demonstrate its commitment to achieving financial stability, it is recommended that the District then seek voter approval of a joint income tax with the City of Cleveland. The new revenue generated from such a tax would allow the District to implement education reforms and repair an ailing infrastructure. This new source of revenue will also be important to replacing lost desegregation money and should provide the District with a long-term stream of revenues which will permit it to operate into the future with a**

**balanced budget and a sound financial base to support it. The city's portion of receipts would be used to implement new safety and security measures for the District.**

District Response

District management agrees that a wider range of funding operations will be necessary to meet the capital and operating needs of the District as time goes on. However, a joint income tax with the City of Cleveland is not under consideration at the present time, and is not needed at the present time to balance the District's budget. District management would not hesitate to recommend to the Financial Planning and Supervision Commission that a joint income tax be put to the voters should the need arise, as for example might be the case if the Cleveland Teachers Union and the other unions win large wage demands at the bargaining table in 1999, or before that dependent on the success of the unions in re-opening negotiations this year pursuant to a clause in their contract permitting re-opening upon the passage of the 1996 school levy.

Implementation Status

The district's current five-year forecast, dated January 1999, projects both a positive ending cash balance and unencumbered cash balance through FY 2002-03. This strong financial position can be attributed to numerous issues including:

- ! the passage of a 13.5 mill property tax levy in November 1996
- ! additional intergovernmental revenue provided by the new funding formula adopted by the state
- ! a partial return of abated properties to the tax rolls during the forecast period
- ! the district's ability to restructure their operating debt in FY 1996-97, allowing approximately \$140 million to be repaid over 10 years. In addition, recent legislation changes placed a two percent cap on school emergency loans, which limited the district's debt service requirement
- ! additional revenues generated from the Urban Initiative package pursuant to Am. Sub. H.B. 215

The district did not implement all components of the recommendation pertaining to the financial recovery plan because their financial condition improved as a result of additional revenues. The implementation status of Auditor of State's recommendations is as follows:

- ! The district has taken various steps to reduce its general fund debt as

mentioned above. In response to the district's infrastructure needs, no official plans have been made for the passage of a capital levy in the near future. However, in addition to the general fund resources currently being allocated to fund capital needs projects, the district has taken advantage of various state programs, such as the Big 8 program to generate additional facilities-related revenues.

- ! The district did not suspend or delay collective bargaining until the adoption and implementation of a comprehensive plan. Instead, the district proceeded with collective bargaining negotiations in the summer of 1996 which resulted in across-the-board wage increases of 0, 0 and 3 percent for FY 1996-97, FY 1997-98 and FY 1998-99, respectively. However, the district did not negotiate the re-opener clause out of the contracts. Consequently, once the district passed the operating levy, the unions executed the re-opener clause and the district and unions ended up negotiating across-the-board wage increases of 0, 0, 5 and 2 percent for FY 1996-97, FY 1997-98, FY 1998-99 and FY 1999-00, respectively. At the same time, the re-opener clause was negotiated out of the agreement. In addition, CTU members received a payout equal to four percent of the employee's base salary in FY 1997-98. Although this payment was not included in the base salary amount and did not have an effect on subsequent wage increases, the payout meant that CTU members essentially received wage increases of 0, 4, 5 and 2 percent for FY 1996-97, FY 1997-98, FY 1998-99 and FY 1999-00, respectively.
- ! While the district did not receive a \$47 million loan from the State Controlling Board as recommended, their request to borrow \$42.1 million was approved, contingent upon a three-part financial stability plan that is outlined in the district's response to this recommendation. The plan included reducing expenditures by a total of \$66.68 million from FY 1996-97 to FY 1997-98, with savings based on FY 1995-96 costs. Documentation provided by the internal auditors indicated that although the district reduced expenditures, they fell short of the anticipated \$66.68 million, amounting to only approximately \$49 million over the two-year period.
- ! Step four recommended a series of steps the district could take to realize cost savings of approximately \$52-\$73 million, with \$53 million being the suggested goal. Based on financial implications from the various sections of the performance audit, the financial benefits realized from the specific recommendations in this step are estimated to be only \$49.7 million. It should be noted that the recommendations included in this step differed from those included in the district's three-part stability plan from step three. Further,

many of the recommendations included in step four were contingent upon the implementation of a strategic technology plan, which has just recently begun to be implemented.

One of the largest areas of savings came in the area of staffing reductions and salary freezes and reductions. The district reduced 279 teaching positions effective in the 1996-1997 school year. Sufficient documentation was received to indicate that administrative staff was reduced by 22 and 42.65 FTEs for FY 1996-97 and FY 1997-98, respectively. Further, although levy revenues were used to hire an additional 21.8 administrative staff, the district still realized a net reduction of 20.85 administrative staff positions for FY 1997-98. However, the five-year forecast indicates that salaries then rose by approximately three percent for FY 1997-98 and an additional 18 percent for FY 1998-99, indicating an increase in staffing levels for those years.

- ! The district has not been successful with gaining flexibility to contract with outside entities and remove required spending increases that are not related to instruction. The district has negotiated a modified reconstitution provision per article 31 of the CTU which allows limited reconstitution within the district, although it is a weaker version of what was previously in place before it was challenged by the CTU. Two schools were identified as potential schools to be reconstituted during the 1998-99 school year.
- ! In November 1996 the voters approved a 13.5 mill continuing property tax levy which has provided approximately \$31.5 million of new revenues for FY 1996-97, \$67 million for FY 1997-98, \$68.3 million for FY 1998-99, \$69.7 million for FY 1999-00 and \$71 million for FY 2000-01. Portions of the levy were dedicated for specific educational programs as well as some major capital improvements associated mostly with roof repairs. In addition to the operating levy, the January 1999 five-year forecast indicates that the district plans on asking voters to approve a new 9 mill levy in November 2002 which will generate approximately \$42 million, \$21 million of which the district will receive for FY 2002-03. This levy is designed to replace lost state desegregation revenues, which are scheduled to end in FY 1999-00. The district has no intention of seeking voter approval of a joint income tax with the City of Cleveland because they do not believe the additional revenue will be needed to balance their budget.
- ! On July 1, 1997, the district and the State of Ohio filed a motion requesting unitary status with regard to the district's continuing desegregation court case. In April 1998, the court granted the district's request and declared it to



be unitary. Under the terms of the ruling, the district and the state are still under obligation to carry out the provisions of the May 1994 consent decree which requires continuing certain previously specified desegregation programs through June 30, 2000. Under the May 1994 agreement, the state and the district are to jointly fund the provisions of the decree, with the state providing \$295 million and the district matching \$275 million of the state's payments over the seven-year period. For FY 1997-98, the district received \$40 million of the state's desegregation payments. Through June 30, 1998, the district received \$237 million of the \$295 million, including all \$20 million that does not require a match.

## **Additional Recommendations**

### **R3.1 Maximize non-traditional sources of income**

#### *Recommendation*

The district should examine its ability to maximize its non-traditional sources of income. Currently the district is receiving only 0.8 percent of its income from these sources.

#### *District Response*

District Management agrees that non-traditional sources of income can enhance revenue. In fiscal 1997 the District received about \$791,000 in private and corporate donations accounted for in the Trust Funds budgets (as opposed to the General Operating budget and Special Revenue Funds budgets [i.e., state and federal grants which approximate \$80 million annually]). In fiscal 1998, the District anticipated receipt of an \$1.185 million from non-traditional sources.

These amounts tell only of actual cash contributions received and accounted for by the District, not the value of in-kind services provided to the District over the last several years. For example, in 1996 McKinsey & Company, a leading national management consulting firm, donated services to the District. Additionally, Cleveland Initiative for Education, a non-profit support organization sponsored by the business community has provided loaned executives to several departments in the Central Office and professional development for principals and administrators and has linked many schools with corporate partners or sponsors. Such partnerships provide mentoring and tutoring. Local corporations, foundations and individuals have supported Friends of the Cleveland School of the Arts, which in turn has provided valuable support to the High School of the Arts. Also, the Cleveland Education Fund, another non-profit organization, has assisted the District in teacher training.

The District does not have a Development Department as such, although the Department of Assessment and Accountability, reporting to the Chief Academic Officer, helps District departments apply for grants such as the Urban Systemic Initiative, a federal program designed to strengthen the teaching of math and science.

Only minimal dollars are derived from school district enterprises such as rental of facilities to outside groups or other school districts, and no cooperative ventures such as joint use of buses or athletic facilities exist.

Internal Auditor's Response

The District should attempt to monitor and value the range of in-kind services it receives from community and government sources to have a better understanding of the value of its community support. Formalized efforts should be made by the District to explore opportunities for enterprises, donations and cooperatives that would provide revenues for special projects which the District needs to accomplish its mission but that it cannot independently afford.

Implementation Status

The district has partially implemented this recommendation. Specifically, the district has made progress in expanding non-traditional income sources and donated services, particularly through the business partnership program. However, there has been no district-wide effort to increase non-traditional services.

The district's chief legal counsel has indicated that the district has not actively sought to increase the amount of revenue it receives through non-traditional sources such as gifts and trusts. The district's building rental policy has not been updated and still only covers utility and custodial expenses. A few schools have entered into soft drink agreements with Coca Cola but these were obtained through their own efforts instead of a district-wide effort.

However, the district's business partnership program, under the auspices of the Cleveland Initiative for Education, has experienced significant growth in the last two years. Currently, over 100 of the district's schools have corporate partners which provide services such as tutoring and painting, as well as funds and occasionally materials for their adopted school. This program has been praised by business leaders and has been called one of the most successful programs of its kind in the state.

The district does have a Development Department: The Department of Grants Development and Program Monitoring. The purpose of the department is to develop grant proposals in

order to secure additional funds for programs and services. In addition, the department assists other offices at the central office and schools in developing grant proposals and facilitates their submission.

### **R3.2 Renegotiate abatement agreements with the City of Cleveland.**

#### Recommendation

The district should negotiate with the city of Cleveland to receive a greater reimbursement for revenues lost as a result of abated properties. Currently, the district is receiving only approximately \$250,000 in exchange for \$10 million in abated property taxes while the city has received the benefits of increased income taxes resulting from that economic development. Negotiations need to be undertaken for current and future abatements to insure that the district receives more reasonable compensation for lost revenues.

#### District Response

District management has always been concerned about the effect of tax abatement and exemption on its finances. The District's abatement agreements are prepared and administered by outside counsel. As documented in the Performance Audit, (Findings, pages 3-8), abatements are coming to an end in 1997 for the National City Bank Building and the Renaissance Hotel on Public Square. The conclusion of these abatements should increase the District's revenue. The City of Cleveland is required to notify the District when granting an abatement. For certain extended or large abatements the City is required by State law to obtain the District's consent. In these cases, counsel for both the District and the City of Cleveland meet to negotiate an agreement satisfactory to all parties. The District intends to take advantage of all potential tax abatements which could benefit the District.

#### Internal Auditor's Response

The District must increase the number of agreements it has with the City of Cleveland to assist in replacing revenue lost from abatements. It appears that recent legislation has tightened procedures and given the District more strength to negotiate revenue sharing agreements.

It should be noted that neither the Law Department nor the Treasurer's office carefully monitor signed agreements of any kind for post-signature compliance. This includes tax abatement agreements as well as any other legal agreements to which the District is a party.

#### Implementation Status

This recommendation has not been implemented. Recently, the district changed legal counsel because the district felt a change was necessary and hoped that the new firm will be more aggressive in working with the City of Cleveland on the district's behalf when negotiating abatement agreements. Documentation of major abatement agreements was provided and the chief legal counsel indicated that several smaller abatement agreements also exist.

State law (S.B. 19) does provide the District with a favorable negotiating position when dealing with any new abatement projects. The District will not, however, be able to make up for prior year agreements that were negotiated prior to such law.

**R3.3 Contract with outside experts on a contingency fee basis to maximize Medicaid reimbursements.**

Recommendation

While the district has improved its medicaid reimbursements it should employ experts on a contingency basis to further maximize these reimbursements. Obtaining maximum Medicaid reimbursement for eligible services to eligible students requires expertise which does not currently exist within the district. It is known that school districts throughout the country have been able to increase the receipt of these funds by utilizing outside expertise. Contracting for such experts on a contingency fee basis could enable the district to secure even greater reimbursements.

District Response

The District contacted two firms in Ohio, Healthcare Billing Services, Inc. of Columbus and Healthcare Process Consulting, Inc. of North Royalton, that focus exclusively in Medicaid billings for school districts to review and evaluate the potential for outsourcing. After reviewing the bids, an agreement was reached with Healthcare Process Consulting, Inc. (HPC) to perform the administration and billing for Medicaid. A period of transition occurred in August through mid-September 1997. HPC was properly positioned by mid-September to assume full responsibilities.

Internal Auditor's Response

The auditor concurs with management's explanation. It should be noted that this recommendation is repeated as R13.10.

Implementation Status

The district has implemented this recommendation. In FY 1997-98, the district contracted

with HPC to perform Medicaid billing. Documentation from the treasurer's office indicated that HPC has helped the district receive significantly more Medicaid revenues. For example, in FY 1996-97, the district received approximately \$1.63 million in Medicaid reimbursements, compared to almost \$5.2 million during FY 1997-98, an increase of over 300 percent. The treasurer indicated that of this amount, the district probably would have received approximately \$2.575 million through their own efforts, but in his opinion HPC helped them receive an additional \$2.61 million. HPC estimated collections of approximately \$4 million for FY 1998-99. According to the treasurer, the district received approximately \$3.8 million in Medicaid reimbursements as of June 30, 1999. HPC updated the amount to approximately \$3.9 million as of July 30, 1999 with an additional \$70,000 in pending claims. The fee agreement with HPC is based on the amount of recoveries generated and places a cap on fees of \$225,000 per year.

### **R3.4 Have desegregation expenditures audited annually.**

#### Recommendation

The Auditor of State should be authorized to audit desegregation expenditures annually. Before a financial audit of desegregation expenditures takes place, strict written guidelines would have to be established by the federal court. Realistic desegregation charges need to be documented and set aside from other expenses, preferably in a separate fund which holds state and local desegregation receipts. Expenses that existed before desegregation should be excluded. This will assist in limiting dependency on desegregation monies now and in the future.

#### District Response

The District has no objection to the Auditor of State auditing desegregation expenditures annually. However, the public accounting firm of KPMG has performed such a review annually for over 10 years, and makes adjustments required to conform with documented procedures for charges in reimbursements. Separate funds, accounts, budget cost centers and programs exist to record and report receipts and expenditures.

#### Internal Auditor's Response

The State Auditor has the authority to conduct an audit of the desegregation funds. Access to District information has never been withheld from the Auditor of State in the past and the Auditor of State has been conducting the annual financial audit of the District for the last six years. The State Auditor should first evaluate whether the KPMG analysis is not adequate before assuming responsibility for the review of desegregation funds. To the extent that the KPMG analysis and report is adequate, no additional public funds should be used to duplicate

work already being performed. If the analysis is found to be incomplete, the State Auditor's office may choose to conduct the review and KPMG should be released from any further responsibilities with regard to the desegregation fund analysis.

Implementation Status

The district has not implemented this recommendation. Because the district will stop receiving desegregation revenues at the end of the 1999-00 school year, the treasurer is of the opinion that the way in which the district tracks desegregation expenditures, combined with the KPMG analysis, sufficiently track and report the district's desegregation expense. Therefore, no additional analysis or method of tracking desegregation expenses is necessary.

**R3.5 Separately track all expenditures made to desegregation compared to other programs.**

Recommendations

CCSD should separately track all expenditures made to desegregation compared to other programs. Desegregation expenses should not be commingled with any other funds. CCSD should separate local desegregation matching monies and place them in the fund along with the state desegregation dollars. This will facilitate tracking the desegregation spending and determining what these programs cost.

District Response

The District believes that the KPMG review of desegregation expenditures is an effective process for monitoring these expenditures and, therefore, the associated reimbursement. As a result, no changes are necessary to the accounting for spending related to desegregation. Management strongly believes that the funds, components and accounts related to desegregation expenditures are separately identifiable, and a fund, solely dedicated to desegregation is not necessary.

Internal Auditor's Response

The tracking of desegregation related expenses ends in three years. The bigger issue here is the manually intensive effort necessary to identify the relationship between funds and expenditures, and ensuring that expenses are properly charged against funds, not only those which are related to desegregation. To the extent that audit trails do not exist to track these expenditures, they should be started immediately.

Implementation Status

The district has not implemented this recommendation. The district's reasoning behind why they have not implemented this recommendation is that because they are already receiving the maximum amount from the state, there is no reason to track desegregation expenses because it would not result in additional revenues. Also, because they will stop receiving desegregation money after the upcoming school year, the amount of time and efforts that would be involved in tracking these expenditures as we recommend is not worth the effort.

The district has indicated that desegregation expenditures are tracked separately (Fund 12) within the financial accounting system. The point of confusion appears to be with the issue that not all transportation costs, for example, qualify as desegregation related costs due to a marginal incurred cost approach that was adopted about two decades ago. Internally, such split between what qualifies for the Deseg match is calculated on an annual basis and is an integral part of the KPMG yearly review process.

### **R3.6 The district should establish a year-round school assessment team.**

#### Recommendation

The district should establish a year-round school assessment team. The team should be composed of representatives from the school and the community and should determine the feasibility of implementing year-round schools.

#### District Response

The District has established an Advisory Committee to provide guidance in the planning of the Year-Round School at Douglas MacArthur Elementary. They met once a month during the initial planning state in 1996 - 1997 to review literature, critique the plan and visit existing Year-Round schools. During the first year of implementation, the Advisory Committee will meet quarterly to evaluate and collect baseline data and will make recommendations based on the best information available. This pilot program will be operational for the 1997 - 1998 school year and is partially funded by Magnet Schools Assistance Program (MSAP) grant funds. While the year-round school year will have several non-traditional vacation breaks, it will offer an eleven month program of 193 instructional (student) days and 9 staff development days.

No roll-out plan has been developed to expand the program to additional school locations because this is a pilot program. However, guidelines have been created to evaluate program success, achievements and effectiveness.

#### Internal Auditor's Response

The auditor concurs with management's explanation.

Implementation Status

The district has implemented this recommendation. This was the second year of the year-round school at MacArthur elementary. The district has monitored and tracked various standards over the years when the school was year-round and has compared them to the year before it became year-round as well as against district-wide standards. These results are gathered monthly and compiled annually and indicate an increase in scores attained by children in the year-round program. The district does not currently have any plans to expand this program to other schools as the concept is still in the testing phase.

**R3.7 Eliminate any provisions in future contracts which call for expenditures unrelated to instruction. The district should also curtail the amount of time and resources allocated to union building chairpersons to conduct union business.**

Recommendation

In future contract negotiations, the district should eliminate any provisions which call for expenditures unrelated to instruction and curtail the amount of time and resources allocated to union building chairpersons to conduct union business.

District Response

District management is mindful of the many union contract provisions which constrain the District from managing its affairs in a timely and cost-effective manner. In 1996, the District aggressively sought to improve its labor contract conditions. Unfortunately, many provisions are the result of agreements reached over several contract periods. While it is desirable to achieve changes, the changes must be mutually negotiated.

In the next round of negotiations in 1999, the District will try to eliminate provisions which call for expenditures unrelated to instruction, student achievement and safety, or which otherwise do not benefit the education environment. Management also expects to review and seek modification to union building chairperson provisions which impair educational performances or which may impede student instruction.

Internal Auditor's Response

No action has been taken thus far toward the implementation of the State Auditor's recommendation.



Implementation Status

The district has not implemented this recommendation. Various provisions cited in the performance audit, such as funding software necessary to establish a link between board and union computers, establishing an employee wellness committee, requiring the CTU and the district to share equally in the cost of release time for six individuals identified by the CTU president, and requiring the district to bear the cost for substitutes which replace union members sent to professional conferences or conventions, have not been eliminated from the contracts. Because of a contract extension approved in 1998, the district has not and will not be able to implement this recommendation until the next collective bargaining negotiations, which will begin in 2000. However, the district's chief legal counsel indicated that the district has targeted eliminating these types of provisions from future contracts as a priority for the upcoming negotiations. The district has also not curtailed the amount of time and resources allocated to union building chairpersons to conduct union business.

**R3.8 Negotiate labor agreements which give the district the flexibility to restructure the district and adjust staffing levels in order to restore financial stability.**Recommendation

Future labor agreements should provide the district with the necessary flexibility to restructure the district and adjust staffing levels in order to restore financial stability. Any effort to restore financial stability to the district will most likely require the CCSD to reduce expenditures through adjustments in staffing levels. (Expenditures Background)

District Response

District management is mindful of the many contract provisions that restrain the District from adjusting staffing levels in a timely and cost-effective manner. In the next round of negotiations in 1999, the District will attempt to eliminate those provisions which limit its authority on staff assignments and changes.

The Superintendent has adopted a plan called "reconstitution" which allows for the removal of teachers and administrators at a specific facility, in an attempt to overhaul the entire school. Two schools have since been named for reconstitution, Paul Revere and Waverly. Although not specifically addressing the concerns documented in the Performance Audit, this evidences the fact that the District is considering all alternatives in the interim, until the new labor negotiations are completed.

Internal Auditor's Response

The auditor concurs with management's explanation.

Implementation Status

The district has not implemented this recommendation. As mentioned in R3.8, the primary focus of the most recent contract negotiations was eliminating the re-opener clause from all union contracts. In addition, the most recent negotiations which occurred in 1998 were limited in scope. They addressed almost exclusively the re-opener clause. However, the district did negotiate a procedure for reconstitution in the 1998 re-opener negotiations which authorizes involuntary staff transfers as the auditor recommends. However, the district was unable to successfully address the intent of this recommendation insofar as limiting teacher transfers, excluding teachers from performing certain non-teaching duties which forces the district to hire additional staff to perform this work, and laying off staff. The chief legal counsel indicated that these areas have also been targeted as a priority for the upcoming contract negotiations.

**R3.9 Have labor agreements which do not restrict the district's ability to contract with outside personnel.**

Recommendation

Future labor agreements should not unduly restrict the district's ability to contract with outside personnel if it is determined that such an alternative is more cost effective.

District Response

District management is mindful of the contract provisions that prohibit the District from outsourcing functions without the consent of the bargaining unit. In the next round of negotiations in 1999, the District will attempt to eliminate those provisions. At a minimum, contractual language is necessary to permit the District to analyze alternate options.

Internal Auditor's Response

Current labor contracts, not including the bus drivers contract, are very restrictive and do not contain language which allows for the discussion of utilizing outside contractors.

Implementation Status

The district has not implemented this recommendation. The district has not engaged in comprehensive negotiations since 1996. The next comprehensive negotiations are scheduled for 2000. Currently, only the transportation contract contains language which allows them

to utilize outside contractors, and this language is very limited. While the remaining six union contracts contain language which does not permit the use of outside contractors, the district has in recent hired outside groups to perform services for which the district has neither the expertise nor capacity.

**R3.10 Future contracts should not contain contingencies which call for increased staff and spending if new revenues are received.**

Recommendation

The district should not include contingencies in future contracts which call for increased staff and spending if new revenues are received. Any new money received by the district must be used to retire any outstanding debt and restore the district to financial stability, not increase expenditures. Further, the effort to restore financial stability to the CCSD will require a long-term commitment from the various labor groups. Contract provisions which re-open negotiations would render any financial stability plan developed by the district pointless.

District Response

Management is mindful that if new revenues are received (i.e., a levy is passed), increased staff and spending may be automatically required because of Union contract trigger provisions. The District will attempt to negotiate relief from such provisions. Also, it should be noted that the passage of a levy is most often tied to specific enhancements, many of which relate to an increase in staff.

Internal Auditor's Response

Provisions as described by the Auditor of State are very difficult to implement during union negotiations. Currently, contract language allows for negotiations to be re-opened if additional funds are received. Changes in contracts must be negotiated.

Implementation Status

The district did not initially implement this recommendation. Originally, the district negotiated across-the-board wage increases of 0, 0 and 3 percent for FY 1996-97, FY 1997-98 and FY 1998-99, respectively. However, the district did not negotiate the re-opener clause out of the initial contracts. Consequently, once the district passed the operating levy, the unions executed the re-opener clause and the district and unions ended up negotiating across-the-board wage increases of 0, 0, 5 and 2 percent for FY 1996-97, FY 1997-98, FY 1998-99 and FY 1999-00, respectively. At the same time, the re-opener clause was

negotiated out of the agreement. In addition, CTU members received a payout equal to four percent of the employee's base salary in FY 1997-98. Although this payment was not included in the base salary amount and did not have an effect on subsequent wage increases, the payout meant that CTU members essentially received wage increases of 0, 4, 5 and 2 percent for FY 1996-97, FY 1997-98, FY 1998-99 and FY 1999-00, respectively.

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## Governance

### **R4.1 The district's financial planning and business management should be placed under the supervision of a Financial Planning and Supervision Commission.**

#### *Recommendation*

It is recommended that the financial planning and business management of CCSD be placed under the supervision of a Financial Planning and supervision commission modeled after those commissions established for municipalities under Ohio Revised Code Chapter 118. The Financial Planning and Supervision Commission would possess broad powers to reduce spending and take all other actions necessary to return the district to financial stability. The commission would be required to submit a detailed financial plan and maintain control until the district can reduce its operating debt, eliminate its General Fund deficit, and operate within its current financial resources. The membership of this oversight board would include a variety of state and local officials and members of the business community.

In the short term it is absolutely essential that the Financial Planning and supervision commission impose a series of budget cuts as one part of a three-part financial recovery plan (the other elements include continued borrowing but in gradually reduced sums and additional local revenues). A financial recovery plan should be adopted by the July 1, 1996 onset date for FY 1996-97. The seriousness of the financial condition of the CCSD requires drastic action to remove administrative inefficiencies, reduce staff, close additional facilities, and stabilize employee compensation.

As a long term response to fiscal problems in Ohio School Districts, it is recommended that the General Assembly consider legislation which establishes a fiscal emergency response for schools, specifies a list of criteria to be used in determining the fiscal status of all school districts and creates a Financial Planning and Supervision commission for any district determined to be in a fiscal emergency.

#### *District Response*

The recommendations in this section of the Performance Audit were not addressed at this time. Many of the recommendations are related to the establishment of new legislation related to school districts or suggest changes in the administration of the Cleveland District.

Although the Financial Planning and Supervision Commission has been established and has approved a Financial Recovery Plan for the District (recommendation R4.1), other aspects of the Governance recommendations will not be settled quickly or easily. In September 1997, the Mayor of Cleveland received approval from the State to assume Superintendent authority

for the District. The Cleveland Teacher's Union, however, is in opposition to this decision and it appears that a court judgment will be required before transfer of responsibility will take place.

In light of the changes expected in the upper management of the District, it is management's decision to defer responding to these recommendations until the Governance of the Cleveland District is finalized.

Implementation Status

As a result of the CCSD performance audit, legislation was developed and supported by the Auditor of State to establish fiscal watch and fiscal emergency status for local school districts. The legislation required the establishment of the Financial Planning and Supervisory Commission and was strongly supported by the Auditor of State. The creation of fiscal watch and emergency status legislation increased financial oversight and accountability and provided a basis for helping the district return to financial stability. The governance of the district was placed under the Financial Planning and Supervisory Commission November 1996 when the district was declared under fiscal emergency. The general assembly adopted legislation to permit schools to be placed under fiscal emergency on June 20, 1996. The legislation is covered under ORC 3316. A financial recovery plan was adopted by the commission on March 28, 1997.

**R4.2 Gradually return the district to local control.**

Recommendation

Clearly, there is value in school board involvement in strategic planning and reform. Accordingly the Auditor of State recommends that the responsibilities of communicating with the public and development of those policies associated with improving student performance be returned to the Cleveland School Board. While independent fiscal oversight is required to improve the business and financial practices of the district, the school board and superintendent should be used to develop financially sound practices around policies directed at the improvement of student performance.

District Response

CCSD supports the Auditor's position concerning Board control of the District as a high priority. The implementation of this recommendation is to be eventually determined by the Court and by the General Assembly. Currently, the Board's role is that of communicating with the community. This role has been reinforced by the Superintendent. Upon completion

of the mandates under the March 3 Order, local control will be gradually returned to the Board.

#### Implementation Status

In March 1995, a federal judge overseeing the district's desegregation case ruled that the management of CCSD would be placed under the control of the Ohio State Superintendent of Public Instruction. The State Superintendent was ordered to institute reforms to enable the district to achieve financial stability. During the same period, the state legislature created two new pieces of legislation to assist local government entities, and CCSD in particular, in achieving financial stability. House Bill 462, passed in September of 1996, created a Financial Planning and Supervisory Commission to oversee municipal financial and management practices in entities in fiscal emergency. The Financial Planning and Supervisory Commission was also instituted to oversee financial and management reforms in CCSD. House Bill 269, implemented in November of 1997, implemented changes in the governance structure of the district. A repeal of the 1995 ruling was necessary to alter the governance of the district to fulfill the legislation and Ohio Substitute House Bill 269 was immediately implemented after the federal ruling was vacated on September 9, 1998. The legislation called for the transfer of supervision and control of the district to a nine member board appointed by the mayor of the City of Cleveland.

The district was returned to local control under the office of the mayor of the city of Cleveland on September 9, 1998. Under H.B. 269, the mayor appoints a C.E.O. and school board. However, at the same time, the district remains under the auspices of the Financial Planning and Advisory Commission. The Auditor of State is currently evaluating the financial health of the district to identify whether the district will be removed from fiscal emergency status and anticipates reaching a decision by September 1999.

### **R4.3 Clearly define and limit the school board's roles.**

#### Recommendation

There is an overwhelming consensus that the Cleveland School Board should seek to avoid engaging in excessive oversight of the district's daily administrative affairs. The Auditor of State recommends the school board restrict itself to the following responsibilities: develop and implement a plan to pass a school levy, develop district outcome standards and goals, establish a strategic plan to reach district and state mandate outcome standards, evaluate the district's progress in achieving goals and standards, establish appropriate budget goals and parameters, establish appropriate parameters for collective bargaining, ratify the collective bargaining agreement, select and evaluate the superintendent, and strengthen community



relations. The school board should not be involved in the day-to-day operations of the district.

It should be noted that the school board involvement in day-to-day district operations is not a problem that is unique to Cleveland. Current statutory provisions serve to justify excessive school board oversight in purchasing and personnel matters for many districts in the state. Current statutes found in title 33 of the Ohio Revised Code should be reviewed by the General Assembly in order to determine instances in school management where delegation of greater authority to the school executive officer, the superintendent, would be appropriate.

#### *District Response*

The Superintendent agrees that the role of the Board must be clearly defined. After State supervision is lifted, member selection process and other legislative issues will govern this discussion. Minimally, the Board should be responsible for: passing levies, community relations, establishing student achievement goals and standards, and selecting and evaluating a Superintendent. It must not engage in excessive oversight of the District or its administrative activities. The Auditor's report establishes a solid foundation for these deliberations.

#### *Implementation Status*

Legislation enacted in 1996 allowed the Auditor of State to place CCSD under fiscal emergency status and called for the creation of the Financial Planning and Supervisory Commission to oversee district financial reforms. Changes were made to the governance of the district through House Bill 269 and a repeal of the 1995 federal court ruling. The mayor of the City of Cleveland petitioned for and was authorized to take control of the management of the district. Under the new governance of the district, the mayor appoints a board, selected from a pool of nominees designated by a nomination committee as required under the legislation. The mayor is also authorized to appoint a CEO to oversee the day to day management of the district. The legislation transferring control of the district to the mayor is only in effect for a four year period. Once the four year period has expired, in June 2003, the voters of the district will decide whether the mayor will retain control of the district or an independent board will be elected. A local board was appointed by the mayor on September 8, 1998 from a pool selected by a nomination committee. The board appointed a CEO to directly manage the district in November of 1998.

At present, the board does not plan to approach voters for additional local financial support in the near future, nor does it plan to place a permanent improvement levy on the ballot. A series of broad goals has been developed by board members and is employed in guiding decision-making in the district though board goals and outcome standards have not been

published or disseminated to the community.

Under the CEO, a strategic plan has been developed using the broad goals articulated by the board. The strategic plan, while focusing on several areas of operations and including laudable objectives, does not include detailed action plans, individuals or departments responsible for the implementation of actions, or any financial information on the cost of programs, initiatives or improvements.

As the district's FY 1999-00 budget was under development at the time of reporting, board involvement in establishing appropriate budget goals and parameters could not be determined. District officials indicated that the board examined the budget and requested some changes in planned appropriations. Though the board has several collective bargaining issues that may be addressed in the next round of negotiations, firm board policy issues of negotiation have not been instituted.

Through establishing policy goals and budget and collective bargaining parameters, the school board is presently functioning as an advisor, strategic planner, evaluator and facilitator for community involvement. The school board has restricted its involvement in the day-to-day operations of the district and plans to provide the CEO freedom and flexibility to achieve district goals. Yet, clear targets must be established and the board, through its oversight capacity, should ensure planning initiatives are clearly defined and efficiently implemented.

**R4.4 The General Assembly should consider legislation that would establish a governance review process for school districts.**

Recommendation

In response to all CCSD and community findings, the Auditor of State recommends the General Assembly consider legislation that would trigger the establishment of a governance review process for school districts. As the State of Ohio consists of a variety of different types of school districts, they might require different governance mechanisms.

Accordingly, the General Assembly should consider legislation that would establish a School District Governance Review commission every 10 years to evaluate the district's structure of organization and recommend one of several governance alternatives. The alternatives might include a school board appointed by the mayor, a school board appointed by the governor, a school board elected at large, and a school board elected by region. The commission – composed of a variety of school, city, and community participants – would operate in a similar capacity to the current charter review commissions which are established to review the governance of municipal corporations.

District Response

The above referenced recommendations [R4.4 and R4.5] represent suggested action on the part of the State Legislature concerning issues related to school districts throughout Ohio. Both recommendations have statewide implications and, therefore, require advocacy of the Ohio Board of Education. These issues will be brought to the attention of the Board within 90 days.

Implementation Status

The recommendation, beyond the scope of the district, was intended for consideration by the legislature. The legislature has not implemented the recommendation except in the unique situation of CCSD.

**R4.5 Enact a charter school law in Ohio.**Recommendation

This report observes that there have been proven results in the charter schools across the country. Establishing charter school laws will not solve all of the problems for all of the students, but it may solve some problems for some students. The charter school concept may be particularly appealing in Cleveland for two reasons: the district educates a large percentage of disadvantaged students who could be specifically targeted in a community school; and the district offers a broad range of community resources available for sponsoring a charter school.

District Response

The above referenced recommendations [R4.4 and R4.5] represent suggested action on the part of the State Legislature concerning issues related to school districts throughout Ohio. Both recommendations have statewide implications and, therefore, require advocacy of the Ohio Board of Education. These issues will be brought to the attention of the Board within 90 days.

Implementation Status

This recommendation has been implemented by the general assembly. A charter school law was enacted by the state legislature in October 1997 and revised in July 1998. The charter school law is covered by ORC 3313, 3314 and 3323.

## Purchasing

### R5.1 Install limited scale automation in purchasing.

#### Recommendation

To immediately improve the efficiency of the CCSD purchasing process, limited-scale automation should be implemented in Purchasing. For a relatively low investment, Purchasing can acquire computer technology to permit it to maximize its purchasing power and to perform its operations efficiently.

#### District Response

Management agrees that automation will enable the Division to operate more efficiently. Purchasing Division management's objective has been to use a client-server based system which would allow for the eventual integration of the schools into an on-line Purchasing system via their SchoolNet PC's. Toward achieving this goal, the Purchasing Division has upgraded two department PC's and acquired 3 new computers. All department PC's are now networked together (locally only) and are using off-the-shelf software products (Windows 95 and Office Professional). An RFP was also issued for a stand alone system providing on-line purchasing services. Bids received were estimated at \$120,000. Given that the Purchasing application is one of the components of the Technology Services Strategic Plan and will most likely be thoroughly updated with implementation of that plan, it did not appear reasonable to spend \$120,000 for a temporary solution.

As an alternative to the high cost of a custom developed stand alone system, a PC database application has been created with the assistance of Technology Services. No cost analysis was prepared to support this decision.

Currently, vendor data is being input into the database. Fiscal 1997 purchase order data is being loaded onto the system also. The Purchasing Department is soliciting electronic catalog data for input into the system. Interfaces with the SchoolNet program to provide school personnel direct access to this system will be developed if consistent with the Strategic Plan being developed.

Further expansion of this limited-scale automation project is being tabled until the completion of the Technology Services Strategic Plan.

#### Internal Auditor's Response

The auditor concurs with management's explanation. Documentation was received to

support management's expenditures totaling \$10,215. No formal plan has been developed by the Purchasing Division to document how the improvements in PC hardware/software will result in measurable benefits to the District overall.

Implementation Status

The district has partially implemented this recommendation. The CIMS FMS has an on-line purchase requisition and purchase order generation and approval application that was implemented within the administration building and three pilot schools in the spring of 1999. Discussions with the current purchasing director indicated that he hopes to have roughly one third of the schools on-line by the beginning of the upcoming school year and the remaining schools on-line by the end of the school year.

The district has indicated that the purchasing department has 17 new computers and 11 printers as a result of the Technology Services Strategic Plan. Each PC system has Windows and other software to facilitate effective flow of internal office operations as well as external communications to schools and other Board offices.

**R5.2 Establish an automated, on-line purchasing system that is integrated with an overall automated financial management system.**

Recommendation

To improve Purchasing operations and CCSD financial management as a whole, CCSD should implement an automated purchasing system that is fully integrated with an automated financial management system similar to that placed in service by the Cincinnati Public Schools in January 1994.

District Response

The development of a fully integrated purchasing application is a long-term project, estimated to cost between \$2 - \$3 million. Purchasing is only one application in this proposed large financial system which also includes budget, payroll, accounting and inventory control. This project is dependent of the acceptance of the Technology Services Strategic Plan to ensure that development of the Purchasing application is consistent with the overall plans for the District. The assessment and development of the Strategic Plan has been awarded through the competitive bid process to PriceWaterhouseCoopers. Work began in early September 1997. Further definition of the scope of the Strategic Plan can be found in R9.1.

The Cincinnati school district was contacted earlier this year. Their solution was to purchase a packaged product from PeopleSoft. Although this is an integrated Purchasing/Accounting

system, it does not provide a Human Resource module which would allow the District to include enrollment and staffing considerations within one environment. At an estimated cost of \$1 million, this product does not meet all the needs of our District.

Internal Auditor's Response

The implementation of this recommendation is wholly dependent upon the results of the Technology Service Strategic Plan currently under development.

Implementation Status

The district has partially implemented this recommendation. The CIMS FMS is designed to be integrated with the district's other budget and accounting functions. As stated in the district's response, the FMS includes budget, payroll, accounting and inventory control modules. Future enhancements include enhancing report writing features, establishing an electronic data interchange (EDI) system which will allow purchase orders and vendor payments to be processed electronically and creating a web site featuring on-line catalogs which will enable both schools and vendors to further expedite the procurement process.

The on-line purchasing system is currently integrated with the following FMS modules:

- General Ledger system
- Receiving system
- Accounts payable system
- Cash disbursements system
- Cash receipts system
- FMS lookup programs

By virtue of utilizing an on-line purchase requisition and approval system, the FMS will enable the district to process purchase requests in a more timely manner, will provide improved funds control and will give them more control over the timing of payments. The system is currently set so that purchase requests are denied if funds are not available.

Auditor's Response

The newly implemented CIMS FMS system has significant procurement functionality additions that the district needs to ensure they utilize. To ensure this happens, either PriceWaterhouseCoopers or the internal audit department should be asked to compare the additional purchasing functionalities of the CIMS FMS with its current utilization and operations.

**R5.3 Complete the development of a purchasing manual.***Recommendation*

Purchasing should update and issue its purchasing manual as soon as possible. This document should contain information to help employees understand purchasing rules, regulations, and compliance requirements. Purchasing should also specifically revise Administrative Regulation 3132 to (1) update current processing procedures, (2) increase the \$10,000 threshold required for competition to the \$25,000 required by the Ohio Revised Code, and (3) eliminate reference to organizations that no longer exist. Also, Administrative Regulation 3132.5 should be updated to require competition for direct payment requests.

*District Response*

Currently, the District's purchasing practices are fragmented and paper-intensive. They consist of both official "on-the-books" policies, as well as practices that have evolved over time to deal with the burdensome, time consuming systems that have existed within the District. The District currently utilizes a combination of purchase orders, consultant agreements, and direct payment request forms to acquire goods and services. Because of this fragmentation, the District neither takes maximum advantage of its term agreements nor achieves maximum budgetary control over its purchase of goods and services.

Additionally, the District's official purchasing policies in the past have been more restrictive than those required under the Ohio Revised Code. Such policies need to be updated to reflect current legal requirements without adding to the administrative burden of the District's users of goods and services.

The re-engineering of purchasing policies and procedures will provide a concise set of simplified steps and/or instructions that will facilitate the acquisition of goods and services. The implementation of such procedures will result in a more efficient system of acquiring goods and services, thereby delivering such items in a more timely manner.

In response to the Auditor's recommendation regarding competition for direct pays, it is management's intention to reduce or eliminate the volume of requests processed.

*Internal Auditor's Response*

Purchasing guidelines will be updated and distributed to District personnel.

*Implementation Status*

The district has partially implemented the recommendation. Although the district issued an updated purchasing manual in November 1996, it is for manually-generated and approved purchase requisitions and purchase orders. Because the department's current focus is on having the entire district fully utilizing the on-line purchasing system, the November 1996 manual will soon be of little use. Consequently, the interim purchasing director indicated that he does not use the November 1996 purchasing manual (he was not even aware that it existed) and that an on-line operations and procedures document is being developed which will specify the parameters for all types of district purchases.

The district has partially revised Administrative Regulation 3132 in that they have increased the threshold required for board resolution from \$10,000 to \$25,000. The regulation has not otherwise been updated.

**R5.4 Improve available management information by providing or clarifying instructions to employees coding vendor descriptions.**

*Recommendation*

To improve management information available on its MBE program, CCSD should provide or clarify instructions to employees coding vendor description. Also, the available report should be modified to show the percentage of goal attainment for categories of supplies and services that have MBE participation goals.

*District Response*

Improvements to the data maintained on the MBE program are intended to be incorporated into the fully integrated financial application described in R5.2. Currently, a listing of all existing vendors is manually reviewed, semi-annually to ensure that the appropriate vendor code is associated with each vendor.

*Internal Auditor's Response*

Although it appears management agrees with the State Auditor's recommendation, no activity has progressed toward completion of this recommendation.

*Implementation Status*

The district has not implemented this recommendation. While the purchasing department has gone through the vendor database and eliminated multiple addresses for single vendors, instructions have neither been provided nor clarified to employees coding vendor descriptions. The district has also not addressed percentage or goal attainment for the various categories



of MBE with set goals. The MBE program has recently been moved to the purchasing department and no statistical analysis has been performed by the purchasing department. The purchasing department is currently developing an on-line system to track goals and other MBE information and plans to have this feature completely in place by the beginning of September 1999. The district has indicated that the purchasing department is in the process of hiring an MBE officer to fulfill its goals and objectives.

**R5.5 Coordinate with other Cleveland area employers with MBE programs to ensure CCSD MBE vendors meet certification requirements.**

Recommendation

To help ensure MBE vendors continue to meet certification requirements, efforts should be made to coordinate with other Cleveland area employers with MBE programs.

District Response

Management initially disagreed with the State Auditor's recommendation. The suggestion to coordinate efforts with other area employers is unreasonable and unattainable. It is management's opinion that the District currently provides adequate opportunities for minority businesses.

In 1992 a united effort created a standardized certification application form to be used by MBE applicants. The effort was facilitated by the Greater Cleveland Roundtable and included the City of Cleveland, RTA, Cuyahoga Community College, Cuyahoga County and the Cleveland City School District, among others. It should be noted that the submission of an MBE applicant to one organization does not mean that all the participating organizations received copies of the application, as suggested in the State Auditor's recommendation. The District has no intention of spending the time and resources required to coordinate this effort.

The district now concurs with the State Auditor's recommendation. The district has begun to survey City, State, and Corporate MBE programs. Time and resources are being dedicated to coordinate an effective MBE program.

Internal Auditor's Response

The auditor concurs with management's explanation. The District would be better suited to spending it's time and resources in reducing the number of direct pays processed each month and identifying additional viable minority and majority vendors, rather than coordinating efforts between local area organizations.

Implementation Status

The district has not implemented this recommendation. However, the district does have a procedure in place which checks on the status of MBE certification requirements. Under this procedure, every year all district MBE vendors are sent a document to fill out which is then used to determine whether or not they have met MBE certification requirements.

**R5.6 Expand use of term agreements.**Recommendation

To maximize its purchasing power, Purchasing should aggressively seek to establish more term agreement contracts. Candidates for new term agreement contracts include electrical and plumbing supplies and other hardware items. To initially obtain data needed to estimate quantities, send a questionnaire or data sheet to potential ordering activities to capture estimated volume. In addition, Purchasing should consider making purchases from the State and other consortiums that do not have MBE programs but that make volume-based buys if significant savings can be achieved.

District Response

More term agreements are being created for the District. The District is currently coordinating contracts for emergency services, small office equipment repair and computer supplies. Rather than capturing information on ordering activities, as suggested by the Auditor of State, Purchasing has targeted those areas with known high volume to create term agreements.

The Purchasing Division's problem is not in creating new term agreements, it has been, and continues to be, how to enforce use of them. Currently the Division has no recourse against a principal, for example, who chooses to use a different vendor than one specified on our term agreements. When mandatory purchase orders are in place we can better eliminate the abuse of the direct pay system.

Internal Auditor's Response

There should be ongoing communications with District employees of term agreements in-force and how the proper use of these agreements is more economical and efficient. Senior management in Purchasing and Accounting should work together in identifying administrators that are not taking advantage of the existing term agreements, and develop steps that can be taken to encourage administrators to use these contracts. Plans should then be formally developed to expand the use of additional term contracts.

It should be noted that emergency services are defined as those which prevent a threat to the safety of students or staff, or cause a structural hazard to the building.

Implementation Status

The district has not implemented this recommendation. However, the interim purchasing director indicated that he is currently developing term agreements for items used throughout the district on a daily basis, such as office and art supplies. In addition, he is developing a database of vendors sorted by item so that employees will have more vendor options with their purchases. He is also planning on making the state contract available but not mandatory for district employees. Other than the purchase of natural gas, the district is currently not using any consortiums.

The district has indicated they have reached out to state and city departments with regard to existing purchasing contracts for all items. Contract comparison: The district is comparing item, quantity, pricing contract terms, etc. One of the goals of the Purchasing Department is to increase the pool of vendors with which the Cleveland Municipal School District can do business. The district is also looking to establish contracts with vendors who agree to a 10% discount, if paid within 10 to 30 days.

**R5.7 Reduce the use of direct payments.**

Recommendation

To ensure appropriate usage of existing term agreement contracts, compliance with competition requirements, and compliance with MBE requirements, and to decrease the number of employees that authorize vendor performance, CCSD should reduce its use of direct payment requests. Purchases by direct payment requests should be restricted to emergency purchases and payments against contractual instruments that are centrally controlled and for which funds have been budgeted. An example of the latter would include utilities and insurances.

District Response

Purchasing Management agrees with the State Auditor's recommendation. A memo was issued in October 1996 to all principals and custodians stating that "no direct pay requests will be accepted or processed for the purchase of custodial products listed on the District's term agreement contracts. Purchasing Management feels that the number of direct pay requests has been significantly reduced in this area, with the implementation of this process, although no specific monitoring of volume has been performed. Purchasing intends to continue targeting areas which appear to abuse the direct pay system in an attempt to regain control

of the process.

The Accounting area has been manually monitoring the volume of payments processed since April 1997. Although the number of custodial direct pay requests has not been tracked, as a whole, the volume of direct pay requests continues to increase, at a faster pace than the volume of purchase orders.

The current purchasing system is very manual and with the high volume of payments to process, the only appropriate way to reduce the number of direct pays would be to implement an integrated purchasing system as described previously in R5.2. Until that time, the direct pay system cannot be completely eliminated.

#### Internal Auditor's Response

The direct pay system is a method for reimbursing funds already spent and was intended to handle emergency requests only. Because of the apparent abuses to the system, the internal auditor suggests procedures be established to assure direct pays are only used for emergencies and actions are taken to discourage non-compliance to these procedures. In addition, the purchase requisition process should be streamlined to allow for faster turnaround of correct payment requests, thus encouraging employees to properly use the purchase requisition system.

It should be noted that the authorization limit for Direct Pays at Transformation schools is \$3,499 (versus \$1,200 at all other schools). There are currently eight facilities identified as Transformation Schools. The roll out plan targets 40 schools to become Transformation Schools in 1997 - 19998 and the balance to become Transformation Schools in 1998 - 1999. The higher authorization limit for direct pays at these schools will most likely further increase the volume of direct pays.

#### Implementation Status

The district has partially implemented this recommendation. The district has outlined direct pay procedures and lowered the threshold for direct pays. Specifically, in a memo dated May 27, 1999, the treasurer outlined and reiterated the procedures for direct payment requests (DPs) and lowered the DP threshold from \$3,500 to \$100. The treasurer indicated that by establishing the new thresholds, the number of DPs that do not require board resolution will decrease, which he perceives as an area of abuse. Examples of DPs that do not require board resolution include recurring, routine payments such as health care costs, utilities, contractual agreements and service agreements. The district has indicated that their method of enforcing these procedures is to send the requisition back to the initiator if they receive a requisition for a direct pay that does not meet the established criteria.

Auditor's Response

Although the district tracks the number of DPs, they do not maintain adequate documentation to determine whether their adopted procedures and thresholds will be effective in lowering the number of DPs that do not require board resolution. The district provided reports for FY 1997-98 and YTD FY 1998-99 indicating the number of DPs issued that did not require board resolution. However, these reports included all DPs that did not require board resolution and did not separate those vendors that are exempt from board resolution, such as utility and insurance vendors. The district was unable to provide documentation indicating that direct pays had been monitored or reduced in number. With the implementation of the various policies and procedures, the district should take steps to effectively monitor and reduce DPs so it can determine their effectiveness.

**R5.8 Minimize/eliminate duplication and shorten the purchase order processing time frame.**Recommendation

To minimize/eliminate duplication and to shorten the lengthy purchase order processing time frame, CCSD should take the actions specified below.

- # Require principals and component managers to use the combined purchase requisition/purchase order form placed in use during March 1995.
- # Ensure funds are reserved before (1) conversion of purchase requisitions to purchase orders, (2) reviews for MBE program consideration, (3) the 28-day advertisement period required by formal bid procedures, and (4) approval of resolution by Superintendent.
- # Update the financial management system to provide district management on-line budget status information and increase the threshold for expenditures requiring approval; or,
  - after equipping Purchasing with a micro system and commercially available software that permits on-line fund availability checks, (1) provide Purchasing information on budget authorizations for supplies, purchased services, and capital outlays on a periodic (quarterly or monthly basis) so that it can encumber funds based on approved purchase orders and provide district management budget status information, and (2) increase the threshold for expenditures requiring approval; or,
  - significantly raise the \$6,000 threshold for expenditures requiring board

resolution.

District Response

Effective December 1996, District employees were informed that the new Purchase Requisition/Order form was required for an order to be processed or paid, all others would be rejected and returned, unprocessed.

The purchase requisition/approval process now routes PO's through 1) Budget, 2) MBE Coordinator, 3) Purchasing, 4) Legal, and 5) the Superintendent, if over \$6,000. This routing assures that funds are available prior to other areas considering the request unnecessarily.

Currently the budget system does not provide real-time, updated information to verify if funds are available. The fully integrated Purchasing system recommended in R5.2 and part of the Technology Services Strategic Plan should provide this information. The limited-scale automation suggested in R5.1 would provide a stand-alone application and would not interface with Budget data to ensure that funds are available.

Purchasing management disagrees with the State Auditor's recommendation to increase the threshold for resolution. Until the accountability of how funds are being spent can be guaranteed, it is not reasonable to increase the threshold limit. This recommendation can be examined again when an on-line system, where all purchases could be visible and reviewed comprehensively, is available.

Purchasing management continues to reduce the lengthy P.O. requisition process in an attempt to encourage District employees to use it. Although the timing fluctuates between 10 - 30 days, depending on the time of the school year, management feels strongly that this is an improvement over the average 120 day turnaround for P.O.'s over \$6,000 as was historically experienced in the District. These improvements have been realized by eliminating the rewriting of requests on a P.O. form, the establishment of term agreements, and the creation of some blanket P.O.'s for custodial, food service and transportation supplies.

Internal Auditor's Response

Even with the routing change in the purchase order approval process, the State Auditor should be aware that because the Budget application is a batch processed system, fund availability is updated only during the evening's processing. Expenditures can still exceed availability, it is then necessary to redirect funds to cover these expenditures. The auditor agrees with management that increasing the threshold for authorizations contradicts the primary need to regain control of the entire process. No documentation, either current or historic was available to substantiate the length of time required to process a purchase order.

*Implementation Status*

The district has partially implemented this recommendation. As indicated in the district's response, principals and component managers are required to use the combined purchase requisition/purchase order form which was placed in use during March 1995. The CIMS FMS includes a component which will not allow a requisition to be processed if the funds are not available. While the system does not check for MBE program consideration, it has this capability and will be utilized once the MBE database has been completed. The system ensures that the appropriate people have reviewed and approved the purchase requisition and purchase order.

According to the interim purchasing director, the district does not track the timing of the requisition process. Consequently, documentation could not be provided which tracks the district's claim of a reduction in the timing of the requisition process. However, the purchasing director indicated that with the introduction of the on-line purchasing system, the timing will be reduced. Under the on-line system, the director checks the system at least twice a day for requisitions ready for his approval.

Administrative regulation 3132 states that, with the exception of a few situations, such as consultants and emergency purchases, board resolution is required for purchases in excess of \$25,000. Purchases from \$6,000-\$24,999 are calendar items only, meaning that it is a point of discussion and resolution is not required. The interim purchasing director is hoping to lower the threshold for calendar items so that it will be \$2,501-\$24,999. Further, when preparing bids, bids will be for the total of the job instead of for individual purchase orders. By enacting these and other procedures, he hopes to be able to obtain better information which would enable him to get a truer understanding of the district's purchasing practices.

## Facilities

### **R6.1 Establish and implement a plan for addressing the physical condition of the district's facilities.**

#### Recommendation

Establish and implement a plan for addressing the physical condition of CCSD facilities.

- ! Update previous studies done on CCSD facilities and develop a Capital Improvement Program (CIP).
- ! Develop and document a formalized, capital project categorization and prioritization system to ensure capital improvement decisions made by district management and board members are based on a clearly communicated detailed needs assessment, consensus-based priority setting processes, understanding of the architectural and engineering impact of a project and understanding of the impact of deferring projects.
- ! Establish and document the process for an ongoing facilities inventory and audit to ensure the district has current, standardized, detailed, facility specific information from which to make management decisions regarding the recommendation and approval of capital renewal/replacement projects.

#### District Response

In March 1997 the district initiated an internal capital needs assessment by selecting a team of four from the building operations and building trades divisions to make walk-through assessments of the capital needs of all school buildings to establish a database for the development of a long range capital plan for the district. The teams were to identify and help prioritize only the critical needs in each of several key building system categories. Their assessment and subsequent work will lead to the development of the comprehensive Facilities Master Plan recommended here. The walk-through assessments were completed in April.

A budget of almost seven million dollars had been allocated for capital improvements for last year (1996 - 1997) to continue repairs on school roofs, electrical, and foundation maintenance. In addition, on November 5, 1996 the district succeeded in passing an operating levy for the first time in 13 years. It was decided to spend \$10 million in fiscal 1997 from the levy proceeds for the capital needs of the district. An additional \$12 million is allocated for 1998 (or a total of almost \$29 million for capital improvements.) As a result of the passage of the levy, additional schools have been identified to have roof repairs performed.

In addition, a retired school superintendent familiar with the district's facilities has been retained to assist district staff in inspecting school district buildings for major custodial work



necessary. This assessment is performed on an annual basis, with the majority of the work performed during the summer months.

In conjunction with these inspections, Mays Consulting & Evaluation Services, Inc. was retained to assess and prioritize the roof repairs in the schools. Mays and the trades manager are inspecting buildings designated as “critical”. As of May 1997 repair and replacement work was begun on 30 school roofs. Fourteen schools have been identified for roof replacement using levy funds (scheduled for completion by December 1998). An additional 22 school roofs will be repaired with levy funds in fiscal 1998.

The new director of facilities is currently conducting site visits to update the District’s capital needs. This fall the Facilities Office will complete a Capital Improvement Program with a re-designed capital budget based on newly identified needs and fiscal resources.

#### Internal Auditor’s Response

Considering the limited resources and finances available, the facilities division is preparing an overall evaluation of the school facilities in need of repair or replacement. Continued effort is required throughout the year to complete the work necessary on each of the identified school buildings. Management is developing an inspection program which would encompass overall inspection of needed facility repairs and maintenance. Facilities should be inspected at least every five years. Follow-up to ensure adherence to the expenditures attributed to Issue 31 (levy) moneys is monitored through periodic presentations to the Financial Planning and Supervision Commission.

#### Implementation Status

This recommendation has been partially implemented. In an attempt to address the capital needs of the district, a team of district employees from the building operations and building trades departments conducted an on-site capital needs assessment of every district-owned facility. The capital needs assessment team identified the critical needs of each facility which included repairs needed to roofs, fire alarm systems, HVAC systems, plumbing, electrical systems and grounds. A priority system was developed by the district to rank repairs from 1 indicating an inadequate condition to 5 indicating an excellent condition. Building assessments were completed in the spring of 1997. CCSD hired Mays Consulting and Evaluation Services, Inc. to conduct a formal assessment of its roofing systems. Mays provided a report to the district which detailed the condition of each roof and the necessary repairs or roof replacement. District officials then prioritized roof replacements and repairs based on the condition cited in the Mays report.

In 1998, CCSD used the Mays report and the building assessments as a basis for developing

a three-year capital improvement plan. The capital plan covers the time period 1999 to 2001. The capital plan identifies specific project classifications of facilities repair: roof replacement, window replacement, interior painting/plastering, tile replacement, restroom repair or addition, HVAC repair or replacement, exterior door replacement, building renovations and electrical upgrades. A cost estimate for each project is presented as well as a total budget for FY 1999-2000, FY 2000-01 and FY 2001-02. Funding sources for projects, such as funds from the 1996 levy and funds from the Ohio School Facilities Commission, are identified for each fiscal year. Although the projects are prioritized within each category, for example roofing and electrical upgrades, the capital plan is not prioritized on a district wide basis. Also, the capital plan does not specifically assign the responsibility of each project to a department or district official. District officials have indicated that the district does not intend to place a levy on the ballot to fund permanent improvements in the near future.

CCSD has not developed a facilities master plan (FMP). The district completed a facilities inventory from the building assessments, which included a description of the building and equipment, a walk-through of the facility and an evaluation of health and safety issues. However, CCSD has not established or documented the process for an annual facilities inventory and audit.

#### Auditor's Response

Although CCSD has developed a three-year capital plan, it should take steps to prioritize the projects on a district-wide basis and assign management responsibility for each project. CCSD should revisit the recommendation and develop a facilities master plan. The building assessments that the district completed should be used as the basis for the facilities master plan. CCSD should also consider establishing a standardized method of conducting an annual facilities inventory and audit.

### **R6.2 Develop a formal capacity analysis and space plan.**

#### Recommendation

In conjunction with the Facilities Master Plan, develop a formal capacity analysis and space plan for the district to support proper capital improvement decisions. It has been established by numerous studies that there are several schools in need of replacement and this must be considered when determining potential schools to close. Before any more funds are allocated for capital improvements and repairs, the district must determine the appropriate number of schools and administrative sites required to serve the current and future students of Cleveland. If the district is to focus its scarce resources on those facilities most in need, there must be a formal process of selecting potential schools to close. It is important for the district to consider the age and physical condition when selecting schools for closing. Unless the district

is able to obtain the necessary funding to repair all of their facilities (estimated at more than \$575 million), it is not fiscally responsible to continue to allocate funds to older buildings that are beyond repair. Based on the enrollment figures used in this report, it appears that the district could close an additional 7-14 schools and still maintain enough space for future growth. If enrollment or average daily memberships are revised, additional capacity may be realized.

#### *District Response*

Management believes that the capacity analysis shown in the Performance Audit, based on information supplied by the district, was incomplete and thus its conclusions were misleading. Additional examination of classrooms and enrollment projections was undertaken during July and August 1997 and may become a factor in future school capacity decisions. At this time the district does not believe that 7 - 14 schools can be closed. In fact, two administrative facilities have been changed to elementary schools to handle the 100-plus additional rooms necessary for the full day kindergarten program, as recommended by the program site subcommittee.

The program site subcommittee issued a report to the senior management team on April 1, 1997 which recommends some changes to the district's current facility use, in addition to the full day enrollment within the district. For example, the return to neighborhood schools will increase the enrollment in the elementary grades. The ADM count has demonstrated improvement over the 1996 count. Enrollment figures usually level off in mid to late September, and the student assignments office anticipates a continued increase in enrollment, especially in the kindergarten program. It appears unlikely that additional facilities will be closed this year.

The Facilities Office is in the early stages of designing a formal capacity and space plan. An analyst from the Operations Division is collaborating with other public and non-profit agencies in the community (e.g., Northeast Ohio Areawide Coordinating Agency, and Center on Urban Poverty and Social Change) to gather population projections for families and school-aged children to plan for the District's current and future facility needs.

#### *Internal Auditor's Response*

Adequate documentation was received to support management's response. The documents reviewed by Internal Audit in relation to the building utilization prepared for the Ohio Department of Education, appears to be of limited value in determining classroom availability. The development of a capacity analysis and space plan has great potential for reducing the likelihood that inappropriate rooms will be identified and assigned as classrooms. Further, depending on the projected use of a facility and the rooms therein, the District will be in a

position to gauge the number of students that can be accommodated for the various educational programs. Also, more accurate projections can be made for the need to modify an existing building or to clear, close, or construct a facility.

#### Implementation Status

The district has partially implemented this recommendation. The district made a commitment to the community to implement full-day kindergarten, district-wide, for the 1997-98 school year on the condition that the voters approve a levy. The community passed the levy in 1996. In response, the district developed a program site subcommittee in 1997 to address the need to implement full-day kindergarten. According to district officials, the decision to implement full-day kindergarten has reduced the excess capacity of the district's buildings. Subsequently, no buildings have been closed. CCSD has begun to conduct an annual capacity analysis for each school building. Enrollment projections are also conducted on an annual basis. District enrollment projections indicate a slight increase each year, for a total increase of 4,215 students over the next ten years. However, the district's 1999 capacity analysis indicates that at the elementary and magnet elementary school level, 18 schools are below 70 percent of capacity utilization and 15 schools are above 100 percent of capacity. At the middle school level, three schools are below 70 percent of capacity and eight schools are above 100 percent of capacity. At the high school level, five schools are below 70 percent of capacity and no high schools are above capacity.

### **R6.3 Change the current cost structure of the facilities division by reducing salary and benefit expense.**

#### Recommendation

Initiate efforts to modify the current cost structure of the facilities division by restructuring the current labor agreements with Local 777 (Head Custodians), Local 701 (Assistant Custodians and Laborers), Local 47 (Cleaners), and the Cleveland Building Trades Council (Trades staff). The current contracts, set to expire on August 31, 1996, contain numerous clauses that significantly inhibit the division from operating effectively due to excessive salaries, benefits and operating practices that result in overtime expenditures. The following is a list of issues that have a substantial impact on the efficiency and effectiveness of the facilities division and must be addressed during contract negotiations. If changes are not made to the existing cost structure, regardless of other improvement opportunities, the division will likely be unable to operate at a level that would be comparable to services provided by an outside contractor.

#### District Response

Calls for a wage freeze and wage reductions could not be negotiated, but approximately \$500,000 in overtime was saved annually as a result of the give-backs from Locals 777 and 701. In September 1996 labor agreements were restructured to reduce overtime costs built into the contracts with custodians (Locals 777 and 701). In addition, as a portion of the give-backs negotiated from an earlier labor agreement, Local 47 made concessions in the area of health care insurance to require a minimum number of hours worked prior to automatic coverage being provided. Contracts now require new employees to work a minimum of 30 hours before health insurance coverage is provided (previously a 19-hour minimum was sufficient to receive benefits). Although this new contract affects only new hires, not existing employees, it should be noted that the largest turnover in employees occurs with the cleaners (Local 47). No give-backs were negotiated with the Cleveland Building Trades Council, but standardized guidelines for all trades were implemented.

Internal Auditor's Response

No agreement was reached regarding a lower starting wage or the requirement for a licensed boiler operator in each building. The \$500,000 estimate in overtime savings is documented in the Financial Recovery Plan but was not recalculated by Internal Audit. This amount is derived from reducing the number of months for building inspections from five months to three and reducing the allowable overtime at the Woodland and Administration buildings.

Implementation Status

This recommendation has been partially implemented. CCSD has not been successful in negotiating lower starting salaries and wage freezes with Local 777 (Head Custodians), Local 701 (Assistant Custodians and Laborers), Local 47 (Cleaners) and the Cleveland Building Trades Council (Maintenance staff). Also, the district was not able to re-negotiate the clause requiring a licensed boiler operator in every open building. In 1996, CCSD was able to negotiate a change in the number of months that mandatory building inspections are completed. The current contract with local 777 and local 701 states that there will be mandatory weekend and holiday inspections of all facilities owned or leased by the board beginning December 1<sup>st</sup> and ending February 28<sup>th</sup>. Previously, this clause in the contract called for inspections from November 1<sup>st</sup> to April 1<sup>st</sup>. CCSD estimated a cost savings of approximately \$500,000 in overtime based on the reduction in the number of months that building inspections are conducted. However, no documentation was provided to verify that the projected savings was actually saved, tracked or recorded.

Auditor's Response

CCSD should make greater efforts to negotiate lower starting salaries and wage freezes with the labor unions. The district should also attempt to remove the clause requiring a licensed

boiler operator to be present at open buildings, unless the boiler system in that building requires a licensed operator.

**R6.4 If cost structure changes are not successful, conduct a detailed privatization analysis.**

Recommendation

If changes in the division's cost structure are not possible, assess opportunities to acquire external assistance for services provided by the facilities division. Conduct a detailed privatization study to determine if private vendors can more efficiently and effectively deliver these services. Discussions with potential providers indicated a possibility for savings, however, they are essentially recommending taking over the management of the division. The current employees would remain on the district payroll. Therefore, privatizing would not address one of the biggest concerns of the division, high salaries of existing staff. Furthermore, discussions (and cost estimates) with the vendors did not address the poor condition of many of the facilities. Significant capital improvements would still be required.

District Response

The need to study the feasibility and cost savings of privatization of facilities-related services is recognized by the district. The facilities division already contracts out a number of services, such as the repair and maintenance of boilers, HVAC, roof repairs, tree service, elevator contracts and waste management. Preliminary discussions have been held with Marriott and Aramark regarding the privatization of cleaning and maintenance of district facilities. Initial responses indicated a limited opportunity for cost savings. Verbal responses suggested the utilization of an outside service would result in a cost increase of \$1 million rather than a cost decrease. It should be noted that both vendors declined to provide the district with a written response because of competition concerns. If cost savings from using outside services can be confirmed, management will consider those opportunities as they arise. Carving out the contracts for specific services will also continue when feasible.

Internal Auditor's Response

The auditor did not receive adequate documentation to support management's response. However, the auditor concurs that contracting out specific services may be the best utilization of facilities division funds. Evaluating specific areas to out source versus taking an "all or nothing" approach appears to be a sound management decision until departmental reorganization decisions are completed and a final analysis can be performed of the actual costs of the outsourcing. As documented in R13.2, no detailed privatization study has been undertaken by the district.

Implementation Status

This recommendation has not been implemented. Under the previous CCSD administration the district did not conduct a detailed privatization study. However, district officials indicated that discussions with private contractors have recently been initiated, but no decision has been made in this area.

**R6.5 If cost structure changes are achieved, modify the facilities division organization structure.**Recommendation

Consistent with the Senior Executive Manager's proposed structure, implement the following organizational changes.

- ! Reestablish three to four cluster coordinator positions.
- ! Fill the vacant trades manager position.
- ! Establish a position of manager of energy management.
- ! Develop a department to address environmental and health issues such as lead, radon, underground storage tanks, methane gas, asbestos and ADA requirements.
- ! Redefine the role of the cost analyst position to be responsible for maintaining all information related to the district's facilities.
- ! Establish two additional clerical positions within the facilities division.
- ! Modify the scheduling of custodial staff such that the head custodian works from noon until 9 p.m.
- ! Establish a detailed custodian allocation methodology to determine the most efficient staffing level and utilization of staff.
- ! Establish a grounds foreman position who reports to the trades manager.
- ! Reassign grounds duties to centralized, mobile grounds crews.
- ! Create teams of maintenance personnel to operate in zones across the district.

District Response

Although district management feels that the reorganization structure outlined by the State Auditor has merit, the State Auditor's assessment appears to be an "ideal" structure resulting in the creation of several new positions and the filling of vacant positions, for which funding is not currently available. More modest changes would lead to improved service by reallocating the current staffing structure. An alternative organizational structure will be proposed with the intent of implementing it by the documented target dates. The district has retained the services of two interim coordinators to assist in supervising custodial staff.

The vacant trades manager position has been filled and a realignment of staff in this area is

being completed. Due to tight fiscal resources, the in-house energy manager position was not funded in FY 1999-2000. The District has re-established the director of facilities position in FY 1999-2000 to better integrate the maintenance and trades areas. A new director joined the District in June, bringing extensive expertise to the position and will oversee the Honeywell contract. The Facilities Office is working with Honeywell to expand our existing contract to have Honeywell's technical resource manager implement new energy recovery and savings initiatives until a permanent position is funded.

Custodian staff schedules have been modified; head custodians now work from 9 a.m. to 6 p.m. and assistant custodians work a varied schedule, often from 7:30 a.m. till 3:30 p.m., earlier if necessary in the winter months.

Management recognizes the need to establish standards for custodial work levels. Meetings have been held to determine the correct utilization and staffing levels of custodians in an attempt to define an appropriate staffing model, although no resolution has yet been reached.

Internal Auditor's Response

Management agrees that a restructuring of the facilities area is desirable, however, a compensating alternative has not been finalized. Although custodian hours have been modified, a copy of the new union agreement verifying the custodial hours is not available yet.

Implementation Status

- ! The district has partially implemented this recommendation.
- ! CCSD has not established the four cluster coordinator positions, but district officials indicated that funding for this position was included in the FY 1999-2000 budget request.
- ! The trades manager position has been filled.
- ! CCSD has not established an energy management manager to monitor the Honeywell project, and funding requested in the FY 1999-2000 budget was not approved.
- ! The district has not developed a specific department to address environmental and health issues, but a maintenance employee has been given the responsibility for asbestos compliance and other environmental issues.
- ! The role of the cost analyst has not been redefined to include maintaining facilities-related information.
- ! Funds for two clerical positions were requested in the FY 1999-2000 budget request.
- ! The schedules of the head custodians and assistant custodians were modified slightly in the 1996 labor agreement. The assistant custodians also have an afternoon shift which allows for more supervision of the cleaners in the evening.
- ! CCSD has not reduced any staff and a custodial allocation methodology to determine the most efficient staffing level has not been developed or initiated.



- ! The district has not formally established a grounds foremen position, but the responsibility of overseeing the grounds crew has been assigned to a maintenance employee. This employee monitors and determines the work assignments for the crew and reports to the trades manager. The grounds crew has not been assigned to a centralized mobile grounds crew.
- ! The maintenance staff has not been reorganized into zones because the district has decided not to implement that recommendation.

**R6.6 Determine the appropriate number of skilled, master craftsmen that are required.**

Recommendation

Based on the comprehensive Facilities Master Plan and the maintenance priorities that are developed for the district facilities, determine the appropriate number of skilled, master craftsmen that are required. For the district to meet an industry average of 90,000 square feet per maintenance staff, a total of 70 additional maintenance personnel would need to be hired (which includes the previously mentioned general maintenance crews).

District Response

In general, District management agrees with the Auditor's recommendation that the District needs to increase trades staff. However, the District still needs to make an assessment of how many permanent staff is needed, based on ongoing facility needs, and what fiscal resources are available to support those staff. The Facilities Office has utilized its agreement with the Building and Construction Trades Council to add eight additional trades staff on a temporary basis through the fall 1999 to assist with critical repair needs.

As a result, an agreement has been entered into with the Building and Construction Trades Council which enables the district to supplement its existing trades workforce when necessary to address unique needs which arise. The district will continue to utilize its existing number of skilled trades people for scheduled maintenance or emergency repairs as needed and continue to contract out special services rather than hire an increased staff of trades people which may not be fully utilized.

This is a long range ideal of attaining flexibility for the district in conjunction with scheduled plant maintenance. However, until the school facilities are repaired, and a preventive maintenance plan is established for each school, a new allocation of trades people is not feasible.

Internal Auditor's Response

Overall, management disagrees with the State Auditor's recommendation to hire additional, permanent staff. The division's alternative in contracting for temporary, skilled trades people as needed is consistent with the State Auditor's recommendation on the subcontracting of services. However, no cost analysis has been compiled to determine the true benefits of using temporary help to satisfy district repair needs.

Implementation Status

The district has not implemented this recommendation. The district has not hired additional maintenance staff, but the district has continued to use the Building and Construction Trades Council to supplement the existing workforce when necessary. In addition, district officials have indicated that the budget request for FY 1999-2000 included a request for 17 additional full-time maintenance employees. The budget request had not been approved at the time of this audit.

**R6.7 Formalize the budget development process and timing to coincide with the Facilities Master Plan for the following year.**Recommendation

Formalize the budget development process and timing to coincide with the Facilities Master Plan for the following year. Develop the budget from projected staffing requirements, material's requirements, and contracted services from a set of base projects planned for the year plus a predetermined percentage for emergency maintenance situations. This will allow renovation and maintenance decisions to determine the budget, rather than the budget determining the repair requirements.

District Response

The budget has been modified to account for the increase in revenue due to the passage of the operating levy. Some money will also be available in the general operating budget for facilities. The Financial Recovery Plan drives the budget and the assessment of the school facilities helps define where budget dollars will be used. In response to the Ohio Department of Education's estimate of \$575 million to restore all the school facilities, this is simply not a reasonable expectation. The funding available to the facilities division will be used to address the issues deemed as critical for the safety and security of the children.

In response to the state auditor's recommendation to set aside a portion of funds available for emergency repairs, this has always been a practice for the facilities division and will continue as such.

Internal Auditor's Response

Some of the basic elements of a facility management system include budget reviews of anticipated projects in order to control and monitor costs. Management should ensure that a methodology is initiated to manage and maintain the Facility Master Plan.

Implementation Status

The district has partially implemented this recommendation. CCSD has provided documentation to support the fact that the district established an emergency reserve for facilities, but it has not formalized the budget process to coincide with a facilities master plan.

**R6.8 Develop and implement a comprehensive planned preventive maintenance program to be carried out by the Zone Crews.**Recommendation

Develop and implement a comprehensive planned preventive maintenance (PM) program to be carried out by the zone crews. Utilizing the information obtained in the facilities audit and building inventory (of each facility), determine the specific PM needs by facility.

District Response

The establishment of zone crews is not part of the development plans for the facilities division. It is management's intent to develop a preventive maintenance plan by guiding the work of the custodial staff. Custodians will be trained on the correct maintenance of new equipment, including preventive maintenance, and how to assess the need for more than routine repairs.

The 1987 Preventive Maintenance manual is still used on a limited basis by the district's trades personnel (not custodians) and it is adequate to the extent that it can be used to maintain old equipment. It is necessary to perform a building by building inventory of equipment to completely update the preventive maintenance plan. It is management's intention to develop a workable preventive maintenance plan by the Summer of 1998. The new PM plans for each school will then be updated with additions or deletions of equipment.

Internal Auditor's Response

Whenever maintenance can be performed as a planned preventive procedure rather than an unplanned reactive process, there is the potential for dollars to be saved and disruptions to the educational process to be minimized. Further, by having a complete and accurate inventory of equipment, the expected life of the equipment can be accurately projected and numerous breakdowns can be avoided. Also, the likelihood of funds being expended on outdated, antiquated, energy-wasting equipment is greatly reduced.

Implementation Status

The district has not implemented this recommendation. CCSD decided not to use zone crews, instead it intends to develop a preventive maintenance plan by using the custodial staff. A preventive maintenance plan has not been initiated by the district and preventive maintenance is not scheduled or performed on a routine basis.

Auditor's Response

CCSD should revisit the recommendation and consider developing a master preventive maintenance schedule which identifies specific preventive maintenance activities to be completed.

**R6.9 Keep the Ridge Road Trades Building open.**Recommendation

Keep the Ridge Road Trades Building open. The concept of relocating a department from a building in relatively good condition, designed specifically for the trades department to another building which is in poor condition, and spending a significant amount of money to bring it up to standards is not financially sound. The cost of repairing and maintaining the older Woodland Distribution Center would far exceed potential savings in utilities and other expenses.

District Response

The district concurs with this recommendation and the Ridge Road Trades Building remains open. This factor will be incorporated in Divisional reorganization planning. However, Federal Court concurrence is necessary for final implementation of this recommendation. The Legal department has been informed of the district's intent to keep the Ridge Road building open and instructed to proceed with additional filings as necessary.

Internal Auditor's Response

Given the age and apparent suitability of the facility, the auditor agrees that the trades building should remain open. On September 9, 1997, a letter was sent to the other parties involved in the tripartite approval process to initiate actions to confirm this decision prior to notification of the Court.

Implementation Status

This recommendation has been implemented. CCSD is currently using the Ridge Road building to house the trades department. It is unclear whether the district has received concurrence from Federal Court

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g open.

**R6.10 Relocate the entire facilities division staff to the Ridge Road Trades Building.****Recommendation**

Relocate the entire Facilities Division staff to the Ridge Road Trades Building. By moving the administrative positions from the downtown building to Ridge Road, the communication will be improved and management will be able to make more informed decisions.

**District Response**

Action on the relocation of the facilities division will be deferred until the reorganization and reallocation of the facilities management team. The decision to move the facilities division staff to the Ridge Road building will be based on a justification to be submitted by the new facilities management team.

**Internal Auditor's Response**

The Auditor agrees that until the reorganization of the facilities division is complete, the decision regarding the movement of current staff to the Ridge Road facility is premature. Completion of this recommendation is dependent on the outcome of recommendation R6.5.

**Implementation Status**

The district has not implemented this recommendation. The relocation of the facilities administrative staff from the downtown location to the Ridge Road building may allow for convenient communication among facilities administrators, but district officials stated that this arrangement would make communication difficult between the building operations staff and the administrators. District officials stated that the positions that have remained downtown are associated with the building operations staff and that the downtown location allows for more convenient communication with the staff members assigned to the buildings. Presently, CCSD does not intend to relocate all of the facilities administrative positions to the Ridge Road building.

**R6.11 Investigate the feasibility of purchasing vehicles for the trades department staff.****Recommendation**

Investigate the feasibility of purchasing vehicles for the trades department staff. These vehicles could be customized for each craft and serve as “mini-warehouses” containing the specific tools and equipment used by the tradesmen. Although district vehicles would cost more than the current process of mileage reimbursement, the productivity time for tradesmen would increase. The tradesmen would spend less time driving between schools and to

vendors to obtain the necessary equipment and their time spent waiting for the required parts to be delivered would be reduced.

District Response

In the summer of 1996 vehicle purchases were investigated including the retrofitting of one vehicle to an all electric vehicle. The evaluation was completed and an additional budget request for \$90,000 was included for 1997. However, given the restrictions in funding, this budget request was not approved. Vehicles presently owned by the district were also assessed for their condition and usefulness. Current district methodology of reimbursing employees for mileage is adequate for the short term, however, our objective has never been to require our employees to subsidize the district by personally assuming costs incurred. Commute time is built into the salary structure of the facilities division staff.

The reallocation of management's responsibilities, the implementation of major repair and replacement projects throughout the district, and the implementation of a Preventive Maintenance plan are all related to the district's need for providing service vehicles for the facilities division. When financial resources allow it, this issue may be reconsidered.

Internal Auditor's Response

A total of almost \$10,000 was spent on personal vehicle mileage for trades for fiscal 1996; and \$4,500 in fiscal 1997. Considering the cost of purchasing vehicles for the division, it appears reasonable to continue the practice of trades people carrying basic supplies with them when using their own vehicles and reimbursing for mileage. A more in-depth cost benefit analysis should be performed before the district makes an investment of district owned vehicles. A complete, accurate, and up-to-date inventory should be conducted of the vehicles assigned within the district.

Implementation Status

This recommendation has been partially implemented. In December 1997, the district completed a full inventory of all vehicles assigned to the facilities division including a vehicle description, the year of the vehicle and the condition. In 1997 a budget request of \$90,000 was made for vehicles but this request was denied due to lack of funds. The reimbursement policy remains in effect. District officials have indicated that a budget request was submitted for FY 1999-2000 for one vehicle. That request was not approved at this time.

**R6.12 Establish inventory control procedures for all parts and equipment in the Ridge Road Trades Building, at the schools and for any supplies maintained on district vehicles.**

Recommendation

Establish inventory control procedures for all parts and equipment in the Ridge Road Trades Building, at the schools and any supplies maintained on district vehicles. This would include recording parts as they are removed from or added to inventory, limiting the access of parts to designated personnel, and completing an annual physical count of all items. In addition,

any parts and tools stored on the craftsmen's vehicles and all grounds equipment need to be included in the inventory control process. An inventory control system will ensure that opportunities for loss are minimized and that the appropriate parts and equipment are kept. Furthermore, an effective inventory control program will provide management with adequate costing information related to the parts and equipment used in the district.

District Response

The MainSaver software system was used in the past for inventory control purposes and could be utilized to that effect again. Computer hardware and software upgrades would be necessary as well as training for personnel. A request of \$10,000 was approved in the 1997/1998 budget to cover the costs of equipment and training. Responsibility for data entry functions will be assigned to existing staffing.

Internal Auditor's Response

The MainSaver system has not been updated during the past 18 months. Therefore, no inventory control procedures have been in place for the district during this time.

The MainSaver system acts as a database for more than just inventory control. Based on our review of the software documentation, it could be used for work order maintenance, work performance and material utilization standards. An inventory control system will ensure that opportunities for loss are minimized and that the appropriate parts and equipment are kept in stock. Furthermore, an effective inventory control program will provide management with adequate costing information related to the parts and equipment used in the district.

Implementation Status

The district has not implemented this recommendation. The district has not purchased the updated MainSaver software. Currently, inventory control procedures for equipment in the Ridge Road building, at the schools, or on the district vehicles have not been established.

**R6.13 Utilize the automated work order maintenance system for all work orders submitted to building trades.**

Recommendation

Utilize the automated work order maintenance system for all work orders submitted to building trades. Maintaining an effective work order system will provide management the ability to efficiently and effectively allocate maintenance resources. The system will allow for improved job estimating, manpower scheduling, inventory control, equipment utilization schedules, backlog monitoring, workload forecasting, project status monitoring and costing analyses. Reassign the clerk in the building operations department to be responsible for maintaining the work order system.

District Response

The Facilities Office has not implemented the Mainsaver software program. Staff is

investigating a technology solution that will address work order tracking, asset management, CIP management, preventative maintenance, cost tracking and other facilities management needs. The Facilities Office will examine effective technology solutions implemented in other districts to determine the strengths and weaknesses of each. The goal for implementation is during the summer of 2000 if fiscal resources allow.

Internal Auditor's Response

Work orders should be developed for the trades staff, regardless of the implementation of the MainSaver system. Maintaining an effective work order system will provide management the ability to efficiently allocate maintenance resources.

Implementation Status

The district has partially implemented this recommendation. While CCSD did not purchase the MainSaver software, it is utilizing a computerized work order system which was developed in-house and recently upgraded. The custodians send paper work orders to the Ridge Road facility which are prioritized by the trades foreman and passed out to the trades staff. The clerk enters the work orders on the work order system and records the trades person that is assigned to the job. When the work is completed, the work order is closed out on the system. The system can record the status of the work as open/in progress/or closed and allows the department to run lists by priority, by trade, by region, by school and by fund. The system is also capable of recording purchases, attendance, hours worked on a project and can specify whether the project is funded through general or permanent improvement fund revenue. The current work order system does not have the capability to schedule or track preventative maintenance and it cannot track inventory.

**R6.14 Realign and centralize all grounds equipment under the mobile grounds crews, identify the equipment needs of the crews and develop an inventory of all grounds equipment.**

Recommendation

Realign and centralize all grounds equipment under the mobile grounds crews. Identify the requirements of the mobile crews and develop an inventory of all grounds equipment currently in the district. After compiling the equipment necessary for the crews, assess the value of the remaining equipment and determine appropriate disposal. Identify additional equipment needs such as trucks and trailers to transport equipment from site to site. Develop an equipment tracking and monitoring system (in conjunction with the fixed asset system) for all grounds maintenance equipment. This system will also enable the division to implement an equipment replacement program.

District Response

Management disagrees with the State Auditor's recommendation to establish mobile grounds crews to maintain all of the district's facilities. A grounds crew has been created by the



reallocation of current staff to address the needs of closed and vacant facilities within the district. Custodians will continue to be responsible for the maintenance of school grounds. Any creation of an additional mobile grounds crew or the contracting out of grounds maintenance service would represent a 100% added cost and the district cannot afford such a measure at this time. Maintenance equipment will be inventoried in conjunction with the district wide inventory recommended in R6.12.

Internal Auditor's Response

Management did not agree with the State Auditor's recommendation and took no action to analyze the feasibility of the recommendation. The internal auditor concurs with management's position regarding the excessive costs to establish a mobile grounds crew.

Implementation Status

The district has not implemented this recommendation. A mobile grounds crew has not been developed and the grounds equipment has not been centralized under the grounds crew. A formal inventory process has not been completed. However, the district has an informal system of recording the grounds equipment. CCSD has not developed an equipment tracking system. While the district has identified the need for additional maintenance vehicles, additional equipment needs have not been identified.

Auditor's Response

CCSD should re-evaluate the recommendation and consider developing an inventory of all equipment, identify additional equipment needs and develop a system to monitor and track grounds equipment.

**R6.15 Develop and implement work performance and material utilization standards for each trade/craft.**

Recommendation

Develop and implement work performance and material utilization standards for each trade/craft in order to ensure efficient and cost-effective utilization of maintenance resources by:

- ! Improving the ability to more accurately estimate manpower requirements for requested services.
- ! Improving worker productivity and accountability.
- ! Improving the allocation of parts, materials and supplies.
- ! Establishing a base for scheduling and monitoring backlog service requests.
- ! Establishing a base for developing manpower and workload forecasts.
- ! Improving management's ability to evaluate overall performance by conducting costing and variance analysis.

District Response

Work performance standards currently exist but have not been updated or modernized as of this date. Maintenance of this information is also part of the MainSaver system. Hardware and software upgrades are necessary for the proper update and future maintenance of this information.

Internal Auditor's Response

See comments for R6.12. In the interim, the manual standards should be utilized and updated.

Implementation Status

The district has not implemented this recommendation. The district is not currently using the MainSaver software. Work performance and material utilization standards for each trade have not been developed or implemented. However, work standards, such as time and costs, are evaluated through the work order system. The district is able to use the work order system to estimate the cost of a job and a time frame for completion of a project. The system allows the facilities department to track the actual cost and time dedicated to a particular project.

**R6.16 Develop and implement a formal coordination and communication process between the Building Trades Manager, the site-based manager (principal) and the Head Custodian.**Recommendation

Develop and implement a formal coordination and communication process between the building trades manager, the site-based manager (principal) and the head custodian. The plan should include the following features:

- ! Periodic customer service site visits by the building trades manager to discuss work quality and other issues with the site-based manager and/or head custodian.
- ◆ Notification to the site-based manager of scheduled facilities maintenance access. This would include prior notification by telephone, if possible, and signing in and out at the facility's main office.
- ! Input from each facility in prioritizing its site level projects.

District Response

For the past three years, the manager of building operations has been acting in a dual role as the manager of trades and building operations. With the appointment of the trades manager, the model for enhanced communication between central offices and schools will be drafted and implemented. Many of the actions defined have been piloted as part of the Transformation schools initiative under which principals are responsible for the supervision of everyone in the building; this includes the custodial and trades staff while they are in the building. A three-year plan to make all District schools, Transformation schools, is now being rolled out.

Although Transformation will provide some improvement in the communications between the principal, custodian and trades manager, true success will rely on the coordinated efforts of all three parties. Management agrees that standardizing the required actions of all individuals may help to improve the communications in schools where the level of discussions between interested parties is lacking. Consideration will be given to providing additional training and support in the areas of personnel management skills where it is necessary.

Internal Auditor's Response

The Auditor agrees that the Transformation directive will provide some relief for the needed communication between the principals and facilities areas, however, efforts to improve communications need to proceed prior to the completion of the three-year Transformation School roll-out plan.

Implementation Status

The district has implemented this recommendation. CCSD has recently developed a formalized communication process between the building trades manager, the principal and the head custodian and has divided the district into five regions, which are managed by regional superintendents. The regional superintendent speaks to the principal regarding work that needs to be completed in a building and develops a list that is sent to the director of facilities. The director of facilities responds to the work request and indicates the status of the project.

**R6.17 Establish guidelines (formulas) for minimal custodial budget allocations at the school level.**

Recommendation

Establish guidelines (formulas) for minimum custodial budget allocations at the school level. These guidelines can assist the site-based budget development team in determining an appropriate level of funding for custodial services. To achieve consistency and standardization across the different schools, there must be minimum guidelines based on building size, date built, materials used in construction and number of students.

District Response

Preliminary school budgets are determined by a formula based on projected enrollments and substitutes. Adjustments are made to each school's budget allocation based on actual enrollments in October. A committee composed of the principal, custodian, teachers and parents concur on the budget distribution for each school.

However, the principal can make adjustments to the budget throughout the year as needed, without the involvement of the other committee members. The school budget is a year-long process and the entire team needs to be involved throughout the year as changes are made to the budget. This is especially critical in schools where there are strained communications between the principal and custodian. Procedures will be modified to incorporate the need for principals to effectively communicate budget changes throughout the year with the school's

entire budget committee.

Internal Auditor's Response

Based on the movement toward site-based management of the schools, management does not agree with the State Auditor's recommendation to use a consistent formula in determining the custodial budget allocation. Improvement in the interpersonal skills, as documented in R6.16 may be warranted for some school administration personnel and custodians.

The Internal Auditor encourages management to reconsider aspects of this recommendation. Situations have been noted in the past where the custodial budget has been used for other purposes and the schools are then left dirty.

Implementation Status

The district has partially implemented this recommendation. CCSD uses a system by which the budget for a building is developed based on enrollment projections and estimated substitute costs. The district has not developed formulas or guidelines specifically for custodial budget allocations at the school level.

Auditor's Response

CCSD should re-evaluate this recommendation and consider establishing guidelines based on building size, date built and materials used in addition to student enrollment.

**R6.18 Revise the purchasing process for custodians.**

Recommendation

Revise the purchasing process for custodians. Require custodians to make all purchases (if possible) from selected vendors. In addition, create and enforce strict guidelines related to the type of cleaning materials and supplies that are to be used on the facilities. For materials that are not available from the selected vendors, custodians should obtain authorization from their cluster coordinator prior to making a purchase. Furthermore, investigate opportunities to participate in cooperative arrangements with other school districts or city government to combine purchasing needs allowing further volume discounts to be achieved.

District Response

Term agreements have been created for frequently used custodial supplies. The enforcement of these term agreements will come with the reduction of the number of direct pay requests processed. To that end, a directive from the purchasing division effective November 11, 1996 stated that "no direct pay requests will be accepted or processed for the purchase of custodial products listed on the district's term agreement from vendors not identified in the custodial product term agreement." Purchasing Management feels that the implementation of this initiative has significantly reduced the number of direct pay requests processed in addition to requiring custodians to use approved vendors and supplies. On an ongoing basis, the

purchasing director will ensure that custodians comply with the new procedures.

Internal Auditor's Response

Procurement practices need to be clearly and formally established in a procurement manual that is widely disseminated throughout the district, not only for custodial supplies but for all goods and services. Training and proper procedures should be ongoing and included at the principal's meeting at the beginning of the school year. As documented in R5.7, although no monitoring is performed of the direct pays and purchase orders related to custodial products, the number of directs pays processed each week overall, is increasing.

Implementation Status

The district has partially implemented this recommendation. The district has revised the purchasing process for custodians by requiring staff members to purchase supplies and materials from selected vendors with whom the district has arranged term agreements. This policy states that no direct pay requests will be processed for the purchase of custodial products from vendors not identified in the custodial product term agreement. While a policy regarding the purchasing of custodial supplies has been initiated, it is not clear whether this policy has been effective in reducing the number of direct pays.

**R6.19 Provide pagers to all Head Custodians.**

Recommendation

To facilitate communication between the schools and the management of the facilities division, provide pagers to all head custodians. Since head custodians are often away from their phone, pagers will allow management to reach them to discuss important issues related to urgent maintenance issues. In addition, pagers should be provided to all grounds crews and zone crew leaders since they will typically be "out at sites" and would not be accessible by phone.

District Response

A total of 130 pagers were leased and distributed to head custodians in July 1996 at a cost of \$2,869 per year (first month free). The grounds crews and zone crew leader positions are not part of the current organization.

Internal Auditor's Response

The auditor concurs with management's explanation.

Implementation Status

The district has implemented this recommendation. Documentation exists that supports the fact that CCSD purchased and distributed pagers to the building operations staff.

**R6.20 Make rubbish collection tracking an exception based reporting system.**

Recommendation

Revise the process of tracking rubbish collection to be an exception based reporting system. In other words track the number of missed pickups rather than all pickups. It does not appear that the savings (fees) that are generated justify the time and resources (salary and benefits) spent constantly monitoring the process.

District Response

Recording rubbish collection on an exception basis is an acceptable alternative for the facilities division. The RFP issued for the current school year (1997/1998) for rubbish collection, requested that summary information be provided on an exception basis.

Internal Auditor's Response

Adequate documentation was provided to support management's response. The contract has subsequently been appointed to a new vendor.

Implementation Status

The district has implemented this recommendation. The district evaluated bids from different vendors and contracted with BFI Waste Systems, Inc., to provide rubbish and debris removal for the district on an exception-based reporting system. The head custodians still monitor the trash pick-ups at each site and send in reports to the Building Operations department. A clerk is responsible for entering the information into a computer program, but because the district now relies on BFI's exception based reporting to determine payment, she spends significantly less time monitoring trash removal and has been assigned additional duties.

**R6.21 Develop specific training requirements for all Building Operations and trades staff.**

Recommendation

Develop formalized, position specific training requirements for all building operations and trades staff. Establish and document specific training requirements by position, including new employee training, frequency of ongoing training, types of training, and identify sources of internal and external training.

District Response

Two sets of training sessions for the custodial staff have been held, focusing on plumbing, heating and electrical maintenance, using an appropriate manual of instruction. This training was provided by the Office of Adult and Continuing Education and was held during normal school semesters. Seventy-five percent of employees scheduled for the training successfully completed the program. Providing this training was part of contract negotiations and was tied into future wage increases.

Additional training covered cleanliness, maintenance and the proper products to use in various cleaning situations. This training was provided by the Ohio Public Facilities Maintenance Association (OPFMA). New employees are also required to be trained in the proper handling and containment of blood-borne pathogens. Providing training is an ongoing activity. New

training will also include the maintenance of the new roofs and the water treatment procedures necessary for the maintenance of the boilers.

Because training has been tied to remuneration in labor agreements, the school district expects that minor projects can be completed more efficiently as well as more cost effectively in school buildings. Although no studies have been completed to quantify the projects performed by custodial personnel as a result of training, there has been a marked difference in the appearance of the school buildings, not only at the beginning of the school year, but also during the school year. These appearance differences have been attributed to the training offered to school district personnel.

#### Internal Auditor's Response

The auditor concurs with management's approach to provide ongoing training but suggests that in the future, training be mandatory. Therefore, for those employees who disregard scheduled training, a formal reprimand can be enforced.

#### Implementation Status

The district has partially implemented this recommendation. Although, the district continues to offer some training to the building operations staff, formalized position specific training requirements for the building operations and trades staff has not been developed.

#### Auditor's Response

The district should reconsider this recommendation and develop new employee training requirements and determine the frequency of ongoing training.

### **R6.22 Market and sell unused CCSD properties.**

#### Recommendation

Continue to actively market CCSD properties that are no longer being utilized. Utilize the assistance of a licensed, commercial Real Estate Agent to assist the district in obtaining the best possible offer in the shortest amount of time. Establish minimum acceptable offer amounts for each property and accept offers that meet or exceed these minimums. The longer these facilities remain property of CCSD, the more deteriorated they become and subsequently less valuable to any prospective buyer.

#### District Response

Management agrees that old, vacant buildings quickly become more deteriorated and subsequently become less valuable to any prospective buyer. In the past, the district has sold vacant, unused properties and buildings to the City of Cleveland's land bank program for \$1. A program has now been devised under which these properties are now being sold at a public auction. Two auctions have since been held pursuant to authorization under a new state statute. While only one transfer has been completed as of May 1997, the sale of 23 other properties is pending, subject to the release of a court imposed a judgment lien. Almost \$4

million will be received when title transfers on these properties.

A letter of intent has also been received from the City of Cleveland proposing to purchase additional facilities at the bid price identified at the public auction.

The Facilities Office is currently reviewing all used and unused District properties that are not being utilized for educational purposes. The Facilities Office will assess which properties should be sold based on condition and location relative to current needs and population projections for the District. The Facilities Office will work with a commercial real estate agent, either contracted or in-kind donation, to assist in selling the properties at maximum value.

The Facilities Office requested a real estate specialist position in the FY 1999-2000 budget. However, due to tight resources, the position was not funded this year. The District is putting forth efforts to decrease the fragmentation between the Facilities and Legal offices in managing District properties. The functions of real estate management will be the responsibility of the Facilities Maintenance Manager, with the Legal Office assisting in contractual oversight.

Internal Auditor's Response

The auditor agrees with management's explanation. Once these properties have been transferred, the district will have a much smaller burden of maintaining these properties that often become vandalized. Thus, there will be less of a drain on the district's budget will be able to focus its limited resources on open properties.

Implementation Status

The district has partially implemented this recommendation. Since the performance audit in March 1996, the district has sold the following 9 facilities: Memphis, West Tech overflow lot, John Adams, Hazeldell, Hicks, Max Hayes-parking lot, a section of East Tech, Harvard and Longmead for a total of about \$912,075. A sale is pending on eleven facilities with an approximate value of \$2.6 million, two facilities are to be placed on the market in the near future with a combined appraised value of \$107,000 and the district has decided not to sell the remaining three facilities that were originally selected to be sold.

Auditor's Response

CCSD should continue to consider utilizing the services of a licensed commercial real estate agent to assist in selling the properties and should actively market the remaining underutilized facilities.



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## Food Service

### R7.1 Implement a district-wide point of sale (POS) system.

#### Recommendation

Implement a POS system district-wide.

! Installation of POS terminals at additional secondary schools and eventually the elementary sites would provide a more efficient and effective means of managing the division's information and major functions including the following:

- ! Cash and meal accountability reporting
- ! Increased participation in meals programs
- ! Elimination of meal tickets
- ! Reduction in ticket handling costs
- ! Reduction in food cost from accurate meal accounting
- ! Improved accountability for inventory
- ! Reduction in paper forms costs
- ! Reduction of manual data entry tasks
- ! Improved cafeteria operations and enhanced internal controls
- ! USDA regulations mandating improvement in tracking nutritional integrity
- ! Purchasing efficiencies
- ! Bid analysis capabilities
- ! Personnel management
- ! Asset management
- ! USDA allocation/stock transfer management

The installation of a comprehensive POS system can significantly increase program participation. Industry experts regard 10 percent as a conservative estimate for an overall increase in participation, while increases at secondary school levels can be significantly higher. Based on CCSD 1994-95 program participation data, a 10 percent increase in reimbursable lunches served district-wide would generate additional net income of over \$660,000 during one school year.

District Response

Prior to the performance audit, management installed POS terminals in a pilot program at two secondary schools to determine if the recommended objectives could be achieved. The results were positive, and proposals were solicited to review the POS program and recommend on how best to proceed. The proposal was signed and, in mid-May, the consultants began their analysis. The contract called for delivery of recommendations to the food service division during the first week of August 1997.

The director agrees with the performance audit estimate that the implementation cost of the POS installation will be between \$2.9 million and \$3.3 million. (The cost of which will be borne by the food service division, not to be subsidized through the general fund.) The POS installation will initially target secondary level schools; however, wiring, cabling, etc. will be implemented in the elementary schools in conjunction with the SchoolNet program in an effort to save costs.

Implementation of the POS system is expected to increase participation as well as increase à la carte sales, since the system will allow the capture of accurate and timely sales information for menu planning purposes. Overall, POS will provide a more efficient and effective means of managing and is expected to produce the following benefits:

- ! Improved cash and meal accountability reporting
- ! Increased participation in meal programs
- ! Elimination of meal tickets
- ! Reduction in ticket handling costs
- ! Reduction in food cost due to accurate meal accounting
- ! Improved accountability for inventory
- ! Reduction in paper form costs
- ! Reduction of manual data entry tasks
- ! Improved cafeteria operations and enhanced internal controls
- ! Improvement in tracking nutritional integrity as mandated by USDA
- ! Increased purchasing efficiencies
- ! Allocation/stock transfer management of USDA donated commodity foods

While it is estimated that there will be savings in labor and inventory, it is also anticipated that there will be an increase in student participation in the food services program. A resulting increase in revenue will occur. A payback will not be realized until the system is completely installed and functional. Management will not commit to a savings of \$861,000 as projected in the performance audit. A five year payback period appears to be a more reasonable estimate than the 3.6 years projected in the performance audit.

#### Internal Auditor's Response

The auditor concurs with management's explanation and has received adequate documentation to support their response. Although Outside Consultant have presented their findings and recommendations, the full implementation of this POS system is dependent upon the results of the technology services strategic plan. The district has committed to new system implementations being consistent with the overall future direction adopted for the district.

#### Implementation Status

Implementation of this recommendation has been delayed and remains at the same completion phase as it was in the 1997 district response. Although a comprehensive POS software package has been purchased, POS terminals reside only at the two secondary schools. The district's reasons for not fully implementing a POS system include delays in software implementation due to Year 2000 compliance on "Back of House" applications and the district reorganization, which left a vacancy in the project manager position charged with overseeing the POS implementation project.

The district chose Winsnap in July 1998 as its POS system software. After selecting the necessary software and hardware, a plan was developed in mid-1998 to install it at food sites throughout the district. The district had assigned a project manager from the technology services department to oversee the implementation of this plan. However, the project manager was transferred to another position due to the district reorganization. District officials have indicated they are currently trying to fill the project manager position.

In April 1999, the technology services department constructed a POS rollout plan that includes monthly installation dates, training and budgetary amounts to implement the POS district-wide. The full rollout of this plan will begin once the project manager position is filled.

#### Auditor's Response

The district should continue implementing the POS system by identifying a project manager and following the technology services POS rollout plan. In addition, the project manager should meet on a regular basis with the food service director to keep him informed and

updated on the status of the project. A coordinated effort between the food service department and the technology department will ensure a smooth transition of the new system.

**R7.2 Keep the central kitchen at its present location.**

Recommendation

Keep the central kitchen at its present location. It appears the initial facilities plan recommendation does not provide a valid cost/benefit analysis to justify such a move. A more detailed analysis by the Harvard Business School Community Group estimates a payback period of 15 to 183 years for the move. These payback period estimates do not include the cost of financing construction or the cost of purchasing and/or relocating the equipment and contents of the central kitchen. Even an optimistic 15 year payback period is not justifiable given that a remodeled Woodland facility would not be as functional and efficient as the current facility.

District Response

The food service division strongly agrees with the recommendation that the central kitchen should remain at its present location. Plans to relocate the kitchen have therefore been discontinued.

Internal Auditor's Response

The auditor concurs with management's explanation. No resolution or commission approval was required for this action. On September 9, 1997 a letter was sent to the other parties involved in the tripartite approval process to initiate actions confirming this decision prior to notification of the court.

Implementation Status

The district has implemented this recommendation. The central kitchen has remained at its present location. District officials have no plans to relocate it.

**R7.3 Increase a la carte and meal prices at the elementary and secondary levels.**

Recommendation

An increase in meal and a la carte prices should be considered for adult and student meals at both the elementary and secondary levels.

District Response

It was decided not to increase regular meal prices to students because 1) 70 - 75 percent of students are eligible for free or reduced price meal benefits; and 2) the desire to meet the nutritional needs of all students.

À la carte sales are needed for students who do not want the entire meal and who want additional items, particularly in high schools. À la carte prices were increased effective September 1996 for the 1996 - 1997 school year. Continued monitoring of the pricing structure is warranted. Prices will be adjusted if wholesale food costs increase or inflation dictates another increase. The revenue expected to be generated as a result of the current price increases was estimated at \$50,000. Revenues are monitored monthly and annually in comparison reports produced by the Food Service Division. As of June 1997, the fiscal 1997 year to date increase in revenue for breakfast and lunch programs has been approximately \$64,400. Management, however, does not assume that this increase came solely from the price increase.

#### *Internal Auditor's Response*

The auditor concurs with management's explanation; adequate documentation was received to support management's response. No resolution or Commission approval is required to increase à la carte prices. It should be noted that an increase in meal prices would require Commission approval.

#### *Implementation Status*

The district has partially implemented this recommendation. The district has not increased regular meal prices to students for the reasons listed in the district's response. The reasoning appears valid because 1) there continues to be a large percentage of students eligible for free and reduced benefits and 2) district officials believe that those students not qualifying for free and reduced status may choose foods with a lower nutritional value than a full meal may offer if they cannot afford the meal due to a price increase. Adult meal prices at the elementary schools remain at \$1.50. The food service director intends to review the pricing structure and implement any price increases he feels may be justified.

The district has monitored and changed a la carte prices for the 1997-98 and 1998-99 school years district-wide for both student and adult meals. District documentation indicates that year-to-date a la carte revenues reported in June 1998 experienced an increase of \$137,956 over the previous year and year-to-date a la carte revenues reported in June 1999 experienced an increase of \$98,878 over the previous year. The procurement supervisor at the district reviews the a la carte pricing every year during July/August based on the state formula to determine an appropriate increase. Updated a la carte price lists are released to secondary school staff in a regulations handbook at the beginning of every school year. Because of this, staff are aware in advance of all price changes that have

occurred.

The district has not implemented an evaluation process that will monitor trends in a la carte purchases because no POS system exists district-wide.

#### **R7.4 Implement a graduated benefits schedule for food service employees.**

##### Recommendation

Food service should consider implementing a graduated benefits schedule for its employees. (See Human Resources Chapter for original finding.) The current employee benefits schedule has a substantial impact on the financial state of the division and should be addressed during upcoming CCSD employee contract negotiations.

- ! Given that approximately 97 percent of food service employees work less than eight hours per day, the division could save approximately \$870,800 in benefits costs from such a policy change.
- ! The district currently provides full benefits to all employees working over 19 hours per week. The division appropriated \$3,004,953 for employee benefits for the 1995-96 school year. Approximately 490 Food Service employees (348 FTEs) are currently eligible to receive full benefits.

##### District Response

The district has worked to change benefit schedules and eligibility for part time employees during the August 1996 labor negotiations. Effective September 1, 1996 for the labor agreement expiring August 31, 1999, give-backs were negotiated with Service Employees International Union Local 47, which, among others, represents all cafeteria workers, including lunchroom attendants. Effective January 1, 1997 co-payments required of employees were increased as was the portion of the monthly premium that each employee is required to pay under the various medical plan options. A graduated benefits schedule for those employees working more than 19 hours a week but less than 40 hours could not be negotiated into the contract.

The saving realized as a result of the restructured medical care options during the current fiscal year totaled \$1,232,000. Note that this figure is an aggregate savings realized from all the union negotiations related to health care.

##### Internal Auditor's Response

Although the district has complied with this recommendation, the state auditor should be

aware that many of these food service employees are part of the district's community. Many are parents of our students whose only benefits come from the district. Reducing their benefits may discourage people from wanting to work at the district, and thus having a negative effect on the community overall.

#### Implementation Status

The district has partially implemented this recommendation. Rather than establishing a graduated benefits schedule for part-time employees, the current contract requires all part-time employees to contribute. See **R 11.4** for additional information.

#### Auditor's Response

While the district has made some progress in negotiating an increase in co-pays for part-time employees, the district should re-consider implementing a graduated benefits schedule for part-time employees. The district should attempt to negotiate language outlining a graduated benefits schedule in upcoming contract negotiations. Currently, a part-time employee selecting the single Kaiser plan is still receiving the same benefits as a full-time employee.

### **R7.5 Consider acquiring external services to identify ways to increase program participation at the secondary level.**

#### Recommendation

The division should consider acquiring external services to identify ways to increase program participation at the secondary level.

While the implementation of a comprehensive POS system should result in participation increases, other methods are available to address this issue. An external resource with extensive experience and expertise in school food service operations can be retained for a limited time to review a wide variety of operational issues.

#### District Response

Reference is made to Recommendation R7.1 which discussed the outside consultant retained to review the Point of Sale system. Management concurs that hiring a food service consultant to provide a marketing plan will help achieve improvements in participation at the secondary level through 1) increasing serving lines to students; 2) increasing participation; and 3) a resulting increase in revenue. Other adjustments may be necessary if the participation rates do not improve as expected.



It should be noted that a series of meetings have been conducted with vendors (Marriott and Aramark) regarding the privatization of food services. Although the current food service program is well run and self supporting, an outside consultant could provide valuable information with regard to marketing and improved meal planning, which in turn would improve participation. Discussions with food service consultants will proceed along these lines to analyze possible improvements in participation rates.

#### Internal Auditor's Response

Implementation of this recommendation will provide Food Services with a marketing approach and strategic plan. It is dependent upon the outcome of the technology services strategic plan.

#### Implementation Status

The district has not implemented this recommendation. Additionally, they have not begun to address the need to increase participation, although the district is examining strategies developed by Winsnap that may increase participation once the POS system is fully in place.

The food service director feels that the implementation of the POS system will increase participation, and therefore intends to evaluate the impact the POS implementation will have on participation rates before spending additional funds on consulting services. Specifically, the director believes that once all secondary students are issued plastic ID badges which do not identify a student's free and reduced status, students will feel more comfortable using their badges in the food service line and participation will increase.

#### Auditor's Response

The district should refer to the original recommendation and consider acquiring external resources to increase participation rates. It appears the district is waiting solely on the implementation of the POS system to increase program participation rates. As outlined in the original recommendation, there are many other factors that can increase participation rates in addition to a POS. An external service may be able to help design processes or solutions that would increase participation rates.

### **R7.6 Modify the current procedure in place to report lunchroom attendant hours worked.**

#### Recommendation

Modify the current procedure in place to report lunchroom attendant hours worked. Actual hours worked for this position should be reported by each school directly to the food service division. This would allow the division to review all hours reported and

detect any unauthorized lunch attendant hours before the payroll amounts are charged to the food service operating fund.

District Response

A procedure change was approved and implemented with the payroll director and operations supervisor in November 1996. The new procedures went into effect on January 1, 1997. They require lunch attendants to sign in/out daily and completion of payroll sheets by assigned food service staff, rather than school clerks. Payroll sheets continue to be signed and approved by the principal. After review in the food service area, payroll sheets are forwarded to the payroll division for final processing.

Internal Auditor's Response

The auditor concurs with management's explanation. Payroll sheets were randomly examined to ensure that they are properly being signed. If the district adopts an automated time and attendance system (R10.1) employees of the food service division should be included in the scope of that implementation.

Implementation Status

The district has implemented this recommendation. Currently, lunch aide employee names appear on food service payroll sheets. The aides are required to sign in/out on daily time sheets which are located in the satellite kitchens. After the time sheets have been verified by food service supervisors' at the various locations, they are forwarded to the building principals who sign/approve the daily hours worked by all food service staff. The food service director has stated that reporting hours worked by lunchroom attendants directly to the food services department has allowed the director to have greater district-wide control over food service operations. The district has not yet adopted an automated time and attendance system.

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## Transportation

### **R8.1 Change the current cost structure of the division by reducing salary and benefit expense through contract negotiations.**

#### Recommendation

Initiate efforts to modify the current cost structure of the transportation division by restructuring the current labor agreements. The current contracts contain numerous provisions that significantly inhibit the division from operating effectively due to excessive salaries, benefits, and operating practices. The following is a list of issues that have substantial impact on the efficiency and effectiveness of the transportation division and must be addressed during contract negotiations. If changes are not made to the existing cost structure, regardless of other improvement opportunities, the division will likely be unable to operate at a level that would be comparable to services provided by an outside contractor.

- ! Re-evaluate the current driver wage scale, which is a negotiated item in the bus driver's contract.
- ! Eliminate the vacation days benefit from the driver's contract.
- ! Establish more effective procedures for reducing driver absence.
- ! Establish more effective procedures to reduce driver turnover.

#### District Response

District bus drivers are members of Truck Drivers Local 407, IBT. In contract negotiations during the summer of 1996, two major changes favorable to the district were made in the labor agreement effective July 1, 1996 through June 30, 1999. It was not possible to negotiate a reduction in the current driver wage scale, but the union did agree to a contract wage freeze during the first two years of the contract. Also, new regular drivers working less than 30 hours per week will not be entitled to health insurance coverage and current regular employees will now contribute to the premium cost of their health insurance based on the plan selected.

Although an attempt was made, it was not possible to negotiate the vacation policy, with the result that the two-tier policy described in the performance audit (two separate vacation policies for those hired before and after ratification of the 1987 - 1990 labor agreement) was carried into the new agreement.

An unsuccessful attempt was also made to reduce paid sick days in the new labor agreement, which would have helped reduce driver absence. Although this aim was not achieved, the number of grace period tardies in the contract was reduced by 30 percent, and as an additional attendance incentive, drivers will be permitted to cash out one sick day if the employee misses less than two days during the entire year. The transportation director also states that absences cited in the performance audit of 20 percent are overstated and are actually about 14 percent including long-term medical and other authorized leaves.

No new procedures have been put in place to reduce driver turnover, which the performance audit places at 25 percent. The transportation director states that the turnover rate for regular drivers is 9 percent and 23 percent for substitute drivers. Since substitutes are not guaranteed work and receive no benefits, there is little incentive for them to remain with the district if a better opportunity arises.

The District is implementing changes to work rules, effective August 23, 1999, to improve employee attendance. Satisfactory attendance is a condition of employment and will be measured through analysis of excused and unexcused absences. Employees with unsatisfactory attendance will face disciplinary measures in accordance with the District's labor contract, state, and federal laws.

#### Implementation Status

The district has partially implemented this recommendation. Of the four issues raised, the district was successful in addressing two of the issues; the implementation of attendance incentive programs and recruitment measures to help reduce driver absenteeism and turnover.

The district has not re-evaluated the driver wage scale or vacation benefits since the last contract effective September 1, 1996 through August 31, 1999. A one-year extension was granted, continuing the contract through June 30, 2000. The district's chief legal counsel expressed little flexibility with having driver wages reduced during contract negotiations. However, the district's chief legal counsel anticipates negotiating vacation benefits out of the labor agreement in FY 1999-2000. It is also anticipated that bus drivers currently receiving vacation benefits under a previous labor agreement will diminish through employee resignations/terminations, transfers and retirements. While the current contract is scheduled to end on June 30, 2000, contract negotiations are not scheduled until the summer of 2000.

Since the completion of the performance audit in FY 1995-96, the district has established procedures to reduce absenteeism by implementing attendance incentive programs. The district utilizes attendance incentives such as sick day cash out, where one sick day can be cashed out at the end of the year, provided the bus driver incurs less than two days absences

for the entire year. The entire year perfect attendance incentive, which requires less than two days absent for eligibility, is defined at no more than one and one-half days absent. One sick day can also be cashed out provided the bus driver incurs perfect attendance for 60 consecutive work days. Sick day cash out payments are equivalent to one day of the employee's pay. In FY 1998-99, 27 percent of the district's bus drivers earned sick day cash out payments for the 60 consecutive work day incentive and three bus drivers earned sick day cash out payments for the entire year perfect attendance incentive. The district has also taken action to reduce absenteeism by implementing incentive programs such as special privilege days. Special privilege days extend time off for bus drivers to attend graduation and wedding ceremonies of immediate family members, provided a driver is not absent more than two days in a 60-day period. In addition, the district has developed measures to improve recruiting efforts and decrease bus driver turnover. These include 15 comprehensive training programs. An additional measure includes conducting exit interviews upon the resignation of department staff to aid in increasing employee retention and assessing reasons why employees leave the district.

## **R8.2 Conduct a detailed privatization analysis.**

### Recommendation

As cost structure changes are attempted, concurrently conduct a detailed privatization study to determine if private vendors can more efficiently and effectively deliver the district's transportation services. The Ohio Bus Association has estimated that its members could provide the district's transportation services at a cost of approximately \$20 - \$22 million.

### District Response

Although the Ohio Bus Association (OBA) estimated savings of \$9 -\$11 million, the district met with the Ohio Bus Association and determined the association's estimate was based in part upon erroneous information and was a cursory estimate at best.

Specifically:   annual budget/total buses = District cost per bus  
                          \$31.6 million/598 buses = \$52,843

The OBA savings was based upon this estimate but did not take into consideration payment in lieu of transportation, special education transportation cost, contractual services cost, transit authority cost, late bus services for detention and after-school activities, etc. The estimate was based upon a budget of \$31.6 million rather than actual total expenditure of \$28.7 million (FY 1995-96). The issue of privatization is subject to a provision in the union contract which says that if the district expands subcontracting beyond that presently in place, and in a manner which would result in job loss, the district agrees to notify and negotiate in

good faith with the union regarding the decision prior to implementation. Rather than study the issue again and incur the costs of a full privatization study, the district is investigating the feasibility of performing a very limited test of pre-determined routes, to a selected number of schools, by private contractors. Management has no intention of by-passing the contractual agreements with the union.

Competition with the private sector should result in cost reductions. However, management anticipates the savings will be far less than that estimated by the Ohio Bus Association. Savings will be determined after completion and analysis of the test referred to above.

The potential impact of privatization will be determined after completion of the test through a comparison of district and contractor performance to state school bus performance standards, and an analysis of the cost of services provided. The study will cost approximately \$250,000 - \$400,000, as estimated in the performance audit. The bid proposal will cost less than \$5,000 to prepare, advertise and publish.

Implementation Status

The district has not implemented this recommendation. Since the completion of the performance audit in FY 1995-96, a privatization analysis has not been conducted to determine whether or not private vendors could more efficiently and effectively deliver the district's transportation services. However, a proposal for privatization was drafted in FY 1996-97 and is still awaiting review by the district and pending approval through union labor negotiations. While the decision to privatize the district's transportation services is subject to union labor agreements, the decision to conduct a privatization study is not subject to such provisions. The district could not provide an estimate as to when a final analysis of privatization would be completed. The initial projected savings calculated by the OBA appear to be overstated.

R8.3 Implement an automated routing system.

Recommendation

Develop automated routing for the district's regular education routes. Based on the capabilities of both systems, it is still believed (as it was believed by the district in 1989, when it began working with Education Logistics, Inc. or Edulog) that many benefits can be realized through the implementation of an automated routing system. Given the past experience with Edulog, however, several alternatives are available for implementation.

Given the alternatives, it is recommended that the district conduct a requirements study to define the current requirements for this function and perform a more detailed comparison of capabilities for the current mainframe application and the Edulog and Ecotran products. Decisions based on this analysis should include a consideration of implementation capabilities (the vendors' and the district's). In other words, if the district does believe that implementation of this type of software is still justified, implementation planning should account for the capabilities of the vendor, the technology services division and the transportation department. Adequate resources (including on-site consulting support) should be dedicated to the project to avoid problems that were encountered in the past.

As part of automating the routing system, consolidate taxi trips to small buses. Currently, CCSD spends approximately \$1.5 million on taxi rides. Other districts such as Cincinnati and Columbus utilize small buses to group isolated students on regular routes. However, this policy decision typically means that some students will have longer rides.

#### *District Response*

The current technical problems can be resolved, but the use of that specific automated system has become problematic as the school system has since changed. With the end of court-ordered busing, children are likely to arrive at a given school building from any place in the city as opposed to coming from one area, and more students are choosing schools closer to home. The fewer number of buses on the road, now about 450 and dropping, is due primarily to this fact. This also has an impact on the number of taxi trips required. Overall, however, transportation management does not feel that the purchase of an updated system will yield a savings to the district of \$2,000,000.

Nevertheless, meetings were held with two main providers of automated routing systems to determine the cost and feasibility of implementing a functional system for the 1997 - 1998 school year. Ecotran stated that they could not provide a solution for the district until after the 1998 school year. Because of the previous experiences with Edulog, management did not anticipate they would have a solution; however, Edulog agreed to provide a solution for the district for this school year. The district was required to upgrade and purchase some new equipment and Edulog agreed to continue support of the product.



It should be noted, however, that some technical issues identified previously between Edulog's system and the district's mainframe computer are still outstanding. Differences in data format require that some information be entered twice, once into each system. Technical services will still need to perform some modifications to the mainframe to allow for direct file transfers between the two platforms.

The changes to bus routes due to parental choice for a child's school and voluntary assignments for students often results in unusual patterns of where our children live in relation to which schools they attend. It is for these reasons, in addition to trying to keep rides to a reasonable length, that taxi service has not been reduced. Contracting of services (vans) does take place for transporting students to non-public schools and for the transportation of public school students, often for children in special education programs, such as the PEP program. However, additional costs are then incurred for a monitor to be on the van. Taxi and van service is viewed as a cost effective alternative to transport a small number of students rather than using a full size bus. It is unknown at this time what the true impact of Edulog will be on the district's use of taxi and van service. The district's goal has been to reduce transportation costs overall - not just to one specific category, such as taxi service.

The transportation planning component used to record expenditures showed an increase in taxi expenditures of \$216,583 over the last year, this represents an 8 percent increase. Monitoring of expenditures related to taxis, van service, parental reimbursement and RTA tickets should continue to determine what, if any, impact Edulog is having on these components.

#### Implementation Status

The district has implemented this recommendation. In March 1999, the district's transportation department implemented Edulog NT, an automated routing software for transportation. The transportation department stated that there are minor flaws in the route optimization feature of the software. The route optimization feature is expected to be corrected. However, at the time of this update, it had not been corrected. Educational Logistics is scheduled to provide a one-time servicing and route optimization analysis for the district. Educational Logistics has confirmed this commitment. In addition, the transportation department stated that they have been assured by Educational Logistics that the Edulog NT software is year 2000 compliant.

The Transportation Office will continue to use taxi services in the short-term. During this period, management will monitor the performance of the vendors to assure quality services and accurate billing. However, the District will conduct a long-term evaluation of the use of taxi services to examine the methods that can be utilized through improved route optimization, small bus and van purchases, and other means that will eliminate, or minimize

the use of taxi services.

Auditor's Response

The financial implication resulting from the implementation of this recommendation cannot be fully evaluated until the route optimization feature of Edulog NT is corrected. However, \$1.4 million to \$2.7 million in cost savings each year is estimated through the use of automated routing that could remove five to ten percent of the district's fleet off the road.

**R8.4 Privatize field trips.**

Recommendation

Conduct a feasibility study to determine the current efficiency and effectiveness of privatized services for field trips. Consider opening a depot for night and weekend trips. Required district staff, in addition to drivers, would be minimal in terms of a dispatcher and an assistant depot manager. Mechanics are already on duty at night due to the double shift. Currently, private vendors charge significantly more for coach service trips than comparable district rates.

District Response

The district spends approximately \$450,000 - \$500,000 (fiscal 1995) on 2,500 field trips provided by private vendors through van and coach service. The present policy is that if both ends of a field trip can be accommodated during normal shift time, the district will provide a bus. If one leg of a field trip cannot be accommodated during normal shift time, the trip is given to an outside carrier.

A cost and feasibility analysis will be performed internally to determine whether using external busing services for field trips or handling the service internally with surplus buses is more cost effective.

Implementation Status

The district has implemented this recommendation. In FY 1996-97, after the completion of the performance audit, the district conducted a feasibility study to determine the cost efficiency and effectiveness of using private vendors to deliver the district's transportation services for field trips. It was determined that when there is a significant number of weekend field trips, it is more cost effective for the district to provide the service using district buses rather than using chartered bus services. As a result, the district began opening up bus depots

in FY 1997–98 to provide transportation services for field trips on high volume weekends.

Auditor's Response

In a FY 1998-99 comparison analysis conducted by the district, it was concluded that the transportation department increased its use of school buses for field trips from 46 percent in FY 1995-96 to 55 percent in FY 1998-99.

**R8.5 Consider increasing the hourly rate for field trips.**

Recommendation

Evaluate the current methodology for charging schools for field trips. The current methodology has not changed since 1979. If the evaluation proves that the hourly rate needs to be raised, transportation would be more fairly reimbursed for their services. If the evaluation proves the hourly rate should be lowered, it would further demonstrate that the private vendors are even more expensive than currently realized.

District Response

Field trips are only one aspect of the transportation service the division provides. The majority of schools request bus service for field trips right at the end of their school day (often between 2:30 p.m. - 3:30 p.m.). Bus availability is very limited at that time for field trip service because the drivers are performing their normal return-from-school routes. Increasing the per-hour rate for field trips, on its own, would not increase the number of buses or drivers available to service all the field trip requests.

Management intends to examine the numbers to support the per-hour costs incurred for field trips and document them for comparative purposes. Initial cost estimates have determined that regular bus service costs approximately \$31.63 per-hour. The final determination on providing additional bus service for field trips will not be completed until the routing system is implemented and availability can be determined.

The overall impact to the district of charging the schools for these cost is immaterial. This is an inter-company movement of funds, not a generation of revenue to the transportation division or to the district.

Implementation Status

The district has implemented this recommendation. In FY 1996-97, after the completion of the performance audit, the district performed an evaluation of their methodology for charging schools for field trips. As a result, the hourly rate for charging field trips to schools was increased from \$31.63 per hour to \$35.00 per hour in FY 96-97 and then to \$45.52 per hour in FY 1998-99. Included in the rate for field trips are costs for fuel, maintenance and repair, tires and tubes and costs for worker's compensation and health care insurance. According to the district, field trip costs are recalculated annually and the rate is adjusted when appropriate. In addition, the transportation department states that field trip costs are charged back to the appropriate department through school based budgets and athletic budgets.

### **R8.6 Eliminate obsolete inventory.**

#### Recommendation

Eliminate CCSD's obsolete inventory or aggressively sell these parts back to vendors or other districts. Many of these items are related to vehicles the district no longer operates. The current obsolete inventory is actually larger than two of the peer district's active inventory.

#### District Response

An auction of spare and obsolete parts was held in November 1996 and generated almost no response. Previously, management circulated lists of available parts to certain interested purchasers and other school districts, and was also successful in returning some parts to vendors for full credit. The division has again advertised the excess parts as part of a system-wide auction of equipment. The parts have a minimal scrap value, but this is the last alternative considered by the division to eliminate these obsolete parts. Approximately \$10,000 in obsolete parts were returned to vendors for credit and will partially offset increased parts usage due to increased school bus requirements. A single bid was received August 31, 1997 for \$1,001 for the obsolete parts.

#### Implementation Status

The district has implemented this recommendation. In November 1996, the district's transportation department eliminated all obsolete parts from its inventory. Some of the obsolete parts were returned to vendors for a credit of \$10,000, while other parts were sold to school districts for \$1,001. The remaining inventory was disposed of.

The transportation department increased efforts to gain better control over parts inventory by implementing Transportation Management Techniques (TMT), a maintenance management software program for parts inventory and work orders. Additionally, the transportation

department consolidated its two parts shops to eliminate the potential duplication in parts. The transportation department also began using vendors who would deliver parts the same day the parts were going to be used to avoid storing the parts.

Auditor's Response

The district's transportation department could not provide documentation on how obsolete inventory was disposed of. Documentation includes the value assigned to the parts that was credited by vendors, the value of parts that was sold to other districts and the value of the remaining inventory that was disposed of.

**R8.7 Reduce inventory levels.**

Recommendation

Significantly reduce inventory levels of active items to reflect only highly utilized items and utilize vendors to warehouse infrequently used items such as those used less than once per week. Currently, central parts carries approximately 300 items that are utilized less than once per week. The current value of the active inventory is approximately three times the value of the peer average.

District Response

Inventory levels have been reduced through returns to vendors when possible and better control over re-order processing. The following chart documents a 10 percent reduction in total inventory and a 13 percent reduction in inventory value from the period August 1996 through April 1997. Division efforts will continue to reduce on-hand inventory.

	<b>08-05-96</b>	<b>12-10-96</b>	<b>04-23-97</b>	<b>Variance from 08/96 to 04/97</b>
<b>Total Number of Parts</b>	4,377	4,300	4,348	-.66 percent
<b>Total Quantity on Hand</b>	115,935	107,656	104,415	-9.94 percent
<b>Total Value in Stock</b>	\$589,866.76	\$530,325.13	\$511,350.75	-13.31 percent

Implementation Status

The district has implemented this recommendation. In FY 1998-99, the district began storing slow-moving parts at the specific garages that use them or in the central parts garage. The district also began using vendors who would deliver parts the same day the parts were going to be used to avoid warehousing costs and space requirements. To maintain better control over parts inventory, the transportation department implemented TMT, a maintenance management software program in FY 1998-99. As a result, inventory value was reduced from \$589,866 in FY 1996-97 to \$242,722 in FY 1998-99, a 59 percent reduction in total inventory value. One of the contributing factors that explain the district's reduction in inventory value is its ability to reduce the total number of parts from 4,377 in FY 1996-97 to 1,989 in FY 1998-99, or a 54.5 percent reduction in the total number of parts warehoused. Another contributing factor was the district's ability to eliminate its obsolete inventory in FY 1996-97 (R8.6).

**R8.8 Consolidate the Ridge Road parts shop with the Central Parts warehouse.**

Recommendation

Consolidate the Ridge Road parts shop with the Central Parts warehouse. Both areas are located at Ridge Road on opposite ends of the maintenance bays. Consolidating would free up space in the Ridge Road facility and eliminate duplication that may exist between the two sites.

District Response

This suggestion was implemented in May 1996. Both the parts shop and the Central Warehouse are now in the caged-in, secured area previously used only for the Central Warehouse.

Since storage had previously been coordinated between Central Parts and Ridge Road Garage, only a small reduction in inventory resulted from the consolidation. Space was freed up, however, at the Ridge Road Garage for expanded storage of shop tools and equipment.

Implementation Status

The district has implemented this recommendation. In May 1996, the district consolidated the Ridge Road parts shop and its inventory with the Central Parts warehouse to both increase the available space and to eliminate duplication in parts inventory that may exist between the two sites. As a result, the transportation department was able to use the additional space at Ridge Road to store shop tools and equipment and convert a small portion of the space into an office area.

**R8.9 Establish additional reports to manage the parts inventory.***Recommendation*

Establish additional reports to manage the parts inventory. For example, the current format cannot readily calculate the number of inventory turns on items or readily group them by class of items.

*District Response*

This recommendation was made because the Maintenance Management System does not provide the quantity in dollars of items used from Central Parts or the number of inventory turns for a particular product or in total.

The Maintenance Management System is a modification of the system used by the American Trucking Association. Inventory turns have never been an issue to the division; whereas part usage by period is a valuable inventory and forecasting tool in our environment, and is available to the district.

The software company has roughly estimated the cost of the modification at \$8,000 but cautioned that this modification may impact our ability to use future enhancements to the system.

*Implementation Status*

The district has partially implemented this recommendation. In FY 1998-99, the district's transportation department purchased an updated TMT software package (R8.8) for maintenance management. TMT will allocate purchases between vendors and adjust dollar allocations for each vendor. It will also adjust inventories and inventory costs and track delivery times and the status of all purchase orders. Transportation personnel estimate that TMT will be operational in August 1999, after the completion of a physical inventory. The transportation department's physical inventory will be completed annually in June with a 100 percent reconciliation. In addition, random test are planned throughout the year.

**R8.10 Coordinate certified employee's professional days.***Recommendation*

Coordinate the district's two "professional days" for certified staff. Currently, each school may take their day each semester when they choose. Since the days are not coordinated across the district, transportation must still run most of its routes and utilize most of its

drivers, and as a result, incur costs as if all schools were in session.

District Response

This matter was negotiated with the Cleveland Teachers Union and resulted in the elimination of two professional days for the 1996 - 1997 school year. However, further negotiations resulted in restoration of one day in the 1997 - 1998 school year and two days in the 1998 - 1999 school year. As documented in the financial recovery plan, the negotiation for the two professional days resulting in an estimated savings of \$120,000 in the first year.

Implementation Status

The district has implemented this recommendation. Professional days were restored as common days in FY 1998-99, where all schools have the same professional days throughout the district.

**R8.11 Eliminate the second bid process.**

Recommendation

Eliminate the second bid process. Transportation managers and principals expressed considerable aversion to the second bid proceedings as it takes a considerable amount of management time and effort to reassign each driver. In addition, each driver may have to become familiar with a different route, different school personnel, different bus and/or bus attendant, and different students. This current policy is a negotiated item.

District Response

The second bid process is a lengthy, time-consuming process that is disruptive to the school year. The elimination of the second bid will improve transportation services to students and schools at the beginning of the second semester without increasing costs by reducing on-road breakdowns, reducing late buses and reducing discipline referrals of students. Drivers will not have to become familiar with new students, route directions and locations, school loading and unloading locations and procedures. School principals will not have to acquaint themselves with a new staff of drivers and attendants serving their schools.

This matter was negotiated with the Truck Drivers Union in 1996 and resulted in a language change in the contract. The new contract allows for a second bid if 10 percent or more of the first semester routes change by 30 minutes or more by November 15th. The prior contract allowed for a second bid regardless of the situation.



Implementation Status

The district has partially implemented this recommendation. However, in November 1998, the district renegotiated the second bid process. A second bid is now allowed only if 15 percent of the first semester routes are altered by 30 minutes or more by November 15th of each year.

**R8.12 Establish a cut-off date for pre-registration and special programs.**Recommendation

Establish a cut-off date of June 1st, or in May if possible, for pre-registration and special programs. Changes due to moves could occur throughout mid-summer. Transportation should also establish a cut-off date in August whereby any changes, for whatever reason, would not necessarily be processed in time for the first day of school. The current policy of no cut-off date causes significant problems when designing routes for the new school year as changes must be made constantly to accommodate newly enrolled students. As is typical in most school districts, routes will most likely change during the first few weeks of school to adjust to changes in student assignments.

District Response

Although establishing a cut-off date would be beneficial to the District, the children cannot be denied an educational opportunity. Incentives can be offered to improve early registrations, however, because of changes in student assignments, routes will likely continue to need adjustments anyhow.

Implementation Status

The district has partially implemented this recommendation. In FY 1999-00, the transportation department plans to use the Edulog NT software which is networked to an A-site to enroll new students. By using the A-site, each school is able to enroll new students and electronically transfer student information to the transportation department. This assists the transportation department by getting information in a more timely manner, allowing more time for designing routes.

**R8.13 Re-evaluate the district's current walk policy.**Recommendation

Reconfirm the desirability of the district's current walk policy in terms of the distance from an elementary student's residence to the school. Current policy provides transportation for any elementary student who lives more than one mile from school. However, state guidelines stipulate that transportation only has to be provided once the distance exceeds two miles. In addition, two of the four peer districts also utilize a two mile minimum.

*District Response*

It is management's understanding that this recommendation was withdrawn shortly after the performance audit was published. The district's response is the same, regardless.

The Cleveland City School District attempted to implement a 1.5 mile minimum for their walk policy previously. The public response to this change was so negative that the policy was reversed within weeks. The district will continue to use a one mile walk minimum.

*Implementation Status*

The district has not implemented this recommendation. The Auditor of State has reviewed and re-evaluated its position and is not advocating the implementation of this recommendation as an option for CCSD.

**R8.14 Reassess the district's tiered bell policy.**

*Recommendation*

Reassess the district's tiered bell policy. As more schools are allowed to set bell times independent of transportation related costs and issues, transportation is not able to deliver the most efficient and effective transportation services.

*District Response*

The tiered bell policy allows for bus drivers to execute multiple routes each morning and afternoon. Although schools may ask for a change to their bell schedule, typically those schools with a late morning start time, transportation often cannot accommodate their requests with the current number of buses in the fleet.

All requests for a change in bell schedule are considered and evaluated for reasonableness. Simulations are run through the Edulog system to determine the overall impact of a time change on the transportation division. The final bell schedule is established through the cooperative efforts of the chief operating officer and chief academic officer.

Significant evidence suggests that high school students are better prepared to learn when the school day starts later. The CEO proposed and implemented changes in start times for the 1999-2000 school year to improve students' readiness to learn in the classroom. The greatest priority in this consideration is educational benefit. Final decisions were made based on an analysis of the transportation office's ability to handle the changes with little to no increase in costs.

The Edulog NT system was implemented for Y2K reasons and as an improvement to the UNIX version of EDULOG. The system software is not completely ready and the optimization module provided by EDULOG is not fully operational. When the software is modified to work completely it will be used to support alternative school times in support of the educational program of the District. It should be noted, the District has no influence over bell times of State supported Community and Cleveland Scholarship Schools which adversely impact the optimization of the school bus fleet.

#### Implementation Status

The district has not implemented this recommendation. The transportation department seeks to continue with its two-tiered schedule. However, the transportation department has not made full functional use of its Edulog NT software to determine the feasibility of switching to a three-tiered system or how to improve student bus capacity through route optimization. In FY 1999-2000, Educational Logistics will provide a one-time route optimization analysis to demonstrate the feasibility of the district moving to a three-tiered bell system. Educational Logistics has confirmed this commitment. Until an optimization analysis is completed, the district cannot predict outcomes or determine the feasibility of transportation changes.

### **R8.15 Eliminate the residency requirement for drivers.**

#### Recommendation

Eliminate the residency requirement for drivers. This requirement significantly limits the pool of qualified and desirable candidates to select from and in effect lowers the division's hiring standards.

#### District Response

Across the country, school bus drivers are a valuable commodity and our district is no exception. Recruiting efforts are a continuous activity for the transportation division. Working within the boundaries of the residency requirement is inconvenient and difficult to monitor. We have been fortunate in the recent past that our needs have been reduced and our staffing levels have been maintained. The transportation department continues to comply with

the guidelines of the residency requirement.

*Implementation Status*

The district has not implemented this recommendation. The last time the district reviewed this recommendation was in FY 1997-98, when the residency requirement was temporarily suspended, pending resolution by the new school board. The district could not provide an estimate as to when the new school board will review the residency requirement.

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## Technology Utilization

### R9.1 Establish a long-range strategic systems plan.

#### Recommendation

The management staff of TSD should continue to focus on developing a long-range strategic information systems plan, including the assessment of outsourcing opportunities. A systems plan should formally communicate a long-term approach for aligning technical staff, funding and technical resources with the district's long-term objectives. TSD exhibits several characteristics which indicate that the division would significantly benefit from formalizing a strategic information systems plan. These characteristics include: excessive maintenance activity, lack of consistent methods, need to make a technology selection, and lacking systems documentation. As described in the Findings section, TSD has started a planning effort by conducting an internal review of existing applications.

The plan should be presented to district management personnel who must fully support the objectives and goals of the technology plan. It is also important to establish a formal review and revision process such that the strategic plan will be able to evolve with changes in the district, the educational community or technology.

Concurrent with the development of the strategic information systems plan, the Technology Services Division should also organize a Technology Steering Committee (TSC) who will actively consult with TSD and assist with prioritizing efforts. The TSC should be an organization composed of management personnel from selected user departments and divisions. The district may need to evaluate the committee participants to ensure that representation cuts across the district and that an appropriate level of technology and business understanding is present. Once assembled, the TSC should review progress of system projects, evaluate the justification of new initiatives, provide recommendations to executive management and the Board, and ensure that significant organizational issues impeding project progress are resolved. The TSC should play an active role in guiding the direction of changes to the strategic plan.

As a result of this Performance Audit, several opportunities have been identified which have the potential to offer TSD and the district specific improvements. These opportunities include application replacement initiatives, hardware migration, and networking and telecommunications.

#### Application Replacement Initiatives

Replacing current applications will involve consideration of organizational change

management as well as hardware and software migration. As prioritized by the strategic information systems plan, each of the applications noted below should be considered for replacement (or implementation):

- ! Purchasing automation—The district could significantly benefit from the introduction of an automated purchasing system.
- ! Finance and Budgeting—The financial (FIS/BACIS) and budgeting systems should be evaluated.
- ! Integrated Human Resources and Payroll—The current integrated human resources and Payroll system does not seem to meet the critical business needs of the district. The original package application has been extensively modified and has not been upgraded with the most current version of the software.
- ! Food Services automated point-of-sale system (POS)—district personnel have provided positive feedback regarding the success of a recent system pilot completed at two of the district’s schools. Although the pilot was able to demonstrate several benefits of this technology, the scope of the pilot only addressed limited system functions (primarily use of id cards to track eligibility for services).
- ! Transportation routing and scheduling system—Transportation’s current system should be reviewed and a decision must be made to either continue relations with the current vendor or to solicit bids from other potential vendors.
- ! Student information systems— district personnel currently have access to student information through an on-line system linked to the DEC platform. TSD should assess the current levels of system support and evaluate the benefits to be gained by migrating from the current mainframe platform to a PC-based application system.

#### Hardware

- ! Migration to a single hardware platform for central data processing—Over recent years, numerous studies have been completed which have identified the operation of two mainframe platforms, the DEC and IBM, as an issue. In theory, operating multiple platforms should not be an issue if proper controls exist to manage each platform and the flow of information between the two. However, TSD now has the responsibility of overseeing operations for two platforms which each have unique strengths and weaknesses. The purpose of this Performance Audit was not to make this decision for the district, but to review the utilization of these platforms in the context of the overall administrative and educational systems environment.

#### Networking and Telecommunications

Concurrent with the decisions about software and hardware, the district should create a network and telecommunications infrastructure capable of supporting or expanding to support the district's management information systems and instructional technology environment. It is important for the district to consider required internal and external communication. As the district moves towards a site-based methodology, TSD should consider the infrastructure requirements needed to facilitate that level of information transfer at the school level. Based on the current SchoolNet implementation plan, it appears that the district has planned to implement needed local-area-networks (LANs). However, no formal plans have been made for wide-area-networks (WANs) that will link each of the schools together and to a central data collection point. Externally, the district should consider educational resources as well as electronic purchasing opportunities. Below are listed several of the key areas which will influence the direction of the district's network and telecommunications infrastructure.

- ! Telecommunications and networking requirements of the SchoolNet, SchoolNet Plus and Instructional technology—The district recently received state approval for a District Technology Plan (DTP) which provides implementation plans for instructional technology at the schools. The DTP calls for implementation of hardware, software, and networking at approximately twenty schools per year for the next five years.
  
- ! Implementation of Library/Media center automation—The Library/Media Services Division has been pursuing approval for a Challenge Grant which will provide funds to install technology for educational purposes. Based on the original proposal submitted by the district, the funds will be used to establish links between various district initiatives. Specifically, it appears that the district would benefit from using some of the funding for implementing WANs to connect the district's school. According to feedback from the Ohio Department of Education, it appears that the district could improve their chances of receiving grant funds if they more clearly relate the benefits of the proposed project with specific educational curriculum objectives.

After developing the strategic plan and obtaining an organizational commitment through the Technology Steering Committee, TSD should move forward with the initiatives recommended in the plan. The director of Technology Services should use the implementation plan developed through the strategic planning process to track progress on these activities. Revised priorities, time lines, project budgeting and staffing should be published and reviewed with the Technology Steering Committee periodically. As described above the Technology Steering Committee should actively participate in this review and attempt to resolve any issues related to project resources.



Although the district may be able to perform many of the strategic planning activities internally, it is recommended that the district utilize outside expertise when moving to implement an application in a specific functional area such as transportation, finance and food services. These resources should help provide an understanding of how a specific technology is utilized in other public education environments and a working knowledge of specific vendors' capabilities. This will help ensure that significant issues are addressed up-front in a project and that specific vendors do not misrepresent their capabilities, placing the district at risk during implementation. Coupling these types of resources with internal TSD and functional department staff will also help ensure that district personnel are better prepared to effectively utilize and maintain the system in the future.

#### *District Response*

A five year Strategic Plan was developed for the Technology Services Division by the internal staff with the assistance of Eaton Corporation. The plan was driven by the need to address "Year 2000" issues but also briefly defines possible strategies for outsourcing, realigning applications to one computing platform and an initial analysis of current applications and resources required for Year 2000 compliance. The cost of implementation was estimated at \$8.7 million. The District's plan was presented to the Financial Planning and Supervision Commission in December 1996, but was not approved.

The Financial Planning and Supervision Commission asked the Gartner Group to review the plan. The Gartner Group presented an initial draft of its assessment of the Strategic Plan to the Financial Planning and Supervision Commission on May 3, 1997. Gartner stated that the District's plan was workable but not optimal and may cost as much as \$10 million to implement. They suggested an alternate strategy of using lower cost state software. Gartner's recommendations were also rejected. Follow-up meetings were held on May 20 and 27 with the decision to bring in a consultant to review the District's plan together with additional alternative plans.

As a result, an RFP was issued requesting bids on a project to assess the current Strategic Plan and recommend alternate solutions to the District's current needs. An analysis was developed of the vendors who responded to the RFP. Coopers & Lybrand was selected to conduct the review. Their proposal identified four phases to this project:

- ! Provide an assessment of the District's Year 2000 plan in relation to the core information systems used by the District.
- ! Develop a statement of strategic direction through the identification of a vision and the assessment of the functionality of existing systems.
- ! Identify two alternate options for consideration by the District.
- ! Prepare and present a plan and propose budget for the implementation of the recommended solution.

Their work was begun in September at a cost estimated between \$209,000 and \$215,000. Completion of the analysis is expected by December 2, 1997.

The Technology Steering Committee recommended above will be created upon selection of an alternative identified by the Coopers & Lybrand study. In the interim, Information Technology Assessment Teams are being created to ensure that the appropriate district employees are working with the Coopers team to properly evaluate the District's current situation.

In May, 1999 the CEO re-constituted the Technology Steering Committee to assure that it is management driven rather than technology driven. This critical change will assure that the technology systems that are being put in place, are done so in the context of management's vision in each respective area, and reflect the design and informational requirements that will support enhanced data-driven decision-making.

#### Internal Auditor's Response

The Internal Auditor agrees that the Strategic Plan developed internally, although identifying many of the components suggested in the Performance Audit, does not appear to satisfactorily discuss all the initiatives. Many of these areas are critical to the support of the District and must be addressed as soon as possible.

The auditor strongly suggests that a decision be made as soon as possible for a Strategic Plan for the District's Technology Service Division. Critical issues such as Year 2000 conversion and compliance must be addressed with enough time to adequately test modifications. The District will pay a premium for outside assistance as the Year 2000 approaches.

#### Implementation Status

The district has partially implemented the overall recommendation. The following describes the status of the various components of the overall recommendation.

#### **Strategic Planning**

Rather than having a single comprehensive long-range strategic technology plan, the district has several technology strategic planning documents that are utilized by the Technology Services Division (TSD) as guides to implementing various technology systems. In response to the performance audit, the district contracted with Coopers & Lybrand in the fall of 1997 to further assess the district's technology. Coopers & Lybrand developed a five year information technology document, which primarily contained assessments of existing

systems, that has been used as a foundation in developing subsequent technology plans. The interim director for the TSD develops a one-year technology plan annually that sets forth the goals and objectives to be achieved for that year.

To manage and monitor current technology projects as well as plan for future technology projects, the district created the Student Teacher Education and Process System (STEPS) program in 1997. The STEPS program covers major projects relating to administrative information systems as well as Year 2000 compliance. At a projected budget of \$19.8 million through the 1999-2000 academic year, the STEPS program currently oversees the selection, implementation and monitoring of hardware and software for the following areas: student information, payroll and personnel, finance, transportation, food service, student assignments and student testing. Additionally, at the request of the superintendent, the interim director also created a four year technology schedule in 1999 outlining the major projects that was incorporated into the district's overall strategic plan. The district has indicated that the four year technology schedule is being revised as a long range strategic systems plan, which can be further aligned with the district's overall strategic plan.

Technology goals and objectives are reviewed and revised through several mechanisms. The interim director updates goals and objectives through the development of the one-year technology plan. In addition, activities and strategies relating to major administrative information systems projects as well as Year 2000 compliance are updated through the STEPS program on an ongoing basis.

The performance audit recommended the district evaluate the feasibility of outsourcing all or part of the district's technology functions as a component of the strategic planning process. According to district officials, this evaluation has not been completed. Specific functions of the TSD have not been outsourced. However, the district contracts for various technology services with vendors and individuals.

### **Technology Steering Committee**

A technology steering committee was created in the summer of 1997. The technology steering committee (TSC) meets on a monthly basis. The TSC, as well as the board of education, is briefed on the progress of various technology projects by the interim director. Currently, a total of 18 individuals are members of the committee, who consist of two non-school district individuals and 16 district executive-level personnel.

### **Application Replacement Initiatives**

The TSD prepared request for proposals (RFPs) as outlined in the performance audit. The RFPs were used to select software vendors based on need and preferences. RFPs were

prepared to solicit requests for various software packages that the district has acquired in the recent past. The following describes the current status of various software implementation projects.

- ! The district has acquired and installed a purchasing automation system. The purchasing automation system is one of the modules of the financial management system of the CIMS III software developed by National Computer Systems, Inc.. Currently, administrative offices have fully implemented the online requisition portion of the system. However, the system is at the piloting stage in three schools. According to district officials, the projected completion date for the online requisition system district wide is March 2000.
- ! The district has fully implemented a financial management system as recommended in the performance audit. The financial management system is part of the CIMS III software.
- ! The district has not implemented an integrated human resources and payroll system. According to district officials, the projected completion date is August 1999 for the core system, which has already been purchased as part of the CIMS III software. The remaining human resources and payroll modules are not scheduled for completion until 2001.
- ! The district has not implemented a food service point-of-sale (POS) system. Prior to 1996, the district had two pilot schools for the POS system. Currently, only the two pilot schools have the POS system. See the **food service** section for additional information on the status of the POS system project.
- ! The district has successfully replaced the previous mainframe-based Edulog transportation and routing application with the Edulog NT version.
- ! The district has acquired a student information system, which is part of the CIMS III software. However, the software has not been implemented. According to district officials, the projected completion date is 2001.

### **Hardware**

The TSD has not migrated to one platform. The DEC VAX 6000 was supplemented with two Alpha mini mainframes to make it Year 2000 compliant so that the student information system could still operate. The IBM 3090 was replaced with an IBM AS/400. The AS/400 platform is utilized for most of the district's main business applications. District officials have stated the DEC VAX 6000 will not be utilized after the new student information system

is implemented on the AS/400. The Alpha mini mainframes, according to the interim director, are eventually going to be used as application servers. The district's intent is to eventually standardize to the AS/400 platform. One of the primary reasons for selecting the AS/400 platform is because it has a large installed base of clients.

### **Networking and Telecommunications**

The district has installed local area networks (LANs) and a wide area network (WAN) connecting the various buildings in the district. Classrooms within the buildings are also connected to the WAN. The network is based on Cisco router technology, uses T-1 lines, and is Ethernet based.

The district has not implemented the library automation system. However, district officials estimate that all schools will be on-line by the end of the 2002-2003 academic school year. A total of 36 schools will be on-line by the end of the 1999-2000 academic school year. No school will be on-line until December 1999.

#### Auditor's Response

Although the district has created a technology steering committee, CCSD needs to ensure that the committee is effectively utilized. The district is in the process of planning and implementing technology costing millions of dollars that will have a major impact on its administrative and instructional operations. The technology steering committee can benefit the district by helping to ensure that significant investments in technology are implemented and managed cost-efficiently and support district goals and objectives. To be successful, the technology steering committee needs to play a high level role in conjunction with district management and CCSD needs to ensure adequate resources and information are available to committee members to allow them to assess various technology initiatives.

### **R9.2 Enhance technical skills within TSD and the district.**

#### Recommendation

Augment technical skills to support key initiatives as defined and prioritized by the strategic plan. Realizing the current staffing constraints, it is important not to consume TSD staffing funds with short-term fixes, but rather with efforts benefitting the strategic direction of the district. Although cross-training may be necessary in the short-term, efforts should focus on training all staff on the selected long-term platform.

In view of the importance of the district's business and educational operations, TSD should first assess the level of support provided by current staff skills and then identify gaps

resulting from insufficient support. During the Performance Audit, several key areas related to technical support and systems development that appear to support future strategic directions such as SchoolNet were identified. Included are the following:

Technical Systems Support

The district is about to embark on a large implementation plan which calls for a significant increase in the usage of technology at the schools for instructional technology. It is likely that the district will align their future strategic information systems plan to take advantage of the networking and communications which will be developed as a part of the district Technology Plan (DTP) implementation. Due to the increased user community inherent with the SchoolNet program, it is expected that the demand for technical support will increase. Planned training for school-based support staff will be critical to the success of the overall environment.

In addition, the district will need to ensure that adequate skills are available to support the district's chosen mainframe hardware platform. The district has indicated an interest in migrating to a single hardware platform that will support the business and educational information systems. Therefore, TSD should focus training efforts towards the new strategic platform to be identified through development of the formal strategic technology plan. The district will also have to decide how to provide continued support for the existing platform(s) until the final transition has been completed to the future hardware platform. TSD could either choose to continue supporting the outgoing platforms or to out source the operations and/or maintenance of the platform to a third-party vendor.

Systems Development

The district has expressed that package solutions will be given preference over custom development when evaluating future system initiatives. Although this will allow the district to benefit from years of development and proven school district experience typically found in many established packages, implementation of these solutions requires different skills than currently found in TSD. (Although a few packages have been implemented over the last five years, most systems development efforts within TSD have involved custom programming. Several of the package projects that have been started within the district have been led by the user organizations with little involvement from TSD. Examples of these projects include the transportation routing system and the food service POS system.)

Due to the impending changes in the district's technology environment, TSD should consider several alternatives for ensuring that the appropriate suite of skills are available to support new system initiatives. These alternatives include:

- ! Increase internal staff development—TSD should develop an annual formal

training plan and budget for TSD to maximize the productivity of the staff. A standard training plan should be defined for each staff position to support the necessary job responsibilities. Short-term training (within the next one to two years) should focus on re-aligning staff skills with the division's strategic direction. Specifically, this will require that staff are re-trained to support the selected long-term technology platform and that several analyst/programmers acquire a specialization in a specific application support area.

- ! In addition, training should help improve the systems planning and design skills of the Systems Development staff and the networking and technical support skills of the Systems Support staff. As TSD further defines a standard development methodology within the CBOE Standards Manual, specific courses should be selected that will help train employees on the preferred techniques and development tools.
- ! Training could be provided through local colleges or focused sessions led by professional trainers. After implementing an internal staff development program, TSD should monitor its effectiveness and ensure that employees participate in the appropriate sessions.
- ! Hire new staff personnel—The TSD has budgeted for several positions that are currently vacant. When hiring new staff personnel TSD should look to fill gaps present in the current staff skill set.
- ! Utilize outside contractors—If TSD chooses to use outside contractors, the internal staff personnel should work side-by-side with the outside support. The district should not use consultants for an entire project without involving internal personnel. As mentioned above, contractors can be used to strengthen on-site expertise with specific application areas and vendor software packages.
- ! Contractors could also assist with efforts in specific technical areas. Outside contractors could help support short-term demands during the implementation of this technology without hiring additional internal staff. These resources may also be necessary if implementation time lines are shortened to speed the delivery of this technology to the schools.
- ! Out source the function(s) to a third-party vendor—Several options exist which would allow the district to out source pieces of their current IT operations which could offer TSD significant short-term and long-term benefits including cost reduction and reallocation of resources to focus on

more strategic operations.

District Response

Approximately half of the current TSD staff have received training in 1) structured programming, 2) systems analysis and design, and 3) project management. These training sessions were conducted in-house by an outside firm for the TSD staff over the past two years.

In addition, the prior director of Technology Services implemented a training plan designed to improve the “soft skills” (such as team building and managing interpersonal issues) of the Technology Services Division. The director felt this type of training would provide the skills essential for the successful completion of the Strategic Plan, anticipating that the staff would need to better communicate and work with outside vendors while the environment was in a state of flux. This training was completed during 1997.

Upon selection of a Strategic Plan, and consistent with the Division’s goal to utilize packaged software solutions where possible, training will be necessary and will be provided to staff when a clear direction is established.

Internal Auditor’s Response

The auditor agrees that formal training on the current platforms may be a poor investment. However, upon selection of a Strategic Plan and with implementations of specific software packages and hardware configurations, timely, adequate training will be mandatory.

Upon completion of required training, greater services could be provided to the user community. Staff will be better prepared to make decisions and provide solutions to business problems. Lack of training will result in failed projects, schedule overruns, inaccurate time estimates on new projects and, overall, wasted money.

Implementation Status

The district has partially implemented this recommendation. The following describes the status of the various components of the overall recommendation.

- ! A training program and budget as well as training facilities have been established by the TSD. The training plan includes computer programming, software and hardware training, as well as training to improve interpersonal skills. Additionally, the district has provided training in Help Desk software and the IBM AS/400. TSD has also



developed procedures to ensure that technical staff receive appropriate training to support the technology being implemented in the district. In addition, technical support staff are now available for all CCSD schools. To help augment the technical support staff, TSD has contracted with MicroAge to provide additional staff to help in implementing and maintaining technology.

- ! The district currently performs little systems development, because it has mainly acquired “off the shelf” software that has not needed customization by the district.
- ! Rather than hire new staff personnel, TSD has mainly hired consultants. The consultants and contractors have worked side-by-side with the internal staff as proposed in the above recommendation.

Auditor’s Response

CCSD has hired consultants to assist with implementing and supporting technology within the district. However, ownership and management of this technology ultimately lie with the district. CCSD needs to determine in-house staffing needs necessary to adequately support its technology. Additionally, CCSD should make efforts to fill gaps in staffing to ensure appropriate technical skill sets are present. The district will also need to plan for a transition phase in developing its desired staffing composition.

**R9.3 Establish technical standards and procedures to regulate purchases, technical support, maintenance, and inventory.**

Recommendation

TSD should develop a procedure to regulate procurement, technical support and maintenance of technology used for both administrative and instructional purposes. Additionally, the district should develop a comprehensive automated inventory of all technology equipment.

District Response

The District acknowledges that no complete inventory exists of PC hardware or software. No standard configuration has been defined to ensure that consistent platforms exist. As a result, support and maintenance of equipment cannot be properly organized or funded. No assurances can even be given with regard to the completeness of asset tagging and the corresponding accuracy of equipment depreciation.

The equipment and software being installed with the SchoolNet program, however, appears

to be an exception to this situation. Controls over this hardware and software are being maintained. School-based purchases of personal computers and computer accessories are coordinated through the TSD. Equipment being provided to the schools is asset tagged and has appropriate software installed. License agreements are being properly maintained.

The Technology Services Office is developing a minimum standards guide for school-based and non-TSD technology purchases. This guide will provide a framework for administrative staff to follow and will result in a more efficient and effective review and procurement process.

Internal Auditor's Response

Standardization of personal computer configurations and software will provide a common platform for sharing in-house developed applications and data developed in-house. Quantity purchases and group maintenance agreements could also be negotiated with uniform equipment and software. Time could be saved in addressing problems for end-users. The District would also be able to develop a procedure for the retirement of older equipment in an efficient manner.

Implementation Status

The district has partially implemented this recommendation. The following describes the status of the various components of the overall recommendation.

- ! Purchasing standards have been established and documented in the district's Intranet system. Although most departments are utilizing the established standards, some departments have not started to adhere to them.
- ! To receive favorable rates when purchasing computers, the district solicited bids and utilized the selected vendor for volume buying.
- ! To standardize technical support and maintenance, TSD dispatches its technical support personnel through the centralized help desk. MicroAge technicians act as a supplement to district staff who provide standardized technical support, therefore ensuring adequate support.
- ! The district has also established an inventory tracking system, although not all district equipment has been inventoried to date.

**R9.4 Focus on a number of operational changes that can be accomplished in the near term.**

Recommendation

In the near term, the district and TSD should focus on the following:

- ! Improve DEC security—TSD should either acquire additional staff support to focus on upgrading the current security measures with respect to the DEC platform or remove some of the administrative tasks from the Security Administrator such that the Administrator has ample time to focus on the DEC issues. TSD should review potential security management options and select the appropriate security application to provide adequate security to the platform.
- ! Increase scheduled production jobs on the IBM and move batch jobs to the evening if possible—The Systems Support Office of TSD should review the current production schedule and assess the ability to improve the efficiency of this process by increasing the number of scheduled jobs and shifting batch jobs from day to night processing.
- ! Continue to improve the Help Desk support function—The recent reorganization of the help desk function appears to have been received well by the user community. TSD should continue to emphasize that educational and administrative users communicate all assistance requests through this central collection point.
- ! Continue to focus on improving the collection and processing of information for EMIS reporting—Due to changing state policies and changing internal staff resources, TSD has been unable to keep system documentation or development current. However, recent undertakings have focused dedicated staff personnel to resolving this issue.
- ! Assess the impact of the Year 2000 on existing systems—Current management has begun to educate current staff personnel about the impending century system issues. TSD should perform a comprehensive review of current applications to identify the impact upon present systems. Subsequently, management should schedule enhancements or replacements in accordance with the strategic technology plan.
- ! Standardize the use of the project management (PM) software within TSD—The Systems Development Office currently has an effective custom developed package used to track activities and manage resources.

District Response

Many of the recommended items have been implemented.

- ! The majority of batch production jobs on the IBM are executed at night. The number of production jobs executed from the automated scheduler has increased.
- ! Help Desk personnel are now fully trained in the use of Help Desk support software. The continuous support of field problems provides ongoing experience and expansion of Help Desk personnel skills.
- ! Improving the processing of EMIS/Sierra data is currently a primary focus for many support personnel in TSD. This is a co-operative effort to ensure that ADM-1 week student counts can be accurately supported.
- ! Addressing the Year 2000 date change is the top priority of the Coopers & Lybrand team. A rudimentary analysis was performed internally in June 1996. The C&L assignment is to conduct a thorough assessment and potentially will provide a plan to implement the modifications necessary.
- ! The Division is not in a “development” mode. Currently, minor changes are made to programs for maintenance and support. It is anticipated that upon implementation of the Strategic Plan, a project development methodology will be adopted by the District, with the guidance of Coopers & Lybrand. Use of a formal methodology will provide:
  - ! adequate controls to ensure that user requests are properly recorded and tracked
  - ! a consistent method for reporting on the status of tasks
  - ! guidelines to prioritize requests
  - ! analytical tools to identify resource utilization

All of these issues may be revisited, although not as short term solutions anymore, once the Strategic Plan is formalized and adopted by the District.

Internal Auditor’s Response

The auditor agrees with management’s explanation, and concurs that the items identified in the State Auditor’s report should be reevaluated once the Strategic Plan is selected.

Implementation Status

TSD has made progress in meeting this recommendation. To date, the following changes have occurred as an outcome of the above recommendation:

- ! DEC security has been improved with the addition of 1.5 FTE staff members who assist the security administrator. The DEC security was also enhanced by the addition of the two Alpha mini mainframes.
- ! Multiple production and batch jobs have been moved to evening hours to increase

efficiency. Additionally, TSD coordinates with various administrative departments to ensure that large jobs are not run at peak times.

- ! The district has implemented the HEAT help desk software. Additionally, staff has undergone software training, and is utilizing the HEAT software in a help desk setting.
- ! There has been improvement in both the collection and processing of information needed for EMIS reporting. The district has greatly reduced the number of errors identified by the Ohio Department of Education. Additionally, EMIS data was submitted in a timely fashion to the Ohio Department of Education (ODE) in the last reporting period.
- ! The TSD has been actively addressing year 2000 issues, including the task of making all hardware and software year 2000 compliant. One of the goals of implementing the STEPS project was to ensure that the district's software and technology equipment is year 2000 compliant. The district appears to be on schedule on its overall Year 2000 project.
- ! Project management software has been standardized by the utilization of MS Project. Additionally, one goal of implementing the STEPS Project was to provide standardization of project management district-wide.

## Payroll

### **R10.1 Conduct detailed automated time and attendance (ATA) analysis.**

#### Recommendation

Consider installing an automated time and attendance system at the various locations throughout the district. Automated time and attendance could provide the most accurate method of capturing time and attendance. Accuracy of data collected would be greater because input would be minimal and calculations of hours worked becomes automated. An improvement in accuracy could be substantial considering the districts' payroll for the Fiscal Year 1995 was approximately \$333,000,000.

#### District Response

Management agrees that an automated time and attendance system has value to the District and anticipates that the substitute teacher calling system can be expanded to become an attendance system for the District. The implementation of the substitute teacher calling system this September/October is being used initially to record teacher absences. It can be expanded to include the recording of hours worked, which will be needed for the attendance system. It is essential that the data for the substitutes, including such things as seniority dates and availability be verified. The system in its current form of recording teacher absences, must be thoroughly tested prior to any new development or expansion is begun.

#### Internal Auditor's Response

The automated time and attendance system is initially being installed to record only substitute teacher time. Although the system is potentially capable of handling time and attendance for all District employees, until the system is tested and running for the substitute teacher attendance, no roll-out plan is being developed for the future implementation of other payroll groups. This is a stand alone PC-based application.

#### Implementation Status

The district has not implemented this recommendation. However, the district has purchased Kronos software and related software and maintenance packages for approximately \$253,000 which will provide a direct connection for on-line time and attendance entry from the schools to the mainframe. This software is designed to be integrated with the CIMS payroll application but will not be incorporated into the payroll application until after all of the Y2K issues have been addressed, possibly sometime during the 2000-01 school year.

### **R10.2 Conduct an outsourcing analysis.**

Recommendation

The district should consider outsourcing its payroll accounting and check distribution. Before a decision is made to outsource, the district should determine the impact that outsourcing would have beyond the costs savings alone and consider risks of the outsourcing relationship. Will outsourcing lead to a loss of internal skills? What are the risks of having less control over the outsourcer than over the internal work units? Would outsourcing permit the district to provide the same level of service to its employees? If outsourcing fails, what costs would be associated with recapitalization? Is there something that could be done in house to reduce the costs of outsourcing? Would the benefits of outsourcing outweigh the risks?

District Response

The payroll, personnel, finance and accounting areas are all related to the implementation of the Technology Services Department strategic plan. Any outsourcing of payroll will be performed not independently, but within the context of the plan approved by the Financial Planning and Supervision Commission. Following a report to the Commission on the strengths and weaknesses of the strategic plan, a more definitive approach on outsourcing payroll can then be addressed.

Internal Auditor's Response

The auditor concurs with management's explanation of the inter-related nature of this area and the Technology Services strategic plan.

Implementation Status

This recommendation has not been implemented. The district has indicated that this recommendation is not feasible because of the implementation of the CIMS as well as the problems Columbus Public Schools encountered with outsourcing their payroll operations. Further, considering the significant costs the district has incurred with the CIMS, they do not believe that outsourcing portions of the payroll operations is an option.

The second factor is the implementation of the CIMS payroll application. According to the treasurer, the old payroll application did not give them what they wanted and was modified so often that they had problems with obtaining current software. Consequently, the performance audit recommended investigating outsourcing parts of their payroll operations to make up for the old system's deficiencies. However, the new CIMS, scheduled to be on-line in August 1999, will provide the district with a payroll application that will be integrated with the human resources system and any other necessary applications.

**R10.3 Perform a payroll pay off of all district employees.**

Recommendation

Perform a payroll pay off of all employees of the district. This pay off should be conducted by an independent third party, such as the State Auditor's office. The district should also consider having the Internal Audit staff perform payroll tests randomly during the year.

District Response

Management disagrees with the State Auditor's recommendation to perform a districtwide payroll pay-off and therefore has not executed the recommendation.

Internal Auditor's Response

The Internal Audit Department does perform periodic payroll pay-off tests of schools in conjunction with other audits being performed. Periodically, random audits will continue to be conducted to ensure the validity of all District employees. The auditor concurs with management that a full, districtwide payroll pay-off is unnecessary. This would be a lengthy, time-consuming effort, not providing any direct benefit to the education of the children of the District.

Implementation Status

The district has partially implemented this recommendation. While no district-wide payoffs have been performed by an independent third party, limited scope pay-offs are performed by the internal audit department throughout the year. The district is not performing district-wide payoffs because the costs are prohibitive and because the district does not believe they are beneficial. For the most recent school year, the internal audit department performed three such payoffs involving one school per payoff and did not have any problems associated with the payoffs. The District has indicated that once they have completed the CIMS EMS (Payroll) conversion and post-conversion projects, they will have at least one payoff during the 1999 - 2000 school year.

**R10.4 Complete time sheets on an exception basis.**Recommendation

Consideration should be given to completing time sheets on an exception basis. On days during which salaried and contract employees are at work, no entry would be required and only the time off would be recorded. This would eliminate approximately 56% of the time sheets filed and allow the employees who prepare the time sheets to dedicate the time savings to the educational needs of the students of the district.



District Response

The practice of completed time sheets on an exception basis was implemented in the Spring of 1997. Documented procedures along with written examples were provided to all employees who complete time sheets to inform them of the new procedures. Individualized training was also provided when requested by the employee.

Management disagrees with the State Auditor's estimate of reducing the number of time sheets filed. The number of time sheets completed has remained the same but the amount of time spent working on them has been reduced.

Internal Auditor's Response

The auditor concurs with management's explanation, adequate documentation was received to support management's response.

Implementation Status

The district implemented this recommendation in the spring of 1997.

**R10.5 Continue to provide in-service meetings to discuss any changes made to payroll procedures.**Recommendation

The payroll department should continue to provide in-service meetings to discuss any changes made to the payroll procedures. These in-service meetings would help to efficiently communicate new or updated requirements in the payroll process and reduce the number of errors which occur in payroll related items. These in-service meetings should be held on at least a semi-annual basis to provide new employees with training in the payroll time sheet preparation and allow dialogue between the payroll department and the employees directly involved in the payroll process from all the reporting areas.

District Response

It has been this department's practice to provide in-service training with employees on a regular basis and it will continue as such. In-service training is provided in conjunction with human resources at the beginning of the school year for new employees. In-service training is also provided as needed for payroll specific topics. Individualized training is provided by payroll personnel during the school year when requested.

Internal Auditor's Response

The auditor concurs with management's explanation. The human resources department has confirmed payroll's participation with in-service training. Ongoing in-service training will allow for payroll issues/changes to be addressed in a timely manner. Timely inservicing is also instrumental in maintaining a high level of consistency in the preparation of time records.

Implementation Status

This recommendation has been implemented. However, ongoing action is required. According to the payroll director, in-service training is provided at the beginning of the year to all employees who prepare time sheets. Also, additional training is provided twice a year to either those who request it or those building principals or the payroll department feel need additional training. Separate training classes are held for custodians and maintenance payrolls because of the uniqueness of preparing their payroll. The payroll department conducts the in-service classes and they track attendance through the use of sign-in sheets. The human resources director indicated that beginning this fall payroll training will also be included as part of a new employee orientation class. To the best of her knowledge, a Professional Development booklet has not been prepared.

**R10.6 Distribute time sheets to departments in a more timely manner.**Recommendation

The payroll department should distribute time sheets to the district departments in a more timely manner. Presently, departments record employee time on in-house records and then transfer this information to the payroll time sheets when they are received. This practice is time consuming and could result in errors during the data transfer. Timely distribution of time sheets will allow for posting in a less time restrictive manner and possibly reduce the number of "check-write checks" issued for adjustments because of time reported incompletely.

District Response

This recommendation was implemented with the procedural change discussed in R10.4. Time sheets are distributed on the first Monday of a pay period. It should be noted that during the month of September, the distribution of time sheets is delayed to allow the employee database to be updated with all changes and new employee data. This practice reduces the volume of handwritten time sheets. The current format of the time sheets is not designed to be used as a daily attendance record. The timely distribution of time sheets will not eliminate data transfer from in-house records to the payroll time sheets.

Internal Auditor's Response

The auditor concurs with management's response.

Implementation Status

The district has implemented this recommendation. Based on discussions with building principals and secretaries, payroll time sheets are delivered to schools one week before they are due, typically the first Monday of each pay period. The sheets contain pre-printed information including employee's names, social security numbers and other relevant information. Absence information is recorded on the sheets based on in-house attendance records that are maintained by building clerks. Building secretaries indicated that the one-week margin provides sufficient time to prepare and submit time sheets to the central offices. However, secretaries are still keeping manual attendance records as a backup measure.

**R10.7 Establish a "sweep account" for the payroll checking account.**Recommendation

Establish a "sweep account" for the payroll checking account. A sweep account would allow the district to maximize the interest earnings on the invested monies. Discussions with financial institutions determined that the requirement for a sweep account is a minimum deposit of \$50,000. All funds deposited for payroll would then be deposited into the sweep account (which is an interest bearing repurchase agreement account) and as checks are cashed the necessary funds would be removed and placed in the payroll account. The funds transfer is automatic within the bank. The sweep account would provide for efficiency in depositing in that only one deposit per payroll period would be necessary.

District Response

Currently, the District's checking account earns a higher interest rate (5%) than what could be available on a sweep account (4.2%). Establishing a sweep account would not be an economically sound decision at the present time. If interest rates change in the future, the concept of using a sweep account will be reconsidered. In addition, although it appears that making only one deposit per pay period introduces efficiencies for the District, because the District currently does not use direct deposit, the entire payroll does not have to be deposited at one time, thus earning additional interest.

Internal Auditor's Response

The concept of using a sweep account is a sound one and should be investigated periodically,

especially if the District chooses to use direct deposit for some of its payroll. It should be noted, however, that management based its decision to forego use of a sweep account solely on a review of the interest rates, not on a comprehensive analysis. If a change in interest rates occurs, or with the introduction of direct deposit, a full justification should be completed before adopting or discounting the use of a sweep account.

Implementation Status

The district has not implemented this recommendation. The district has indicated that a complete cash management analysis, including the consideration of the use of sweep accounts, will be initiated once an assistant treasurer is hired.

Auditor's Response

Discussions with the treasurer indicated that he does not consider this a priority and that the only factor he really looks at when considering this issue is interest rates. He said that because of the fluctuating interest rates in recent months, he really would not even consider establishing a sweep account unless interest rates fell below what they currently are earning in their regular accounts, something he does not think is likely to happen in the near future. However, documentation was not provided by the treasurer to support this statement.

**R10.8 Sort primary time sheets by employee location and secondary sheets by job classification.**

Recommendation

As payroll time sheets and checks are printed, the primary sort should be by employee location and secondary sort should be by job classification. This would allow the payroll department personnel to prepare the time sheets and checks for distribution in an orderly fashion in a less time consuming manner.

A change in the organizational structure of the payroll department may be required. The district should consider reorganizing the payroll personnel function from a job classification focus to a location focus. The payroll auditors' duties should be distributed so that each individual auditor becomes responsible for the payroll of all employees within a certain number of schools, rather than the present configuration of the payroll auditor being responsible for a special class of employees. Each school location will be provided with a payroll contact person which could facilitate the district's move to site based management.

District Response

The payroll department disagrees with the State Auditor's recommendation to change the organizational structure of the division. Given the various elements involved with each of the payrolls as a result of the different union requirements, it is more efficient to have division employees concentrate their efforts on a certain payroll, not on a specific location. However, all payroll division employees are cross trained to cover for employees who are absent or on approved leave.

Consideration is still being given to changing the sort routine of the payroll prints. The payroll continues to be sorted by department (job classification) to allow for all the edits and validations required of the data. Investigation continues to determine if more efficient edit checks could be automatically executed and thus allow for the resort of the payroll checks.

The actual duty of check distribution will be handled by two payroll staff members instead of 11, internal controls will improve and the effectiveness of the auditing process will be significantly enhanced. The 11 employees will no longer handle payroll checks. They will use new audit reports to verify the accuracy of their payroll.

Internal Auditor's Response

Although management disagrees with the recommendation, Internal Audit strongly supports the concept of cross training for individuals in the payroll area. The auditor feels that the benefits to the District outweigh the inconvenience of the payroll staff becoming familiar with additional payroll requirements.

Implementation Status

The district has not implemented this recommendation. The district is of the opinion that because of the number and complexity of the different union contracts, the district prefers to have payroll department employees understand only one or two contracts in-depth. This promotes improved efficiency in processing payroll for a particular contract and minimizes mistakes. Therefore, the primary payroll sort remains by job classification and the secondary sort is by employee location. Consequently, employees are not cross-trained in-depth because the district prefers to have employees focused on a single union contract/job classification. Although there are some employees within the division that are cross-trained (three or four, according to the payroll director), their training is only sufficient to fill in for somebody who is absent for a day and therefore do not have enough knowledge to take over payroll for a different classification for an extended period of time. There are no plans to cross-train more payroll employees in-depth.

**R10.9 Establish electronic funds transfers for payroll.**

Recommendation

Establish electronic funds transfer for payrolls. Electronic funds transfer using the Automated Clearing House (ACH) will allow the district to pay the employees electronically and reduce the cost of payroll processing at the district and the bank. The cost per check to the district could be reduced through electronic funds transfer of employees' earnings. At present, the payroll department sorts and distributes checks manually. With electronic funds transfer, the employee check advice could be placed in envelopes and mailed, eliminating the need of sorting and distribution within the district.

District Response

This recommendation really discusses the direct deposit of employee checks, not electronic funds transfer, which already occurs within the District. Direct deposit is available on a limited basis for employees who utilize the Ohio Educational Credit Union.

Management is in strong support of using direct deposit, however an analysis performed in March 1996 could not justify implementation. Because numerous employees do not cash their checks upon receipt, almost \$100,000 of interest income is earned annually on the cash balance. In addition, limitations in the current payroll system prevent the District from issuing payment advice statements instead of check disbursement stubs, therefore, modifications would be necessary to the payroll application to accommodate the printing of advice statements, which would further reduce the projected cost savings.

This issue will be investigated again as modifications are made to the payroll application, either internally as modifications and upgrades to the system, or externally through outsourcing. Management concurs that decisions culminating from the TSD strategic plan will impact this decision and therefore justification for direct deposit may need to be addressed again under new circumstances.

Internal Auditor's Response

The Internal Auditor's calculation of interest lost is not consistent with the District's. Our calculation of lost interest if only half the District used direct deposit is \$47,143. If the entire District used direct deposit, the amount of lost interest annually earned would be \$94,285. (Assuming a 5.25% interest rate in both calculations.)

Although the amount of interest lost appears significant, requiring 100% of the District's employees to use direct deposit would provide other benefits. The payroll application would only be used to print remittance advice statements, not both checks and statements.

Consideration should be given to establishing business relationships with a few select banks locally, which would provide free or reduced fee services to the District's employees if they would use direct deposit through their bank. This may encourage employees to use direct deposit if offered.

The State Auditor should be aware that we were unable to gather average figures on the number of employees who usually sign up for direct deposit with the initial offering. As a result, we did not estimate the number of FTE's which potentially could be eliminated if the District chose to offer direct deposit.

Implementation Status

The district has not implemented this recommendation. Once the District has converted to the new payroll/personnel CIMS system, the process of implementing a true direct deposit program can be performed. The District must, in accordance with a CTU fact-finding agreement, provide a direct deposit program.

Auditor's Response

While direct deposit has been negotiated into the union contract and has provided employees additional opportunities to electronically deposit funds, the current arrangement is only available on a limited basis and has not provided any of the time or cost savings normally associated with direct deposit. According to the treasurer, employees can elect to have a portion but not all of their paycheck deposited electronically into their financial institution. The district will then deposit all funds that are to be electronically transferred into one general depository account with the local credit union. The credit union transfers the funds out of the depository account into the employee's financial institution.

**R10.10 Automate the health care billing invoice process.**

Recommendation

Along with the billing invoice received from the health care plans, the possibility of obtaining invoice information on disk or computer tape to automate the invoice audit process should be determined. Automation would allow the employees responsible for health care insurance to expend their time in a more productive manner.

District Response

This recommendation was implemented in January 1997. In addition to the paper copy of the invoices, the District now also receives invoices electronically from five of its health care

providers. Discussions are proceeding to clean up the data and complete minor adjustments still required. One health care insurance provider will not be participating in the electronic billing process. This is the smallest carrier with service provided to approximately 100 subscribers.

Automating the health care invoice process could result in a savings of one person's full day of overtime each month.

(1 person day x \$96/day x 1.5 overtime premium x 12 months = \$1,728).

Automation will allow payroll personnel to expend more of their time providing enhanced services regarding fringe benefits. The success of this improvement assumes that programming support will be provided as needed.

Internal Auditor's Response

Although the invoices are now being supplied electronically to the District, it appears that no significant reduction in the amount of work being performed has been realized.

Implementation Status

This recommendation was implemented in 1997.

Auditor's Response

Discussions with district personnel indicated that his process has not significantly reduced the amount of work being performed.

**R10.11 Re-evaluate health care insurance dividends.**

Recommendation

During the negotiation of future union contracts, the district should reevaluate the provisions of the contracts concerning the health insurance dividends. The employees' monthly contribution was approximately 2% of the total monthly premium with the district paying the remainder.

District Response

The health insurance dividend was a one time occurrence in 1995 and was included in the union agreement as an offset to the introduction of the monthly health insurance premium payments which are now required. This will not be an agenda item in any future union



negotiations and will not be repeated.

However, under the new negotiated contract, an incentive provision exists, whereby employees who choose not to enroll in a District-sponsored health care plan are refunded \$250 or \$500 annually, for single or family coverage, respectively. This is an annual payment, designed to save the District unnecessary health insurance premiums for those employees which have available alternatives to District sponsored health insurance coverage.

Internal Auditor's Response

The auditor concurs with management's explanation. The Performance Audit's estimate of savings, \$290,000 is not being considered an achieved savings because it was a one time occurrence in 1995. The elimination of the dividend payment did not increase revenues to the District or reduce expenditures incurred.

Implementation Status

This recommendation has been implemented.

Auditor's Response

The 1995 \$290,000 payment indicated as a potential savings in the recommendation was a one-time payout to district employees and did not effect revenues or expenditures in future years.

## Human Resources

### **R11.1 Change the Human Resources Division's structure to reflect the proposed organizational structure.**

#### *Recommendation*

Change the HRD structure to reflect the following:

- Combine the Certificated and Classified Personnel departments and create Human Resources “teams” aligned according to the Division’s key functions: Employment Services, Employee Relations, and Information Management. The leaders of each team should report directly to the Chief of HRD, and should be responsible for day-to-day management of the Department’s remaining staff.
- The office of the Chief of HRD should be in closer proximity to the rest of the Division. Once the district has established a mission for HRD, it will be critical for the Chief to set and lead the Division in its primary functions.
- The HRD should fill the vacant Specialist position immediately with an employee that can properly manage the clerical staff and has experience hiring classified employees.

#### *District Response*

After the Performance Audit was issued, the process of combining Certificated and Classified Personnel was started on a rolling basis. As of the date of this report, the following changes have been made:

- The creation of four departments within HRD, aligned according to the Division’s key functions:
  - Certificated Staff Management
  - Employment Services
  - Employee Relations, and
  - Information Management

The Certificated Staff Management Department will have three components:

- Elementary Staffing,

- Secondary Staffing, and
- Teacher Recruitment

The supervisors/managers of each of these three components will report directly to the department head and will be responsible for day-to-day management of staff assigned to the division. The other three departments will report directly to the Director of Human Resources (formerly the person listed as the Director of Classified Personnel). General areas of responsibility of these three departments will be as recommended.

The Acting Head of HRD has been moved from the third floor of the Administration Building to the fifth floor, in closer proximity to the rest of the Division. With the completion of the merger of the two areas and the formal creation of the new teams, the department now consists of 23 people, far less than the staff of 28 recommended in the Performance Audit.

The vacant Specialist position reporting to the Director of Classified Personnel was filled at the end of April 1997. The new Staffing Specialist hires personnel for both Certificated and Classified positions and is in consonance with the ongoing plan to combine the two areas.

Internal Auditor's Response

Certificated personnel and the Chief of Human Resources have physically moved to the same location as Classified personnel. No Division level organization chart has been developed yet. Organization charts have historically been prepared by the Superintendent's Office and approved by the Board of Education. The Internal Audit Division has never been involved in this process, but, if requested to do so, Internal Audit can verify that the reorganization has been completed and can review the organization chart for accuracy.

Implementation Status

The district has implemented this recommendation. The district agreed the human resource department needed to be restructured although the current HRD structure is slightly different than the one proposed in the recommendation and the one stated in the district's response. The current HRD is organized as follows:

- Director of Human Resources Administration and Services Department
- Manager of Employment Services - Certificated
- Manager of Employment Services - Classified
- Manager of HRIS and Research

- Director of Payroll
- Manager of Compensation & Benefits
- Manager of Resource Allocation (Currently Vacant)
- Manager of Labor Relations

The director of human resources has 64 positions reporting to her, of which 11 are currently vacant.

#### Auditor's Response

The HR director provided explanation and documentation for the new HRD organization. Analyzation of the data reflected the new structure appeared to be effective for the current and future needs of the HRD.

### **R11.2 Initiate an effort to define requirements for, select, and implement an HRIS solution to meet HRD's critical business needs in conformity with the strategic information systems plan.**

#### Recommendation

Initiate an effort to define requirements for, select and implement an HRIS solution to meet HRD's critical business needs. The solution that is chosen should conform with the overall strategic information systems plan of the district as outlined in the Technology Utilization section. There are three alternative solutions:

- Upgrade the district's current software with the recent release.
- Implement a new application software from a different vendor. The current vendor solution should be evaluated in comparison to competitor's products.
- Outsource payroll and/or personnel functions which could include acquiring an integrated payroll/personnel system. The HRD should provide input regarding personnel systems needs to efforts looking at outsourcing the payroll system and processing function.

#### District Response

The Performance Audit highlighted several areas found to be deficient from a system function standpoint. HRD has responded to these deficiencies as follows:

**Grievance Tracking.** Grievances are tracked on a PC-based system by the Acting Head of Human Resources. Only grievances filed by members of the Cleveland Teachers Union are

tracked and, unless the grievance originates in the Administration Building, the tracking system does not include Step 1 grievances. (see R11.18)

***Teacher Certification Monitoring.*** A PC-based computer generated report developed by the Director of Certificated Personnel is now issued monthly listing all uncertificated teachers so that appropriate action can be taken to bring these certifications current. The system developed by HRD interfaces with the Ohio Department of Education (ODE) computer, whereas the Technology Services mainframe does not. (see R11.25)

***Applicant Tracking.*** Campus recruiting is now formally tracked in the Acting Head's office. The report is now available to principals for use in staffing their school buildings. (see R11.13)

***Performance Evaluation Tracking.*** The District has not clarified responsibility for ensuring that all employees receive appropriate and timely performance evaluations. As a result, HRD currently performs primarily a ministerial role in handling performance evaluations for Certificated Personnel. HRD advises principals as to when evaluations are due and files them when complete, but does not get involved in tracking or enforcing completion. However, with respect to Classified Personnel, HRD does track evaluations, and if an employee is found not to be performing in a satisfactory manner, specifies the disciplinary action needed, including termination if necessary. Custodians are not currently evaluated because three custodial supervisors have been replaced and there is no one left to perform evaluations. HRD management is not aware of any plans to change the handling of performance evaluations at the Certificated Personnel level. All HRD systems for handling performance evaluations are manual. (see R11.22)

***Site-based Staffing Levels Reporting.*** HRD continues to maintain a stand alone PC-based Staffing System to provide staffing information at the building level. The reports identify classified and certificated personnel by job class or by name.

***Position Control.*** Since the issuance of the Performance Audit, the District has decided that position control should be under the jurisdiction of the Budget Division and not HRD. The system is now operational and HRD is expected to have access to it, but it is outside the control of HRD. As a result, the former practice of hiring employees without approval of the Budget Division has been eliminated.

#### *Internal Auditor's Response*

The task awaiting management is the comprehensive integration of all this data into one system. To date, no efforts have been expended toward creating this integrated system. The documentation provided by management supports the existence of each of these individual applications.

As stated previously, Coopers & Lybrand has been retained by the District to review the Technology Services Strategic Plan for updating the District's Management Information Systems. Any enhancements specific to the Human Resources Division will be consistent with the goals and objectives established for the entire District. As a result, no efforts are currently being pursued to develop a Division-level Information System for Human Resources.

#### Implementation Status

The district has partially implemented this recommendation with the purchase of the CIMS software package which includes an Employee Management Services (EMS) application and will be implemented by August, 1999. The EMS application is the payroll and basic human resource functions. However, there is an additional human resources management system (HRMS) application which is not expected to be implemented until FY2000-01. The HRMS contains an applicant tracking feature, a salary projection feature and a position control feature. The HRD is currently tracking grievances filed from all employees, monitoring teacher certifications and tracking evaluations for classified employees. The HRD is currently upgrading the applicant tracking system so that applicants can complete applications on the district's web site and the system will be programmed to generate additional reports. The projected completion date is October 1999. The new applicant tracking system will download into the CIMS system.

### **R11.3 Initiate an effort to define requirements for, select, and implement an automated substitute teacher calling system which will meet the district's needs.**

#### Recommendation

Initiate efforts to define requirements for, select and implement an automated substitute teacher calling system which will meet CCSD needs. An automated substitute placement system will improve operations in the following areas:

- *Extent of Automation:* There is functionality that a substitute placement system offers that is not available with a manual substitute placement operation.
- *Availability of Data:* An automated substitute placement system will provide HRD management with reports concerning substitute placement rates, teacher absenteeism, and other useful information.
- *Future Improvements:* For an additional investment, such a system can be interfaced with payroll to eliminate manual payroll processing and can be expanded to accommodate non-teaching substitute placement such as substitute school clerks.

- *Site-based Management:* An automated substitute placement system will call substitutes based on a prioritized roster established by each school.

#### District Response

An automated substitute teacher calling system has been evaluated. The system has been selected from Telecommunications Support Systems, Inc. of Dallas, Texas. It is a system that can operate independently of the District's mainframe computer. By the terms of the contract, hardware and software installation will commence on July 7, 1997 and the system will be operational by August 20, 1997. The contract covers purchase, equipment installation and in-service training for an installation cost of \$105,000 and an ongoing annual expenditure of \$65,600. Because it is uncertain what level of support will be provided by the Technology Services Division, an additional cost of \$25,000 was included as part of the installation price for contracted technical services. It is anticipated the system will result in an annual savings of \$53,000.

#### Internal Auditor's Response

The Automated Substitute Teacher Calling System was completely installed and functioning for the start of the school year. Reference guides prepared for substitutes, employees and administrators detailing the operation of the system was provided.

#### Implementation Status

The district has implemented this recommendation. The district actually began using the automated calling system in October of 1997. The system is currently only used for placing substitute teachers. The district indicated the reason only substitute teachers are tracked through the system is because they are still learning how to use the system properly. Now that they have experienced a complete school year using the system, they will begin to study how the system could be used with other employee classifications. The district indicated the implementation costs for the system was approximately \$105,000.

#### Auditor's Response

The district should continue its efforts to incorporate substitutes from all employee classifications into the automated calling system.

### **R11.4 Increase the rate of employee contribution to benefits.**

#### Recommendation

Increase the rate of employee contribution to medical, dental and vision care benefits to be more comparable with similar organizations. Negotiate corresponding changes in the

collective bargaining agreements.

District Response

The District addressed health care benefits during labor negotiations in August 1996. Employee contributions for health care coverage, which were first instituted in 1993, were increased across the board and are memorialized in Article 29 of the labor agreement with Cleveland Teachers Union Local 279, AFL-CIO for the period September 1, 1996 through August 31, 1999. Increased limitations on participation in the medical plans by part-time workers were also negotiated. The cost savings to the District as a result of these additional payments and limitations for the fiscal year 1996 - 1997 (from the Cleveland Teachers Union contract and other union contracts) is expected to be \$1.232 million. Note that this figure is an aggregate savings realized from all the union negotiations related to health care and represents the estimated savings for a six month period. Anticipated savings will be \$2,343,000 for each of the next two years.

Internal Auditor's Response

Documentation to support the District's savings from contractual health care negotiations is poorly maintained and estimates continued to be used when publishing the Financial Recovery Plan, although contract agreements had already been reached. Our calculation of savings related to health care amounts to \$2,877,897 annually (from the General Fund). Health care should be raised again as a contract issue in 1999 with a view toward further increasing employee contributions to these benefits.

It should be noted that the analysis compiled by Internal Audit shows a total savings to the District of \$3,307,928 from net premium reductions for all the District's health, drug, dental and vision plans based on almost the same number of enrollees between 1996 (2,531 enrollees) and 1997 (2,571 enrollees). Increased employee contributions totaled a modest \$147,321 for the same period. Thus, if the number of enrollees increases and the health care premiums remain stable, the biggest savings to the District will come from the premium side, rather than the employee's contributions, which is frozen until 1999 by union contracts.

Implementation Status

The district has partially implemented this recommendation. See implementation status for R11.24.

**R11.5 Develop formal board policies on discipline, record retention, staff development and training and position control.**

Recommendation



Develop formal Board policies on discipline, records retention, staff development and training and position control.

District Response

A Human Resources Procedures Manual distributed to all administrators and supervisory personnel, will lessen the need to inquire about HRD procedures. The HRD will establish ongoing committees composed of District administrators and supervisors to solicit input relative to improving Human Resources services. Once the manual has been developed, all appropriate district administrative and supervisory personnel will be in-serviced. This will enhance the likelihood that District procedures are complied correctly and in a timely manner, and provide HRD staff opportunities to provide additional services or to improve existing services.

- **Discipline Policy.** A discipline policy was established by the District on December 4, 1996.
- **Records Retention.** According to the last audit performed by the State Auditor, the District must establish a records commission. The District took an initial step by sending a memo to all schools and department heads reporting discrepancies cited in the Auditor of State's findings where proper records were not available. The District has established a Records Retention Commission that began to establish procedures for proper record retention and disposal. (see R11.14)
- **Staff Development and Training.** The Chief Academic Officer has the responsibility within the District of developing and administering policies dealing with the training needs of teachers. HRD had the same responsibility with regard to administrative personnel for many years until that responsibility was moved to the Center for School Improvement and Professional Development several years ago. The Center was subsequently eliminated from the budget. Thus, HRD currently has no budget or formal responsibility for staff development and training.

While no formal policy has been adopted in this area, HRD has provided in-service training in its own department to train its own workers, for school clerks, for paraprofessionals (teachers' aids), and in contract administration.

Also, an *ad hoc* Executive Level Discipline Workshop was held on April 12, 1997 by the former Chief of Human Resources and a member of the Legal Department.

- **Position Control.** Reference is made to Management's Response to R11.2. Responsibility for position control rests with the Budget Division and it is no longer possible to initiate and process an Employee Request Form without obtaining Budget

Division approval. No formal policy has been adopted in this area and none is needed.

### Internal Auditor's Response

The auditor did not receive defined expectations or standards, which policy states shall guide the conduct of employees in the performance of duties. Review of the District's employee development plan revealed this recommendation was dependent on the reorganization of the Human Resources Division.

Staff Development and Training is currently the subject of ongoing discussions by District management, which recognizes that this area of responsibility is undefined. The final role of HR in this area is yet to be decided. Proposals to clarify and redefine responsibilities in this area were submitted to the Superintendent in October 1997. The Interim Head of Personnel Services is facilitating and coordinating this assessment process. There is no specific mechanism established to evaluate the effectiveness of any of the policies discussed in this section.

### Implementation Status

The district has partially implemented this recommendation as follows:

- ! The district established a discipline policy as of December 1996.
- ! The district has developed a schedule of records retention and disposition which addresses the retention of employee records. This schedule was approved by Ohio Historical Society and the Auditor of State's Office in October 1997.
- ! A policy which defines responsibilities for addressing, identifying and prioritizing staff development has not been established. The district has indicated that the Office of School Development was created on March 5, 1999. An Executive Director leads the Office of School Development. The responsibilities of this office include, but are not limited to, professional development for teachers, principals and central office administration. Professional development for the District as designed and outlined in *Educating Cleveland's Children* has begun and will continue to follow the guidelines of this document. The HRD currently provides traditional organizational training for classified employees. The HRD assists the various classifications in developing professional development and training in services.
- ! The district has not developed a formal policy on position control. In the district response, the district indicated an Employee Request Form (ERF) cannot be processed without the approval of the Budget Divisions. The HR director indicated that while it is true the Budget Division must approve all ERFs, the approval only indicates that the requesting department or school has enough funds to pay for the

new employee. When the HR director approves the ERF, she determines if the position meets the needs and goals of the district. The district is not currently using a traditional position control feature where the district predefines the number of budgeted positions. The new HRIS contains a position control feature but will not be implemented until at least FY2000-01.

#### **R11.6 Consider eliminating the residency requirement for non-teaching personnel.**

##### Recommendation

Reexamine the merits of, and consider eliminating, the residency requirement for non-teaching personnel. As documented in the Findings section, the requirement generates a significant amount of work to monitor compliance, and it lowers employee morale across the district. Furthermore, the requirement limits the pool of prospective applicants from which the district can select to ensure that vacancies are filled with the most qualified candidates.

##### District Response

The residency requirement is currently official Board policy and applies only to non-teaching employees. Management agrees that the policy is difficult to monitor, since it covers about 1,800 employees. It clearly takes staff time away from critical HR functions and the Department does not conduct as many compliance checks as it would like. Management also agrees that the policy tends to limit the pool of prospective applicants. In some areas, such as Technology Services, the residency requirement does adversely affect the pool of potential candidates. Historically, there have been a significant number of waiver requests which are a further indication that the policy does have an impact on the District's ability to hire high quality personnel. Selection of staff is a key policy issue, when the governance structure is resolved and the new leadership team is in place, residency will again be examined. As a result, no changes have currently been initiated in response to this recommendation.

##### Internal Auditor's Response

The residency requirement was originally approved by the prior Board, the auditor suggests this recommendation be re-evaluated when the governance issue is decided and a new Board is approved.

##### Implementation Status

The district has partially implemented this recommendation. The district has indicated the residency requirement has been waived until further notice although the district still includes the residency requirement in classified job postings. However, the district was unable to provide support indicating that this is the board's position.

**R11.7 Petition the State Legislature to re-evaluate the merits of the sections of the ORC that require the board to authorize all employment transactions.**

Recommendation

With respect to the sections of the Ohio Revised Code that require the Board to authorize all employment transactions, petition the State Legislature to reevaluate the merits of those sections, and to consider granting CCSD a waiver.

To the extent that these solutions are not feasible, the district should reevaluate the necessity that Employee Request Forms pass through all necessary approvals before being put on the Agenda.

District Response

HRD management agrees that the policy is cumbersome and time consuming, and that when the Board was authorizing all personnel actions, approvals were often delayed. Since the issuance of the Performance Audit, the handling of ERF's internally and below the Board/Superintendent level has been streamlined. Previously, the Chief of Human Resources would sign all forms, whether Certificated or Classified. Now, only the signatures of either the Director of Certificated or Classified Personnel is needed to approve a personnel action. Because of the new Position Control procedure described previously in the response to R11.2, the Acting Head of Human Resources will recommend that the processing of ERF's be handled exclusively between Human Resources and Budget.

Internal Auditor's Response

The auditor agrees that the ERF process should be handled between Budget and HR and that the process needs to be streamlined, however, to date, no activity has supported this endeavor.

Implementation Status

The district has not implemented this recommendation. The HR director has indicated that both the Budget Division and the HR director sign every ERF. The Budget Division's approval verifies that the department or school has adequate funds to pay for the new employee. When the HR director approves the ERF, she determines if the position meets the needs and goals of the district. The district also indicated that there are instances when a new employee starts working prior to board approval. The board of education only addresses personnel issues once a month and there are times when it is imperative for a new employee to start prior to the board approval. These employees are hired "pending board approval".

Auditor's Response

Because the ERF's are only approved prior to ensuring that the position has been approved by the board, the district has indicated they feel they are complying with the ORC.

**R11.8 Petition the State Legislature to re-evaluate the merits of the sections of the ORC that require the school board to maintain an individual contract with all administrators.**Recommendation

With respect to the section of Code that requires the School Board to maintain an individual contract with all administrators, petition the State Legislature to reevaluate the merits of that section, and to consider granting CCSD a waiver.

District Response

HRD management disagrees with the auditor's recommendation. The State Law does not impose an undue burden on this District. Administrative contracts are required of all school districts in the State of Ohio. Initially, a contract is for a one year period, after evaluating an individual's performance, it is a conscious decision to renew and extend a contract. Two and three year contracts exist in many cases where appropriate. Management therefore has not implemented the recommendation.

Internal Auditor's Response

The auditor concurs with management's response, however, no documentation was provided to support management's position. Management did not agree with the recommendation and as a result, took no action to analyze the feasibility of implementing the recommendation.

Implementation Status

The district has not implemented this recommendation. The General Assembly enacted H.B. 269 (now codified as ORC 3311.71), which classified the district as a municipal school district in which "an individual appointed to an administrative position ... shall have a contract with the school district which includes such terms and conditions of implementation as are agreeable to the CEO and appointee, except that such contract shall contain a provision stating that, unless the appointee chooses to terminate the contract at a prior time, the appointee will serve at the pleasure of the CEO." The district does not feel the law is burdensome, and does not anticipate implementing the recommendation in the future.

**R11.9 Realign responsibility for student records to the Pupil Personnel Division.**Recommendation

Realign responsibility for student records from the Classified Personnel Division to the Pupil Personnel Division.

District Response

HRD management agrees that Classified Personnel is spending a great deal of time responding to student record requests that are not related to its mission and that such requests would be better handled in Pupil Personnel. HRD management understands that this situation should be changed and will recommend to the Chief Operating Officer and Chief Academic Officer that such a change be made and that the necessary staffing support be provided.

Internal Auditor's Response

The auditor did not obtain documentation from management to support their response. However, it appears that management did agree with the recommendation and plans to address the recommendation in the future.

Implementation Status

The district has not implemented this recommendation. The HRD is currently still responsible for student records from schools that have been closed. However, the HR director indicated this responsibility will transfer to the Pupil Personnel Division effective July 1999.

**R11.10 Formulate a mission statement for the HRD.**

Recommendation

The Division, in conjunction with top district management, should formulate a mission statement for HRD to drive managerial behavior within the Division. The statement should address the following:

- *Link to District Mission:* The mission should explain how HRD's function will contribute to the realization of CCSD's overall mission.
- *Duties and Responsibilities:* The mission should clearly define HRD's duties and responsibilities, particularly regarding training, and responsibility for tracking performance evaluations, and grievance and disciplinary actions.
- *Indicators of Success:* The mission should establish indicators that will determine whether HRD is successful at meeting its responsibilities.

District Response

To date, the Division has not formulated a mission statement for the Human Resources

Division. HRD management recognizes its responsibility in this area and will develop a mission statement.

Internal Auditor's Response

The District has a mission statement that has evolved through the Blue Print for Educational Responsibility. Through the execution of this plan, all Central Office departments should develop plans and procedures to support the District's mission which includes overall leadership and target settings by department functional areas.

Implementation Status

The district has not implemented this recommendation. However, the HR director expects to develop a mission statement along with departmental goals this summer.

**R11.11 Develop a less expensive alternative to the Peer Review Program.**

Recommendation

An alternative should be developed to the Peer Review Program that is less expensive for the district. The district should consider assigning experienced classroom teachers as mentors to new teachers and teachers needing assistance regarding performance issues. The mentors would retain their classroom assignment and would be compensated—for example, by a special stipend—for extra duty time spent monitoring the teachers for which they are responsible. This model of providing staff development and mentoring for first year teachers and teachers in need of additional support is common among school districts nation-wide.

District Response

As a result of negotiations with the Cleveland Teachers Union in August 1996, the Peer Review Program was totally eliminated from the new labor agreement. Between the elimination of 19 teaching positions, one clerical position, plus elimination of program materials, supplies and purchased services, the total reduction for fiscal year 1996 - 1997 was \$1,150,000.

Peer Review and mentoring are subjects being discussed by District management in the context of Staff Development and Training (see R11.5). It is possible that the District will appoint a Coordinator of Staff Development, which among other things, would be responsible for Peer Review and Mentoring Programs. Proposals for this entire area were submitted to the Superintendent in October 1997. The role of HR in the whole process has not yet been determine. However, the District will definitely have some form of Peer Review and will apply for program funds if appropriate. Discussions will also be necessary

with the Cleveland Teacher's Union, since Peer Review is a contract issue, currently not included in the contract.

Internal Auditor's Response

Although the Peer Review Program was eliminated with the end of the 1996 - 1997 school year, Ohio Department of Education House Bill 215 has provisions to award funds to urban school districts wishing to implement Peer Review programs. The District is planning to apply for these funds to re-institute a Peer Review program in the future.

Implementation Status

The district has partially implemented this recommendation. The district has indicated that the original version of the Peer Review program has been eliminated in an effort to develop processes that are more effective. One example of the steps being taken to revamp the Peer Review Program is the Intervention Team Process. This alternative dispute resolution process is being launched during the fall, 1999 by the Labor - Management Council co-chairs (a CTU representative and a management representative). Additional training will be given to panelists during September/October, 1999.

**R11.12 Eliminate the Paraprofessional Career Ladder Program.**

Recommendation

The Paraprofessional Career Ladder Program should be eliminated, as it has not been utilized as an effective means to assist paraprofessionals in transitioning to a teaching career. Future efforts to allocate development resources to paraprofessionals should be cognizant of the lack of effectiveness of the current governance structure of the Program.

District Response

In negotiations with the Cleveland Teachers Union in August 1996 the Paraprofessional Career Ladder Program was not completely eliminated with the new labor agreement. Employees already in the program may complete it, however, no new professionals will be added into the program. No new funding will be used to support the program, existing budget funds of approximately \$75,000 will be used throughout the completion of the program. This resulted in an expenditure reduction in the 1996 - 1997 fiscal year of \$100,000, primarily in purchased services.

Internal Auditor's Response

Documentation provided from the Budget Division supports the \$75,000 remaining in the Career Ladder Program budget.



Implementation Status

The district has implemented this recommendation. The HR director indicated that the paraprofessional career ladder has been eliminated and there is a small budget for those remaining in the program. Employees currently enrolled will complete the program. However, no new employees will be added to the program.

**R11.13 Have the Employment Services team track campus recruiting efforts and perform a cost-benefit analysis to prioritize recruiting activities.**Recommendation

The new Employment Services team should track campus recruiting efforts and perform a cost-benefit analysis to prioritize recruiting activities. Once information has been collected for a recruiting season, the data should be analyzed to determine which campus visits were most productive and cost effective and which campus visits should be reduced or eliminated because adequate candidates were not identified or the trip was too costly. Historical data should be maintained so that trends by campus can be identified and HRD can redirect its limited resources accordingly.

District Response

A Teacher Recruitment Schedule is now maintained by the Acting Head of Human Resources which tracks all of the items listed in the recommendation. The data developed from the Teacher Recruitment Schedule is used to perform a cost/benefit analysis on recruiting efforts and to prioritize future recruiting activities.

Internal Auditor's Response

The Recruitment Schedule reviewed does not contain information on the number of interviews conducted, the number of offers made or the percentage of offers accepted. The spreadsheet used to accumulate campus interview data should be expanded to include these items.

Implementation Status

The district has partially implemented this recommendation. The HRD is currently tracking recruiting efforts by maintaining information for each campus visited and the cost of each visit. However, the recruitment schedule does not contain the number of interviews conducted, the number of offers made or the percentage of offers accepted. The HR director is modifying the current schedule so that it tracks the number of interviews and the number of offers accepted.

The district has indicated that with the implementation of the new University Relations Program (commencing October, 1999) and the launch of the new web-based application process, the entire applicant tracking process will be completely revamped. Reporting for the 2000 - 2001 school year will include statistical data detailing the number of interviews per campus, number and percentage of acceptances/rejections, productivity rates, etc.

**R11.14 Have the Information Management team within HRD formulate records retention procedures for personnel records based on district guidelines.**

Recommendation

The new Information Management team within HRD should formulate records retention procedures for personnel records based on district guidelines. The procedures should address maintaining personnel records in waterproof and fireproof areas, procedures for purging files and notifying employees to pick up purged items, and should evaluate the costs/benefits of implementing microfilming equipment in the HRD.

District Response

Records retention procedures are required by law and therefore guidelines must be established and maintained. Purging unnecessary material will save space and the expense of storage and will permit the retrieval of needed records accurately and on a more cost-effective basis.

The District, pursuant to Ohio Revised Code Section 149.351, is required to establish a records commission. Based on the review of the statute by Legal Counsel, the records commission should be composed as follows: the Treasurer, (or designee), Board President, (or designee), Superintendent, (or designee), and Legal Counsel, (or designee).

The District took an initial step by sending a memo to all schools and department heads reporting discrepancies cited in the Auditor of State's findings where proper records were not available. There was also included in the District's newsletter, *Teamwork*, a message informing all staff of the records retention laws.

The District has established a Records Retention Commission that has begun to develop procedures for proper records retention and disposal. Initially, the commission is developing these procedures for dissemination throughout the District. The commission then will meet annually and review applications for records disposal from management, and to review and/or update the commission policies and procedures.

By direction of the District, many records have been removed from the Administration Building to the Woodland Data Center. Investigation of the cost of media storage including microfilming has not yet been carried out; a cost analysis will be prepared. A public

meeting was held to notify all interested parties of the District's intention to proceed with our current records retention policies.

Internal Auditor's Response

The Internal Auditor is aware of the Records Retention Commission and recognizes that ongoing actions will be required to effectively implement an effective retention policy for the District. A central function to help field questions and ensure adherence to the policy and procedures also provides assurance to outside parties that the District is making every effort to comply with the legal requirements surrounding records retention.

Implementation Status

The district has implemented this recommendation. Although the district has developed a schedule of records retention, the district has not evaluated the cost/benefits of implementing microfilming equipment in the HRD.

**R11.15 Monitor turnover rates and create formal exit interview procedures.**

Recommendation

Monitor turnover rates for specialized job classifications and create formal exit interview procedures to identify issues and generate ideas for retaining employees. A formal exit interview process will assist HRD in identifying issues related to high turnover in specific positions, management styles of specific supervisors, employee concerns regarding specific CCSD facilities/locations, etc., all of which effect the retention of district employees.

District Response

HRD does not currently perform exit interviews except for teachers and a few other key positions, since it is time consuming, there is a great deal of turnover and there is limited staff to conduct the interviews. However, management recognizes the value of the exit interview and has developed an exit interview form to initially be used with only selected positions (those which are difficult to recruit for or retain employees, for example, technology services positions). It is management's intention to eventually use the exit interview form with all employees separating from the District. Initial implementation of the exit interview process will be phased in starting in the Fall of 1997.

Internal Auditor's Response

The proposed exit interview form appears to be adequately comprehensive. The auditor feels the form should be used with all employees who separate from the District. Thus far

the exit interview is used primarily in the Technology Services area, as previously reported. This is another area being examined in the Staff Development and Training study now underway. HR Management does know what its turnover and attrition rates are, but no analysis has been made of this data.

Implementation Status

The district has implemented this recommendation. The district has indicated that with the lack of direction from a full-time HR Director for approximately five months, this activity was not consistently handled and/or maintained. However, the HRD has re-implemented the exit interview process for all terminating district employees. In-service sessions will be held with all principals, and new administrators regarding the employment and termination process to assure understanding of and compliance with the process.

**R11.16 Develop and implement a comprehensive job classification, evaluation and salary administration system.**

Recommendation

Develop and implement a comprehensive job classification, evaluation and salary administration system appropriate for the district, including complete and accurate job descriptions. A comprehensive job classification and salary administration system will provide the foundation for establishing internal equity and external competitiveness with respect to the wide array of job positions at the district.

Additionally, Employee Relations should compile job descriptions for all district positions which are in compliance with ADA requirements.

District Response

HRD management agrees that a comprehensive job classification, evaluation and salary administration system, including accurate job descriptions, is beneficial to the District. However, because the District is approximately 95% unionized, the many negotiated requirements of the various union contracts in effect substitute for a job classification/salary administration system such as would normally be found in a non-union situation.

For example, the inequities in pay with respect to administrators that were noted in Finding R11.16 of the Performance Audit were addressed with the negotiation of the Cleveland Council of School Administrators contract in September 1996 by reaching agreement on CCAS job classifications and corresponding salary ranges. That contract covers all administrative management except Directors. The District will soon file with the Federal District Court on our update to its reorganization plan which includes a formal salary structure for the level of Director and above.

Also, the problem of trades people and custodial staff with higher gross earning than the Building Operations Manager to whom they report has been addressed by negotiating a limit on overtime in those contracts. Management feels that a good job classification/job salary administration system is now in place because of the heavily unionized workforce.

Accurate and up-to-date job descriptions have been developed for all positions in the new organizational structure but are not yet available for all District employees. Management recognizes the need for job descriptions for all District employees regardless of the roll of union contracts. It is especially important because many job classifications contained in union contracts no longer have anyone working in them and must be eliminated from the contracts. Conversely, any open classifications must have duties consistent with the description. Management still expects to have complete job descriptions by December 1998. Each department will be requested to develop job descriptions for its own employees.

Internal Auditor's Response

It should be noted that the job descriptions developed for the new organizational structure described above, defines only senior management level positions. The HR Division should be prepared to assist other departments in the District with developing standard job descriptions for their areas. Job descriptions are not only a good tool for ensuring equities in salary, but are also essential in developing a basis for the evaluation of employee performance.

Implementation Status

The district has partially implemented this recommendation. The district believes the various union agreements serve as the district's comprehensive job classification/job salary administration system. As indicated in F11.16 of the performance audit, the district addressed the inequities in pay among CCAS administrators in FY 1995-96 by agreeing on CCAS job classifications and corresponding salary ranges.

Although the district's response indicated the issue of overtime for custodians was addressed by negotiating a limit on the amount of overtime custodians can receive, the limit of 23 hours per week, per custodian, does not appear to adequately address the issue.

The district updated job descriptions for senior management in June 1996 but has not updated job descriptions for other employee classifications. Additionally, major restructuring of the district's management has occurred since June 1996 without a change in the job descriptions. The district is currently in the process of developing new job descriptions for senior management.

**R11.17 The HRD should develop a Management Information Report.**

Recommendation

The Human Resources Division should develop a Management Information Report (MIR) that gives the Division's managers a snapshot of the Division's status and effectiveness in terms of workload indicators and performance metrics. The new Information Management team should be responsible for compiling the MIR on a periodic basis and distributing it to HRD managers. Development of the MIR should involve the following activities:

- ! Determine key workload drivers to be measured.
- ! Establish performance measurements to correspond to each workload driver. Performance measurements should apply a standard to the workload indicator as measure of effectiveness.
- ! Determine procedures and schedule for compiling data.

District Response

As of the date of this report, no Management Information Report has been developed for use in the HR Division. Yearly functional activity reports have been developed for Classified personnel activities for 1995 and 1996. The Human Resources Department is planning to develop a comparable report for certificated personnel activities. Once the yearly functional activity report has been completed for certificated personnel activities, the department will develop a Management Information Report which includes key workload indicators in a manner consistent with the Auditor's recommendations.

Internal Auditor's Response

Although management agrees with the State Auditor's recommendation, no activity has begun toward the design of the management reports suggested by the State Auditor.

Implementation Status

This recommendation has not been implemented. The HRD has not developed a Management Information Report (MIR) which would provide managers with a snapshot of the HRD's status and effectiveness in terms of workload indicators and performance metrics. The HRD has indicated that the following statistics are available although they are not contained in one report: discipline and grievance actions, recruitment statistics, performance assessment completion for classified employees only, hiring, separations and turnover and substitute placement rates.

Auditor's Response

Once the new HRMS is installed, the district should consider developing an MIR which contains statistics on key workload drivers. An MIR can be a valuable tool which provides feedback on the HRD's performance and can identify problem areas.

**R11.18 Create a procedure to formally track all grievances and disciplinary actions filed within the district.**

Recommendation

In the absence of a new human resources information system that includes effective grievance and disciplinary action tracking functionality, create a procedure to formally track all grievances and disciplinary actions filed within CCSD, including grievances settled at Step 1. The monitoring can be used to identify problems with the responsiveness of the administrators/departments at each step of the grievance and/or discipline process, as well as identify potential problems with administrators/supervisors, certain jobs, etc. The tracking mechanism can be established in a spreadsheet or database application and updated as information regarding the proceedings is received from the labor unions or district administrators.

District Response

The Acting Head of Human Resources now tracks grievances filed by members of the Cleveland Teachers Union on a PC-based system. No other grievances are tracked and, unless the grievance originates in the Administration Building, the tracking system does not include Step 1 grievances. The report is used to advise the Superintendent of contract administration issues in the schools and throughout the administration and to make sure that sustained grievances are remedied on a timely basis.

Internal Auditor's Response

The tracking system should be expanded to include all grievances filed within the District and should include a list of Step 1 settlements.

Implementation Status

The district has partially implemented this recommendation. As indicated in R11.2, the HRD is currently tracking grievances filed from all unions even though the grievance log does not include grievances settled at the Step 1 level. The information tracked includes employee name, employee job title, date grievance filed, hearing date, union, final disposition and section of contract agreement being cited. The HRD has not developed a process to track disciplinary actions. The district has indicated that with the roll-out of the additional modules of the CIMS program, the HRD will be able to handle the administrative tracking of employee disciplinary actions in the HRMS.

Auditor's Response

The district should develop a procedure to formally track all disciplinary actions. The district maintains disciplinary actions in the personnel files. Because of the sensitive nature of disciplinary actions, the HRD does not anticipate developing a process for formally tracking all disciplinary actions filed.

**R11.19 Ensure that staff are properly cross-trained.**Recommendation

The HRD should ensure that staff are properly cross-trained. The Director of Employee Relations, Director of Employee Services and the Coordinator of Information Management should be responsible for establishing backup assignments for their staff. Cross-training will allow HRD to operate more efficiently and effectively in instances of staff illness, vacation and turnover. As a means of accomplishing cross-training, HRD leadership and staff should develop a plan to allow for job "shadowing" so that staff members spend a day learning the essential duties of a co-worker.

District Response

Cross-training has been implemented within HRD on an ongoing basis, although no written directives have been issued and the plan has not been formalized. The Acting Head of Human Resources intends to recommend formalization of cross-training procedures in connection with the implementation of the HRD reorganization. Cross-training requirements will be incorporated in each newly-revised job description.

Internal Auditor's Response

The auditor received no documentation to support management's response.

Implementation Status

The HRD has partially implemented this recommendation. The secretaries involved with teacher certification have all been formally cross-trained. Although formal cross-training has not been conducted, the HR director feels that a majority of the HRD staff could cover for an absent HRD employee. Additionally, the HRD hires substitute clerks who work as "floaters" meaning they can fill in for absent HRD employees. The district has indicated that additional opportunities for the cross-training of HRD staff will occur as early as September, 1999 as the HRD moves through the post-conversion phase of CIMS EMS. Both payroll and HR staff members have been scheduled for all training modules.

**R11.20 Investigate ways to eliminate the duplication of effort that currently exists by**



**maintaining staffing information in two systems.**Recommendation

Investigate ways to eliminate duplication of effort with regard to maintaining staffing information in two systems. In the absence of a new human resources information system that includes effective building-level reporting functionality, work with Technology Service Division to automate the download of staffing information from HRMS to the Certificated Staffing System on a periodic basis. This effort should conform with the strategic information systems plan of the district as outlined in the Technology Utilization section.

District Response

The Human Resources Division is collaborating with Technology Services to develop a process for downloading essential payroll/personnel data from the IBM mainframe to the PC-based certificated staffing systems on a periodic basis. This will eliminate duplication of effort and manual intervention.

Internal Auditor's Response

The auditor received no documentation to support management's explanation, and to date, no activity has begun toward the implementation of the State Auditor's recommendation.

Implementation Status

This recommendation is no longer applicable to the HRD. The district has indicated the Certificated Staffing System is no longer being used. The Certificated Staffing System was mainly used to track principals' requests for teachers to fill vacancies. Because the system was not integrated with any other system and the Certificated Staffing System did not provide much benefit to the HRD, the HRD stopped using the system.

**R11.21 Have the Employment Services team focus on hiring new substitute teachers.**Recommendation

The new Employment Services team should focus on hiring new substitute teachers from the available pool of applicants. Particular focus should be paid to hiring substitutes that express willingness to work in schools that historically have a low rate of substitute acceptance to offered positions. Once the automated substitute placement system is implemented, Employment Services should use available data to pinpoint positions for which substitutes are hard to find and formulate strategies for recruiting and hiring substitutes that are willing to work in those positions.

District Response

As previously noted in R11.3, a new automated substitute teacher calling system will be in place by the beginning of the 1997 - 1998 school year. Also, a new policy went into effect in February 1997 under which the substitute teacher pool was notified in writing that (1) if they choose not to accept an assignment when called, they will not be called until the following day, and (2) they will be allowed to decline an assignment a maximum of three times, and after the third declination they will be removed from the substitute list. This policy has helped to alleviate the substitute teacher shortage in certain hard-to-staff schools and at certain grade levels. Additionally, efforts are always being made to increase the pool of available substitutes, who are primarily retirees and those teachers with provisional certificates.

Internal Auditor's Response

The auditor has reviewed the memo issued to substitutes identifying the new policy and agrees with management's intended actions. However, the forms received were never used or even examined. Additional information is required that was not previously requested on the form.

The automated substitute teacher calling system has only been in operation for a short time and it is too early to evaluate the effectiveness of the system statistically. By the end of this year, some data will be developed but a full year's experience will be needed to draw more accurate conclusions. The new system has reinforced the February 1997 policy on declination of substitute jobs because the human element is now eliminated. Substitutes can no longer manipulate the system for more personally acceptable assignments.

Implementation Status

The district has partially implemented this recommendation. The HRD has one employee devoted to recruiting substitute teachers. The HRD has indicated that they do not enforce the policy which states that a substitute who declines work three times will be removed from the substitute pool. Because of the district's great need for substitutes, the district cannot afford to remove qualified substitutes from the substitute pool. The district has indicated that the HRD has recently completed an aggressive recruiting campaign for the 1999 - 2000 school year. These efforts resulted in the addition of approximately 300 new instructors to the substitute pool for the year.

Auditor's Response

Because of the district's great need for substitutes, the district cannot afford to remove qualified substitutes from the substitute pool. The district should continue to formulate innovative strategies to recruit and hire qualified substitute teachers.

**R11.22 Modify the current performance appraisal system.**

Recommendation

Modify the current performance appraisal system to effect the following:

- Create an appraisal instrument for central administrators and teachers to more accurately measure their performance.
- In conjunction with revamping the Peer Review Program, modify the appraisal process for new teachers to allow Principals to conduct their performance evaluations.
- Develop and conduct user training program for the performance appraisal system at least annually.
- Assign responsibility for tracking to ensure that all district employees receive timely performance evaluations to the new Employee Relations team. In the absence of a new human resources information system that includes effective employee evaluation tracking functionality, HRD should use existing functionality within HRMS for tracking to ensure that employee evaluations are completed.

District Response

- ! Under the direction of the Chief Operating Officer, a new appraisal instrument is being developed for central administrators. The system will be comparable to the Principal Performance Support System now in place for principals. As noted previously in the response to R11.2, HRD does not have performance evaluation responsibility for Certificated Personnel.
- ! The Peer Review Program has essentially been eliminated. However, Principals have always been responsible for performance evaluation's teachers. The exception in the past was that under the Peer Review System, the reviewer evaluated teachers having difficulties. The procedure of having principals evaluate teachers is a practice of long standing and is considered to be very effective.
- ! As noted in the response to R11.2 and R11.4, since HRD has only limited performance evaluation responsibility and no formal staff development and training responsibility, no training program for performance appraisals is in place nor is one contemplated. There is currently no staff or budget for this project. However, tracking evaluations is one of the subjects of the Staff Development and Training study currently underway (see R11.5). HR may or may not assume a roll in the area of tracking/administering evaluators in the Classified area. A decision is not expected for 2 - 3 months.

- ! The status of tracking performance evaluations for classified personnel was discussed earlier in response to R11.2.

Internal Auditor's Response

The Internal Auditor disagrees with management's explanation regarding performance evaluations and staff training responsibilities for personnel. When the reorganization is completed, these responsibilities will most likely fall to the HR area, preparations should begin in anticipation of the expanded responsibilities that will be assigned to the department.

It does appear that the appraisal needs of certificated personnel (teachers), and central office administrators are being adequately addressed. The auditor did not receive documentation to support management's response regarding a new appraisal instrument.

Implementation Status

This district has partially implemented this recommendation. The district has indicated that a performance evaluation form has been created for teachers and will be implemented in the 1999-2000 school year. Principals currently perform teacher evaluations. However, training has not been provided to principals on evaluation procedures and effective evaluating techniques.

**R11.23 Eliminate performance bonuses from administrators' compensation.**

Recommendation

Eliminate the performance bonus component of administrators' compensation as part of the full implementation of the CCAS job classification and salary administration structure. Many district administrators continue to receive an annual bonus corresponding to performance exhibited before August 1993. Using the concept of "pay for performance" in this manner does not accomplish the goal of motivating individuals to high performance and achieving defined performance objectives.

District Response

Management eliminated the granting of additional performance bonuses after August 1, 1993. In accordance with the Memorandum of Understanding between the District and the Cleveland Council of Administrators and Supervisors performance bonuses added to CCAS members' salaries prior to August 1, 1993 became part of their salary. The District intends to honor its agreement with CCAS and does not intend to reduce salaries by the amount of bonuses paid prior to August 1, 1993. Since the previously awarded bonuses have been incorporated into the salary structure since 1993, the concept of recapturing these bonuses and eliminating them from the current salary structure was not raised as an issue when the

Memorandum of Understanding was negotiated in the Fall of 1996.

Internal Auditor's Response

The internal auditor agrees with management that this issue was an inappropriate recommendation since new bonuses have not been awarded since 1994. A total of \$284,296 was added to employee salaries as a result of the permanent performance bonuses. The majority of this, \$251,561 relates to 143 certificated personnel, the remainder, \$32,735 relates to 52 classified employees.

Implementation Status

The district has not implemented this recommendation. The district does not agree with the recommendation and does not anticipate eliminating the performance bonus component from administrators' salaries. However, the district does exclude the performance bonus portion out of the administrators' base salary when calculating salary increases. Once the salary increase is calculated, the performance bonus is added back to the base salary.

**R11.24 Implement employee benefit cost savings opportunities.**

Recommendation

The following represent opportunities to realize cost savings involved with employee benefits administration:

- ! Formulate strategies to reduce the cost impact of traditional medical plans.
- ! Negotiate changes to collective bargaining agreements that give the district flexibility in determining the carriers that provide employee benefits.

District Response

The cost to the employee of the six medical plans offered by the District ranges from \$0 to \$20 per month for single coverage and from \$10 to \$40 per month for family coverage. These rates, negotiated by the District in the 1996 negotiations, allow employees to self-select the less expensive plans. With respect to flexibility in the determination of carriers, a provision was negotiated by the District in the 1996 negotiations whereby, while the District cannot drop any health care provider during the term of the labor agreement, new providers can be added, provided that the Cleveland Teachers Union is involved in the bidding and selection process.

The most important step taken by the District to reduce the cost impact of traditional medical plans was to negotiate out the Blue Cross Super Blue indemnity plan effective

January 1997. According to the Performance Audit (F10.23), this plan at one time enrolled 685 single participants and 1,430 family plan participants. These participants paid \$15 and \$30 respectively for this coverage. Upon elimination, these participants were forced to choose one of six other health care plans, all of which incorporate some form of managed care. The two least expensive plans to the District were incentivised in union negotiation with the lowest employee contribution rates. Employee contributions are fixed by contract until 1999. Presumably if employee contributions for the other plans are increased, more employees will select one of the two lower cost plans.

#### Internal Auditor's Response

The issue of premium contributions should be raised again as a contract issue in 1999 with the CTU and other unions with a view to further increasing employee contributions to these benefits. The flexibility clause should also be negotiated to permit the District to drop plans that are too expensive or which do not have a sufficient number of enrollees to make it an economically viable plan.

#### Implementation Status

The district has partially implemented this recommendation. The district eliminated the costly BCBS Super Blue plan and added the Medical Mutual Super Med Select Plan. The district currently offers employees up to five different managed care plans to choose from depending on the bargaining unit. Employees are not required to contribute towards the monthly premiums for dental and vision insurance. In addition, the district negotiated a cash incentive to individuals who are eligible for benefits but decline them. The district negotiated the following changes to employee contributions for the various single and family medical plans:

Plan	Employee Contributions - Previous Contracts		Employee Contributions -Current Contracts	
	Single	Family	Single	Family
<b>Kaiser</b>	\$0	\$0	\$0	\$10 <sup>1</sup>
<b>Medical Mutual - Super Med</b>	\$15	\$30	N/A	N/A
<b>Medical Mutual - Super Med Plus</b>	\$0	\$20	\$15	\$30
<b>Medical Mutual Super Med HMO</b>	\$0	\$10	Difference Bet. Kaiser	Difference Bet. Kaiser + \$10 <sup>2</sup>
<b>Medical Mutual Super Med Select</b>	N/A	N/A	\$15	\$30
<b>Qual Choice</b>	\$15	\$30	\$20	\$40

<sup>1</sup> Members of Local 407 contribute \$15

<sup>2</sup> Members of Local 407 contribute difference between Kaiser + \$15

The internal auditor calculated an estimated annual savings of approximately \$3.8 million in total benefit costs due to the increase in employee contributions and a decrease in premium costs. The following table indicates the gross medical costs and net medical costs to the district after employee contributions.

Year	Gross Medical Costs	Net Medical Costs	% Contributed by Employees
FY 96	\$35,386,335	\$34,232,115	3.3%
FY 97	\$29,277,368	\$27,615,134	5.7%
FY 98	\$31,185,063	\$28,922,709	7.3%

**R11.25 Have the Employee Relations team be responsible for teacher certification monitoring.**

Recommendation

The Employee Relations team should have responsibility for teacher certification monitoring. Current monitoring practices should be updated in the following ways:

- Add to existing written procedures to cover:
  - ✓ The exact process that clerks should follow once teachers have not responded to requests that they renew their certificates.
  - ✓ The timing and responsibility for key activities including deadlines for mailing initial teacher notifications in December, and receiving and reconciling a report that highlights teachers that have not renewed.
- Train clerical staff to thoroughly understand complexities involved with evaluating whether a teacher has an appropriate certificate for the subject they are currently teaching.
- The clerks that are responsible for monitoring certification should have the capability and responsibility to initiate the report that highlights teachers who have not renewed their certificates.

District Response

Since the issuance of the Performance Audit, new procedures for tracking and handling teacher certifications have been put in place. HRD conducted two in-service training sessions for employees dealing with tracking teacher certifications. These training sessions were conducted by the State Department of Certification on April 2 and June 21, 1996. Now, three secretaries, all cross-trained, handle this responsibility under the supervision of the Director of Certificated Personnel. The secretaries have access to the database on teacher certification at the State level. They regularly compare State records on teacher certification to District records, generating a monthly report of teachers who have not renewed so that appropriate action can be taken to bring these certifications current. A State minimum standards check, which assures that each teacher is properly certificated for the class he or she is teaching, is also contained in the report. While no written procedures exist in this area, the State supplies very detailed applications and instructions for proper certification in which HRD employees are well trained. On March 24, 1997 the Ohio Department of Education issued a letter verifying that the District is in full compliance with the Minimum Standards for Elementary and Secondary Schools.

HR management plans to document the new procedures for tracking and handling teacher certifications. The Acting Head of Human Resources also believes that this function should report to the new management of Employment Services rather than to Employee Relations.

Internal Auditor's Response

The documentation provided by the HR Division adequately supports management's explanation.

Implementation Status

The district has implemented this recommendation. There are currently three secretaries in the Employment Services Division of the HRD who have been trained on the proper certifications rules and who are responsible for monitoring compliance with the rules. On March 24, 1997 the Ohio Department of Education issued a letter verifying that the District is in full compliance with the Minimum Standards for Elementary and Secondary Schools.

**R11.26 Investigate using the State of Ohio Bureau of Employment Services for hiring classified positions.**

Recommendation

Investigate using the State of Ohio Bureau of Employment Services for hiring classified positions such as custodians or food service workers. The Bureau would perform initial applicant screening and reduce the amount of paperwork processed by the HRD. Also, by requiring applicants to go the Bureau, the time that HRD staff spend explaining the



application to “walk-ins” would be eliminated.

District Response

HRD has been using the services of OBES for many years and experience has shown that they have provided only a small number of qualified candidates, primarily bus drivers. Management disagrees with the State Auditor that hiring can be improved by turning all screening responsibilities over to OBES for specific classified positions. District employees must pass a Civil Service test before being hired, and OBES historically does not adequately screen for candidates who can pass the test. HRD management believes that to recruit qualified personnel, avenues much broader than OBES must be used, although the Department will continue to work with OBES as much as possible.

Internal Auditor’s Response

Documentation provided by the HRD adequately supports their position on using the Ohio Bureau of Employment Services on an occasional basis.

Implementation Status

The district has implemented this recommendation. The district indicated that they have always used the services of OBES and they will continue to use them as a source for recruiting classified employees.

**R11.27 Reconsider employing extra teachers beyond state minimum standards.**

Recommendation

In recognition of the district’s current financial challenges, the necessity of employing extra teachers beyond state minimum standards should be reconsidered. The benefits of retaining additional teachers should be weighed against the significant costs incurred by doing so.

District Response

Many of the 526 teachers in excess of the state minimum are in place as a result of the consent decree from the Federal Court and cannot be reduced. However, as of February 25, 1997, a reduction of 279 teaching staff positions from the prior year have been documented in the Financial Recovery Plan. The number will vary throughout the year as the number of permanent substitute teachers (not included on payroll records) changes. On February 25, 1997, there were 100 fewer permanent substitutes than at the end of June 1996; thus the savings when compared to June 1996 are understated. Efforts will continue during 1997 - 1998 to control the number of teachers close to the state minimum standard.

pupil/teacher ratio of 25:1. A noted exception would be where Court orders or union contracts require additional staff.

While the assumption is that fiscal 1997 staffing levels will be maintained over the next five years, as a result of the November levy passage, there has been an increase in teaching staff limited strictly to implementing certain promised enhancements. Foreign language teachers have increased, community model school teachers, full day kindergarten teachers and those teachers needed to staff the two alternative schools (Cleveland Learning Center) have been added. These additions, some of which will contribute to excess over state minimums, total 233 positions, still below the number of teachers eliminated in 1997.

#### Internal Auditor's Response

Reports supporting management's stated reduction of 279 teachers are available. Our attempt to recreate these figures using a newly formatted report, however, revealed inconsistencies in the data. The newly formatted reports indicate that a reduction of only 178 teachers occurred between June 30, 1996 and February 25, 1997. Simultaneously, an increase of 145 substitutes was realized during this same period.

The State Auditor should be aware that provisions in the teacher's contract stipulates that a substitute teacher who works over 61 days in the same position is eligible for full-time teacher benefits. Essentially these substitutes are teachers without a change in job class assignment. The system to maintain a substitute's status is completely manual and therefore potentially error prone.

Using the data from the newly formatted reports, our calculation of the number of teachers and substitutes (combined) from June 1996 through June 1997 follows:

	<u>06/30/96</u>	<u>02/25/97</u>	<u>06/30/97</u>
Teachers	4,449	4,271	4,159
<u>Substitutes</u>	<u>743</u>	<u>888</u>	<u>919</u>
Total	5,192	5,159	5,078
<u>Variance from 06/96</u>		<u>-33</u>	<u>-114</u>

The inconsistencies in the data should be resolved before these programs are placed into production. The combined efforts of both the Personnel and Budget area will be required to verify the accuracy of the programs and the selection criteria. It is our suggestion that these issues are addressed as soon as possible.

*Implementation Status*

At the time the performance audit was conducted on CCS, the district was in severe financial distress. Because the primary focus of the performance audit is to redirect dollars to the instruction site, the performance audit evaluated every area the district could review to reduce operating costs. With the district's current situation, this recommendation is no longer relevant. However, if future financial situations should raise cause for redirection of funds, this is one area the CCS should revisit.

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## Budget and Management Reporting

### A. Budget Process

#### R12.1 The district needs more input from the community to assist with long-term planning.

##### Recommendation

Community input into the budget process should begin with a determination of community expectations. Currently, the district has no plan in effect to guide the budgeting process. Without a sound long-term plan the CCSD makes budgeting decisions that may not be in the best interest of long-term financial stability.

Once community goals and expectations are formed, the district can determine the cost of funding these expectations. The forecast of funding the community goals should be over a three to five year period. A multi-year planning budget should demonstrate to the community what it will take to achieve their goals. Determination of those costs that are legally or contractually required, along with costs that are for the safety and security of the students, must be the basis of this efficient planning budget. After the cost of achieving the community goals are calculated, needed revenues must be determined. A multi-year estimate must be prepared to demonstrate to the community that the district will operate within these budgeted guidelines.

##### District Response

Initial community involvement was evidenced by the 1996 - 1997 Strategic Plan and School-Community Covenant. Work teams were coordinated by a community-based Strategy Council composed of the Mayor, Superintendent, the State Superintendent and other political, civic, business, education and parent representatives. The Covenant defined goals for the District, all of which relate to spending, either directly or indirectly. In addition, the campaign for the 13.5 mill levy in November 1996 afforded a broad forum for eliciting community input; the levy campaign outlined the priority programs for funding from levy proceeds.

Management agrees that unnecessary costs and waste must be eliminated and that the District must continually demonstrate to the public that all reasonable cuts have been made. To that end, \$2,623,517 in non-personnel services were eliminated from the 1996 - 97 budget and reductions of \$3 million in purchased services were negotiated. Additionally, a proposal was made to the Financial Planning and Supervision Commission on April 29, 1997 outlining an additional \$5,580,000 in budget cuts proposed for 1997 - 98. These reductions focus on staff attrition, transportation efficiency, teacher scheduling efficiency, additional central office staff cuts, school building administration efficiency, reduced interest on debt, and as yet

unidentified budget efficiencies which of themselves will approximate \$1 million.

In accordance with Ohio Revised Code, a five-year Financial Recovery Plan covering fiscal 1997 through fiscal 2001 was developed and reflects the financial framework within which educational and operational programming will proceed. This document is the guiding financial document for the District throughout the forecast period. It will serve as the primary source for involving the public in budget allocations and priorities. It will also serve as a benchmark to control and manage spending.

#### *Internal Auditor's Response*

The auditor concurs with management's explanation. An analysis of actual expenditures in the General Fund from fiscal 1996 to fiscal 1997 indicates an overall reduction of \$10.5 million. Enlisting community input in the budget process will aid the Senior Management Team and Budget Division in implementing the kinds of educational programs desired by the community as a whole.

#### *Implementation Status*

The district has partially implemented this recommendation. Although the district developed an implementation schedule to heighten community involvement, the schedule was delayed to December of 1998 due to the installation of a new board and the return of district management to local control. The community was involved in the development of the goals of the strategic plan and market research surveys, focus groups, and public forums have allowed community input on a wide range of curriculum issues. Also, the district states that a Community Oversight Committee has been established in accordance with HB 269. Yet, public participation in the budgeting process has been limited to an annual public hearing and community involvement in limiting the growth of expenditures has been negligible.

Fiscal year 1997-98 showed a significant decrease in general fund spending, but FY 1998-99 showed a sizable increase. While spending decreases were derived, to a great extent, from debt reduction, spending increases were distributed throughout district operations. Year to date disbursements for 1999, calculated on March 31, 1999, totaled \$590,606,432, or approximately four percent over the proposed budget amount. Administrative costs over the same period decreased markedly in FY 1994-1995 and again slightly the following year. Though still well under 1994 costs, FY 1996-97 and FY 1997-98 administrative costs increased a total of almost 10 percent.

### District Expenditures 1994- 2000 (in 000's)

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99 (Budgeted)	1999-2000 (Budgeted)
<b>Expenditures General Fund</b>	\$387,329	\$403,302	\$419,020	\$478,719	\$423,917	\$539,318	\$576,392
<b>Dollar Amount Difference from Previous Year</b>	N/A	\$15,973	\$15,718	\$59,699	(\$54,802)	\$115,401	\$37,074
<b>% Increase (Decrease) Expenditures</b>	N/A	4.12%	3.90%	14.25%	(11.45%)	27.22%	68.74%

Source: ODE Records

### Administrative Costs General Fund (in 000's)

	1993-94	1994-95	1995-96	1996-97	1997-98
<b>Administrative Expenditures All Funds</b>	\$58,020	\$30,221	\$27,862	\$29,314	\$31,697
<b>Dollar Amount difference from Previous Year</b>	N/A	(\$27,809)	(\$2,359)	\$1,452	\$2,383
<b>% Increase (Decrease) Expenditures</b>	N/A	(47.91%)	(7.81%)	5.21%	8.13%

Source: ODE Records

The district's Strategic Plan and Community Covenant has not been updated since FY 15-96. The district is developing a new strategic plan including academic and performance goals which was in draft form at the time of reporting. The new strategic plan has not been shared with the community, though focus groups were reportedly used to determine some of the plan's content. The overall level of community involvement in the development of the new plan is unknown.

Community input in the budgeting or planning process appears limited and concentrated in one time public hearings. The district did not have available a record of the types of educational programs or fiscal measures desired by the community as a whole or any documentation indicating that these topics had been addressed. Board and district goals focus on proficiency and academic achievement though direct actions to increase performance in academic achievement are not developed in the strategic plan. The community appears to have little involvement in the financial planning process of the district. At the time of reporting, the district plans to increase parental involvement in academic performance, but strategies to increase involvement in the planning process have not been developed.

## R12.2 Develop a goal-oriented budget.

Recommendation

Budgeting in the district is not tied to specific goals. The CCSD Board has not defined the goals of the district to have budgetary consequences that can be measured and monitored by the community. The Board should outline the goals for spending on instruction, support services, educational programs, and administration. The budget should be established to meet those goals. The district needs to define a clear list of priorities as to current instruction, new programs, security of the students, or extracurricular activities. Budget reports should be used to monitor the progress of meeting established goals.

District Response

With the passage of the 13.5 mill levy in November 1996, a step toward goal-oriented budgeting was taken by the District. The Financial Recovery Plan mandates that the use of levy funds be carefully tracked so that the total amount of spending on each of the educational and capital enhancement programs remains as promised. These “levy enhancements” were budgeted in February 1997 for an 18 month period ending June 30, 1998, and cover 13 specific areas.

A Levy Accountability Committee consisting of outside community leaders and parent representatives was established to monitor the levy spending program and to report its progress to the community and to the Financial Planning and Supervision Commission. In budget instructions sent to principals, Department Heads and Component Managers in February 1997, budget planning priorities and guidelines were defined by the Superintendent, including among other items:

- ! effective implementation of levy commitments,
- ! maintenance of a direct instruction allocation of not less than 60%, and
- ! the allocation of adequate funds for textbook replacement.

Beyond the special tracking of the levy funds, the Budget Division prepares traditional monthly reports for internal use, tracking all line item expenditures against the current budget and in comparison to prior years’ actual expenditures. The District’s schools are also developing Academic Achievement Plans that define measurable performance targets that must then be tied to financial measures.

Internal Auditor’s Response

Further steps must be taken to broaden the District’s commitment to a goal-oriented budget beyond that developed for the levy funds. District wide priorities must first be established and management, with community input, must define goals; then a mechanism must be developed



to monitor the progress of meeting the goals established.

The 1997 - 1998 current budget was approved in late June by the Financial Planning & Supervision Commission and is consistent with the Financial Recovery Plan, which reflects the spending cuts imposed upon the District. The 1997 - 1998 budget reflects the guidelines given to the principals in the *Budget Preparation Instruction* document.

#### Implementation Status

The recommendation has not been implemented. While the district's FY 1997-98 and FY 1998-99 budget documents focused on the reduction of costs in many areas and an increase in instructional spending, the district had yet to establish measurable program goals and tie district goals to the budgeting process. The district does not release reports or circulate internal reports on the status of goal achievement.

The budget preparation guide, provided to budget managers, indicated that schools were to spend no less than 60 percent of appropriations on instructional areas. Based on the implementation schedule prepared by the district in 1997, implementation of the goal oriented budget did not progress beyond the identification of major program areas and general priorities. District wide goals were not included in the budget, nor were specific goals for academic achievement, increased efficiency or effectiveness, or spending reductions.

Though the district has reportedly developed an academic and performance goal oriented budget for FY 1999-00, the document was under development at the time of reporting. Portions of the document were made available for study, but the district was unable to provide documentation of the inclusion of goals, measures, or evaluation methodologies in the FY 1999-00 budget. The inclusion of specific goals and actions and a close link between these items and appropriated amounts is essential in the development of a goal oriented budget and, while the district may have developed goals, they are not conclusively tied to the financial allocation process.

### **R12.3 Utilize automation to prepare budgets more efficiently.**

#### Recommendation

Many school districts utilize a computerized budgeting process. The budget process could be computerized in one of two ways. First, the use of spreadsheets or a PC-based budgeting package would be useful to those preparing budgets. The second alternative would allow access to the mainframe budget system. Either method would save time and reduce the potential for errors.

District Response

District management is very much in favor of moving to a computerized budgeting process. Ideally, computerized budgeting will be part of the Strategic Plan being developed for the Technology Services division. The ultimate goal would be to provide a disk or template to those people who prepare budgets so their requests to the Budget Division could include the necessary data, reducing the manual calculations review and data entry process. There is no on-line capability between the budget components, schools, and the mainframe computer at the present time. However, the Budget Division has purchased five new personal computers at a cost of \$13,302, which will substantially upgrade the division's ability to generate timely reports. The new equipment is faster, has much larger capacity and is tied together with a local area network. New software is also contemplated but not yet decided upon. This upgrade of Budget Division hardware and software will be meshed with the plans for the Technology Services Strategic Plan.

Internal Auditor's Response

The Budget Division should take steps to automate budget preparation at the earliest possible time. Implementation of this recommendation is dependent on the Technology Services upgrade and Strategic Plan.

Implementation Status

The recommendation has been partially implemented, and automation of the budget process is planned for the next budgetary cycle. Currently, the district uses the automated system to determine personnel costs. Other budget information is manually entered on hard copy worksheets at each school and division, forwarded to the central administration building, and entered into the budget module by a clerk in the budget office. The CIMS financial package has on-line budgeting capabilities that may be accessed by authorized users from any terminal connected to the district wide area network. Due to the overwhelming volume of paperwork presently associated with the budget development process, the district plans to implement some measure of automation in the next budgeting cycle. While direct on-line budgeting may not be used, the budgeting department plans to increase the use of electronic format documents in the budgeting process. The district may encounter time constraints in implementing the automated budget preparation program in the next budgeting cycle as the budget preparation module of the CIMS software is tied to the position control package scheduled to be implemented in 2000.

**R12.4 Establish a method to reward savings**

Recommendation

There is no mechanism in the current budget process to reward savings, planning or performance. If a department or school operates in an efficient manner and does not utilize its full budget, the money should stay with that department or school. By lapsing unused monies from schools or departments this forces the mentality of “use it or lose it.” This causes the district to use funds unwisely and inefficiently. Allowing schools to carry funds over in their budget will allow for planning and efficient use of resources. This is also an effective way to allow schools to plan for future expenditures.

District Response

The District has adopted a decentralization plan which is being implemented on a rolling basis and which will soon include all 118 schools in the District. About 48 schools have been identified as “Transformation Schools” for the fiscal year 1997, and the balance of the schools will become Transformation Schools beginning in fiscal year 1998. Savings carry-forward has been implemented in the Transformation Schools. Under this concept, up to 50% of unused Transformation School lump sum allocations will be retained in the schools at the end of Fiscal year 1998 and the special maintenance, staff development and planning allocations will be carried forward at 100% of remaining balances. Salaries, fringe benefits and utilities will not be carried over. Also, there will be carry over of unused grant funds, subject to grant rules and guidelines.

Internal Auditor’s Response

The auditor concurs with management’s response. Permitting unused funds to remain with a school strongly supports the site-based management philosophy being encouraged in the District. The carry-forward plan applies only to schools.

Implementation Status

The recommendation was implemented by the district for all schools in FY 1997-98. During the first year of implementation, schools carried forward \$1.2 million in unused funds based on a 50 percent retention of unused funds. Approximately \$1.1 million was carried forward from FY 1998-99.

Though the carry forward policy is being employed by schools, district sources indicated that many principals continue to try to spend all of their annual allocation, rather than lose 50 percent of the appropriation value to the carry over policy. Principals were not provided additional training in budgeting and financial planning. A “use it or lose it” mentality still prevails and the carry forward policy, while addressing the intent of the auditor’s

recommendations, has not rectified inefficient spending or improved planning due to the limitations of the policy. This recommendation will require on going action.

### **R12.5 Reallocate inside millage.**

#### Recommendation

ORC 5705.06 gives authority to political subdivisions to reallocate inside millage for specified uses. Reallocating the inside millage to a Debt Retirement fund will allow the district to set aside funds for the purpose of retiring the un-voted debt of the district.

State law, ORC 319.301 (e)(2), sets the minimum effective (collected rate) operating millage for school districts at 20 mills. The CCSD currently operates with 21.17 effective mills for residential/agricultural property and 31.50 mills for commercial/industrial property. The source of this millage is the inside millage (4.0 mills) and two voted operating levies. By requesting to reallocate the inside millage (4.0 Mills) to a Debt Retirement fund through the county budget commission, the inside millage would drop the effective millage for residential property to 17.27 mills, below the state minimum. At the next annual calculation of the tax reduction factors, the effective millage would have to be set at the floor of 20 mills, up from the 17.27 mills collected from the voted levies. This gives the district the benefit of additional millage being collected, 4.0 mills for Debt Retirement, and 20 mills for operating costs. This new total of 24 mills is an increase over current funding of 21.27 mills.

#### District Response

It is management's understanding that the implementation of this recommendation contains numerous legal ramifications. Even if successful, the result would have been to increase property tax rates without a vote of the taxpayers. The passage of the 13.5 mill levy in November 1996 effectively eliminated this method of obtaining additional funds for the District.

#### Internal Auditor's Response

The auditor concurs with management's explanation.

#### Implementation Status

This recommendation is no longer pertinent due to the passage of the 13.5 mill levy in 1996 which nullified both the need to reallocate inside millage to meet the financial needs of the district and the district's ability to implement this recommendation in the future.

**R12.6 Establish a long-term Capital Plan and Budget.**Recommendation

CCSD does not have a long-term capital plan to address the current or future capital needs. Capital needs are addressed only when items need repair and does not consider replacement of equipment on a rotating basis. The district needs to evaluate all the facility, maintenance and equipment needs. Once defined, capital requests need to be prioritized. A capital budget will allocate funding for the highest priority projects. A proper capital budget will assign a project number to minor the cost of the project. This will result in better financial information to monitor project costs.

District Response

Management agrees that the District needs a capital improvements plan and budget. Because capital funds were not available in the recent past, no action was taken to develop such a budget. However, with the passage of the 13.5 mill levy in November 1996, some capital funds have become available from the levy proceeds. The sum of \$22 million has been budgeted for the repair of school roofs through fiscal 1998. Levy funds will allow interior repairs in several schools as well. Additional moneys are expected to become available for capital improvements from the State Building Assistance Program.

Internal Auditor's Response

The District and the Budget Division should remain committed to a capital improvement plan and budget, and as such, formulate a long-term budget at the earliest possible time.

Implementation Status

The recommendation has been implemented with the exception of the examination of best practices and project prioritization. CCSD developed a three-year capital plan and budget in 1998 covering FY 1999-2001. The capital objectives, as expressed in the plan, include a continuation of roof replacement, the initiation of a major window replacement program, the implementation of a building improvement program for "lower quartile" schools, and the renovation of two buildings to increase district capacity. Schools requiring intensive intervention were identified and budget details and summaries were developed both by improvement category and by school. Although expenditures are not prioritized, funding sources for major expenditures are identified. The plan is monitored by the director of facilities and updated on an annual basis.

Although brief, the capital plan provides an important step in directing the allocation of

resources toward capital maintenance and improvement. The district should continue to implement the capital plan and should include a prioritized list of projects and a detailed explanation of the monitoring and oversight system. The district has represented that an oversight committee has been organized to guide the district's search for additional capital funding.

## **B. Management Reporting**

### **R12.7 Information relevant to the community must be developed and disseminated.**

#### Recommendation

The district should form a committee of parents and community members to determine the type of financial information and the format that is wanted. New reporting information will need to be established. Openness of all financial transactions, employee count and salaries will need to be developed. Currently, reports are made available on spending for instruction three times a year. This policy should be modified to present a monthly analysis to be presented at monthly board meetings. Reports should provide detailed information as to functional areas such as non-instructional costs, support services, debt costs, extracurricular activities, facilities and construction services, and the use of other funds.

#### District Response

Budget Division management agrees that communicating information to the public on amounts spent on both instructional and non-instructional costs is of paramount importance. In the past, the Budget Division has responded to community inquiries openly, but on an *ad hoc* basis. The District is planning to post in each school, for public availability, summary information showing prior fiscal year expenditures and current fiscal year budgeted for that school in several broad categories, such as instruction, transportation, food service, staff support, pupil support, extracurricular activities, etc. Beyond this project, the District has not taken steps to develop new reports that could be given to the public for information on fiscal accountability.

Current reports include information on levy spending, an annual report on spending which covers levy and non-levy costs, a comprehensive annual financial report on all financial matters, and comprehensive budget information on the General Fund prepared at the time of budget presentation.

#### Internal Auditor's Response

The Budget Division should move as quickly as possible 1) to develop a community

consensus on the type and frequency of financial information the public is interested in, and 2) to devise a reporting practice to implement these community desires. The posting of the budget sheets in each building is a step in the right direction, but unless the information is continually updated, it soon becomes stale and useless. The posting planned for the schools will be updated annually. On-line, current data will be critical to the usefulness of any reports produced.

#### Implementation Status

The recommendation has not been implemented nor has the district surveyed stakeholders, produced reports, conducted town hall meetings to communicate reports, or surveyed principals for report distribution needs. Only standard comprehensive annual financial reports and general annual reports were available to document financial information disseminated to the community. The district was unable to provide documentation of more frequent financial reports to the community.

District officials indicated that an increased reporting schedule for public dissemination was desirable and a future goal of the budgeting department. Delays in the development of public material have been attributed to the continued turnover in the position of superintendent. The district has represented that they plan to publish a user friendly budget document for public consumption by September 30, 1999.

### **R12.8 New reports need to be programed to supply better management information.**

#### Recommendation

Management information should measure the district's performance against established goals or outcomes. Established goals should consist of budgetary and operational objectives. Once the goals are established reports should monitor the progress and accomplishment of these goals.

The current account structure can capture information to provide summarized reports to the district by function, department, and educational programs. A report to monitor spending by functional area should be produced on a regular basis and distributed at all board meetings for the public and should display prior fiscal year expenditures, current year budget, and year-to-date expenditures. Another monthly report should be prepared to compare budget to actual and prior year spending to date, by object, for the eight major departments listed above.

#### District Response

Other than the posting of budget information in each school building as is contemplated in the

response to Recommendation R12.7 above, the Budget Division does not routinely prepare reports by function, department or educational program during the year. The accounting firm of KPMG prepares an annual report on the spending of desegregation funds. The District also needs to prepare reports showing financial comparisons among schools. Current reports are limited to the traditional line item expenditures and comparisons with budgeted amounts for the several funds of the District.

Internal Auditor's Response

The Budget Division should immediately begin planning to prepare new reports to supply better management information to District management and to the public. Coordination of efforts between various District areas will be necessary to ensure the accuracy of any reports produced.

Implementation Status

The recommendation has not been implemented nor has the district surveyed management to discover the types of reports needed, integrated statistical and comparison information into reports, or implemented a plan to change report generation. Management reports, unchanged since 1994, continue to include a budget summary showing appropriations, expenditures, encumbrances, and balance, and a purchase order and open orders report, but the timeliness of reports is still problematic. A substantial lag occurs between the generation of management reports and the receipt of reports by budget managers. While access to the central administrative information systems via the wide area network will provide school principals and division managers with more timely and detailed information than the present hard copy reports support, management reports available on-line will not measure the performance of the district against established goals or provide comparisons between schools.

**R12.9 Hard-copy reports can be converted to on-line reports so that the department head or school principal can access up-to-date fiscal information.**

Recommendation

Reports currently printed and distributed should be reproduced so that they may be viewed on-line through the computer network. This would save printing, paper and distribution costs of reports. Allowing access to on-line reports gives instant access to report information. On-line reports do not get lost and can be stored to disk or tape for audit purposes.

District Response

District management agrees that the ability to produce on-line reports on the computer



network would be a valuable time-saver. At present, there is no on-line capability with the mainframe computer for report distribution. The Technology Services Division is currently undergoing a study by Coopers & Lybrand whose task it is to assist in developing a Strategic Technology Plan. To the extent that the on-line report availability project is given a high level of priority, such reports can be made available.

#### Internal Auditor's Response

Production reports should be distributed to users with JCL (job control language) attached, providing assurance of which data files were used to create management reports. On-line report viewing should also provide access to JCL.

The Coopers & Lybrand report on the Technology Services Strategic Plan is expected to address the subject of on-line reporting.

#### Implementation Status

The recommendation is being implemented by the district with two schools serving as pilot sites. Under the present schedule, all schools in the district will have on-line access to the administrative information systems by January 2000. Through the financial management system, principals can generate a variety of budgetary reports. Report writing capabilities will be available through the CIMS package or through a separate report writer function; each will sort information by the line item, cost center, object, and function levels. Reports will detail original appropriations, expenditures, encumbrances, and current balance.

On-line reports are currently used in two pilot schools. Principals at the pilot schools stated that the on-line system provides reports in a more timely manner and was a great asset in formulating budgetary decisions. Additional training on the capabilities of the report writer functions may be necessary, though, as principals expressed a desire to expand the use of on-line reports. Management reports available on-line will not measure the performance of the district against established goals.

**R12.10 To allow for greater report writing capabilities, the district needs to consider purchasing hardware and software necessary to download information from the mainframe.**

#### Recommendation

Many times, requested information cannot be obtained, or it is difficult and time-consuming to obtain the information in the requested format. Mainframe report writing is timely and expensive for reports that are not used on a routine basis. Current technology allows for

queries into a mainframe database that will convert the information to a spreadsheet. There are several software packages available that can be used to implement this recommendation.

District Response

The District acknowledges that the integrated financial accounting and budgeting system is over 20 years old and does not contain user-friendly report writing capabilities. Consequently, many outside requests for information are not easily provided. The District's overall Technology Services Strategic Plan contemplates the implementation of a new integrated accounting/budgeting system that should alleviate this concern. It should also be recognized that a substantial library of data queries and data query capabilities exists. These capabilities permit the District to respond readily to virtually all requests.

In the interim, the District intends to utilize personal computer-based software to access mainframe data in response to information requests.

Internal Auditor's Response

Although the hardware and software have been purchased for the Position Control System, the District needs to enhance this system. Further training is required to allow the Budget Division to fully utilize the Focus software purchased for Position Control.

The Budget Division also has taken delivery of new personal computers and software, and the staff is receiving training in Windows 95 and Office 97. No other training will be scheduled until the Strategic Plan is implemented and a new financial software package has been selected.

Implementation Status

The recommendation has been partially implemented. Although the district has done little in this area, the district purchased several new computers and upgraded the financial software package in 1997. As the CIMS system is expanded through the next nine months, separate download capabilities will no longer be necessary. The CIMS package will permit authorized users to access not only financial data, but also human resources and student information. The integrated package and real time access will remedy several of the reporting obstacles the district currently faces. Continual technical training will be necessary, though, to ensure that authorized users are able to use the reporting capabilities of new information system to the greatest extent possible.

**C. Internal Audit**

**R12.11 An EDP auditor should be a permanent part of the staff of the Internal Audit Division.**

Recommendation

An EDP Auditor would be able to apply expertise in auditing the computer information systems and in the selection of statistical samples.

District Response

This position has been funded and the job description has been posted and advertised. An applicant was selected who wanted certain guarantees before accepting. An acceptable alternative to both interested parties could not be reached. As a result, the job was reposted in September; qualified candidates did not apply. The job description has since been re-evaluated and was reposted October 10, with a response deadline of October 31. In the interim, the Division is utilizing a contract auditor to supplement the staff and assist in the completion of selected projects. Both the Audit Director and the Internal Auditor are studying to take the Certified Information Systems Auditor (CISA) exam in June 1998. This test is a proficiency and overall assessment of skills concentrating on IT auditing techniques and understanding of information technology concepts.

Implementation Status

The recommendation has been recently implemented. The district has represented that the EDP auditor has been reassigned to the Technology Steering Committee working group. District management need to support the continued use of the EDP auditor in the working group function and ensure the continuation of this role as the role of the EDP auditor was minimized by district management in the past.

Auditor's Response

The district hired an EDP auditor on January 5, 1998, the EDP auditor was reassigned by the administration to school audits which are not consistent with the intent of the recommendation. Though the EDP auditor's job description includes tasks such as the development and monitoring of audit trails and evaluation of system controls, the EDP auditor was not provided access to the information management system since December 1998 and was unable to monitor the central information management system. The EDP auditor should be assigned to monitor audit trails and system controls. As the CIMS system is implemented, the continued participation of the EDP auditor is essential to ensure that controls are adequate and functioning properly. The district must ensure that the EDP auditor continues to function within the parameters of the EDP auditor's role in internal

audits.

**R12.12 The Internal Audit Division should report to an Independent Committee which consists of members outside and inside of the district or the Superintendent.**

Recommendation

If the above options are not feasible, then the Internal Audit Division should report to the school board. The current reporting structure impairs the Internal Auditor Division from being independent and objective. Reporting relationships in the internal audit function are the keys to ensuring the existence of internal controls.

District Response

District by-laws state that the Director of Internal Audit will report administratively to the Treasurer and functionally to the Finance Committee. However, the by-laws have not been reviewed since fiscal 1996.

The District agrees that the department should report to an independent committee. Previously, the Internal Audit Director reported to an Audit Committee of the Board of Education and later to the Finance Committee of the Board. Internal Audit began reporting to the Financial Planning and Supervision Commission in September 1997. In addition, the Financial Planning and Supervision Commission has since created an Audit Committee as a sub-committee of the Commission. Its first meeting was held September 26, 1997. It is anticipated that this change in reporting structure will permit the Audit Division to remain independent and objective in conducting its audits.

Implementation Status

The recommendation has not been implemented.

Auditor's Response

This performance audit is assessing the present status of the recommendation within Cleveland City School District and, while the district selected four individuals to serve on an audit committee in 1997 under the Financial Planning and Supervisory Commission, the audit committee has not convened a meeting since the formation of the new school board on September 9, 1998. The present status of the audit committee is ambiguous, according to district officials. Internal audit reports were last released by the internal audit division in November of 1998. Several internal audit reports, while complete, have not been released or presented to the district administration. Under current practices, the director of internal

audit reports to the CEO through the executive director of budgets. The audit committee should be reinstated immediately and the internal audit division should report to the audit committee directly. The backlogged internal audit reports should be immediately released to the CEO and school board.

**R12.13 The Internal Audit Division mission statement, as outlined in the school board bylaws, should be amended to state that one of the primary goals of the Internal Auditor Division is to evaluate the effectiveness and efficiency of the district’s internal controls.**

Recommendation

The Institute of Internal Auditors defines internal auditing as an independent appraisal function established within an organization as a service to the organization. It is a control that functions by examining and evaluating the adequacy, effectiveness and efficiency of the entity’s internal controls. If the Internal Audit Division reviewed more of the district’s internal controls, they may find methods to reduce possible inefficiencies and costs and make the district’s internal process more effective.

District Response

Internal Audit operates under Board Policy 9381 to “determine the adequacy and effectiveness of the District’s systems, internal accounting, and operational controls.” The District agrees that evaluating internal controls is a prime mission of the division and has no objection to amending the policy to clarify this requirement if necessary or to adopting a mission statement for the division which includes this change. It should be noted that under Board authority, the goals and responsibilities of the Audit Division were reviewed and updated annually. Due to the current governance issues, the Board policy related to the Audit Division has not been updated since 1995. As previously stated, the newly established Audit Committee met for the first time on September 26, 1997. As the first order of business, the Audit Committee is expected to establish goals and responsibilities, adopt a mission statement, and consider any other relevant governance issues as they relate to the Internal Audit Division.

Improved efficiencies should be realized by having an independent Audit Committee critiquing requests for audits and also providing their expertise in defining how the Division’s very limited resources should be best used for the District.

Implementation Status

This recommendation has not been implemented.

Auditor's Response

This performance audit is assessing the present status of the recommendation within Cleveland City School District and, though the district initially implemented the recommendation, the current administration has reassigned the internal audit division to areas that do not pertain to internal controls or the district financial systems as described in the district's internal audit division mission statement. Board policy was amended in January of 1998 to reflect changes in the mission of the internal audit division. Under the newly appointed board, the internal audit division was reclassified as the school audit division directed to audit school finances and performance. The internal audit division has completed ten audits since December 1998, and, though the district represents that they have been released, documentation could not be provided to demonstrate the release and circulation of the audit reports. The district was unable to provide a three-year schedule of planned audits. The internal audit division should be assigned to both school and central system audits to ensure the integrity and proper management of the district's financial systems. The role of the internal audit division should be clearly defined in district policy.

**R12.14 The Internal Audit Division should focus less time on special requests and more time on operational and compliance issues.**Recommendation

The Internal Audit Division should allocate their time proportionately to include special requests, operational and compliance issues.

District Response

The Internal Audit Division performs three types of audits:

- ! Operational audits to evaluate the organization's efficiency and effectiveness,
- ! Compliance evaluations, and
- ! Audit requests on matters of particular urgency or concern.

Operational issues should be the largest part of the Division's work, such as the response to the Performance Audit, assistance in developing the Economy and Efficiency Plan and working with our ADM Committee. Ideally, the Audit Committee will be utilized to select and prioritize all project requests for the Division. However, until the Audit Committee is fully established and can effectively assist in the selection and prioritization of audit requests, the Audit Director is attempting to defer special requests so that important operational reports can be completed.

The Audit Division will recommend projects to the Audit Committee based on audit risk analysis models prescribed by the American Institute of Certified Public Accountants (AICPA). Risk exposure is based on evaluating the adequacy of internal controls, materiality, and complexity of operation/transactions being audited.

It should be noted that no special audits have been done since the State takeover. All the work of the department has been devoted to operational and compliance audits, primarily ADM and the responses to the State Auditor's Performance Audit.

Implementation Status

The recommendation was implemented in 1997. Tracking of audit types was performed internally by the internal audit division and during 1998, audit types included several operational and compliance oriented investigations. Audits included four economy and efficiency plan updates, four ADM reviews, two school audits, and seventeen other audits. The 1999 audit schedule focuses exclusively on school audits, as does the proposed schedule for 2000. The internal audit division will be unable to monitor district compliance with laws and regulations under the current schedule. The district has represented that internal monitoring of central systems will be accomplished by outsourcing this function to an independent provider.

**R12.15 The Internal Audit Division should verbally communicate the results of the audit reports to the school board so that the school board members are effectively presented with the issues and methods to correct inefficiencies.**

Recommendation

In addition, the Internal Audit Division should have direct contact with the school board to ensure a response to the internal audit reports.

District Response

Under recent State legislation, the Financial Planning and Supervision Commission is functioning in place of the Board of Education. Beginning in September 1997, the Internal Audit Division began providing monthly status reports to the Financial Planning and Supervision Commission. Three oral presentations have since been made to the Commission on the status of the Performance Audit. Currently, reports are submitted to both the Superintendent and Commission members. All internal reports are now submitted to the Audit Committee. The Chairman of the Committee reports, in turn, to the Commission. District reorganization and the resolution of the governance issue may ultimately change the reporting responsibilities of the Audit Department as described here.

Implementation Status

This recommendation has not been implemented.

Auditor's Response

This performance audit is assessing the present status of the recommendation within Cleveland City School District and, although the recommendation was implemented under the Financial Planning and Supervision Commission, the initial implementation of the recommendation has been discontinued under the current administration and reports have not been released. The internal audit division provided audit reports to an extensive group of administrators and district officials during 1998 under the Commission. Under the current administration, audit reports have been furnished to the executive director of budgeting, but have not been released to the district administration, school board, or audit committee. The internal audit division has not presented verbal reports of audit findings to the board since the new board took office. The internal audit division no longer has direct contact with the school board; all communications and reports are routed through the executive director of budgets and the CEO. The internal audit division should be immediately authorized to report results on internal audits as reflected in board policy.

**R12.16 Distribute internal audit letters to each school board member.**Recommendation

Internal audit letters should be distributed to each of the school board members for informational purposes. The school board members should be aware of any internal issues that affect the district's operations.

District Response

As a result of the State takeover, the School Board no longer functions as the governing body of the District. When it was in operation, all Internal Audit reports went to the Board, but Internal Audit letters were not so distributed because they often involved unsubstantiated confidential material or discussed legal problems. Fewer internal audit letters are now being prepared as the work now is mostly documented in reports. The Auditor Director has no objection to audit letters being distributed to the Financial Planning and Supervision Commission, or any future governing body established.

Implementation Status



This recommendation has not been implemented.

Auditor's Response

This performance audit is assessing the present status of the recommendation within Cleveland City School District and, though the recommendation was implemented under the Financial Planning and Supervision Commission, it has been discontinued under the present administration. The internal audit division provided complete reports to the Financial Planning and Supervision Commission as well as several state, local and community representatives. Since December 1998, the audit division has forwarded audit reports to the executive director of budgeting, but these reports have not been released to the newly appointed board or district administrators. No audit letters have been issued, either under the Financial Planning and Supervision Commission or under the present administration. Audit reports or letters should be released to the audit committee, CEO, school board, and any other groups or individuals deemed necessary by the board. The board should update the release list as soon as possible and ensure that audit reports are released in a timely manner.

**R12.17 The Internal Audit Division should follow up on the recommendations made in the internal audit reports.**

Recommendation

The Internal Audit Division should perform a follow up on the recommendations made in the internal audit reports to ensure that corrective actions were taken for the area audited. The Internal Audit Division should verbally communicate with the school board members and the department affected by the internal audit report in order to compile a plan to ensure that the area audited will address the situation within the internal audit report.

District Response

The District agrees that follow-up is an important part of the Internal Audit process. However, because of a limited staff, very little follow-up has been done in recent years, and a large backup has developed. Further, management sometimes fails to respond to attempted follow-up. A mechanism should be put in place to require responses so that additional time is not wasted.

The question of establishing follow-up procedures will be presented to the Audit Committee. It is expected that the Audit Committee will act promptly on this issue.

In the past, management was required to respond to Internal Audit reports within six weeks.

It is expected that the new Audit Committee will establish a similar deadline. In the past, management was required to respond to Internal Audit reports within six weeks. It is expected that the new Audit Committee will act promptly to establish a similar deadline.

Implementation Status

This recommendation has not been implemented. Printed status reports of follow-up audit activities were not released in 1998. The district was unable to provide documentation of the effectiveness of follow up procedures or the frequency of corrective actions.

Auditor's Response

While CCSD implemented the recommendation in policy, the district was unable to provide documentation of instances of corrective action through follow up work by the Internal Audit Division. Board policy enacted in January of 1998 requires the internal audit division to conduct formal follow-up on audit recommendations. A clear follow up methodology, along with stated repercussions, should be enacted for the internal audit division. Documentation of follow up work and the effectiveness of the internal audit division recommendations should be developed.

**R12.18 Increase the training budget to ensure that the Internal Audit Division maintain CPA certifications and is in compliance with GAO standards.**

Recommendation

The school board should increase the training budget so that the Internal Audit Division is in compliance with GAO standards and to maintain their CPA certifications.

District Response

The increase in the training budget has been approved and funded. The Director and Internal Auditor are enrolled in three 8-hour classes to be completed in August, September and October 1997, after which the Internal Audit Department will be in compliance with GAO standards. It should be noted that although the Internal Auditors have not participated in Federal audits (where GAO standards are required) in the last two years, the auditors have maintained their continuing education requirements for both GAO standards and CPA certification.

Implementation Status

The recommendation was implemented. Internal audit division personnel have increased

training to ensure that CPA certification is maintained in compliance with GAO standards. The internal audit division director provided documentation of CEU course work completed in FYs 1997 and 1998.

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## Competitive Contracting/Private Contracted Services

### R13.1 Evaluate the use of private contractors.

#### Recommendation

The CCSD is encountering significant financial difficulties and is currently pursuing alternatives to either increase revenues or to decrease expenditures, including reducing or eliminating educational programs. The CCSD's ability to decrease expenditures is limited significantly by union contracts and the desegregation order. Identified throughout this performance audit are work rules, salary structures and benefits for CCSD employees which appear to be out of line with other peer districts and which could be out of line with the private sector. The CCSD management has the responsibility of ensuring that each dollar received by the CCSD is spent wisely and is generating the greatest benefit to the students. Therefore, the CCSD management should begin evaluating the use of private contractors within the operations of the CCSD. Many school districts have experienced financial benefits and operational efficiencies by looking to the private sector.

#### District Response

In order to project a balanced budget over the next five years, the district has successfully demonstrated a plan to both increase revenues and decrease expenditures. Management takes the responsibility for spending the district's funds very seriously. The accountability of fund expenditures, as required by the Financial Planning and Supervision Commission, is an example of how seriously management views its obligation. The establishment of a separate accounting fund to track expenditures related to the November levy is another example of the district's intentions to provide interested areas with accountability statistics.

The performance audit suggests that annual financial benefits of as much as \$11.7 million may be possible through implementation of private contracting initiatives at an estimated cost of almost \$1 million. The district's ability to decrease expenditures is limited significantly by union contracts and the desegregation order. The projects documented in the Auditor of State's report assume significant contractual flexibility which was not attained at the bargaining table. Actual savings are not yet quantifiable; however, to the extent that they are attained, savings would be annual and ongoing.

The contracting out of services, if feasible, would be for very specific areas within a specific division. Service delivery areas such as copy and printing are being considered by the district. Management feels confident that a significant pay-back can be realized by outsourcing specific operational functions and will continue to investigate options for implementation.

Internal Auditor's Response

The auditor concurs with the State Auditor's recommendation that the district provide benefits and compensation similar to peer districts, as well as controlling expenditures to a reasonable level, again, considering what peer districts are doing. However, the district is prevented from developing a meaningful analysis of competitive contracting alternatives because the issue of subcontracting is expressly prohibited by all but one of the union contracts. As a result, no district-wide strategy exists to identify the goals or objectives associated with successful implementation of a competitive contracting methodology.

Implementation Status

The district has partially implemented this recommendation. According to the district's legal council, when outsourcing opportunities arise which are not contractually forbidden, the district will pursue them if the opportunities are economically advantageous to the district. Within the confines of its current collective bargaining agreement, the district has outsourced two aspects of its business functions since the original performance audit was released. The transportation union contract does not expressly prohibit the possibility for the expansion of privately contracted services. For the 1998-1999 school year, the district outsourced the washing of the district's buses to a private sector company. Also, the district has contracted with 40 individual agencies to provide cultural arts instruction to students during the 1999 summer school program. However, it appears that no overall strategy exists to identify or analyze areas where competitive contracting opportunities could be advantageous to the district.

Auditor's Response

The district should continue to evaluate the use of private contractors and examine opportunities for outsourcing services. Also, a strategy should be developed to identify areas where the use of private contractors could be beneficial to the district.

**R13.2 Implement a privately contracted services (PCS) initiative to determine potential financial benefits the district could realize by competitive contracting.**Recommendation

A successful PCS initiative normally requires a number of years before the expected benefits are realized. Located throughout this performance audit are specific areas of CCSD operations that the CCSD management should begin evaluating for competitive contracting. The length of time to implement a PCS initiative is impacted by the number of steps involved, the overall sensitivity of competitive contracting and the anticipated opposition to PCS.

Therefore, the CCSD should begin immediately to implement a PCS strategy.

District Response

Management agrees with the State Auditor's recommendation regarding privately contracted services. However, as discussed in other recommendations throughout this compliance evaluation, limitations in contract language with the various unions prohibit the district from immediately pursuing private contractors for the replacement of complete divisions. Specific areas are being contracted out. Further explanations can be found by reviewing the following: Facilities (R6.4), Transportation (R8.2), Payroll (R10.2), and Printing & Reproduction (R13.14).

Internal Auditor's Response

The auditor concurs with the State Auditor's recommendation that the institution of a PCS initiative is a long and arduous task. Planning and alternatives should be discussed to be prepared for future implementation.

Implementation Status

The district has not implemented this recommendation. District officials have indicated that during July 1999, staff from facilities and operations, food services and transportation will be reviewing their contracts to determine what contracting opportunities may exist and to develop a collective bargaining strategy that may open the district up to more competitive contracting opportunities. However, no overall strategy has been developed and therefore, the district is not positioned to effectively identify areas where privately contracted services could be advantageous.

**R13.3 Negotiate language into future union contracts which give management PCS rights.**

Recommendation

The current union contracts expire in August 1996. Since most union contracts contain language which precludes PCS, the CCSD must negotiate this management right within the upcoming union contracts. The CCSD management should be anticipating significant opposition from the unions about this management right. Therefore, the negotiation team should be establishing a strategy to deal with this opposition immediately.

District Response

The contract negotiations in 1996 were unsuccessful in introducing language to allow for the introduction of privately contracted services. As anticipated, there was significant opposition from the unions when discussing the concept of subcontracting. The bus drivers' contract, however, does allow for the possibility of negotiating with the union for subcontracting as described in R8.2.

Although management agrees with the State Auditor's recommendation, negotiators are currently involved with issues concerning reopening the Cleveland Teachers' Union contract and filing for unitary status. Language which permits PCS will again be a priority in the 1999 negotiations.

Internal Auditor's Response

The auditor concurs with management's explanation and suggests that preparations begin as soon as possible for future negotiations with the unions, including many of the factors identified by the State Auditor. Management should formulate plans to address prior opposition in future negotiations.

Implementation Status

Currently, the district has not implemented this recommendation. The district's legal council has stated that language has been identified which the district will attempt to negotiate into future union contracts giving management PCS rights. However, the document outlining language the district will attempt to use was not provided to the AOS for this follow-up.

**R13.4 Implement an activity-based costing system.**

Recommendation

An integral component of a successful PCS initiative is the implementation of an activity-based costing system (ABCS). Reliable financial information about the cost of providing the service is necessary for both management and the unions.

District Response

The current financial management system cannot be utilized to create a basis for an activity-based costing system without significant enhancements. Because of the limited resources available in technology services and their priorities with regard to the strategic plan, using the current system, even with modifications, is not a feasible alternative.

Currently, no action has been taken toward the creation of a PC-based costing model for the



district's use. Management has no intention of addressing this recommendation at this time. This concept will be re-visited as an element of the strategic plan for the technology services division. The upgraded financial management system, when implemented, must be consistent with the platforms and software identified in the strategic plan. The district's accounting system should provide the primary origin of the costing process.

#### Internal Auditor's Response

The District is currently unable to fully identify in-house costs for specific services. Cost justifications of various new projects attempt to consider all apparent expenses; however, no accurate systems are in place to estimate the percentage of overhead costs to allocate to a new project.

#### Implementation Status

The district has not implemented this recommendation. Management does not intend to address this recommendation because they have not seen a demonstrated need for an ABCS. Although the district has recently implemented a new financial management system that went on-line in February 1999, the district has not evaluated the new system to determine its usefulness for an ABCS.

To capture costs of a particular program within the district, the former budget director can execute queries using fund, function and object code. However, the director has acknowledged that running queries will not adequately capture all costs, nor define the scope of a particular program. The budget director has also stated that most departments within the district have historically maintained their own accounting and data accumulation records, and to establish a programs' cost officials could contact the department to access records.

## Safety and Security

### **R13.5 Decide on a central monitoring center as soon as possible to realize annual savings associated with the new fire and security systems.**

#### Recommendation

The CCSD needs to take action in determining how it will monitor the new equipment installed by Honeywell in order to realize the anticipated net annual savings of \$136,811. As of now, the CCSD has spent \$284,300 on new equipment that is not being utilized.

The district should decide on a central monitoring center as soon as possible in order to gain the \$136,811 total annual savings associated with the new fire and security systems.

District Response

The Honeywell security system has been installed at 12 selected high schools. Honeywell is providing personnel to monitor the alarm system. The district has determined that there would be no cost savings if the division of safety and security monitored these alarms. The district is in the process of upgrading the entire security alarm system at all of its facilities. The current system is 22 years old and is frequently in disrepair.

The installation of a modern and efficient security alarm system will allow security patrols to respond in a timely manner to incidents of burglary and other criminal activity. Ultimately, there should be a decrease in the loss of district-owned equipment. Currently, the theft of equipment is affecting the quality of academic programs offered in the schools.

The immediate cost savings of implementation of this recommendation will be realized by deleting the dedicated telephone lines and a reduction in monitoring fees. In the 12-school pilot program with Honeywell, the actual savings are:

\$18,732	elimination of dedicated phone lines
<u>36,408</u>	reduction in monitoring costs
\$55,140	total annual cost
<u>\$10,000</u>	current cost of Honeywell monitoring
<u>\$45,140</u>	annual net savings

Similar savings could be realized when the district-wide security system upgrade is implemented.

Internal Auditor's Response

The auditor concurs with management's explanation and schedule of progression.

Implementation Status

The district has partially implemented this recommendation. Honeywell monitors the twelve high schools from an office in Cleveland for approximately \$10,000 annually. The elimination of the dedicated phone lines and reduction in monitoring costs has resulted in an annual net savings of \$45,140.

In May 1998, the district signed a five year contract with Ameritech security link through a

competitive bidding process to provide installation, monitoring, maintenance and other services associated with the security alarm service. The contract was signed at a cost to the district of \$350,000 per year through June 30,2003. Ameritech will monitor approximately 108 sites not currently monitored by Honeywell from its Florida headquarters. According to the director of safety and security, the district is not monitoring any security systems from the administration building because there is no space available to monitor equipment 24 hours a day.

The district and Ameritech have finished wiring and placing sensors in twenty high incidence middle and high schools. There currently is no time frame established to place sensors in the rest of the schools, but the director of safety and security estimates all schools should have monitoring equipment installed within 18 months. Because the high risk schools have been completed, the remaining schools will be done by district clusters.

**R13.6 The director of safety and security should continue to evaluate operations to determine if private contracting could be expanded.**

Recommendation

During the course of this performance audit, no additional areas of the CCSD operations to expand the use of the private contractor were noted. The director of safety and security stated that the use of the private contractor within the school buildings could not provide the level of security services which she requires. However, the AOS recommends that the director of safety and security continue to evaluate all facets of safety and security operations and determine if any services being provided by the CCSD could be shifted to a private contractor.

District Response

Management is seriously opposed to assigning contract guards to occupied school buildings. District requirements regarding character of the employee, training, psychological evaluation and accountability would require a “high priced” contracted service to meet the needs of our students. These costs would outweigh the monetary savings that could be realized. Additionally, current union agreements prevent subcontracting the school security officer positions throughout all the District’s facilities. However, established past precedent allows the District to use outside contractors in providing security for the Administration buildings and the bus depots, a total of five locations. The contract limitations prevent the District from expanding this service to any other location.

Internal Auditor’s Response

School administrators and the Director of Safety and Security have strong command and control over the security staff. Training and supervision of the security resources have been improved greatly over the past several years. Students and staff have come to depend upon the professional school security officers. Should the responsibility for security services be shifted to a contracted agency, educational programs would suffer due to the lack of consistency and/or direction of the security programs.

#### Implementation Status

The district has not implemented this recommendation. The current director of safety and security, who has been with the district since October 1998, will not consider contracting out security services because ultimate control over security personnel would rest with the contractor and not with the district. Because of this, the director has not addressed any of the “steps to be completed” and has not prepared for upcoming negotiations with the bargaining unit. To further heighten control over the security force, the director has requested that security officer payroll oversight be shifted from school principals to his office.

Currently, the district contracts with Royce Security Services to provide security personnel at three bus sites within the district. The district ended its agreement to outsource administration building security personnel in 1996. The district chose not to renew outsourcing this position because it currently is a part time position and for because of the control issues discussed above.

### **Billing**

#### **R13.8 Provide the Medicaid coordinator with on-line access to personnel records involving medical service providers employed by the district.**

#### Recommendation

The Medicaid coordinator should be given on-line access, if possible, to personnel records involving medical service providers that are employed by the CCSD to enable him to verify the days that were worked by each provider. The Medicaid Coordinator uses this information in his review of claims to verify that a provider actually worked the days that the professional service log states that (s)he did. Having on-line access would give him quicker access to this information.

#### District Response

Employee records are necessary to create an annual cost report in October of each year. The responsibility for creating the cost report will be transferred to the outside contractor selected

to be responsible for all of the Medicaid billings. It has not been determined if the Medicaid coordinator will require access to the data after this change of responsibilities has taken place. As a result, this year's cost report is being prepared manually as it has in years past.

#### Internal Auditor's Response

Permitting on-line read access to employee data should be allowed, on a limited basis, to the outside contractor selected. As an alternative, an extract of the employee data could be produced and provided to the contractors to allow their completion of the cost report in the future.

#### Implementation Status

The district has not implemented this recommendation. Although the district outsourced its Medicaid billing to Healthcare Process Consulting (HPC) on August 13, 1997, HPC can benefit by having on-line access to personnel records. HPC verifies professional service logs are accurate through a manual process. HPC has developed client lesson plans which are used to verify that the number of days worked by a provider are accurate. The hardcopy form lists specific fields such as progress code, provider signature, student name, start/stop time, and a description of services. Once a service has been claimed, these forms are sent by the district to HPC who verifies accuracy of information in the forms through their two internal auditors by making sure every field is properly and completely filled out. If not, the forms are sent back to the district for correction.

In addition, the contractor receives hardcopies of personnel records on a yearly basis from the district to create the annual cost report. Also, the district's data processing department supplies the necessary student demographic data to HPC during the year on a monthly basis through e-mail attachments.

### **R13.9 Use direct billing to eliminate the monthly service charges for outside billing.**

#### Recommendation

The CCSD should begin direct billing as soon as possible to eliminate the monthly service charges for outside billing. The billing contract with the county MRDD office could be canceled as soon as the permanent data entry operators have been hired and trained and certain hardware and software is put in place. The data entry operators are currently in the process of being hired. The sooner the contract is canceled with the county MRDD office, the more the CCSD can save in monthly service fees. There is no penalty to cancel the MRDD billing contract prior to its expiration on 1/1/97. However, the county MRDD office does require a 60-day notice.

District Response

The contract with the Cuyahoga County Board of Mental Retardation was terminated effective January 1, 1997. Although implementation of this recommendation has not resulted in a revenue generation, the district is no longer incurring the service charge costs previously paid to the county, approximately \$100,000 last year.

One of the county's responsibilities had been to correct errors in Medicaid numbers on behalf of the district. This responsibility will be handled internally by the Medicaid coordinator as error reports are received.

Internal Auditor's Response

A timing lag of a few months exists between when the claims are submitted and when error reports are received. Follow-up with the county is necessary to ensure that all claims were corrected and resubmitted, or, to identify which claims are still outstanding during their period of responsibility.

No summary reports were available from the county to identify the total dollars noted as discrepancies on the error reports, the total amount reimbursed, or the amount not recovered. Efforts should be initiated with the contractor to ensure these items are reported to the District.

Implementation Status

The district has implemented this recommendation, however, the contract was not canceled early. The monthly billing fee was eliminated when the district canceled the contract with MRDD January 1, 1997. Direct billing was begun on August 13, 1997 when the district signed the HPC contract.

**R13.10 Maximize the district's Medicaid reimbursement potential and investigate the possibility of outsourcing its Medicaid billing.**Recommendation

It is recommended that the CCSD's treasurer, Medicaid coordinator and in-house Medicaid consultant meet with the Medicaid billing company mentioned above to discuss ways that the CCSD can increase its Medicaid reimbursement dollars and to find out if the Medicaid reimbursement potential is really \$4.1 million, as forecasted by this company. The company also has a great deal of experience in setting up new billing services. The CCSD may

consider entering into a consulting contract with this company based on the results of the meeting.

In comparison, the total in-house salaries and benefits would be approximately \$248,000 for all the employees in the CCSD's Medicaid billing department, assuming that all seven of the new positions will be added to the department.

After the bids are received, the CCSD should perform a cost-benefit analysis to compare the benefits and costs of outsourcing with the current in-house billing system in order to decide if the Medicaid billing should be outsourced.

District Response

The district contacted the two firms in Ohio, Healthcare Billing Services, Inc. of Columbus and Healthcare Process Consulting, Inc. of North Royalton, that focus exclusively on Medicaid billings for school districts to review and evaluate the potential for outsourcing. A decision was made to publicly solicit competitive bids for outsourcing the billing and administration of the district's Medicaid operations. After reviewing the bids, an agreement was reached with Healthcare Process Consulting, Inc. (HPC) to perform the administration and billing for Medicaid. A period of transition occurred in August through mid-September 1997. HPC was properly positioned by mid-September to assume full responsibilities.

The district must now design a method to evaluate the vendor's implementation of the proposed program. In addition, an evaluation must also be designed to assess the providers' activity on a monthly basis. In-house concerns, such as copy machine availability, paper, supplies, etc., will be addressed through a coordinated effort between the vendor and the Medicaid supervisor. Increased provider efficiencies should be realized because of routine monitoring. Providers will be notified immediately if they are delinquent in producing documentation. As a result, revenues should also increase.

Internal Auditor's Response

The auditor concurs with management's explanation. The internal staff which had responsibility for examining Medicaid billings was dissolved. No formal cost justification was prepared to evaluate if this process could be handled better internally or not. However, given the level of difficulty in examining Medicaid billings and the expertise provided by the consultant, it is reasonable that the district selected an outside answer to this problem. An informal (not documented) analysis was conducted of the vendors who responded to the RFP issued.

Payments to HPC are based on the amount of recoveries generated, with a cap placed on their

fees of \$225,000. Recoveries are estimated between \$2 - \$4 million. HPC has already identified and submitted re-billings for fiscal year 1997 claims, estimated to exceed \$1 million.

Implementation Status

The district has implemented this recommendation. The district outsourced its Medicaid billing to HPC in August 1997. The contract contains two, one-year renewal options (August 1, 1998 to July 31, 1999; and August 1, 1999 to July 31, 2000) which the district has taken advantage of, in essence making the contract a three year document. HPC is paid on a monthly basis. The district pays HPC a fixed fee amount of \$100,000 annually for program administrative services, plus a fee of 6 percent of annual CAFS not to exceed the cap amount of \$225,000. In 1997, the district received \$1.6 million in medicaid reimbursements. In 1998, the district received \$5.2 million in reimbursements. HPC projected approximately \$4 million in reimbursements for FY 1999. As of July 14, 1999, the district has received \$3,924,795. There are still approximately \$70,000 in claims waiting to be collected.

In addition, HPC provides a list each month to the district's administrative liaison and pupil personnel and special education directors with the names of the district provider staff who have not submitted their monthly billing forms. On a monthly basis, HPC also provides a "provider claims summary report" that identifies the volume of claims submitted by each district provider who is responsible for billing.

Auditor's Response

The district should design an evaluation to critique the vendor's implementation of the program. The district has not designed an evaluation because they feel that the amount of re-billings submitted for claims verifies satisfactory performance by HPC. While it appears the contractor is providing adequate service's to the district, a properly designed performance evaluation would allow the district to critique all areas of the vendors performance and highlight those areas where the vendor may be providing inadequate services.

**R13.11 Continue computerizing as much of the tuition billing department as possible.**

Recommendation

The CCSD should continue with computerizing as much of the tuition billing department as possible. Also, the treasurer mentioned that he will be writing a computer program that will highlight a student who is living in an adult's household who has a different last name than the student. These students will then be examined in more detail to determine if tuition should be billed for them. Also, internal audit should be examining the tuition billing department on a periodic basis as further assurance that all students who should be billed



for tuition are being billed accurately. In addition, uniform procedures should be followed at each school in the enrollment process to verify that all new students who should be billed for tuition are identified when they enroll at their school.

District Response

The district processes a variety of tuition transactions, primarily consisting of pupils who are placed in a district school either by the court system or as part of a special education program through an agreement between the sending residence and the district. In the case of special education pupils, the district is entitled to recover the greater of their regular tuition (state calculated) or the excess cost associated with the provision of such service. The district has historically billed other school districts and the state the regular cost of tuition at the conclusion of the school year, and then billed the excess cost for special education students at a later date, after receiving Ohio Department of Education approval for the excess cost calculations. The billing and monitoring for the tuition reimbursement system is all performed manually. The district currently is behind in the excess cost portion of the billing process.

Uniform procedures exist to ensure that enrollment is conducted in a similar fashion throughout the district. Birth certificate, immunization record and proof of address (usually a utility bill) are required to enroll a student. School personnel are aware of the documentation required to enroll a child; however, no mechanism exists to verify the accuracy of the information provided. If a child's family moves outside of the district anytime throughout the year, the tuition billing department is never notified. If a child is identified as living outside of the district, the family is notified and requested to provide documentation supporting a change in guardianship for that student or they are given the option to withdraw the student.

Because district management recognizes that procedural improvements and efficiencies can be introduced into the tuition billing process, an outside consultant has been engaged. His task will be to document all aspects of the tuition billing system and evaluate if any improvements can be made, thus maximizing revenues to the district.

Formal registration procedures will be developed and documented through a coordinated effort between desegregation compliance and human resources. In-service training will be provided to ensure compliance with procedures.

Internal Auditor's Response

The computer program to identify students with last names different from their adult household member was a commitment made by the previous treasurer. Current

management has no intention of pursuing this endeavor.

Tuition billing is an area that will be suggested to the audit committee as a potential audit to be performed. Under their direction, this may be an area selected to audit in the future.

Implementation Status

This district has partially implemented this recommendation. The billing and monitoring for the tuition department continues to be performed manually. The tuition specialist uses a tuition billing template generated from MS access that holds the student data base of all billable students. She also uses excel spreadsheets to track invoices. However, all data the tuition billing specialist uses is kept on a standalone PC that is not connected through the network to the mainframe. The treasurer has stated that once the new student information system is fully implemented, the tuition billing specialist's PC will be connected to the mainframe to allow on-line access to student information.

The previous treasurer was replaced before his in-house developed program could be implemented by the district. Although the district employed a part time consultant to evaluate aspects of the tuition billing system, the consultant was also evaluating the district's options regarding the outsourcing of the Medicaid billing process and did not offer any substantive assistance to the billing department.

The internal audit department does not examine the tuition billing department to ensure that students are being properly billed for tuition. Internal audit department personnel have suggested that they currently are involved in many district projects that leave little room for this project.

Procedures exist to ensure that enrollment is conducted in a similar fashion throughout the district as outlined in management's response.

Auditor's response

The district should consider hiring a dedicated consultant to re-evaluate and document aspects of the tuition billing system.

**Printing and Reproduction**

**R13.12 Renegotiate the cost-per-copy contract with Ohio Business Machines.**

Recommendation

The CCSD is currently half-way through its cost-per-copy contract with Ohio Business Machines. The current contract term is three years. Ohio Business Machines has offered in writing to the Auditor of State's office and the CCSD a willingness to negotiate a lower cost-per-copy fee along with a contract extension with the CCSD for the cost-per-copy plan. The CCSD should begin discussions immediately with Ohio Business Machines. Any future cost per copy contracts should be longer than three years since technology for copy machines does not change significantly. The CCSD's future bids should include alternatives including three years, three years with option by the CCSD to extend the contract one and two additional years and four years with the same options. These bidding alternatives would provide the CCSD the necessary information to select the most cost effective bid.

District Response

The old OBM contract was not dissolved halfway into the three year term as suggested by the Performance Audit in order to attain a better price per copy. This would have opened the district up to legal arguments from the vendors who bid on the contract as was stated in the original RFP. The district felt that it was more appropriate to conduct business by completing the full contract and negotiating for a better price upon renewal, as is now being done.

The contract with OBM expired June 30, 1997. A month-to-month agreement with OBM was incorporated to allow for full evaluation of bids received. Bids were being solicited for a three year contract with two one-year options to renew.

Management believes that this extended contract arrangement should provide the district with a better cost per copy in the interim, and also provide a means of evaluating the permanent use of a dedicated outside copy service.

Internal Auditor's Response

The auditor concurs with management's explanation regarding the termination of the OBM contract. In addition, Purchasing management has recently decided to conduct a survey of copier service satisfaction.

Implementation status

The district has partially implemented this recommendation. After five bids were received and evaluated, a new contract was signed between the district and Ohio Business Machines (OBM). The district did not cancel the contract with OBM halfway into the three year term as suggested in the original performance audit recommendation. The current contract runs between July 1, 1998 and June 30, 2001 with an option to renew at prices set forth in the

bid for the periods of July 1, 2001 through June 30, 2002 and July 1, 2002 through June 30, 2003. The contract was signed at a cost-per-copy rate of .125 cents for the three year period of the contract. This price was the lowest price per copy that the district received out of the five contracts and will provide the district with the highest savings as outlined in the AOS recommendation.

**R13.13 If the district continues to outsource more than half of its printing and reproduction jobs, pursue negotiated contracts with outside vendors to gain favorable pricing.**

Recommendation

Given the high volume of work performed with a wide range and variety of vendors, the CCSD is spending more overall for copying and printing due to the lack of uniform prices for outside services. If the CCSD continues to outsource 50 percent or more of its printing and reproduction jobs, then negotiated contracts with a few outside vendors should be established to gain special pricing.

District Response

Management is aware that many departments use outside copy and printing services for the completion of large reproduction jobs. It is for this reason that the copy and reproduction RFP also included an alternative on providing dedicated printing service for the district. This option would provide a centralized reproduction service available to the district at a pre-established price. An analysis was performed of outside copy service use by Document Management Service earlier this year. Their observations confirm that utilizing the internal printing services would result in savings to the district.

Internal Auditor's Response

Internal audit did not examine the report compiled by Document Management Services. The dollar savings associated with using an internal service must be weighed against the timeliness of its response.

Implementation Status

The district has not implemented this recommendation. However, district managerial staff have stated that they are in the planning stages of requiring school principals to use only approved vendors already providing copying and printing services to the district. Requiring staff to use select vendors should help to provide uniformity in pricing when using outside services.

The district currently has negotiated contracts with two vendors to provide services to the district. Copy service is provided by Ohio Business Machines at a cost per copy rate of \$.125 for the three year period of the contract with a minimum of four million copies per month, for an amount not to exceed \$737,280. OBM also provides centralized copy service at a single cost per copy rate of \$.01 per copy. Sixcom Systems, Inc. provides multiple part forms to the district on an as-needed basis. Prices are outlined in a forms catalog furnished to the district. The contract commenced on July 1, 1996 and runs through June 30, 1997. The district took advantage of two, one year renewal options, which will end June 30, 1999. In addition, Phifer-printing provides the district with flat forms on a non-contractual basis. The district typically spends less that \$6000 per year on these forms.

#### **R13.14 Consider outsourcing the central print shop.**

##### Recommendation

The CCSD's current utilization of copy machines and the central print shop does not satisfy the operating needs of the district. This issue is evident in the large percentage of copy jobs which are copied by outside printers. Therefore, the CCSD should consider an alternative way of handling this service. Many organizations are switching to a facilities management structure for handling copying requirements and printing requirements. Facilities management may provide maximum savings and benefits by integrating all document functions under one management umbrella. This process could take place by soliciting facilities management companies through competitive bidding.

##### District Response

The district currently expends approximately \$600,000 (fiscal 1997) annually on outside contract printing. By establishing a standard procedure and contracting arrangement with outside vendors and/or enhancing internal capabilities through which all district printing needs would be fulfilled, the opportunity exists to reduce overall district expenditures for such services.

##### Internal Auditor's Response

The auditor concurs with management's explanation.

##### Implementation status

The district has not implemented this recommendation. Management does not concur with this recommendation and the central print shop has not been outsourced. Alternatively, OBMs contract provides the district with new copier equipment, maintenance, repair and

supplies (excluding paper). Also, OBM provides the centralized copy center with all necessary personnel, service maintenance and equipment to support the effort. The centralized copy center also provides pickup and delivery services to district employees and is accessible to employees twenty four hours a day.

Management has stated that they did consider the costs to improve in-house operations without outsourcing to limit outsourcing needs, including the cost of new or upgraded equipment, maintenance, additional staff plus benefits and delivery charges to bring completed reproduction jobs to the requester. District officials came to the conclusion that the costs for improving internal operations appeared high. However, no documentation was retained for analysis and it appears that a full cost justification was not performed.

The director of school based budgets does not feel that outsourcing the print shop is feasible for the following reasons:

- ! Some classified staff working in the print shop are protected by the union.
- ! The district uses the print shop as its central mail room and as a messaging center.
- ! They outsource many large district jobs now to Sixcom systems.

Auditor's Response

The district should prepare an analysis of its current internal usage and use it as a template to evaluate management structures which may provide the district with maximum savings and benefits. Without preparing a full cost/benefit analysis, the district will be unable to accurately determine if the service being offered by an outside agency is cost effective.

## Average Daily Membership

### R14.1 Establish a mid-morning homeroom for all middle and high schools.

#### Recommendation

A mid-morning homeroom should be established for those middle and high schools not currently doing so. Transportation problems or personal factors frequently delay the arrival of these students. An early homeroom tends to understate actual attendance because some students have not yet arrived at school. Since the homeroom period is when attendance is taken for funding purposes and district attendance records, a student arriving late may actually be recorded as absent instead of tardy.

#### District Response

Pursuant to the decentralization process currently being implemented in the district, each individual school makes its own determination when attendance will be taken. This decision is made by the principal with input from the attendance committee as part of the school based management initiative.

Many middle and high schools have instituted later homerooms. Some have scheduled homerooms both in the morning and the afternoon. Still others opt to record attendance in an extended regular class period late in the school day. A second attendance is also recorded at some schools in a consistent class throughout the entire school, for example, English.

#### Internal Auditor's Response

The auditor concurs with the site-based management philosophy and encourages the required accountability from each of the principals. Allowing flexibility in the timing of attendance recording is an effective means of capturing the attendance of tardy students. Input from the school's attendance committee is an integral part in defining specific strategies appropriate for an individual school.

Given the goals of the District, improving proficiency and attendance, and knowing the consequences of reconstitution, it is certainly in the best interest of all parties involved to effectively address attendance. Consideration should be given to making a second attendance mandatory and consistent throughout the District to ensure the completeness and accuracy of the school's attendance records. Cross-referencing individual class attendance records and/or lunch attendance records with school attendance records might also be helpful in providing complete records.

Although the Internal Audit Division has made suggestions regarding specific attendance strategies, such as second attendance, the schools are not required to implement any of these suggestions. It is irrelevant what attendance strategies are actually used at a school, as long as it is documented, approved by the attendance committee and produces concrete results.

#### Implementation Status

The district has not implemented this recommendation. Because the district supports a site-based management philosophy, the district has not required all middle and high schools to establish a mid-morning homeroom. However, the internal audit department has prepared an ADM manual titled "Present and Accounted For: A Guide to Attendance and ADM" which is given to all building principals and building clerks. At the beginning of the school year, all principals and building clerks are required to attend an in service training session on the manual which is updated each year for any ODE changes to tracking ADM. This manual contains numerous suggestions for improving attendance. Additionally, the district has an attendance policy which requires each school to develop and implement strategies designed to improve attendance.

### **R14.2 Establish and institute a policy addressing in-school attendance follow-up procedures.**

#### Recommendation

In an effort to accurately record all attending students, the district should establish and institute a policy addressing in-school attendance follow-up procedures to determine the status of students in school who may not have attended homeroom. Each school can make available to teachers in the building the daily absence reports. Before the end of the day, teachers should review the absence report against their subject classbook for attendance to determine if the student was actually in school that day but did not attend homeroom and thus appears on the absence report. These exceptions should be logged for the principal to follow-up to determine if the student's absence was authorized and the record changed to reflect the proper status.

#### District Response

During the 1996 - 1997 school year, an extensive review process was established as a compensating control in which administrators were engaged to review ADM procedures for compliance and to help support school efforts to follow-up on unexcused absences. As a direct result of this review and related administrative efforts, the District was able to increase ADM attendance by 2,000 students and feel confident in these numbers. In addition, the District was able to track and identify problems and correct them in a timely manner.



A procedures manual was developed and compiled by community relations under the direction of the audit director to address such issues as attendance strategies, reconciliation procedures, record retention requirements and computer report availability and use. The manual, although composed to assist schools in following consistent measures throughout ADM-1 week, contains a section entitled “*Attendance Strategies*” which can be used throughout the school year. Many of the suggestions documented recommend using available resources within the schools, students, parents and teachers.

#### Internal Auditor’s Response

District efforts to date, and procedures currently being developed, have all been directed toward the reconciliation of ADM-1 week attendance numbers. Daily in-school attendance is being addressed this year in addition to reconciling ADM attendance. Procedures used in reconciling ADM week attendance and documented follow-up procedures should be instrumental for the schools to use in recording day to day attendance.

It should be noted that 20 attendance workers have been assigned to newly created Attendance Centers throughout the District. Their task is to assist the schools in any way possible to improve attendance throughout the entire year.

#### Implementation Status

The district has not instituted a policy which requires schools to follow-up on the status of students in school who do not attend homeroom nor was the district able to provide documentation that schools are performing a review at the end of the day to determine if any student identified as absent was actually in school. However, the ADM manual mentioned in R14.1, strongly recommends schools implement procedures throughout the year to improve attendance and schools are urged to implement these procedures at the ADM training.

### **R14.3 Institute data processing procedures to search for duplicate name, birth dates and identification numbers.**

#### Recommendation

The district should institute data processing procedures to search for duplicate names and birth dates and to search for duplicate identification numbers. For example, the district has a central student identification number file which receives assigned identification numbers when the assignment is made at enrollment. This data file is separate from both the student master file and student attendance file databases and should be compared to the student attendance database to determine the validity of reported student attendance. Any exceptions or duplicate records should be investigated thoroughly and eliminated. The district performed

no control procedures to verify the completeness, existence or accuracy of attendance data prior to submission to the ODE. This data file procedure should be executed following ADM week as well as regularly throughout the school year by an individual to whom the district assigns responsibility for generating an accurate ADM count.

#### *District Response*

Student assignment personnel periodically reconcile data between the DEC and IBM systems. A series of programs that match student name, address, date of birth, school and grade, report on inconsistencies in student records. This reconciliation is generally performed in September and December.

Previously, student assignments management questioned the perceived importance of searching for duplicates within each file. As a result, they have historically concentrated their efforts on reconciling inconsistencies between the data maintained on the DEC and the IBM platforms.

In recent discussions, however, management has concluded that a unified effort will be undertaken to examine the issue of duplicates within the student master data to ensure that the data are maintained as accurately as possible.

Once reconciliation procedures are fully developed, they will be documented, records will be maintained and a coordinated schedule will be developed between EMIS processing and student assignments.

#### *Internal Auditor's Response*

At the request of the Internal Audit Department, the EMIS coordinator ran programs for our review which identified a duplicate entry as matching on student name and date of birth. These reports were run for the first week of January 1996 and 1997. Eighteen records in 1996 and five records in 1997 could not immediately be explained and may be potential duplicates. The auditor agrees that both sets of examinations are required to ensure that the student master file data is maintained as accurately as possible.

#### *Implementation Status*

The district has implemented this recommendation. At the beginning of October, each school is required to reconcile the number of students it has on record with the number of students listed in the student assignments division. This process is to determine the number of students enrolled at the school. Immediately following ADM week, each school is required to reconcile enrollment count to the school ADM total from EMIS. Additionally, the Student

Master File is reviewed regularly during September and October of each year to determine if any students have more than one active identification number and/or non-matching data on the two master files. Throughout the remainder of the year, a reconciliation program is run bi-weekly which produces a list of students with non-matching data. The non-matching data discrepancies are then reconciled and corrected on both Student Master Files.

**R14.4 Conduct a feasibility study to determine the efficiency and effectiveness of the various computer calling systems in use.**

Recommendation

The principals who use the computer calling systems to contact parents find it an effective means of communication. While the systems are not uniform throughout the district, it should conduct a feasibility study to determine the current efficiency and effectiveness of the various systems in use. The study should be designed first to determine the goals of using the systems and then to determine which system currently in use can achieve those goals. Study considerations should be the effectiveness of the systems at different grade levels, the measurable outcomes, target schools and hardware and software integration factors.

District Response

In conjunction with the District's intention to purchase a voice mail system, a calling system was also examined to provide bus route information to parents, and to allow the school to call parents regarding student absences. Although the District did not examine the systems currently in use, management feels confident that the system selected will provide adequate services for the schools' calling needs.

The Interactive Voice Response (IVR) System selected for the District was scheduled for implementation by mid September 1997 at a cost of almost \$300,000. Initial installation will target both middle and high school, where both enrollment and absenteeism tend to be higher than in elementary grades.

Internal Auditor's Response

Although no true evaluation of current calling systems was performed, it appears the system selected will adequately meet the needs of the schools. A cost justification must be made before any future enhancements or modifications are incorporated into the system.

Implementation Status

The district has implemented this recommendation but did not perform a feasibility study to determine the current efficiency and effectiveness of the various calling systems that were in

use as of FY1995-96. The district decided to purchase an Interactive Voice Response System in FY1997-98 at a cost of approximately \$300,000. In addition to allowing schools to contact parents and report excessive absences, the system enables parents to obtain transportation information, emergency announcements and a calendar of upcoming events. The district has indicated the system has been installed in approximately 40 schools and these schools are currently using the interactive voice response system. It is the district's intent to provide this system to all schools within the next year or two. The district is targeting the middle and high schools first because there is greater absenteeism at the secondary level.

#### **R14.5 Reemphasize procedures used to track student attendance with district staff.**

##### Recommendation

The district should reemphasize the procedures, with the appropriate staff, to track student files on a more timely basis to ensure that attending students are properly recorded. During annual school opening procedures, staff building attendance staff should receive additional training on the importance of following procedures on a timely basis and how those procedures will enhance the accuracy of reported attendance data.

##### District Response

Monitoring attendance on an ongoing, periodic basis could lessen the pressure and confusion typically associated with ADM-1 week. Principals have been urged to encourage staff and students to make attendance a high priority year-round. In-service meetings were mandatory for all principals and their senior clerks to ensure they were all aware of the procedures related to ADM-1 week. In addition, many schools have requested that a District representative come to a faculty meeting and provide similar information for the teachers. Although the procedures discussed are specific to ADM, the strategies disclosed are pertinent for improving attendance throughout the year.

Reviewers and auditors were engaged to visit all schools to resolve issues and monitor attendance keeping procedures last year. It has been management's intention to monitor 100% of all elementary, middle and high schools again this year for ADM-1 week. Procedures have been developed to assist all the schools in record keeping and the necessary reconciliation procedures. Workpapers will be prepared by each reviewer to document their school's compliance with documented procedures. Meetings have been held between the EMIS coordinator, the Audit Department and Technology Services to discuss the need for easier to use reports.

Internal Auditor's Response

The District has engaged two individuals to assist with the responsibilities of ADM reporting. One individual coordinates with the schools and ensures that communications between the reviewer, attendance worker and school remain current. Another individual is helping to compile the District's overall ADM reconciliation and student count.

Work plans have been documented, reconciliation schedules have been prepared and compliance dates have been confirmed.

Implementation Status

The district has implemented this recommendation. For the last two years, the district has held in service training for all principals and building clerks regarding procedures that need to be followed to ensure attending students are properly recorded. In addition, the district hired an ADM coordinator, a retired principal, to work from August to December to help schools through the process. The district also assigned one reviewer to each school with the objective of verifying that proper procedures were followed and to identify and report any problems in a timely manner so that corrective action could be taken.

**R14.6 Communicate the importance of ADM week to the district and the community.**Recommendation

Throughout the school year, senior administrators should communicate the importance of ADM week to principals, teachers, other administrators, students and the community.

District Response

Considerable effort has been expended in this area during 1996 and 1997. A public campaign was conducted to inform the school community of the importance of school attendance, especially during ADM week. The superintendent and other senior administrators utilized memos, flyers, newspapers, radio, television and personal appearances to stress the significance of ADM week and its impact upon staffing and funding. Newsletters called "Teamwork" and "Checks and Balances" were produced to educate District personnel. Speakers from central administration went to parent group meetings, community meetings, and school staff meetings to inform and educate. Reviewers were trained and dispatched to the schools to ensure that ADM procedures are being properly implemented.

School administrators and support staff received training and support materials to ensure

their understanding of proper documentation and recording of attendance. School personnel indicated that they are beginning to clearly understand the importance of ADM week.

Similar notification to the community in general and training for school personnel have taken place again this year. In addition, records retention and reconciliation procedures are being addressed prior to ADM week this year.

Updated documentation was prepared for the principal and clerical staff in-service meetings in August and September. In-service meetings have also been held with attendance workers, security staff, and reviewers assigned to the schools. Representatives from central administration have also spoken at faculty meetings in schools where the principals have requested additional support.

Internal Auditor's Response

The auditor agrees with the efforts being expended toward communicating the importance of ADM week.

Implementation Status

The district has implemented this recommendation. For the past two years, the district implemented an ADM Publicity Plan which included informing community members about the importance of attendance through the use of memos, flyers, newspapers, radio, television and personal appearances. ADM has steadily increased over the last several years as follows:

FY1995-96 - 70,952  
FY1996-97 - 72,828  
FY1997-98 - 74,356  
FY1998-99 - 74,568

**R14.7 Have one administrator be responsible for ADM week activities and generating an accurate ADM count.**

Recommendation

The district should assign accountability of ADM week activities and data submission to one administrator who will undertake ultimate responsibility for generating an accurate ADM count.

District Response

Central administration accepted the challenge of supporting the ADM effort by allowing administrators from all offices to work at each school to review attendance procedures and documentation methods in order to provide integrity to the numbers that the schools reported last year. As a direct result, the District could be confident of the final ADM count last year. Similar procedures were being followed again this year. A reviewer from central office administration has been assigned to every school within the District to review procedures and documentation.

In addition 20 attendance workers have been assigned to help the schools follow-up on unexcused and chronic absences. The Audit Director is also overseeing the activities of ADM administrators who are coordinating ADM-related activities at both the school and central office level.

Historically, technology support for ADM processing was always addressed by one individual. Due to high turnover in this position, consistency has been problematic. As an alternative to assigning responsibility to one individual, the District has chosen to assign ADM responsibility to a committee composed of representatives from the Audit Division, Student Assignments, EMIS Coordination, Technology Services, Special and Vocational Education and the State of Ohio. The committee meets weekly to discuss new issues and assign responsibilities, all with the intent of generating an accurate ADM count.

Internal Auditor's Response

The auditor concurs with management's explanation.

Implementation Status

The district has implemented this recommendation. The director of internal audit has been responsible for coordinating ADM procedures including creating the ADM committee, holding monthly meetings with the ADM committee, coordinating the hiring of the ADM coordinator to work from August to December, creating and updating the ADM procedures manual, holding ADM training each August for principals and building clerks and establishing the review process where one administrator is assigned to each building to assist in the ADM process. However, the director of internal audit is leaving the district effective July 1, 1999 and the district has assigned ADM responsibilities to the executive director of support services. The executive director of support services should continue implementing the ADM policies and procedures established over the last two years. Specifically, the district should continue holding yearly ADM training for all principals and building clerks. In addition, the district should continue to assign one administrator to each building to review the ADM

procedures followed and to assist the building with any problems.

*Auditor's Response*

Because the director of internal audit is leaving the district effective July 1, 1999 and the district has assigned ADM responsibilities to the executive director of support services, the executive director of support services should continue implementing the ADM policies and procedures established over the last two years. Specifically, the district should continue holding yearly ADM training for all principals and building clerks. In addition, the district should continue to assign one administrator to each building to review the ADM procedures followed and to assist the building with any problems.