



**Auditor of State
Betty Montgomery**

LANCASTER CITY SCHOOL DISTRICT PERFORMANCE AUDIT

AUGUST 29, 2006



Auditor of State Betty Montgomery

To the Residents and Board of Education of the Lancaster City School District:

Consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, the Ohio General Assembly provided funding for comprehensive performance audits of selected Ohio school districts. Based on its financial condition prior to FY 2005-06, the Lancaster City School District (Lancaster CSD or "the District") was selected as one of the initial school districts to receive a comprehensive performance audit. The District has implemented significant cost reductions in recent years and also sought an independent assessment to further reduce costs and emphasize accountability within the community.

The five functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, and technology. These areas were selected because they are important components of school district operations, which support the mission of educating children, and because improvements in these areas can assist Lancaster CSD in addressing its projected deficits.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations contained within the performance audit are resources intended to assist Lancaster CSD in improving its financial condition, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 29, 2006

Executive Summary

Project History

§ 206.09.12 of Amended Substitute House Bill 66 of the 126th General Assembly (H.B. 66), provided funding for comprehensive performance audits of selected Ohio school districts consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. The Ohio Revised Code also permits the Auditor of State (AOS) to review any programs or areas of operation in which the Auditor believes that greater operational efficiency, effectiveness, and accountability can be achieved. Based on its financial condition going into FY 2005-06, the Lancaster City School District (Lancaster CSD or “the District”) was selected as one of the initial school districts to receive a comprehensive performance audit.

The performance audit included reviews of the following operational areas:

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

During the course of the audit, Lancaster CSD was placed in fiscal caution by the Ohio Department of Education (ODE) because of projected operating deficits in FY 2005-06 and beyond. The District subsequently developed, approved, and submitted a “corrective action plan” to address its projected deficits. The plan was submitted on March 23, 2006 to ODE and was approved by ODE on April 7, 2006.

District Overview

Lancaster CSD is located in Fairfield County and serves the City of Lancaster. According to the United States Census Bureau, the City of Lancaster has a population of 35,335; encompasses 18.1 square miles; and has a population density of 1,956 persons per square mile. The median household income is \$33,321 and 10.6 percent of the population and 8.7 percent of the families are below the poverty level.

Lancaster CSD operates under an elected Board of Education consisting of five members. The Lancaster City Schools Board Policy Manual is available on the District’s website at: <http://www.lancaster.k12.oh.us/board.html>

In FY 2004-05, the District received approximately 39 percent of its general operating revenue from the State of Ohio, 51 percent from local taxes and 10 percent from federal grants and other sources. Based on the District's FY 2004-05 financial records, Lancaster CSD per pupil expenditures were \$9,112.

During FY 2005-06, Lancaster CSD operated 12 school buildings including a high school, a 9th grade secondary school, two middle schools, and eight elementary schools. The District reported 644 full-time equivalent (FTE) employees consisting of 33 FTE administrators, 312.4 FTE teachers, 52.5 FTE other professionals, 131.3 FTE support staff, and 115.1 FTE operations staff. These employees were responsible for providing educational services to an average daily membership (ADM) of 6,185 students.

Students with physical and learning disabilities comprise about 11 percent of the ADM. The regular education student-to-teacher ratio in FY 2005-06 was 20.4 to 1. Also in FY 2004-05, the District met 13 of 23 academic performance indicators established by ODE and was categorized as an effective district.

The residents of Lancaster CSD last passed a permanent operating levy in 2001. In March 2004, the District also passed a three-year \$3.2 million emergency operating levy that will expire half way through FY 2007-08. Since the 2004 emergency levy, Lancaster CSD failed on two additional operating levy attempts. In February 2006, a 10-mill replacement levy failed and in May 2006, a 1 percent income tax levy failed.

The revised forecast presented in **Table 2-21** indicates that if Lancaster CSD implements the performance audit recommendations; limits its planned additional spending; and is successful in renewing its three-year emergency levy for \$3.2 million, the District can avoid deficits through FY 2009-10. However, a balanced budget will require significant reductions in classroom teachers and educational service personnel which could have a significant negative impact student performance.

Objectives, Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work took place between September 2005 and June 2006. The goal of the performance audit process was to assist Lancaster CSD management in identifying cost saving opportunities and improved management practices. The ensuing recommendations comprise options that Lancaster CSD can consider in its continuing efforts to improve and stabilize its long-term financial condition. This performance audit assessed the key operations of the District in the areas of financial systems, human resources, facilities, transportation, and technology. Major assessments included the following:

- The District's October 2005 five-year financial forecast, including the reasonableness of the underlying assumptions and the adequacy of the supporting documentation;
- The District's staffing levels, wages and benefits, and collective bargaining agreements;
- School building capacity and utilization as well as custodial and maintenance operations;
- Key transportation operational statistics, such as students per bus, cost per student, and cost per mile; and
- The provision and use of technology within the District.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from Lancaster CSD and other school districts. Throughout this report, comparisons are made to the ODE similar district average and/or the average of three peer school districts. A listing of the ODE similar districts for Lancaster CSD is available on the ODE website at: http://webapp2.ode.state.oh.us/similar_districts/. The three peer school districts selected for this audit were Ashland City School District (Ashland CSD) in Ashland County; Madison Local School District (Madison LSD) in Richland County; and Salem City School District (Salem CSD) in Columbiana County. These districts were selected as peers based on reviews of various demographic information and input from Lancaster CSD administrators. Criteria included geographic size, average daily membership, socioeconomic indicators, population density, and real property valuation. Best practice information from ODE, the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related service industries was also used as a basis for comparisons.

The performance audit process involved significant information sharing with Lancaster CSD, including preliminary drafts of findings and proposed recommendations related to identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from Lancaster CSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to the various recommendations for inclusion in this report.

The Auditor of State and staff express their appreciation to the Lancaster CSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are key noteworthy accomplishments that were identified during the course of the performance audit.

Facilities

- Lancaster CSD employs 1 full-time grounds keeper to maintain 189 total acres. The District supplements grounds keeping by contracting with an outside provider for mowing services. AS&U's National median for grounds keeping in districts with more than 3,500 students is \$0.17 per square foot. Based on the contract agreement for mowing services and the salary and benefits for one grounds keeper, the District's grounds keeping costs were \$0.09 per square foot in FY 2004-05.

Transportation

- The Transportation Office has improved its reporting of expenditures for the routine use of buses. As a result, the District has more accurate expenditure data to help manage transportation operations and identify opportunities for improving efficiencies.
- The transportation operations manual used by Lancaster CSD was reviewed for content and procedures and was found to be exemplary. In particular, the manual includes detailed procedures regarding safety hazards and how to respond to emergency situations. In addition, the manual includes important and relevant transportation forms.

Technology

- The District purchased software which gives it the ability to easily filter internet websites. The filtering of websites decreases the possibility of viruses entering the system and blocks inappropriate web pages.

Key Recommendations

The performance audit contains several recommendations pertaining to Lancaster CSD operations. The following are the key recommendations detailed in the report:

Financial Systems

- At a minimum, Lancaster CSD should plan to seek renewal of the 3.9 mill emergency operating levy due to expire in FY 2007-08. The renewal of this levy would allow the District to anticipate an additional \$1.6 million in FY 2007-08 and \$3.2 million per year for the remaining forecast years. To lessen the reductions in teachers and educational service personnel necessary to avoid projected deficits in the General Fund, the District should seek additional revenue.
- Lancaster CSD should develop written policies and guidelines that outline the process for developing the five-year financial forecast. These policies and guidelines should include, but not be limited to, identifying stakeholders, evaluating community conditions, setting a timeline for the review and completion of the forecast, specifying the supporting documentation for assumptions, and specifying the methodology used for each major line item in the forecast.
- Lancaster CSD should revise its assumptions and update its projections for general property tax revenues. In an effort to increase the reliability of financial information used for decision making, the Treasurer should update the projections and better detail the assumptions using the most current and complete information available. Specifically, general property tax revenue should be based on historical trends and any information available about projected increases or decreases in property value from reappraisals and/or updates, as well as any additional information provided by the County Auditor's Office.
- Lancaster CSD should revise its assumptions and update its projections for tangible personal property tax (TPPT). Specifically, TPPT assumptions should include more detail concerning the effects of House Bill 66 (H.B. 66), which decreases the valuation of tangible personal property each year.
- Lancaster CSD should revise its assumptions and update its projections for property tax allocations. Specifically, the assumptions for property tax allocations should include more detail, including the effects of H.B. 66 and the TPPT reimbursements.
- Lancaster CSD should formally revise its assumptions and projections for restricted and unrestricted grants-in-aid. As explained in the report, the audit staff made several

assumptions in order to project unrestricted and restricted grants-in-aid that the District should consider when updating its projections.

- Lancaster CSD should review and adjust its forecast assumptions for the projection of purchased services for FY 2006-07 through FY 2009-10. Although historical and current trends are difficult to predict for purchased services, the assumptions should be presented and the projections should be made in a manner similar to FY 2005-06.
- Lancaster CSD should review and adjust its forecast assumptions for the projections of supplies and materials for FY 2006-07 through FY 2009-10. Although historical and current trends are difficult to predict for supplies and materials, the assumptions should be presented and the projections should be made in a manner similar to FY 2005-06.
- Lancaster CSD should develop a comprehensive set of financial policies that are based on recommended best practices. Once a comprehensive set of policies has been developed and adopted by the Board, the District should ensure that its financial and budgetary practices are consistent with these policies.
- Lancaster CSD should consider establishing an internal audit function. Internal auditing provides a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, controls, and government processes.
- Lancaster CSD should consider making the recommended forecast adjustments (see **R2.4 through R2.10**), and implementing the other performance audit recommendations contained in this report. Implementing the performance audit recommendations will offset the projected deficits and allow the District to maintain a positive year-end balance for the entire forecasted period. The performance audit recommendations include substantial reductions that could impact educational achievement in the District; however without additional revenue, they are necessary for the District to remain solvent.

Human Resources

- Lancaster CSD should consider reducing the number of building based education assistants and library aides to bring staffing levels more in line with the similar district average. The number of FTE education assistants and library aides employed by Lancaster CSD is about 2.6 per 1,000 students higher than the average of the similar districts, or about 16 FTE positions.

According to the District, it has already eliminated 4 library aide positions as part of its corrective action plan.

- Lancaster CSD should consider reducing the number of FTE teaching aides to bring staffing levels more in line with the similar district average. The District employs approximately 1.2 more FTE teaching aides per 1,000 students than the average of the similar districts which translates to about 7 FTE positions.

According to the District, it has already reduced 6 teaching aide positions as part of its corrective action plan.

- Because of its financial situation, Lancaster CSD should consider significant reductions in its regular teaching staff to avoid projected deficits. The District could reduce regular teaching staff by 23 FTE positions and remain approximately 10 percent above the State minimum requirements as set forth in OAC § 3301-35-05.

During the course of the audit, Lancaster CSD submitted a corrective action plan to ODE to address its future projected deficit which included a reduction of 27.5 FTE regular teachers.

- In order to avoid projected deficits, Lancaster CSD should consider significant reductions in its educational service personnel (ESP) staff. The District could potentially reduce 8 FTE ESP positions and remain approximately 10 percent above the State minimum requirements set for in OAC § 3301-35-05.

During the course of the audit, the District informed AOS that it reduced 7.7 FTE educational service personnel as part of its corrective action plan.

- In order to avoid projected deficits, Lancaster CSD should seek to negotiate cost of living adjustments (COLAs) for certificated staff of zero percent in FY 2006-07, 1.0 percent in FY 2007-08, and 2 percent in FY 2008-09 and FY 2009-10. A reduction in COLA increases represents significant savings in personnel costs and will help bring the District's average certificated staff salaries more in line with the average of the similar districts.

During the course of the audit, the Board and the Lancaster Education Association agreed to a one year contract with no cost of living increase in base salaries.

- Lancaster CSD should limit COLA increases for administrative personnel to bring its average salaries more in line with the average of the similar districts. Limiting COLA increases for administrative personnel represents potential savings for the District that would help reduce projected deficits. The District could decrease administrative personnel costs by eliminating COLA increases in FY 2006-07, and limiting COLAs to 1 percent during FY 2007-08 and 2 percent in both FY 2008-09 and FY 2009-10.

- Lancaster CSD should seek to negotiate reduced COLA increases for professional staff to bring average salaries more in line with the average of the similar districts. Limiting COLAs represents potential savings for the District that would help reduce projected deficits. The District could decrease personnel costs for professional staff by eliminating COLA increases in FY 2006-7, and reducing COLAs to 1 percent during FY 2007-08, and 2 percent for both FY 2008-09 and FY 2009-10.
- Lancaster CSD should discontinue payment of the employee's portion of the State Employees Retirement System (SERS) and the State Teachers Retirement System (STRS) contributions for administrators other than the Superintendent, Assistant Superintendent, and Treasurer. Picking up the employees' contribution to the retirement systems is an additional cost to the District which is not required by law.

During the course of the audit, the District made changes in its administrative staff benefits that eliminated the practice of the Board paying the employee portion of SERS/STRS for the High School Principal, Director of Pupil Services, and Director of Instructional Services positions.

- Lancaster CSD should use its insurance committee to monitor insurance practices and aggressively seek methods to reduce health insurance costs. The Board should develop written policies and procedures to help facilitate monitoring of all aspects of health insurance. Written policies and procedures that are consistent with best practices for insurance cost containment, as recommended by the Government Financial Officer's Association (GFOA), should serve as a guide to the committee in providing oversight on benefits and helping the District identify cost savings and minimize insurance risks.
- Lancaster CSD should seek to reduce its self-insurance liabilities in order to reach the State required self-insurance reserve fund balance and ensure the long-term fiscal solvency of the fund. The District should also increase the employee contribution toward health insurance premiums to between 15 and 25 percent to be more in line with benchmark averages and to ensure its ability to replenish the self-insurance fund balances as required by ORC § 9.833.
- Lancaster CSD should seek to eliminate contract language prescribing the employee health insurance plan design and the employees' contribution toward health insurance premiums. Such language limits the District's and its insurance committee's ability to adjust plans and employee contributions based on the financial constraints of the District, and to implement cost containment practices.
- Lancaster CSD should negotiate to remove language in its current certificated employee contract that requires management to adhere to a maximum class size for each classroom. In addition, the District should negotiate to remove the provision requiring additional teacher

pay for accepting students above the specified class size. By removing the maximum class size contract language, District management would be better able to determine class sizes based on the needs of the community, the building's capacity, and its academic goals.

- Lancaster CSD should seek to offset the current trend of declining vocational enrollment and decreasing State revenue by attracting more students into the program. In order to attract more students, Lancaster CSD should invest in the program and revitalize its vocational education offerings. The District can achieve increased student enrollment while enhancing the program by choosing to either join its Joint Vocational School District (JVSD), contract with a JVSD, or invest in its own "in-house" vocational program.

Facilities

- Lancaster CSD should consider reducing custodial staffing by 6 FTE positions. A reduction of 6 custodial positions would bring the District more in line with National Center for Education Statistics (NCES) averages and reduce the District's high costs in the areas of salaries, wages, and benefits.
- Lancaster CSD should consider reducing 2 FTE maintenance positions. A reduction of 2 maintenance positions would result in square footage per FTE maintenance worker that is more comparable to the American Schools and Universities (AS&U) national median.
- Lancaster CSD should develop and implement performance standards for custodial and maintenance operations. Developing performance standards will ensure that all personnel are familiar with work expectations and that employee performance appraisals remain objective.
- Lancaster CSD should routinely provide training to all affected employees when cleaning or maintenance standards are changed due to the introduction of new equipment, technology, or procedures. To reduce training costs, the District should, whenever possible, use manufacturer training programs to acquaint employees with new processes and equipment.
- Lancaster CSD should develop and implement a formal preventive maintenance program that addresses all routine, cyclical, and planned building maintenance functions. Regular preventive maintenance ensures equipment reliability, reduces operating costs, and increases the life expectancy of facilities and equipment.
- Lancaster CSD should develop a facility master plan and a capital improvement plan. The facilities master plan should clearly state the District's plans for its buildings, including which buildings are to be renovated, closed, or constructed. The master plan should include a 10-year enrollment history; enrollment projections; building capacity data (and the

methodology used for their calculations); a list of the cost estimates for planned capital improvements; and a description of the District's educational plan.

- Lancaster CSD should develop ten-year enrollment projections. The enrollment projections should be included in the facility master plan and used for decision-making purposes in re-districting, potential building or remodeling projects, and other facility issues. Once enrollment projections have been completed, Lancaster CSD should develop building capacity and utilization diagrams and review them periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations, and plan for future staffing needs.

Based on the capacity analyses presented in the **facilities section**, Lancaster CSD should consider closing a school building and reassigning students to the remaining schools.

Transportation

- In order to bring ridership levels more in line with the similar district average, Lancaster CSD should attempt to eliminate at least five routes by staggering bell schedules, adjusting its transportation policy, and using its routing software to better optimize routing efficiency. Accordingly, the District should consider reducing at least five bus driver positions. In addition to reducing personnel and variable expenditures such as bus insurance, fuel, and maintenance, eliminating the buses from the fleet would enable the District to delay future bus replacement costs. Reducing the number of bus routes could also help reduce the use of substitute drivers.

Technology

- Lancaster CSD should formally document its use of evaluations and cost/benefit analyses for technology projects. Performing evaluations and cost/benefit analyses of technology projects would help to ensure that equipment purchased is appropriate, is the lowest and/or best cost, and meets the needs of the District.
- Lancaster CSD should implement a system or survey to measure the performance of its technicians and the reliability of its systems. The District should measure quality assurance through a random and automatic system that can track customer satisfaction. The District should also review the information and modify its technical support strategy accordingly.
- Lancaster CSD should develop a detailed technical support plan that includes documented policies and procedures. Without procedures for a regular, systematic, and equitable

prioritization of technical support, District technicians could experience continual interruptions.

- Lancaster CSD should increase the minimum hiring qualifications for its technicians to a level commensurate with the U.S. Department of Labor recommendations. This would ensure a more consistent skill set among staff and potentially reduce on-the-job training costs. Furthermore, with higher qualifications, the Technology Department will be able to provide a greater level of support in-house.
- Lancaster CSD should use grant funds to offer additional professional development programs designed for Technology Department employees. The technology staff needs ongoing professional development in order to stay current with changing technology. Training would also enable the District to improve its operations.
- Lancaster CSD should develop in-house, on-line professional development training options for its administrative and educational employees. An on-line professional development program may consist of technology classes and links to technology training resources and materials. Using on-line training options will expand technology training opportunities, increase staff capacity, and reduce the number of low-level support issues requiring intervention.
- Lancaster CSD should create policies for selecting, purchasing, and assessing the functionality of instructional software. The policy should include a list of standardized or uniform software to avoid the costs of supporting multiple software packages. The policy for selecting instructional software should also include a list of appropriate software for the District as well as centralization of purchasing.
- Lancaster CSD should implement formal policies for hardware standardization, purchase, and disposal. Written policies provide the District with a means to monitor equipment and guidelines for staff to follow.

Additional Recommendations

The following are additional recommendations from the performance audit.

Financial Systems

- The Treasurer's Office should consider cross-training its employees as a way to broaden employee skill sets and to ensure adequate backup for key Office functions.
- Lancaster CSD should create policies and develop plans for the acquisition, maintenance, replacement, and retirement of capital assets.
- Lancaster CSD should periodically assess its financial reporting processes to increase efficiency and eliminate possible duplication of duties.
- Lancaster CSD should establish written risk management policies and develop procedures that ensure the policies are carried out. These policies and procedures should be periodically reviewed and updated to ensure that risks are being effectively managed and reduce the potential impact of losses.
- Lancaster CSD should expand the confidentiality policy found in the Treasurer's Office operational guidelines to include a Board-approved ethics policy that requires financial staff to conduct themselves in a manner that avoids favoritism, bias, or the appearance of impropriety.
- Lancaster CSD should ensure that the comprehensive annual financial report (CAFR) is readily available at multiple locations and publicized through several communication channels.
- Lancaster CSD should make greater use of its website to inform and educate the public on the financial issues within the District.
- Although the District has developed and implemented a policies and procedures manual and the Treasurer's Office operational guidelines for purchasing, it should update these documents to incorporate the use of District-issued credit cards for purchases.
- Lancaster CSD should develop and implement written policies and procedures to ensure the effective management of inventory. Once developed, the policies and procedures should be periodically reviewed and updated.

- Lancaster CSD should develop written policies and guidelines to govern the procedures followed by the Business Office to maximize volume discounts and special pricing agreements.
- Lancaster CSD should expand the use of direct deposit and consider negotiating mandatory direct deposit in future collective bargaining agreements.

Human Resources

- Lancaster CSD should seek to develop a formal staffing plan to address current and future staffing needs and fiscal constraints. Similar to the plan used by Tulsa Public Schools, the District should consider establishing staffing allocations for administrative, certificated, and classified personnel.
- Lancaster CSD should consider reducing 1 FTE clerical position to bring staffing levels in this area more in line with the similar district average. The District has 0.2 FTEs more than the similar district average on a per 1,000 students basis which equates to a total of about 1 FTE. As clerical staff provide support to educational personnel but do not have direct contact in the classroom, the impact of reductions in this category will have minimal impact on student outcomes.

According to the District, it eliminated 8 secretarial positions as part of its corrective action plan.

- Lancaster CSD should strive to reduce the amount of sick leave used by its employees by strengthening its policies to ensure proper use. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” and determine if such guidelines and policies should be negotiated into the collective bargaining agreements.
- Lancaster CSD should formalize its recruiting process using best practices. Using a formal recruitment and retention policy would help the District ensure it has clear and effective methods to attract and maintain qualified staff.
- Lancaster CSD should routinely monitor its working environment through climate surveys in order to identify inefficient areas and employee concerns. This process should be ongoing and conducted annually to stay abreast of changes that affect the District.
- Lancaster CSD should develop and implement a policy that maintains a focus on parental involvement for special education students. The policy should require periodic parent training and establish procedures to solicit formal feedback on parental satisfaction with the District’s efforts to meet the needs of their children. The policy should be consistent with and

build upon the District's general policy regarding parental involvement for all students required by ORC § 3313.472.

Facilities

- Lancaster CSD should enhance its Maintenance Department policies and procedures manual to ensure it meets national benchmark standards and to ensure that all employees are knowledgeable about District standards and guidelines. Those standards include, but are not limited to, personnel policies, asbestos procedures, repair standards, and work order procedures.
- Lancaster CSD should augment its manual for custodial operations to address the replacement and selection of equipment, maintenance and operations budget criteria, facilities standards, and personnel staffing and hiring policies. Including these areas will help ensure that custodial personnel are fully informed of all information pertaining to their function.
- Lancaster CSD should implement a more detailed energy management and conservation plan in order to reduce utility costs. Although building controls are in place and utility costs are generally lower than the national averages, a detailed energy conservation program would help the District manage these costs as energy prices continue to increase.
- Lancaster CSD should consider purchasing a comprehensive computerized work order system. The work order system would allow the District to track work orders, materials used, and personnel information, as well as productivity statistics and preventive maintenance activities.

Transportation

- Subject to negotiations, the Lancaster CSD should reduce the contractually-guaranteed minimum number of paid work hours for bus drivers to no more than two. Two of the peers do not offer guaranteed hours for their drivers. Reducing the number of guaranteed hours will help limit personnel expenditures to those needed to carry out transportation functions, and bring the cost ratios more in line with the similar district averages.
- Although Lancaster CSD obtains competitive fuel pricing, it should seek competitive bids or issue requests for quotes (RFQ) to multiple vendors for the procurement of fuel and actively compare prices to determine whether it should consider becoming a member of other fuel purchasing consortiums (e.g., Ohio Department of Administrative Services). The District should do likewise when purchasing transportation-related supplies.

Technology

- Lancaster CSD should update its technology plan to include a goal to replace computers within five years. Such a replacement cycle for its computers could reduce support costs and ensure students have the most current technology available. In many cases, service agreements are for a three-year period and planning for technology replacements within this timeframe can result in reduced repair costs for hardware.
- Lancaster CSD should seek additional technology grants and ensure sufficient staff resources to monitor these grants. The Director of Information Technology (DIT) should devote a portion of his time to grant-seeking, using publications and websites such as www.techlearning.com and www.eschoolnews.com/erc/funding.
- Lancaster CSD should consider implementing a program to train high school students to assist in technical support. These students could assist with basic technology troubleshooting. The training program could be organized as a component of a vocational educational program.
- Lancaster CSD should develop a formal disaster recovery plan for key technology systems using the National Center for Educational Statistics (NCES) guidelines. Developing a disaster recovery plan prepares an organization for recovery from a breach in security, a natural disaster (fire, flood, etc.), or other catastrophic event as quickly and efficiently as possible. Once developed the plan should be checked and updated at least annually.

Issues for Further Study

The following areas were identified during the audit that may warrant further examination but were outside the scope of the current audit engagement.

Human Resources

- **Health Insurance:** Lancaster CSD self-insures its healthcare benefits. Theoretically, self-insuring employee health care can be cost effective because the entity assumes the financial risk of insurance liabilities rather than relying on a 3rd party insurance company to assume the risk which affects the cost of the insurance premium. A self-insurance fund can minimize costs if claims remain stable and if the district uses cost containment procedures to minimize the number of claims.

However, in the case of Lancaster CSD, the self-funded insurance program has not rendered cost savings when compared to commercial insurance premiums. Over the past three years, the District has incurred costly healthcare claims which have depleted its self-insurance fund

balance. In turn, the District has significantly increased its premiums to replenish its self-insurance fund.

Lancaster CSD should further investigate options to provide healthcare insurance to its employees in the future. Comparing its current costs to other alternatives such as contracting with a third party provider or joining an insurance consortium will give the District insight into potential costs and benefits and help ensure the best option is chosen to effectively meet the needs of the District.

- **Special Education Pooled Resources:** The District does not have a specific pooled resource agreement with other surrounding districts or county programs. Lancaster CSD special education program is provided in-house and uses outside resources when required by IEPs. In an effort to maximize resources, the District should investigate additional avenues for sharing resources with other neighboring districts or agencies. Seeking other alternatives and sharing resources could prove cost beneficial by enabling the District to provide a wider range of services at the same or lower cost. For example, districts may be able to coordinate service delivery and pool resources for specialized transportation, or districts may be able to share in the cost specialized professionals such as therapists, gifted education coordinators, and curriculum specialists.
- **Accelerated Pooled Resources:** The District does not have a cooperative pooling agreement for educational resources for its gifted program. The District provides an in-house gifted program and uses some outside resources to enhance the program. The District should further investigate opportunities to enhance its gifted program through cooperative resource sharing with neighboring districts. Some alternatives may be available such as pooling with other districts or county programs and seeking additional grants to help support and improve the program.

Facilities

- **Administrative Offices:** Lancaster CSD is considering moving administrative personnel out of the Education Service Center (ESC). It has been suggested that using excess space at the newly constructed warehouse could accommodate the administrative personnel that currently occupy the ESC. This relocation was scheduled to take place beginning in January 2006 because of the District's desire to consolidate space and to begin leasing the space at the ESC. However, during the course of the audit the District expressed an interest in moving the administrative personnel to the Stanbery Freshman Intermediate School.

Wherever the District relocates its administrative staff, it should closely monitor the projected revenues generated by fully leasing the space at the ESC building. If the District

finds that it is unable to realize the projected revenue the District should consider selling the facility as well as any other properties associated with the ESC.

Technology

- **Bandwidth:** The District may need to increase network capacity and bandwidth to accommodate heavy internet usage during afternoon hours. According to the Director of Information Technology (DIT), current bandwidth is creating a bottleneck in the server. With the current bandwidth the District cannot use Internet protocol-based data networks (I/P Telephony). Increasing the bandwidth will allow the District to have distance learning, intra district telephone calls, and virtual fieldtrips. Options for increasing bandwidth include:
 - Lease fiber optic cable from the local cable company.
 - Purchase fiber optic cable and use it in conjunction with T-1 lines.
 - Increase the number of T1 lines going to each building.
 - Limit the use of functions and websites that require substantial bandwidth, such as multimedia sites, during peak hours.

Because several of these options would require substantial financial commitments, Lancaster CSD should, as a part of the technology planning process, research the options for increasing bandwidth and determine which option provides the most practical resolution to the problem at the best price.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Lancaster CSD should consider. Some of the recommendations are dependent on labor negotiations or collective bargaining agreements (see **human resources** section). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendations Not Subject to Negotiations	Estimated First Year Savings/(Costs)¹
R3.2 Reduce Regular Education Staffing to 10% above State Minimums	\$1,205,400
R3.3 Reduce ESP Staffing to 10% above State Minimums	\$379,400
R3.4 Reduce 16 FTE Library associates and education aides	\$573,900
R3.5 Reduce 7 FTE Teaching Aides	\$153,200
R3.6 Reduce 1 FTE Clerical Staff	\$38,600
R3.15 Reduce Sick Leave Usage and Associated Substitute Costs	\$50,000
R4.1 Reduce 6.0 Custodial FTEs	\$206,000
R4.2 Reduce 2.0 Maintenance FTEs	\$103,000
R4.9 Implement Energy Management Program	\$140,100
R4.10 Implement Automated Work Order System	(\$2,500)
R4.11 Close Elementary School	\$322,700 ²
R5.2 Reduce Bus Routes and Drivers	\$186,600
Subtotal for Recommendations Not Subject to Negotiations	\$3,356,400
Recommendations Subject to Negotiations	
R3.7 Limit COLA for Certified Employees	\$716,200
R3.8 Limit COLA for Administrative Employees	\$117,700
R3.9 Limit COLA for Professional Staff	\$44,300
R3.10 Limit Administrative Employees Retirement Pick-Up	\$44,000
R3.12 Increase Employee Share of Insurance Premium Costs	\$672,200
Subtotal for Recommendations Subject to Negotiations	\$1,594,400
Total for All Recommendations	\$4,950,800

¹ Estimated Savings rounded to nearest hundred dollars.

² Savings based on implementation in FY 2007-08.

The financial implications summarized above are presented on an individual basis. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Financial Systems

Background

This section focuses on the financial systems within the Lancaster City School District (Lancaster CSD, or the District). The objective of this section was to analyze the current and future financial condition of the Lancaster CSD to develop recommendations for improvements in the financial processes and to identify opportunities to increase efficiency. The District's five-year forecast was also analyzed to ensure that the projections reasonably represent future operational and financial conditions. Comparisons are made throughout this section to the following peer school districts: Ashland City School District (Ashland CSD), Madison Local School District (Madison LSD), and Salem City School District (Salem CSD).

Ohio Revised Code (ORC) §3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain financial conditions exist. ORC §3316.03 was amended effective April 10, 2001 to give the Ohio Department of Education (ODE) the ability to place a school district in fiscal caution if fiscal practices or budgetary conditions are identified that, if left uncorrected, could lead to fiscal watch or emergency conditions within the school district. When fiscal caution is declared, the school board is given 60 days to provide a written proposal to ODE that outlines a plan to correct the practices or conditions that led to the declaration.

To help define criteria for placement into fiscal caution, ODE, in consultation with AOS, developed guidelines for identifying fiscal practices and budgetary conditions that could lead to a future declaration of fiscal watch or emergency. According to the fiscal caution guidelines, a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending balance less than or equal to 2 percent of current year projected revenue or a deficit greater than 2 percent in the next fiscal year. On January 16, 2006, the Lancaster City School District was placed in fiscal caution based on an ODE financial analysis that indicated a potential FY 2005-06 deficit of about \$231,426 and a FY 2006-07 deficit of \$3,055,272. Lancaster CSD was given until April 3, 2006 to submit a fiscal caution proposal that addressed the potential current and future year deficits.

Staffing within the Treasurer's Office

The Lancaster CSD Treasurer's Office consists of 7 full-time equivalent (FTE) employees, including a treasurer, assistant treasurer, administrative assistant to the treasurer, payroll supervisor, payroll assistant, and two accounts receivable/accounts payable clerks. However,

during the course of the audit, one of the accounts receivable/accounts payable clerks retired and the District does not plan to fill the vacant position. The Treasurer is primarily responsible for managing and tracking the District's revenue and expenditures; developing the annual tax budget, preparing financial statements, and maintaining the District's five-year forecast. The Assistant Treasurer is responsible for the day-to-day operations of the office. Those duties can range from resolving problems relating to fiscal operations, to maintaining the Uniform School Accounting System (USAS) codifications for the District's chart of accounts. The Payroll Supervisor/Assistant are responsible for computing salaries and wages for all persons employed in the District. Their responsibilities also include report keeping activities ranging from federal, State, and local taxes to State Teachers and School Employees Retirement Systems. The Accounts Receivable/Payable Clerks are responsible for maintaining accurate records of all requisitions, purchased orders, vouches, accounting records and other information to support the financial operations.

Financial Condition

The financial forecast presented in **Table 2-1** represents the Treasurer's projections of Lancaster CSD's present and future financial condition as of October 31, 2005. The Office of the Auditor of State (AOS) has reviewed the assumptions that have a significant impact on the forecast, such as tax revenue, property tax allocations, unrestricted and restricted grants-in-aid, and salaries and benefits. Following **Table 2-1** is a summary and explanation of the District's forecast assumptions, along with any AOS comments or assessments.

Table 2-1: Lancaster Five-Year Forecast

	Actual			Forecasted				
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Revenue:								
General Property Tax (Real Estate)	\$15,606	\$16,242	\$17,970	\$19,695	\$19,820	\$18,345	\$17,200	\$17,400
Tangible Personal Property Tax	\$7,753	\$7,676	\$6,679	\$6,477	\$4,529	\$3,314	\$2,235	\$1,061
TPP Reimbursement					\$1,108	\$3,691	\$4,850	\$5,060
Unrestricted Grants-in-Aid	\$15,992	\$16,174	\$15,939	\$16,174	\$16,358	\$16,616	\$16,637	\$16,983
Restricted Grants-in-Aid	\$400	\$611	\$658	\$675	\$675	\$675	\$675	\$675
Property Tax Allocation	\$2,530	\$1,123	\$2,497	\$3,150	\$2,600	\$2,600	\$2,500	\$2,500
All Other Revenues	\$883	\$838	\$1,417	\$975	\$975	\$975	\$975	\$975
Total Revenues	\$43,167	\$42,666	\$45,161	\$47,146	\$46,066	\$46,217	\$45,073	\$44,654
Other Financing Sources:								
Advances-In	\$339	\$28	\$907	\$400	\$400	\$400	\$400	\$400
All Other Financing Sources	\$80	\$77	\$79	\$80	\$80	\$80	\$80	\$80
Total Other Financing Sources	\$419	\$106	\$986	\$480	\$480	\$480	\$480	\$480
Total Revenues and Other Financing Sources	\$43,586	\$42,772	\$46,147	\$47,626	\$46,546	\$46,697	\$45,553	\$45,134
Expenditures:								
Personal Services	\$28,521	\$28,766	\$29,350	\$28,905	\$30,133	\$31,414	\$32,749	\$34,141
Employees' Retirement/Insurance Benefits	\$9,236	\$10,308	\$9,941	\$11,120	\$12,235	\$12,728	\$13,753	\$14,485
Purchased Services	\$4,323	\$4,266	\$5,344	\$4,900	\$5,100	\$5,100	\$5,100	\$5,100
Supplies and Materials	\$1,314	\$1,478	\$1,249	\$1,135	\$1,300	\$1,300	\$1,400	\$1,400
Capital Outlay	\$800	\$361	\$550	\$262	\$400	\$500	\$500	\$500
Debt Service:								
Principal-Notes			\$128	\$133	\$137	\$146	\$152	
Principal-HB 264 Loans	\$330							
Interest and Fiscal Charges	\$23		\$30	\$25	\$21	\$12	\$6	
Other Objects	\$581	\$721	\$632	\$755	\$775	\$775	\$775	\$775
Total Expenditures	\$45,131	\$45,902	\$47,227	\$47,236	\$50,102	\$51,976	\$54,436	\$56,401
Other Financing Uses								
Operational Transfers-Out	\$1,540	\$1	\$25	\$25	\$25	\$25	\$25	\$25
Advances-Out	\$28	\$402	\$436	\$400	\$400	\$400	\$400	\$400
All Other Financing Uses		\$10		\$10	\$10	\$10	\$10	\$10
Total Other Financing Uses	\$1,569	\$413	\$461	\$435	\$435	\$435	\$435	\$435
Total Expenditures and Other Financing Uses	\$46,700	\$46,316	\$47,688	\$47,671	\$50,537	\$52,411	\$54,871	\$56,836
Result of Operations (Net)	\$(3,114)	\$(3,543)	\$(1,541)	\$(44)	\$(3,990)	\$(5,713)	\$(9,318)	\$(11,701)
Balance July 1	\$8,949	\$5,835	\$2,291	\$750	\$705	\$(3,285)	\$(8,999)	\$(18,317)
Cash Balance June 30	\$5,835	\$2,291	\$750	\$705	\$(3,285)	\$(8,999)	\$(18,317)	\$(30,018)
Estimated Encumbrances June 30	\$1,143	\$666	\$631	\$650	\$650	\$650	\$650,000	\$650
Reservation of Fund Balance:								
Fund Balance June 30 for Certification of Appropriations	\$4,691	\$1,624	\$119	\$55	\$(3,935)	\$(9,649)	\$(18,967)	\$(30,668)

Source: Lancaster City School District October 2005 five-year forecast.

Revenue

General Property Tax (Real Estate)

General property tax includes local revenue collected and paid to the District from residential real estate taxes, public utility property taxes, and manufactured home taxes. General property tax collections represented approximately 39.7 percent of the District's general operating revenue in FY 2004-05, and a projected 41.7 percent in FY 2005-06. The District's projections are based upon actual receipts and the certificate of estimated resources provided by the Fairfield County Auditor's Office.

Table 2-2 displays the historical difference between projected general property taxes on the District's October 31st five-year forecast and the actual collection amounts at the end of the fiscal year.

Table 2-2: Projected vs. Actual General Property Tax Collections

	FY 2002-03	FY 2003-04	FY 2004-05	Average
October 31st Forecast Projection	\$16,726,006	\$16,726,006	\$18,068,250	\$17,173,421
Actual Amount Collected	\$15,606,538	\$16,242,614	\$17,970,040	\$16,606,397
Difference vs. Forecast	\$(1,119,468)	\$(483,392)	\$(50,210)	\$(551,023)

Source: Ohio Department of Education and Lancaster City School District five-year forecasts.

As displayed in **Table 2-2**, the October 31st five-year forecast has consistently over estimated general property tax collections. However, the difference between projected and actual collections has decreased in each of the past three years. The Treasurer has stated that the source of the October 31st general property tax revenue projections is the County Auditor's certificate of estimated resources.

Table 2-3 shows the percent increase or decrease in general property taxes for the past four years. It should be noted that FY 2004-05 dollars do not include the money collected from the emergency operating levy in order avoid distorting the historical trend.

Table 2-3: Historical Increase or Decrease in General Property Taxes

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05 ¹	Average
Actual Amount Received	\$15,376,002	\$15,606,538	\$16,242,614	\$16,570,040	\$15,948,799
Change vs. Prior Year	0.8%	1.5%	4.1%	2.0%	2.1%

Source: Ohio Department of Education and Lancaster City School District.

¹ FY 2004-05 collections represents total collections minus the collections from a new emergency operating levy.

While the historical projections in **Table 2-2** have been deemed somewhat unreliable, the District's projections for FY 2005-06 are based on data provided by the County Auditor's Office. As shown in **Table 2-3**, the average increase over the four-year period is 2.1 percent. In recommendation **R2.4** the estimate for general property taxes is recalculated. The new projections are also applied to the adjusted forecast presented in **Table 2-21**.

Tangible Personal Property Tax

Tangible personal property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machinery and equipment, supplies, and inventory used in conducting their business. Legislation is in place that phases out the tangible personal property tax by reducing the yearly assessed valuation rates. Tangible personal property taxes represented approximately 14.4 percent of the District's general operating revenue in FY 2004-05. Due to timing differences, actual tangible personal property tax collections have fluctuated from year to year making the historical trends less useful for projecting future collections.

The District made the following assumptions about tangible personal property tax revenue in its October five-year forecast:

- Estimates for FY 2005-06 are based on actual receipts and information provided by the Fairfield County Auditor.
- Projections for FY 2006-07 through FY 2009-10 are also based on historical valuation patterns with an adjustment made for the 2 percent phase-out of the inventory component and changes in the assessed valuation percentages of public utility property.

The Treasurer has considered current year receipts and the provisions in Amended Substitute House Bill 66 (H.B. 66) that affect tangible personal property taxes in the District's forecast. However, after testing the assumptions, it was determined that tangible personal property tax should be revised. (See recommendation **R2.5**)

State Funding

State funding is comprised of unrestricted and restricted grants-in-aid received from the State of Ohio. State funding is established by the State legislature and administered by the Ohio Department of Education (ODE). State revenue represented approximately 35.9 percent of the District's general operating revenue in FY 2004-05. The District's assumptions for projecting State funding are based on the following:

- FY 2005-06 State funding projections are based on the October # 2 SF-3 State funding report generated by ODE. However, during the course of the audit, the Treasurer updated the State revenue amounts based on the February # 2 SF-3 State funding report. Audit staff also used these more recent projections in the revised forecast (see **Table 2-21**).
- According to the Treasurer, FY 2006-07 State funding projections are based on ODE and the Ohio Association of School Business Officials' projected amounts.
- FY 2007-08 through FY 2009-10 projections show only a slight increase in State revenue because the District assumes that any increase in the State Foundation amount will mostly be offset through increases in local property values. The State funding formula automatically reduces the State Foundation amount by 23 mills times the local property valuation. Therefore, if the increase in local property value times 23 mills is more than the increase in the State Foundation amount, the school district would actually receive less money from the State than it did the previous year.

Table 2-4 uses historical data to determine the average increase or decrease in State revenue.

Table 2-4: Historical Increase or Decrease in State Revenue

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Received	\$16,543,556	\$16,392,777	\$16,786,140	\$16,597,542	\$16,580,004
Change vs. Prior Year	8.9%	(0.9%)	2.4%	(1.1%)	2.3%

Source: Lancaster City School District

Table 2-4 shows the historical changes in State revenue for Lancaster CSD. The Treasurer uses the historical data as an additional tool when projecting State revenue.

Based on the assumptions used by the Treasurer, it appears that the projections may be understated. In recommendation **R2.7**, the estimated amounts for State revenue have been recalculated. The new projections have been applied to the adjusted forecast in **Table 2-21**.

Property Tax Allocation

Property tax allocation is revenue received from the State as a result of homestead exemption legislation, property tax rollback legislation, and personal property tax exemptions. Property tax allocations represented approximately 5.4 percent of the District's general operating revenue in FY 2004-05. Due to timing differences, actual property tax allocations have fluctuated from year to year, making the historical trends less useful for projecting future collections.

The District's assumptions for projecting property tax allocations are based on the following:

- FY 2005-06 property tax allocations are based on the Fairfield County Auditor's certificate of estimated resources (COER). However, the forecasted amount does not match the COER because the Treasurer included an additional dollar amount to account for the perceived conservatism in the County Auditor's estimate.
- FY 2006-07 and FY 2007-08 projections decrease from FY 2005-06 because the Treasurer did not include additional dollars to account for the perceived conservatism in the County Auditor's estimates as was done in FY 2005-06. FY 2008-09 and FY 2009-10 projections decrease an additional \$100,000 from FY 2006-07 and FY 2007-08 projections.

Based on the assumptions used by the Treasurer, it appears that the projections may be overstated and that the projections do not include the tangible personal property (TPP) reimbursement. The estimated amounts for property tax allocations have been recalculated and applied to the adjusted forecast in **Table 2-21**. Also, no reasonable basis could be provided by the District for the additional \$550,000 in property taxes for FY 2005-06 included in the District's October 31, 2005 five-year forecast (see **R2.6**).

Other Revenue

Other revenue is receipts that are not classified in one of the above revenue sources, but that still require budgetary control. Other revenue can consist of tuition from other districts, interest on investments, student class and book fees, miscellaneous receipts, and donations. Other revenue represented about 3.1 percent of the District's general operating revenue in FY 2004-05.

Table 2-5 provides actual collections for other revenue and the percent increase or decrease over the past four years.

Table 2-5: Historical Increase or Decrease in Other Revenue

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Received	\$951,462	\$883,569	\$838,459	\$1,417,475	\$1,022,741
Change vs. Prior Year	(37.5%)	(7.1%)	(5.1%)	69.1%	4.8%

Source: Lancaster City School District

The District projects a decrease in other revenue from FY 2004-05 to FY 2005-06 due to the loss of interest revenue and Medicaid reimbursements. In FY 2003-04, the District implemented a pay-to-play program for extracurricular activities. Had it not done so, the decrease in other revenue would have been greater than the 5.1 percent shown in **Table 2-5**. In FY 2004-05, the District experienced a 69.1 percent increase from FY 2003-04. This increase was due to the District reimbursing the general fund from grant funded activities.

Although historical trends show an average annual increase of 4.8 percent, the Treasurer uses a conservative estimate and a historical trend analysis for other revenue. Based on the Treasurer's methodology, the projections used in FY 2005-06 through the forecast period appear reasonable.

Expenditures

Personal Services

Personal services consist of employee wages, substitute costs, supplemental contracts, severance pay, board member compensation, student workers, and overtime. Personal services represented approximately 62.1 percent of the District's FY 2004-05 general operating expenditures and are projected to represent approximately 61.1 percent in FY 2005-06 expenditures.

Table 2-6 provides historical amounts expended for personal services and the percent increase or decrease over the past four years.

Table 2-6: Historical Expenditures for Personal Services

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$27,301,368	\$28,521,026	\$28,766,945	\$29,350,003	\$28,054,272 ¹
Change vs. Prior Year	3.7%	4.5%	0.9%	2.0%	3.3 ¹

Source: Lancaster City School District & Ohio Department of Education

¹ Average includes actual numbers from FY 2000 through FY 2005.

The District's assumptions for projecting salaries and wages are based on the following:

- FY 2005-06 certificated staff salaries are based on a negotiated contract which includes base step increases and educational incentives. The current certificated contract covers the period July 1, 2005 through June 30, 2006, and allows for a zero percent increase in the base salary and step increases ranging from 3 to 5 percent in fiscal year 2006. The contract for classified

staff covers the period July 1, 2004 through June 30, 2006. It allows for a 4 percent increase as well as step increases in FY 2005-06. The contract for certificated and classified administrative positions and select exempt administrative positions covers the period August 1, 2002 through July 31, 2005 with an extension covering FY 2005-06. The salaries for the remaining staff are set by the Board of Education.

- Amounts for FY 2006-07 through the remainder of the forecasted period are based on a 3.5 percent annual increase over base salaries, and step increases that are negotiated within the contract for certified staff. A 4 percent annual increase plus an average step increase is included for the classified staff.

Table 2-7 provides the District’s projected amounts for personal services and the percent increase or decrease.

Table 2-7: Projected Expenditures for Personal Services

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Average
Projected Amount Expended	\$28,905,000	\$30,133,500	\$31,414,200	\$32,749,500	\$34,141,000	\$31,468,640
Change vs. Prior Year	1.5%	4.3%	4.3%	4.3%	4.2%	3.7%

Source: Lancaster City School District October 2005 five-year forecast.

The projections for the current and future years appear reasonable based on historical trends and the negotiated contracts.

Employees Benefits

Employee benefits represented approximately 21.0 percent of the District’s FY 2004-05 general operating expenditures and an estimated 23.5 percent in FY 2005-06. Employees’ benefits consist of retirement, life insurance, health insurance, Medicare contributions, workers compensation, and dental insurance.

Table 2-8 shows the historical amounts for retirement and benefits for the past four years.

Table 2-8: Historical Expenditures for Employee Benefits

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$8,022,220	\$9,236,157	\$10,308,158	\$9,941,304	\$9,004,169 ¹
Change vs. Prior Year	6.8%	15.1%	11.6%	(3.6%)	8.0% ¹

Source: Lancaster City School District & Ohio Department of Education

¹ Average includes FY 2000 – 2005.

The District’s assumptions for projecting employee benefits are based on the following:

- FY 2005-06 projections have accounted for retirement costs, which are based upon the employer’s contribution rate of 14 percent. The projections have also accounted for dental, life, and medical monthly premiums. Health insurance monthly premiums can vary depending upon the type of coverage, either single, single +1, or family. The projections also include worker’s compensation payments, which are projected to increase due to an increase in the FY 2004-05 workers compensation rate. The Treasurer used historical figures as a tool to help determine the rate of increase and whether or not future projections fall in line with historical trends.
- FY 2006-07 through FY 2009-10 projections are calculated in the same manner as FY 2005-06. The Treasurer has accounted for retirement cost, dental, life, and medical monthly premiums, and any increase in worker’s compensation payment.

Table 2-9 represents the District’s projected amounts for employee benefits in the District’s October 2005 five-year forecast.

Table 2-9: Projected Expenditures for Employee Benefits

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Average
Projected Amount	\$11,120,000	\$12,235,000	\$12,728,500	\$13,753,500	\$14,485,200	\$12,864,440
Change vs. Prior Year	11.9%	10.0%	4.0%	8.1%	5.3%	7.9%

Source: Lancaster City School District

The assumptions used by the Treasurer during the forecasted period appear reasonable based on the increases in retirement cost, workers compensation changes, life insurance costs, medical insurance increases, and dental insurance for existing and new employees. Employee benefits are expected to increase significantly in FY 2005-06 and 2006-07 because the Board has increased its contribution to the self-insurance fund in order to be in compliance with the State reserve requirement by FY 2006-07.

Purchased Services

Purchased Services represented approximately 11.3 percent of the District’s FY 2004-05 general operating expenditures and are projected to drop to 10.3 percent in FY 2005-06. Purchased services are comprised of professional and technical services; property services (repairs, maintenance, rentals, and lease purchase agreements); travel; mileage; meeting expenses; communication (advertising, postage, and telephone services); utility services; contracted services; tuition; pupil transportation; and other purchased items. The District’s assumptions for projecting purchased services are as follows:

- In FY 2005-06 the most significant increases are expected to be tuition payments for open enrollment and community schools students, and utility/fuel payments. Electricity is estimated to increase 14 percent, while fuel and heating costs are estimated to increase by 40 percent. The largest portion of purchased services is payments to other districts. This is estimated to be \$2,500,000 for FY 2005-06. This represents students who reside in the Lancaster CSD, but choose to attend other schools. However the District has projected a decrease in purchased services expenditures from FY 2004-05 to FY 2005-06 of about negative 8.3 percent. This decrease can be attributed to the District’s efforts to control discretionary spending, such as the delay of certain repairs and maintenance, cut backs in professional development, and reductions in professional and technical services.
- FY 2006-07 projections increase from FY 2005-06 by approximately 4.1 percent. From FY 2006-07 through FY 2009-10, the District flat-lines the amount and estimates \$5,100,000 each year. According to the Treasurer, the District flat-lines this line-item because of the unpredictability of student enrollment and energy costs.

Table 2-10 displays historical expenditures on purchased services and the percentage change from the prior year.

Table 2-10: Historical Expenditures for Purchased Services

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$3,572,575	\$4,323,725	\$4,266,584	\$5,344,280	\$4,042,130 ¹
Change vs. Prior Year	(16.0%)	21.0%	(1.3%)	25.3%	19.9% ¹

Source: Lancaster City School District & Ohio Department of Education

¹ Averages include FY 1999-00 through FY 2004-05

As shown in Table 2-10, historical personal services have fluctuated substantially over the past four years. In FY 2002-03, personal services increased by 21 percent over the prior year, then decreased by 1.3 percent in FY 2003-04. Again, a large portion of the fluctuation can be attributed to the variability in factors such as tuition payments to other districts; community school and open enrollment payments; and utility costs.

Table 2-11 shows the District’s projected expenditures for purchased services with the percentage change per year.

Table 2-11: Projected Expenditures for Purchased Services

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Average
Projected Amount	\$4,900,000	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000	\$5,060,000
Change vs. Prior Year	(8.3%)	4.1%	0.0%	0.0%	0.0%	(0.8)%

Source: Lancaster City School District & Ohio Department of Education

Table 2-11 indicates that during the FY 2005-06 the Treasurer assumes a decrease in personal services of (8.3) percent. While in FY 2006-07 personal services is predicted to increase by 4.1 percent from FY 2005-06. From FY 2006-07 through FY 2009-10 the Treasurer predicts a flat trend in expenditures of \$5,100,000.

The District’s FY 2005-06 assumptions include tuition payments for open enrollment and community schools students, utility/fuel payments as well as increasing charges for electricity. Based on the assumptions used by the Treasurer, it appears that the District’s projections may be overstated in FY 2005-06 through FY 2007-08 and understated in FY 2008-09 and FY 2009-10. In **R2.8** projected purchased service expenditures are recalculated and applied to the adjusted forecast in **Table 2-21**.

Supplies & Materials

Supplies and materials represented approximately 2.6 percent of the District’s FY 2004-05 general operating expenditures and include both instructional and non-instructional supplies and materials. **Table 2-12** shows the historical changes in expenditures for supplies and materials.

Table 2-12 Historical Expenditures for Supplies & Materials

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$2,084,419	\$1,314,631	\$1,478,791	\$1,249,745	\$1,531,897
Change vs. Prior Year	(10.4%)	(36.9%)	12.5%	(-15.5%)	(12.6%)

Source: Lancaster City School District

Table 2-12 shows that Lancaster CSD’s expenditures decreased from FY 2001-02 through FY 2004-05 by an average of 12.6 percent per year. The decrease was due to the financial situation of the District. To control costs, the District reduced discretionary spending for supplies and materials. These reductions came from limiting purchases of general supplies and materials, and eliminating the adoption of new textbooks.

- The assumptions used for FY 2005-06 are based on FY 2004-05 actual expenditures minus the projected savings from budget cuts.
- FY 2006-07 and FY 2007-08 projections include an increase of 14.5 percent from FY 2005-06.
- FY 2008-09 and FY 2009-10 projections include an assumption of a 7.7 percent increase over FY 2006-07 and FY 2007-08.

The District's FY 2005-06 assumptions seem reasonable based upon spending reductions made by the District due to its financial condition. However, it appears that FY 2006-07 through FY 2009-10 projections may be overstated. In **R2.9**, projected supplies and materials expenditures are recalculated and applied to the adjusted forecast in **Table 2-21**.

Financial Operations

Table 2-13a compares Lancaster CSD FY 2004-05 expenditures per pupil to the peer district average. The peers include Ashland City School District, Madison Local School District, and Salem City School District. Expenditures per pupil are based on ODE's Expenditure Flow Model (EFM) which uses a modified version of a school district's year end financial records. The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of students and does not include all the funds used by a school district. However, in some cases, the EFM does not capture critical expenditures for items such as debt service which may have a substantial impact on a district's expenditures. In FY 2004-05, the District's expenditures per pupil were higher than the peer average in all 6 classifications in the EFM. The examination of these expenditures and the implementation of the performance audit recommendations should help the District identify potential reductions and bring its spending more in line with the peer districts.

Table 2-13a: FY 2004-05 Expenditures per Pupil

	Lancaster City Schools		Peer Average		Lancaster to Peer Difference	
	ADM ¹ :	5,509	ADM ¹ :	3,014	ADM ¹ :	2,495
	Dollars	EPP ²	Dollars	EPP ²	Dollars	EPP ²
Administration	\$5,819,507	\$1,056	\$2,860,394	\$949	\$2,959,112	\$107
Operations	\$8,694,804	\$1,578	\$3,749,038	\$1,244	\$4,945,766	\$334
Staff Support	\$1,892,563	\$344	\$465,980	\$155	\$1,426,583	\$189
Pupil Support	\$4,821,350	\$875	\$2,490,620	\$826	\$2,330,730	\$49
Instruction	\$28,969,956	\$5,259	\$15,328,382	\$5,086	\$13,641,574	\$172
Total EFM	\$50,198,179	\$9,112	\$24,894,415	\$8,261	\$25,303,764	\$852

Source: Ohio Department of Education

¹ ADM: June average ADM from Expenditure Flow Model

² EPP: Expenditure Per Pupil

Table 2-13a shows Lancaster CSD spent significantly more than the peer district average in FY 2004-05 in the following categories:

- **Administration:** Lancaster CSD spent approximately 11 percent more per pupil (\$107) than the peer district average. The staffing analysis completed in the **human resources section** of this report shows Lancaster CSD does not have a high number of administrators based on the size of the District. However, the analysis of average salaries indicates that Lancaster CSD

administrator salaries are about 15 percent higher than the ODE similar districts. Lancaster CSD could reduce future administrative expenditures by limiting Cost of Living Adjustments (COLA) for all administrative personnel (see **R3.8 in the human resources section**).

- **Operations:** Lancaster CSD spent nearly 27 percent more per pupil (\$334) than the peer district average. The District could potentially reduce operational expenditures by implementing recommendations in the **facilities and human resources sections** of this report.
- **Staff Support:** Lancaster CSD spent about 55 percent more per pupil (\$189) than the peer district average which is attributable, in part, to grant funds used for training and continuing education for instructors, administrators, and instructional support staff.
- **Pupil Support:** Lancaster CSD spent 6 percent more per pupil (\$49) than the peer district average. The staffing analysis completed in the **human resources section** of this report reveals that the District has a high number of library aides compared to similar districts (see **3.4**). A reduction in the number of library aides would reduce the District's pupil support expenditures. Likewise, the number of teaching aides was higher than the peers and **R3.5** addresses reductions in this classification.
- **Instruction:** Lancaster CSD spent only 3.4 percent more per pupil (\$172) than the peer average. However, the District may need to reduce instructional spending further to address its projected deficits (see **R3.2 in the human resources section**).

Table 2-13b illustrates Lancaster CSD and peer district governmental fund operational expenditures by function on a per pupil basis and as a percentage of total costs. Governmental fund operational expenditures differ from the EFM because they encompass all district costs, including some costs which are paid through enterprise funds (e.g. food service) and all debt and facility related expenditures. Also, the governmental fund operational expenditures contain grant-related revenues and expenditures which may be restricted in their use.

Table 2-13b: Governmental Funds Operational Expenditures by Function

Governmental Fund Expenditures	Lancaster CSD		Ashland CSD		Madison LSD		Salem CSD		Peer Average	
	\$ per Pupil	% of Total	\$ per Pupil	% of Total	\$ per Pupil	% of Total	\$ per Pupil	% of Total	\$ per Pupil	% of Total
Instruction										
Regular Instruction	\$3,366	32.15%	\$3,812	39.69%	\$3,513	30.06%	\$3,930	36.80%	\$3,736	35.15%
Special Instruction	\$1,131	10.80%	\$932	9.70%	\$1,045	8.95%	\$948	8.88%	\$977	9.19%
Vocational Education	\$451	4.31%	\$249	2.59%	\$1,020	8.73%	\$245	2.30%	\$523	4.92%
Adult/Continuing Education	\$28	0.27%	\$0	0.00%	\$159	1.36%	\$130	1.21%	\$91	0.86%
Other Instruction	\$466	4.46%	\$281	2.93%	\$311	2.66%	\$406	3.80%	\$325	3.06%
Subtotal Instruction	\$5,442	51.99%	\$5,274	54.91%	\$6,048	51.76%	\$5,659	53.00%	\$5,651	53.17%
Supporting Services										
Pupil Support Services	\$498	4.76%	\$433	4.51%	\$420	3.60%	\$393	3.68%	\$418	3.93%
Instructional Support Services	\$586	5.60%	\$401	4.17%	\$529	4.52%	\$377	3.53%	\$440	4.14%
Plant Operation & Maintenance	\$759	7.25%	\$618	6.43%	\$810	6.93%	\$824	7.72%	\$741	6.97%
Pupil Transportation	\$297	2.84%	\$275	2.86%	\$423	3.62%	\$324	3.04%	\$341	3.21%
Administration	\$740	7.07%	\$658	6.86%	\$791	6.77%	\$770	7.21%	\$735	6.92%
Subtotal Instruction	\$2,881	27.52%	\$2,385	24.83%	\$2,974	25.45%	\$2,690	25.19%	\$2,675	25.17%
Other Support Services:										
Fiscal Services	\$220	2.10%	\$236	2.45%	\$193	1.65%	\$269	2.52%	\$229	2.16%
Business Services	\$70	0.67%	\$109	1.14%	\$21	0.18%	\$4	0.04%	\$50	0.47%
Board of Education	\$15	0.15%	\$20	0.21%	\$8	0.07%	\$13	0.12%	\$14	0.13%
Central Support Services	\$1,160	11.08%	\$994	10.35%	\$1,624	13.90%	\$1,469	13.76%	\$1,344	12.65%
Subtotal Other Support Services	\$1,466	14.00%	\$1,359	14.15%	\$1,847	15.80%	\$1,755	16.44%	\$1,638	15.41%
Subtotal Instruction & Support	\$9,789	93.51%	\$9,018	93.90%	\$10,869	93.02%	\$10,104	94.63%	\$9,964	93.75%
Non-Instructional Operations	\$527	5.04%	\$395	4.11%	\$620	5.31%	\$278	2.61%	\$445	4.18%
Extracurricular Activities	\$152	1.45%	\$191	1.99%	\$195	1.67%	\$295	2.76%	\$220	2.07%
Non-Instructional Operations	\$679	6.49%	\$586	6.10%	\$816	6.98%	\$573	5.37%	\$665	6.25%
Operational Expenditure	10,468	100.00%	9,604	100%	11,685	100.00%	10,677	100.00%	10,629	100.00%

Source: Lancaster and peer 4502 reports.

As shown in **Table 2-13b**, Lancaster is comparable to the peers in total costs per pupil and in several functional line items. However, in some areas Lancaster CSD's expenditures differ from the peer districts. These differences are categorized in a manner consistent with the EFM for ease of use and are explained in detail below.

Administration: When compared on a per pupil and percent of total expenditures basis, Lancaster CSD exceeds the peers slightly in this area, although the difference is small. This can be attributed to the higher salaries paid to administrators in Lancaster CSD when compared to the peers. When fiscal, business and board of education services are included in this amount, the difference in expenditures remains negligible.

Operations: Lancaster CSD spends slightly more than the peers in the Plant Operations and Maintenance line item, which can be attributed to the low capacity utilization rate within its facilities. The District spends notably more as a percent of total expenditures in the Non-Instructional Operations line item.

Staff Support: On a per pupil basis and as a percent of total expenditures, Lancaster CSD spends slightly less than the peers in this category. However, because of the classification differences between the governmental funds operational expenditures by function and the EFM, some variances in measurement may exist.

Pupil Support: Like the EFM expenditures, **Table 2-13b** shows that Lancaster CSD allocates more resources than the peers as a percent of total expenditures to pupil and instructional support services. This is attributed to the higher number of library aides and teacher aides employed by the District.

Instruction: Lancaster CSD spends slightly less on instruction than the peers as a percent of total expenditures. As the governmental funds operational expenditures by function include some revenues and expenditures excluded from the EFM, this does not necessarily contradict the information reflected in the EFM analysis. However, it does indicate that Lancaster CSD is not investing the same level of resources in instructional activities.

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. The District could potentially bring its future expenditures per student more in line with the peer averages if the recommendations in this performance audit are implemented.

Discretionary Expenditures: **Table 2-14** shows FY 2004-05 discretionary expenditures, discretionary expenditure per student, and the percent of total FY 2004-05 General Fund expenditures for Lancaster CSD and the peer district average based on the districts' year end financial reports. Discretionary expenditures accounted for nearly 8 percent of the District's general operating expenditures in FY 2004-05.

Table 2-14: Discretionary Expenditures Comparison

Discretionary Expenditures	Lancaster City School			Peer Average			Difference From Peer Average		
	ADM:	5,894		ADM:	2,971		ADM:	2,923	
	Total \$	\$ per ADM	% of General Fund	Total \$	\$ per ADM	% of General Fund	Total \$	\$ per ADM	% of General Fund
Professional & Technical Service.	\$724,240	\$123	1.52%	\$293,767	\$99	1.23%	\$430,473	\$24	0.3%
Property Services	\$771,908	\$131	1.63%	\$285,554	\$96	1.20%	\$486,354	\$35	0.4%
Mileage/Meeting Expense	\$81,445	\$14	0.17%	\$31,400	\$11	0.13%	\$50,045	\$3	0.0%
Communications	\$153,077	\$26	0.32%	\$68,756	\$23	0.29%	\$84,321	\$3	0.0%
Craft or Trade Service	\$11,699	\$2	0.02%	\$2,778	\$1	0.01%	\$8,922	\$1	0.0%
Pupil Transportation Service	\$11,580	\$2	0.02%	\$1,478	\$0	0.01%	\$10,103	\$1	0.0%
Other Purchased Service	\$19,036	\$3	0.04%	\$10,170	\$3	0.04%	\$8,866	\$0	0.0%
General Supplies	\$406,672	\$69	0.86%	\$143,669	\$48	0.60%	\$263,003	\$21	0.3%
Textbooks Reference Materials	\$397,588	\$67	0.84%	\$20,270	\$7	0.09%	\$377,318	\$61	0.8%
Plant Maintenance & Repairs	\$234,987	\$40	0.49%	\$89,123	\$30	0.37%	\$145,864	\$10	0.1%
Fleet Maintenance & Repairs	\$203,267	\$34	0.43%	\$120,780	\$41	0.51%	\$82,487	(\$6)	(0.1%)
Other Supplies & Materials	\$7,232	\$1	0.02%	\$178,552	\$60	0.75%	(\$171,320)	(\$59)	(0.7%)
Capital Outlay (New)	\$109,407	\$19	0.23%	\$261,553	\$88	1.10%	(\$152,146)	(\$69)	(0.9%)
Dues & Fees	\$547,293	\$93	1.15%	\$508,265	\$171	2.14%	\$39,028	(\$78)	(1.0%)
Insurance	\$72,047	\$12	0.15%	\$3,760	\$1	0.02%	\$68,287	\$11	0.1%
Total Discretionary Expenditures	\$3,751,477	\$636	7.90%	\$2,019,872	\$680	8.49%	\$1,731,605	(\$43)	(0.6%)
Total General Fund Expenditures	\$47,501,927			\$23,791,661			\$23,710,267		

Source: Ohio Department of Education Form 4502's General Fund expenditures for Lancaster and Peers Districts

As shown in **Table 2-14**, several discretionary spending items were at or below the peer district average. The discretionary items that were equal to or below the peer average are other supplies and materials, capital outlay, fleet maintenance and repairs, mileage, communications, crafts and trades, pupil transportation, and other purchased services. The largest discretionary spending per student above the peer average was property services and textbooks and reference materials.

Assessment Not Yielding Recommendations

In addition to the analyses presented in this section of the report, assessments were conducted in other financial areas that did not warrant changes and did not yield any recommendations. These include the following:

- **Selected Five-Year Forecast Line Items:** The following line items within the five-year forecast were determined to be reasonable projections of the District's future revenue or expenditures.
 - All Other Operating Revenue
 - Advances-In
 - Personal Services
 - Employees Retirement/Insurance Benefits
 - Capital Out Lay
 - Other expenditures
 - Outstanding Debt
 - Transfers and Advances

- **Academic Performance Indicators:** The District's FY 2004-05 academic performance indicators exceeded the peer district average by 1.9 percent. In addition, the District's performance index score exceeded the peers by 0.4. Lancaster CSD also met the adequate yearly progress goal, while the peers did not.

- **Accounting Procedures:** The District's accounting procedures encompass best practices as identified by the GFOA.

- **Organizational Structure:** The Treasurer's Office staffing by position is comparable to the peer average.

- **Experience and Qualifications:** Employees within the Treasurer's Office seem to have the appropriate qualifications and necessary experience to perform jobs duties as specified by job descriptions.

- **Forecasting Process:** Appropriate and responsible parties were included in the forecasting process.

- **Obtaining Grants:** The District has actively received several million dollars in both Federal and State grants. These grants consist of both competitive and entitlement grants.

- **Measuring Performance:** The District uses a performance measurement system that encompasses a majority of the best practices recommended by the GFOA.

- **Budgeting Process:** The District has established effective procedures that ensure the timely preparation and approval of the budget. During the budgeting process, the Board of Education develops and disseminates goals when creating its budget. Also, the District

assesses community needs, priorities, challenges, and opportunities when it creates the budget.

In addition, the District develops, updates, and reviews long-range financial plans and projections and uses this information to determine the resource and expenditure options available for the budget period. Finally, the District adopts a comprehensive operating and financial plan as its budget.

- **Financial Performance:** The District routinely monitors and analyzes its financial performance. The District also periodically adjusts its programs, strategies, budget, financial condition measures, and stakeholder satisfaction based on financial conditions.
- **Fixed Asset Management:** A majority of the District’s policies for fixed assets fall in line with best practices. The District conducts annual physical counts of inventories using cost-effective methods.
- **Parental Feedback:** Lancaster CSD actively solicits feedback from parents and other taxpayers. The use of newsletters, parent involvement programs, community committees, and direct communication allows Lancaster CSD to determine what areas the community feels are inefficient, as well as gain suggestions to improve the District’s overall performance.
- **Inventories and Just-in-time Delivery:** The District has evaluated the costs of maintaining inventories using cost control indicators. The District evaluates the cost of operating a full warehouse function, to the current practice of a “just in time” (JIT) system. The District also periodically evaluates the cost-effectiveness and efficiency of its warehouse/JIT system based on recommended practices.
- **Warehouse Function:** The District conducts physical counts of warehouse inventories using cost-effective methods.
- **Internal Controls:** Lancaster CSD has established internal controls over its receipting process that meet best practice criteria. The recording and collecting of cash is segregated, deposit slips are used to ensure that the correct amounts are being recorded to the appropriate accounts, and a transmittal form is required for the receipt of all money.

The District has also established effective controls over the monitoring of General Fund appropriations and expended amounts. Furthermore, the District has effective controls over its dispersing practices that meet the recommended practices. Controls include verification of authorized purchases, accounting codes, funds, and the receipt of goods/services.

- **Vendor Payment:** The District ensures that vendors are paid on time by using a cash management system to track due dates and performing post-audits of vendor payments. The District also has procedures in place to make sure it is taking advantage of all discounts by making payments in a timely fashion.
- **Payroll:** Payroll policies are in line with best practices. The District's schedule of payroll dates is efficient and allows the District to adequately review payroll data. Employees are paid bi-weekly with limited extra payroll runs.
- **Time and Attendance Reporting:** The District has the necessary controls in place to ensure accurate reporting of time and attendance. Building principals verify absence reports which are then sent to the payroll department for entry into the payroll system.

Recommendations

- R2.1 Lancaster CSD should plan to seek the renewal of the 3.9 mill emergency operating levy due to expire in FY 2007-08. The renewal of this levy would allow the District to anticipate an additional \$1.6 million in FY 2007-08 and \$3.2 million per year for the remaining forecast years. Further, Lancaster CSD should show the potential lost revenue if the emergency levy is not renewed separately in its five-year forecast.**

Since 1978, voters in Lancaster CSD have passed four levies. In 1990, a new 10.0 mill continuing operating levy was passed. In 1997, the District passed a five-year 7.9 mill operating levy. In 2001, voters renewed the 7.9 mill operating levy and made it permanent. Most recently, voters approved a three-year \$3.2 million emergency operating levy in 2004.

According to Ohio Revised Code §5705.19.4 the board of education of any city school district, at any time, may declare by resolution that the revenue raised by all tax levies which the district is authorized to impose, when combined with state and federal revenues, will be insufficient to provide for the emergency requirements of the school district or to avoid an operating deficit. The resolution must be confined to a single purpose and must specify that purpose. If a levy is proposed that will renew all or a portion of the proceeds derived from one or more existing levies, the levy shall be called a renewal levy and shall be so designated on the ballot. The purpose of the renewal levy may be either to avoid an operating deficit or to provide for the emergency requirements of the school district. The resolution must also specify the amount of money that is necessary to be raised each calendar year; the millage that is to be imposed; whether the proposed levy is to renew all or a portion of the proceeds derived from one or more existing levies; and the number of years in which the millage is to be in effect. A renewal levy may be for any number of years not to exceed five.

If a school district wants to assume the eventual renewal of an expiring levy, it should do so by using a separate line on the five-year forecast. Showing the amount of revenue that would be lost if the levy is not renewed separately allows the district and the community to see the impact the lost revenue will have on the district. By committing to renew the \$3.2 million emergency operating levy passed in 2004, the District's financial outlook would improve, although it would not erase the projected deficits. However, if the community does not renew the 2004 emergency levy, an alternative revenue source will be needed or additional reductions will have to be made.

- R2.2 The Treasurer's Office should consider cross-training its employees as a way to broaden employee skill sets and to ensure adequate backup for key Office functions. The Office should identify critical functions; match employees' interests and skills**

with these functions; identify appropriate trainers; track the training employees receive; and monitor feedback from management and the employees.

The Treasurer's Office does not formally cross-train employees in other functional duties within the Office. While the Office staff does not receive official training in other functional areas, staff members feel that through training and experience, other duties could be performed with little difficulty.

Several organizations have developed cross-training programs within functional areas. Cross-training has enabled these organizations to be more flexible with employees' schedules and decreased the risk of functional down time. According to the Society for Human Resource Management (SHRM) Information Center article, *Cross Training – Value in Today's Environment*, cross-training can be beneficial to both the organization and the employees. Cross-training increases employees' knowledge and ability to perform different tasks by using current skills or by learning new skills. Cross-training also adds variety to employees' workdays, adds new challenges to their jobs, and enhances future career opportunities within the organization. Cross-training can also help employees better understand interrelationships between jobs, in addition to enhancing the employees' perception of the complete operation. Most organizations benefit from cross-training by:

- Creating a more flexible and versatile workforce.
- Enabling the organization to reduce the number of different jobs and hence reduce work jurisdiction.
- Preventing employee stagnation in jobs.
- Improving productivity.
- Allowing for more effective succession planning.
- Leading to better coordination and teamwork.
- Motivating the workforce and instilling commitment.
- Enabling employees to better understand organizational goals and objectives.
- Supporting the implementation of family-friendly policies.
- Increasing retention and avoiding recruiting costs.
- Increasing organizational marketability and supporting recruiting initiatives.
- Helping create a more learning organization.

Perhaps most importantly, cross-training enables organizations to be prepared in the event of short or long-term absences and ensures that job functions are performed with minimal impact on the organization. The Treasurer's Office could implement this recommendation at no additional cost to the District.

R2.3 Lancaster CSD should develop written policies and guidelines that outline the process for developing the five-year financial forecast. These policies and guidelines should include, but not be limited to, identifying stakeholders (their concerns, needs, and priorities), evaluating community conditions, setting a timeline for the review and completion of the forecast, specifying the supporting documentation for assumptions, and specifying the methodology used for each major line item in the forecast.

The *Lancaster City Schools – Treasurer’s Office Guidelines* (the *Treasurer’s Office Guidelines*) does not reference any financial planning procedures for the State mandated five-year forecast. However, policies, procedures, and guidelines exist for the other financial operations of the District. While the *Treasurer’s Office Guidelines*, as well as Lancaster CSD Board policies are critical to the District’s financial operations, these guidelines and policies should also address forecasting and financial planning

According to the Government Finance Officers Association (GFOA), one method of control over accounting and financial reporting is the formal documentation of policies and procedures. Financial planning policies and procedures should be formalized, approved, and added to the current operational guidelines or policies. In addition, the documented financial planning policies and procedures should be reviewed periodically according to a review schedule and the policy and procedures should be promptly updated when changes occur.

GFOA also notes that financial planning expands a government’s awareness of options, potential problems, and opportunities. The long-term revenue, expenditures, and service implications of continuing or ending existing programs or adding new programs, services, and debt can also be identified through financial planning. Finally, the financial planning process helps shape decisions and permits necessary and corrective action to be taken before problems become more severe.

The planning process for the preparation of a financial plan consists of various components such as an analysis of financial trends; an assessment of problems or opportunities facing the jurisdiction and the actions needed to address these issues; and a long-term forecast of revenue and expenditures that uses alternative economic, planning, and policy assumptions. The financial plan identifies key assumptions and choices related to achievement of goals. The plan should be available to decision makers for their review in making choices and decisions related to the budget process. It should also be shared with stakeholders for their input.

R2.4 Lancaster CSD should revise its assumptions and update its projections for general property tax revenues. In an effort to increase the reliability of financial

information used for decision making, the Treasurer should update the projections and better detail the assumptions using the most current and complete information available. Specifically, general property tax revenue should be based on historical trends and any information available about projected increases or decreases in property value from reappraisals and/or updates, as well as any additional information provided by the County Auditor's Office.

The District's forecast assumes the non-renewal of the emergency operating levy which generated 3.2 million dollars per year and an average increase of less than 1 percent in property valuation due to new construction and reappraisals or updates. The 1 percent annual increase due to property valuation is not consistent with historical trends. Historically, valuation increases in Lancaster have typically been 2.4 percent per year, excluding updates and/or reappraisals.

Lancaster CSD should consider updating its projections for general property tax as follows:

- Start with the County Auditor's estimate of general property tax collections for the current fiscal year then back out the dollars from the emergency levy so as not to skew the historical data. Lancaster CSD should apply a reasonable increase or decrease, based on the historical trend, to future years' projections. Revised projections, assuming a 2.4 percent annual increase based upon historical valuation, are shown in the revised forecast in **Table 2-21**.
- After determining the projected general property tax collections without the emergency operating levy, Lancaster CSD should add back in the fixed \$3.2 million generated by the emergency levy to each year that the emergency levy is in effect. When the levy is set to expire, the District should back out the amount of lost revenue from general property taxes and show the amount on the levy renewal line of the forecast (line 11.02).

Table 2-15 shows the revised projected revenue from general property tax with and without the emergency operating levy. It also shows the difference between the revised amounts and the District's projected general property tax revenue. The difference in projections results from the assumption of a historical increase in property values of 2.4 percent, while the District increased general property values by an average of less than 1 percent.

Table 2-15: General Property Tax Revised Projections

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
District Projections					
General Property Tax	\$19,695,040	\$19,820,040	\$18,345,000	\$17,200,000	\$17,400,000
Revised Amounts					
General Property Tax with 2.4 % Increase	\$16,495,040	\$16,890,921	\$17,296,303	17,711,414	18,136,488
Emergency Operating Levy	\$3,200,000	\$3,200,000	\$1,600,000	\$0	\$0
Total General Property Tax	\$19,695,040	\$20,090,921	\$18,896,303	\$17,711,414	\$18,136,488
Net Impact	\$0	\$270,881	\$551,303	\$511,414	\$736,488

Source: AOS & Lancaster City School District.

Table 2-15 shows no additional revenue in FY 2005-06; however, an additional \$2,070,087 is projected over the remaining forecast period and has been applied as adjustments to the forecast in **Table 2-21**.

R2.5 Lancaster CSD should revise its assumptions and update its projections for tangible personal property tax (TPPT). In an effort to increase the reliability of financial information used for decision making, the Treasurer should update the projections and better detail the assumptions using the most current and complete information available. Specifically, TPPT assumptions should include more details concerning the effects of House Bill 66 (H.B. 66), which decreases the valuation of tangible personal property each year.

The District's estimates for TPPT for FY 2005-06 are based on actual receipts and information provided by the Fairfield County Auditor. Projections for FY 2006-07 through FY 2009-10 are also based on historical valuation patterns with an adjustment made for the phase-out of the inventory component of TPPT and changes in the assessed valuation percentages of public utility property due to the effects of Amended Substitute House Bill 66 (H.B. 66).

Lancaster CSD should consider updating its projections for tangible personal property tax as follows:

- FY 2005-06 should be based on the latest Fairfield County Auditor's certificate of estimated resources.

- The remainder of the forecast period should be based on the valuation loss due to H. B. 66 data, which can be obtained from the Ohio Department of Taxation website or the Ohio Department of Education.
- The TPPT valuation loss per year is based on the valuation of FY 2003-04 actual amounts. Historically the revenue collected from TPPT represents about nine percent of the valuation. Therefore it would be reasonable to project revenue from TPPT at 9 percent of the valuations, after the H.B. 66 loss has been subtracted.

Table 2-16 shows the difference between the revised approach and the District’s tangible personal property tax revenue estimates. The revised approach includes the effects of H.B. 66 and uses FY 2003-04 valuations as the base year.

Table 2-16: Tangible Personal Property Tax Revised Projections

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
District Projections					
Tangible Personal Property Tax	\$6,477,260	\$4,529,069	\$3,314,405	\$2,235,641	\$1,061,501
Revised Amounts					
Tangible Personal Property Tax	\$6,477,260	\$4,159,729	\$2,627,747	\$1,022,430	\$954,685
Net Impact	\$ 0	\$(369,340)	\$(686,658)	\$(1,213,211)	\$(106,816)

Source: AOS & Lancaster City School District

Table 2-16 shows no revenue change for FY 2005-06; however it projects a cumulative loss of \$2,376,026 over the remaining forecasted period which is shown as an adjusted amount in **Table 2-21**.

R2.6 Lancaster CSD should revise its assumptions and update its projections for property tax allocations. In an effort to increase the reliability of financial information used for decision making, the Treasurer should update the projections and better detail the assumptions using the most current and complete information available. Specifically, the assumptions for property tax allocations should include more detail, including the effects of H.B. 66 and the TPPT reimbursements.

In FY 2005-06, the Treasurer projected property tax allocations based on the Fairfield County Auditor’s certificate of estimated resources, and an additional \$550,000 to account for what was believed to be a somewhat conservative estimate provided by the County Auditor. However, for FY 2006-07 and the remainder of the forecast period, the projection is reduced by the \$550,000 and then held fairly constant at about 2.5 to 2.6 million dollars per year. The District has also accounted for the tangible personal property (TPP) reimbursement and property tax allocation revenue on separate line items in the forecast.

When assumptions and dollars amounts change for general property tax or tangible personal property tax revenue projections, property tax allocations should also be adjusted to reflect these changes. The following assumption was used to determine the new projections for property tax allocations.

- Historically, property tax allocation revenue has represented about 9.9 percent to 11.0 percent of both general property tax and tangible personal property tax revenue. As shown in **Table 2-17**, applying a conservative 9.9 percent to the adjusted general property tax projections (**Table 2-15**), and tangible personal property tax projections (**Table 2-16**), property tax allocation decreases compared to the District’s previous projections. This method accounts for both the emergency levy dropping off, and the depreciating values resulting from the phase out of tangible personal property tax.
- The revised projections also account for the H.B. 66 provision that replaces the revenue lost due to the phasing out the tangible personal property tax. In the first five years, school districts and local governments are reimbursed fully (hold-harmless period) for the lost revenue; in the following seven years, the reimbursement is phased out (phase-out period). **Table 2-17** shows the District’s and revised projections for both property tax allocation and the TPPT reimbursement. These two line items will be accounted for in property tax allocation.

Table 2-17: Property Tax Allocation Revised Projections

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
District Projections					
Property Tax Allocation	\$3,150,000	\$2,600,000	\$2,600,000	\$2,500,000	\$2,500,000
Tangible Personal Property Tax Reimbursement	\$0	\$1,108,480	\$3,691,190	\$4,850,848	\$5,060,116
District Total	\$3,150,000	\$3,708,480	\$6,291,190	\$7,350,848	\$7,560,116
Revised Amounts					
Property Tax Allocation	\$2,600,009	\$2,369,371	\$2,118,374	\$1,861,058	\$1,896,555
Tangible Personal Property Tax Reimbursement	\$201,830	\$2,317,531	\$3,849,513	\$5,454,830	\$5,522,575
AOS Total	\$2,801,839	\$4,686,902	\$5,967,887	\$7,315,888	\$7,419,130
Net Impact	\$(348,161)	\$978,422	\$(323,303)	\$(34,960)	\$(140,986)

Source: AOS & Lancaster City School District

Table 2-17 shows that the revised approach projects a cumulative increase of approximately \$131,012 over the District’s projection during the forecasted period which is shown as an adjusted amount in **Table 2-21**. AOS projections are based upon a information available at the time of the audit. During the course of the audit, ODE developed an alternative tool for projecting TPPT reimbursements that school districts

can use. Projections under the two methods are likely to differ somewhat and may show a different effect on the District's ending fund balance.

R2.7 Lancaster CSD should formally revise its assumptions and projections for restricted and unrestricted grants-in-aid. As detailed below, the audit staff made several assumptions in order to project unrestricted and restricted grants-in-aid that the District should consider when updating its projections.

The District's FY 2005-06 unrestricted and restricted grants-in-aid match the Ohio Department of Education Foundation Settlement Report. However for FY 2007-08 through the end of the forecast period, the District did not develop detailed projections for these line items. During the course of the audit, the District provided updated projections for FY 2005-06 and FY 2006-07 but again did not update the remaining forecast years and had not submitted a new forecast to ODE. When factors change for the current year, future projections should be reviewed to take into account the latest information available. By updating the entire forecasted period with current information, the District could reduce the variability in the forecast and more accurately reflect current and future revenues.

Audit staff used ODE's February #2 Foundation Settlement Report for FY 2005-06, then considered several factors when projecting unrestricted and restricted grants-in-aid for the remainder of the forecast. They are as follows:

- Average daily membership (ADM) was projected using historical ADM numbers for the past three years and took into consideration the enrollment projections in the facility section of this report. It was assumed that ADM in Lancaster CSD would decrease at about 2 percent per year. Based on this assumption, ADM was projected as follows: 5,925 for FY 2006-07; 5,914 for FY 2007-08; 5,902 for FY 2008-09; and 5,890 for FY 2009-10.
- The State Foundation amount per student was projected for FY 2006-07 using the H.B. 66 amount of \$5,403 plus a cost of doing business factor of 0.0127. FY 2007-08 through FY 2009-10 was projected based on historical average growth in the State Foundation amount of approximately 2 percent per year. Pursuant to H.B. 66, the cost of doing business factor is to be eliminated after FY 2006-07. Therefore, no adjustments were included for the remaining forecast years.
- The adjusted recognized valuation was also considered in the revised projections of State aid. Increases were included for new construction, and property value reappraisals and updates based upon historical valuation amounts.

- Categorical funding amounts from the State were considered in the projections. These numbers were individually projected using historical amounts and best information available at the time.

Table 2-18 shows the net difference, by fiscal year, between the revised projections of unrestricted and restricted grants-in-aid and the District's October 31, 2005 five-year forecast.

Table 2-18: Revised Unrestricted / Restricted Grant-in-Aids

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
District Forecast Amounts					
Unrestricted Grants-in-Aids	\$16,174,173	\$16,358,558	\$16,616,800	\$16,637,000	\$16,983,200
Restricted Grants-in-Aids	\$675,000	\$675,000	\$675,000	\$675,000	\$675,000
Revised Amounts:					
Unrestricted Grants-in-Aids	\$16,084,456	\$16,239,060	\$16,188,789	\$16,612,113	\$17,218,882
Restricted Grants-in-Aids	\$658,297	\$562,864	\$561,122	\$575,795	\$596,826
Net Impact	\$(106,420)	\$(231,633)	\$(541,889)	\$(124,092)	\$157,508

Source: Lancaster CSD October 2005 five-year forecast and AOS projections.

Table 2-18 projects a cumulative decrease over the District's projection of approximately (\$846,526) during the forecasted period, which is shown as an adjusted amount in **Table 2-21**.

R2.8 Lancaster CSD should review and adjust its forecast assumptions for the projection of purchased services for FY 2006-07 through FY 2009-10. Although historical and current trends are difficult to predict for purchased services, the assumptions should be presented and the projections should be made in a manner similar to FY 2005-06.

The District developed reasonable assumptions for the major expenditures within the purchased services category for FY 2005-06, such as utilities and open enrollment costs. However, the District did not provide supporting documentation for the assumptions used to project the other expenditures within this category.

Audit staff projected purchased services using several factors which the District may want to consider when developing future forecasts. The revised assumptions are as follows:

- Tuition to other schools for FY 2005-06 was based on the most recent information available from ODE using the February #2 Foundation Settlement Report, which estimates Lancaster's payment to other schools at almost \$100,000 less than the

District’s projections in the October 31st forecast. Due to fluctuations in historical data, tuition to other schools should not be based upon the historical average increase or decrease. Therefore, a conservative 5 percent increase over the prior year was applied to the remaining four years of the five year forecasted period.

- The District’s projected increase for both electricity and natural gas was used for FY 2005-06. Lancaster CSD estimates electricity will increase 17 percent in FY 2005-06 over the prior year. Audit staff then projected a three percent increase based on historical trends for the remaining forecasted period. The District’s projected 40 percent increase in natural gas costs was accepted for FY 2005-06 but a straight a 3 percent annual increase was used for the remainder of the forecast period.
- In general other expenditures within purchased services could be expected to increase at about the historical average percent increase. However, cost reductions that occurred in recent years skew the historical average increases. It is reasonable to assume that eventually the District’s expenditures will return to a more typical pattern. Therefore, the revised forecast assumes an inflationary increase in these other expenditures of 3 percent per year for the forecasted period.

Table 2-19 shows the net impact on the District’s ending fund balance if the revised purchased services assumptions and projections were used instead of the amounts in the District’s October 31, 2005 five-year forecast.

Table 2-19: Revised Purchased Services

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
District Forecasted Amounts	\$4,900,000	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000
Revised Amounts	\$4,676,582	\$4,815,381	\$4,960,506	\$5,112,257	\$5,270,945
Net Impact	\$223,418	\$284,619	\$139,494	(\$12,257)	(\$170,945)

Source: Lancaster CSD October 2005 five-year forecast and AOS projections.

The revised amounts take into consideration all expenditures within the purchased services category. While these projections may change or be adjusted in future forecasts, the District should determine if the revised assumptions and projections realistically reflect future expenditures and update its five-year forecast accordingly. **Table 2-21** reflects the revised projections for purchased services.

R2.9 Lancaster CSD should review and adjust its forecast assumptions for the projections of supplies and materials for FY 2006-07 through FY 2009-10. Although historical and current trends are difficult to predict for supplies and materials, the assumptions should be presented and the projections should be made in a manner similar to FY 2005-06.

The District developed reasonable assumptions for the major of expenditures within the supplies and materials category for FY 2005-06, such as the purchase of new textbooks. However, it did not provide supporting assumptions for the other expenditures within supplies and materials for the remaining forecasted period.

Audit staff projected supplies and materials expenditures using several factors which the District may want to consider when developing future forecasts. The revised assumptions are as following:

- The District’s projection for FY 2005-06 was used to incorporate the cost reductions the District has made from FY 2004-05.
- By continuing to defer spending in supplies and material, Lancaster CSD will eventually be forced to allocate funds to keep up with educational and functional needs. Therefore, in FY 2006-07, spending has been increased to the FY 2004-05 historical amounts.
- In FY 2006-07 through the remainder of the forecasted period, it was determined that with the exception of textbooks, spending would be kept consistent with FY 2005-06 projected amounts. An increase in spending for textbooks of 10 percent per year was assumed to reflect the District’s need to purchase new textbooks.

Table 2-20 shows the net impact on the District’s ending fund balance if the revised supplies and materials assumptions and projections were used instead of the amounts in the District’s October 31, 2005 five-year forecast.

Table 2-20: Revised Supplies and Material

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
District Forecasted Amounts	\$1,135,000	\$1,300,000	\$1,300,000	\$1,400,000	\$1,400,000
Revised Amounts	\$1,135,000	\$1,247,767	\$1,288,434	\$1,333,168	\$1,382,376
Net Impact	\$0	\$52,233	\$11,566	\$66,832	\$17,624

Source: Lancaster CSD October 2005 five-year forecast and AOS projections.

The revised projections allow the District to increase allocations for textbooks each year, and to increase other line items to FY 2004-05 amounts. **Table 2-21** reflects the revised projections for supplies and materials.

R2.10 Lancaster CSD should develop a comprehensive set of financial policies that are based on recommended best practices. Once a comprehensive set of policies has been developed and adopted by the Board, the District should ensure that it’s financial and budgetary practices are consistent with these policies.

The District has financial policies within its Board Policies and the Treasurer's Operational Guidelines. However the policies are lacking vital elements that are consistent with best practice. These policies should be consistent with broad government goals and should be the outcome of sound analysis. Policies should also be consistent with each other and the relationships between policies should be identified. Financial policies should be an integral part of the development of service, capital, and financial plans as well as the budget process.

According to GFOA, a comprehensive set of financial policies would include the following (see **Appendix A** for further detail on each financial policy):

- **A Policy on Budget Stabilization Funds** - A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes. Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.
- **A Policy on Fees and Charges** - A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. Policies that require the identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.
- **A Policy on Debt Issuance and Management** - A government should adopt policies to guide the issuance and management of debt. Issuing debt commits a government's revenues several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to a debt policy helps ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.
- **A Policy on Debt Level and Capacity** - A government should adopt a policy on the maximum amount of debt and debt service that should be outstanding at any one time. Policies guiding the amount of debt that may be issued by a government help ensure that outstanding and planned debt levels do not exceed an amount that can be supported by the existing and projected tax and revenue base.
- **A Policy on Use of One-Time Revenues** - A government should adopt a policy limiting the use of one-time revenues for ongoing expenditures. By definition, one-time revenues cannot be relied on in future budget periods. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due

to non-recurrence of these sources. One-time revenues and allowable uses for those revenues should be explicitly defined.

- **A Policy on Use of Unpredictable Revenues** - A government should identify major revenue sources it considers unpredictable and define how these revenues may be used. Unpredictable revenue sources cannot be relied on as to the level of revenue they will generate. Particularly with major revenue sources, it is important to consider how significant variation in revenue receipts will affect the government's financial outlook and ability to operate programs in the current and future budget periods. For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable.
- **A Policy on Balancing the Operating Budget** - A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs. A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. At a minimum, balance should be defined to ensure that a government's use of resources for operating purposes does not exceed available resources over a defined budget period.
- **A Policy on Revenue Diversification** - A government should adopt a policy that encourages diversity of revenue sources. All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on tax and rate payers. Diversity in revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.
- **Develop Policy on Contingency Planning** - A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. When emergencies or unexpected events occur, having a policy that can be applied, or at least serve as a starting point, for financial decisions and actions improves the ability of a government to take timely action and aids in the overall management of such situations.

The comprehensive policies recommended by GFOA could help the District better manage its limited resources and help ensure consistency in financial practices. Such policies will also help the District operate smoothly when there is turnover in Board membership or in key administrative positions.

R2.11 Lancaster CSD should create policies and develop plans for the acquisition, maintenance, replacement, and retirement of capital assets. Such policies and plans will help ensure that needed capital assets or improvements receive appropriate consideration in the budget process and that older capital assets are considered for retirement or replacement. The policies should be consistent with the District's academic goals and capital improvement plan, and should be the outcome of sound analysis.

The District has not developed formal asset management policies or plans which may have caused capital expenditures to be overlooked during previous budget cycles. According to GFOA, a government should develop a comprehensive set of policies and plans for the acquisition, maintenance, replacement, and retirement of capital assets. Such policies and plans are necessary to anticipate large expenditures and to minimize deferred maintenance. Further, these policies and plans will give direction to the District regarding the level of services and types of capital assets to be provided, and the manner in which the services and capital assets will be provided.

Policies may address inventorying of capital assets and evaluating their condition, criteria for acceptable asset conditions, criteria for continued maintenance versus replacement or retirement of an existing asset, and identification of funding for adequate maintenance and scheduled replacement of assets. Plans should be developed to establish ongoing, multi-year replacement and renewal schedules, and should recognize the link between capital expenditures with the annual operating budget. Plans for addressing deferred maintenance may also result from this practice.

Stakeholders should have an opportunity to provide input as capital asset policies and plans are formulated. Once adopted, the policies and plans should be made available to the public, particularly as set forth in budget, management, and planning documents. These policies will allow the District to plan for future capital acquisitions during the budgeting process.

R2.12 Lancaster CSD should periodically assess its financial reporting processes to increase efficiency and eliminate possible duplication of duties. The District's policies and procedures should also be updated to reflect any changes made to District financial reporting processes.

The Treasurer's Office operational guidelines include a staff responsibilities list by subject area. This list is broken up into three components, Accounting, payroll, and miscellaneous. These sections are then further divided according to the position responsible for that functional duty. The list also provides backup sources in the event that the responsible party cannot perform the duty. Although this list is in line with

GFOA best practices, the Treasurer's Office *operational guidelines* have not been updated to include current positions.

The documentation of accounting policies and procedures should be updated periodically according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. The documentation should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation should indicate which employees are to perform which procedures.

With the recent retirement of staff in the Treasurer's Office, updating the office responsibilities will help ensure that proper authorization of transactions and the responsibility of safekeeping of assets and records occur. Updates will also help prevent any duplication of work in the Treasurer's Office.

R2.13 Lancaster CSD should establish written risk management policies and develop procedures that ensure the policies are carried out. These policies and procedures should be periodically reviewed and updated to ensure that risks are being effectively managed and reduce the potential impact of losses. In addition, the District should periodically monitor its compliance with various laws and regulations related to risk management.

The District does not have formal policies and procedures to ensure effective risk management. Establishing policies and procedures for risk management will help ensure that the District is compliant with laws and regulations, properly reviews the costs and benefits of its insurance coverage, and is effectively lowering its risk of incurring significant financial losses. A comprehensive approach to risk management should include:

- Ensuring that the District has adequate insurance coverage, including liability, property, casualty, and umbrella insurance, and employee and public official bonds;
- Maintaining clear and complete financial contract terms for all insurance contracts;
- Periodically analyzing insurance plans, including deductible amounts, co-insurance levels, and types of coverage provided, as well as alternatives for insurance coverage such as self-insurance and other current industry trends;
- Preparing appropriate written cost and benefit analyses for insurance coverage and comparing the results with other similar districts.
- Providing management reports to the Board showing comparisons with local industry, other governmental entities, and comparable school districts; and
- Compiling any other information that demonstrates the district's use of best practices.

A comprehensive set of risk management policies will help ensure that all types of insurance coverage within the District are reviewed on a set schedule.

R2.14 Lancaster CSD should expand the confidentiality policy found in the Treasurer's Office operational guidelines to include a Board-approved ethics policy that requires financial staff to conduct themselves in a manner that avoids favoritism, bias, or the appearance of impropriety. The ethics policy should contain conduct restraints that mirror those recommended by the Ohio Ethics Commission.

The Treasurer's Office does not have detailed policies and procedures pertaining to the guidelines suggest by the Ohio Ethics Commission (OEC). However, the Treasurer's Office *operational guidelines* contain a confidentiality policy for financial staff, which could be expanded to contain the details suggested by the OEC.

According to OEC's sample ethics policy for local governments, officials and employees must, at all times, abide by the protections to the public standard embodied in Ohio's ethics laws, as found in ORC chapters 102 and 2921, and as interpreted by the OEC and Ohio courts. A general summary of the restraints upon the conduct of all officials and employees includes, but is not limited to, those listed below.

No official or employee shall:

- Solicit or accept anything of value from anyone doing business with the [District];
- Solicit or accept employment from anyone doing business with the [District], unless the official or employee completely withdraws from [District] activity regarding the party offering employment, and the [District] approves the withdrawal;
- Use his or her public position to obtain benefits for the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship;
- Be paid or accept any form of compensation for personal services rendered on a matter before any board, commission, or other body of the [District], unless the official or employee qualifies for the exception, and files the statement, described in ORC § 102.04(D);
- Hold or benefit from a contract with, authorized by, or approved by, the [District], (the Ethics Law does except some limited stockholdings, and some contracts objectively shown as the lowest cost services, where all criteria under ORC § 2921.42 are met);
- Vote, authorize, recommend, or in any other way use his or her position to secure approval of an [District] contract (including employment or personal services) in which the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship, has an interest;

- Solicit or accept honoraria (see ORC § 102.01(H) and § 102.03(H)) ;
- During public service, and for one year after leaving public service, represent any person, in any fashion, before any public agency, with respect to a matter in which the official or employee personally participated while serving with the [District];
- Use or disclose confidential information protected by law, unless appropriately authorized; or
- Use, or authorize the use of, his or her title, the name “[District],” or “[the District’s acronym],” or the [District]’s logo in a manner that suggests impropriety, favoritism, or bias by the [District] or the official or employee.

An official written ethics policy will help ensure that Treasurer’s Office staff members conduct themselves in a manner that avoids favoritism, bias, and the appearance of impropriety, and will help ensure that employees’ actions are always in the best interest of the District.

R2.15 After releasing the comprehensive annual financial report (CAFR), the District should ensure that the CAFR is readily available and publicized through several forms of communication and access locations. These include having copies available at the public library, including them in mailings to major businesses within the City of Lancaster, and issuing a press release to the local newspaper about the CAFR release. The CAFR should also be reviewed by the board members and administrators within the District, and copies made available to the public upon request. Lastly, Lancaster CSD should consider developing a popular annual financial report (PAFR).

Lancaster CSD has published a CAFR for several years. However, the CAFR has not been posted on the District’s website. In addition, the most recent CAFR at the Fairfield County Library was from the year 2003. The District does not publish a popular annual financial report (PAFR).

A PAFR is designed to assist those who need or desire a less detailed overview of government financial activities than the CAFR provides. A PAFR can take the form of consolidated or aggregated presentations, or a variety of other forms. GFOA recommends that a PAFR exhibit the following characteristics;

- The PAFR should be issued in a timely manner, not later than six months after the close of the fiscal year, so that the information it contains is still relevant.
- The scope of the PAFR should clearly be identified.
- The PAFR should mention the existence of the CAFR for the benefit of readers desiring more detailed information.

- The PAFR should attract and hold readers interest, convey financial information in an easy to understand manner, present information in an attractive and easy-to-follow format with appropriate photographs, charts, or other graphics.
- The PAFR should avoid technical jargon and be written in a concise and clear style.
- The narrative should be used to highlight and explain items of particular importance.
- Comparative data should be used constructively to help identify trends useful in the interpretation of financial data.
- The PAFR and CAFR should be distributed in a number and manner appropriate to their intended readership.
- PAFR preparers should strive for creativity.
- Users of the PAFR should be encouraged to provide feedback.
- Most important, the PAFR should establish credibility with its intended readers by presenting information in a balanced and objective manner.

The PAFR is designed to provide a non-accountant with a comprehensive overview of the finances of a government. This report can be used by the government to address accountability issues within the community, and as an additional tool to inform the community of the financial situation of that government.

A PAFR is also designed to encourage individuals to become more proactive, and will help inform the community.

R2.16 Lancaster CSD should make greater use of its website to inform and educate the public on the financial issues within the District. The District should provide published documents, such as the budget, the CAFR, and any other financial reports provided to the Board via its website.

Currently the District's website includes three financial reports that the public can view to learn about the District's financial position. One report can be reached via the Treasurer's home page, which provides a link to the Ohio Department of Education (ODE) website. From ODE's website, the user can then view the current five-year forecast and a summary of the assumptions used by the District. The second financial report also reached via the Treasurer's home page, provides information on the replacement levy. It contains historical information about the levy, and the rate at which a property owner will be taxed based on property valuation. The third report, which can be reached via a link to the Board of Education Highlights, provides a summary of the District's audit committee activities.

Although the website does not currently contain all financial information pertinent to residents, the District is working on making the information provided to the Board available to the public through its website.

According to GFOA, a government should publish its budget documents and its CAFR directly on its website. GFOA also recommends the following guidelines when presenting these documents on a website:

- The electronic CAFR should be identical to the printed version;
- The website should state whether the budget document is the preliminary or approved budget;
- Historical information should be clearly so identified as such, and should be clearly segregated from the current year data; and
- Website security should provide protection from manipulation.

The Westerville City School District website provides the community with several key financial reports that pertain to District operations. Their website consists of the following five major components:

- **Levy Information** – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calculator, Income Tax Calculator, Ohio School District Income Tax, Glossary of terms;
- **Budget/Appropriations** – Current Five-Year Forecast, understanding the five-Year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year end Analysis;
- **Taxes/Millage/Valuation** – Tax Calculator, Presentation of Governor’s Blue Ribbon Task Force on Student Success, Franklin County Area School Districts Effective Tax Rates (Historical Information), WCS Tax Rates History, Q&A Questions on Taxes and Millage;
- **Annual Report** – Two Years Historical Information for both the CAFR and PAFR, and most recent FY CAFR; and
- **Miscellaneous** – State Performance Audit, School Finance Terms, State Financial Designations, and Local Report Cards.

Providing the budget appropriations and CAFR on the website increases awareness of these documents, and can provide the user with a greater understanding the financial condition of that particular government. Posting the information on the website also reduces the time needed to respond to public document requests and eliminates any cost associated with providing the information.

R2.17 Although the District has developed and implemented a policies and procedures manual and the Treasurer’s Office operational guidelines for purchasing, it should update these documents to incorporate the use of District-issued credit cards for purchases.

Board Policy, Section D – Fiscal Management consists of requirements and guidelines that govern the processes used to purchase supplies necessary to fulfill the needs of Lancaster CSD’s educational programs. The Treasurer’s Office operational guidelines then applies the Board’s policies to the procedures used to purchase supplies and materials. The guidelines address the following:

- Purchasing process;
- Requisitions;
- Purchase Orders; and
- Invoices.

Although a majority of Lancaster CSD policies and procedures consist of recommended practices, they are lacking written procedures that govern the use of credit cards. The FY 2003-04 financial audit management letter also included a recommendation for the development of written policies for the use of District credit cards. The recommendation suggested that the policy include, but not be limited to, identification of authorized users; guidelines for allowable uses and purchases; specific unallowable uses; reporting and monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the Board of Education.

According to the Government Finance Officers Association (GFOA) and the *Government Finance Review*, if not properly monitored, the issuance of purchasing cards or credit cards to employees could result in control problems or abuse. Best practice guidelines for the use of purchasing/credit cards include the following:

- Establish written agreements with banks or other card issuers. These agreements should include fee schedules and processing procedures.
- Review and update written policies and procedures for internal staff
- Develop instructions for employee responsibility and written acknowledgements signed by the employee
- Set spending and transaction limits for each cardholder both per transaction and on a monthly basis
- Require that requests for higher spending limits be justified in writing
- Determine recordkeeping requirements, including the review and approval processes.

- Clearly communicate guidelines for the appropriate use of purchasing cards, including approved and unapproved merchants
- Conduct periodic audits of card activity and the retention of sales receipts and other documentation of purchases.
- Establish procedures for handling disputes and unauthorized purchases.
- Set standards and procedures for card issuance and cancellation, lost or stolen cards, and employee termination.

If implemented properly, a purchasing card program can minimize the resources used by an organization for small value transactions. Credit cards or procurement cards can provide an efficient, cost-effective method of paying for small value or high-volume repetitive purchases. If implemented properly, a government could realize a significant reduction in the number of purchase orders, invoices, and checks processed.

R2.18 Lancaster CSD should consider establishing an internal audit function. Internal auditing provides a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, controls, and government processes.

Lancaster CSD's financial audit management letters in FY 2001-02 and FY 2002-03 stated that the District should develop an internal audit function. Financial auditors also recommended the establishment of an audit committee. To date, the District has not established such a function or committee.

The Institute of Internal Auditors offers several recommendations for developing effective internal auditing. They are as follows, but not limited to:

- **Organizational Independence.** The chief audit executive should report to a level within the organization that allows the internal audit activity to accomplish its responsibilities (i.e., An individual within the organization with sufficient authority to promote independence and ensure broad audit coverage).
- **Planning.** The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. Goals should be capable of being accomplished within the specified operating plans, and synergy should be created between the organization's risk management and internal audit processes.
- **Policies and Procedures.** The chief audit executive should establish policies and procedures to guide the internal audit activity. The form and content of the written policies and procedures should be appropriate to the size and structure of the internal audit activity and the complexity of its work.

- **Criteria for Communicating.** Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. The final communication should, where appropriate, contain the internal auditor's overall opinion or conclusions.

An effective internal audit function can provide a value added function by improving the organization's operations. The audit committee can also perform review of unaudited financial reports, review audit results, assure audit recommendations are appropriately addressed, and serve as liaison between management and independent auditors.

R2.19 Lancaster CSD should develop and implement written policies and procedures to ensure the effective management of inventory. Once developed, the policies and procedures should be periodically reviewed and updated.

The Lancaster CSD Business Office does not have policies and procedures or operational guidelines pertaining to the management of inventory. Although inventory policies do not exist, the Office accounts for copy paper inventory on a spreadsheet that it developed.

The Florida Office of Program Policy and Government Analysis (OPPAGA) recommends that entities develop policies or guidelines which govern controls over inventory management. The following practices help ensure that accurate inventory controls are in place:

- Monitor *inventory turnover* to ensure that it does not have a significant balance of outdated inventory items;
- Establish effective controls over *inventory processes*, including effective receipts and issue procedures;
- Ensure that inventory storage areas are *reasonably safe* to prevent unauthorized access, and to protect inventory items from physical deterioration; and
- Conduct *annual (or monthly) physical counts* of inventory using effective methods.

Establishing written policies and procedures, and or operational guidelines will ensure that the District is effectively managing inventory and that it has appropriate internal controls over inventory. Policies and procedures will also ensure that the management of inventory is continued in the event of absences and turnover.

R2.20 Lancaster CSD should develop written policies and guidelines to govern the procedures followed by the Business Office follows to maximize volume discounts and special pricing agreements.

The District's policy regarding purchasing (policy "DJ") states that the acquisition of supplies, equipment and services is to be centralized in the Business Office. The Business Manager or his Office is to supervise all purchasing transactions. The Business Manager is also assigned the responsibility for the quality and quantity of purchases made. The Business Manager's Office does not have procedures or operational guidelines pertaining to vendor selection or pricing agreements.

OPPAGA's *Best Practice Management Practices with their Associated Indicators* identifies best practices for establishing and developing policies and procedures. These practices incorporate reviews of volume discounts, special pricing agreements, and other procedures relating to purchasing. The practices are listed below:

- Purchasing practices are periodically evaluated to maximize the use of human resources assigned to the purchasing function.
- Effective quotation procedures are used for purchases above small dollar amounts, but below dollar limits requiring competitive bidding.
- State contract bids, bids of other school districts, and other innovative purchasing procedures are considered where appropriate.
- The purchasing function is organizationally separate from the department that requisitions goods and services.

Further modifications to the Board's policies to include vendor selection and pricing agreement processes would help ensure that the District is receiving competitive prices for goods and services.

R2.21 Lancaster CSD should expand the use of direct deposit and consider negotiating mandatory direct deposit in future collective bargaining agreements. The District should also include mandatory direct deposit for substitute teachers and exempt employees. Direct deposit reduces check processing costs and eliminates the risk to the employee of lost or stolen checks.

Participation in direct deposit at Lancaster CSD is optional. According to the Treasurer's Office about 57 percent of employees have elected to have their pay directly deposited into a bank account. Article XI of the Lancaster Education Association (LEA) collective bargaining agreement allows direct deposit to be elected, terminated, or changed by notifying the Treasurer during the designated window periods of September 1-15, and March 1-15 of each school year.

Many school districts require direct deposit for all employees. According to Denver Public Schools, this program can be very beneficial by reducing the administrative burden associated with traditional payment methods. Direct deposit can also benefit

employees by eliminating mail delays, and minimizing the impact of address changes, and paydays falling on school holidays.

The Electronic Payment Association highlights the following benefits and cost savings attained through the use of direct deposit:

- There are fewer checks to print and store.
- Signatures are not necessary with direct deposit since no signatures are required.
- Lost and stolen checks are eliminated.
- Financial institution service charges are reduced. Typically, it costs more to process a paper check through your company or organization's account than a direct deposit transaction.
- The potential for errors is reduced because direct deposit requires less manual handling than a check.
- Account reconciliation is simplified. Your company or organization's account statement will have a single dollar amount for the total amount of the direct deposit transactions, versus individual check amounts to reconcile.
- Fraud is reduced because there is less potential for counterfeit checks, stolen checks or signature plates, altered amounts, and forged signatures.
- Problems with direct deposit are very rare. The chance of having a problem with a printed check is 20 times greater than with Direct Deposit.
- Administration costs can be lowered due to the elimination of manual check preparation.
- Companies report savings of more than 40 cents in processing costs for each paper check converted to direct deposit.
- Direct deposit adds one more incentive to competitively attract employees.

Due to the constraints within the LEA collective bargaining agreement, the District cannot mandate that employees participate in the direct deposit program. Furthermore, the time restrictions within the article limit the opportunities to voluntarily enroll.

The District and the employees could benefit greatly if all employees were required to participate in the direct deposit program. The District could save the money associated with bank fees and the time associated with the traditional process of printing checks. Employees would also benefit from the instant availability of funds; save the time associated with cashing checks; and eliminate the risk of lost checks. At the same time employees would be contributing to the District's efforts to reduce costs. Although the Electronic Payment Association criteria indicates that an entity could potentially save 40 cents per check in processing costs from converting to direct deposit, a financial

implication was not calculated due to restrictions in the District's current collective bargaining agreement and the difficulty in identifying direct and tangible savings.

R2.22 Lancaster CSD should consider making the recommended forecast adjustments (see R2.4, R2.5, R2.6, R2.7, R2.8, R2.9, R2.8, and R2.10), and implementing the other performance audit recommendations contained in this section and the other sections of this report. Implementing the performance audit recommendations will offset the projected deficits and allow the District to maintain a positive year-end balance for the entire forecasted period. In addition, the Lancaster CSD should update its five-year forecast on a regular basis and whenever material changes in assumptions are necessary or unanticipated events occur.

By implementing the performance audit recommendations and renewing the emergency operating levy, Lancaster CSD can maintain a positive fund balance through FY 2009-10. The performance audit recommendations include substantial reductions that could impact educational achievement in the District; however without additional revenue, they are necessary for the District to remain solvent.

Table 2-21 demonstrates the affect on the five-year forecast and ending fund balances, assuming the forecast adjustments are made and all recommendations contained in this audit are implemented.

Table 2-21: Revised Five-Year Financial Forecast (in 000s)

	Actual			Forecasted				
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
<i>Revised Real Estate Property Tax</i>	\$15,606	\$16,242	\$17,970	\$19,695	\$20,090	\$18,896	\$17,711	\$18,136
<i>Revised Tangible Personal Tax</i>	\$7,753	\$7,676	\$6,679	\$6,477	\$4,159	\$2,627	\$1,022	\$954
<i>Revised Unrestricted Grants-in-Aid</i>	\$15,992	\$16,174	\$15,939	\$16,084	\$16,239	\$16,188	\$16,612	\$17,218
<i>Revised Restricted Grants-in-Aid</i>	\$400	\$611	\$658	\$658	\$562	\$561	\$575	\$596
<i>Revised Property Tax Allocation</i>	\$2,530	\$1,123	\$2,497	\$2,801	\$4,686	\$5,967	\$7,315	\$7,419
¹ All Other Revenues	\$883	\$838	\$1,417	\$1,171	\$1,171	\$1,171	\$1,171	\$1,171
Total Revenues	\$43,167	\$42,666	\$45,161	\$46,886	\$46,907	\$45,410	\$44,406	\$45,494
Total Other Financing Sources	\$419	\$106	\$986	\$501	\$480	\$480	\$480	\$480
Total Revenues and Other Financing Sources	\$43,586	\$42,772	\$46,147	\$47,387	\$47,387	\$45,890	\$44,886	\$45,974
Personal Services	\$28,521	\$28,766	\$29,350	\$28,905	\$30,133	\$31,414	\$32,749	\$34,141
Fringe Benefits	\$9,236	\$10,308	\$9,941	\$11,120	\$12,235	\$12,728	13,753	\$14,485
<i>Revised Purchased Services</i>	<i>\$4,323</i>	<i>\$4,266</i>	<i>\$5,344</i>	<i>\$4,676</i>	<i>\$4,844</i>	<i>\$5,023</i>	<i>\$5,213</i>	<i>\$5,415</i>
² <i>Revised Supplies and Materials</i>	<i>\$1,314</i>	<i>\$1,478</i>	<i>\$1,249</i>	<i>\$745</i>	<i>\$1,247</i>	<i>\$1,288</i>	<i>\$1,333</i>	<i>\$1,382</i>
Capital Outlay	\$800	\$361	\$550	\$262	\$400	\$500	\$500	\$500
³ Debt Service: Principal-Notes	\$0	\$0	\$128	\$0	\$133	\$137	\$146	\$152
Debt Service: Principal-HB 264 Loans	\$330	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service: Interest and Fiscal Charges	\$23	\$0	\$30	\$0	\$25	\$21	\$12	\$6
Other Objects	\$581	\$721	\$632	\$755	\$775	\$775	\$775	\$775
Performance Audit Recommendations	\$0	\$0	\$0	\$0	(\$4,628)	(\$5,999)	(\$6,716)	(\$7,436)
Total Expenditures	\$45,131	\$45,902	\$47,227	\$46,463	\$45,164	\$45,887	\$47,765	\$49,420
⁴ Total Other Financing Uses	\$1,569	\$413	\$461	\$1,081	\$885	\$85	\$85	\$85
Total Expenditures and Other Financing Uses	\$46,700	\$46,316	\$47,688	\$47,544	\$46,049	\$45,972	\$47,850	\$49,505
Result of Operations (Net)	\$(3,114)	\$(3,543)	\$(1,541)	\$(157)	\$1,338	\$(82)	\$(2,964)	\$(3,531)
Beginning Cash Balance	\$8,949	\$5,835	\$2,291	\$750	\$593	\$1,931	\$1,849	\$(1,115)
Ending Cash Balance	\$5,835	\$2,291	\$750	\$593	\$1,931	\$1,849	\$(1,115)	\$(4,646)
⁵ Outstanding Encumbrances	\$1,143	\$666	\$631	\$200	\$650	\$650	\$650	\$650
Reservation of Fund Balance								
Fund Balance June 30 for Certification of Appropriations	\$4,691	\$1,624	\$119	\$393	\$1,281	\$1,199	\$(1,765)	\$(5,296)
Revenue from Replacement/Renewal Levies:								
Property Tax - Renewal or Replacement	\$0	\$0	\$0	\$0	\$0	\$1,600	\$3,200	\$3,200
Cumulative Balance June of Replacement	\$0	\$0	\$0	\$0	\$0	\$1,600	\$4,800	\$8,000
Unreserved Fund Balance June 30	\$4,691	\$1,624	\$119	\$393	\$1,281	\$2,799	\$3,035	\$2,704

Source: Lancaster CSD's financial forecast and recommendations identified throughout this performance audit.

Note: Numbers may vary depending upon rounding. During the course of the audit the Treasurer submitted to AOS a revised forecast with updated information. Several of the line items that were changed are also reflected in the AOS revised forecast and these are shown in italics and marked as revised.

¹ All other Revenue – Changes were made to FY 2005-06 through FY 2009-10 by Lancaster CSD for the May 2006 forecast. The updates were made due to actual collections amounts that the District had received.

² Supplies and Material - Changes were made to the May 2006 forecast for FY 2005-06 by Lancaster CSD. These changes were made because the District implemented cost reduction measures. The cost reductions in the District's revised forecast are encompassed in the performance audit recommendations.

³ Principle-Notes – Changes were made to the forecast because the District refinanced debt, which pushed the repayment period back by one fiscal year. The changes were made by Lancaster CSD to the May 2006 forecast.

⁴Transfers Out – Updates were made to the May 2006 forecast for FY 2005-06 and FY 2006-07 by Lancaster CSD to account for advances to the self-insurance fund.

⁴Advances Out – Money was reallocated to grant funds by Lancaster CSD for the May 2006 forecast so that the funds would not show year end deficits.

⁵Encumbrances – Updates were made to account for current information provided by Lancaster CSD for the May 2006 forecast.

Table 2-22 summarizes the performance audit recommendations reflected in the revised five-year forecast presented in **Table 2-21**. Recommendations are divided into two categories – those requiring negotiation and those not requiring negotiation. With the implementation of these recommendations, it is projected Lancaster CSD could show a positive fund balance through FY 2009-10 provided the emergency levy is renewed.

Table 2-22: Summary of Performance Audit Recommendations

Recommendations not Subject to Negotiation				
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
R3.2 Reduce Regular Education Staffing to 10% above State Minimums	\$1,205,398	\$1,439,700	\$1,504,402	\$1,561,076
R3.3 Reduce ESP Staffing to 10% above State Minimums	\$379,449	\$395,484	\$416,893	\$436,045
R3.4 Reduce 16 FTE Library Aides	\$573,920	\$590,717	\$614,934	\$635,166
R3.5 Reduce 7 FTE Teaching Aides	\$153,204	\$157,688	\$164,153	\$169,554
R3.6 Reduce 1 FTE Clerical Staff	\$38,598	\$39,728	\$41,357	\$42,717
R3.15 Reduce Sick Leave Usage and Associated Substitute Costs	\$50,000	\$50,000	\$50,000	\$50,000
R4.1 Reduce 6.0 FTE Custodial positions	\$205,988	\$216,944	\$231,408	\$244,774
R4.2 Reduce 2.0 FTE Maintenance positions	\$102,969	\$108,455	\$115,475	\$120,604
R4.9 Implement Energy Management Program	\$140,111	\$140,111	\$140,111	\$140,111
R4.11 Close Elementary School	NA	\$322,645	\$337,195	\$350,813
R5.2 Reduce Bus Routes & Drivers	\$186,560	\$186,560	\$186,560	\$186,350
Subtotal	\$3,036,137	\$3,648,032	\$3,802,740	\$3,937,070
Recommendations Subject to Negotiation				
R3.7 Limit COLA for Certified Employees	\$716,168	\$1,251,891	\$1,622,626	\$2,004,395
R3.8 Limit COLA for Administrative Employees	\$117,707	\$205,758	\$266,690	\$329,437
R3.9 Limit COLA for Professional Staff	\$44,300	\$77,438	\$100,370	\$123,985
R3.10 Limit Administrative Employees Retirement Pick-Up	\$43,980	\$49,916	\$50,914	\$51,933
R3.12 Increase Employee Share of Insurance Premium Costs	\$672,234	\$768,654	\$874,715	\$991,383
Subtotal	\$1,594,389	\$2,353,657	\$2,915,315	\$3,501,133
Total of Recommendations	\$4,630,586	\$6,001,689	\$6,718,055	\$7,438,205

Source: AOS Recommendations

Table 2-23 summarizes the implementation costs associated with the various recommendations contained within the performance audit. Each cost is dependent on Lancaster CSD decision to implement the associated recommendation and the timing of the implementations.

Table 2-23: Summary of Implementation Costs

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
R4.10 Implement Automated Work Order System	\$(2,450)	\$(2,450)	\$(2,450)	\$(2,450)

Source: AOS Performance Audit Recommendations

Appendix A: Recommended Additional Policies

A Policy on Budget Stabilization Funds - A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes. Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Development of a policy on minimum and maximum reserve levels may be advisable. Policies on stabilization funds should be publicly available and summarized in materials used in budget preparation. They also should be identified in other government documents, including planning and management reports.

A Policy on Fees and Charges - A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. Policies that require the identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.

Policies may address a requirement to review all fees and charges, the level of cost recovery for services and the reason for any subsidy, and the frequency with which cost-of-service studies will be undertaken. Stakeholders should be given an opportunity to provide input into formulation of these policies. Policies on fees and charges should be publicly available and summarized in materials used in budget preparation. They should also be identified in other government documents, including planning and management reports.

A Policy on Debt Issuance and Management - A government should adopt policies to guide the issuance and management of debt. Issuing debt commits a government's revenues several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to a debt policy helps ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.

Elements of policies on debt issuance and management include: purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints; refunding of debt; and investment of bond proceeds. Legal or statutory limitations on debt issuance should be incorporated into debt policies. Debt policies should be made available to the

public and other stakeholders. Because these policies are essential to budget decision making, particularly capital budgets, they should be reviewed by decision makers during the annual budget process and summarized in the budget document. The legislative body should formally adopt debt policies and compile them with other financial policies.

A Policy on Debt Level and Capacity - A government should adopt a policy on the maximum amount of debt and debt service that should be outstanding at any one time. Policies guiding the amount of debt that may be issued by a government help ensure that outstanding and planned debt levels do not exceed an amount that can be supported by the existing and projected tax and revenue base.

A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body.

A Policy on Use of One-Time Revenues - A government should adopt a policy limiting the use of one-time revenues for ongoing expenditures. By definition, one-time revenues cannot be relied on in future budget periods. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these sources. One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process. The policy, and compliance with it, should be reviewed periodically.

A Policy on Use of Unpredictable Revenues - A government should identify major revenue sources it considers unpredictable and define how these revenues may be used. Unpredictable revenue sources cannot be relied on as to the level of revenue they will generate. Particularly with major revenue sources, it is important to consider how significant variation in revenue receipts will affect the government's financial outlook and ability to operate programs in the current and future budget periods.

For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generates revenues substantially higher or lower than projected. The plans should be publicly discussed and used in budget decision making.

A Policy on Balancing the Operating Budget - A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs. A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. At a minimum, balance should be defined to ensure that a government's use of resources for operating purposes does not exceed available resources over a defined budget period. A more stringent definition requires that a government maintain a balance between operating expenditures and operating revenues over the long term, not just during the current operating period. This latter definition of balance is referred to as structural balance, and is the goal of this practice.

The policy should provide clear definition as to how budgetary balance is to be achieved. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) should be explicitly identified. All funds should be included. Statutory and other legal "balanced" budget requirements should be met, but this practice recommends additional policies and practices, if necessary, to achieve and report on structural balance. The policy should explicitly note and, if necessary, explain the relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government. The policy also should identify the circumstances when deviation from a balanced budget may occur. The policy should be written in non-technical language or have a no technical summary. Because of its importance in budget decisions, it should be readily available to stakeholders and publicly discussed at key points in the budget process. Compliance with the policy should be reviewed and disclosed during each budget period.

A Policy on Revenue Diversification - A government should adopt a policy that encourages diversity of revenue sources. All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on tax and rate payers. Diversity in revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.

The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues. The policy and the approach to implementation should be periodically reviewed.

Develop Policy on Contingency Planning - A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. When emergencies or unexpected events occur, having a policy that can be applied, or at least serve as a starting point, for financial decisions and actions improves the ability of a government to take timely action and aids in the overall management of such situations.

This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts. The policy should be publicly discussed and reviewed periodically

Human Resources

Background

This section of the performance audit focuses on the Lancaster City School District (Lancaster CSD or the District) human resources functions. Operations were evaluated against best practices, industry benchmarks, operational standards, a three peer district average (peer districts),¹ and the Ohio Department of Education (ODE) twenty similar district average² (similar districts) for the purpose of developing recommendations to improve efficiencies and business practices. Recommendations also identify potential cost savings to assist the District in its efforts to achieve a balanced budget and address projected future year deficits. This comprehensive assessment of human resource operations includes staffing levels and compensation, negotiated agreements, human resources management and program operation processes. Best practices and industry standards were drawn from various sources and benchmarks such as the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), ODE, the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the Kaiser Family Foundation Annual Survey (Kaiser), and the State Employment Relations Board Annual Survey (SERB).

Organizational Structure

In the State of Ohio, all school districts are required to have a superintendent and a treasurer that report directly to the board of education. Lancaster CSD also employs an Assistant Superintendent and Business Manager. The Business Manager has responsibility for the management and operation of the District's facilities, as well as the transportation and food service functions. (See **facilities and transportation sections** for a more complete description.) The Assistant Superintendent is primarily responsible for the District's human resources functions.

Lancaster CSD Human Resources Department (the Department) consists of the Assistant Superintendent and two secretaries who manage personnel matters such as scheduling, archiving employee forms, and tracking teacher certifications. The Treasurer and Assistant Treasurer oversee the benefits component of human resources as well as payroll operations.

¹ Peer Districts: Ashland CSD, Madison LSD, and Salem CSD.

² Similar Districts as defined by Ohio Department of Education: Marietta CSD, Mount Vernon CSD, Ashland CSD, Franklin CSD, Springfield CSD, Salem CSD, Logan-Hocking LSD, Greenville CSD, New Philadelphia CSD, Circleville CSD, Sidney CSD, Madison LSD, Indian Creek LSD, Buckeye LSD, West Clermont LSD, Jackson CSD, Southwest LSD, Piqua CSD, Niles CSD, and Tiffin CSD.

Staffing

Table 3-1 shows the number of full-time equivalent (FTE) employees per 1,000 average daily membership (ADM) at Lancaster CSD along with the average of the three peer districts and the twenty similar districts. Lancaster CSD made substantial staffing reductions for FY 2005-06 and **Table 3-1** uses District reported staffing levels for that period. However, due to the availability of up-to-date data from other school districts at the time of the analysis, the staffing data for the peer districts and similar districts is drawn from FY 2004-05. Staffing data is reported by the districts to ODE through the Education Management Information System (EMIS). Adjustments were made to Lancaster CSD EMIS data based upon interviews with appropriate personnel to ensure consistent classification of positions within the District.³ Finally, **Table 3-1** shows staffing levels on a per 1,000 ADM basis which eliminates staffing level differences caused by the size of the comparison districts.

³ EMIS requires districts to enter full-time equivalents (FTE) based on the number of hours included in a full time position in the employees' collective bargaining agreement. In most cases, this represents an 8-hour day, but in classifications like food service and transportation, an FTE, as defined by the district's agreement, may work fewer hours.

Table 3-1: Staffing Comparison (FTE Staff per 1,000 ADM)

Category	Lancaster CSD ¹	Peer District Average ²	Similar District Average ²
Average Daily Membership (ADM)	6,185	3,120	4,296
Administrators: Subtotal	5.3	6.4	5.4
Principals	1.6	2.1	1.9
Assistant Principals	0.8	0.8	0.9
Central Administrators	2.9	3.4	2.6
Educational Staff: Subtotal	59.0	71.5	65.1
Curriculum Specialist	0.0	0.1	0.1
Regular Teachers	37.1	43.1	43.5
Special Education Teachers ²	8.9	9.6	8.3
Vocational Teachers	4.4	6.1	2.3
ESP Teachers	3.1	5.6	4.2
Tutor / Small Group Instructors	0.0	1.3	1.8
Counselors	1.3	2.0	1.9
Librarian / Media	0.6	0.7	0.5
Remedial Specialist	3.3	2.5	2.2
All Other Educational Staff	0.2	.5	0.4
Professional Staff: Subtotal	2.7	2.4	2.4
Technical Staff: Subtotal	4.5	2.0	2.8
Computer Operator / Programmer	0.2	0.2	0.3
Library Technician / Aide	3.7	1.4	1.2
All Other Technical Staff	0.7	0.4	1.3
Office / Clerical Staff: Subtotal	14.0	10.6	12.6
Bookkeeping	1.0	1.4	0.6
Clerical	5.8	5.6	5.3
Teaching Aide	6.9	3.5	5.7
All Other Office Staff	0.3	0.1	1.1
Transportation: Subtotal	5.0	7.8	7.0
Facilities: Subtotal	8.2	8.2	7.6
Food Service Workers	5.5	5.2	6.2
All Other Personnel	0.0	0.6	0.4
Total FTE per 1,000 Students	104.2	114.8	109.5

Source: Ohio Department of Education school district EMIS reports.

¹ Based on FY 2005-06 reported staffing levels.

² Based on FY 2004-05 reported staffing levels.

As shown in **Table 3-1**, Lancaster CSD employs fewer administrators and educational staff per 1,000 ADM than the averages of the peer and similar districts. Conversely, the District is high compared to the similar districts in the professional, technical, and office/clerical staff categories. Each category where the staffing levels are higher than the similar district or peer district average represents a potential opportunity for the District to reduce staff and the associated salary and benefit costs while potentially maintaining comparable service levels through enhanced operations. (See recommendations **R3.4**, **R3.5**, and **R3.6**.)

Compensation

Table 3-2 shows the District's average salaries in comparison to both the peer and similar district averages during FY 2004-05. Years of service, cost of living allowances, step increases, and in some cases, the education level attained by the personnel within a category all directly impact average salaries. Average salaries for administrators, certificated staff, and professional staff were above both the peer and similar district averages. (See recommendations **R3.7**, **R3.8**, and **R3.9**).

Table 3-2: Average Salary Comparison (FY 2004-05)

Personnel Category ¹	Lancaster CSD Salary	Ashland CSD Salary	Madison LSD Salary	Salem CSD Salary	Peer Average Salary	Difference vs. Peer Districts	Similar District Salary ³	Difference vs. Similar Districts
Administrative Staff	82,616,	64,488,	61,252	63,562	63,101	31%	70,818	17%
Certificated Staff	55,041	46,705,	42,988	46,722	45,472	21%	48,983	12%
Professional Staff	58,780	53,565	42,800	36,753	44,373	32%	47,623	23%
Technical Staff Average ²	24,908	16,682	21,987	21,527	20,065	24%	21,868	14%
Office/Clerical Staff Average ²	21,043	22,422	17,807	23,893	21,374	(2%)	21,582	(2%)
Transportation Average ²	18,660	14,972	15,465	12,320	14,252	31%	19,678	(5%)
Facilities Average ²	38,528	34,344	30,947	31,203	32,165	20%	33,269	16%
Food Service Worker Average ²	17,099	19,088	14,944	11,384	15,139	13%	14,484	18%
All Other Personnel Average ²	27,769	20,297	21,865	28,198	23,453	18%	40,955	(32%)

Source: Lancaster, peer districts, and similar districts 2005 EMIS data.

Note: Salaries are as reported in EMIS and do not include compensation that may be in the form of paying the employee's share of the retirement contribution.

¹ Detailed tables for each category with the exception of classified staff are reflected in the recommendation portion of the audit report.

² Classified Staff includes technical, office/clerical, transportation, facilities, food service worker, and other personnel. The analysis resulted in an assessment not yielding a recommendation for overall classified average salaries.

³ For consistency purposes, similar district benchmarks are used for audit report assessments, however, peer district benchmarks represent an opportunity for the District to make additional reductions in salaries.

As shown in **Table 3-1**, Lancaster CSD has higher staff salaries in its administrative, certificated, and professional staff when compared to both peer and similar district averages. These categories represent potential savings to the District. As noted, technical, office/clerical, transportation, facilities, food service, and all other personnel were assessed as overall classified staff which did not yield a recommendation.

Negotiated Agreements

Certificated and classified personnel within the District are governed by collective bargaining agreements. In FY 2005-06, the District had two main employee groups covered under a collective bargaining agreement:

- **Lancaster Education Association (LEA), Agreement spans FY 2002-03 to 2004-05:** The contract was “rolled over” for FY 2005-06. Membership in this collective bargaining unit is approximately 370 employees and represents all teachers and other certificated professional staff.
- **Lancaster School Support Association (LSSA), Agreement spans FY 2004-05 to 2005-06:** Membership in this collective bargaining unit is approximately 229 employees and represents most support staff including clerks, custodians, maintenance workers, and technical staff with the exception of directors and other supervisory personnel.

As part of this performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Contract provisions assessed but not yielding recommendations are shown in **Appendix 3-B (Table 3-17) and 3-C (Table 3-18)**. For recommendations regarding the District’s collective bargaining agreements, see **R3.13** and **R3.14**.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments that did not result in recommendations or warrant changes include the following:

Staffing Levels

- **Administrator, Non-teaching Educational Staff, and Human Resource Staffing Levels:** FY 2005-06 staffing levels for administrators were below the similar district benchmark averages. Administrative staff averaged 5.3 FTEs compared to similar district average of 5.4 per 1,000 students. Remedial specialists, tutors, and other educational professionals were combined and included in a separate analysis as components of total non-teaching educational staff. Staffing in this classification averaged 3.5 FTEs per 1,000 students compared to the similar district average of 4.4 FTEs per 1,000 students. The Human Resource Department, which consists of the Assistant Superintendent and two human resource assistants, has a small number of FTE employees relative to the size of the District.

Compensation

- **Classified Staff Average Salaries:** In total, the District's average salaries for classified staff are in line with similar district average salaries. Classified salaries include technical, office/clerical, transportation, facilities, and food service staff.
- **Supplemental Contacts:** The District's expenditures on extracurricular activities, including supplemental contracts, were below the average peer district cost per student. Lancaster CSD extracurricular activities costs were \$155 per student in FY 2004-05 compared to a similar district cost of \$220 per student.
- **Substitute Wages:** The District's daily rate for substitute teachers is comparable to other districts in Fairfield County. Lancaster LSD's substitute rates range from \$70 to \$85 per day, compared a range of \$75 to \$91 per day for the other districts in the county. The rates are based on experience and number or duration of substitute days.

Insurance Benefit Packages

- **Dental Benefits:** The District's dental benefit costs are in line with benchmark averages. Lancaster CSD offers dental benefits at a cost to the Board of \$42 per month, per member. The cost is below the SERB (State Employment Relations Board Annual Report on Insurance Benefits) benchmark average of \$66 per month, per member.
- **Bureau of Worker's Compensation (BWC):** The District has a slightly lower than average experience risk rating. This rating enables the District to achieve lower workers' compensation premiums. Lancaster CSD rating is .95 compared to BWC's average rating scale of .50 to 1.50.

Negotiated Agreements and the Collective Bargaining Process

- **Certificated Bargaining Agreement:** Several Lancaster CSD bargaining agreement provisions in the certificated agreement are similar to the peer districts' contract provisions. These include: length of workday; teacher planning time; breakdown of contractual days; number of personal days offered and accrual balance; maximum number of sick days paid at retirement; pick up of employee's portion of retirement, and cost of living increases.
- **Classified Bargaining Agreement:** Several Lancaster CSD bargaining agreement provisions in the classified agreement are similar to the peer districts' contract provisions. These include: vacation time accrual; maximum number of sick days paid at severance; number of personal days and notice; number of holidays for employees; pick up of employee's portion of retirement; and cost of living increases.

- **Early Retirement Incentive:** The District does not have an early retirement incentive that could have a potential negative cost effect to the District. In both certificated and classified contracts, the District offers a one time bonus and a higher sick leave severance pay out to all staff in the first eligible year of retirement. The District had a low number of staff retirements during FY 2004-05.
- **Collective Bargaining Process:** The District's collective bargaining process was compared to the best practice indicators⁴ of an effective bargaining process, such as designating key personnel to oversee negotiations, accessing the advice of an attorney, and identifying potential costs to the District for contract provisions. The District met these indicators by assigning the Assistant Superintendent to oversee the negotiations, hiring collective bargaining mediators, and working with the Treasurer and key building personnel to identify the costs to the District of selected negotiated provisions.

Human Resource Management

- **Job Descriptions:** The District meets best practice indicators for job descriptions. A sample of job descriptions shows the District maintains up-to-date job descriptions that provide specific duties and expectations of employees assigned to the position.
- **Employee Retention and Turn-over:** The District meets best practice indicators for employee retention procedures including a mentoring program and a pay incentive for continuing education. The District's process identifies various indicators that enable it to maintain an effective workforce as prescribed by the National Education Association (NEA).
- **Employee Evaluations:** The District conducts formal evaluations that meet best practice criteria including formal procedures for evaluations that are structured in a way that clearly informs employees of performance expectations. The District's evaluation process also identifies employee performance ratings and solicits employee feedback.
- **Employee Communications:** The District meets best practice indicators for effective communication channels by using various methods to communicate with its employees. These include using its website to post information relevant to employees and issuing newsletters by email to keep employees informed of District matters, as well as discussing relevant information at departmental meetings.

⁴ Best practice indicators used to compare District operations were generated from OPPAGA's Best Financial Management Practices and their associated indicators for 2002 (Florida Office of Program Policy Analysis and Government Accountability).

Climate Surveys and Work Environment

- **Exit Interviews:** The District meets best practice indicators for its exit interview processes, including conducting the interview for employees in order to quickly identify areas that can be improved. The District performs exit interviews to identify ways in which the District can enhance its working environment as suggested by best practice indicators.

Human Resource Information System

- **Human Resources Information Systems (HRIS):** Lancaster CSD does not have a comprehensive HRIS. However, the District has a combination of software packages, databases, and documentation that includes the use of EMIS and the Uniform School Accounting System (USAS). The District also implemented a commercial database software application to use for its staffing information during FY 2005-06. This combination is sufficient and cost effective based on the size, needs, and current financial resources of Lancaster CSD. The EMIS, USAS, and the Human Resource Database aide the District by electronically tracking and processing employee data including payroll, employee forms, and certifications.

Professional Development Program

- **Professional Development Program:** The District's professional development program meets criteria for an effective program based on the best practices promulgated by OPPAGA. The District met the following criteria for its professional development program: using a mentoring program, developing individual professional development plans, and soliciting employee feedback on in-service training programs.

Board Roles and Responsibilities

- **Lancaster CSD Board of Education (Board) Roles and Responsibilities:** The Board has developed new policies and procedures with the assistance of the Ohio School Boards Association (OSBA) to ensure it has the most up-to-date written policies. These policies and procedures are in line with best practice indicators which include: revised up-to-date policies reflecting the most recent changes in laws and regulations, clearly defined Board roles and responsibilities, and established responsibilities for the Superintendent and Treasurer in their relationship with the Board.

Special Education Programs

- **Special Education Staffing:** The District is in line with OAC § 3301-51-06 suggested staffing ratios for students with disabilities. Based on the population of students with specific

disabilities and within specific age groups, Lancaster CSD employs 55 special education teachers and is required to have at least 50 FTEs to be in compliance with OAC guidelines.

- **Special Education Identification Procedures:** The District meets ORC § 3323.08 requirements to perform annual assessments to identify children with special needs. On an annual basis and for all special needs students entering the District, an IEP (Individual Evaluation Plan) is developed based on individual assessments to prescribe the support necessary to achieve each student's educational goals.
- **Special Education Instruction and Achievement:** The District meets best practice indicators for assessing instruction and achievement of program goals. The District has a policy in place for special education instruction. The policy describes the District's special education program goals and a process to achieve these goals.

Accelerated Programs

- **Accelerated Needs Assessment:** The District regularly assesses the needs of its accelerated programs with appropriate instruments, such as the Iowa Test of Basic Skills, other achievement tests, and teacher and parent referrals.
- **Accelerated Resources:** The District receives gifted aide units determined by its average daily membership (ADM) and correctly codes its staff in the gifted program. Gifted program staff is required to have proper certification and to be reported through the EMIS. Additionally, program funding is weighted by student population and staff credentials. Once the gifted units are allocated to the District, the units are then calculated using the ORC salary scale which is based on the experience and education level of the gifted program teachers and coordinators. In general State funding is minimal and districts, including Lancaster CSD, often spend additional money to support the program.

Issues for Further Study

Additional areas were identified during the course of the audit that may warrant further examination but were outside the scope of the current audit engagement. These areas are discussed below:

- **Health Insurance:** Lancaster CSD self-insures its healthcare benefits. Theoretically, self-insuring employee healthcare can be cost effective for entities because they assume the financial risk of insurance liabilities rather than relying on a 3rd party provider to assume the risk which increases the cost of the insurance premiums. Premiums are determined by actuarial projections based on the district's claim history. A self-insurance fund can minimize costs if claims remain stable and if the district uses cost containment procedures to

minimize the number of claims. As a result, premiums can be significantly lower than a commercial insurance provider will offer.

However, in the case of Lancaster CSD, the self-funded insurance program has not rendered cost savings when compared to commercial insurance premiums. Over the past three years, the District has incurred costly healthcare claims which have depleted its self-insurance fund balance. In turn, the District has significantly increased its premiums to replenish the fund. Additionally, Lancaster CSD has been unable to maintain the reserve balance required by ORC § 9.823. In an effort to comply with the ORC and begin stabilizing the fund, the District has increased its premium amount by 27 percent beginning in November 2005.

Because of the District's financial condition and a trend showing increasing insurance claims, moving from self-insurance to a third party insurance provider is not feasible at this time because such a move could represent an additional strain on the District's budget. If the District decides to shift its insurance program to an outside vendor, it will simultaneously be responsible for unpaid claims from the self-insurance program and insurance premium costs from the vendor.

Therefore, Lancaster CSD should further investigate options for providing healthcare insurance to its employees in the future. Comparing current costs to other alternatives such as contracting with a third party provider or joining an insurance consortium⁵ will give the District insight into potential costs and benefits and help ensure the best option is chosen to effectively meet the needs of the District employees.

- **Special Education Pooled Resources:** The District does not have a specific pooled resource agreement with other surrounding districts or county programs. Lancaster CSD special education program is provided in-house and uses outside resources when required by IEPs. In an effort to maximize resources, the District should investigate additional avenues for sharing resources with other neighboring districts or agencies. Seeking other alternatives and sharing resources could prove to be financially beneficial by enabling the District to provide a wider range of services at the same or lower cost. For example, districts may be able to coordinate service delivery and pool resources for specialized transportation, or districts may

⁵ As part of the FY 2006-07 Biennial Budget, Amended Substitute House Bill (H.B.) 66, the Legislature sought to reduce costs and to lessen administrative burdens in the provision of school district health care benefits. As a result, the Legislatures made numerous changes to Ohio Revised Code § 9.833 and considered establishing a statewide health care plan. In order to facilitate the establishment of this plan, a reference to "school districts" was deleted from the definition of "political subdivision," thus denying districts their existing right to establish self insurance programs or join other political subdivisions to form joint programs. However, the Legislature then decided to delay any action until a study commission could be established to examine the issue at length. In addition H.B. 66 (ORC § 611.03) provides that the amendments dealing with school district health care plans will not take effect until specifically enacted in future legislation. As a result, there has been some confusion among school districts regarding their current authority under H.B. 66. Due to the delayed effective dates of the amendments included in H.B. 66, school districts remain political subdivisions for the purposes of establishing health care consortiums and forming joint programs under ORC § 9.833.

be able to share in the cost specialized professionals such therapists, gifted education coordinators, and curriculum specialists.

- **Accelerated Pooled Resources:** The District does not have a cooperative pooling agreement for educational resources for its gifted program. The District provides an in-house gifted program and uses some outside resources to enhance the program. However, it is not able to provide an extensive gifted program because funding is limited. As a result of the forecasted deficit, the District has made funding cuts to the program. The District should further investigate opportunities to enhance its gifted program through cooperative resource sharing with neighboring districts, particularly during the period when the District is not able to fully fund its program. Some alternatives may be available such as pooling with other districts or participating in county programs and seeking additional grants to help support and improve the program.

Recommendations

Staffing

R3.1 Lancaster CSD should seek to develop a formal staffing plan to address current and future staffing needs and fiscal constraints. Similar to the plan used by the Tulsa Public Schools, the District should consider establishing staffing allocations for administrative, certificated, and classified personnel. This will help ensure the District proactively addresses its staffing needs and complies with State and federal requirements. Likewise, the plan should illustrate how staffing and related costs impact the District's financial condition.

The District does not have a formalized staffing plan. Instead, each building principal reports staffing levels to the Assistant Superintendent who then ensures that these levels are staffed in consideration of enrollment projections. The District does not have a formal method to determine or verify whether or not it is sufficiently staffed in accordance with laws and regulations, or in a manner appropriate for its enrollment projections.

Tulsa Public Schools (TPS) has established an approach for developing a staffing plan that is recognized as a best practice. The TPS staffing plan incorporates staff allocation factors such as state and federal regulations, workload measures, and industry benchmarks as well as staffing levels determined by its administration. In this plan, TPS benchmarks staffing based on general fund revenues to help maintain a focus on a balanced budget when considering school staff levels. The plan is used as a guide to determine staffing levels on an annual basis, as well as mid-year, to determine if the staffing levels need to be modified based on actual enrollment.

In order to ensure sufficient and effective staffing levels, TPS has developed staffing formulas in the plan that include state and federal regulations, industry benchmarks and enrollment to calculate projected staff levels. These formulas are used to help the District identify staff overages or shortages in each staffing category, and in some cases, the number of staff needed per building. Additionally, TPS does not negotiate class size or its annual staffing plan as a part of its collective bargaining agreement.

By relying on building administrative staff to set and report desired staffing levels, Lancaster CSD may not be staffed in a manner designed to achieve its academic mission and meet District operational needs, including legal and budgetary requirements.⁶ Minimum staffing levels for classroom teachers, educational service personnel, and principals, as well as instructors and aides involved in the delivery of services for students with special needs are, governed by OAC § 3301-51-06 and should be included in the staffing plan. Without a formal staffing plan that incorporates staffing requirements and District benchmarks, Lancaster CSD does not have an effective way to ensure it is consistent in meeting State requirements and allocating staff appropriately to meet its academic and fiscal needs.

Finally, the primary area of expenditures in any school district budget is salaries and benefits. In FY 2004-05, 82 percent of Lancaster CSD General Fund was spent on salaries and benefits. Establishing a formal staffing plan similar to TPS will assist Lancaster CSD with making sound personnel decisions based on academic priorities, federal and State requirements, and available resources. Understanding the minimum personnel resources required to meet District operational and educational needs is particularly critical in lean budgetary times. If Lancaster CSD implements a staffing plan and updates the plan on a semi-annual basis, it will be better prepared to make changes to staffing levels in response to its financial condition.

R3.2 Because of its current financial circumstances, Lancaster CSD should consider making significant reductions in its regular teaching staff to avoid projected deficits. The District could potentially reduce regular teaching staff by 23 FTE employees and remain approximately 10 percent above state minimum requirements as set forth by OAC § 3301-35-05.

During the course of the audit, Lancaster CSD submitted a corrective action plan to ODE to address its future projected deficit which included a reduction of 27.5 FTE regular teachers.

Lancaster CSD regular teaching levels fall within the peer and similar district averages and is 42 FTE regular teachers above the state minimum requirement. **Table 3-3** reflects the number of regular students per regular classroom teacher for Lancaster CSD, the peer

⁶ ORC § 5705.41 states “no school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate, signed as required by this section, that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in its adopted school calendars for the current fiscal year and for a number of days in succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year.” In addition, ORC § 5705.412 shall be based on the certification of the District’s five year projection.

districts, and the similar districts. The staffing ratios are also compared with State minimum requirements.

Table 3-3: Regular Teachers per 1,000 Regular Students

Classification	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD	Peer Average	Similar Districts
Regular Teachers	229.5	153.1	142.9	107.8	134.6	186.9
Regular Student Population	4,695	2,851	2,519	1,982	2,451	3,362
Regular Teachers per 1,000 Regular Students	48.9	53.7	56.7	54.4	54.9	55.6
State Minimum Required FTE Employees	187.8	114.0	100.8	79.3	98.0	134.5
FTE Above State Minimum Requirement	42.0	39.1	42.1	28.5	36.6	35.7
# Above Minimum Requirement per 1,000 Regular Students	8.9	13.7	16.7	14.4	14.9	10.6
Student Teacher Ratio	20.4	18.6	17.6	18.4	18.2	18.0

Source: Lancaster CSD 2006 EMIS data, peer districts' and similar districts' 2005 EMIS data, SF-3 reports, and state minimum standards.

Table 3-3 demonstrates that Lancaster CSD has the highest student teacher ratio when compared to both the peer and similar district averages. However, to economize in the area of salary and benefit costs, Lancaster CSD could reduce 23 FTE teachers and remain approximately 10 percent above State minimum requirements. During the course of the audit, Lancaster CSD submitted a corrective action plan to ODE to address its future projected deficit. According to the District, this plan included a reduction of 27.5 FTE regular teachers.

The District's forecasted operating deficit and recent levy failures requires it to consider implementing teacher staffing reductions in order to balance the budget. However, this reduction may have a negative impact on its academic performance. Without the renewal of its emergency operating levy in 2007, the District may be required to consider additional reductions in its teaching staff.

Financial Implication: By reducing 23 FTE regular teaching positions, the District could save approximately \$1.2 million in salaries and benefits in FY 2006-07 and a cumulative total of \$5.7 million dollars over the remainder of the forecast period. The FY 2006-07 savings are projected based on the costs of the 23 least experienced regular teaching positions. This conservative estimate of savings could be increased, or the number of

reductions necessary could be lessened, if reductions occurred through retirements or voluntary separations of more experienced staff.

R3.3 In order to avoid projected deficits, Lancaster CSD should consider significant reductions in its educational service personnel (ESP). The District could potentially reduce 8 FTE ESP positions and remain approximately 10 percent above state minimum requirements set forth by OAC § 3301-35-05.

During the course of the audit, the District informed AOS that it reduced 7.7 FTE educational service personnel as part of its corrective action plan.

The District's ESP staffing levels fall below the peer and similar district average by at about 2 FTEs per 1,000 regular students. **Table 3-4** reflects the number of ESP per 1,000 regular students for Lancaster CSD and compares the ratio with peer districts, similar districts, and OAC minimum staffing requirements.

Table 3-4: Educational Service Personnel per 1,000 Students

Classification (FTE)	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD	Peer Avg.	Similar Districts
ESP Teachers	19.0	20.1	15.5	17.0	17.5	18.2
Counselors	8.0	7.0	8.0	4.0	6.3	8.2
Librarian / Media Specialist	4.0	3.0	2.0	1.5	2.2	2.2
Registered Nurses	1.5	0.0	1.9	3.0	1.6	1.9
Social Workers	1.0	0.0	0.0	0.0	0.0	0.4
Visiting Teacher	0.0	0.0	0.0	0.0	0.0	0.0
Total ESP (FTE)	33.5	30.1	27.4	25.5	27.7	30.9
Regular Student Population ¹	4,695	2,851	2,519	1,982	2,451	3,362
ESP per 1,000	7.1	10.6	10.9	12.9	11.4	9.2
State Minimum Required FTE Employees	23.5	14.3	12.6	9.9	12.3	11.6
FTE Above State Minimum Requirement	10.0	15.8	14.8	15.6	15.4	15.3
# Above Minimum Requirement per 1,000 Regular Students	2.1	5.6	5.9	7.9	6.4	6.7

Source: Lancaster CSD 2006 EMIS data, peer districts' and similar districts' 2005 EMIS data, SF-3 reports, and state minimum requirements.

¹ The regular student population is located on line 25c of the SF-3 report for Lancaster FY 2005-06. Peer and similar districts' most recent reports were unavailable at the time of the assessment, therefore, SF-3s for FY 2004-05 were used for comparison.

As shown in **Table 3-4** District ESP staffing falls below both peer and similar district averages. However, the District employs 10 FTEs above State minimum requirements.

This represents a potential opportunity for a reduction in ESP staff. A reduction of 8 FTEs in the ESP category would leave the District approximately 10 percent above the State minimum requirements.

OAC § 3301-35-05(A) (4) defines ESP staff as kindergarten through grade 8 art, music, and physical education teachers plus counselors, library/media specialists, nurses visiting teachers, and social workers. The OAC states that a school district must employ at least 5 FTEs per 1,000 regular education students.

Despite staffing ratios below the peer and similar district averages, the forecasted operating deficit and recent levy failures require the District to consider staffing reductions in ESP. This reduction may offset potential reductions in regular teacher ranks which could impact the District's academic performance more. During the course of the audit, the District informed AOS that it reduced 7.7 FTE educational service personnel as part of its corrective action plan.

Financial Implication: By reducing 8 FTEs in the ESP category for FY 2006-07, the District will save approximately \$379,000 in salaries and benefits and a cumulative total of \$1.6 million dollars over the remainder of the forecast period. The FY 2006-07 savings are based on projected entry level salary and benefit costs of about \$47,400 for certificated staff positions. This conservative estimate of savings could be increased, or the number of reductions needed could be lessened, if reductions resulted from retirements or the voluntary separation of more experienced staff.

R3.4 Lancaster CSD should consider reducing the number of building-based education assistants and library aides to be more in line with the similar district average. The District's education assistants and library aide staffing is about 2.6 FTEs per 1,000 students higher than the average of the similar districts, or a total of 16 FTEs.

According to the District, it has already eliminated 4 library aide positions as part of its corrective action plan.

The District has 23 building-based education assistants and library aides in addition to 4 FTE librarians. The District has a library in each building and a library aide for each library. The library aides perform daily tasks associated with library operations. In addition, there will be a select group of library aides used as a support service for the District's Technology Department beginning in FY 2006-07. The amount of time used for technology support is expected to equate to 2.4 FTEs or 20 percent of the library aides' time.

The building-based library aides will be used as a first line of contact for technology issues in each building, a function they will perform in addition to their daily library

assistance duties. These aides will be primarily used for initial troubleshooting before an IT technician is contacted. Even after accounting for the time allocated for technology support, the District is well above the similar district average by 2.2 FTEs per 1,000 students. This high staffing level causes Lancaster CSD to incur salary and benefit costs greater than similar districts.

Although the District's desire to use the library aide position as technology support in addition to assigned daily duties helps augment its IT technicians through a low cost option⁷, it remains a combined 16 FTEs above the similar district average. A reduction of 16 FTE education assistants and/or library aides would reduce salary and benefit costs and bring the level of staffing more in line with the similar district average. According to the District, it has already eliminated 4 library aide positions as part of its corrective action plan.

Financial Implication: By reducing 16 FTE education assistants and/or library aides, the District could save approximately \$574,000 in salaries and benefits in FY 2006-07 and a cumulative total of \$2.4 million over the forecast period. The FY 2006-07 savings are based on projected salary and benefit costs of about \$35,900 for an entry level library aide position.

R3.5 Lancaster CSD should consider reducing the number of FTE teaching aides to the similar district ratio. The District employs approximately 1.2 more teaching aides per 1,000 students than the similar district averages, for a total of 7 FTEs.

According to the District, it has already reduced 6 teaching aide positions as part of its corrective action plan.

Although the number of non-teaching certificated staff per 1,000 students employed by Lancaster CSD falls below the similar district average, the teaching aide category is not in line with the similar district average. In this category, Lancaster CSD employs 6.9 FTEs per 1,000 students compared to a similar district average of 5.7 FTEs per 1,000 students.

Table 3-5 illustrates a comparison between various non-teaching educational support staff employed by the District and the similar district ratios. The comparison depicts a total for non-teaching professionals by grouping remedial, tutor, and other professional staff together. Teaching aides were analyzed separately in this table.

⁷ If these positions were reassigned to the Technology Department, it would result in a recommended staffing reduction in that category.

Table 3-5: Non-teaching Educational Support Staff

Classification	Lancaster CSD	Similar Districts
Average Daily Membership (ADM)	6,185	4,296
Non-teaching Certificated Staff Comparison:		
Remedial Specialist	20.5	9.5
Tutor / Small Group Instructors	0.0	7.6
All Other Professional Staff	1.0	1.8
Total Non-teaching Certificated Staff	21.5	18.9
Non-teaching Certificated Staff Per 1,000 Students	3.5	4.4
Teaching Aide Comparison¹:		
Teaching Aides (FTEs)	42.8	24.4
Teaching Aides Per 1,000 Students	6.9	5.7

Source: Lancaster CSD 2006 EMIS data and similar districts' 2005 EMIS data.

¹ These positions are classified.

As shown in **Table 3-5**, the District is lower than the similar districts in its total non-teaching certificated staff ratios (3.5 verses 4.4 FTEs per 1,000 students). However, Lancaster CSD has 1.2 more FTE teaching aides per 1,000 students (or 7 actual FTEs) than the similar district average. A reduction of 7 FTE teaching aide positions would lower salary and benefit costs and bring the number of teaching aides per 1,000 students more in line with similar districts. According to the District, it has already reduced 6 teaching aide positions as part of its corrective action plan.

Financial Implication: By reducing 7 FTE teaching aides, the District could save approximately \$153,000 in salaries and benefits in FY 2006-07 and a cumulative total of \$645,000 over the forecast period. The FY 2006-07 savings are based on projected salary and benefit costs of about \$21,800 for an entry level teaching aide position.

R3.6 Lancaster CSD should consider reducing 1 FTE clerical position to bring its staffing levels in this area more in line with the similar district average. As clerical staff provide support to educational personnel but do not have direct contact with students in the classroom, the impact of a reduction in this category would have minimal impact on student outcomes.

According to the District, it eliminated 8 secretarial positions as part of its corrective action plan.

The District's clerical staffing levels fall slightly above the similar district average at 7.1 FTEs versus 6.9 FTEs on a per 1,000 students basis. This variance equates to 1 clerical FTE and represents an opportunity to reduce support staff to be more in line with the similar district average. **Table 3-6** shows Lancaster CSD clerical staffing in aggregate and on a per 1,000 students basis in comparison to the peer and similar district averages.

Table 3-6: Clerical Personnel Staffing Analysis

Clerical Personnel Category	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD	Peer Average	Similar District
Clerical	36.0	18.5	22.0	12.0	17.5	22.7
Bookkeeping	6.0	5.0	3.8	4.0	4.3	2.4
All Other Office / Clerical Staff	2.0	1.0	0.0	0.0	0.3	4.7
Total Office / Clerical Staff	44.0	24.5	25.8	16.0	22.1	29.7
Average Daily Membership (ADM)	6,185	3,623	3,299	2,440	3,120	4,296
Total Office / Clerical Staff per 1,000 Students	7.1	6.8	7.8	6.6	7.1	6.9

Source: Lancaster CSD 2006 EMIS data and peer districts' and similar districts' 2005 EMIS data.

As shown in **Table 3-6**, Lancaster CSD has 0.2 more clerical FTEs than the similar district average on a per 1,000 students basis (7.1 vs. 6.9). This represents a potential staff reduction of 1 FTE to be more in line with the similar district average. According to the District, it eliminated 8 secretarial positions as part of its corrective action plan.

Financial Implication: By reducing 1 clerical FTE, the District will save approximately \$39,000 in salaries and benefits in FY 2006-07 and a cumulative total of \$162,000 over the forecast period. The FY 2006-07 savings are based on projected salary and benefit costs for an entry level clerical position.

Compensation

R3.7 In order to address its forecasted deficit, Lancaster CSD should seek to negotiate cost of living adjustments (COLAs) for certificated staff of zero percent in FY 2006-07, 1 percent in FY 2007-08, and 2 percent in FYs 2008-09 and 2009-10. A reduction in COLAs represents significant savings in personnel costs and will help bring the District's average certificated salaries more in line with the similar district average.

During the course of the audit, the Board and the Lancaster Education Association agreed to a one year contract with no cost of living increase in base salaries.

Lancaster CSD average salaries for certificated educational staff in FY 2004-05 were 12 percent above the similar district average. Lancaster CSD certificated staff COLAs are approximately 3.5 percent per annum and step increases have ranged from 3 percent to 6 percent, depending on the number of semester hours of continuing education completed. These relatively high COLAs and step increases have contributed to the District's high average salaries for certificated personnel.

Increases in salaries have also affected the District's cost per pupil for special education instruction. The District expends 15 percent more per student than the similar district average for special needs instruction. Lancaster CSD salaries for special education teachers were 18 percent higher than the similar district average. By negotiating lower COLAs, the District will be able to reduce its special education costs per student and be more in line with similar district average.

Table 3-7 shows the comparison between Lancaster CSD certificated staff average salaries and the peer and similar district averages.

Table 3-7: Certificated Staff Salary Analysis, FY 2004-05

Personnel Category	Lancaster CSD Salary	Ashland CSD Salary	Madison LSD Salary	Salem CSD Salary	Peer Average Salary	Difference vs. Peer District Salaries	Similar District Salary ¹	Difference vs. Similar District Salaries
Regular Teachers	\$53,131	\$45,636	\$42,307	\$45,841	\$44,595	19%	\$49,140	8%
Special Education Teachers	\$56,187	\$49,356	\$39,873	\$43,427	\$44,219	27%	\$47,673	18%
Vocational Teachers	\$57,880	\$49,736	\$45,473	\$54,520	\$49,910	16%	\$50,318	15%
ESP Teachers	\$56,117	\$43,768	\$43,872	\$48,265	\$45,302	24%	\$51,432	9%
Tutor / Small Group Instructors	\$61,594	\$39,893	\$42,563	N/A	\$41,228	49%	\$37,216	66%
Counselors	\$71,343	\$57,761	\$47,911	\$58,865	\$54,846	30%	\$57,401	24%
Librarian / Media	\$53,933	\$49,320	\$56,245	\$54,479	\$53,348	1%	\$56,989	(5%)
Remedial Specialist	\$61,208	\$54,530	\$43,415	\$48,720	\$48,888	25%	\$43,710	40%
All Other Educational Staff	\$60,065	\$53,867	\$46,558	\$55,211	\$51,879	16%	\$47,984	25%
Educational Staff: Average	\$55,041	\$46,705	\$42,988	46,722	45,472	21%	\$48,493	12%

Source: Lancaster CSD, peer districts, and similar districts 2005 EMIS data.

¹ Similar district average salaries are used in recommendation for consistency purposes in comparison. The peer district averages are also shown for informational purposes; however, the peer district averages show additional or similar potential areas for cost savings for the District.

As shown in **Table 3-7**, Lancaster CSD salaries are 12 percent higher than the similar district average. With the exception of librarian/media personnel, the District has higher salaries, ranging from 8 to 66 percent above the similar district averages, with tutor/small group instructors having the highest percentage difference. Remedial specialists, counselors, and special education teachers were also significantly higher salaries when compared to the similar districts.

Table 3-8 shows potential savings Lancaster CSD could achieve by reducing the amount of annual COLAs for its certificated staff.

Table 3-8: Savings from Reduced COLAs for Certificated Staff.

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Certificated Staff Salaries @ 3.5% COLA	\$15,062,663	\$15,589,857	\$16,135,502	\$16,700,244
Certificated Staff Salaries with COLA Reduction	\$14,553,298 ¹	\$14,698,831 ²	\$14,992,808 ³	\$15,292,664 ⁴
Salary Savings	\$509,365	\$891,026	\$1,142,694	\$1,407,580
Benefit Costs with 3.5% COLA	\$6,115,441	\$6,313,892	\$6,776,911	\$7,080,904
Benefit Costs with COLA Reduction	\$5,908,365	\$5,953,027	\$6,296,979	\$6,484,089
Benefit Savings	\$206,802	\$360,865	\$479,931	\$596,814
Total Salary and Benefit Savings	\$716,168	\$1,251,891	\$1,622,626	\$2,004,395

Source: Lancaster City School District October 2005 five-year forecast assumptions.

¹ Based on no COLA

² Based on 1 percent COLA

³ Based on 2 percent COLA

As shown in **Table 3-8**, reducing COLAs for certificated staff result in significant savings in both salaries and benefits. FY 2006-07 reflects no COLA increase, FY 2007-08 reflects a 1 percent increase, and FY 2008-09 and FY 2009-10 reflect 2 percent increases. Faced with large future year deficits, Lancaster CSD should consider the need to limit COLAs over the forecasted period. During the course of the audit, the Board and the Lancaster Education Association agreed to a one year contract with no cost of living increase in base salaries.

Financial Implication: By eliminating COLAs for FY 2006-07, and limiting them to 1 percent during FY 2007-08, and 2 percent for both FY 2008-09 and 2009-10, the District could save approximately \$716,000 in FY 2006-07, \$1.3 million in FY 2007-08, \$1.6 million in FY 2008-09, and \$2.0 million in FY 2009-10. This results in a cumulative savings of approximately \$5.6 million over the forecasted period.

R3.8 Lancaster CSD should seek to negotiate reduced cost of living adjustment (COLAs) for administrative personnel to become more comparable to the similar districts. A limited COLA for administrative personnel represents potential savings for the District that could help reduce its projected financial deficit. The District could decrease administrative personnel costs by eliminating COLA increases in FY 2006-07, and reducing COLAs to 1 percent during FY 2007-08, and 2 percent for both FY 2008-09 and FY 2009-10.

Lancaster CSD average administrative salaries are 17 percent higher than the similar district average. While salaries for principals are more in line with the average for similar districts, average administrator salaries range from 6 to 25 percent above the similar districts for the respective categories.

Table 3-9 illustrates Lancaster CSD salaries for administrators in comparison to the peer districts and similar district averages.

Table 3-9: Administrative Salary Analysis for FY 2004-05

Administrative Personnel Category	Lancaster CSD Salary ¹	Ashland CSD Salary	Madison LSD Salary	Salem CSD Salary	Peer Average Salary ²	Difference vs. Peer District Salaries	Similar District Salary	Difference vs. Similar District Salaries
Superintendent	\$107,100	\$93,158	\$83,600	\$82,000	\$86,253	24%	\$99,103	8%
Treasurer	\$84,659	\$67,911	\$68,500	\$60,000	\$65,470	29%	\$76,443	11%
Director	\$87,740	NA	\$66,586	NA	\$66,586	32%	\$74,223	18%
Coordinator	\$70,352	\$59,961	\$53,491	\$61,490	\$58,314	21%	\$56,242	25%
Principals	\$80,697	\$66,855	\$66,814	\$71,494	\$68,388	18%	\$76,107	6%
Assistant Principals	\$82,184	\$66,340	\$58,983	NA	\$62,662	31%	\$69,464	18%
Total Administrator Average	\$82,616	\$64,488	\$61,252	\$63,562	\$63,101	31%	\$70,818	17%

Source: Lancaster CSD, peer districts, and similar districts 2005 EMIS data.

¹ The average salaries do not include insurance or retirement benefits. Additionally, it does not include pickup of employees' portions of their retirement benefits which causes an understated salary cost for the district in its EMIS report.

² The peer district averages appear lower than the similar district averages when compared to Lancaster CSD. However for consistency purposes, the similar district averages are used as the basis for recommended savings.

As shown in **Table 3-9** the assistant principal, treasurer, coordinator, and director categories represent the most significant areas where the District has higher salaries than the similar districts. Variances in these categories range from 11 to 25 percent above the similar district average. This represents a potential for the District to reduce its salaries by minimizing COLAs and allowing salaries to become more comparable to similar district averages.

During FY 2004-05, Lancaster CSD administrative salaries cost the Board approximately \$389,000 more than it would have if the District's salaries were equal to the similar district salaries. This amount was determined by calculating the difference between average salaries for Lancaster CSD and the similar districts and multiplying the difference by the number of administrators.

Table 3-10 shows the savings to the District over the next four fiscal years assuming an administrative COLA reduction is implemented. Savings are based on the District's October 2005 forecast assumptions.

Table 3-10: Savings from Reduced COLAs for Administrative Staff

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Administrative Salaries @ 3.5% COLA	\$2,475,660	\$2,562,308	\$2,651,989	\$ 2,744,808
Administrative Salaries with COLA Reduction	\$2,391,942 ¹	\$2,415,861 ²	\$2,464,179 ³	\$2,513,462 ³
Salary Savings	\$83,718	\$146,447	\$187,810	\$231,246
Benefits Costs with 3.5% COLA	\$1,005,118	\$1,037,735	\$1,113,835	\$1,163,799
Benefits Costs with COLA Reduction	\$971,128	\$978,424	\$1,034,955	\$1,065,708
Benefit Savings	\$33,989	\$59,311	\$78,800	\$98,091
Total Salary and Benefit Savings	\$117,707	\$205,758	\$266,690	\$329,437

Source: Lancaster CSD October 2005 five-year forecast assumptions.

¹ Based on no COLA

² Based on 1 percent COLA

³ Based on 2 percent COLA.

As shown in **Table 3-10**, high COLAs greatly affect salaries and benefits and could have a substantial impact on forecasted deficits. The 3.5 percent COLA increase assumed in the District's forecast period is more costly and causes salaries and benefits to inflate rapidly over the period. Lancaster CSD average salaries for administrative staff were 17 percent above the similar district average salaries during FY 2005-06. Additionally, **Table 3-10** illustrates how a decrease in COLAs could save the District over \$900,000 during the forecasted period.

If the District limits its COLAs, it will be able to maintain salaries at the current levels which are still above the benchmark averages. Over time, the District will be able to move toward a salary level that is more in line with the similar district average.

Financial Implication: By limiting COLA increases over the forecasted period, the District could save approximately \$117,700 in salaries and benefits versus its current projections in FY 2006-07, and an additional \$205,800 in FY 2007-08, \$266,700 in FY 2008-09, and \$329,400 in FY 2009-10. This would result in cumulative savings of approximately \$919,600 over the forecasted period.

R3.9 Lancaster CSD should seek to negotiate reduced cost of living adjustments (COLAs) for professional staff to bring salaries more in line with the similar district averages. Limited COLAs represent potential savings for the District that could help reduce its projected financial deficit. The District could decrease personnel costs for professional staff by eliminating COLA increases in FY 2006-07, and reducing COLAs to 1 percent during FY 2007-08, and 2 percent for both FY 2008-09 and FY 2009-10.

Lancaster CSD average professional staff salaries are 23 percent above the similar district average. Lancaster CSD professional staff salaries average \$58,780 per FTE compared to

a similar district average of \$47,623. The District's average salaries are also higher than the peer district average salaries by 32 percent.

Table 3-11 shows the District's professional staff average salaries in comparison to the peer and similar district average salaries.

Table 3-11: Professional Staff Average Salary Analysis, FY 2004-05

Personnel Category	Lancaster CSD Salary	Ashland CSD Salary	Madison LSD Salary	Salem CSD Salary	Peer Average Salary ¹	Difference vs. Peer District Salaries	Similar District Salary	Difference vs. Similar District Salaries
Accounting / Auditing	\$59,488	\$37,000	NA	NA	\$37,000	61%	\$39,420	51%
Psychologists	\$75,194	\$62,565	\$58,625	\$50,513	\$57,234	31%	\$55,835	35%
Registered Nurses	\$59,519	NA	\$30,648	\$12,056	\$21,352	179%	\$41,544	43%
Speech & Language Therapists	\$61,302	\$51,291	\$43,331	\$46,973	\$47,198	30%	\$49,761	23%
Occupational Therapists	\$25,000	NA	\$38,880	NA	\$38,880	(36%)	\$29,621	(16%)
All Other Professional Staff	\$53,181	\$59,794	\$25,124	\$52,669	\$45,862	16%	\$41,943	27%
Professional Staff: Average	\$58,780	\$53,565	\$42,800	\$36,753	\$44,373	32%	\$47,623	23%

Source: Lancaster CSD, peer district, and similar district 2005 EMIS data.

¹ Peer district average salaries are not used to benchmark Lancaster CSD salary recommendations, however, peer district information shows a potential for further savings to the District.

As shown in **Table 3-11**, Lancaster CSD average professional staff salaries are higher than the similar district average. With the exception of occupational therapists, the District's average salaries range from 23 percent to 51 percent above the similar district average.

Historically, the District has given annual COLAs of approximately 3.5 percent in addition to step increases. Because of the District's projected deficit, professional staff salaries represent an opportunity to reduce salary costs to become more comparable to the similar district average and decrease the future deficit amount.

In FY 2004-05, Lancaster CSD professional salaries cost the Board \$184,000 more than it would have if the District's average salaries were equal to the similar district salaries. This amount was determined by calculating the difference between average salaries for Lancaster CSD and the similar districts and multiplying the difference by the number of professional staff.

Table 3-12 shows the savings to the District over the next four fiscal years assuming a professional staff salary COLA reduction is implemented. Savings are based on the District's October 2005 forecast assumptions.

Table 3-12: Savings from Reduced COLAs for Professional Staff

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Professional Salaries @ 3.5% COLA	\$931,728	\$964,338	\$998,090	\$1,033,023
Professional Salaries with COLA Reduction	\$900,220 ¹	\$909,222 ²	\$927,407 ²	\$945,955 ³
Salary Savings	\$31,508	\$55,116	\$70,683	\$87,068
Benefit Cost with 3.5% COLA	\$378,281	\$390,557	\$419,198	\$438,002
Benefit Cost With COLA Reduction	\$365,489	\$368,235	\$389,511	\$401,085
Benefit Savings	\$12,792	\$33,322	\$29,687	\$36,917
Total Salary and Benefit Savings	\$44,300	\$77,438	\$100,370	\$123,985

Source: Lancaster CSD October 2005 five-year forecast assumptions.

¹Based on no COLA

²Based on 1 percent COLA

³Based on 2 percent COLA

As shown in **Table 3-12**, the projected COLAs have a significant effect on salaries and benefits. The 3.5 percent COLA assumed in the District's forecast is more costly and causes salaries and benefits to inflate rapidly over the period. **Table 3-12** illustrates the effect of lower COLA increases and the associated cost savings which would total over \$346,000 during the forecasted period.

If Lancaster CSD limits COLAs for the professional staff, it will be able to maintain salaries at close to the current levels which are still above the benchmark averages. Over time, the District will be able to move toward a salary level that is more comparable to the similar district average.

Financial Implication: By limiting annual professional staff COLAs over the forecasted period, the District could save approximately \$44,300 in FY 2006-07, \$77,400 in FY 2007-08, \$100,400 in FY 2008-09, and \$124,000 in FY 2009-10 in salaries and benefits verses its current projections. This would result in a cumulative savings of approximately \$346,100 over the forecasted period.

R3.10 Lancaster CSD should seek to discontinue its payment of the employee's portion of State Employees' Retirement System (SERS) or State Teachers' Retirement System (STRS) retirement contributions for administrators other than the Superintendent, Assistant Superintendent, and Treasurer. Payment of the employee contribution to retirement is an additional cost to the District which is not required by law. Furthermore, this represents an additional salary cost to the District and, as reflected in R3.8, administrator salaries exceed similar district averages without the SERS/STRS pick up.

During the course of the audit, the District made changes in its administrative staff benefits that eliminated the practice of the Board paying the employee portion of SERS/STRS for the High School Principal, Director of Pupil Services, and Director of Instructional Services positions.

Lancaster CSD pays the employee out-of-pocket contribution to SERS and STRS in place of the employee paying this cost for the following administrative personnel:

- Superintendent;
- Assistant Superintendent;
- Treasurer;
- Business Manager;
- Director of Information Services;
- Director of Pupil Services;
- Director of Instructional Services; and,
- High School Principal.

The District pays the employees' required retirement contribution for eight staff members. The payments on behalf of these employees range from 5.5 percent for a high school principal to 11 percent for the remaining positions identified above.

The District's administrative salaries are 17 percent higher than the similar district average (as shown in **Table 3-9**). The SERS/STRS pick-up is an additional salary cost that is not included in the average salaries reported in the District's EMIS report. Therefore, average salaries for administrative personnel are under-reported. For example, if an administrative staff member earns \$100,000 per year and the District pays the employee portion of retirement, then the employee's take home pay is based on the full \$100,000, not \$90,000. The \$10,000 employee contribution is paid by the District and is not directly reported in average salaries.

Theoretically, the payment of employee retirement contributions benefits the District by allowing it to control administrative salary costs by offering the payment in lieu of a salary increase. Districts can attract administrative personnel and offer this benefit instead of a higher salary. However, in some cases, districts do not achieve savings through this practice, particularly when starting salaries and COLAs have increased salaries above levels in similar districts. For example, if a district pays the employee contribution to retirement and continues to offer COLAs, step increases, or annual raises, then the pick up of retirement is no longer an avenue for cost off-sets.

Given the projected deficit and higher administrative salaries, Lancaster CSD could consider discontinuing the practice of paying its administrative employee retirement contributions. At a minimum, the District could limit this practice to its Superintendent,

Assistant Superintendent, and Treasurer. During the course of the audit, the District made changes in its administrative staff benefits that eliminated the Board paying the employee portion of SERS/STRS for the High School Principal, Director of Pupil Services, and Director of Instructional Services positions.

Financial Implication: By discontinuing Board payment of the employees' share of retirement contributions for additional administrative personnel, the District could save approximately \$44,000 annually, for a cumulative savings of \$197,000 over the forecast period.

Insurance

R3.11 Lancaster CSD should use its Insurance Committee to monitor insurance practices and seek methods to reduce health insurance costs. The Board should adopt formal policies and procedures to help facilitate monitoring of all aspects of health insurance. Written policies and procedures that are consistent with best practices for insurance cost containment, as recommended by the Government Financial Officer's Association (GFOA), should serve as a guide to the Committee's oversight of benefits while helping the District identify cost savings and minimize insurance risks.

The District has an Insurance Committee comprised of various members from the bargaining units, administrative staff, and Board members. The Committee's purpose is to oversee negotiations with insurance providers and aid in all aspects of reviewing and choosing insurance plans and practices. The Committee does not have written policies and procedures in place that would enable it to help monitor insurance costs and practices.

The District's self insurance fund is overwhelmed by increased costs of claims, as discussed in **issues for further study**. The District, already operating under fiscal distress, is unable to comply with its reserve requirement and its premiums and employee contributions are well above benchmark averages (see **R3.12**). By using its Insurance Committee, Lancaster CSD could implement the insurance cost containment practices recommended by GFOA and summarized below:

- Consider changes in plan design (adjusting co-payments and co-insurance levels);
- Monitor vendors (performing audits of claims and coordination of benefits);
- Implement health management (wellness programs and targeting efforts to encourage lifestyle changes);
- Evaluate purchasing power (considering involvement in an insurance pool or benchmarking self insurance cost to a third party administrator);

- Require employee cost sharing (sharing costs of premiums, co-payments or encouraging employees to join spousal insurance plans), and;
- Analyze factors of self insurance (ability to accept risk and maintain the required reserve balance).

An effective insurance committee can take steps to help reduce claims liability by implementing and enforcing cost containment strategies. These strategies help reduce the overall costs of health care. Lancaster CSD should use the recommended practices to reduce its insurance claims rate, decrease insurance costs, and replenish its insurance reserve fund balance.

R3.12 Lancaster CSD should seek to reduce its self-insurance liabilities in order to reach the State required self-insurance reserve fund balance and ensure the long-term fiscal solvency of the fund. The District should also increase the employee share of health insurance premiums to a level of 15 to 25 percent to be more in line with benchmark averages and ensure its ability to replenish the reserve fund balances as required by ORC § 9.833.

Although the self-insurance fund is solvent, the District is not in compliance with the State required balance. The District is required to maintain a reserve fund balance by ORC § 9.833. Historically, the District has not been able to maintain its reserve fund balance due to increases in claims costs and an inability to contribute a sufficient amount to fund the self-insurance program. The District has received non-compliance citations in its financial audit for this condition.

The District's self-insurance funding is comprised of the amount of the premiums collected by Board contribution and employee required cost sharing. The self-insurance fund pays claims as they are received, rather than using an outside or third party insurance vendor to perform this function. In theory, the premiums paid into the self-insurance fund should be sufficient to pay insurance claims and maintain the required reserve balance. However, Lancaster CSD has experienced high numbers of claims which exceed the premiums set by the District to fund the self-insurance program. Lancaster CSD reserve fund balance and General Fund transfers have paid the claims costs that have exceeded the insurance fund's resources.

Employee cost sharing for health insurance ranges from 4 to 7 percent, depending on the employee classification and plan type (single or family). Although the District has recently increased its premium amount 27 percent to replenish its reserve balance and pay its claims liability, the collective bargaining agreement prohibits the District from sharing any increase in premiums with employees. (see **R3.13**). This has increased the strain on the District's self-insurance fund balance as well as its overall financial position.

Table 3-13 and **Table 3-14** show the District's insurance premiums in comparison to benchmark averages for both certificated and classified staff.

Table 3-13: Certificated Employee Annual Insurance Premium Analysis

	Monthly Premium	Total Yearly Premium	Number of Employees	Yearly Employee Contract Amount ¹	Yearly Board Amount	Employee Share	Board Share	Total Cost to the District	Total Cost for Employees
Single Plan	\$469	\$5,628	95	\$208	\$5,420	4%	96%	\$ 514,900	\$ 19,760
Single Plus 1	\$838	\$10,056	113	\$468	\$9,588	5%	95%	\$ 1,083,444	\$ 52,884
Family	\$1,167	\$14,004	85	\$702	\$13,302	5%	95%	\$ 1,130,670	\$ 59,670
Family	\$1,167	\$14,004	112	\$936	\$13,068	7%	93%	\$ 1,463,616	\$ 104,832
Total Cost								\$ 4,192,630	\$237,146
Kaiser Benefit Average									
Single Plan	\$346	\$4,150				16%			
Single Plus 1	N/A								
Family	\$924	\$11,090				26%			

Source: Lancaster 2005-06 Premium Rates and Kaiser Family Foundation 2005 Insurance Survey (Kaiser).

¹ Per the classified employee collective bargaining agreement, this amount is the employees' yearly contribution toward the health insurance premiums.

Table 3-14: Classified Employee Annual Insurance Premium Analysis

	Monthly Premium	Total Yearly Premium	Number of Employees	Yearly Employee Contract Amount ¹	Yearly Board Amount	Employee Share	Board Share	Total Cost to the District	Total Cost for Employees
Single Plan	\$469	\$5,628	41	\$260	\$5,368	5%	95%	\$220,088	\$10,660
Single Plus 1	\$838	\$10,056	78	\$520	\$9,536	5%	95%	\$743,808	\$40,560
Family	\$1,167	\$14,004	53	\$1,040	\$12,964	7%	93%	\$687,092	\$55,120
Total Cost								\$1,650,988	\$106,340
Kaiser Benefit Average									
Single Plan	\$346	\$4,150				16%			
Single Plus 1	N/A								
Family	\$924	\$11,090				26%			

Source: Lancaster 2005-06 Premium Rates and Kaiser Family Foundation 2005 Insurance Survey (Kaiser).

¹ Per the classified employee collective bargaining agreement, this amount is the employees' yearly contribution toward the health insurance premiums.

Table 3-13 and **Table 3-14** show the comparison between the District's self-insurance premiums and the Kaiser Benefit Average. **Table 3-13** and **Table 3-14** separately depict provisions of the respective collective bargaining agreements. The District costs for FY 2005-06 are approximately \$5.8 million dollars and employees pay approximately \$343,000 into the self-insurance fund.

Lancaster CSD insurance premiums are higher than the benchmark average; however, the District cannot lower the amount of premiums because of its self-insurance claims

liabilities. In order to replenish the reserve fund and pay future claims, the District has raised its premiums by 27 percent for FY 2005-06. This increase in premiums was paid by the Board and does not affect the employees' contributions due to restrictions in the negotiated agreement (see **R3.13**). The District has formed an insurance committee to oversee the insurance funding and processes, but the committee has not implemented cost containment practices to help lower the number of claims received (see **R3.11**).

Tables 3-13 and **Table 3-14** illustrates the differences between the bargaining units and their respective premium cost sharing provisions. **Table 3-13** and **Table 3-14** also show the difference in the percentage of employee contribution amounts depending on the plan type. The benchmark average employee premium contribution is 16 percent for single plan and 26 percent for family plan. Lancaster CSD employee contributions range from 4 to 7 percent, well below the benchmark averages.

Because it is unable to reduce its health insurance premiums to the benchmark averages, Lancaster CSD should consider reducing direct Board costs by increasing the employee contributions to the benchmark averages. Lancaster CSD should seek to negotiate employee contributions of 15 to 25 percent. During the course of the audit, Lancaster CSD negotiated a 20% employee contribution of health insurance premiums with both unions.

Financial Implication: By negotiating an increase in employee premium contributions to the minimum benchmark amount of 15 percent the District could save approximately \$672,000 annually or \$3.3 million over the forecast period.

R3.13 Lancaster CSD should seek to eliminate contract language prescribing the employee health insurance plan design and the employees' contribution toward health insurance premiums. Such language limits the District's and its Insurance Committee's ability to adjust plans and employee contributions based on the financial constraints of the District, and to administer cost containment practices over insurance expenditures. By negotiating less specific contract language for insurance benefits, District management and the Insurance Committee can make more cost-effective decisions based on self-insurance funding requirements.

Both certificated and classified collective bargaining agreements have contract language prescribing the required employee contributions and detailed plan coverage. These provisions have limited management's flexibility in controlling insurance costs. Since Lancaster CSD is not able to change the amount contributed by employees when the premium is increased it has to pay all of the additional premiums to the self-insurance fund from the General Fund, which increases the projected deficit.

Additionally, by having detailed contract language that specifies the range of insurance coverage, the District is restricted to offering only health care coverage with the exact negotiated employee out of pocket expenses. As a result of contractual provisions, it is difficult for the District to find lower cost plans offered by insurance providers.

Given the state of its self-insurance fund, Lancaster CSD is at risk of not having the ability to pay insurance claims and meet the required self-insurance reserve balance. By negotiating contract language that would permit the Insurance Committee to annually determine the components of the health insurance plan – the range of services covered, co-pays, and out-of-pocket maximums, etc. – the Insurance Committee could better tailor the plan to the needs of both employees and the District.

R3.14 Lancaster CSD should negotiate to remove language in its current certificated employee contract that requires management to adhere to maximum class sizes for each classroom. In addition, the District should negotiate to remove the provision requiring additional teacher pay for accepting students above the specified class size. By removing the maximum class size contract language, management would be better able to determine class sizes based on the needs of the community, each building’s capacity and its academic goals, and the District’s financial condition.

The District’s contract with the Lancaster Education Association (LEA) includes a provision limiting class sizes for specific grades levels. The contract allows the District to exceed the maximums specified in the contract only if the teacher agrees. According to the contract, if the teacher agrees to accept additional students, the District must pay the teacher \$5 per day per additional student. This incentive allows the District to not have to hire additional teachers or transport the student to another school. It also allows students to stay in the school closest to their residence. However, the contract gives the teacher the right to accept or refuse an additional student. Most importantly, the incentive would not be necessary if management had the ability to adjust class sizes within the constraints set forth by ORC and OAC minimum staffing provisions.

Lancaster CSD is the only district among the peers that offers this incentive. Under the current contract language, District management is required to adhere to a maximum class size for each class, pay additional money to the teacher for accepting additional students, or, if the teacher declines to accept the student(s), open an additional classroom or transport the student to a different school.

By negotiating the removal of this contract provision, Lancaster CSD management will be better able to make decisions concerning the placement of students in classrooms in a manner designed to minimize costs while maximizing building capacity and retaining a focus on its academic goals. Because the District has not specifically identified the

additional costs incurred when a teacher refuses to accept an additional student, savings from the removal of these contract provisions could not be quantified.

R3.15 Lancaster CSD should strive to reduce the amount of sick leave used by its employees by strengthening its policies to ensure proper use. The District should seek to establish guidelines and policies that include prohibitions against “patterns of abuse” and determine if such guidelines and policies should be negotiated into the collective bargaining agreements. The guidelines can help identify excessive sick leave usage. The policies should include provisions for discipline in the event that an employee engages in a “pattern of abuse.”

The District does not have a formal leave use policy that addresses leave usage and abuse. An analysis was performed to determine if Lancaster CSD falls in line with the Ohio Department of Administrative Services (DAS) leave averages. The results of the analysis show that the District’s average leave days per employee exceed the DAS (State) average. For certificated employees, the DAS average is 7.2 days per employee while the District average is 9.0 days per employee. For classified employees, the DAS average is 7.2 days per employee while the District average is 9.4 days per employee. In total, the District’s certificated employee usage exceeds the DAS average by 1.8 days and classified employee usage exceeds the DAS average by 2.2 days.

The absence of a formal policy describing leave usage and restrictions can lead to discrepancies in communicating leave usage expectations to employees. Similarly, the lack of specific guidelines hinders the District’s ability to identify potential abuse.

Lancaster CSD should consult with its legal counsel to ensure that all required notices and opportunities to dispute abuse claims are addressed as required by applicable laws and/or collective bargaining agreements. Additionally, the District should monitor sick leave usage on a periodic and consistent basis, and negotiate a provision in the certificated and classified employee contracts that, at a minimum, requires a physician’s statement for extended absences. Lancaster CSD should also consider the following American Society of Public Administration’s (ASPA) suggestions for effectively managing sick leave abuse:

- Perform effective and accurate absence tracking;
- Address absenteeism as a department issue;
- Identify employees with high absence records;
- Identify reasons for absences; and,
- Conduct goal directed interviewing with employees who have high rate of absences.

As a result of a high rate of sick leave usage and the lack of a formal policy to discourage abuse, the District has the potential to incur excessive substitute costs to fill daily

vacancies caused by sick leave usage. Implementing a formal policy will help the District mitigate sick leave abuse and, thus, potentially reduce the costs incurred by hiring substitutes to fill in for absent teachers.

If the District successfully reduced sick leave use, it could reduce additional administrative time, enhance the quality of instruction by eliminating interruptions in the delivery of curriculum, and reduce overall substitute costs. Reducing the amount of leave taken by 1.8 days per certificated FTE employee would bring the District in line with the DAS average.

Financial Implications: If the number of leave days used per certificated employee were reduced to meet the DAS average of 7.2 days, the potential savings to the District would be approximately \$50,000 annually in reduced substitute costs. This figure assumes that all certificated employees taking leave would require a substitute for that leave period and uses the lowest substitute rate of \$70 per day.

R3.16 Lancaster CSD should seek to formalize its recruiting process using best practices. Using a formal recruitment and retention policy would help the District ensure it has clear and effective methods to attract and retain qualified staff.

The District does not have a formal policy prescribing its employee recruitment practices. The Assistant Superintendent meets with department heads and building principals to assess staffing needs based on projected enrollment, staffing levels, and budgetary constraints. The Assistant Superintendent is also responsible for recruiting District personnel.

Without formal recruitment procedures, it is difficult for the District to know if standard processes are being followed or if these processes are effective in attracting and retaining qualified staff. Best practices for recruitment and retention suggest a formal policy should be in place to serve as a guide to effective recruitment and retention. NEA has identified the following best practices for recruitment and retention:

- Develop a comprehensive recruitment plan;
- Develop a strong marketing and outreach campaign;
- Improve the hiring process;
- Provide nontraditional routes into the profession; and,
- Provide financial incentives.

According to a survey of District employees, respondents reported they did not have a strong opinion on recruitment methods. However, they felt hiring procedures were effective. By using a formal process, administrative staff will be better able to assess recruitment and retention efforts.

Climate Survey

R3.17 Lancaster CSD should routinely monitor its working environment through climate surveys in order to identify inefficient areas and employee concerns. This process should be ongoing and conducted annually to stay abreast of changes that affect the District. The survey should include topics ranging from employee satisfaction to the effectiveness of the Board's mission.

The District does not conduct climate surveys to assess its work environment. Without a clear channel of communication and opportunity for employee feedback, Lancaster CSD is unable to effectively address the needs and concerns of its employees. The absence of a surveying process prevents the Board and administration from identifying significant areas for improvement that may affect staff and other stakeholders within the District. A District-wide survey was conducted as part of this audit. The survey included questions to evaluate the climate of the District regarding human resources related topics. The results are shown in **Appendix 3-A**.

The District should conduct climate surveys to actively monitor employee satisfaction and generate ideas for ongoing improvement. The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) best practice indicators state that “at a minimum, the district should conduct climate surveys that measure employee satisfaction on such factors as work environment, quality of supervision, safety, district-wide support, and opportunities for professional development.” Consistently soliciting employee feedback would greatly benefit the District by allowing staff-level input on District decisions. By requesting staff to identify and report potential areas of weakness, the Board and administration would be better prepared to implement significant changes to enhance the effectiveness of its mission, strategic plan, and academic goals. In return, Lancaster CSD would gain employee support when implementing new policies or procedures and be able to access the talents of its personnel in generating ideas for future changes.

R3.18 Lancaster CSD should develop and implement a policy that maintains a focus on parental involvement for special education students. The policy should require periodic parent training and establish procedures to solicit formal feedback on parental satisfaction with the District's efforts to meet the needs of their children. The policy should be consistent with, and build upon, the District's general policy regarding parental involvement for all students required by ORC § 3313.472.

Lancaster CSD special education program does not have specific parental involvement activities outside the required involvement in the IEP process. The District has a special education program policy, but it does not contain all the elements of effective best practice programs. OPPAGA best practice indicators suggest districts have a mechanism

to receive and respond to feedback from parents and other taxpayers as an avenue of accountability to improve poor performance and inefficiency.

Without a parental involvement policy that encompasses the unique requirements of special needs students, it is difficult for the District to take proactive steps to identify program weaknesses and enhance its program efforts.

The District could use the OPPAGA best practices and ORC guidelines to develop a parental involvement policy for its special needs program. Developing an effective parental involvement policy specific to the parents of special needs children will enable the District to open a means of support and communication for its special needs program.

Vocational Program

R3.19 Lancaster CSD should seek to offset the current trend of declining vocational enrollment and decreasing State revenue by attracting more students into the program. In order to attract more students, the District should invest in the program to revitalize its vocational education offerings. The District can achieve increased student enrollment while enhancing the program by choosing to either join its Joint Vocational School District (JVSD), contract with a JVSD, or invest in its own “in-house” vocational program.

Lancaster CSD offers vocational classes similar to those offered by the Eastland-Fairfield JVS. However, the District has been able to offer only a minimal range of classes for the program and has been unable to invest local money in the program as a result of its financial condition. The decline in State vocational funding can be attributed to a decline in vocational enrollment since FY 2003-04.

Table 3-15 shows the effect of the District’s declining enrollment in vocational education.

Table 3-15: Vocational Education Enrollment and Funding Analysis

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06 Estimate
Category 1 FTE Students	240.8	275.2	265.5	247.5	236.3
Category 2 FTE Students	151.4	150.3	147.4	143.4	148.0
Total FTE Students	392.2	425.5	412.9	390.9	384.3
State Formula Aid	\$1,954,938	\$2,180,601	\$2,164,728	\$2,094,997	\$2,079,741
Weighted State Funding	\$448,104	\$490,001	\$468,142	\$429,199	\$423,190
Total State Funding	\$2,403,042	\$2,670,602	\$2,632,870	\$2,524,196	\$2,502,931
General Fund Spending	\$2,259,310	\$2,378,744	\$2,391,111	\$2,413,955	\$2,462,243
Spending Below or (Above) State Funding Level	\$143,732	\$291,858	\$241,759	\$110,241	\$40,688

Source: Lancaster CSD SF-3 Reports for FY2001-02 through FY 2005-06.

¹ Estimated expenditures based on average historical increase of 2 percent per year.

As shown in **Table 3-15** Lancaster has experienced a decline in enrollment between FY 2001-02 and FY 2005-06. During FY 2004-05, enrollment declined by approximately 5 percent and in FY 2005-06, enrolled FTEs declined by an additional 7 percent. Vocational education funding is largely based on the District's enrollment which shows a downward trend.

Historically, Lancaster CSD has been able to operate its vocational education program without supplementing the program with local revenues. However, State funding has declined by 6.3 percent since FY 2002-03. If enrollment in the vocational education program continues to decline, the vocational program will lose its cost effectiveness compared to historical funding. Likewise, if capital and supplies and materials investments were made to enhance the program and bring it up to a level commensurate with those programs offered at the JVSD, Lancaster CSD would likely incur substantial costs.

In order to attract more students, the District should take steps to revitalize its vocational program and offer up-to-date courses tailored to community needs. Lancaster CSD can achieve this by choosing to join the Eastland-Fairfield JVSD, contract with the JVSD for services, or further invest in its current "in-house" program. All of these options will require additional local dollars to be invested in the vocational educational program:

Option 1: Lancaster CSD could join the Eastland-Fairfield JVSD (the JVSD). Lancaster residents would pay a 2 mill "local share" to the JVSD. The JVSD would also receive the State funding for the Lancaster CSD students who enroll in its programs. The primary benefit from *option 1* is that Lancaster CSD would not have to spend "local money" from its General Fund on vocational programs. In addition, under the current State funding formula, Lancaster CSD would retain 20 percent of the State foundation funds for students attending the JVSD.

Option 2: Lancaster CSD could contract with the Eastland-Fairfield JVSD to provide vocational programs. Under this option, Lancaster CSD would pay a “local share” to the JVSD through an agreed upon contract amount as opposed to the residents paying 2 mills to the JVSD.

Options 1 and 2 would require the Eastland-Fairfield JVSD Board to approve Lancaster CSD joining or contracting with the JVSD.

Option 3: Lancaster CSD could choose to invest in its existing vocational program. However, this will require the District to carefully review current course offerings and their respective class sizes and invest in vocational equipment and buildings to attract more students. The District should seek community input in order to design a model vocational program to address community needs. Increased enrollment should, in turn, increase State funding for the program.

Lancaster CSD should consider holding community forums to determine which option would best serve the needs and expectations of the community. By using this approach, the District can build consensus with stakeholders in the program and identify the specific needs and desires of the community as they relate to this program.

Financial Implications Summary

The following table summarizes the estimated savings if recommendations were fully implemented in FY 2006-07. Some recommendations are subject to negotiation and will require agreement from the respective bargaining units.

Summary of Financial Implications for Human Resources

Recommendations	Estimated Savings
R3.2 Reduce Regular Education Personnel by 23 FTEs to 10% Above State Minimums	\$1,205,000
R3.3 Reduce ESP Personnel by 8 FTEs to 10% Above State Minimums	\$379,000
R3.4 Reduce Library Aides by 16 FTEs	\$574,000
R3.5 Reduce Teacher Aides by 7 FTEs	\$153,000
R3.6 Reduce Clerical Staff by 1 FTE	\$39,000
R3.7 Limit COLAs for Certificated Employees	\$716,000
R3.8 Limit COLAs for Administrative Employees	\$118,000
R3.9 Limit COLAs for Professional Employees	\$44,000
R3.10 Limit Administrative Employee Retirement Pick Up	\$44,000
R3.12 Increase Employee Share of Insurance Premiums	\$672,000
R3.15 Reduce Sick Leave Usage and Associated Substitute Costs	\$50,000
Estimated Annual Savings for FY 2006-07	\$3,994,000

Source: Lancaster City School District and AOS.

Appendix 3-A: Employee Survey Responses

An employee survey was distributed by email to Lancaster CSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback on a variety of subjects and to gauge the perceptions of customer service and related issues in the human resource functions. The District had a survey response rate of or 54 percent. Survey responses were tallied on a scale of 5 to 1, where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 3-17** illustrates the results with the most common responses shown in bold typeface. In general, employees were satisfied with human resources related functions.

Table 3-16: AOS Human Resource Survey Results⁸

Survey Questions	Client Results
1) I am aware of the duties required in my job description. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 1% 2% 30% 67%
2) My job description accurately reflects my actual daily routine. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 8% 8% 41% 42%
3) Our department could effectively maintain productivity in the event of a short-term absence. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	5% 11% 11% 41% 20%
4) The Board of Education monitors its performance and achievement of its goals. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 6% 22% 43% 17%
5) I am aware of the Board of Education's achievement goals. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 10% 14% 46% 22%

⁸ This survey was conducted as a non-statistical survey to gauge employee perceptions over their working environment.

Survey Questions	Client Results
6) Cross training has been implemented in my department. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	7% 21% 24% 23% 10%
7) Staff training is effective in my department. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	7% 21% 19% 35% 15%
8) I am evaluated annually. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	6% 17% 6% 34% 34%
9) The evaluation process provides timely and relevant feedback. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	5% 6% 12% 43% 31%
10) Evaluations are done in accordance with collective bargaining contracts. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	3% 2% 5% 45% 38%
11) The evaluation form used is relevant to my job duties. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 5% 11% 42% 35%
12) Management responds and acts on recommendations made in evaluation session. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	5% 7% 22% 37% 23%

Survey Questions	Client Results
13) The District's employee's sick leave policy is too lenient. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	28% 42% 16% 7% 3%
14) The District's employee substitutes are qualified and effective. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 16% 32% 38% 7%
15) Current substitute system is effective in placing substitutes. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 7% 15% 55% 16%
16) I am aware of few lapses in certificate/licenses due to lack of management oversight. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	16% 14% 20% 15% 10%
17) I am satisfied with how human resources activities are managed in the District. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	7% 16% 26% 32% 13%
18) I am satisfied with the overall effectiveness of Human Resources management policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	6% 16% 25% 37% 12%
19) I am informed of changes in District policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	7% 15% 18% 42% 15%

Survey Questions	Client Results
20) The Districts over all recruitment process is effective. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 13% 31% 26% 9%
21) The District's procedures regarding job posting and hiring are effective. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 12% 24% 41% 13%
22) I am satisfied with procedures regarding health benefits. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 11% 15% 50% 20%
23) Current grievance procedures are fair and effective. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 5% 23% 43% 11%
24) Current discipline procedures are fair and effective. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 7% 25% 44% 11%
25) I feel overall, District employee's satisfaction and morale is positive. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	12% 23% 19% 36% 8%

Source: AOS Client Survey of Lancaster CSD employees.

Appendix 3-B: Certificated Employee Contract Analysis

Table 3-17: Comparison of Certificated Employee Contract Provisions

	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD
Length of work day	<p>All: not to exceed 7 ½ hours per day.</p> <p>Unit members required to work for more than 30 minutes outside of the student day will be paid at a rate of \$20 per hour. The extra time will be paid in 15 minute increments with a minimum of 30 minutes.</p>	<p>All: 7 hours, 5 minutes per day.</p>	<p>All: not to exceed 7 ½ hours per day.</p>	<p>Elementary & Middle: 7 hours, 25 minutes High: 7 hours, 35 minutes</p>
Teaching Time/ Planning Time	<p>Planning Time: Elementary: 40 minutes per day Secondary: 40 minutes per day</p>	<p>Teaching Time: Elementary: 6 hours, 45 minutes Middle: 6 hours, 45 minutes High: 6 hours, 50 minutes</p> <p>Planning Time: All: at least 40 consecutive minutes daily Additionally, elementary specialists will be provided at least one 40 consecutive minute period per week.</p>	<p>Teaching Time: Secondary: 8 periods per day with 6 class periods</p> <p>Planning Time: Elementary: minimum 7 hours per week consisting of segments of at least 30 minutes Secondary: Minimum 7 hours per week 1 period of at least 41 minutes per day in addition to a 30 minute period prior to the start of the day</p>	<p>Teaching Time: Middle: 6 periods of 45 minutes each</p> <p>Planning Time: Elementary: 30 minutes per day Middle: 40 minutes per day High: 50 minutes per day</p>

Maximum class size	<p>K-3: 25 per day 4-6: 28 per day 7-12: 30 per class period / 170 per day</p> <p>Regarding physically small rooms at North, South, East, and Cedar Heights: K-3 max. 23 4-6 max. 25</p> <p>Compensation for class sizes exceeding these levels: \$5 per day per additional student</p>	<p>K-1: 24 per class 2-3: 25 per class 4-6: 28 per class</p> <p>If classroom enrollment is greater than these limits that teacher shall be paid a stipend of 5% of the bachelors Step 0 of the salary schedule (pro-rated for the number of days the class exceeds the size limit). The stipend is set at a minimum of 2.5%</p> <p>7-12: 30 per class Provided that there are adequate facilities available. Ex. 30 students = 30 work stations For grades 7-12, if the daily workload exceeds 165 students there shall be a 5% stipend awarded based on the employee's base salary</p>	<p>K-6: not to exceed an average of 25 per classroom 7-12: 25 per instructional period</p>	<p>K-4: as close to 1 to 25 ratio as possible</p>
Number of Contract Days				
• Instructional Days	184 days	183 days	184 days	184 days
• In-Service Days	1 day	2 days	N/A	2 days
• Professional Development Days	N/A	N/A	1 days	N/A
• Parent/Teacher Conference	N/A	K-6: 2 days 7-12: 1 or 2 days	2 days	2 days
• Days Prior to Students Starting School	N/A	N/A	2 days	2 days
• Record Days	1 day	1 day	1 day	N/A
• Planning Days	1 day	N/A	N/A	N/A
Maximum number of sick days accrued	Unlimited	Members employed prior to July 1, 1997: 265 days Members employed after July 1, 1997: 183 days	320 days	270 days
Sick Leave Accrual Rate	1 ¼ days per month	1 ¼ days per month / 15 days per year	1 ¼ days per month / 15 days per year	1 ¼ days per month / 15 days per year
Maximum # Sick Leave Payout	<p>Retiring in the first year of eligibility: 1 sick day = 1/3 paid day up to a maximum of 100 paid days</p> <p>Retiring at any other time: 1/3 of accumulated sick days to a maximum of 65 paid days</p>	1 sick day = 1 work day with a maximum pay out stipend of 55 days.	25% of accumulated days with a cap of 70 days	67.5 days for 270 sick days accumulated

				0 used sick or personal days during the year = a one-time payment of either a \$500 Series E Savings Bond or \$250 Upon retirement accrued but unused sick leave day = ¼ day
Sick Leave Incentive	N/A	N/A	N/A	
Maximum Accrual # of Personal Leave	3 days per year non-cumulative	3 days per year non-cumulative	3 days per year non-cumulative	3 days per year non-cumulative
Number of personal days	3 days per year	3 days per year	3 days per year	3 days per year
				Transferred to sick leave balance: 3 personal days = ½ sick day. 1 personal day = \$50 if the employee has accumulated 270 sick days 0 used sick or personal days during the year = a one-time payment of either a \$500 Series E Savings Bond or \$250
Personal Leave incentive	N/A	The Board will purchase unused leave (maximum 3 days) at the current rate of pay for substitute teachers, or with written request the leave may be converted to sick leave.	1 unused personal leave day = 1 sick leave day	
			3.25% pick-up Contingent on the passage of a general fund revenue issue in 1991: 4.25% effective August 1, 1991 5.75% effective August 1, 1992 Contingent on above revenue issue passing in 1992: 5.75% effective August 1, 1992	
Pick-up of employee's STRS contribution by district	N/A: For Selected Administrators Only	5% pick up		5% pick-up
Cost of living increases each year of the contract	4.0%	2005 – 2006 = 2.0% 2006 – 2007 = 1.0%	2001-2002 = 4.0% 2002-2003 = 4.03% 2003-2004 = 6.17%	N/A

Source: Lancaster and peer districts certificated employee negotiated agreements for FY 2005-06.

Appendix 3-C: Classified Employee Contract Analysis

Table 3-18: Comparison of Classified Employee Contract Provisions

	Lancaster CSD School Support Association	Ashland CSD The Ohio Association of Public School Employees Local #233	Madison LSD The Ohio Association of Public School Employees Local #292	Salem CSD The Ohio Association of Public School Employees Local #215
Accumulated Vacation Time	<p>Employees (before 1/1/87) 1-5 years = 2 weeks 6-14 years = 3 weeks 15-23 years = 4 weeks 24 + years = 5 weeks Carry over = 15 days</p> <p>Employees (after 1/1/87) 1-9 years = 10 days 10-19 years = 15 days 20+ years = 20 days</p>	<p>After 1 year = 2 weeks After 7 years continuous service = 3 weeks After 11 years continuous service = 4 weeks</p> <p>Earned vacation time does not carry over past 12 months after the start of the fiscal year</p>	<p>1-5 years = 2 weeks 6-14 years = 3 weeks 15-19 years = 4 weeks 20 or more years = 5 weeks</p>	<p>1-8 years = 10 working days, accumulation rate of .833 days per month 9-15 years = 15 working days, accumulation rate of 1.25 days per month 15+ years = 20 working days, accumulation rate of 1.66 days per month</p>
Sick/personal leave incentive	N/A	Unused personal days purchased at the rate of \$8.50 per hour	Unused personal leave days will be added to sick leave	<p>Reward for using no sick leave during any quarter will 1 ¼ days pay, reward for using only 1 sick day in any quarter will be ¾ days pay.</p> <p>Quarter Distribution: 1) September-November 2) December-February 3) March-May 4) June-August</p> <p>Eligible Employees: 9 month employees are not eligible for June- August. 10 – 11 month employees are eligible for the June- August quarter but the reward is pro-rated 10 month = 1/3 award 11 month = 2/3 award</p>
Maximum number of sick days accrued	Unlimited	300	280	270
Maximum number of sick days paid at retirement (percentage payout)	65 days (1/3 of accumulated days)	75 days (1/4 of accumulated days)	70 days (1/4 of accumulated days)	75 days (1/4 of accumulated days)

Retirement Incentive	Retirement in the first eligible year entitles the member to a one-time bonus of \$3,500 in addition to severance pay	An employee eligible for retirement, with 25 years of service, who retires within 60 days of initial eligibility, will receive an additional 30 days of retirement severance pay. Pay is set at the per diem rate of the individual employee	N/A	Those eligible to retire with 30 years service under SERS and who retire effective at the end of the qualifying school year, or those who qualify for retirement under the SERS 25/55 rule or the 5/60 rule, will be eligible to receive a one-time retirement bonus. The bonus is calculated at 35% of the annual salary including the 5% pickup, but excluding any overtime or supplemental contracts.
Number of personal days	3 (non-cumulative)	3 (non-cumulative) Consisting of: 2 unrestricted leave 1 restricted leave	3 (non-cumulative)	3 (non-cumulative)
Notice required	7 calendar days	5 workdays	3 days	2 days
Number of holidays paid for 12-month employees	11	11	12	12
Number of holidays paid for less than 12 month employees	7	12	8	10
Excess Pick-up of employee SERS portion by District	N/A	N/A	Pick-up of 2% The remaining 7% will also be picked up and paid by the board through an equal reduction in annual employee compensation	5% pick up Paid by the Board on behalf of the employee.
Bus Driver Hours	Minimum of 7 hours per day for 3 regular trips	A.M. Rtc: 2 h 10 m P.M. Rtc: 2 h 10 m	N/A	N/A
Cost of living increases each year of the contract	3.5%	2002 – 2003 = 2.94% 2003 – 2004 = 2.45%	4.0%	N/A

Source: Lancaster and peer districts classified employee negotiated agreements for FY 2005-06.

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Facilities

Background

The facilities section focuses on custodial and maintenance staffing; operations; expenditures; and building utilization in the Lancaster City School District (Lancaster CSD or the District). The objective is to analyze building operations and develop recommendations for improvements and possible reductions in expenditures. Throughout the report, comparisons are made to the following National and local benchmarks: The National Center for Education Statistics (NCES), the Association of School Business Officials (ASBO), the American School and University Magazine (AS&U), and DeJong and Associates, Inc.

Lancaster CSD consists of 12 schools: eight elementary schools (grades K-6), two middle schools (grades 7-8), one freshman school (grade 9), and one high school (grades 10-12). The average age of the District's buildings is 50 years. In June 2004, the District closed one school, (North Elementary School), due to the need for an excessive amount of maintenance and repair to address health and safety issues. The District redistributed the North Elementary School students between East, South, West and Tarhe Elementary Schools. Furthermore, to accommodate the overflow of students, previously relocated throughout the district, at the Tarhe Elementary School, the District purchased a modular unit.

The District has recently constructed a new warehouse facility that contains all maintenance and custodial materials and supplies, and two garages for vehicle storage and equipment repair. The new warehouse was constructed after a fire destroyed two warehouse facilities in 1996. The District also has two facilities that are used by its Transportation Department. One facility houses the Transportation Department's administrative offices and equipment, and the other facility is used as a wash bay to clean buses. In 1994, the District purchased the facility that currently serves as its Education Service Center (ESC) which includes its administrative offices.

In 1993, Lancaster CSD issued bonds authorized by House Bill 264 to make necessary energy efficiency upgrades throughout the district. The District installed new valve controls on the heating units; two new boilers; four water heaters; halogen bulbs in the gymnasiums; and either replaced or repaired the roofs at the Medill Elementary School, the Tallmadge Elementary School, and the Education Service Center. The District contracted with Johnson Controls, Inc., to install and monitor the projects listed above. The energy management program also provided retro-fitting of heating plants and lighting equipment for all thirteen schools, which at the time included North Elementary. The District incurred a total cost of \$3,546,149, including interest,

for the energy management program. The District paid off the debt incurred for the Johnson Controls, Inc. contract in June, 2004.

Organizational Structure and Function

The custodial and maintenance departments are responsible for the operation and upkeep of the District's facilities. The Business Manager spends approximately 50 percent of his time managing and overseeing the operation of the facilities; the manual work order system; and the custodial and maintenance supervisors through a collaborative work process. The remainder of his time is divided into three categories: 10 percent on transportation, 15 percent on food service and the remaining 25 percent on miscellaneous activities such as completing and resolving administrative tasks. In addition to the Business Manager, the facilities administrative staff includes 4 full-time employees: the Custodial Supervisor, the Maintenance Supervisor, their respective assistants. There is also an assistant to the Business Manager whose time is split between two job functions. Approximately half of the assistant's time is used to assist the Business Manager with tasks such as processing purchase orders, postage and bulk mail, organizing bid packets, and monitoring the District's courier. The other half of the assistant's time is committed to performing administrative tasks such as ordering and distributing office supplies, providing operational assistance for District copier units, typing meeting minutes, and scheduling all meetings within the District. The custodial and maintenance supervisors report directly to the Business Manager and are responsible for managing custodial and maintenance staff and overseeing building operations.

The District has 12 full-time head custodians, one for each building in the District. The head custodians report directly to the Custodial Supervisor and are responsible for the day-to-day management of the custodial staff in their respective buildings. Head custodians also provide guidance and oversight to the custodians assigned to their buildings. The custodial staff is responsible for providing a clean and safe environment for the students, staff, and public who use District facilities. In addition, the District has 12 FTE maintenance workers who report directly to the Maintenance Supervisor.

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of FTE employees responsible for maintaining Lancaster CSD's facilities.

Table 4-1: Number of Positions and Full-time Equivalents for FY 2005-06

Classification	Number of Positions	Full-time Equivalents
Business Manager	1	0.5
Custodial Supervisor	1	1.0
Maintenance Supervisor	1	1.0
Assistants	3	2.5
Total Administration	6	5.0
Total Maintenance	11	11.0
Head Custodian	12	12.0
Custodian	22	22.0
Total Custodian	34	34.0
Total Grounds Keeping	1	1.0
Total	52	51.0¹

Source: Lancaster CSD's Business Manager's Office

¹The number of custodial and maintenance employees in the **facilities** section differs from that of the **human resource** section because of the manner in which the EMIS report presents FTE employees by position.

In FY 2005-06, Lancaster CSD facilities staff consisted of 51 FTE employees in the following positions: 5 administrators, 34 custodians, 11 maintenance workers, and 1 groundskeeper. The District employs only one groundskeeper because it has a contract with a lawn care company to provide materials and labor for mowing services at all buildings.

Key Statistics

Key statistics related to the maintenance and operations of Lancaster CSD are presented in **Table 4-2**. In addition, results from the 34th Annual American Schools & University (AS&U) Maintenance & Operations Cost Study and the National Center for Education Statistics (NCES) are used in **Table 4-2** and throughout this section of the audit. The AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. This year's report provides the national median and a mean number for each category on a national level and by district enrollment (less than 1,000 students; 1,000 to 3,499 students; and greater than 3,500 students).

Table 4-2: Key Statistics and Indicators

Number of School Buildings	19
-Elementary Schools ¹	8
-Middle Schools	2
-Secondary School	1
-High School	1
-Administration ²	2
-Other ³	5
Total Square Feet Maintained	778,396
-Elementary Schools ¹	276,562
-Middle Schools	127,702
-Secondary School	77,767
-High School	172,376
-Administration ²	58,250
-Other ³	65,189
Square Feet Per FTE Custodial Staff Member (34 FTEs)	22,894
-Elementary Schools ¹ (16 FTEs)	17,285
-Middle School (5.5 FTEs)	14,189
-Secondary School (3 FTEs)	25,922
-High School (7.75 FTEs)	24,625
-Administrative Building ² (1 FTEs)	58,250
-Other ³ (0.75 FTE)	41,440
NCES National Average	28,000
Square Feet Per FTE Maintenance Staff Member (12 FTEs)	64,866
AS&U 34th Annual Cost Survey > 3,500 Student Median	85,572
AS&U 34th Annual Cost Survey National Median	87,931
FY 2004-05 Maintenance and Operations Expenditures Per Square Foot	\$5.74
-Custodial and Maintenance	\$4.69
-Utilities	\$1.06
AS&U 34th Annual Cost Survey > 3,500 Student Median	\$4.29
AS&U 34th Annual Cost Survey National Median	\$3.84

Source: Lancaster CSD's Payroll FY 2004-05, Building Statistics, and Classified Staff Report; AS&U 34th Annual Maintenance & Operations Cost Survey, and the National Center for Education Statistics (NCES).

¹ Includes the Tarhe Modular unit.

² Administration includes the Transportation Office and the Education Service Center.

³ Other includes the Vocational School, Field House, Hood Building, Locker room, and the two Warehouses.

Lancaster CSD custodians maintain fewer square feet per FTE employee than the National Center for Education Statistics (NCES) national average of 28,000 square feet. In addition, maintenance employees maintain fewer square feet per FTE employee than the AS&U national median of 85,572 square feet.

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate Lancaster CSD's facilities for FY 2002-03, FY 2003-04, FY 2004-05.

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2002-03 Total	FY 2003-04 Total	Percentage Change from FY 2002-03	FY 2004-05 Total	Percentage Change from FY 2003-04
Salaries	\$1,874,724	\$1,910,310	1.9%	\$1,947,746	2.0%
Benefits	\$737,068	\$872,327	18.4%	\$813,014	(6.8%)
Purchased Services	\$997,483	\$966,555	(3.1%)	\$636,531	(34.1%)
Utilities	\$738,219	\$804,193	8.9%	\$821,588	2.2%
Supplies/Materials	\$289,382	\$279,890	(3.3%)	\$239,620	(14.4%)
Capital Outlay	\$19,024	\$12,361	(35.0%)	\$12,976	5.0%
Total	\$4,655,899	\$4,845,637	4.1%	\$4,471,476	(7.7%)

Source: Lancaster City School District year end financial records for Fiscal Year 2003, 2004, and 2005.

Table 4-3 shows that expenditures on facility maintenance and operations increased in FY 2003-04 then decreased in FY 2004-05 to a level below FY 2002-03 expenditures. The majority of the decrease in FY 2004-05 expenditures was in purchased services. Purchased services were reduced because of the District's financial condition and the completion of overdue maintenance (see *Assessments Not Yielding Recommendations*).

Table 4-4 illustrates Lancaster CSD's FY 2004-05 General Fund custodial and maintenance-related expenditures per square foot along with results from the AS&U cost study.

Table 4-4: Facilities Expenditures per Square Foot in FY 2004-05

Cost Area	Lancaster CSD	AS&U National Median	AS&U Median 3,500 + Students
Salaries/Benefits			
Per Square Foot	\$3.55	\$1.79	\$2.30
Purchased Services (excl. utilities)			
Per Square Foot	\$0.82	\$0.24	\$0.14
Utilities			
Per Square Foot	\$1.06	\$1.35	\$1.37
Supplies/Materials			
Per Square Foot	\$0.31	\$0.27	\$0.25
Capital Outlay			
Per Square Foot	\$0.02	N/A	N/A
Other			
Per Square Foot	\$0.00	\$0.19	\$0.14
Total General Fund Expenditures			
Per Square Foot	\$5.74	\$3.84	\$4.29
Total All Fund Expenditures			
Per Square Foot	\$5.75	N/A ¹	N/A

Source: Lancaster CSD 4502 Financial Report for FY 2005 and the 34th Annual American School and University Magazine.

¹N/A is stated for any categories where AS&U does not report a national median.

As indicated in **Table 4-4**, salaries and benefits per square foot are higher than the AS&U median for districts with more than 3,500 students, which is primarily attributed to high staffing levels in the custodial and maintenance classifications (see **R4.1 and R4.2**). Purchased service expenditures per square foot are also higher than the national medians, mainly due to purchases made for repairs and maintenance to the District's older facilities. These purchases include expenditures for repair and maintenance services not provided directly by District personnel. These expenditures also include contracts and agreements covering the upkeep of grounds, buildings, and equipment.

Noteworthy Accomplishment

Lancaster CSD has implemented the following high-performance practice within its facilities operations that warrant mention:

- **Grounds Keeping Expenditures:** Lancaster CSD employs 1 full-time grounds keeper to maintain 189 total acres. The District supplements grounds keeping by contracting with an outside provider for mowing services. AS&U's National median for grounds keeping in districts with more than 3,500 students is \$0.17 per square foot. Based on the contract agreement for mowing services and the salary for one grounds keeper, the District reported grounds keeping costs of \$0.09 per square foot in FY 2004-05.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted on other aspects of facilities operations, which did not warrant changes and did not yield recommendations. These areas include the following:

- **Overtime Use and Expenditures:** Lancaster CSD has had consistently low overtime costs and use over the past three years. In 2005, the District reported \$23,602 in overtime costs, which is 2.79 percent of the overall salary and wage total. In 2004, expenditures were 2.70 percent of salaries and wages. In 2003, the District spent 4.10 percent of the total salary and wage expenditures for overtime. Lancaster CSD has consistently maintained low overtime expenditures in comparison to total salaries. The District has managed to keep overtime expenditures low by requiring that all overtime be approved by the Business Manager.
- **Custodial and Maintenance Operations:** An assessment of the District's channels of authority indicates that proper checks and balances are in place. Bases on a review of the District's organizational chart and levels of authority, it was concluded that appropriate levels of management and supervision exist.
- **Purchased Service Expenditures:** Lancaster CSD has had consistently high purchased service costs over the past three years. Further research into the District's purchased services expenditures suggests that the high cost per square foot results from the acquisition of repairs and maintenance services. Furthermore, the Superintendent stated that facilities have been neglected in the past. As a result, the overall age of the District's facilities and their past neglect combine to result in above average expenditures in purchased services. However, the District anticipates a decrease in future purchased services as all necessary maintenance is completed. In FY 2004-05, the District reported \$636,000 in purchased service costs, which represent approximately \$0.82 per square foot. AS&U reports the National median to be \$0.24 per square foot. Due to the deviation of District purchased service costs per square foot from the AS&U National median, a comparison was made to the peer average. The peer average purchased service cost is approximately \$0.51 per square foot.
- **Custodial and Maintenance Services as Reported by Facility Users:** According to the Auditor of State Client Survey, the users of the District's facilities were satisfied with custodial and maintenance services. The results of the survey further suggest that there is appropriate supervision to ensure that facilities standards are met (see **Appendix 4-A**).

Issue for Further Study

Education Service Center: Lancaster CSD is considering move administrative personnel out of the Education Service Center (ESC). It has been suggested by the Business Manager that utilizing excess space at the newly constructed warehouse could accommodate the administrative personnel that currently occupy the ESC. This relocation was scheduled to take place beginning in January 2006 because of the District's desire to consolidate space and to begin leasing the space at the ESC. However, during the course of the audit the District expressed an interest in moving the administrative personnel to the Stanbery Freshman Intermediate School.

Where ever the District relocates its administrative staff, it should closely monitor the projected revenues generated by fully leasing the space at the ESC building. If the District finds that it is unable to realize the projected revenue it should consider selling the facility as well as any other properties associated with the ESC.

Recommendations

R4.1 Lancaster CSD should consider reducing custodial staffing by 6 FTE employees. A reduction of six custodial positions would bring the District more in line with NCES averages and reduce its high costs in the areas of salaries, wages, and benefits.

In FY 2004-05, there were 34 custodians maintaining 778,396 square feet or 22,894 square feet per FTE employee. The District assigns two custodians and one head custodian to each elementary and middle school, and the freshman intermediate school. The high school and all other District facilities are staffed according to the facilities-specific custodial needs of the building. However, this process is not formalized.

Table 4-5 compares the District's FTE custodian staffing per square foot to NCES national average.

Table 4-5: Lancaster CSD Custodial Staffing by Building Type

Building Type	Total Area Cleaned & Maintained	FTE Custodians	Current Area per FTE Custodian	AOS Recommended FTE Custodians	Proposed Square Foot per FTE Custodian
Elementary	276,562	16.00	17,285	10.00	27,656
Middle School	205,469	9.00	22,830	7.25	28,341
High School	207,035	7.25	28,557	7.25	28,557
Maintenance, Transportation & Warehouse	39,330	0.75	52,440	1.50	26,220
Administration	50,000	1.00	50,000	2.00	25,000
Net Reductions	778,396	34.00	22,894	28.00	27,800

Source: Lancaster CSD staffing assignments.

NCES reports an average of 28,000 square feet per FTE custodian. Comparisons in **Table 4-5** show that staffing reductions are possible when workloads at Lancaster CSD are compared to national averages. An option for reducing custodial staffing levels includes taking steps to streamline cleaning processes and ensuring that consistent cleaning processes are used District-wide (see **R4.4**). However, FTE custodian staffing levels in the maintenance, transportation, and warehouse facilities and the administration building are above the recommended square feet per FTE custodian. Further evaluation into the effectiveness of custodian staffing levels in these facilities is suggested to ensure that proper sanitary standards are being met. Lancaster CSD has higher staffing levels primarily because the elementary schools are assigned three FTE custodial staff when the national average suggests only two are needed. Lancaster CSD custodial staff receives higher benefits than the peer average. By reducing staffing levels, the District can reduce

funding directed to support services in this area (Also see the benefits analysis in the **human resources** section). The District could redistribute workloads throughout the District without incurring additional costs. Some reductions could potentially be made through attrition.

Financial Implication: A net reduction of 6 FTE custodians would result in approximately \$206,000 in annual costs savings from salaries and benefits. Over the five year forecast period, the cumulative cost savings would be approximately \$900,000.

R4.2 Lancaster CSD should consider reducing 2 FTE maintenance staff. A reduction of 2 maintenance workers would result in square footage per FTE maintenance worker that is more comparable to the AS&U national median.

Lancaster CSD’s Maintenance Department maintains about 70,763 square feet per maintenance employee. The District maintenance staff is comprised of specialized employees such as electricians, plumbers, carpenters, HVAC, and a lock smith.

Table 4-6: Lancaster CSD Maintenance Staffing by Square Foot

Total Square Footage Cleaned & Maintained	FTE Maintenance	Area per Maintenance FTE	AS&U National Median	AS&U Recommended FTEs	Proposed Square footage	Total Number of Reductions
778,396	11.0	70,763	87,931	9.0	86,488	2.0

Source: Lancaster CSD staffing assignments.

Table 4-6 shows Lancaster CSD maintenance employees are maintaining approximately 16,000 square feet less per employee then the AS&U national median. Although older buildings and delayed maintenance may contribute to the higher staffing levels, Lancaster CSD is directing General Fund monies into maintenance salaries and benefits that could be available for other priorities. An option for reducing maintenance staffing levels is to consider developing a maintenance department handbook to establish guidelines for effectively maintaining buildings within the District (see **R4.3**). The Maintenance Department was staffed by the previous District administration. The Business Manager stated that examining possible reductions to the maintenance staff was difficult due to the staff’s experience and qualifications. Furthermore, the Business Manager suggested that the maintenance staff’s ability to complete many repairs without outside contracting has helped reduce some costs. Hence, employing maintenance staff by their particular specialty has caused the District to hire additional employees throughout the Maintenance Department.

Financial Implication: The reduction of 2 FTE maintenance workers would result in annual cost savings of approximately \$103,000 from reduced salaries and benefits. Over the five year forecast period, the cost savings would be approximately \$447,500.

R4.3 Lancaster CSD should enhance its Maintenance Department policies and procedures manual to ensure it meets national benchmark standards and to ensure that all employees are knowledgeable about District standards and guidelines. Those standards include, but are not limited to, personnel policies, asbestos procedures, repair standards, and work order procedures.

During the course of the audit, the Maintenance Supervisor developed a policies and procedures manual for the Maintenance Department. The new manual includes guidelines pertaining to absences, cancellation of school, compensatory time, emergency situations, information board, lunch, payroll, sign in/out procedures, telephone, two-way radio and pager usage, work day, work orders, maintenance employees, and maintenance forms.

NCES, in its *Planning Guide for Maintaining School Facilities* (February 2003), states that every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible (perhaps via Intranet or Internet), and written at a level consistent with the reading ability of department members. The NCES suggests that at a minimum, a maintenance manual should include:

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

The District has operated with only a Custodial Department manual in the past. Implementing the benchmark manual elements in the newly developed Maintenance Department manual will help to ensure proper adherence to District guidelines and efficient work processes.

R4.4 Lancaster CSD should augment its manual for custodial operations to address the replacement and selection of equipment, maintenance and operations budget criteria, facilities standards, and personnel staffing and hiring policies. Including

these areas will help ensure that custodial personnel are fully informed of all information pertaining to their function.

Furthermore, Lancaster CSD should review its custodial and maintenance policies and procedures annually and update them on an as needed basis. Policies should include a revision date to help ensure that users have the most up-to-date information.

The District has not conducted annual reviews of its custodial policies and procedures handbook. The District last revised its handbook for custodians in 1999 in order to update all policies and procedural guidelines pertaining to the Custodial Department. The handbook includes items such as protecting health and safety, managing custodian responsibilities, ordering custodial supplies, and caring for maintenance equipment and materials. Several of these elements are recommended by the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) Best Practices for Facilities Management. However, the handbook does not include particular elements that are recommended and pertinent to Lancaster CSD's custodial operations. OPPAGA suggests that the District provide the maintenance and operations department staff with the tools and equipment required to accomplish their assigned tasks. The District should also develop an annual budget with spending limits for facilities maintenance and operations. Last the District should provide complete job descriptions and appropriate hiring and retention practices to ensure that the maintenance and operations department has qualified staff.

The need to update the custodian handbook derives from the changes in the custodial needs of a district as a result of its evolution to the use of new products and equipment. The introduction of new equipment and products requires that the District take action to adapt the existing custodian handbook to incorporate pertinent guidelines.

The International Sanitary Supply Association's (ISSA) benchmarks suggest incorporating more characteristics to ensure an effective handbook. ISSA recommends policies and procedures contain, at a minimum, the following criteria:

- Floor finish application;
- Damp/wet mopping;
- Proper dilution methods;
- Wall Washing;
- Scrubbing/stripping;
- Carpet care and maintenance;
- Dust mopping;
- Oscillating and multiple brush floor;

- Rotary floor machines;
- Spray buffing/high speed burnishing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Finally, reviewing all policies and procedures handbooks help to ensure that the district has effective manuals and performance standards in place. Handbooks should be updated on an as needed basis. Neglecting to periodically update the policies and procedures handbooks may cause them to become obsolete sources of guidance for custodial and maintenance personnel. By revising the handbooks to incorporate the elements suggested by the various benchmarks, the District can continue to ensure an efficient work process and knowledgeable custodial and maintenance staff.

R4.5 Lancaster CSD should develop and implement performance standards for custodial and maintenance operations. Developing performance standards will ensure that all personnel are familiar with work expectations and that employee performance appraisals are objective.

Once performance standards are in place and measured, Lancaster CSD should make information regarding its facilities and performance standards available to the community through its website and should disseminate information internally through the District's intranet.

The District has not developed or implemented written performance standards for its custodial and maintenance operations. Performance standards are established to communicate job expectations and to assess staff performance. Because standards have not been implemented, the District does not make information regarding its facilities and performance standards readily available to parties external to the custodial and maintenance functions.

Best practices in facilities management, developed by OPPAGA, recommend that districts establish performance standards for commonly repeated tasks to ensure employees are familiar with the assigned work and to facilitate performance appraisals. Furthermore, NCES states in its *Planning Guide for Maintaining School Facilities* (February 2003) that to assess staff productivity and ensure that all schools are maintained equitably, the District must establish performance standards. Examples of these performance standards include evaluating a custodian's performance by measuring the amount of floor space or number of rooms serviced, the cleanliness of those facilities, and the custodian's attendance history. The District has not made revisions to the custodial manual in terms of performance standards since the previous administration.

Incorporating performance standards will help to ensure that all custodial employees are operating at efficient levels.

In the absence of written standards, employees could interpret expectations inconsistently, leading to differences in work efforts, cleanliness, and levels of building maintenance. As a result, performance assessments of employee efforts may not be objective. Also, having available information pertaining to the District's facilities provides an opportunity for the public to become aware of its performance standards.

R4.6 Lancaster CSD should routinely provide training to all affected employees when cleaning or maintenance standards are changed due to the introduction of new equipment, technology, or procedures. To reduce training costs, the District should, whenever possible, use manufacturer training programs to acquaint employees with new processes and equipment.

Likewise, Lancaster CSD should routinely document the completion of training programs for new employees and the ongoing training programs for veteran employees. Formally documenting the completion of these programs will provide evidence to ensure that all employees have received the most up-to-date training available and ensure the overall effectiveness and efficiency of all staff.

The District has not developed a program to train all custodial and maintenance employees as new equipment, technology, or procedures are introduced. The District conducts a brief "shadowing" program as a form of new employee orientation. The program consists of a tour of the district's facilities and the person's work area, and a veteran employee of the District explaining the equipment instructions and daily tasks.

The NCES Planning Guide for Maintaining School Facilities suggests that because a person has been taught how to perform a specialized task does not mean that he or she will be able to perform the task in the future, especially if the task is not a regular part of his or her routine. While there is a trade-off between the benefits of staff training and the costs of lost work time during training, preparing staff to perform their work properly, efficiently, and safely is generally cost-effective. Documentation of ongoing training programs would allow the District to report any training events that were conducted and who completed the events. This would serve as a monitoring system to ensure that all custodial and maintenance staff completes the required training.

R4.7 Lancaster CSD should develop a facility master plan and a capital improvement plan. The plans should be linked to the District's educational programs and academic achievement through the District's continuous improvement plan (CIP).

The facility master plan should also be linked to short-range capital improvement plans.

The facilities master plan should clearly state the District's plans for its buildings, including which buildings are to be renovated, closed, or constructed. The master plan should include a 10-year enrollment history; enrollment projections; building capacity data (and the methodology used for their calculations); a list of the cost estimates for planned capital improvements; and a description of the District's educational plan.

The District has not developed a master plan or any of its corresponding elements and has not historically put an emphasis on its facilities. An example of such neglect is illustrated by the District's disregard for tracking the completion of preventive and predictive maintenance tasks (see **R4.8**). The District's financial situation and its declining student enrollment have been factors that cause the District to neglect the development of future plans regarding facility additions and modifications.

DeJong & Associates, Inc., one of the nation's leading experts in educational facilities planning, in *Creating a Successful Facility Master Plan* (School Planning and Management, July 2001), identifies several essential components, including:

- Historical and projected student enrollment figures;
- Demographic profiles of the community/school district;
- Facility inventory;
- Facility assessment (condition and educational adequacy of buildings);
- Capacity analysis;
- Descriptions of educational programs;
- Academic achievement; and
- Financial and tax information.

The lack of a capital improvement plan can create issues regarding the District's understanding of its facility needs and future goals. A capital improvement plan serves as a guide for any facility renovations and additions. In addition, the absence of formal enrollment projections further hinders the District's ability to develop an accurate plan for its facilities (see **R4.11**). In the absence of a capital improvement plan the District does not have a formal route to communicate its capital needs.

R4.8 Lancaster CSD should develop and implement a formal preventive maintenance program that addresses all routine, cyclical, and planned building maintenance functions. Regular preventive maintenance ensures equipment reliability, reduces operating costs and increases the life expectancy of facilities and equipment.

The District does not have a formal preventive maintenance program. The Business Manager has the sole responsibility for monitoring the buildings and equipment and recognizing and correcting any issues that are deemed problematic. The maintenance staff is responsible for maintaining the facilities, including any electrical and plumbing work, repairing equipment on an as needed basis, and completing work orders submitted by district personnel and authorized by the Business Manager.

NCES states that maintenance entails much more than just fixing broken equipment. In fact, a well-designed facility management system generally encompasses four categories of maintenance: emergency (or response) maintenance, routine maintenance, preventive maintenance, and predictive maintenance. The Offices of the Legislative Auditor of the State of Minnesota published guidelines for preventive maintenance for government buildings. The guidelines suggest the following seven best practices:

- Inventory building components and assess their conditions;
- Build the capacity for ranking maintenance projects and evaluating their costs;
- Plan strategically for preventive maintenance in the long and short term;
- Structure a framework for operating a preventive maintenance program;
- Use tools to optimize preventive maintenance programs;
- Advance the competence of maintenance workers and managers; and
- Involve appropriate maintenance personnel in decision making and in communicating buildings' needs.

Neglecting the completion of preventive and predictive maintenance repairs can lead to increased costs. Furthermore, the periodic evaluation of District facilities and equipment by knowledgeable staff can ensure proper preventive and predictive maintenance measures are executed effectively.

R4.9 Lancaster CSD should implement a more detailed energy management and conservation plan in order to reduce utility costs. Although building controls are in place and utility costs are generally lower than the national averages, a detailed energy conservation program would help the District manage these costs as energy prices continue to increase. The District should also consider establishing and implementing energy conservation training programs that are aimed at educating District staff and students about the standards and procedures stated in the energy conservation plan and at ensuring the proper use of District facilities and energy conservation.

The District has established an energy conservation plan that details basic energy conservation practices such as turning off all unnecessary lighting in unoccupied areas and shutting down all computers each night. However, the District has not developed

training opportunities to inform students and staff about the practices that are incorporated in the energy conservation plan. In addition, the plan does not offer any specific guidelines to ensure that proper energy conservation measures are implemented. Furthermore, the energy conservation plan does not formally make programs available to those affiliated with the District to learn about the policies and procedures that are stated in the energy conservation plan.

In 1994, the District took advantage of House Bill 264 provisions and contracted with Johnson Controls, Inc to monitor and complete upgrades to District facilities; however, the contract ended in 2004. Since the termination of the contract, the Business Manager monitors energy usage by tracking the District's expenditures on a monthly basis and controlling heating and cooling expenditures by requiring authorization for temperature adjustments.

The District purchases energy services from American Electric Power (AEP) and the Lancaster Municipal Utility Company. Lancaster Municipal Utility Company has historically charged competitive prices. Lancaster CSD has not been able enter into the Ohio Department of Administrative Services Office of Energy Services energy purchasing consortium because the Lancaster Municipal Utility Company does not offer purchasing consortium agreements. However, based on a comparison with other natural gas suppliers in the area, Lancaster Municipal Utility Company's pricing to Lancaster CSD was 22 percent lower than the competitor rates. Also, the District is below the AS&U national benchmark for utilities cost per square foot. The District's utility expenditures per square foot are \$1.06 compared to the AS&U national median of \$1.35 (see **Table 4-4**).

The U.S. Department of Energy (DOE) published energy design guidelines for high performance schools which suggest the following six goals for improving school energy efficiency:

- Reducing operating costs;
- Designing buildings that teach;
- Improving academic performance;
- Protecting the environment;
- Designing for health, safety and comfort; and
- Supporting community values.

Likewise, the Ohio Department of Education (ODE) suggests various best practices/programs for controlling energy costs. The following is a list of programs that could be helpful to the Lancaster CSD:

- **Energy Tracking and Accounting:** This includes collecting, recording, and tracking monthly energy costs for analysis.
- **Voluntary Energy Awareness:** This includes educating the faculty, staff, and students to be aware of energy costs and to do their part to control costs such as “turn off the lights” stickers in the bathrooms.
- **Performance Contracting:** This includes a contractual agreement with a performance contractor to provide energy services in exchange for a percentage of the savings.
- **Quick Fix and Low Cost:** This includes identifying and repairing simple building problems such as weather-stripping around doors and windows.

Once a district has decided which program/programs to use, it must define and implement a district-wide energy policy. For the energy savings program to work, the district must be aware of the following critical factors:

- **Program Visibility and Progress Reporting** which sustains interest of the local school board, staff and the community by communicating the energy savings and information; and
- **Detailed Procedure Manual** which informs/reminds staff of the new procedures and tells them how to perform certain key conservation functions.

ODE suggests that with the initial implementation of energy savings programs, schools can save 1-3 percent on energy bills just because people are more aware of waste and the means to prevent wasteful consumption. A successful energy plan will save an average of \$0.06-\$0.30 per square foot annually on utility costs. Because of the low rates charged for natural gas, the District would likely experience the greatest cost savings in the area of electricity use.

Financial Implication: If the District could save an average \$0.18 per square foot, then the District would reduce their utility costs to \$0.88 per square foot for a cost savings of approximately \$140,000 annually. Over the life of the five-year forecast, the cost savings would be approximately \$560,000.

R4.10 Lancaster CSD should consider purchasing a comprehensive computerized work order system. The work order system would allow the District to track work orders, materials used, and personnel information, as well as productivity statistics (see R4.4) and preventive maintenance activities (see R4.8). The use of such a system

would allow the Maintenance Department to track the status of outstanding work orders, monitor open work orders, forecast workload and staffing needs, and analyze the cost of specific work assignments. Using accurate cost data and time-to-complete information would also result in better resource allocation decisions.

Teachers, custodians, and principals submit paper work order requests to the Business Manager. The Business Manager arranges the work orders by the level of priority assigned by the work order applicant. Once prioritized, the work order is assigned to the appropriate tradesman. Since the work order process is paper driven, it is difficult for the entire maintenance staff to access work orders and determine when an order has been completed. In addition, the District is unable to use work order processing as a measure of staff productivity.

Using a computer-based system would increase accountability and potentially increase productivity. Furthermore, the use of a computerized system for completing work order forms and daily work order logs online would significantly reduce time spent on paper work and allow more time for the completion of maintenance tasks. Computerized work order systems are available from several companies and can be loaded on a personal computer or operate via the internet. General processes for using the software are as follows:

- A user logs in to the program and reports a maintenance problem (assumed Internet or intranet based program).
- The designated administrator is automatically notified of the problem.
- The administrator assigns the problem to a technician.
- The technician works on the problem and logs onto the program and files a work report.
- The user and administrator are notified of the work done and the current status of the problem.

Other features of such software include:

- *Management Features*
 - Create a historical record of maintenance problems, and instantly produce detailed reports of the status of all reported problems.
 - Track inventory and parts used for repairing equipment.
 - Schedule tasks to being on a certain date, occur on set intervals and/or run for a set number of occurrences.
 - Create you own custom priority levels for trouble tickets.
 - Set deadlines for tickets to be solved and generate automatic e-mails to maintenance personnel when a ticket is overdue.

- Balance work, assigning tickets to maintenance personnel based on current workload.
 - Integrate the service with an asset tracking program to see repair histories and warranty information for equipment.
 - Customize almost every aspect of the web interface, from adding your logo and company colors, to setting up your own user groups to determine who can use what parts of the service.
- *Report features*
 - Create custom reports and save for later retrieval.
 - Automatically create status reports for individual maintenance personnel. See at a glance which tickets are overdue.
 - Use advanced sorting options for ticket views – sort first by status, then by fining, for example.
 - Print tickets two ways – one tick per page or no page breaks.
 - Customize single line trouble ticket reports, allowing quick access to tickets via hyperlink to display further information.

Financial Implication: The average cost of a web-based work order system would be approximately \$2,450 per year based upon a three year contract. Lancaster CSD already has in place the infrastructure needed to run the system. Over the life of the five-year forecast, the cost would be approximately \$9,800.

R4.11 Lancaster CSD should develop ten-year enrollment projections. Because variable factors change, the District should review enrollment assumptions and update the projections on a yearly basis. The enrollment projections should be included in the facility master plan (see R4.7) and used for decision-making purposes in re-districting, potential building or remodeling projects, and other facility issues.

Once enrollment projections have been completed, Lancaster CSD should develop building capacity and utilization diagrams and review them periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations, and plan for future staffing needs. The District should adopt and use a methodology that accounts for its needs, educational programs, and philosophy.

Based on the capacity analyses presented below, Lancaster CSD should consider closing a school building and reassigning students to the remaining schools. In addition, enrollment trends should be closely monitored to ensure that planned renovations and classroom additions are needed.

The District has not developed its own formal enrollment projections nor does it regularly evaluate building capacity. To assess future enrollment, the District has sought professional services from The Ohio State University, evaluated the number of resident students attending the surrounding districts, and considered the affects of residential growth in the City on future enrollment. Enrollment projections are a valuable planning tool that can assist the District with evaluating building use and capacity, as well as predicting state funding allocations, completing financial forecasts, and determining appropriate staffing levels for certified and classified staff.

Table 4-7 shows Lancaster CSD enrollment, by grade, for 2001 through 2006 and projected enrollments based on the cohort survival method⁴⁻¹ for 2007 through 2011.

⁴⁻¹ According to *Planning and Managing School Facilities* (Kowalski, 2001), the cohort survival method is the simplest and most widely used process for estimating enrollment. The method projects enrollment by computing the estimated size of each grade for the next immediate year from the size of the present year's next lower grade. For example, the projection for second grade in 2006 is determined by multiplying first grade enrollment in 2005 by the mean survival ratio calculated from the survival ratios of the previous five years. The survival ratio for a particular year and grade is determined by dividing the grade's enrollment one year after the actual year, by the prior grade's enrollment for that year. For example, the survival ratio for grade 2 in 2003 is calculated by dividing the number of grade 2 students in 2004 by the number grade 1 students in 2003.

Table 4-7: Five Year Enrollment Projections

Grade	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pre-K	107	100	108	119	125	132	142	132	136	140	144
K	443	460	454	428	451	491	479	431	428	424	421
1	475	462	484	476	442	464	432	482	434	431	427
2	454	449	446	465	448	454	457	435	484	436	433
3	477	423	459	429	455	445	458	474	451	502	453
4	516	472	429	443	422	452	454	463	480	456	508
5	507	517	471	438	440	426	465	436	444	460	437
6	486	508	506	471	425	442	466	448	420	429	444
7	484	497	519	516	472	442	480	453	436	409	417
8	472	473	488	499	509	468	482	479	452	435	408
9	500	470	474	483	508	505	489	495	492	464	447
10	496	521	473	505	450	475	493	477	482	480	453
11	356	403	435	388	437	432	409	490	474	479	477
12	409	379	414	418	405	417	405	423	508	491	497
Total	6,182	6,134	6,160	6,078	5,989	6,045	6,111	6,118	6,121	6,036	5,966

Source: The Ohio Department of Education and the Auditor of State's Cohort-Survivor Enrollment Projection Method

Table 4-7 shows projected yearly fluctuations in enrollment. Factors that could potentially affect this projection include birth rates, new housing developments, and area job opportunities.

Building capacity is a vital component of planning for future facility needs. Maintaining accurate building capacity and utilization rates will allow the District to ensure adequate classroom availability based on projected student populations. This will also allow the District to more accurately forecast expenses related to capacity issues and determine the best use of facility space.

Table 4-8 compares each school building's capacity to the FY 2005-06 school enrollment as reported to ODE to determine current utilization rates^{4,2}. **Table 4-8** reflects the District's current number of regular classrooms in use and shows the District-wide building utilization rate is at 80 percent.

Table 4-8: 2005-06 Building Capacity and Utilization Rates

Building	Building Capacity	2005-06 Head Count	Over/(Under) Capacity	Building Utilization Rate
Cedar Heights	550	471	(79)	86%
East	500	423	(77)	85%
Medill	575	340	(236)	59%
Sanderson	400	337	(63)	84%
South	450	376	(74)	84%
Tallmadge	475	360	(115)	76%
Tarhe ¹	350	472	122	135%
West	543	462	(82)	85%
Elementary School Total²	3,843	3,240	(603)	84%
General Sherman Middle School	643	460	(183)	72%
Thomas Ewing Middle School	625	454	(171)	73%
Middle School Total	1,268	914	(354)	72%
Stanbery Freshman School Total	709	501	(208)	71%
Lancaster High School Total	1,643	1,324	(319)	81%
Total for all buildings	7,463	5,979	(1,484)	80%

Source: District Floor Plans and the EMIS Student Enrollment FY 2005-06.

¹The modular classroom unit at Tarhe Elementary is excluded in this building capacity.

²Medill, South, and West Elementary School's Pre-kindergarten students reported in the FY 2005-06 Enroll K are counted as 0.5 FTEs at each of their respective buildings.

Upon closer examination of each school facility, adjustments were made to those where the total number of classrooms could be increased by reallocating space to regular instruction which may currently be used for special programs, storage, or office space (see **Table 4-9**). Additional potential classroom space was observed at Lancaster High

^{4,2} AOS uses a standard methodology often employed by educational planners when calculating building capacity. The AOS standard methodology is derived from a methodology created by DeJong & Associates. The capacity for elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students, the number of kindergarten and preschool rooms by 25 students for all day programs (by 50 for half-day programs), and the number of special education classrooms by 10 students. The capacities for each (elementary, kindergarten/preschool, and special education) are then totaled to arrive at the capacity for the building. Classrooms used for gym, music, art, library, and computer labs are set-asides and excluded from the number of rooms used in the calculation. The capacity for middle schools and high schools is calculated by multiplying the number of regular classrooms by 25 students and special education classrooms by 10 students, and then multiplying the rest by an 85 percent utilization factor. The utilization rate is then calculated by dividing the head count by the building capacity.

School (3 rooms), Stanbery Intermediate School (1 room), General Sherman Junior High School (5 rooms), Cedar Heights Elementary School (3 rooms), and West Elementary School (5 rooms). The observed additional classroom space at Lancaster High School, General Sherman Junior High School, Cedar Heights Elementary School, and West Elementary School may require minor modifications.

Table 4-9 compares each school building's AOS adjusted capacity to the FY 2005-06 reported enrollment to determine each building's utilization rate. All the schools were evaluated based on the total number of available classrooms.

Table 4-9: 2005-06 AOS Building Capacity and Utilization Rates

Building	Building Capacity	2005-06 Head Count	Over/(Under) Capacity	Building Utilization Rate
Cedar Heights	625	471	(154)	75%
East	500	423	(77)	85%
Medill	575	340	(236)	59%
Sanderson	400	337	(63)	84%
South	450	376	(74)	84%
Tallmadge	475	360	(115)	76%
Tarhe ¹	350	472	(127)	135%
West	668	462	(207)	69%
Elementary School Total²	4,043	3,240	(803)	80%
General Sherman Middle School	768	460	(308)	60%
Thomas Ewing Middle School	625	454	(171)	73%
Middle School Total	1,393	914	(479)	66%
Stanbery Freshman School Total	734	501	(233)	68%
Lancaster High School Total	1,718	1,324	(394)	77%
Total for all buildings	7,888	5,979	(1,909)	75%

Source: District Floor Plans and the EMIS Student Enrollment FY 2004-05.

¹The modular classroom unit at Tarhe Elementary is excluded in the building capacity figure.

²Medill, South, and West Elementary School's Pre-kindergarten students reported in the FY 2005-06 Enroll K are counted as 0.5 FTEs at each of their respective buildings.

Upon completing some minor modifications, the utilization rate for all buildings declines from 80 percent to 75 percent.

For illustrative purposes, **Table 4-10** shows capacity rates for FY 2005-06 assuming the closure of an elementary school building.

Table 4-10: FY 2005-06 AOS Building Capacity with Building Closure

Building	Building Capacity	2005-06 Head Count	Over/(Under) Capacity	Building Utilization Rate
Elementary School Total ^{1,2}	3,593	3,240	(353)	90%
Middle School Total	1,393	914	(479)	66%
Stanbery Freshman School Total	734	501	(233)	68%
Lancaster High School Total	1,718	1,324	(394)	77%
Total for all buildings	7,438	5,979	(1,459)	80%

Source: District Floor Plans and the EMIS Student Enrollment FY 2004-05.

¹The modular classroom unit at Tarhe is excluded in the building capacity figure.

²Medill, South, and West Elementary School's Pre-kindergarten students are reported in the 2005-06 enrollment. Kindergarten students are counted as 0.5 FTE at each of their respective buildings.

As shown in **Table 4-9**, the total building utilization rate was 75 percent based upon the buildings currently in use at the district and the modification described above. In this example, the closure of an elementary school building would increase the total building utilization rate to 80 percent as illustrated in **Table 4-10**. This rate is considered slightly below the optimal 85% utilization level used by industry experts. However, **Table 4-10** also shows the utilization rate at the elementary schools is above the 85 percent benchmark while utilization rates are significantly below 85 percent at the middle schools and the freshman school. This suggests that in conjunction with any building closures, the District should consider re-configuring buildings to more effectively use its available classroom space to support educational goals and priorities.

Table 4-11 shows capacity rates for school years FY 2006-07 through FY 2009-10 based on the enrollment projections in **Table 4-7**.

Table 4-11: AOS Adjusted Capacity Rate Projections

Building	2006-07	2007-08	2008-09	2009-10
Elementary School Total Average	93%	92%	91%	91%
Middle School Total Average	69%	67%	64%	61%
Stanbery Freshman School Total	67%	67%	67%	63%
Lancaster High School Total	76%	81%	85%	84%
Total For all Buildings	82%	82%	82%	81%

Source: Auditor of State Projections and Capacity Analysis

Table 4-11 shows that utilization rates for the elementary buildings in future years will be above the optimal capacity of 85 percent if an elementary school building is closed which suggests the District may want to consider redistricting to better distribute its students. In addition, the enrollment projections in **Table 4-7**, suggest a modest decrease

in the elementary student population (see **R4.14**). Therefore, the District should be able to sustain higher temporary elementary school utilization rates with the understanding that the utilization rates will become more in line with optimal capacity as enrollment declines and students are redistributed.

Financial Implication: The closure of a school building is conservatively estimated to save approximately \$323,000 in salaries, benefits, and utilities. Over the five year forecast period, the cost savings would be approximately \$1,011,000.

Financial Implications Summary

The following table lists annual cost savings and implementation costs assuming the recommendations are implemented for FY 2006-07. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings	Annual Implementation Costs
R4.1 Reduce 6.0 custodial FTEs	\$206,000	
R4.2 Reduce 2.0 maintenance FTEs	\$103,000	
R4.9 Implement a formal energy management program	\$140,000	
R4.10 Implement an electronic work order system		\$2,450
R4.11 Closure of an Elementary school ¹	\$323,000	
Total Annual Financial Implications	\$772,000	\$2,450

Source: AOS Recommendations

¹Savings based upon implementation in FY 2007-08.

Note: Annual cost savings based on FY 2006-07

Appendix 4-A: Employee Survey Responses

An employee survey was completed by 349 Lancaster CSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback and perceptions of customer service and other facilities related issues. The survey solicited responses to statements concerning custodial and maintenance services. Survey responses were on a scale of 5 to 1: where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 4-12** illustrates the results.

Table 4-12: AOS Facilities Survey Results

Survey Questions	Client Results
1) Work orders are responded to in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	5% 21% 20% 37% 9%
2) Custodial and maintenance employees deliver quality services. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 7% 15% 49% 27%
3) Emergency work orders are given top priority. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 4% 24% 32% 17%
4) Schools are notified in advance of work to be performed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 14% 28% 21% 6%
5) Schools are advised of incomplete work orders. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 12% 34% 13% 2%

Survey Questions	Client Results
6) Work is scheduled so it is not disruptive. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	6% 20% 22% 34% 9%
7) Workers are careful near children. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 1% 16% 48% 26%
8) Overall, I am satisfied with the maintenance department. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	1% 5% 15% 51% 26%
9) The regular cleaning schedule appears to be appropriate. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	2% 8% 12% 51% 27%
10) Custodial tasks are completed efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	2% 10% 11% 46% 29%
11) Facilities are properly cleaned. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 12% 10% 45% 29%
12) Custodians are polite and have a good work ethic and attitude. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 5% 9% 43% 42%
13) There appears to be a sufficient number of custodians in my building. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 11% 11% 50% 24%

Survey Questions	Client Results
14) School grounds are properly maintained. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 5% 10% 56% 26%
15) Custodial staff cooperates with other staff regarding safety of equipment on school grounds. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 0% 7% 53% 31%
16) Work appears to be scheduled according to priorities. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 3% 17% 49% 20%
17) Workers show respect for school property. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 1% 7% 53% 35%
18) Playground equipment is properly maintained. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 2% 19% 35% 12%
19) Overall, I am satisfied with the custodial staff's work. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 6% 8% 48% 35%

Transportation

Background

This section of the performance audit focuses on the Lancaster City School District's (Lancaster CSD or the District) transportation operations. The operations were evaluated against best practices, operational standards, ODE similar districts, and three peer school districts that include Ashland City School District, Madison Local School District, and Salem City School District, for the purpose of developing recommendations to improve efficiencies and/or business practices.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in kindergarten through eighth grade who live more than two miles from their assigned school. School districts are also required to provide transportation to community school and non-public students on the same basis as provided to their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school, regardless of the distance, and to educable mentally retarded children in accordance with standards adopted by the State Board of Education. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

Many school districts transport high school students as well as students who live less than two miles from school, but these services are optional and at the discretion of the district. The policies of the Lancaster City School District Board of Education (the Board), state that bus transportation will be provided to all elementary and secondary school students to the extent determined by the administration and approved by the Board. Using its discretionary authority, the District has historically made all students who live one mile or more from the schools they attend eligible to receive transportation services. Thus the Board offers transportation services above the State minimum standards pursuant to Ohio Revised Code (ORC) § 3327.

In addition, a number of safety hazards exist within the City of Lancaster, which pursuant to the Ohio Administrative Code (OAC) 3301-83-20(I), have resulted in the District transporting some students who live less than one mile from school. For example, there is a school in the District which is located next to a state highway which means many students have to cross the highway to get to school. The District decided to transport these students for safety reasons even though they live within walking distance.

According to the Transportation Supervisor, the practice of transporting students who live less than 2 miles from their school is likely to change because of the financial difficulties the District is facing. A likely scenario for FY 2006-07 is to reduce service levels by excluding high school

students from transportation service. Bus stops and routes for kindergarten through eighth grade would also likely be reconfigured. Furthermore, preschool transportation service would be discontinued except for special needs preschoolers with IEPs that require specialized transportation service. At the time this performance audit was conducted the Transportation Supervisor estimated that five buses and their corresponding routes could be eliminated.

Operating Budget

Basic demographic and expenditure data for Lancaster CSD, the three peer districts, and ODE similar districts are displayed in **Table 5-1**.

Table 5-1: Demographic and Expenditure Comparison– FY 2005

	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD	Peer District Average	Similar District Average ¹
District Square Miles	57	76	50	18	48	96.4
Average Daily Membership (ADM)	6,128	3,623	3,301	2,444	3,123	3,270
- ADM Per Square Mile	107.5	47.7	66.0	135.8	83.2	67.1
Total General Fund Expenditures	\$47,061,360	\$25,850,068	\$26,896,399	\$18,103,351	\$23,616,606	\$22,333,625
Transportation Expenditures	\$1,749,112	\$876,730	\$1,299,032	\$523,276	\$899,679	\$1,064,670
- Percentage of General Fund	3.7%	3.4%	4.8%	2.9%	3.7%	4.9%
- Cost Per ADM	\$285.43	\$241.99	\$393.53	\$214.11	\$283.21	\$328.26

Source: Ohio Department of Education (ODE) Form 4502.

¹Springfield LSD, Circleville CSD, and West Clermont LSD figures excluded from the similar district average provided by ODE because their data was incomplete.

Based on square miles, Lancaster CSD is about 19 percent larger than the average of the peer districts, but about 41 percent smaller than the similar district average. However, because of its higher student population density, Lancaster CSD is considered to be a more urban district than the average peer district or ODE similar district. Based on ADM, Lancaster CSD has about 24 more students per square mile than the peer district average and about 40 more students per square mile than the similar district average.

In FY 2004-05, Lancaster CSD reported spending \$1,749,112 on transportation services from its General Fund, which was 3.7 percent of total General Fund expenditures. The percentage of the FY 2004-05 General Fund expenditures dedicated to transportation at Lancaster CSD was equal to the average of the peer districts and 1.2 percent less than the similar district average.

Transportation expenditures for FY 2002-03, FY 2003-04 and FY 2004-05 are presented in **Table 5-2** as reported by the District to ODE. Expenditures and riders are for those students riding District owned buses and include the cost of transporting Lancaster CSD students as well as students attending non-public schools.

Table 5-2: Transportation Expenditures by Line-item

	FY 2002-03	FY 2003-04	% Change vs. Previous Year	FY 2004-05	% Change vs. Previous Year
YELLOW BUS RIDERS					
Regular Needs	2,451	2,554	4.2%	2,422	(5.2%)
Special Needs	133	100	(24.8%)	101	1.0%
Total Riders	2,584	2,654	2.7%	2,523	(4.9%)
PERSONNEL EXPENDITURES					
Supervisor	\$51,079	\$44,217	(13.4%)	\$48,689	10.1%
Secretary Clerk	\$56,091	\$59,553	6.2%	\$61,511	3.3%
Regular Driver Salaries	\$446,978	\$548,857	22.8%	\$542,506	(1.2%)
Substitute Driver Salaries	\$71,107	\$69,684	(2.0%)	\$60,221	(13.6%)
Bus Attendant Salaries	\$0	\$25,827	NA	\$11,690	(54.7%)
Mechanic	\$68,446	\$70,796	3.4%	\$75,789	7.1%
Retirement	\$87,537	\$136,587	56.0%	\$142,026	4.0%
Employee Insurance	\$184,353	\$294,442	59.7%	\$256,254	(13.0%)
Physical Exams and Drug Test (Drivers)	\$2,275	\$3,570	56.9%	\$4,426	24.0%
Certification and Licensing Cost	\$621	\$96	(84.5%)	\$375	100.0%
Training (All)	\$3,145	\$1,080	(65.7%)	\$1,080	0.0%
Subtotal	\$971,632	\$1,254,709	29.1%	\$1,204,567	(4.0%)
Dollars Per Rider	\$376.02	\$472.76	25.7%	\$477.43	1.0%
GENERAL OPERATIONS EXPENDITURES					
Maintenance and Repairs	\$51,817	\$58,169	12.3%	\$34,352	(40.9%)
Tires and Tubes	\$10,107	\$4,254	(57.9%)	\$17,661	100.0%
Maintenance Supplies	\$3,726	\$58,169	1461.2%	\$19,681	(66.2%)
Fuel	\$68,129	\$96,751	42.0%	\$119,514	23.5%
Bus Insurance	\$33,283	\$52,053	56.4%	\$34,724	(33.3%)
Utilities	\$12,169	\$14,248	17.1%	\$13,993	(1.8%)
Other	\$3,597	\$38,799	978.6%	\$4,613	(88.1%)
Subtotal	\$182,828	\$322,443	76.4%	\$244,538	(24.2%)
Dollars Per Rider	\$70.75	\$121.49	71.7%	\$96.92	(20.2%)
TOTAL TRANSPORTATION EXPENDITURES					
Total Dollars	\$1,154,460	\$1,577,152	36.6%	\$1,449,105	(8.1%)
Dollars Per Rider	\$446.77	\$594.25	33.0%	\$574.36	(3.3%)

Source: Ohio Department of Education, T-2 Forms.

Note: Includes Type I, IA, and II expenditures only. The line items for mechanic's helper, workers compensation, facility rent and bus lease were excluded as no expenditures were made in these areas.

As shown in **Table 5-2**, Lancaster CSD reported a 36.6 percent increase in total expenditures and a 33.0 percent increase in dollars per rider from FY 2002-03 to FY 2003-04. Transportation expenditures decreased by 8.1 percent in FY 2004-05 but were still higher than in FY 2002-03. The FY 2003-04 increases in expenditures occurred in both the personnel and general operations.

The increase in expenditures in regular driver salaries between FY 2002-03 and FY 2003-04 was due, in part, to the introduction of two new routes. The decrease in FY 2004-05 resulted from the Transportation Supervisor maintaining tighter controls on driver hours and the creation of a monitoring process that requires routes that consistently exceed the expected route time to be re-bid. Substitute driver costs decreased 2 percent from FY 2002-03 to FY 2003-04 followed by a 13.6 percent decrease from FY 2003-04 to FY 2004-05. Fewer substitute drivers were used, partly as a result of the regular drivers being held more accountable for their routes and route times. The Transportation Supervisor believes that the significant increases in retirement and employee insurance expenditures from FY 2002-03 to FY 2003-04 were mainly due to under reporting of costs in FY 2002-03 (see **Noteworthy Accomplishments**).

Reported expenditures for general transportation operations increased by \$139,615 or 76.4 percent from FY 2002-03 to FY 2003-04. Roughly one third of the increase is a direct result of the District misreporting its maintenance supplies in FY 2002-03. The increased fuel expenditures can be attributed both to diesel price increases and the quantity of fuel used with the addition of two routes in FY 2003-04. The District's bus insurance carrier increased premiums significantly in FY 2003-04 but the District negotiated premiums for FY 2004-05 that were more in line with historical levels. Maintenance and repair expenditures increased between FY 2002-03 and FY 2003-04 by 12.3 percent, then decreased by nearly 41 percent in FY 2004-05. Maintenance and repair costs tend to fluctuate and are contingent on the type of repairs needed to keep the District's buses running and to meet certification and inspection requirements.

Students Transported

Lancaster CSD transported 2,523 students to 12 public, 11 non-public schools, and 9 preschool sites during FY 2004-05. **Table 5-3** compares the number of students Lancaster CSD transported on district-owned yellow buses in FY 2004-05 to the peer and the similar district averages.

Table 5-3: FY 2005 Students Riding Yellow Buses

	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD	Peer District Average	Similar District Average ¹
Regular Need Riders						
• Public	2,315	1,323	1,849	953	1,375	1,815
• Non-Public	107	51	155	27	78	136
• Total	2,422	1,374	2,004	980	1,453	1,951
Special Need Riders	101	19	44	4	22	39
Total Yellow Bus Riders	2,523	1,393	2,048	984	1,475	1,990
Non-public Students (%)	4.2%	3.7%	7.6%	2.7%	4.7%	6.6%
Special Need Students (%)	4.0%	1.4%	2.1%	0.4%	1.3%	2.1%
October Enrollment²	6,128	3,623	3,301	2,444	3,123	3,270
Public Riders as % of Enrollment	37.8%	36.5%	56.0%	39.0%	43.8%	55.4%

Source: Ohio Department of Education T-1 and SF-3 reports.

¹Springfield LSD, Circleville CSD, and West Clermont LSD figures excluded from the similar district average because their data was incomplete.

² October Enrollment equals Total ADM on the SF-3 report.

As shown in **Table 5-3**, Lancaster transports a smaller percentage of its enrollment on yellow buses (37.8 percent) when compared to the average of the peer districts (43.8 percent) and the similar districts (55.4 percent), which reflects Lancaster CSD's more urban and densely populated location. Because of the higher student population density seen in urban districts, a greater number of students are typically within walking distance of their schools. While Lancaster CSD transports a smaller percentage of its students, a higher percentage of the students transported need specialized transportation (4.0 percent) when compared to the peer district average (1.3 percent) and the similar district average (2.1 percent).

Operational Statistics and Cost Ratios

Table 5-4 shows key operating statistics and cost ratios based on FY 2004-05 data for Lancaster CSD, the peer districts and the similar district average.

Table 5-4: Key Operating Statistics & Ratios

	Lancaster CSD	Ashland CSD	Madison LSD	Salem CSD	Peer District Average	Similar District Average ¹
KEY OPERATING STATISTICS						
Yellow Bus Riders ²	2,523	1,393	2,048	984	1,475	1,990
Square Miles in District	57	76	50	18	48	96
Annual Routine Miles ³	402,120	300,600	285,480	117,360	234,480	344,711
Annual Regular Needs Miles ³	304,920	290,520	262,260	115,740	222,840	316,991
Active Buses	31	20	25	12	19	21
Regular Buses ⁴	25.0	19.4	22.0	11.9	17.8	19.4
OPERATING RATIOS						
Riders per Active Bus	81.4	69.7	81.9	82.0	77.9	94.4
Riders per Regular Bus	96.9	70.7	91.1	82.4	81.4	100.3
Miles per Active Bus	12,972	15,030	11,419	9,780	12,076	15,610
Miles per Regular Bus	12,197	14,952	11,921	9,734	12,202	15,477
Spare Buses to Active Buses	29.0%	45.0%	88.0%	41.7%	58.2%	41.6%
COST RATIOS ⁵						
Cost per Active Bus	\$46,745	\$29,219	\$24,684	\$30,619	\$28,174	\$33,832
Cost per Yellow Bus Rider	\$574.36	\$608.28	\$566.48	\$528.99	\$567.92	\$528.36
Cost per Routine Mile	\$3.60	\$2.82	\$4.06	\$4.44	\$3.77	\$3.22
Percent of Costs Reimbursed ⁶	58.6%	69.4%	62.9%	59.6%	64.0%	64.0%

Sources: The Ohio Department of Education, Lancaster CSD, and peer districts.

¹Springfield LSD, Circleville CSD, and West Clermont LSD figures excluded from the similar district average provided by ODE because their data was incomplete.

²Yellow bus riders includes only Type I transportation.

³Daily miles on T-1 reports times 180 days.

⁴Regular bus totals allocated based on ridership and/or mileage in T-reports.

⁵Type I expenditures only.

⁶Reported costs may have been adjusted to account for items known to have been incorrectly excluded, categorized, or allocated.

The key operating statistics in **Table 5-4** indicate that Lancaster CSD transported more students, traveled more miles, and used more buses than both peer district and similar district averages in FY 2004-05. When compared to the similar districts, Lancaster had approximately 27 percent more yellow bus riders; traveled almost 17 percent more routine miles; and used under 48 percent more buses. However, the total square miles in the District is approximately 41 percent less than the similar district average. This data suggests that Lancaster CSD is more densely populated and has the potential to put more students on each bus, which would improve its operational efficiency (see **R5.2**).

The operating ratios in **Table 5-4** indicate that Lancaster CSD's transportation operation was overall more efficient than the three peer districts but less efficient than the ODE similar districts. Specifically, Lancaster averaged 81.4 students per bus in FY 2004-05 while the peer district average was 77.9 and the similar district average was 94.4 students per bus. The operating ratios further illustrate that Lancaster CSD is less efficient than the similar district

when comparing miles per active bus to the similar district ratio. Lancaster CSD's 12,972 miles per active bus was about 17 percent below the similar district average.

The cost ratios offer an additional perspective on the District's overall efficiency. Cost comparisons show that Lancaster exceeds the similar districts by \$46 per rider and \$.38 per mile. Lancaster CSD compares more favorably to the three peer districts, with its cost per rider only \$6.44 above the peer average and a cost per mile that was \$.17 below the peer average.

Noteworthy Accomplishments

The following are noteworthy accomplishments observed during the course of the performance audit of transportation operations:

- The Transportation Office has improved its reporting of expenditures for the routine use of buses. According to the Transportation Supervisor, the process has improved with the introduction of on-line report filing, the instructional information available online for completing the transportation forms, and the help offered by ODE. For example, in FY 2004-05, the District took action to rectify reporting problems in the maintenance and supplies category. As a result, the District has more accurate expenditure data to help manage transportation operations and identify potential efficiency improvements.
- The Lancaster City School District transportation operations manual was reviewed for content and procedures and was found to be exemplary. In particular, the manual includes detailed procedures regarding safety hazards and how to respond to emergency situations. In addition, the manual includes important and relevant forms such as the following:
 - Bus Accident Report Form (T-10),
 - Bus Conduct Report Form,
 - Driver Maintenance Requests,
 - Driver Medical Forms,
 - Pre-trip Inspection Forms,
 - Report of Overtime or Extra Work, and
 - School Bus Travel Certificate.

The manual is provided to each driver and reviewed with management to help ensure that drivers are aware of their responsibilities. The development and use of the transportation operations manual shows that management takes an active approach to keeping drivers and other staff aware of District transportation policies and procedures.

Assessments Not Yielding Recommendations:

In addition to the analyses presented in this section, assessments were conducted on other areas of the District's transportation operations that did not warrant changes and did not yield any recommendations.

- **Selected Contract Provisions:** The following contract provisions were assessed but did not yield any recommendations:
 - Vacation time accrual;
 - Maximum number of sick days paid at retirement;
 - Retirement incentive;
 - Number of personal days and notice;
 - Number of holidays for employees;
 - Pick-up of employees' portion of SERS; and
 - Cost of living adjustments (COLAs).

For a more detailed description of contract provisions, see the **Human Resource** section of this report.

- **Field Trips:** The District has a comprehensive field trip policy and the process for scheduling, requesting, and approving trips is effectively communicated throughout the District. Lancaster CSD charges the actual costs associated with non-routine use of its buses, such as field trips, back to the requesting departments or outside organizations. Monthly statements are provided to groups inside the school, such as the Athletic Department, to help account for the costs that will be charged to their budgets. External groups receive a bill for services that enumerates the costs associated with the transportation services provided.
- **Routing Software:** The District uses automated routing software to optimize route efficiency. The program provides a real-time, fine-tuning capability that can adjust for scale and scope considerations as they arise. According to the Transportation Supervisor, new students entering the District and requesting bus service are placed immediately into the system. Lancaster CSD ran various scenarios through the routing software as the District was developing a routing plan to ensure that any modifications in service would be more efficient and still provide the State minimum required level of service. The process enabled the Transportation Supervisor to offer comparative scenarios that improved the management decision making process.
- **Bus Replacement:** The District has a comprehensive bus replacement schedule that includes trading in the older buses for newer models. Only one bus has over 100,000 miles and it is scheduled for replacement this year. The District actively pursues State reimbursement for

regular and handicap-accessible buses and acquired a new handicap-accessible bus with State funds during the course of the audit.

- **Bus Insurance:** Lancaster CSD maintains a \$1 million liability policy on each of the District's buses. This exceeds the minimum of \$200,000 required by state law, but is recognized as a more appropriate level of coverage according to the District's Business Manager. The comparative cost savings for coverage reduction relative to the exposure to loss in the event of an accident involving multiple students on a school bus is the basis for his conclusion. **Table 5-5** compares Lancaster CSD insurance costs with the similar district average.

Table 5-5: FY 2004-05 Insurance Expenditure Comparison

	Lancaster CSD	Similar District Average ¹	Percent Above or (Below) the Similar District Average
Buses	31.0	21.4	44.9%
Routine Miles	402,120	345,844	16.3%
Insurance Expense	\$34,724	\$29,090	19.4%
Per Bus	\$1,120	\$1,359	(17.6%)
Per Routine Mile	\$0.09	\$0.08	2.7%

Source: ODE and Lancaster CSD

¹Springfield LSD, Circleville CSD, and West Clermont LSD figures excluded from the similar district average provided by ODE because their data was incomplete.

When compared to similar districts on a cost per bus basis, Lancaster CSD bus insurance costs fall 17.6 percent below the similar district average. In addition, bus insurance expenditures decreased 33 percent in FY 2004-05 compared to the previous year as a result of the negotiating efforts of the Business Manager and the Transportation Supervisor (see **Table 5-2**).

Recommendations

R5.1 Subject to negotiations, the Lancaster City School District should reduce the contractually-guaranteed minimum number of paid work hours for bus drivers to no more than two. Two of the peers do not offer guaranteed hours for their drivers. Reducing the number of guaranteed hours will help limit personnel expenditures to those needed to carry out transportation functions, and bring the cost ratios more in line with the similar district averages. In addition, this will bring the District's collective bargaining agreement more in line with best practices. Ideally, the collective bargaining agreement should explicitly require bus drivers perform work during the entire period for which they are paid. This would help the District to more effectively control costs and ensure employee productivity.

The Lancaster CSD's collective bargaining agreement provides a minimum of seven guaranteed hours for drivers with a minimum of three regular trips per day. The District practice has developed over the years whereby drivers who bid for the three run routes would receive a guaranteed minimum of seven hours of pay. According to the Transportation Supervisor, this practice provides an incentive to drivers who agree to take on the routes that include a kindergarten route in the middle of the day which would otherwise prevent them from earning money at another mid-day job.

Eighteen drivers are currently driving kindergarten routes in the middle of the day and are entitled to the guaranteed time as provided by their collective bargaining agreement. The Transportation Supervisor indicated that only three of the drivers are actually driving the full seven hours and the remaining fifteen drivers are required to use their additional time to clean buses. As noted in the employee handbook, the District requires drivers to have all buses ready for spot inspection by the State Highway Patrol. In previous years, summer cleaning of buses provided an opportunity for the drivers to prepare the fleet for the upcoming school year. However, under the current financial circumstances, there will be no summer cleaning scheduled and the Transportation Supervisor is charting the cleaning by bus to be certain that all the buses are clean and ready for inspection. The hours worked are now commensurate with the hours paid. One of the peer districts offers a two hour and ten minute route guarantee for the individual routes driven per day. However, several high performing districts like Boardman Local School District and Cuyahoga Falls City School District guarantee a minimum of no more than 2 hours per day.

While the District could potentially save an hour per day for each of the fifteen drivers that are not driving a full seven hours the cost savings (approximately \$3,500) would be minimized by the fact that the District would then have to employ a wash bay attendant and pay the summer cleaning expenses as it has done in the past.

R5.2 In order to bring ridership levels more in line with the similar district average, Lancaster CSD should attempt to eliminate at least five routes by staggering bell schedules, adjusting its transportation policy, and using its routing software to better optimize routing efficiency. Accordingly, the District should eliminate at least five bus driver positions, commensurate with the rerouting. In addition to reducing personnel and variable expenditures such as bus insurance, fuel, and maintenance, eliminating the buses from the fleet would enable Lancaster CSD to delay future bus replacement costs. Reducing the number of bus routes could also help reduce the use of substitute drivers. Furthermore, the District should consider maintaining a 20 percent spare bus to active bus ratio depending on the bus condition of the and reduce the number of spares maintained by the District

Although the District uses routing software to generate routing sheets and maps, Lancaster CSD is transporting a low number of students per bus when compared to the similar district average (see **Table 5-4**). This contributes to the higher transportation costs per rider. During the course of the audit, the District confirmed that it planned to reduce a number of routes under the following guidelines:

- Eliminate transportation of high school students;
- Reconfigure buildings so sixth graders attend the junior high school; and
- Discontinue non-special needs pre-school pickup and drop off.

Prior to the service level reductions and building reconfiguration, Lancaster CSD transported students to 12 District buildings, 11 non-public and/or special needs buildings and 9 day care centers. According to the District, the result of the proposed changes in the transportation guidelines would be a significant reduction in the number of drop-off points, which, when combined with building reconfigurations, would allow the District to reduce five regular bus routes. AOS estimated variable costs per bus to be \$37,745, based on FY 2004-05 reported costs for routine use of buses. According to the Business Manager, the savings per bus that should be applied to the District's forecast is approximately \$37,300 which appears reasonable. By taking this action, the riders per bus would increase significantly and the costs per routine mile should decrease and become more comparable to the similar district average (see **Table 5-6**).

In the past, reducing the service levels and ridership resulted in reduced reimbursements from the State; however, the current funding formula for school transportation bases the reimbursement for FY 2005-06 and FY 2006-07 on a flat 2 percent increase from the prior year funding level. Therefore, the District can expect to receive a 2 percent increase from the previous year's funding regardless of its efficiency during the current biennium. According to ODE, this situation is not likely to continue indefinitely, and at some point, the funding mechanism will go back to a methodology that provides more reimbursement

to districts that maintain higher efficiencies. **Table 5-6** illustrates projected key operating statistics and ratios to compare Lancaster CSD with the similar district averages.

Table 5-6: Projected Key Operating Statistics & Ratios

	Lancaster CSD FY 2004-05	Lancaster CSD Projected FY 2006-07	Similar District Average ¹	% Difference Projected vs. Similar Districts
KEY OPERATING STATISTICS				
Yellow Bus Riders ²	2,523	2,320	1,990	16.6%
Square Miles in District	57.0	57.0	96.4	(40.9%)
Annual Routine Miles ³	402,120	385,185	344,711	11.7%
Active Buses	31.0	26.0	21.1	23.2%
OPERATING RATIOS				
Riders per Active Bus	81.4	89.2	94.4	(5.5%)
Miles per Active Bus	12,972	14,815	15,610	(5.1%)
Spare Buses to Active Buses	29.0%	46.2% ⁴	40.8%	5.4%
COST RATIOS ⁵				
Cost per Active Bus	\$46,745	\$44,800	\$33,832	32.4%
Cost per Yellow Bus Rider	\$598	\$502	\$528	(4.9%)
Cost per Routine Mile	\$3.60	\$3.02	\$3.22	(6.1%)
Percent of Costs Reimbursed ⁶	58.6%	75.9%	60.0%	15.9%

Sources: The Ohio Department of Education, Lancaster CSD, and peer districts.

¹Springfield LSD, Circleville CSD, and West Clermont LSD figures excluded from the similar district average provided by ODE because their data was incomplete.

²Yellow bus riders includes only Type I transportation.

³Daily miles on T-1 reports times 180 days.

⁴Active buses reduced by five and two of the spares get sold according to the recovery plan.

⁵Type I expenditures only.

⁶Percent of FY 2003-04 costs reimbursed in FY 2004-05 by the State of Ohio.

Cost ratios provide benchmarks and comparative data to help establish a baseline and a measure of performance as well as helping to further understand the implications of management decisions. As shown in **Table 5-6**, operating and cost ratios indicate the District's operating efficiency will improve after the service reductions identified in the cost recovery plan are implemented. The District expects its cost per rider, cost per routine mile, and the percent of costs reimbursed by the State to improve, indicating that its operations will be more cost effective than the similar district averages. As the District improves the routing efficiency and reduces the number of active buses, it should also consider the number of spare buses it needs and keep these levels to a minimum depending on the bus condition.

Financial Implication: During the course of the audit the District implemented a comprehensive reconfiguration of its pick-up and delivery schedules that resulted in a net reduction of five buses. The District provided data that approximates the savings per bus of \$37,300 or \$186,500 per year.

R5.3 Lancaster City School District should develop and implement procurement and contract management practices consistent with best practice criteria identified by the Voinovich Center for Leadership of Ohio University. Implementing purchasing practices for fuel, maintenance services, and supplies should help the District ensure that taxpayer dollars are spent wisely. Lancaster CSD should develop policies and procedures within a purchasing manual that outlines standard language for requests for quotes (RFQ) and requests for proposals (RFP). In addition, criteria for obtaining competitive bids should be included to provide guidance and offer a method of tracking how and what purchases are being bid out.

In addition the District should actively compare prices to the State averages available through the Department of Administrative Services (DAS) to determine whether it should consider becoming a member of the DAS Cooperative Purchasing Program. Lancaster CSD should check costs for goods (e.g. fuel and supplies) available through DAS as a regular practice. DAS offers the cooperative purchasing program for a nominal cost of \$110 to public schools in Ohio. The cooperative enables a school district to actively compare and track costs of purchases while securing items through the organization when the costs and services available fit the needs of district.

Upon vendor selection, Lancaster CSD should formalize its agreement via a contract to minimize risk and better ensure mutual adherence to established expectations for service. The use of a formalized RFQ process should enhance the District's management control in the Transportation Office. The District should also delegate the responsibility for the development and review of all specifications.

Lancaster CSD does not have formal purchasing policies that outline the process whereby supplies, service agreements, and fuel are to be acquired. However, costs comparisons developed by AOS indicate that the management controls that are in place at the District have enabled it to maintain competitive prices on most of the goods and services purchased. For example, Lancaster CSD purchases fuel from the refueling depot that is maintained by the City of Lancaster. This supply station is secured at all times and the access to the supply can only be gained by authorized users using fuel cards issued by the City. The District attempts to minimize its fuel-related costs by fostering this relationship, using the City's centralized fuel depot, and submitting form MVF-31, which, according to the Ohio Department of Taxation, is the appropriate documentation for tax refunds. **Table 5-7** compares Lancaster CSD fuel expenditure ratios to the similar district and peer

district averages. **Table 5-8** compares Lancaster CSD fuel costs per gallon to the Ohio Department of Administrative Services (DAS) cooperative fuel purchasing program for November 2004, January 2005, and May 2005.

Table 5-7: FY 2005 Type-I Fuel Expenditure Comparison

	Lancaster CSD	Peer Average ¹	Similar District Average ²
Buses ³	31.0	19.0	21.1
Routine Miles ⁴	402,120	234,480	344,711
Fuel Expenditures	\$119,514	\$64,383	\$92,662
Per Bus	\$3,855	\$3,432	\$4,315
Per Routine Mile	\$0.30	\$0.29	\$0.28

Source: Ohio Department of Education

¹ Peer Average includes Ashland CSD, Madison LSD, and Salem CSD.

² ODE similar 20 districts.

³ Includes spare buses because these contribute to overall operating expenditures.

⁴ Excludes non-routine miles because related expenditures should not be reported.

Table 5-8: Lancaster CSD and DAS Fuel comparison

Date	Number of Gallons	Type of Fuel	LCSD (Cost per gallon) ¹	DAS (Cost per gallon) ²	Difference
November 2004					
11/30/04	6,725	Diesel	\$1.47	\$1.45	\$0.02
11/30/04	979	Unleaded	\$1.59	\$1.35	\$0.24
Tot. Gal.	7,704	Surcharge	\$0.07	\$0.26	(\$0.19)
(Comparative Savings)					(\$1,094)
January 2005					
1/31/05	7,152	Diesel	\$1.30	\$1.27	\$0.03
1/31/05	931	Unleaded	\$1.21	\$1.20	\$0.01
Tot. Gal.	8,082	Surcharge	\$0.07	\$0.26	(\$0.19)
(Comparative Savings)					(\$1,312)
May 2005					
5/31/05	7,415	Diesel	\$1.60	\$1.51	\$0.09
5/31/05	983	Unleaded	\$1.42	\$1.51	(\$0.09)
Tot. Gal.	8,398	Surcharge	\$0.07	\$0.26	(\$0.19)
(Comparative Savings)					(\$840)

Source: LCSD and DAS

¹ Includes State Road Tax

² Includes State Road Tax and DAS delivery charge

As indicated in **Table 5-7**, Lancaster CSD fuel expenditures per mile are slightly higher than both the peer average and the similar district average. However, controls and security over the fuel supply for the District are high since the District uses the City's refueling depot. In addition, **Table 5-8** shows that Lancaster CSD maintains competitive fuel pricing when compared to the State cooperative purchasing program. Savings to Lancaster CSD were approximately \$1,000 per month in the comparative analysis shown in **Table 5-8**.

Nevertheless, according to the Transportation Supervisor, Lancaster CSD does not regularly solicit competitive bids or issue RFQs for fuel procurement. Rather, the District relies on the City of Lancaster to meet its fuel requirements.

Absent competitive bids or RFQs, Lancaster CSD's fuel procurement practices could be improved. While its current fuel costs per mile, when adjusted for non-routine expenditures, are slightly higher than the peer and similar district averages, fuel costs per gallon are lower than DAS. Actively soliciting competitive bids and/or issuing RFQs for fuel would ensure that the District continues to receive the most competitive price.

Table 5-9 compares Lancaster CSD transportation-related maintenance expenditures to the similar district averages. The total expenditures for maintenance are included for comparison purposes.

Table 5-9: FY 2005 Transportation Maintenance Expenditure Comparison

	Lancaster CSD	Similar District Average ¹	Lancaster vs. Similar Districts	Percent Above or (Below) the Similar District Average
Active Buses ²	31.0	21.1	9.9	46.9%
Routine Miles ³	402,120	344,711	57,409	16.7%
Total Maintenance Costs	\$71,694	\$88,658	(16,964)	(19.1%)
Per Bus	\$2,312	\$4,202	(1,890)	(45.0%)
Per Routine Mile	\$0.18	\$0.26	(.079)	(30.7%)

Source: Ohio Department of Education

¹ Springfield LSD, Circleville CSD, and West Clermont LSD figures excluded from the similar district average provided by ODE based on their data's relevance in the analysis.

² Includes active and spare buses as they contribute to overall operating costs.

³ Routine miles used to normalize the comparisons.

Table 5-9 shows that Lancaster CSD maintenance expenses were well below the similar district average. The total expenditures for bus maintenance were approximately 45 percent below the benchmark on a cost per bus basis, and approximately 31 percent below the benchmark on a per routine mile basis. While the District cannot arbitrarily reduce maintenance costs as a means of reducing operational costs, actively soliciting competitive bids and/or issuing RFQs for supplies would ensure that it minimizes transportation-related supply expenditures. Lancaster CSD personnel may be purchasing products and services without regard to optimized sourcing arrangements which could lead to inappropriate or costly purchases.

The Voinovich Center for Leadership at Ohio University has identified several selection criteria which may be encompassed within bids, RFPs, and RFQs:

- Establish qualifications as the basis for selection (e.g. number of years experience, licensed and certified);

- Specify criteria for judgment of qualification (e.g. references that resulted in positive feedback, licensed, bonded and insured);
- Provide for the publication of available work;
- Develop procedures for screening proposals;
- Require that a comprehensive agreed-upon scope of services be the basis for vendor compensation and the contract;
- Identify departmental responsibility for administering the process;
- Specify who makes recommendations and who makes final decisions; and
- Assign responsibility for contract negotiations and present to the Board for final decision.

Although every bid, RFP or RFQ will be different depending on the product, service specifications, and/or scope of services, Lancaster CSD should work with its attorney to develop boilerplate language. The District should also develop policies that address the specific elements of the selection process as outlined by Ohio University. By establishing and documenting specific procedures for vendor selection in a policy manual, the District will provide a clearer understanding of the level of responsibility in determining the best product or service, ensure proper accountability and internal controls, and reduce the appearance of any improprieties.

Financial Implications Summary

The following table summarizes the estimated annual cost savings identified in recommendations presented in this section of this report.

Summary of Financial Implications

Recommendation	Estimated Annual Cost Savings
R5.2 Reduce the number of buses and drivers	\$186,500

Appendix 5-A: Employee Survey Responses

An employee survey was completed by 349 Lancaster CSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback and perceptions of customer service and other transportation related issues. The survey solicited responses to statements concerning custodial and maintenance services. Survey responses were on a scale of 5 to 1: where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 5-10** illustrates the results.

Table 5-10: AOS Transportation Survey Results

Survey Questions	Client Results
1) Effective communication of transportation policies and routes exist. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree 6) No Opinion	1% 7% 17% 43% 8% 25%
2) Effective coordination of routes and special trips exist between departments. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree 6) No Opinion	1% 6% 19% 34% 6% 34%
3) The transportation department provides timely transportation to and from school. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree 6) No Opinion	1% 3% 11% 49% 19% 17%
4) The transportation department provides timely transportation to and from special events. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree 6) No Opinion	1% 1% 16% 43% 14% 25%
5) The transportation department is effective in addressing complaints. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 4% 21% 25% 8%

Survey Questions	Client Results
6) No Opinion	39%
<p>6) Transportation routes are completed with regard to the safety of the children.</p> <p>1) Strongly Disagree</p> <p>2) Disagree</p> <p>3) Neutral/Not Sure</p> <p>4) Agree</p> <p>5) Strongly Agree</p> <p>6) No Opinion</p>	<p>0%</p> <p>2%</p> <p>12%</p> <p>39%</p> <p>17%</p> <p>30%</p>
<p>7) The attitude, courtesy, and work ethic of the transportation department is positive.</p> <p>1) Strongly Disagree</p> <p>2) Disagree</p> <p>3) Neutral/Not Sure</p> <p>4) Agree</p> <p>5) Strongly Agree</p> <p>6) No Opinion</p>	<p>2%</p> <p>5%</p> <p>14%</p> <p>41%</p> <p>16%</p> <p>21%</p>
<p>8) Overall, the quality of all transportation services provided is good.</p> <p>1) Strongly Disagree</p> <p>2) Disagree</p> <p>3) Neutral/Not Sure</p> <p>4) Agree</p> <p>5) Strongly Agree</p> <p>6) No Opinion</p>	<p>1%</p> <p>2%</p> <p>14%</p> <p>47%</p> <p>19%</p> <p>17%</p>

Technology

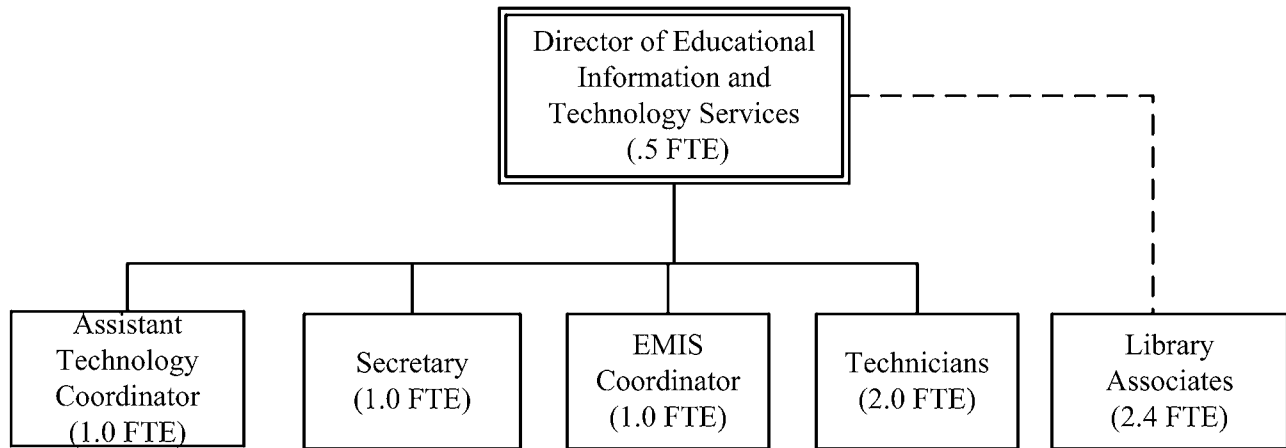
Background

This section focuses on technology functions within the Lancaster City School District (Lancaster CSD or the District). The objectives of this section are to assess staffing, planning and budgeting, policies and procedures, security, and hardware, as well as instructional and management software. The assessments were used to develop recommendations to increase the effectiveness and efficiency of technology and the Technology Department.

Organizational Chart and Staffing

Technology implementation and support are managed by the District’s Technology Department. The Technology Department’s organization and staffing, in terms of full-time equivalent (FTE) employees, is shown in **Chart 6-1**.

Chart 6-1: Lancaster CSD Technology Department Organizational Chart



Source: Director of Educational Information and Technology Services – Lancaster CSD

The Director of Educational Information and Technology Services (DIT), reports to the Superintendent. The DIT supervises five employees, including an assistant technology coordinator, secretary, Education Management Information System (EMIS) coordinator and two technicians. In addition, there are 12 library associates located in the school buildings who, according to the DIT, spend about 20 percent of their time responding to requests for technical assistance which equates to 2.4 FTE employees.

Organizational Function

The Lancaster CSD Technology Department supports the District's instructional and administrative technology needs. The DIT implements technology plans, develops the technology budget, and collaborates with curriculum committees to procure technology equipment and software. The DIT, assistant technology coordinator, and technicians provide maintenance and support for hardware, software, and network technology. The Lancaster CSD Technology Department also assists with collecting and submitting EMIS data for submission to the Ohio Department of Education (ODE).

Lancaster CSD developed a 3-year technology plan for FY 2003-04 through 2005-06. The plan contains District educational and operational goals and strategies, and addresses areas such as software, professional development, staffing, network infrastructure, and curriculum standards for technology. A committee comprised of the DIT, administrators, and teachers developed the technology plan. The plan was approved by the Lancaster CSD Board of Education.

The District has also established various policies to ensure privacy and appropriate use of technology. Students and staff are permitted to use District technology for District business purposes only and policies state that personnel are not allowed to copy software or add software from outside sources. All internet users (and their parents, if they are minors) are required to sign a written agreement that they will abide by the District's internet policies.

Summary of Operations

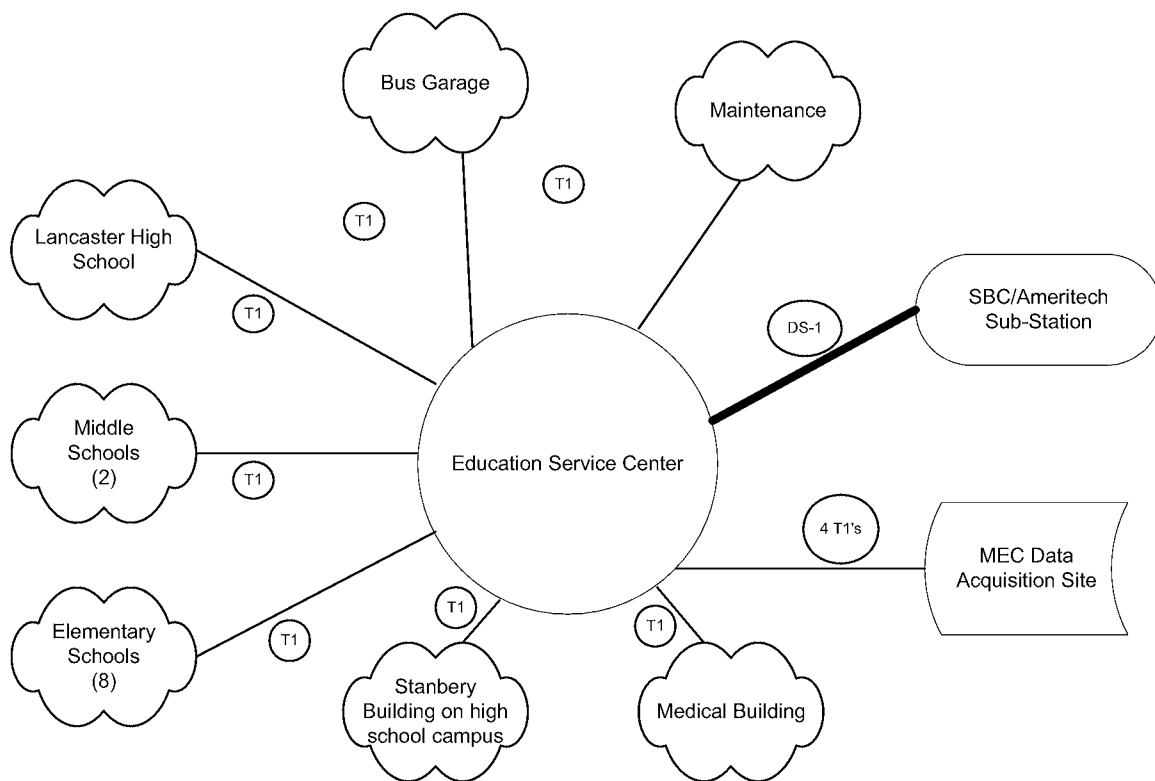
Key components of District technology operations include technical support, planning, technology policies, professional development, security, network architecture, communications, and budgeting for hardware and software acquisition and maintenance.

The District maintains servers which perform various technology functions such as running student software, performing printing operations, backing up data, storing student data, and maintaining inventory. The District uses the Metropolitan Educational Council (MEC) as its Internet Service Provider (ISP) and has firewall, internet filtering, and virus software installed to safeguard the system. Lancaster CSD has a web-site which contains information regarding current events and press releases, a school calendar, a directory of phone numbers, and

information on board members and administrators. Finally, all teachers and staff are provided e-mail accounts.

Lancaster CSD connects its 12 school buildings, the medical building (used by the vocational education program), the maintenance building, and the bus garage via T-1 lines. The circuits to MEC are four individual T-1 lines but the District expects fiber optic connections to be in place by August 1, 2006. In addition, a DS-1 line connects the District to the SBC/Ameritech sub-station. Lancaster CSD Wide Area Network (WAN) diagram is shown in **Chart 6-2**.

Chart 6-2: Lancaster CSD Wide Area Network Diagram



Lancaster CSD has over 6,000 users accessing the network, including all students and most instructional, administrative, and support staff. Access to the network is controlled using usernames and passwords for all system users. **Table 6-1** outlines the number of school buildings connected to the District’s network, as well as the total number of users at each of those buildings. The data used in **Table 6-1** is taken from the Biennial Educational Technology Assessment (BETA) Survey. This survey is conducted by the District’s administration.

Table 6-1: Lancaster CSD Network Users (FY 2003-2004)

Building/Grade Level	Number of Buildings	Number of Users		
		Students	Staff/Teachers ¹	Total
Elementary Schools	8	3,183	177	3,360
Middle Schools	2	1,024	60	1,084
High Schools	1	1,758	101	1,859
Administration	1	N/A	68	68
Total	12	5,965	406	6,371

Source: 2004 BETA Survey

¹ Elementary schools, middle schools and high schools include teachers in the school buildings; administration includes administrators in the school buildings and Education Service Center.

Financial Data

Table 6-2 details recent technology expenditures for Lancaster CSD.

Table 6-2: Technology Expenditures (FY 2002-03 through FY 2004-05)

Category	FY 2002-03	FY 2003-04	Change vs. FY 2002-03	FY 2004-05	Change vs. FY 2003-04	Change vs. Two Years Ago
Salaries/Benefits ¹	\$361,460	\$406,305	12.4%	\$425,284	4.7%	17.7%
Purchased Services	\$118,461	\$92,469	(21.9%)	\$36,164	(60.9%)	(69.5%)
Supplies & Materials	\$52,035	\$123,851	138.0%	\$77,071	(37.8%)	48.1%
Capital Outlay	\$205,019	\$169,371	(17.4%)	\$163,589	(3.4%)	(20.2%)
Other	\$35	\$200	471.4%	\$90	(55.0%)	157.1%
Total	\$737,010	\$792,196	7.5%	\$702,198	(28.2%)	(4.7%)

Source: Lancaster CSD accounting reports.

¹ Salaries and benefit are not part of the technology budget, but are shown in the table to more accurately reflect the true cost of technology implementation and support.

The District has not included salaries and benefits for its technology staff in the technology budget because these personnel expenditures are not classified as Technology Department expenditures. Table 6-2 shows salaries and benefits for the technology staff. Because the true cost of technology implementation and management within the District is distorted without them. Due to the District's financial situation, total technology expenditures are 4.7 percent below FY 2002-03 levels and are expected to decrease further in FY 2005-06. Purchased services and capital outlays have decreased each year since FY 2002-03 because of delayed replacement and purchases. The major reasons for the expenditure variances included:

- **Salaries/Benefits** (17.7 percent cumulative increase). The Technology Department's salaries and benefits include the DIT, assistant coordinator, two technicians, secretary, and EMIS coordinator. The pickup of the DIT retirement contributions are also included. Increases in salaries and benefits are attributed to contractual salary increases and increased health insurance costs.

- **Purchased Services** (69.5 percent cumulative decrease). The District's spending includes a membership fee to the Metropolitan Educational Council (MEC) and monthly fees to SBC. The decrease in expenditures is partially due to the District implementing internet filtering software. Also, in FY 2002-03 the District paid a one-time fee to MEC which increased expenditures that year.
- **Supplies/Materials** (48.1 percent cumulative increase). The cumulative increase is a result of the District purchasing new printers, supplies, instructional software, and having repairs done on computer equipment. This line item fluctuates from year to year based on planned expenditures and the District's financial condition.
- **Capital Outlay** (20.2 percent cumulative decrease). Over the last three years the District has purchased several pieces of technology equipment. In FY 2002-03 the District purchased computers. In FY 2003-04 the District purchased backup servers, printers, and replacement computers. Since the District has enhanced its technology equipment and is in the process of replacing and upgrading equipment instead of acquiring new technology, capital outlay is expected to continue to decrease.
- **Other** (157.1 percent cumulative increase). The District paid membership dues and fees from this line item but the dollar amount is immaterial.

Noteworthy Accomplishments

During the course of the performance audit, the following practice was identified as a noteworthy accomplishment.

- The District purchased Sonic Wall software which gives it the ability to easily filter internet websites. The filtering of websites decreases the possibility of viruses entering the system and blocks inappropriate web pages. The District realized a net savings, after set up costs, of about \$200 the first year that it implemented Sonic Wall. Based on an enrollment of about 6,000 students and a per student cost of \$0.40 from MEC, the District is saving about \$2,500 per year by using its own software rather than purchasing similar software through MEC.

Assessments Not Yielding Recommendations

In addition to the analyses presented in support of recommendations, assessments were conducted on other areas within the technology section that did not warrant changes and did not yield any recommendations.

- **Communication:** Lancaster CSD actively uses technology to improve communication. The District uses email and its website as a means of notifying and updating staff. All staff members have email accounts and access to a computer. Likewise, the District uses its web page to communicate District policies and events to the community.
- **Security:** The District has developed computer and internet use policies to guide staff and students on the proper use of its computers. The District also has a firewall, virus protection software, and internet filtering software to ensure security and appropriate use of computers. Users are supplied a password to gain access to the system. The District uses software to keep an inventory of all technology equipment, and has established general controls to promote the proper functioning of the Technology Department.
- **Remote Computer Management:** The District uses “ghost” software to load and manage software on individual computers. This software allows the District to load software or perform maintenance on many computers at one time.
- **Donations:** The District has a written policy that identifies the types of equipment that are compatible with its system and that governs the acceptance of donations.
- **Technical Staff:** The District’s technology staff appears to be effectively organized and supervised. The Technology Department’s organizational chart (see **Chart 6-1**) depicts an organization with clear lines of supervision within the Department. Technical staffing levels are also comparable to the similar districts.
- **Technical Support:** According to the Auditor of State Client Survey, the users were satisfied with the technical support available (see **Appendix 6-A**). The technical support staff helps users solve technical problems. The District uses software to report technical problems. When a help desk ticket is submitted, a technician is sent to the location to resolve the problem.
- **Information Technology (IT) Controls:** The Record of Computer Environment Controls (RCEC) completed by the Auditor of State’s Information System Audit Section (ISA) found no issues with the District’s IT controls.
- **Computer Access:** Lancaster CSD network users, students, and staff, have appropriate system access.
- **Management Software:** The District uses the following types of management software:
 - Uniform School Accounting System (USAS);
 - Uniform School Payroll System (USPS);
 - Education Management Information System (EMIS);

- Human Resource database;
- School Asset Account System (SAAS); and
- Transportation routing software.

The District uses the functionality of its management software and the software appears to meet its needs.

- **Data Acquisition Site:** The District contracts with Metropolitan Educational Council (MEC) to process and submit EMIS data to ODE. The District also uses the State software and internet services offered through MEC.
- **Hardware Allocation:** The District has an appropriate allocation of computer hardware throughout the District. The student per computer and users per computer per building are adequate.
- **Printing Options:** The District has purchased laser and multi-purpose printers to replace its older personal printers. The District has kept a small number of personal printers for personnel that need to print confidential information.

Issues For Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that are outside the scope of the audit.

- **Bandwidth:** The District may need to increase network capacity and bandwidth to accommodate heavy internet usage during afternoon hours. According to the DIT, current bandwidth is creating a bottleneck in the server. With the current bandwidth the District cannot use Internet protocol-based data networks (I/P Telephony). Increasing the bandwidth will allow the District to have distance learning, intra-district telephone calls, and virtual fieldtrips. Options to increasing bandwidth include:
 - Lease fiber optic cable from the local cable company.
 - Purchase fiber optic cable and use it in conjunction with T-1 lines.
 - Increase the number of T1 lines going to each building.
 - Limit the use of functions and websites that require substantial bandwidth, such as multimedia sites, during peak hours.

Because several of these options would require substantial financial commitments, Lancaster CSD should, as a part of the technology planning process, research the options for increasing its bandwidth and determine which option provides the most practical resolution to the problem at the best price.

Recommendations

Planning and Budgeting

R6.1 Lancaster CSD should formally document its use of evaluations and cost/benefit analyses of technology projects. Performing evaluations and cost/benefit analyses of technology projects would help to ensure that equipment purchased is appropriate, is at the lowest and/or best cost, and meets the needs of the District.

The District provided limited information showing that evaluations and cost analyses were performed on technology purchases. According to the DIT, the District purchases computers directly from a local supplier. The supplier's representative assists the DIT with identifying an adequate break point for purchasing equipment. However, Lancaster CSD has not measured the total cost of ownership for its technology purchases.

The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) best practices recommend districts use the results of research and evaluations of previous decisions to identify technology that will best meet instructional and administrative needs. According to OPPAGA, school districts should consider future support, operating, maintenance, and disposal costs when acquiring technology. Without documented information on the evaluation and cost analysis of technology purchases, there is a risk Lancaster CSD will purchase equipment that is more costly or that does not meet District needs.

One method of conducting evaluation and cost analysis for technology purchasing is through the use of total cost of ownership (TCO) concepts. The underlying idea behind TCO is that budgeting for technology purchases should include not only the up-front cost to purchase the hardware and software, but also the long-term costs for operating and maintaining the equipment; including professional development, support, and replacement costs. In the Consortium for School Networking (CoSN) report, *A School Administrators Guide to Planning for the Total Cost of New Technology* (2001), a sample checklist for technology budgeting is provided, along with TCO practices. **Table 6-3** illustrates the TCO practices. A "TCO savvy" district refers to the best practice, while a "doing the best we can" district refers to a district needing improvement in that area. A "worry about it tomorrow" district does not have a clear understanding of technology upkeep.

According to **Table 6-3**, Lancaster CSD falls in the "doing the best we can" practice.

Table 6-3: Total Cost of Ownership Practices

	“TCO Savvy” District	“Doing the Best We Can”	“Worry About it Tomorrow”
Professional Development	15 to 30% of its budget to staff development.	Provides some staff training, but not at times that are convenient or when staff is ready to put the lessons to work.	Assumes that teachers and staff will learn on the job.
Support	Provides computer support at a ratio of at least one support person for every 50 to 70 computers or one person for every 500 computers in a closely managed network environment..	Relies on a patchwork of teachers, students and overworked district staff to maintain network and fix problems. Does not track the amount of time the network is down or computers are not in use.	Relies on the “hey Joe” sort of informal support.
Software	Recognizes the greater diversity of software packages, the more support will be required. Provisions are made for regular upgrading of software packages	Utilizes centralized software purchasing, but choice of application and respective support left to individual schools and staff members.	Expects support personnel to manage whatever software happens to be installed on a district computer.
Replacement Costs	Budgets to replace computers on a regular schedule, usually every 5 years, whether leased or purchased	Plans to replace computers when they no longer can be repaired	Assumes that when computers are purchased with 20-year bonds that they will last forever.
Retrofitting	Considers technology improvements needed when schools are built or renovated.	Understands minimum and recommended requirements for electrical and other infrastructure improvements and incorporates them when funding is available.	Pulls the wires and then blows the fuses.
Connectivity and Integration of Equipment	Plans its network to provide connections that provide enough bandwidth to manage current and future needs, especially multi-media applications.	Has the bandwidth it needs today, but has no plan for scaling it upward as demand grows.	A phone and a modem, what more do you need?

Source: Consortium for School Networking (CoSN)

Lancaster CSD does not consider TCO in its technology budget. The District has provided for some technical training in its budget but without calculating TCO, the District could be over or under spending. Lancaster CSD can use TCO to learn how much they will actually need to budget for equipment beyond the purchase price. Also, if Lancaster does not consider TCO for its technology budgets, there may not be enough money available to provide teachers with adequate training to maintain new computers or to replace them when they become obsolete.

R6.2 Lancaster CSD should seek additional technology grants and ensure sufficient staff resources to monitor these grants. The DIT should devote a portion of his time to grant-seeking, using publications and websites such as www.techlearning.com and www.eschoolnews.com/erc/funding.

The DIT reported that none of his time was spent seeking technology grants for the District. According to the 2004 BETA Survey, Technology directors across the State and from the similar districts report spending, on average, about 3 percent of their time on grant seeking activities.

Table 6-4 details grant appropriations for FY 2004-05 for Lancaster CSD, which includes SchoolNet and ONenet grants.

Table 6-4: Lancaster CSD Grant Funding (FY 2004-05)

Grant	Source	Purpose	Amount Granted
Connectivity (ONenet Ohio)	State	To maintain connectivity. Assists with cost of switches and fibers.	\$36,000
Ohio SchoolNet Professional Development	State	To provide technology training for technical support staff.	\$8,280

Source: Ohio SchoolNet, Ohio Department of Education

Lancaster CSD also participates in the Universal Service Fund for Schools and Libraries known as the E-Rate Program. E-Rate provides all public and private schools and libraries with access to affordable telecommunications and advanced technologies. The District must apply annually. According to the Universal Service Administrative Company, the E-Rate application takes an estimated 16 hours for repeat applicants. Due to the amount of time needed to complete the E-Rate application, the District contracted with a company to complete the application. The vendor charged the District \$720 for each building. The fee paid to the vendor calculates to approximately \$9,400 each year. E-Rate awarded the District \$21,224 for the FY 2004-05.

Lancaster CSD could potentially secure additional grant resources by appointing someone to research grant opportunities. The United States Department of Education lists grant resources on its website (www.ed.gov). In addition, the District should evaluate the contract with the vendor that completes the E-rate application forms.

R6.3 Lancaster CSD should update its technology plan and include a goal to replace computers within five years. The District has also not set a replacement cycle for its computers. A replacement cycle could reduce support costs and ensure students have the most current technology available.

Lancaster CSD does not have a replacement policy or replacement cycle for upgrading equipment, which includes approximately 1,600 computers. Rather, it replaces equipment

sporadically, based on available funding. In FY 2003-04 the District spent \$202,000 from the General Fund on technology equipment, which included approximately 300 new computers. According to the 2004 BETA reports, 38.9 percent of the District's computers are considered "old". **Table 6-5** shows the number of "old" computers at the District in comparison to the similar districts and statewide numbers. Since the 2004 BETA Survey, the District has replaced some computers which would lower the percent of "old" computers used by the District.

Table 6-5: Number of "Old" Computers

	Lancaster CSD ¹	Lancaster CSD (current) ¹	Similar Districts	Statewide
Pentium II and below Macintosh Pre-G3	641	434	404	170,205
Total # of Computers	1,646	1,562	1,464	565,526
% of "Old" Computers	38.9%	27.8%	27.6%	30.1%

Source: 2004 BETA Report¹

¹Current number of computers at Lancaster CSD

The International Society for Technology in Education (ISTE) recommends school districts replace equipment according to a three to five year cycle, either by leasing or purchasing equipment. The CoSN standard is to replace computers on a regular schedule, usually every five years. If a replacement cycle is not considered, equipment becomes obsolete, and staff time and costs for troubleshooting and support increase. Due to the District's financial condition, substantial replacement expenditures may not be feasible at this time. However, the development of a plan will assist the District in better communicating the costs of long-term technology maintenance to District residents.

Policies and Procedures

R6.4 Lancaster CSD should implement a system or survey to measure the performance of its technicians and the reliability of its systems. The District should measure quality assurance through a random and automatic system that can track customer satisfaction. The District should also review the information collected and modify its technical support strategy accordingly.

Lancaster CSD does not track the performance of its technicians. In the past the DIT has used the BETA Survey to evaluate how satisfied people are with the technical support they received. **Table 6-6** lists the 2004 BETA Survey results. Of the teachers that completed the survey, 62 percent received technical support within one day and 26 percent received support in two to five days. According to the 2004 BETA Survey, the staff is satisfied with the technical support that they receive.

Table 6-6: Number of Days Before Teachers Receive Technical Support

	Lancaster CSD	Similar Districts	Statewide Districts
One working day	62%	40%	42%
Two to five working days	26%	46%	41%
More than five days	10%	10%	12%
I provide my own support	3%	3%	3%
No technical support available	0%	1%	1%

Source: 2004 BETA Survey

Note: Percentages may not equal 100% due to rounding.

The *Technology Support Index* developed by the International Society for Technology in Education states that quality assurance is measured by random and automatic systems that track customer satisfaction and closed help desk tickets. Data should be collected throughout the year, and the questions asked should be specific to technical support. The data resulting from such a system should be used to make procedural adjustments.

Although District users are satisfied with the technical support they receive, the Technology Department should measure the performance of technicians on a regular basis.

R6.5 Lancaster CSD should develop a detailed technical support plan that includes documented policies and procedures. Without procedures for a regular, systematic, and equitable prioritization of technical support, District technicians could experience continual interruptions.

There is no written policy in place for prioritizing technical support. If someone is experiencing technical problems, the library associates located in the building trouble shoot the problem first. A help desk ticket is submitted if the library associate cannot solve the problem quickly. The district uses software to log the help desk tickets. The help desk ticket is then prioritized by the Assistant Technology Coordinator and the appropriate technician is dispatched to the school. The status of the request can also be viewed through the software.

Technology Support Index recommends that all technical issues be recorded and delegated to appropriate resources through an electronic trouble ticketing system. Technical issues can then be tracked and evaluated through this system. It is crucial that school districts effectively coordinate the delivery of technical support services, analyze the technical support provided, and share the resolution of support issues among technical staff. Without such strategies, districts may experience continual interruptions to put out fires, resulting in a loss of productivity.

Lancaster CSD has the basic practices to ensure efficient and effective technical support. These practices include on-site library associates that quickly troubleshoot problems and escalate the problem to the technicians if they cannot solve the problem.

Staffing and Organization

R6.6 Lancaster CSD should increase the minimum hiring qualifications for its technicians to a level commensurate with the U.S. Department of Labor recommendations. This would ensure a more consistent skill set among staff and potentially reduce on-the-job training. Furthermore, with higher qualifications, the Technology Department will be able to provide a greater level of support in-house.

Lancaster CSD's minimum requirements for technicians are:

- A high school diploma;
- Good communication skills;
- Possess and demonstrate technology-related skills;
- Experience working with computers and electronic equipment;
- Ability to read and follow directions;
- Able to lift a minimum of 50 pounds;
- Able to climb and work from scaffolds and ladders; and
- Passing a written entrance exam.

The United States Department of Labor, Bureau of Labor Statistics has identified the following common hiring qualifications and job tasks for technical employees:

Hiring Qualifications

- Many employers prefer to hire persons with some formal college education (bachelor's degree in computer science or information or a computer-related associate degree).
- Certification and practical experience demonstrating these skills is essential for applicants without a degree.
- Completion of a certification training program, offered by a variety of vendors and product makers, may help some people to qualify for entry-level positions.
- Persons must have strong problem-solving, analytical, and communication skills.

Job Tasks

- Beginning computer support specialists usually work for organizations that deal directly with customers or in-house users.
- Advanced positions may use what technicians have learned from customers to improve the design and efficiency of future products.

- Some computer support specialists become applications developers, designing products rather than assisting users.
- Entry-level network and computer systems administrators are involved in routine maintenance and monitoring of computer systems

The DIT believes the lower qualifications may relate to the lower pay scales for technicians at Lancaster CSD. Low qualifications could result in lost productivity while technicians learn skills on-the-job. If Lancaster CSD increases the required skill set for its computer technicians, it could increase productivity and expertise, thereby improving the level of customer service to District employees and students.

R6.7 Lancaster CSD should seek grant funds to offer additional professional development programs designed for Technology Department employees (see R6.2). Technology staff needs to have ongoing professional development in order to stay current with changing technology. Training would also allow the Technology Department to improve the efficiency of its operations.

The District's Technology Department does not regularly require or offer professional development programs for its technology employees. For example, in FY 2004-05 the District received a grant for professional development through SchoolNet but does not routinely budget or spend General Fund money for ongoing professional development. Without ongoing professional development, technology employees are unable to continually increase their technology expertise and stay current with changes in technology.

According to the International Society for Technology in Education, certification of technical staff is "outstanding" if most technical staff receives ample training as a normal part of their employment. Staff training is "satisfactory" if technical staff receives consistent training around emergent issues and has limited district-sponsored opportunities for advanced training. The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) Best Practices for School District Technology states that districts should have a process to assess the effectiveness of professional development training provided to ensure competency in the skills targeted.

By offering or requiring ongoing professional development within the Technology Department, technology employees will be better able to meet the needs of the District, better serve District users and students, and be more efficient and effective. Professional development will help the District with technology upgrades or changes as well as increase technician skill sets related to the current technology.

R6.8 Lancaster CSD should consider implementing a program to train high school students to assist in technical support. These students could assist with basic

technology troubleshooting. The training program could be organized as a component of a vocational educational program.

The DIT stated that the District has not considered the use of high school students as technical support representatives. The first point of technical support is troubleshooting performed by library associates. If the library associates cannot rectify the problem, a trouble ticket is submitted to the technicians. If the number of library associates is decreased (see **R3.4**), high school students trained in technical support would be able to troubleshoot technical issues and fill the gap left by the decreased number of library associates.

The International Society for Technology in Education (ISTE) recommends that school districts design curricular programs to train students in technical support in which students provide peripheral support. According to a National School Boards Association, more than half of school leaders reported that students are providing technical support in their districts. Key duties included troubleshooting problems, setting up equipment/wiring, and technical maintenance. Nearly half of these leaders reported that they provide formal support training to students.

E-Tech Ohio has developed an online database¹ containing field-proven student technology support models from 30 school districts. Several of the districts in the Northeast Ohio Network for Educational Technology were early implementers of the Technology Workforce Employment (TWE) program.). In particular, districts such as Stow-Munroe City School District, Tallmadge City School District and Woodridge Local School District were early implementers of this program and have provided information on the effectiveness of this program through E-Tech Ohio resources.

Training students in technical support functions represents a win-win for the District. First, it helps the District prepare students for careers in technology and educates them in technology support and deployment. Second, it allows the district to use low-cost resources for some of its technology support needs. Finally, it creates an opportunity for the District and students to work toward mutual goals within the venue of technology use and support.

Hardware

R6.9 Lancaster CSD should implement formal policies for hardware standardization, purchase, and disposal. Written policies provide the District with a means to monitor equipment as well as guidelines for staff to follow.

¹ www.osn.state.oh.us/misc/assist

Lancaster CSD does not have formal policies in place regarding hardware standardization, purchase, and disposal. The DIT reviews computers recommended for disposal. Once the DIT determines which equipment will be discarded, the District forwards those items to a local vendor for disposal.

The DIT works closely with its hardware vendors sales representative to purchase the best equipment compatible with the District's system. The hardware vendor does not charge the District for shipping. The District repairs equipment under warranty and the vendor pays the District an agreed amount for completing the repair. The District's practice for technology purchases starts with submission of requests from building level staff to the Treasurer. The purchase requests are then given to the DIT to review and approve. Once approved, the Treasurer's Office orders the requested items. This eliminates over-ordering or ordering items that will not be compatible with the network.

The absence of comprehensive policies and procedures prevents the Technology Department from having control over daily operations. Furthermore, the absence of formal policies and procedures for hardware standardization, purchase, and disposal could contribute to the District spending time, effort, and manpower to repair old systems and support multiple, disparate systems.

According to a performance review of Texas school districts, in *Helping Schools Make Technology Work (2003)*, unwritten rules are simply no substitute for clearly outlined procedures. Districts need clear policies and procedures for the purchase of technology, its acceptable use, the application of copyright laws, and the control of software and hardware inventories.

Software

R6.10 Lancaster CSD should create policies for selecting, purchasing, and assessing the functionality of the instructional software. The policy should include a list of standardized or uniform software to avoid the costs of supporting multiple software packages. The policy for selecting instructional software should also include a list of appropriate software for the District as well as centralization of purchasing.

The District has a team that reviews instructional software to ensure that it meets Ohio Department of Education (ODE) guidelines and the DIT reviews all purchase requests prior to ordering. However, the District does not have a policy requiring standardized software or for the selection of instructional software. Without a proper purchasing policy, the District could be spending funds for improper software purchases.

According to *Seven Cost-Saving Strategies for the IT Funding Crunch*, (Nastu, 2005), schools that standardize computer systems can save money and resources by cutting

down on IT support and computer training costs. When everyone is working with the same software, it increases productivity between users, simplifies licensing, and makes training easier. According to the Auditor of State Client Survey, in questions five through eight, teachers agree that instructional software is used, meets the needs of the users, is effective and efficient, and that users can get help when needed (see **Appendix 6-A**).

By not having a standard list of uniform software, the District could create situations where the Technology Department must spend time, effort, and manpower to implement and maintain technology with which it may not have experience.

Professional Development

R6.11 Lancaster CSD should develop professional development training options for its administrative and educational employees. An on-line professional development program may consist of technology classes and links to technology training resources and materials. Using on-line training options will expand technology training opportunities, increase staff capacity, and reduce the number of low-level support issues requiring intervention.

The District has not implemented on-line professional development for technology. Currently the District does not require employees to attend any technology training and offers only a limited amount of technical training for its employees. The District could implement tutorials on its intranet. Further, Lancaster CSD allocates only one percent of its technology budget to professional development which is not adequate to support off-site professional development training. By offering on-line training, the District could make more training opportunities available without significant increases in the technology budget. **Table 6-7** illustrates technology training levels for Lancaster CSD, similar districts, and the State.

Table 6-7: Number of Hours of Educational Technology Professional Development Classes Taken by Teachers in FY 2002-03

# of Hours	Lancaster CSD		Similar Districts		State-wide	
	# of Hours	Percent of Total Hours	# of Hours	Percent of Total Hours	# of Hours	Percent of Total Hours
None	122	49%	2,193	39%	29,605	30%
Less than 5	73	29%	1,710	31%	32,567	33%
5 to 10	36	14%	1,046	19%	22,470	23%
11 to 15	6	2%	292	5%	6,661	7%
More than 15	13	5%	328	6%	8,228	8%
Total	250	100%	5,569	100%	99,531	100%

Source: Ohio SchoolNet 2004 BETA Survey

Table 6-7 shows the number of hours that teachers attended educational technology professional development classes.

ISTE recommends on-line training as an option to expand training opportunities, increase staff capacity, and reduce low-level support issues. ISTE also recommends very basic troubleshooting skills be built into the professional development program, which would decrease the number of low-level technical support calls. *E-School News* provides a list of on-line professional development courses on its website (www.eschoolnews.com/erc/professionaldevelopment) that the District could consider.

Without on-line training options, staff may be unaware of these training resources. This may increase the time spent searching for the materials and result in missed training opportunities. On-line training options could allow staff to complete training tests and modules according to individual schedules, thereby limiting scheduling conflicts. Setting up on-line training would involve creating links to other training resources, compiling standard training materials, developing training modules in-house, and placing training information on the District website.

Security

R6.12 Lancaster CSD should develop a formal disaster recovery plan for key technology systems using the National Center for Education Statistics (NCES) guidelines. Developing a disaster recovery plan prepares an organization for recovery from a breach in security, a natural disaster (fire, flood, etc.), or other catastrophic event as quickly and efficiently as possible. Once developed the plan should be checked and updated at least annually.

Lancaster CSD does not have a written disaster recovery plan for technology. The DIT indicated that the District completes nightly backups for each building using Snap servers. The nightly back-up includes network servers, curriculum servers, e-mail, and other databases such as transportation. The Metropolitan Educational Council (MEC) also has procedures to back up administrative, fiscal, and payroll data. However, without a formal disaster recovery plan, the District does not have clear steps to follow in the event of a disaster which could result in additional time and resources having to be spent on data recovery and systems repair.

According to NCES, school districts should establish disaster recovery plans to safeguard data. NCES developed the elements found in **Table 6-8** that should be included in a disaster recovery plan. NCES also believes that districts should have a team established to develop the plan and procedures and test the plan on an on-going basis.

Table 6-8: Key Elements of a Technology Disaster Recovery Plan

Build Disaster Recovery Team	Identify a disaster recovery team that includes key policy makers, building management, end-users, key outside contractors and technical staff.
Obtain and/or approximate key information	Develop an exhaustive list of critical activities performed within the district. Develop an estimate of the minimum space and equipment necessary for restoring essential operations. Develop a time frame for starting initial operations after a security incident. Develop a key list of personnel and their responsibilities.
Perform and/or delegate duties	Create an inventory of all assets, including data, software, hardware, documentation and supplies. Set up reciprocal agreements with comparable organizations to share each other's equipment in an event of an emergency at one site. Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay. Establish contractual agreements with backup sites. Identify alternative meeting and start-up locations to be in used in case regular facilities are damaged or destroyed. Prepare directions to all off-site locations. Establish procedures for obtaining off-site backup records. Gather and safeguard contact information and procedures. Arrange with manufacturers to provide priority delivery of emergency orders. Locate support resources that might be needed (i.e. trucking and cleaning companies). Establish emergency agreements with data recovery specialists.
Specify details within the plan	Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done. Define actions in advance of a disaster. Define actions to be taken at the onset of a disaster to limit damage, loss and compromised integrity. Identify actions to be taken to restore critical functions. Define actions to be taken to re-establish normal operations.
Test the plan	Test the plan frequently and completely. Analyze test results to determine further needs.
Deal with the damage appropriately.	If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.
Give consideration to other significant issues.	Don't make the plan unnecessarily complicated. Make one individual responsible for maintaining the plan, but have it structured so that others are authorized and prepared to implement if it is necessary. Update the plan regularly and whenever changes are made to the system.

Source: National Center for Education Statistics

Lancaster CSD should use elements in **Table 6-8** to guide the development of a disaster recovery plan of its own. The first step in creating a disaster recovery plan is putting together a team of key personnel and stakeholders who are given specific roles and responsibilities. The District should be able to develop a formal disaster recovery plan, distribute the information, and train for its use with existing resources.

Appendix 6-A: Employee Survey Responses

An employee survey was completed by 349 Lancaster CSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback and perceptions of customer service and other technology related issues. The survey solicited responses to statements concerning technical support. Survey responses were on a scale of 5 to 1: where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 6-9** illustrates the results.

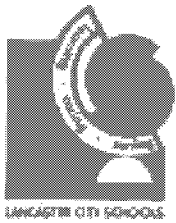
Table 6-9 Auditor of State Client Survey

Survey Questions	Client Results
Administrative Software	
1) Users know all major software functions used in their department.	
1) Strongly Disagree	3%
2) Disagree	11%
3) Neutral/Not Sure	15%
4) Agree	33%
5) Strongly Agree	9%
2) Software meets the needs of the users.	
1) Strongly Disagree	2%
2) Disagree	8%
3) Neutral/Not Sure	13%
4) Agree	38%
5) Strongly Agree	9%
3) Software is used effectively and efficiently.	
1) Strongly Disagree	2%
2) Disagree	11%
3) Neutral/Not Sure	11%
4) Agree	36%
5) Strongly Agree	10%
4) Users can get help when needed.	
1) Strongly Disagree	2%
2) Disagree	9%
3) Neutral/Not Sure	11%
4) Agree	31%
5) Strongly Agree	19%
Instructional Software	
5) Users know all major software functions used in their department.	
1) Strongly Disagree	3%
2) Disagree	16%
3) Neutral/Not Sure	17%
4) Agree	39%
5) Strongly Agree	9%

Survey Questions	Client Results
6) Software meets the needs of the users. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 12% 15% 46% 11%
7) Software is used effectively and efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 14% 16% 39% 12%
8) Users can get help when needed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	4% 9% 14% 39% 19%
All Users – Software Training	
9) Administrative/office software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	3% 14% 19% 32% 7%
10) Instructional / Classroom software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	4% 17% 19% 38% 10%
11) Training facilities meet user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 15% 17% 40% 11%
12) Training programs are useful. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 12% 19% 39% 13%
13) Users feel more training is needed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 9% 20% 35% 22%

Survey Questions	Client Results
General Computer Operation/Data	
14) Computer systems are reliable.	
1) Strongly Disagree	6%
2) Disagree	24%
3) Neutral/Not Sure	15%
4) Agree	48%
5) Strongly Agree	6%
15) Speed of data processing is satisfactory.	
1) Strongly Disagree	6%
2) Disagree	24%
3) Neutral/Not Sure	15%
4) Agree	48%
5) Strongly Agree	6%
16) Access to a printer is adequate.	
1) Strongly Disagree	3%
2) Disagree	13%
3) Neutral/Not Sure	13%
4) Agree	61%
5) Strongly Agree	9%
17) Systems contain accurate and complete data.	
1) Strongly Disagree	1%
2) Disagree	8%
3) Neutral/Not Sure	19%
4) Agree	61%
5) Strongly Agree	9%
18) Data from computer systems is useful for decision making or monitoring.	
1) Strongly Disagree	1%
2) Disagree	6%
3) Neutral/Not Sure	19%
4) Agree	58%
5) Strongly Agree	9%
Technical Assistance	
19) Technical assistance department is easily accessible.	
1) Strongly Disagree	4%
2) Disagree	17%
3) Neutral/Not Sure	13%
4) Agree	49%
5) Strongly Agree	11%
20) Requests for assistance are answered in a timely manner.	
1) Strongly Disagree	4%
2) Disagree	16%
3) Neutral/Not Sure	12%
4) Agree	50%
5) Strongly Agree	15%
21) Computer repair services are easily accessible.	
1) Strongly Disagree	7%
2) Disagree	25%
3) Neutral/Not Sure	19%

Survey Questions	Client Results
4) Agree	35%
5) Strongly Agree	10%
22) Computer repair requests are answered in a timely manner.	
1) Strongly Disagree	7%
2) Disagree	21%
3) Neutral/Not Sure	20%
4) Agree	36%
5) Strongly Agree	10%
23) Technology staff is able to solve hardware problems.	
1) Strongly Disagree	4%
2) Disagree	10%
3) Neutral/Not Sure	11%
4) Agree	53%
5) Strongly Agree	18%
24) Number of technology personnel is adequate to provide support.	
1) Strongly Disagree	21%
2) Disagree	33%
3) Neutral/Not Sure	14%
4) Agree	24%
5) Strongly Agree	4%
25) I am satisfied with the technical assistance provided by the District.	
1) Strongly Disagree	7%
2) Disagree	21%
3) Neutral/Not Sure	20%
4) Agree	38%
5) Strongly Agree	10%
26) Electronic mail is widely used.	
1) Strongly Disagree	0%
2) Disagree	1%
3) Neutral/Not Sure	1%
4) Agree	33%
5) Strongly Agree	64%
27) The internet is used to access information.	
1) Strongly Disagree	0%
2) Disagree	0%
3) Neutral/Not Sure	3%
4) Agree	39%
5) Strongly Agree	56%



LANCASTER CITY SCHOOLS

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August 4, 2006

Columbus Regional Office
88 E. Broad St. 4th Floor
Columbus, OH 43216

Dear Auditor

The members of the Lancaster City Schools' Board of Education has received the preliminary, draft performance audit report of the Office of Internal Audit and the Office of the Treasurer, and participated in an audit conference with the Auditor of State representatives on July 27, 2006.

The Lancaster City Schools' Board of Education requested this performance audit for information and direction in the improvement of Lancaster City Schools' district services. As such, the Board of Education welcomes the recommendations offered through this process and as part of the Board's commitment to accountability and improvement. It is the intention of the Board of Education to thoroughly review and discuss the findings and recommendations contained in this report.

It is important to note this Board of Education approved a corrective action plan that incorporated many of the cost savings outlined in the performance audit prior to its completion. These items included:

Administrative Employee Reductions (14)

- ✔ Eliminate Administrative/Exempt Positions (14)
- ✔ 20% Increase in Insurance Premiums
- ✔ Hiring Freeze on Central Office Personnel (1 Finance)
- ✔ Eliminate Professional Development ESC/Buildings
- ✔ Pay Freeze for Years of Administrative Staff

Certified Employee Reductions (58)

- ✔ Reduce Teaching Staff PK-12 (27.5)
- ✔ Eliminate 75% Extended Time
- ✔ Reduce Vocational Staff (9)
- ✔ Reduce ESP (15.5)
- ✔ Reduce Curriculum Support Staff (2)
- ✔ Reduce Special Education (2)

Classified Employee Reductions (35)

- Transportation (5)
- Instructional Assistants (6)
- Library Associates (4)
- Custodial (3)
- Secretarial (8)
- Maintenance (4)
- Finance Department (1)
- Account Clerk (1)

Miscellaneous Expense Reductions

- Reduce General Fund Expenditures for Athletics
- Reduction in Mowing Contracts
- Transfer Special Educational Assistants to IDEIA
- Eliminate Operational Costs for Transportation
- Reduce Medical Assistants
- ESC Parking
- Eliminate 9-12 Busing

The Lancaster Board of Education recognizes the complex nature of financial systems and how each part impacts the district as a whole. The recommendations that do not demand significant resources will be made a priority by the Lancaster Board of Education.

We are grateful for the diligent efforts of the auditors to understand Lancaster City Schools' financial situation as well as services to our students. However, the reductions contained in the following recommendations: R3.2, R3.3, R3.4 and R3.5 will have a catastrophic impact on student learning and achievement. Further reductions will take Lancaster City Schools to state minimum standards and eliminate many more student programs and services. Many recommendations such as R3.19 and R4.11 must be clearly reviewed, clearly understood, and supported by our community before this Board implements such recommendations.

The Audit staff needs to be commended for their efforts to analyze data from the (EMIS) Education Management Information Systems. Please be keenly aware of certain data factors that impact the numbers included in the comparative statements:

- Data were collect over a period of one year, prior to the corrective action plan.
- EMIS data varies from district to district based on local district coding procedures.
- Comparative data of smaller districts do not reflect the same number of facilities as Lancaster City Schools.

We appreciate the work completed by the Performance Audit Team. The information contained in this audit report will help direct strategies within the continuous improvement process of Lancaster City Schools.

Sincerely,



Patti Moore, President
Lancaster City Schools' Board of Education