



Mary Taylor, CPA  
Auditor of State

LEBANON CITY SCHOOL DISTRICT  
PERFORMANCE AUDIT

AUGUST 30, 2007



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

Consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, funding was provided for comprehensive performance audits of selected Ohio school districts. Lebanon City School District (Lebanon CSD or the District) was also placed in fiscal caution on September 12, 2005. Pursuant to ORC §3316.031, and §3316.042, a performance audit was initiated.

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 that support the mission of educating children, and because improvements in these areas can assist Lebanon CSD in improving financial stability, and operational efficiency and effectiveness.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations in the audit are resources intended to assist with continuing improvement efforts, 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 Lebanon CSD and its contents discussed with the appropriate officials and District administrators. 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 "Online Audit Search" option.

Sincerely,

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

Mary Taylor, CPA  
Auditor of State

August 30, 2007



# **Executive Summary**

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## **Project History**

In accordance with House Bill (H.B.) 66, § 206.09.12, the State Legislature has provided funding to be used to conduct performance audits consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. AOS may review any programs or areas of operation in which the Auditor believes that greater operational efficiency, effectiveness and accountability of services can be achieved. Based on the comprehensive performance audit model, this project included reviews of the following operational areas:

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

Additionally, pursuant to Ohio Revised Code (ORC) § 3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC § 3316.031(B)(1) further stipulates that the State Superintendent may declare a school district in fiscal caution based upon a review of that school district's five-year forecast.

Lebanon City School District (LCSD or District) was placed into fiscal caution by the Ohio Department of Education (ODE) on September 12, 2005, based on potential deficits. The August 2005 five year financial forecast projected a \$4.6 million cash deficit for the District. LCSD submitted a financial recovery plan in December 2005, which was approved by ODE on January 12, 2006.

## **District Overview**

The District is located approximately 30 miles north of Cincinnati and 30 miles south of Dayton in Warren County. LCSD encompasses the City of Lebanon and the surrounding areas for a total of 82 square miles. According to the 2000 U.S. Census, the City of Lebanon had a population of 16,962, including 4,607 residents (27.2 percent) under 18 years of age. The City's median household income was \$46,856 compared to the national average of \$41,994, while 4.7 percent of the families within the City lived below the poverty line compared to the national average of

9.2 percent. In addition, 86.0 percent of the City's residents had at least a high school education while 24.4 percent of the residents had a bachelors degree or greater.

LCSD operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District. The District's mission statement notes a commitment to providing:

- A diverse set of programs for our students;
- An excellent and innovative staff who reflect the values of the community;
- A safe, clean and caring learning environment;
- Life-long skills that lead to the development of each student's potential;
- An educational system of which all community members can be proud; and
- The opportunity for parent and family involvement.

From August 2001 to August 2004, LCSD implemented its Ohio Schools Facility Commission (OSFC) Master Plan due to increasing enrollment. This resulted in the addition of two new buildings in FY 2004-05, the conversion of an elementary building into administrative offices, and the conversion of another elementary building into the transportation facility. With the opening of the two new buildings, LCSD chose to redistrict and shift to a system of grade-level buildings. LCSD's facilities consist of six education buildings: an early childhood center (grades Pre-K through K), a primary school (grades 1 and 2), an elementary school (grades 3 and 4), a middle school (grades 5 and 6), a junior high school (grades 7 and 8), a high school (grades 9 through 12), and two administrative buildings.

In FY 2005-06, the District had an average daily student enrollment of approximately 5,000 students which includes approximately 10 percent with disabilities. Staffing consisted of 538 full-time equivalent (FTE) employees, 28 administrative FTEs, 312 certificated/licensed FTEs, and 198 classified and other support staff FTEs. During FY 2005-06, the District hired a new Superintendent and restructured key administrative positions. Additionally, the District appointed a new Treasurer in January 2006, who previously served as the Business Manager. Because he resigned as Treasurer in July 2006, the District again hired a new Treasurer in October 2006.

The regular student to regular teacher ratio was 20:3 in FY 2005-06. According to the District's 2005-06 Report Card, it met 24 of 25 academic indicators and was designated as an excellent district. To attain one of the 25 indicators, at least 75 percent of students tested must score proficient or higher on the related assessment.

In addition to preparing for the opening of the two new schools, the following factors identified in an Agreed Upon Procedures (AUP or Special) Audit contributed to the initially projected cash deficit of \$4.6 million for FY 2005-06: unauthorized transfers and advances between funds which the General Fund had to repay; debt payments by funds not allowed by law to repay debt;

and the cancellation of purchase orders at the end of the fiscal year that were re-issued the succeeding fiscal year. To help address the deficit, the District reduced staff and refinanced existing debt, while LCSD voters passed a 6.5 mill emergency operating levy to generate \$4.2 million per year. These actions helped the District end FY 2005-06 with a positive cash balance of approximately \$449,000 and a positive fund balance of \$148,894. **Table 1-1** shows the General Fund actual revenue, expenditures, operating deficits and changes in fund balances from FY 2002-03 through FY 2005-06.

**Table 1-1: LCSD General Fund Revenue & Expenditures**

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
<b>Revenue</b>	\$28,909,079	\$33,615,369	\$37,615,529	\$42,705,003
<b>Expenditures</b>	\$30,082,805	\$36,886,949	\$38,760,731	\$43,387,702
<b>Revenue Over (Under) Expenditures</b>	<b>(\$1,173,726)</b>	<b>(\$3,271,580)</b>	<b>(\$1,145,202)</b>	<b>(\$682,699)</b>
<b>Ending Fund Balance</b>	<b>\$4,918,743</b>	<b>\$1,491,129</b>	<b>\$1,022,258</b>	<b>\$148,894</b>

Source: LCSD Treasurer

As shown in **Table 1-1**, LCSD incurred an operating deficit in each year, which contributed to a declining fund balance that reached only \$148,894 at the end of FY 2005-06.

## Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of the performance audit is to review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability for services can be achieved. The following major assessments were conducted in this performance audit:

- **Financial Systems**, including an evaluation of forecasting methods and assumptions, revenue sources and expenditures, and budgeting and purchasing processes;
- **Human Resources**, including assessments of staffing levels, salaries and benefits, and key contractual items;
- **Facilities**, including analyses of facility utilization, maintenance and general upkeep;
- **Transportation**, including assessments of transportation costs and operational efficiency; and
- **Technology**, including an evaluation of staffing levels, planning, hardware, and software.

In addition to the areas noted above, the District's food service financial activity was reviewed at the start of the performance audit. The District increased its fees in FY 2004-05; maintained positive ending fund balances in the food service fund for FY 2002-03, FY 2003-04 and FY

2004-05; and revenues (excluding advances) exceeded operating expenses in FY 2002-03 and FY 2004-05. As a result, the performance audit did not further review food service operations.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that LCSD should consider in its continuing efforts to improve financial and operating conditions.

## **Scope and Methodology**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was primarily conducted between March 2006 and January 2007, and data was mainly drawn from fiscal years 2004-05 and 2005-06. To complete this report, the auditors gathered a significant amount of data pertaining to LCSD; conducted interviews with numerous individuals associated internally and externally with the various departments; and reviewed and assessed available information.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held throughout the engagement to inform LCSD administrators of key issues impacting audited areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to report recommendations. These comments were taken into consideration during the reporting process and, where warranted, the report was modified.

For this and similar performance audits, AOS developed a database of ten school districts that was used for peer comparisons. The ten districts used for peer comparisons include Poland Local School District and Canfield Local School District (Mahoning County); Norton City School District (Summit County); Wadsworth City School District (Medina County); Amherst Exempted Village District (Lorain County); Lake Local School District, Perry Local School District and Jackson Local School District (Stark County); Oak Hills Local School District (Hamilton County); and Northmont City School District (Montgomery County). These districts were selected based upon demographic and operational data and like Lebanon CSD, are classified as “Type 6” (urban/suburban and high median income) by the Ohio Department of Education. Additionally, these ten school districts met a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, several external organizations and sources were used to provide comparative information and benchmarks, including the Government Finance Officers Association (GFOA) and the State Employment Relations Board (SERB).

The Auditor of State and staff express their appreciation to the Lebanon City School District and other organizations for continued cooperation and assistance throughout the audit.

## **Noteworthy Accomplishments**

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

### *Financial Systems*

- LCSD projects personal service expenditures by accounting for each employee individually, using the employee's current step level and the eligible step increases throughout the forecast period. Since personal services represented 56 percent of General Fund expenditures in FY 2004-05, this method helps to ensure reliable projections of salary and wage expenditures. This method can also provide different scenarios for review during budgeting, forecasting, or negotiating.
- LCSD instructional spending per pupil was 10 percent lower than the peer average in FY 2004-05. Nevertheless, the District met 22 performance standards and achieved a performance index score of 100.4, both of which were close to the peer averages of 23 performance standards and a performance index score of 102.0.

### *Human Resources*

- LCSD's Intervention Process Handbook describes the intervention process and communicates how to accurately identify students having behavioral difficulties. Accordingly, the handbook helps to explain the intervention process to staff and parents.
- LCSD's 20 percent contribution for most full time employees is higher than the 2004 average contributions reported by SERB of 11.8 percent for single coverage and 12.3 percent for family coverage. In addition, the District requires higher contributions from part-time staff, which are based on the number of hours worked per day.

### *Facilities*

- LCSD offers a comprehensive new employee training program which meets NCES recommended practices. In addition, LCSD's new custodial employees are hired from the pool of substitute custodians. Both of these conditions help reduce the amount of time new employees need to become familiar with job duties and responsibilities.



- LCSD has a Comprehensive School Safety Plan (the Plan) which contains specific protocols for ensuring safety. In addition, the Safety Plan meets guidelines for ensuring the safety of school facilities and occupants.
- Responses to an AOS employee survey averaged 4.05 for facility-related questions, which indicates a high level of satisfaction (survey responses were made on a scale of 5 to 1; with 5 being the highest rating). Most notably, 79 and 84 percent of respondents are satisfied with maintenance and custodial services, respectively, with only 6 percent dissatisfied with both services.
- Through a combination of the HVAC system, purchasing practices, and monitoring, LCSD has been able to maximize energy efficiency while minimizing costs. This is evidenced by the District's lower utility costs per square foot when compared to the peer average and AS&U median.

### *Transportation*

- The District's spare buses represented only 8.5 percent of the District's total fleet. LCSD's buses are newer, which should enable them to travel longer without mechanical failure. The spare bus ratio is sufficient due to the age and mechanical condition of the fleet.

### *Technology*

- LCSD uses Citrix software as a thin-client system to manage the networked system from a central location. Department staff can install and manage the system without being physically present at each building to load and manage each individual computer. According to *Thin-Client Technology* (PC Magazine, 2002), this type of technology results in lower hardware costs, easier client management, and improved disaster recovery capabilities. According to the 2006 BETA Survey, only eight percent of school buildings in the State and only one of the ten peer districts (in two of its six buildings) have implemented thin-client technology.
- Due, in part, to the structure and use of the thin-client architecture, LCSD has established remote access for network users including teachers and students. This not only offers conveniences for staff, but also provides opportunities to students to access resources outside regular school hours.
- In general, LCSD uses technology more frequently for instructional purposes when compared to the peer and State averages. LCSD has created an environment in which planning includes significant instructional software purchases for integration into the curriculum. LCSD incorporates software into teaching by using assessments to gauge elementary students' progress. LCSD places all tools such as curriculum and guides online to assist teachers in

working collaboratively to develop common assessments and uniform standards. Furthermore, at Lebanon High School, the Department has outfitted classrooms with digital whiteboards and DVD-enabled computers that interface with digital overhead projectors.

- LCSD uses email to facilitate communications and teacher web pages to enhance the exchange of information. According to the 2006 BETA survey, 70 percent of LCSD teachers report using web pages at least once a month to post class-related information, which is significantly higher than the peer and State averages of 38 and 33 percent, respectively. Likewise, the 2006 BETA Survey indicates that 89 percent of teachers in the District use email at least once a month to communicate with parents, which is significantly higher than the peer average of 73 percent and the State average of 60 percent. LCSD has also developed an intranet to enhance internal District communications, provide staff with troubleshooting guides, and allow staff to make technical service requests.
- LCSD maintains minimum requirements for technology training, uses a software package to effectively manage PD documentation, and establishes a list of timely and appropriate training courses. According to the 2006 BETA survey, 88 percent of LCSD's teachers rated their principals as adequate (31 percent), moderately strong (32 percent), or very strong (25 percent) in providing sufficient professional development opportunities. This is higher than the peer average of 84 percent and State average of 79 percent. Furthermore, the District's technology PD program can contribute to the higher frequency of technology use for instructional purposes and can help staff troubleshoot their own problems, thus enabling the technicians to focus more on complex issues.
- The Department uses portable backup generators throughout the District to secure technology devices and preserve the functionality of equipment in the event of unexpected power loss. Technology staff members routinely check on backups, along with the generator and computers, as part of the disaster recovery backup plan.
- LCSD uses VoIP technology that allows all calls to go through the network using existing fiber-optic lines. According to *A Case for Inter-Building Fiber Optic Networks on OSFC Projects* (Technology Systems Integrations, 2004), centralizing telephone services on a network can reduce the number of expensive traditional phone lines required, thus providing a significant reduction in monthly phone and telecommunication charges.

## **Assessments Not Yielding Recommendations**

In addition to the analyses presented in this report, assessments were conducted on several operational areas that did not warrant recommendations because the District was performing at a level comparable to peers or industry standards. These areas are summarized below. Additional detail pertaining to these areas is presented in each section of the report.

- **Financial Systems:** Certain financial forecast assumptions (general property tax revenue, restricted grants-in-aid, all other revenues, proceeds from sale of notes, advances-in, all other financing sources, other objects, debt, operating transfers-out, and all other financing uses); Financial Qualifications; Generally Accepted Accounting Principles (GAAP); Cash Receipt Controls; External Audits; Accounting System; Payroll Processes; Discretionary Spending; and Community Relations.
- **Human Resources:** Administrator Staffing; Curriculum Specialist and Special Education Staffing; Professional and Clerical Staffing; Teaching Aides; Salaries; Payment of Employee Retirement; Workers Compensation; Certain Certificated Collective Bargaining Provisions (contractual days, teaching time, maximum class sizes, leaves of absence, evaluations, personal days, payment of employee retirement contributions, early retirement incentives (ERI), and sick leave accrual); Certain Classified Collective Bargaining Provisions (evaluations, minimum call-in hours, personal days, payment of employee retirement contributions, ERI, and sick leave accrual); Communication; Certificated Professional Development; Special Education Parental Involvement; Special Education Test Scores and Costs; Gifted Plan and Procedures; Gifted Program Reporting and Test Scores; and Gifted Program Resource Maximization.
- **Facilities:** Overtime and New Technology Training.
- **Transportation:** Inventory Security; Bus Insurance; Bus Maintenance and Repair; and Non-Routine Use of Buses.
- **Technology:** Network Architecture and Bandwidth; Technical Support Services; Professional Development for Technical Staff; Information Technology (IT) Controls; Acceptable Use Policy (AUP); Management Software; Grants; and Printing Options.

## **Key Recommendations**

The performance audit contains several recommendations pertaining to District operations. The following are the key recommendations from the report. Additional recommendations are included in each section of the report.

### *Financial Systems*

- LCSD should analyze and use the financial recovery plan outlined in **Table 2-11** to evaluate the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition. LCSD should also consider implementing the recommendations in this performance audit to improve current and future financial conditions. In addition, the District should update its financial recovery plan on an on-going basis as critical issues emerge, closely monitor revenue and expenditure activity, and actively review its performance against budgeted and projected figures. As the District is projected to have negative ending fund balances from FY 2006-07 to FY 2009-10, even when the performance audit recommendations are included, it should consider various options to further reduce expenditures (e.g., reducing regular and educational service personnel (ESP) staffing reductions, and transportation services closer to State minimum standards).
- LCSD should update and publish a clearly written, multi-year strategic plan with annual goals, timeframes, clearly defined action steps, and measurable objectives based on identified needs and other factors (e.g., projected enrollment and revenues). Doing so would help link the strategic plan to the five-year financial forecast. The strategic plan should also be linked to the continuous improvement plan (CIP) and capital plan. In addition, LCSD should assess progress towards achieving its established goals and objectives.
- LCSD should develop and implement policies and procedures to ensure consistency in the development, review and monitoring of the five-year financial forecast. This should include the development of detailed assumptions and supporting documentation to ensure stakeholders clearly understand the basis for the District's projections. The development of such policies and procedures can also help to ensure a sound and reliable forecast. Specifically, LCSD should revise its methodology for projecting Tangible Personal Property Taxes, Unrestricted Grants-In-Aid, Property Tax Allocation, Salaries, Benefits, Purchased Services, and Encumbrances.
- The Board should take a more active role in budgeting and forecasting by carefully reviewing, monitoring and questioning information. This would help to identify and document the reasons for variations from the budget, operating deficits and continued negative fund balances. Furthermore the Board members should receive ongoing training to

help ensure their full understanding of the information presented in the monthly Treasurer's reports.

- LCSD should develop a mechanism to identify stakeholders' concerns, needs, and priorities during the planning and budgeting processes. In addition, LCSD should publish a concise budget summary on the District's website that contains the components recommended by GFOA. A concise summary would help facilitate and enhance the budget process, as well as promote greater external stakeholder understanding, participation and confidence.
- LCSD should consider expanding participation in applicable purchasing consortiums. Doing so would provide additional price comparisons and in turn, better ensure the District purchases supplies at the "best" price. Furthermore, the District should maintain documentation of price quotes and staff should send such documentation along with the purchase requests to ensure multiple quotes are received prior to purchasing a good or service.

### *Human Resources*

- The District should examine and monitor its staffing levels in the Educational Service Personnel (ESP) category along with its historical and projected enrollment trends, and financial condition. The District could eliminate 4 ESP FTEs based on FY 2005-06 data to be more consistent with the peer average. However, continued growth in student enrollment while maintaining current ESP staffing levels would naturally help to bring ESP staffing levels more in line with the peer average. Furthermore, it should be noted that the District eliminated 1.0 ESP FTE for FY 2006-07.
- Based its current financial condition and comparisons to the Kaiser survey, the District should review its healthcare plan provisions. However, it should balance potential changes in plan benefits with the employee monthly contribution rate and its financial standing. For instance, during future negotiations, the District could consider increasing employee co-payments for physician visits and prescription drugs, and the annual employee out-of-pocket maximum. The District could also consider requiring employee cost-sharing for hospital visits and employee annual deductibles, as well as implementing appropriate utilization management provisions.
- LCSD should consider negotiating an increase in the certificated employee contribution for dental insurance to 20 percent, similar to classified staff. This would reduce dental premium costs for the District and ensure equitable treatment of employee groups. Furthermore, the District should review the dental plan benefit levels to identify changes that would help reduce the premium costs for the family plan.

- LCSD should ensure sick leave use is effectively monitored and current policies are enforced. The District should include prohibitions against pattern abuse in sick leave policies, which may require negotiation. Furthermore, the District should negotiate to include disciplinary actions in collective bargaining agreements as a result of misusing or abusing sick leave. However, the District should avoid negotiating a specific threshold for when such actions can take place. This would provide LCSD with flexibility to proactively evaluate each potential instance of misuse or abuse based on the related circumstances.
- LCSD should consider implementing an automated substitute calling system. An automated substitute system should improve the communication, reporting and management of the substitute system. It would also enable the District to eliminate the substitute caller position.
- The Board should develop a self-evaluation process to assess its performance on an annual basis. Evaluations should be based on community input (e.g., surveys and complaints), as well as standards and goals established by the Board. By doing so, the Board will be in a better position to understand and address the community's priorities and concerns, and ensure it is operating in an effective manner.

### *Facilities*

- LCSD should update its benchmark criteria to reflect nationally recognized facilities standards, such as NCES. This would better ensure that the District employs an appropriate number of custodians. Additionally, this may enable the District to reduce the number of custodial positions, which is also contingent upon the time spent by custodians performing non-custodial duties.
- LCSD should update its facilities master plan by working with school personnel, parents, students, and community members. Thereafter, it should update the facilities master plan on a regular basis to ensure it reflects current District information and building needs. The facilities master plan should be linked to the capital plan and preventive maintenance plan. The facilities master plan should also contain updated enrollment projections, current building configurations and capacity analyses, along with health, safety and building condition assessments. Furthermore, the District should use actual and projected enrollment data to routinely assess and monitor its building utilization rates. Doing so would help the District take appropriate measures to ensure sufficient space to house its student population.
- LCSD should fully implement all of the components of the online work order system, including the facilities management and training components. Using the system for training can help the District implement an ongoing and formal training program for its facility staff. The District should also use the system to routinely perform an inventory of its facility equipment and related items, as well as to help regularly audit its facilities. The District

should use the information resulting from these audits to improve operations. Finally, LCSD should develop written policies and procedures for the prioritization of work orders.

### *Transportation*

- LCSD should work with Laidlaw (the Provider) to optimize routes and increase bus utilization via using the routing software and staggering bell schedules. Taking these steps could allow for the elimination of at least five buses. The District should also work with the Provider to identify the bus reductions that would result in optimal savings by considering factors such as maintenance costs for each bus and the lower costs currently charged by the Provider for operating the remaining District-owned buses. LCSD also should consider realigning the basis for the Provider's compensation to better maximize operational efficiency. Based on the District's increasing enrollment, it should carefully monitor ridership data throughout the year and from year-to-year.
- LCSD should formally assign the responsibility for coordinating and monitoring the Contract to a District employee. This would help to ensure compliance with contract terms, aid in the identification and resolution of problems, and better ensure that the District receives optimal services at the lowest possible cost. The individual's job description should be updated to reflect the responsibilities and expectations of the position.
- LCSD should establish benchmarks for operating and productivity ratios in the Provider contract, such as cost per rider and riders per bus. In addition, the District should assess performance benchmarks before negotiating a new transportation contract. It should also exercise its right to periodically (e.g., monthly) request reports from the Provider to help monitor services.
- LCSD should seek to change the bus replacement criteria in the current Contract. Instead of basing replacements solely on age or mileage, the District should require the Provider to formally show that it would be more cost effective to replace the Board-owned buses than continuing to maintain them. This may help reduce the amount charged by the Provider to manage the District's transportation operations.
- If LCSD continues to experience financial difficulties, it should consider adopting transportation standards that are closer to State minimum requirements to reduce costs. However, prior to making reductions in transportation services, the District should work with ODE to determine any potential reductions in State reimbursements.
- LCSD should establish formal policies and procedures for the completion of T-Forms. This would better ensure that reports are accurate and reconciled with the District's financial data, comply with ODE guidelines, and are reviewed and approved prior to submission to ODE. Moreover, formal policies and procedures would help to ensure the District has received

accurate and complete information from the Provider, which can be used to help assess the Provider's performance. In particular, LCSD should compel the Provider to complete and submit a T-2C Form, as required by ODE.

- LCSD should continue to assess non-routine expenses, and establish policies and procedures for the reimbursement of non-routine transportation expenses that outline the manner in which fees are established, and the appropriate method for tracking and monitoring services. LCSD should charge all costs associated with non-routine miles to the appropriate department and fund within the District.
- Subject to negotiation, LCSD should consider eliminating the contractually-guaranteed hours for bus drivers, or at least reducing them to no more than two hours per day. This could help reduce personnel expenditures and prevent payments to employees when no work is being performed. If the District is unsuccessful in eliminating the minimum guaranteed hours provision, it should negotiate to require transportation personnel to work during the entire period for which they are receiving payment by identifying other duties that can be performed.
- LCSD should consider increasing the number of payment-in-lieu of transportation agreements as an alternative to providing transportation. In order to maximize savings, and in conjunction with taking measures to optimize bus utilization, the District should establish payment-in-lieu of transportation agreements with riders that would enable reductions to its fleet.

### *Technology*

- LCSD should expand its technology plan (the Plan) by including measurable objectives, ongoing costs associated with maintenance and upgrades (e.g., Total Cost of Ownership), and computer replacement costs/plan. The District should update the Plan on an annual basis. LCSD should also conduct regular (e.g., annual) assessments to identify District-wide and building-level needs, and include the results of such assessments in the Plan. The District should seek consistent input from community on technology planning and oversight. In addition, LCSD should include staffing benchmarks and the results of regular user satisfaction surveys and performance evaluations in the Plan. LCSD should use these benchmarks to ensure an adequate level of technology staffing, guide decisions about staffing, and justify staffing changes. Furthermore, the District should explore low cost alternatives to help with technical support, such as re-establishing the student support program and/or assigning appropriate staff to help with basic support functions at the buildings (e.g., teachers with a technology background).
- LCSD should centralize all technology purchases through the Department. By using the Software Review Schedule as a base, the District should develop formal policies and



procedures that guide and explain the entire centralized process for technology purchases. Policies and procedures should include responsibility, signing authority, and timelines. Centralizing the technology purchasing process with the Department and developing corresponding policies and procedures would authorize and strengthen the Department's role in the process. This can, in turn, better ensure compatibility checks, uniformity, and an equitable allocation of computers across school buildings; potentially consolidate purchases to obtain lower prices; and strengthen the general purchasing control environment. Finally, the Department should follow through on its intent to maintain documentation of price research, and require buildings and departments to do likewise if they aid in this research.

## **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 the auditors do not have the time or the resources to pursue. AOS has identified the following such issues. Additional detail pertaining to these areas is presented in each section of the report.

- **Human Resources:** Substitute Pay Rate and Food Service Salary Schedules; and
- **Facilities:** Staffing Levels

## Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that LCSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

### Summary of Performance Audit Recommendations

Recommendation	Annual Cost Savings	One-Time Costs	Annual Costs
<b>Revised Forecast Assumptions <sup>1</sup></b>			
<b>R2.1</b> Revise Unrestricted Grants-In-Aid, Tangible Personal, and Property Tax Allocation Projections	\$273,000		
<b>R2.2</b> Revise Personal Service, Benefit, Purchased Service, and Encumbrance Projections			\$2,901,000
<b>Total Impact of Revised Assumptions</b>	<b>\$273,000</b>	<b>\$0</b>	<b>\$2,901,000</b>
<b>Recommendations Not Subject to Negotiation</b>			
<b>R2.16</b> Become a member of the Ohio Schools Consortium			\$1,200
<b>R3.13</b> Purchase an automated substitute tracking system	\$9,200	\$1,200	\$300
<b>R4.2</b> Purchase a custodial staff manual		\$60	
<b>R5.1</b> Reduce at least five buses by working with the Provider to optimize routes and bus utilization	\$154,500		
<b>R5.4</b> Seek to change the bus replacement criteria in the Contract	\$26,900 (Cost Avoidance)		
<b>R5.8</b> Charge back non-routine miles	\$76,000		
<b>R6.2</b> Adopt a Computer Replacement Plan			\$150,000
<b>R6.5</b> Use students and/or building staff to help provide direct user support			\$16,500
<b>Total Not Subject to Negotiations</b>	<b>\$266,600</b>	<b>\$1,260</b>	<b>\$168,000</b>
<b>Recommendations Subject to Negotiation</b>			
<b>R3.5</b> Increase the certificated staff contribution for dental insurance premiums to 20 percent	\$9,800		
<b>R3.7</b> Develop strategies to monitor and control sick leave	\$14,800		
<b>R3.8</b> Reduce the number of sick leave days paid out at retirement to 30 days for certified and classified staff	\$9,800		
<b>Total Subject to Negotiations</b>	<b>\$34,400</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL (Excluding Revised Assumptions)</b>	<b>\$301,000</b>	<b>\$1,260</b>	<b>\$168,000</b>

Source: Financial implications identified throughout this performance audit

<sup>1</sup> Represents average annual change of AOS revised assumptions compared to the District's original assumptions from FY 2006-07 to FY 2009-10.

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.



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# Financial Systems

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## Background

This section focuses on the financial systems in the Lebanon City School District (LCSD or the District). The objective is to analyze the current and future financial condition of LCSD, develop recommendations for improvements in financial processes, and identify opportunities to increase cost efficiency and effectiveness. LCSD's five-year financial forecast is also analyzed to ensure that the projections appear reasonable. The District's operations have been evaluated against recommended practices and operational standards from several sources, including the Government Finance Officers Association (GFOA) and the American Institute of Certified Public Accountants (AICPA). Also, the Auditor of State conducted a survey of Board members, and, where relevant, the results of the survey have been disclosed in this section. In addition, Type 6 urban and suburban districts<sup>1</sup> with similar demographics (urban/suburban and high median income), high Ohio Proficiency Test scores and low per-pupil expenditures were used as peer districts<sup>2</sup> for comparison purposes.

### *Staffing*

LCSD's Financial Services Department (Department or Treasurer's Office) consists of six employees, including the Treasurer, the Assistant Treasurer, a secretary to the treasurer, two payroll associates, and one accounts payable clerk. The Department's responsibilities include managing and accounting for all financial resources; reporting the District's financial condition to the Board of Education and the public; developing the annual budget and appropriations for the Board's approval; preparing and distributing payroll; paying the District's obligations; and preparing the financial statements and the five-year forecast.

Overall, LCSD has experienced significant turnover in its key administrative personnel. For instance, from FY 2004-05 to early FY 2006-07, the District has employed three treasurers and two superintendents (see the **human resources** section of the report for more information). In January 2006, the District formally replaced the previous Treasurer. The Business Manager served as interim Treasurer from July 2005 until January 2006, when he was formally appointed Treasurer. He eventually resigned in July 2006. The Assistant Treasurer acted as interim Treasurer until the hiring of the new Treasurer on October 18, 2006. In order to distinguish the

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<sup>1</sup> As categorized by the Ohio Department of Education.

<sup>2</sup> The ten peer districts used for peer comparison include Amherst EVSD (Lorain County), Canfield CSD (Mahoning County), Jackson LSD (Stark County), Lake LSD (Stark County), Northmont CSD (Montgomery County), Norton CSD (Summit County), Oak Hills LSD (Hamilton County), Perry LSD (Stark County), Poland LSD (Mahoning County), and Wadsworth CSD (Medina County).

treasurers, they will be referred to as follows in this section: the previous Treasurer (employment ending effective January 1, 2006), the current Treasurer (or Treasurer, employed effective January 1, 2006 through July 2006), and the new Treasurer (employed beginning October 18, 2006).

### *Financial Condition*

The General Fund's operating deficits began in FY 2001-02 when expenditures exceeded revenues by \$416,229. Since then, deficit spending has increased annually and the unreserved ending cash balance has decreased. The District ended FY 2002-03 with a \$1.1 million cash balance, but projected in August 2005 to end FY 2005-06 with a \$4.6 million cash deficit. Factors contributing to the operating deficits include the following problems identified in the Agreed Upon Procedures (AUP or Special) Audit: unauthorized transfers and advances between funds which the General Fund had to repay; debt payments by funds not allowed by law to repay debt; and the cancellation of purchase orders at the end of the fiscal year that were re-issued the succeeding fiscal year. Also, LCSD implemented its Ohio Schools Facility Commission (OSFC) Master Plan during the period of August 2001 to August 2004. This resulted in the addition of two new buildings, Bowman Primary and Lebanon High School in FY 2004-05, as well as the conversion of an elementary building into administrative offices, and the conversion of another elementary building into the transportation facility.

As a result of the issues described above, the Ohio Department of Education (ODE) placed LCSD into fiscal caution on September 12, 2005, and approved its financial recovery plan on January 12, 2006. Steps taken to eliminate the deficit include passing a 6.5 mill emergency operating levy to generate \$4.2 million per year; borrowing \$2.1 million in anticipation of the first year of revenue from the emergency levy; reducing staff; and refinancing existing debt.

As determined in the FY 2004-05 Financial Audit, the audit of the Athletic and Student Managed Activities Funds and the FY 2003-05 Agreed Upon Procedures (AUP or Special) Audit, there have been significant financial reporting errors, internal control weaknesses and legal compliance violations. Also, the Athletic and Student Managed Activities Funds Audit noted supporting documentation was not always available for review.

### *Financial Forecast*

The financial forecast in **Table 2-1** represents the Treasurer's projections of LCSD's present and future financial condition as submitted to the Ohio Department of Education (ODE) on May 31, 2006. The projections reflect the projected revenue, expenditures and ending fund balances for the General Fund for fiscal years ended June 30, 2006 through 2010 and are accompanied by three years of comparative historical (unaudited) results, general assumptions, and explanatory comments. Projections and assumptions that have a significant impact on LCSD's financial status, such as property tax revenue and salaries, have been reviewed for reasonableness and the

overall reliability of the forecast for decision-making. However, certain information supporting the District's revenue and expenditure projections was not provided in a timely manner, which hindered the review of the District's five-year forecast. When provided by the District, AOS reviewed the information to ensure it did not materially impact the original conclusions made about the District's five-year forecast and underlying assumptions. Where appropriate, changes were made to the Treasurer's assumptions and/or methodology to present more reliable projections of future revenues or expenditures (see **R2.1** and **R2.2**).

AOS reviewed actual revenue and expenditure activity for FY 2005-06 at the time that the District's assumptions were being assessed for reasonableness, as the information became available during the course of the audit. Based on a comparison of the actual revenues and expenditures to the projections FY 2005-06, AOS conclusions about the District's assumptions and projections for FY 2005-06 are not materially impacted. In fact, the District completed FY 2005-06 with a positive unencumbered fund balance of approximately \$149,000, while it had projected an unencumbered fund balance of \$196 in the May 2006 forecast.

**Table 2-1: LCSD Five Year Financial Forecast (000's)**

	Actual 2002-03	Actual 2003-04	Actual 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10
Real Estate Property Tax	\$10,565	\$11,224	\$11,712	\$14,247	\$16,465	\$17,527	\$16,188	\$15,333
Tangible Personal Property Tax	\$1,903	\$1,933	\$1,821	\$1,800	\$1,500	\$1,027	\$450	\$0
Unrestricted Grants in Aid	\$13,462	\$14,253	\$16,184	\$17,275	\$17,275	\$17,316	\$17,535	\$17,535
Restricted Grants in Aid	\$68	\$34	\$49	\$94	\$88	\$86	\$86	\$86
Property Tax Allocation	\$1,826	\$1,494	\$1,561	\$1,864	\$2,616	\$2,874	\$2,882	\$3,006
Other Revenues	\$351	\$436	\$617	\$380	\$319	\$329	\$338	\$349
<b>Total Operating Revenues</b>	<b>\$28,175</b>	<b>\$29,374</b>	<b>\$31,943</b>	<b>\$35,660</b>	<b>\$38,263</b>	<b>\$39,159</b>	<b>\$37,479</b>	<b>\$36,309</b>
Other Financing Sources	\$734	\$4,242	\$5,673	\$6,870	\$25	\$25	\$25	\$25
<b>Total Revenues and Other Financing Sources</b>	<b>\$28,909</b>	<b>\$33,615</b>	<b>\$37,616</b>	<b>\$42,531</b>	<b>\$38,288</b>	<b>\$39,184</b>	<b>\$37,504</b>	<b>\$36,334</b>
Personal Services	\$18,757	\$19,744	\$21,938	\$21,102	\$21,171	\$21,338	\$21,740	\$22,093
Fringe Benefits	\$4,831	\$6,277	\$6,078	\$7,043	\$7,369	\$8,096	\$8,965	\$9,986
Purchased Services	\$3,468	\$4,197	\$5,239	\$6,626	\$6,346	\$6,689	\$6,919	\$7,131
Supplies, Materials, & Textbooks	\$911	\$865	\$1,001	\$1,026	\$994	\$985	\$1,019	\$1,050
Capital Outlay	\$195	\$318	\$218	\$101	\$89	\$82	\$85	\$87
Debt Service	\$0	\$183	\$179	\$4,866	\$1,007	\$1,008	\$1,007	\$250
Other Expenditures	\$368	\$390	\$329	\$421	\$428	\$451	\$467	\$481
<b>Total Operating Expenditures</b>	<b>\$28,530</b>	<b>\$31,974</b>	<b>\$34,982</b>	<b>\$41,184</b>	<b>\$37,404</b>	<b>\$38,649</b>	<b>\$40,202</b>	<b>\$41,078</b>
Other Financing Uses	\$1,553	\$4,913	\$3,779	\$2,369	\$0	\$0	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>	<b>\$30,083</b>	<b>\$36,887</b>	<b>\$38,761</b>	<b>\$43,553</b>	<b>\$37,404</b>	<b>\$38,649</b>	<b>\$40,201</b>	<b>\$41,078</b>
<b>Result of Operations (Loss)</b>	<b>(\$1,174)</b>	<b>(\$3,272)</b>	<b>(\$1,145)</b>	<b>(\$1,022)</b>	<b>\$884</b>	<b>\$535</b>	<b>(\$2,697)</b>	<b>(\$4,745)</b>
Beginning Cash Balance	\$6,722	\$5,548	\$2,277	\$1,132	\$109	\$993	\$1,528	(\$1,169)
<b>Ending Cash Balance</b>	<b>\$5,548</b>	<b>\$2,277</b>	<b>\$1,132</b>	<b>\$109</b>	<b>\$993</b>	<b>\$1,528</b>	<b>(\$1,169)</b>	<b>(\$5,914)</b>
Outstanding Encumbrances	\$630	\$786	\$109	\$109	\$109	\$109	\$109	\$109
<b>Ending Fund Balance</b>	<b>\$4,919</b>	<b>\$1,491</b>	<b>\$1,022</b>	<b>\$0</b>	<b>\$884</b>	<b>\$1,419</b>	<b>(\$1,278)</b>	<b>(\$6,023)</b>
<b>Cumulative Balance of Replacement Levy</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,100</b>	<b>\$6,300</b>
<b>Unreserved Fund Balance</b>	<b>\$4,919</b>	<b>\$1,491</b>	<b>\$1,022</b>	<b>\$0</b>	<b>\$884</b>	<b>\$1,419</b>	<b>\$822</b>	<b>\$277</b>

Source: LCSD Treasurer

Note: Due to rounding, totals shown may vary from the totals reflected in the five-year forecast submitted to ODE



**Table 2-1** shows a positive ending fund balance in each year of the forecast. At the end of FY 2009-10, the fund balance is projected to be approximately \$277,000, which includes the renewal of the 6.5 mill emergency operating levy in FY 2008-09.

The District’s major assumptions used to develop the five-year forecast are presented below. The Auditor of State’s conclusions as to the reasonableness of the assumptions and methodology are also presented.

**Revenues**

*General Property Tax Revenue*

The FY 2005-06 taxes are based upon the current amended certificate approved by the Board of Education on May 15, 2006. This amended certificate includes an estimate of \$2.1 million from the passage of the 6.5 mill 3-year emergency operating levy on November 8, 2005. The \$2.1 million represents approximately 50 percent of projected annual collections from the levy. Additionally, the amended certificate includes estimated taxes based upon the 2005 tax year values for collection in 2006. The District’s assumptions are conservative in comparison to the historical data due to a slowing economy and rising interest rates. **Table 2-2** details the property value increase assumptions for this forecast.

**Table 2-2: Projected Property Value Increases**

	Agriculture/Residential	Commercial/Industrial
<b>Triennial Update (2009 Tax Year)</b>	10.00%	5.00%
<b>Non-Update</b>	4.50%	3.00%

Source: LCSD Treasurer’s Assumptions

From 1994 to 2005, LCSD averaged 5.76 percent growth for residential property and 4.79 percent growth for commercial and industrial property during non-update or non-appraisal years. By comparison, **Table 2-2** shows that LCSD’s Treasurer forecasts 4.5 percent growth in residential property and 3.0 percent for commercial and industrial property. Similarly, the average increase in update and reappraisal years was 19.38 and 11.12 percent, which was significantly higher than the Treasurer’s projected increases of 10.0 percent for residential property and 5.0 percent for commercial/industrial property. Although the forecasted amounts are more conservative than historical actual amounts, they are not overly cautious and appear reasonable based on declining revenue trends since FY 1995-96 (see **Table 2-3**).

From FY 1995-96 to FY 2004-05, the District’s actual property tax collections increased by 6.1 percent in non-update/non-reappraisal years and 10.3 percent in update/reappraisal years. However, **Table 2-3** shows property value growth has slowed since FY 1995-96 and consequently, property tax revenue growth slowed as well.

**Table 2-3: Property Value and Property Tax Revenue Growth**

	Property Value Growth	Property Tax Revenue Growth
FY 1995-96 through FY 1998-99	10.7%	8.4%
FY 1999-00 through FY 2001-02	10.2%	9.2%
FY 2002-03 through FY 2004-05	7.3%	4.8%

Source: Ohio Department of Taxation Abstracts

When excluding the emergency levy revenue from LCSD’s projected property tax revenue, the District forecasts regular property tax revenue to grow an average of 5.5 percent annually. This is below the overall ten year historical average of 7.47 percent. However, the 5.5 percent is slightly higher than the growth shown in **Table 2-3** of 4.8 percent from FY 2002-03 to FY 2004-05. This can be due to the Treasurer’s projections accounting for the impact of the reappraisal in 2006 and update in 2009, whereas only one update occurred from FY 2002-03 to FY 2004-05. Thus, when coupled with the preceding analysis, the District’s property tax revenue projections appear reasonable.

*Tangible Personal Property Tax*

The District’s projections deviate from information provided by ODE to forecast Tangible Personal Property Tax, contrary to the property tax allocation forecast (see **R2.1**).

*Unrestricted Grants-In-Aid*

The District’s methodology for projecting Unrestricted Grants-In-Aid does not appear to account for the key variables impacting this category for each year of the forecast (see **R2.1**).

*Restricted Grants-In-Aid*

This line item represents revenue from the state that has spending requirements. The school bus subsidy and career technical funds are the two largest sources of revenue in this line item. Bus subsidy is used to purchase transportation management and maintenance services from the District’s transportation provider. Career technical funds are used to support career education at the high school. Only 25 percent of the career technical funds can be used for salaries, the remaining can be used to support career education at Lebanon High School. Projections are based on current collections.

From FY 1995-96 to FY 2004-05, LCSD’s Restricted Grants-In-Aid ranged from a low of \$48,116 in FY 2003-04 to a high of \$115,000 in FY 2005-06, and averaged \$74,372 annually. For FY 2005-06, LCSD projected Restricted Grants-In-Aid of approximately \$94,000. The actual 2006 amount was approximately \$115,000. The difference is primarily due to catastrophic cost aid in the amount of \$21,633. Catastrophic cost aid is supplemental aid for districts with special education students, and is reimbursed after the completion of the fiscal year. LCSD projected Restricted Grants-In-Aid at \$87,500 in FY 2006-07 and \$86,000 per year thereafter

through FY 2009-10. Although these amounts are slightly higher than the historical average, they are lower than the actual revenues in FY 2005-06. Coupled with the uncertainty of catastrophic cost aid, the lack of a consistent historical trend, and the overall immateriality of this line item, the Treasurer's projections appear reasonable.

#### *Property Tax Allocation*

The Property Tax Allocation line-item represents reimbursements received from the State of Ohio for various real estate property tax credits granted to citizens of Ohio. For instance, all real property taxpayers receive a 10 percent credit or rollback on their tax bills. Homeowners are eligible for an additional 2.5 percent homestead exemption if they live in their home and it is on a parcel that is less than 2.5 acres. Additionally, reimbursements for the phase-out of tangible personal property are accounted for in this line item. Based upon calculations provided by the Ohio Department of Taxation, the District includes the following amounts in **Table 2-4**.

**Table 2-4: Tangible Personal Property Reimbursement Amounts**

	Tangible Personal Property Tax Loss Reimbursement	Percent of Change
<b>FY 2006-07</b>	\$582,909	
<b>FY 2007-08</b>	\$708,489	21.54%
<b>FY 2008-09</b>	\$881,098	24.36%
<b>FY 2009-10</b>	\$1,111,269	26.12%

Source: LCSD Forecast Assumptions

In FY 2005-06, Property Tax Allocation increased, primarily due to the increase in property tax revenue stemming from the 6.5 mill emergency levy. Additionally, a small portion of the increase (\$74,000) is attributable to reimbursement of lost tangible personal property tax revenues. From FY 1995-96 to FY 2004-05, Property Tax Allocation averaged 13.6 percent of General Property Tax Revenue. After excluding tangible personal property loss reimbursements, LCSD projects Property Tax Allocation to be 12.56 percent annually. Since the Property Tax Allocation assumption is generally consistent with historical trends and the tangible personal property reimbursement is calculated using ODE's recommended spreadsheets, the Property Tax Allocation projections appear reasonable. However, for FY 2006-07, LCSD incorrectly used \$482,000 for the tax loss reimbursement, instead of \$582,909. As a result, AOS will revise the FY 2006-07 Property Tax allocation line item to include an additional \$100,000 (see **R2.1**).

#### *All Other Revenues*

Other Revenue consists of extra-curricular participation fees, commissions, rental income and summer school tuition. The District also earns interest on accumulated cash reserves. The District projects this line item at approximately \$380,000 in FY 2005-06, \$319,000 in FY 2006-07, and 3 percent thereafter.

From FY 1995-96 to FY 2004-05, Other Revenues fluctuated dramatically each year with no consistent trend, making an accurate prediction difficult. During FY 2004-05, the District received \$326,000 in the form of a refund for fees paid for the county reappraisal of property, which contributed to the 41 percent increase in Other Revenues from FY 2003-04. As Other Revenues averaged \$532,754 from FY 1995-96 to FY 2004-05, the District's projected average for the forecast period of \$342,925 appears both conservative and reasonable.

#### *Other Financing Sources*

- **Proceeds from Sale of Notes:** On September 1, 2005, LCSD issued \$4,000,000 in Tax Anticipation Notes to meet General Fund obligations, which matured June 30, 2006. In addition, the District issued notes in the amount of \$2,100,000 (approximately half of the first year of collections from the emergency levy). In total, note proceeds generated approximately \$6,100,000 in revenue for FY 2005-06. Given that the Tax Anticipation Notes have Board approval and have been issued, this assumption is reasonable.
- **Advances In:** Advances have historically been volatile for LCSD, and were the cause of several financial adjustments for the District in response to the Special Audit. The previous Treasurer advanced money from funds without Board approval which had to be repaid. As no advances have been forecasted beyond the return of prior years' advances (\$150,502 advances-in forecasted for FY 2005-06), this assumption is reasonable.
- **All Other Financing Sources:** This line represents funds received for refund of services or goods purchased and charged as expenditures in a previous fiscal year. Items refunded within the same year are treated as reductions of the expenditure.

Although All Other Financing Sources averaged \$44,624 from FY 2002-03 to FY 2004-05. LCSD's Treasurer projects these revenues to average \$25,000 annually, excluding FY 2005-06, which will be approximately \$614,500. The increase for FY 2005-06 is due mainly to interest from the note proceeds, sale of assets, and refunds of prior years' expenditures. Since the Treasurer accounted for the items affecting FY 2005-06 and the immaterial amounts from FY 2002-03 to FY 2004-05, the \$25,000 projected for the remaining years appears reasonable.

### **Expenditures**

#### *Personal Services*

Personal Service projections are based upon anticipated operations for FY 2006-07, including personnel reductions implemented in May 2005, December 2005, and April 2006. Also included in the projection is the retirement of 12 staff members and their associated severance payments. No base salary increases have been anticipated in the projections. The District negotiated no base

salary increases for FY 2005-06 in the current collective bargaining agreements, which expire at the end of FY 2007-08. Based partially on the reductions, salaries for certified staff are anticipated to decrease 3.1 percent for FY 2006-07, and increase 2.49 percent for FY 2007-08, 2.10 percent for FY 2008-09, and 1.77 percent for FY 2009-10. Salaries for classified staff are anticipated to increase 1.81 percent for FY 2006-07, 0.45 percent for FY 2007-08, 1.13 percent for FY 2008-09 and 1.05 percent for FY 2009-10. The projections anticipate that new staff hired to meet growing enrollment will need to come from reductions in support staff positions, the return of certified staff from auxiliary positions to classroom positions or additional State revenue from increased enrollment.

In order to substantiate the forecast, the Treasurer provided AOS with staffing data. The data details each individual employed by the District (after the reductions), and step increases for the employees through the forecast period. AOS confirmed the information in the spreadsheet with the Human Resources Director. Also, the step increases used in calculating future salaries were in agreement with the most recent negotiated contract. It should be noted that the increase in personal services of approximately \$2 million from FY 2003-04 to FY 2004-05 was due to the completion and staffing of two new schools. Although the projected step increases are in keeping with the negotiated agreements and projected annual growth matches staffing data, forecasting no base salary increases for each year of the forecast appears unreasonable (see **R2.2**).

#### *Fringe Benefits*

Fringe Benefits are projected into two categories. The first category is retirement and Medicare benefits, which are based upon a percentage of salaries. The District assumes that retirement and Medicare contributions will remain at the current levels of 14 percent and 1.45 percent of annual salary, respectively. The second category is insurance, which is based upon demographic enrollment and rates. The District projects total insurance (health, dental and life) to increase approximately 10 percent in FY 2006-07, and approximately 19 percent annually thereafter. In addition, the Treasurer indicated the District only made 11 payments during FY 2004-05 for health and dental insurance, which contributed to a decrease in total benefit expenditures in FY 2004-05.

From FY 2000-01 to FY 2004-05, retirement and Medicare contributions averaged 15.6 percent of salaries, which is in line with LCSD's assumption of 15.45 percent of salaries for retirement and Medicare. Thus, the District's assumption for retirement and Medicare is reasonable. However, the Treasurer's supporting documentation showed that retirement was actually forecasted at 14.5 percent of salaries. Additionally, as these categories are tied to salaries, they will need to be adjusted based on revisions to personal service projections to include base salary increases (see **R2.2**).

The health insurance increase for FY 2006-07 represents the actual renewal from Anthem, effective June 1, 2006. The 19 percent annual increase in total insurance for the remainder of the

forecast period is lower than the average growth rate of 25.53 percent annually from FY 2000-01 to FY 2004-05. However, LCSD recently made significant staff reductions, is no longer self-insured, and is using competitive bidding for selecting insurance. In addition, the historical average growth rate of 25.53 percent is not solely due to increases in rates because changes in the number of insurance plan participants and the District's historical management of the health insurance program can also contribute to changes in total insurance expenditures. Furthermore, according to the Ohio Education Association (OEA), the average increase in school health insurance from January 2005 to January 2006 was 13.0 percent. Lastly, SERB reported that single and family monthly premiums for governments in Ohio increased 8.8 and 15.5 percent, respectively, in 2005. Based on the changes made in staffing, health insurance purchasing, and OEA and SERB data, the forecasted increase of approximately 19 percent for total insurance appears reasonable.

### *Purchased Services*

The District's Purchased Service projections appear understated based on historical trends (see **R2.2**).

### *Supplies/Materials*

According to **Table 2-1**, Supplies and Materials are projected to increase an average of approximately one percent annually over the forecast period. More specifically, this line item is projected to increase 2.5 percent in FY 2005-06, decrease 3.2 percent in FY 2006-07 and 0.9 percent in FY 2007-08, and increase 3.4 percent in FY 2008-09 and 3.1 in FY 2009-10. According to the Treasurer, this is based on historical data. In addition, the District is required by statute to annually set aside funds for textbook and instructional materials. At the end of FY 2004-05, the District had accumulated a surplus balance of approximately \$372,000, indicating that LCSD has met and exceeded its required set-aside amounts.

Based on the surplus balance and the fact that the District is not projecting a dramatic decrease in Supply and Material spending, it should be able to meet future set-aside requirements. Furthermore, the District has shown an ability to control Supply and Material spending. For instance, Supply and Material expenditures decreased by 5.0 percent in FY 2003-04 and 3.2 percent in FY 2005-06. The increase in FY 2004-05 can be attributed, in part, to the opening of new schools. As a result, the Treasurer's projections for Supplies and Materials appear reasonable.

### *Capital Outlay*

The Treasurer indicated Capital Outlay expenditures would be minimal and only represent necessary items that cannot be legally expended from the Permanent Improvement (PI) Fund. The voters in the District passed the PI levy in November 2003, which generates approximately

\$1.2 million annually. Capital Outlay was projected to be \$94,000 in FY 2005-06 and to range from \$82,000 to \$89,000 thereafter. The actual Capital Outlay expenditures in FY 2005-06 were approximately \$83,000 or \$11,000 lower than the Treasurer's projections. Based on the actual expenditures in FY 2005-06, the revenue generated by the PI levy, and the new schools being open, the Treasurer's projections for Capital Outlay appear reasonable. Lastly, the District should be able to meet future capital set-aside requirements based on the revenue generated by the PI levy.

#### *Other Objects*

Other Objects include county auditor and treasurer fees for collecting taxes, advertising for delinquent taxes, and memberships. Projections are based upon historical data. The increase in FY 2005-06 represents an accounting correction for the ESC deduction from the state foundation. Historically, it has been charged in error to purchased services, according to the Treasurer.

Other Objects has historically grown an average of 2 percent per year, and is projected to grow an average of 4 percent per year. Given that the ESC deduction is now being charged to this line item, which is a reasonable explanation for the increase from FY 2004-05, the higher growth rate is reasonable.

#### *Debt*

During FY 2005-06, LCSD borrowed approximately \$2,100,000 against the proceeds of the emergency operating levy to meet cash flow obligations and avoid additional program or service reductions. That issue is reflected in the five-year forecast as being repaid over three years. Also included is the payment of the refinanced Certificates of Participation (COPS) issued to finance the locally funded initiatives (LFI) in the Ohio School Facilities Commission construction of the high school and elementary schools. The LFIs included additional classrooms at Bowman Elementary and Lebanon High School. These issues are financed at a fixed rate and cannot increase in cost over time.

The FY 2004-05 Financial Audit substantiated the issuance of a \$4,000,000 Tax Anticipation Notes (TAN) in September 2005 to help cover General Fund obligations. The District included the repayment of the \$4,000,000 TAN issuance in FY 2005-06. Other debt owed by LCSD includes H.B. 264 Energy Conservation Loans, which was paid in full in November 2005. The remaining debt and interest are attributable to Certificates of Participation, and are projected in accordance with amortization schedules. As a result, the debt service expenditure projections appear reasonable.

*Other Financing Uses*

- **Operating Transfers Out:** The transfer out of \$1.4 million in FY 2005-06 represents the repayment of the self-insurance fund, which is a required adjustment identified in the Special Audit. The transfer is paid in its entirety. There are no future transfers assumed. Given that there have been only four transfers out from FY 1995-96 to FY 2004-05 and all transfers identified by the Special Audit have been reconciled, this assumption appears reasonable.
- **All Other Financing Uses:** The forecast for FY 2005-06 represents an accounting correction for the overstatement of investment income in the previous three fiscal years. Additionally, a cost of \$75,000 has been anticipated to reimburse Warren County schools for students at the Juvenile Detention Center in the fall of 2004. LCSD, as fiscal agent, collected the state funds, but did not transfer them to their home school. The District does not forecast other financing uses after FY 2005-06. Other financing uses have historically been volatile, but generally insignificant in amount. For example, they totaled \$1,042 in FY 2002-03, \$16,957 in FY 2003-04 and \$20,265 in FY 2004-05. Based on the above, the assumption for this category is reasonable.

*Estimated Encumbrances*

The District's projections for Encumbrances appear understated based on historical trends and information in the Special Audit (see **R2.2**).

*Expenditure and Report Card Comparisons*

**Table 2-5** compares LCSD's FY 2004-05 General Fund operating revenues by source and expenditures by object to the peer average. The data is presented on a per student basis to account for differences in enrollment.



**Table 2-5: General Fund Revenues by Source and Expenditures by Object**

	LCSD		Peer Average	
	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total
Property/Income Tax	\$2,825	36.0%	\$3,855	50.6%
Intergovernmental Revenues	\$3,715	47.3%	\$3,376	44.7%
Other Revenues	\$1,313	16.7%	\$369	4.7%
<b>Total Revenue Per Pupil</b>	<b>\$7,853</b>	<b>100%</b>	<b>\$7,600</b>	<b>100%</b>
Wages	\$4,580	56.6%	\$4,510	60.2%
Fringe Benefits	\$1,269	15.7%	\$1,514	20.2%
Purchased Services	\$1,094	13.5%	\$759	10.1%
Supplies and Textbooks	\$209	2.6%	\$271	3.6%
Capital Outlay	\$46	0.5%	\$171	2.3%
Debt Service	\$37	0.5%	\$10	0.1%
Miscellaneous	\$69	0.8%	\$148	2.0%
Other Financing Uses	\$789	9.7%	\$117	1.5%
<b>Total Expenditures Per Pupil</b>	<b>\$8,093</b>	<b>100%</b>	<b>\$7,500</b>	<b>100%</b>

Source: FY 2004-05 Annual Reports (4502's)

Note: Slight variations may occur due to rounding

As shown in **Table 2-5**, LCSD's receives a lower level of local funding. In FY 2004-05, the District received 26.7 percent less revenue from property and income taxes (local funding) than the peer districts. In November 2005, LCSD voters passed a 6.5 mill emergency operating levy to help eliminate the projected deficit. As a result, property tax revenue per pupil increased by 16.2 percent to \$3,282 in FY 2005-06, but is still significantly below the peer average. Due to lower levels of local funding per pupil, LCSD relies more on State funds than the peer districts. LCSD's other revenues per pupil are higher than the peer average because advances in to the General Fund totaled approximately \$4.9 million, which is partially the result of numerous unauthorized transfers and advances by the previous Treasurer.

**Table 2-5** also shows that the District's per pupil expenditures in FY 2004-05 were much higher in purchased services, debt service, and other financing uses. Tuition, transportation, and utility expenditures are the primary contributors to purchased service expenditures as they are the three highest expenditure sources, comprising 28, 27 and 19 percent of total purchased services in FY 2004-05, respectively. Tuition expenditures are for students attending alternative or other schools. In addition, the District contracts for transportation management services (see the **transportation** section for more information). While utility expenditures can contribute to the higher purchased service expenditures in **Table 2-5**, the District's utility costs per square foot in FY 2004-05 were lower than the peer average. Similarly, the purchased service costs per square foot related to facility operations were also lower than the peer average in FY 2004-05. See **Table 4-4** in the facilities section for additional information on utility and purchased service expenditures per square foot. Lastly, the higher debt service expenditures per pupil are due to HB 264, while the higher other financing uses per pupil are due to advances-out of approximately \$2.87 million.

In an effort to improve its financial condition, LCSD identified several areas for cost reductions prior to the performance audit. In making reductions, LCSD focused primarily on personnel

costs, approving a 27 FTE reduction in staffing. As a result of these reductions, the District's wage expenditures per pupil decreased by 6 percent, to \$4,299 per pupil in FY 2005-06. This is lower than the peer average of \$4,510 in FY 2004-05. While benefit expenditures increased by 13.6 percent to \$1,442 per pupil in FY 2005-06, they are still lower than the peer average of \$1,514 per pupil in FY 2004-05.

**Table 2-6** shows the per pupil expenditures posted to the USAS function codes for LCSD and the peer average, and the percentage of total operating expenditures. Function codes are designed to report USAS expenditures by nature or purpose.

**Table 2-6: Governmental Funds Expenditures**

USAS Function Classification	FY 2003-04 LCSD		FY 2004-05 LCSD		FY 2004-05 Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$4,162</b>	<b>55.6%</b>	<b>\$4,231</b>	<b>54.1%</b>	<b>\$4,700</b>	<b>59.5%</b>
Regular Instruction	\$3,276	43.8%	\$3,324	42.5%	\$3,760	47.7%
Special Instruction	\$682	9.1%	\$604	7.7%	\$687	8.7%
Vocational Education	\$0	0.0%	\$0	0.0%	\$182	2.3%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$1	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$16	0.2%
Other Instruction	\$203	2.7%	\$303	3.9%	\$55	0.7%
<b>Support Service Expenditures:</b>	<b>\$3,108</b>	<b>41.5%</b>	<b>\$3,339</b>	<b>42.7%</b>	<b>\$2,890</b>	<b>36.6%</b>
Pupil Support Services	\$355	4.7%	\$384	4.9%	\$446	5.7%
Instructional Support Services	\$520	7.0%	\$513	6.6%	\$315	4.0%
Board of Education	\$7	0.1%	\$10	0.1%	\$16	0.2%
Administration	\$559	7.5%	\$648	8.3%	\$610	7.8%
Fiscal Services	\$176	2.4%	\$168	2.1%	\$169	2.1%
Business Services	\$52	0.7%	\$37	0.5%	\$53	0.7%
Plant Operation & Maintenance	\$616	8.2%	\$730	9.3%	\$770	9.8%
Pupil Transportation	\$761	10.2%	\$789	10.1%	\$432	5.5%
Central Support Services	\$62	0.8%	\$61	0.8%	\$80	1.0%
<b>Non-Instructional Services Expenditures</b>	<b>\$42</b>	<b>0.6%</b>	<b>\$58</b>	<b>0.7%</b>	<b>\$82</b>	<b>1.1%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$176</b>	<b>2.3%</b>	<b>\$194</b>	<b>2.5%</b>	<b>\$219</b>	<b>2.8%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$7,488</b>	<b>100.0%</b>	<b>\$7,822</b>	<b>100.0%</b>	<b>\$7,892</b>	<b>100.0%</b>
<b>Total Governmental Funds Expenditures Including Facilities Acquisition and Construction, and Debt Service</b>	<b>\$17,218</b>	<b>100.0%</b>	<b>\$12,335</b>	<b>100.0%</b>	<b>\$10,030</b>	<b>100.0%</b>

Note: Totals may vary due to rounding

According to **Table 2-6**, LCSD's total operating expenditures per pupil were \$70 lower than the peer average. However, total governmental fund expenditures per pupil were \$2,305 higher than

the peer average, due primarily to new building construction. Specifically, the District spent \$7,819 and \$2,542 per pupil in facilities acquisition and construction in FY 2003-04 and FY 2004-05, respectively.

**Table 2-6** also shows that LCSD spent a lower percentage of its operational funds on instruction. In FY 2004-05, LCSD spent approximately 10 percent less per pupil than the peer average on instruction. Excluding other instruction, LCSD's instructional expenditures in each area are lower than the peers. LCSD spent approximately \$921,000 or \$203 per pupil for other instruction in FY 2003-04. In FY 2004-05, other instruction climbed to \$1,452,000, or \$303 per pupil, which is significantly above the peer average of \$55 per pupil. This increase is attributed to an increase in tuition costs for students attending alternative schools.

In contrast to the instructional expenditures per pupil, **Table 2-6** shows that LCSD spent 15.5 percent more per pupil than the peer average in support services, specifically in the following categories:

- **Instructional Support Services:** In FY 2003-04, LCSD spent approximately \$520 per pupil for instructional support services. Although this decreased to \$513 per pupil in FY 2004-05, instructional support service spending is significantly higher than the peer average of \$315 per pupil. The higher level of spending can be attributed primarily to staff salaries and benefits in the curriculum office, and general aide salaries and benefits. Salaries and benefits comprise 74 percent of total governmental fund expenditures for instructional support services. The District eliminated all curriculum specialist positions in FY 2006-07. See **human resources** for more information.
- **Administration:** In FY 2003-04, LCSD spent approximately \$559 per pupil for administration. This increased in FY 2004-05 to \$648 per pupil, which is higher than the peer average of \$610 per pupil. This is mainly attributable to salaries and benefits as they comprise 79 percent of total expenditures. However, administration expenditures per pupil decreased in FY 2005-06 to \$508, lower than the peer average in FY 2004-05. See the **human resources** section for more information.
- **Pupil Transportation:** Pupil transportation expenditures exceeded the peer average by \$357 per pupil, due to salaries and benefits, and purchased services as they comprise 55 and 39 percent of total expenditures, respectively. See the **transportation** section for additional information.

In FY 2005-06, total operating expenditures increased only \$57 per pupil to \$7,879, less than one percent higher than FY 2004-05. In addition, total governmental fund expenditures decreased to \$11,131 in FY 2005-06, due primarily to facilities acquisition and construction expenditures decreasing from \$2,543 per pupil in FY 2004-05 to \$304 per pupil in FY 2005-06. This is lower than the peer average facilities acquisition and construction expenditures per pupil (\$404) in FY

2004-05. However, this reduction was partially offset by an increase in debt service expenditures from \$1,970 per pupil in FY 2004-05 to \$2,948 per pupil in FY 2005-06, due primarily to the repayment of a \$4.0 million tax anticipation note.

Currently, each school district receives a performance accountability rating from ODE based on 23 performance standards. These 23 standards are performance goals for public education in Ohio. **Table 2-7** presents the number of performance standards met by LCSD in FY 2003-04 and FY 2004-05, and the peer average in FY 2004-05.

**Table 2-7: ODE Performance Measures**

	<b>Lebanon FY 2003-04</b>	<b>Lebanon FY 2004-05</b>	<b>Peer Average FY 2004-05</b>
<b>Number of Indicators Met</b>	17 of 18	22 of 23	23 of 23
<b>Percent of Indicators Met</b>	94.4%	95.7%	100.0%
<b>Performance Index Score</b>	96.6	100.4	102.0
<b>Adequate Yearly Progress</b>	Met	Not Met	NA
<b>District Rating</b>	Excellent	Excellent	Excellent

Source: ODE School Year 2003-04 and School Year 2004-05 District Report Cards

Note: For the 2003-04 School Year, ODE Used 18 Indicators

As shown in **Table 2-7**, LCSD met one fewer performance standard than the peer average in FY 2004-05, although the District did improve from FY 2003-04. This improvement occurred despite lower instructional spending per pupil and a lower percentage of expenditures allocated to instruction (see **Table 2-6**). By reviewing the other sections of the performance audit, the District may be able to reduce its support expenditures, particularly in pupil transportation. Doing so would naturally increase the percentage of resources allocated to instruction.

### *Assessments Not Yielding Recommendations*

In addition to the analyses presented in this report, assessments were conducted in several areas which did not warrant changes and did not yield recommendations. These are highlighted below:

- **Financial Forecast:** The District's forecast methodology and assumptions in the following categories appeared reasonable and did not result in changes or recommendations:
  - General Property Tax Revenue;
  - Restricted Grants-In-Aid;
  - All Other Revenues;
  - Proceeds from Sale of Notes;
  - Advances-In;
  - All Other Financing Sources;

- Other Objects;
  - Debt;
  - Operating Transfers-Out; and
  - All Other Financing Uses.
- **Financial Qualifications:** LCSD's Treasurer's office staff meets the minimum requirements as set forth in the job descriptions.
  - **Generally Accepted Accounting Principles (GAAP):** LCSD published a Comprehensive Annual Financial Report (CAFR) until FY 2004-05 in accordance with GAAP. However, for FY 2004-05, the District produced a GAAP look-alike financial report using Other Cash Basis of Accounting (OCBOA). This is an acceptable method of preparing reports under AOS guidelines. According to the Treasurer, it is estimated that the OCBOA reports will reduce audit costs and make the restatement of LCSD's financial transactions simpler. After FY 2006-07, LCSD plans on again using GAAP.
  - **Cash Receipt Controls:** LCSD has established internal controls over cash receipts by creating formal cash receipt policies, using local banks for daily deposits to reduce the risk of theft, segregating the duties for collecting and receipting, and performing monthly bank reconciliations.
  - **External Audits:** For FY 2001-02 through FY 2003-04, LCSD received unqualified opinions stating that the financial statements present fairly the financial position and the results of operations in accordance with generally accepted accounting principles. However, for FY 2004-05, the District received an unqualified opinion with reportable conditions of material internal control weaknesses or legal non-compliance citations. In response, LCSD established additional controls for several operational areas and formed the Community Audit Advisory Committee (CAAC), primarily to oversee the FY 2004-05 Financial Audit, and the implementation of changes in response to the audit. These changes include providing staff with training, establishing special cost centers to track spending, eliminating petty cash funds and credit cards, and blocking access to funds outside an individual's department. The District still maintains one credit card controlled by the Treasurer's Office for use when a vendor will not accept a purchase order. However, the District requires an approved purchase order before allowing for the use of the credit card.
  - **Accounting System:** LCSD uses the Uniform School Accounting System (USAS) for its accounting processes to help ensure revenues and expenditures are used and recorded in the appropriate fund, function, and object codes.

- **Payroll Processes:** LCSD has established satisfactory oversight of the payroll process through the use of leave slips, time sheets, direct deposit, payroll deductions controlled by software, and management approval. This helps to ensure employees are paid timely and accurately.
- **Discretionary Spending:** LCSD's discretionary spending as a percentage of all General Fund expenditures (11.12 percent) was below the peer average (12.21 percent) in FY 2004-05. In addition, the District reduced its discretionary expenditures per pupil from \$915 in FY 2003-04 to \$900 in FY 2004-05. The District's discretionary expenditures per pupil of \$900 were lower than the peer average of \$916 per pupil in FY 2004-05, despite transportation expenditures per pupil (\$300) being significantly higher than the peer average (\$7) (see the **transportation** section for more information).
- **Community Relations:** LCSD has a policy addressing school/community relations which are directed by the Superintendent. To comply with this policy and help foster better community relations, LCSD has made several community outreach efforts. For example, elementary school students helped raise money for the Feed the Babies program, which provides food and formula to babies at the Warren County Family Shelter. Louisa Wright students collected money through Pennies for Patriots, which donates money to aid families of soldiers involved in Iraq. Students at Lebanon High School had a Bowl for Kids Sake as a fundraiser for the community. According to the Curriculum Director, LCSD music students have given performances at the Otterbein Retirement Community. In return for their efforts, the community provides assistance to the District in the form of volunteers. For example, Otterbein residents serve as tutors for LCSD students. LCSD also has parents who regularly volunteer their time as readers and tutors to help District students. According to the new Superintendent, community involvement will continue to be a priority for the District.

### *Noteworthy Accomplishments*

During the course of the performance audit, the following practices were identified as noteworthy accomplishments.

- **Personal Services Projection Methodology:** LCSD projects personal service expenditures by accounting for each employee individually, using the employee's current step level and the eligible step increases throughout the forecast period. Since personal services represented 56 percent of General Fund expenditures in FY 2004-05, this method helps to ensure reliable projections of salary and wage expenditures. This method can also provide different scenarios for review during budgeting, forecasting, or negotiating. For example, the District can simply increase salaries by a certain percentage to determine the effect of a negotiated wage increase or other actions (see **R2.2**).

Furthermore, the personal services projection for FY 2005-06 of approximately \$21.1 million was only \$17,724 more than the actual personal service expenditures for the fiscal year.

- **Instructional Spending and Proficiency Test Results:** LCSD instructional spending per pupil was 10 percent lower than the peer average in FY 2004-05 (see **Table 2-6**). Nevertheless, the District met 22 performance standards and achieved a performance index score of 100.4, which were close to the peer averages of 23 performance standards and a performance index score of 102.0 (see **Table 2-7**).

## Recommendations

### *Financial Forecasting and Planning*

**R2.1 LCSD should revise its methodology for projecting Tangible Personal Property Taxes, Unrestricted Grants-In-Aid and Property Tax Allocation revenues. Specifically, the Treasurer should consider incorporating the key components (e.g., property valuation, guaranteed funding levels, enrollment trends, and base funding amount per pupil for Unrestricted Grants-In-Aid) that separately impact funding in the forecast methodology, particularly when there are legislative changes to these key components. Doing so would help increase the reliability of the District's five-year forecast. The Treasurer should also ensure that the forecast methodology and assumptions match the projections. In addition, the Treasurer should explain, in the assumptions accompanying the forecast, the rationale and basis for deviating from information provided by third parties that are intended to help develop reliable projections.**

HB 66 was passed on June 30, 2005, and included several changes to the way schools are funded in Ohio. HB 66 accelerates the phase-out period for tangible personal property taxes. At the same time, the legislation replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue (accounted for as state funding), and in the following seven years, the reimbursements are phased out.

ODE created spreadsheets for treasurers to use when projecting Tangible Personal Property Tax revenue and the Tangible Personal Property Tax reimbursement. LCSD's Treasurer provided AOS with completed copies of the ODE spreadsheets. However, the information was not incorporated into the five-year forecast of Tangible Personal Property Tax revenue for FY 2007-08 through FY 2009-10, which showed less revenue than could likely be expected. The Treasurer believes that a more conservative approach is warranted because it is unlikely, in the Treasurer's opinion that companies will continue to report accurately through the phase-out period. However, this is not detailed in the assumptions accompanying the five-year forecast. In addition, the Treasurer used data from ODE's spreadsheet to forecast the Tangible Personal Property Tax reimbursements for each year, with the exception of FY 2005-06. Specifically, the Treasurer used \$482,000 instead of the amount from the spreadsheets of \$582,909 for FY 2005-06.

According to the District, Unrestricted Grants-In-Aid is projected to be \$17,275,000 in FY 2005-06 and FY 2006-07. The FY 2005-06 projection is consistent with ODE's FY 2005-06 SF-3 report, showing Unrestricted Grants-In-Aid of \$17,266,545. In FY 2006-



07, ODE implemented a guarantee for districts receiving GAP Aid that become ineligible with the passage of a levy by exceeding the 23 mill floor. The guarantee will last three years from the last fiscal year in which GAP Aid is received, factored at 75 percent of the last GAP Aid amount in the first fiscal year, 50 percent the second fiscal year, and 25 percent the last fiscal year.

LCSD forecasted FY 2006-07 Unrestricted Grants-In-Aid at the FY 2005-06 level, due to the reduction in GAP Aid. Based on the May 2007 SF-3 report showing Unrestricted Grants-In-Aid at approximately \$17.3 million, this appears reasonable. Additionally, LCSD projects Unrestricted Grants-In-Aid in FY 2007-08 to increase by only \$41,000, which is less than one percent from FY 2006-07 projections. The District projects Unrestricted Grants-In-Aid to increase by only 1 percent in FY 2008-09, and holds the amount constant for FY 2009-10. Conversely, Unrestricted Grants-In-Aid increased at an average annual rate of 9.6 percent from FY 1995-96 to FY 2004-05, and is forecasted to increase 6.7 percent in FY 2005-06. In fact, the lowest increase occurred from FY 2002-03 to FY 2003-04 at 5.9 percent, which is still significantly higher than the Treasurer's projected increases.

According to the Treasurer's assumptions, the lower growth in Unrestricted Grants-In-Aid after FY 2006-07 is due primarily to the elimination of the cost of doing business factor (CODBF). Eliminating the CODBF would reduce funding by approximately 2.2 percent in FY 2007-08. However, the CODBF will be entirely phased out in FY 2007-08. As a result, it will not impact the District's Unrestricted Grants-In-Aid in FY 2008-09 and FY 2009-10. Furthermore, the Treasurer's assumptions imply that enrollment and base aid per pupil will remain relatively constant. By contrast, the SF-3 formula ADM and base aid amount per pupil increased each year from FY 2002-03 to FY 2005-06, at an annual average of 3.5 percent and 2.2 percent, respectively. Moreover, the District's most recent enrollment projections (March 2006) show annual enrollment increases from FY 2006-07 to FY 2015-16 of 2 to 4 percent. While the phase-out of GAP aid would reduce Unrestricted Grants-In-Aid through FY 2009-10, the Treasurer's assumptions do not detail or quantify the corresponding impact.

AOS will revise Unrestricted Grants-In-Aid to reflect the May 2007 SF-3 amount for FY 2006-07, as it captures the impact of HB 66, including the reduction in GAP Aid. FY 2007-08 revenues will be held constant at the FY 2006-07 level, based on the trend from FY 2005-06 to FY 2006-07. Although base aid per pupil and enrollment increased in FY 2006-07, the reductions in GAP Aid and CODBF resulted in revenues remaining fairly constant from FY 2005-06 to FY 2006-07. The trend from FY 2005-06 to FY 2006-07 includes the same reduction in GAP Aid and CODBF that will take place from FY 2006-07 to FY 2007-08. In FY 2008-09 and FY 2009-10, Unrestricted Grants-In-Aid will be projected to increase by four percent annually based on increasing enrollment and base aid per pupil, after accounting for the continued reductions in GAP Aid for both years. As

base aid per pupil and enrollment increased by 5.7 percent from FY 2002-03 to FY 2005-06, this provides a conservative projection and assumes the lower growth of 2 percent in the District’s enrollment projections.

Although the District will have a triennial update in 2009, it will not realize the related impact on the charge-off for Unrestricted Grants-In-Aid until FY 2010-11. Consequently, the triennial update should not impact the Unrestricted Grants-In-Aid projections during the forecast period. Furthermore, when a district’s property valuation is updated or reappraised, increases in valuation are phased into the charge-off over three years in equal segments to ease the decrease in formula aid.

Furthermore, the Tangible Personal Property Tax projections will be revised based on information from ODE.’s spreadsheets. Finally, an additional \$100,000 will be included in the personal property tax allocation for FY 2006-07 to account for the District using an incorrect amount in the projection of tangible personal property tax reimbursement.

**Table 2-8** reflects the Treasurer’s projections, actual amounts for FY 2005-06, and the adjusted projections for FY 2006-07 through FY 2009-10.

**Table 2-8: Revised Forecast Projections for Tangible Personal Property Tax, Unrestricted Grants in Aid, and Property Tax Allocation (000s)**

<b>LCSD Projections</b>	<b>Actual FY 2005-06</b>	<b>Forecast FY 2006-07</b>	<b>Forecast FY 2007-08</b>	<b>Forecast FY 2008-09</b>	<b>Forecast FY 2009-10</b>
Tangible Personal Property Tax	\$1,800	\$1,500	\$1,027	\$450	\$0
Unrestricted Grants-In-Aid	\$17,275	\$17,275	\$17,316	\$17,535	\$17,535
Property Tax Allocation	\$1,864	\$2,616	\$2,874	\$2,882	\$3,006
<b>Revised Projections</b>					
Tangible Personal Property Tax	\$1,857	\$1,572	\$1,300	\$619	\$167
Unrestricted Grants-In-Aid	\$17,289	\$17,343	\$17,343	\$17,527	\$17,760
Property Tax Allocation	\$1,864	\$2,716	\$2,874	\$2,881	\$3,006
<b>Cumulative Impact</b>	\$71	\$312	\$611	\$772	\$1,163

Source: AOS recommendations

Note: Slight variations may occur due to rounding.

**R2.2 LCSD should revise the methodology used for expenditure assumptions and projections for Salaries, Benefits, Purchased Services, and Encumbrances. Specifically, the District should include the impact of negotiated wage increases as it may be difficult to negotiate no increases for five years. In addition, the District should closely review historical trends in Purchased Services and Encumbrances. When developing projections that deviate from historical trends, the District should ensure sufficient action has been taken to justify the deviation and provide the corresponding support and explanation in the forecast assumptions. Furthermore, the Treasurer should review the major components comprising purchased services**

**and consider the District's degree of control over these categories when developing future projections. LCSD should diligently monitor those spending areas over which it can exercise more discretion. Lastly, the Treasurer should ensure that the forecast methodology and assumptions match the projections.**

The District's forecasted step increases for Personal Service projections are in line with the negotiated agreements. However, the District assumes no negotiated wage increases for the entire forecast period. The District negotiated no increases for FY 2005-06 in the current collective bargaining agreements, which expire at the end of FY 2007-08. However, all three collective bargaining agreements contain language allowing for the reopening of negotiations for salaries. Furthermore, the current collective bargaining agreements do not cover FY 2008-09 and FY 2009-10. Therefore, assuming no increases to base salaries for five years does not appear reasonable. By contrast, employees received a four percent negotiated increase in FY 2004-05. Lastly, the Treasurer's supporting documentation showed that retirement contributions were actually forecasted at 14.5 percent of salaries, although the stated assumptions indicated they would be forecasted at 14.0 percent.

According to the Assistant Treasurer, the District provided one-time payments of 1 percent to certificated staff, 1.5 percent to exempt staff, 2.0 percent to transportation staff, and 1.5 percent to the remaining classified staff in FY 2006-07. The Assistant Treasurer anticipates that the District will be able to again negotiate one-time payments in lieu of percentage increases for the salary reopener in FY 2007-08.

The Personal Service line will be adjusted to include the one-time payments in FY 2006-07 and FY 2007-08. For FY 2008-09 and FY 2009-10, projections will be adjusted to reflect the impact of providing 2 percent negotiated increases to all staff. Because salary increases are tied to retirement, Medicare, and workers compensation, these benefit categories will also be adjusted based on the Treasurer's assumptions. Additionally, retirement will be based on contributions of 14 percent of salaries to match the Treasurer's assumption of retirement and Medicare comprising 15.45 percent of salaries. This appears reasonable based on retirement and Medicare averaging 15.6 percent of salaries from FY 2000-01 to FY 2004-05.

The District's expenditures for Purchased Services and Encumbrances appear understated based on historical expenditures. **Table 2-9** presents expenditures in these categories from FY 1995-96 to FY 2004-05.

**Table 2-9: LCSD Historical Purchased Services and Encumbrances**

FY	Purchased Services	Annual Change	Encumbrances	Annual Change
1995-96	\$885,540	N/A	\$697,373	N/A
1996-97	\$1,137,544	28.5%	\$329,538	(52.7%)
1997-98	\$1,278,939	12.4%	\$412,306	25.1%
1998-99	\$1,547,441	21.0%	\$328,252	(20.4%)
1999-00	\$3,202,212	106.9%	\$504,679	53.7%
2000-01	\$3,035,691	(5.2%)	\$466,310	(7.6%)
2001-02	\$3,060,375	0.8%	\$180,180	(61.4%)
2002-03	\$3,467,543	13.3%	\$629,547	249.4%
2003-04	\$4,196,916	21%	\$785,581	24.8%
2004-05	\$5,239,486	24.8%	\$109,250	(86.1%)
<b>Average</b>	<b>\$2,705,169</b>	<b>24.8%</b>	<b>\$443,523</b>	<b>26.6%</b>

Source: LCSD Historical Information

Note: The FY 2004-05 historical encumbrances do not include approximately \$258,000 that was identified in the Special Audit as expenditures in FY 2005-06 that should have been encumbered in FY 2004-05.

LCSD projected Purchased Services to increase an average of 1.9 percent annually based on historical trends, enrollment, and building square footage. However, **Table 2-9** shows that this is not consistent with historical amounts. Purchased Services increased by an average of 24.8 percent per year. When excluding FY 2003-04 and FY 2004-05 to account for the impact of opening new schools, and FY 1999-00 due to the abnormally high increase of 106.7 percent, the average annual growth is 11.8 percent annually. This is still significantly higher than LCSD's projected growth rate. As a result, the District would have to contradict historical trends and implement strict spending controls in order to attain its projections.

The majority of Purchased Service expenditures are related to tuition, transportation, and utilities, which comprised 28, 27 and 19 percent of total Purchased Services in FY 2004-05, respectively. From FY 2003-04 to FY 2005-06, two of these three categories increased by at least 13 percent per year. Coupled with the preceding analysis, the District's projections for Purchased Services appear understated. Therefore, Purchased Service growth will be projected at 12 percent annually, using the actual 2006 expenditures as the base year.

LCSD projected Encumbrances to be at the FY 2004-05 amount of \$109,250 through FY 2009-10. However, the FY 2004-05 amount does not include \$258,813 in purchase orders cancelled at the end of the fiscal year and reopened at the beginning of FY 2005-06. The former Treasurer cancelled purchase orders prior to the end of FY 2004-05, then re-issued the purchase orders at the beginning of FY 2005-06, artificially lowering the Encumbrance line item by \$258,813. According to the Special Audit, these purchase orders should have been encumbered in a manner consistent with ORC and Board policy. The Encumbrances for FY 2004-05 should have been approximately \$368,063. Therefore, using \$109,250 each year is not reasonable. Therefore, Encumbrances will be

projected at the historical average amount of \$470,000 from FY 1995-96 to FY 2004-05, which accounts for \$368,063 in Encumbrances for FY 2004-05.

**Table 2-10** reflects actual amounts for FY 2005-06, the Treasurer’s projections and AOS adjusted amounts for FY 2006-07 through FY 2009-10.

**Table 2-10: Revised Forecast Projections for Salaries, Benefits, Purchased Services and Encumbrances (000s)**

<b>LCSD Projections</b>	<b>Actual FY 2005-06</b>	<b>Forecast FY 2006-07</b>	<b>Forecast FY 2007-08</b>	<b>Forecast FY 2008-09</b>	<b>Forecast FY 2009-10</b>
Salaries	\$21,102	\$21,171	\$21,338	\$21,740	\$22,093
Benefits	\$7,043	\$7,369	\$8,096	\$8,965	\$9,986
Purchased Services	\$6,626	\$6,346	\$6,689	\$6,919	\$7,131
Encumbrances	109	\$109	\$109	\$109	\$109
<b>Revised Amounts</b>					
Salaries	\$21,119	\$21,436	\$21,604	\$22,175	\$22,986
Benefits	\$7,082	\$7,339	\$8,035	\$8,930	\$10,024
Purchased Services	\$6,627	\$7,422	\$8,313	\$9,310	\$10,427
Encumbrances	\$300	\$470	\$470	\$470	\$470
<b>Cumulative Impact</b>	<b>(\$249)</b>	<b>(\$1,921)</b>	<b>(\$4,111)</b>	<b>(\$7,262)</b>	<b>(\$11,851)</b>

Source: AOS Recommendations

Note: Slight variations may occur due to rounding.

**R2.3 LCSD should update and publish a clearly written, multi-year strategic plan with annual goals, timeframes, clearly defined action steps and measurable objectives based on identified needs and other factors (e.g., projected enrollment and revenues). Doing so would help link the strategic plan to the five-year financial forecast. The strategic plan should also be linked to the continuous improvement plan (CIP) and capital plan (see facilities). Linking the five-year financial forecast, CIP and capital plans to the strategic plan would result in a broader, more comprehensive document which provides vision and direction for the District’s resources and efforts.**

**In addition, LCSD should assess the progress towards achieving its established goals and objectives. The assessment should determine if goals and objectives have been met within the specified timeframes, and align with community expectations, student needs, and Board direction. Accordingly, the Board should revise and update the strategic plan, CIP and capital plan to reflect goals that have been achieved, changes in priorities, and changes in available funding.**

The District’s first strategic plan was created in 1997. LCSD prepared the current strategic plan in 2003, extending primarily to FY 2004-05, with the exception of two objectives having goals for FY 2005-06. The plan has seven objectives, individual building action plans and related strategies for achieving the objectives. However, the

strategic plan does not address funding sources and fund balance levels, which could be accomplished by linking the strategic plan to the five-year forecast. In addition to the strategic plan, the District maintains a continuous improvement plan (CIP) that is intended to identify strategies to improve the education of students. Specifically, the CIP addresses goals and related improvement strategies for reading/language arts and mathematics. While these two areas are addressed as two separate goals in the CIP, they have the same ultimate outcome of having the percentage of students at or above the State proficiency level by 2013-14. Another goal in the CIP deals with providing all students with a safe and drug-free learning environment. While the CIP identifies the performance measure for this goal as the number of persistently dangerous schools as defined by the State, there are no timeframes attached to this goal. Furthermore, the CIP includes estimated costs only for FY 2004-05 and FY 2005-06 for all three goals, despite the CIP enabling the District to provide estimated costs each year through FY 2009-10. Lastly, the CIP and the District's capital plan do not link to the strategic plan.

While the strategic plan includes action steps, they are not clear and detailed. Also, the goals do not have clear, definitive measurements; rather, they tend to be ambiguous. For example, a goal for Donovan Elementary is to increase volunteers for tutoring, but the goal does not specify by how many, a desired rate of tutors per pupil, or a specific timeframe. Another example is the Berry Intermediate School Strategic Plan for FY 2004-05. Objective 2 of this plan states that parental involvement and partnerships with various agencies are to increase, but it does not define the increase or which agencies to partner with.

Neither the Board nor LCSD administrators annually assess overall progress made in achieving the goals in the Strategic Plan, even though it includes monitoring methodologies. According to the Curriculum and Technology Director, progress on the pertinent goals of the Strategic Plan was documented during staff members' evaluations. The previous Superintendent required progress reports to be submitted for consideration in the evaluation process; however, LCSD administrators were uncertain how the information was factored into the overall score. In contrast, the new Superintendent requires weekly Board updates on progress toward meeting the plan since joining the District.

The Baldrige National Quality Program's *Education Criteria for Performance Excellence* provides a systems perspective to goal alignment, particularly when strategies and goals change over time. There are four defined stages:

- Planning, including design of processes, selection of measures and deployment of the requirements;
- Executing plans;

- Assessing progress and capturing new knowledge, taking into account internal and external results; and
- Revising plans based on assessment findings, learning, new inputs, new requirements and opportunities for innovation.

Strategic planning involves the development of strategic objectives; action plans for achieving those objectives; and deployment of the action plans. Strategy development is the approach (e.g., forecasts, projections or scenarios) used to envision the future for purposes of decision making and resource allocation. Strategies should be built around or lead to any or all of the following: addition or termination of services and programs; redirection of resources; modifications in instructional design; use of technology; changes in testing or adoption of standards; services to new, changing, and special student populations; geographic challenges; grants and endowments; research priorities; new partnerships and alliances; and new faculty and staff relationships. Another factor that should be present in a strategic plan is the use of resources, which ensures the availability of well-prepared faculty and staff, and bridges short and longer-term requirements that may entail capital expenditures, technology development or acquisition, or development of partnerships or collaborations. Accomplishment of action plans requires allocating resources and specifying key performance requirements, measures, and indicators for such areas as faculty/staff development plans and the use of learning technologies. Lastly, deployment is the process of converting objectives into action plans. It can also include how the organization assesses progress relative to these action plans.

OPPAGA recommends that school boards annually assess progress the district has made toward achieving its objectives, review, and, if necessary, amend its priorities and strategic plan to reflect changes in community standards and student needs. To do so, a district should:

- Determine whether the program or activity is meeting its goals and objectives in a cost-effective manner;
- Issue assessment reports that include findings and recommendations to improve the effectiveness and/or efficiency of the program or activity being evaluated;
- Provide assessment reports to the school board and administrators; and
- Demonstrate specifically how it uses the assessment results to improve performance and cost efficiency.

Proposing strategies and goals without related measurements, periodic evaluation, and specific action steps may leave the District without clear direction on how to proceed to ensure goal achievement. By not linking the strategic plan to the five-year forecast and CIP, the District increases the risk of not fully considering the costs of various initiatives and not aligning educational goals with overall District goals.

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*Financial Policies and Procedures*

**R2.4 LCSD should develop and implement policies and procedures to ensure consistency in the development, review and monitoring of the five-year financial forecast. This should include the development of detailed assumptions and supporting documentation to ensure stakeholders clearly understand the basis of the District's projections (see R2.1 and R2.2). The development of such policies and procedures can also help to ensure a sound and reliable forecast.**

While the District has a Budget Planning Policy, LCSD does not have a specific policy for financial planning and forecasting. According to GFOA, a jurisdiction should adopt a policy(s) that supports a financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, and programs and assumptions. Financial planning expands a government's awareness of options, potential problems, and opportunities. The long-term revenue, expenditure, and service implications of continuing or ending existing programs or adding new programs, services, and debt can be identified. The financial planning process, which includes monitoring, helps shape decisions and permits necessary and corrective action to be taken before problems become more severe. GFOA also indicates that a key component in determining future options, potential problems, and opportunities is the forecast of revenues and expenditures. Revenue and expenditure forecasting does the following:

- Provides an understanding of available funding;
- Evaluates financial risk;
- Assesses the likelihood that services can be sustained;
- Assesses the level at which capital investment can be made;
- Identifies future commitments and resource demands; and
- Identifies the key variables that cause change in the level of revenue.

According to the *Guide for Prospective Financial Information* (AICPA 2006), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods and practices to be employed.

When the previous Treasurer left, the District was unable to fully substantiate the forecast preparation process. Thus, the Treasurer prepared the forecast based on his knowledge, experiences, and practices. The current Treasurer uses multiple spreadsheets for preparing revenue and expenditure projections. These include spreadsheets provided by



ODE for calculating tangible personal property tax revenue; Ohio Education Association spreadsheets for calculating unrestricted grants-in-aid; and self-made spreadsheets for projecting general property tax revenue, personal services, purchased services, supplies/materials, and capital outlay.

As evidenced above, the absence of formal policies and procedures for the preparation of the five-year forecast allows individuals to prepare forecasts based on personal preference. This can result in a more subjective forecast that overlooks key factors that can impact the projections (see **R2.1** and **R2.2**). Furthermore, the lack of formal forecasting policies and procedures may leave LCSD without an effective planning tool that would allow it to identify and assess the long-term financial implications of current and proposed operations and programs.

**R2.5 LCSD’s policies and procedures should be updated to reflect any changes made to the District’s financial accounting and reporting. Maintaining up-to-date policies and procedures would help provide guidance to employees, and facilitate consistency and accountability. This is especially important during times of high staff turnover. Furthermore, the Board should ensure it conducts an appraisal of LCSD operations each year. See R3.16 in human resources for more information on Board policy reviews and updates.**

LCSD’s Board Policy Development (BF), states “policies serve as a guide for the administration and help to promote common understanding and uniformity in the basic procedures and operations of the District.” In addition, it specifically requires that policies and procedures be updated every five years at a minimum. The financial and accounting policies and procedures used by LCSD have not been updated since their adoption in 1996, increasing the potential for inaccuracies when compared to the existing practices. For example, LCSD eliminated the position of Business Manager in January 2006, after being vacant since July 2005, as part of its financial recovery plan. However, several policies and procedures make reference to the Business Manager in the purchasing and inventory processes. In addition, with the reduction of staff and turnover in key administrative positions (Superintendent, Treasurer, and Business Manager) within a two year period, the District has lost much of its organizational history and knowledge. Policies and procedures require yearly appraisals by the Board of LCSD’s operations. The appraisals are to include curriculum and instruction; student, dropouts, and graduates; school personnel; buildings and equipment; business operations; and the operations of the Board. There is no evidence that such appraisals have occurred.

According to GFOA, every government should document its accounting policies and procedures. Traditionally, such documentation has taken the form of an accounting policy and procedures manual. Thanks to advances in technology, other even more effective methods are now also available for this purpose. Accounting policies and procedures

should be promulgated by an appropriate level of management to emphasize their importance and authority. 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 promptly in the documentation.

The absence of updated policies and procedures can hinder accountability and consistency, particularly in light of the District's high rate of staff turnover. Since the District's policies and procedures make numerous references to the Business Manager position, which no longer exists, it becomes difficult to delineate authority and responsibility.

**R2.6 LCSD should periodically inventory its tangible assets, equipment and supplies in order to ensure an accurate accounting. The District should also review the inventory policy and update it where necessary (e.g., replacing references to the Business Manager position). The inventory should be conducted in accordance with Board policy, and should ensure that assets are disposed of in accordance with Board policy and ORC 3313.41. Conducting a periodic inventory would help guard against misuse or theft, and help determine if and when there is a need to purchase new items.**

The Board established policies and procedures for the management of fixed assets in 1996. Policy (DID) Fixed Assets describes the accounting information to be maintained, defines a fixed asset, describes the method and style of tagging fixed assets, and when inventories are to be audited. However, the policies have not been updated since June 1996, and LCSD's inventory practices do not match its policies. Board Policy DID describes a fixed asset as having a value of \$500 or more, while the District's practice has been to use a threshold of \$600 or more. Also, LCSD is required by policy to conduct a physical count of all equipment and supplies every five years, with a building-level inventory of supplies taken at the close of school. The physical counts are to be submitted to the Business Manager, who updates the computer inventory system. However, LCSD does not have a Business Manager and has not conducted an inventory in at least four years. New assets are tagged per Board policy, and when disposed of, the tag is supposed to be returned to the Assistant Treasurer. Items are periodically sold or discarded, however, it is not known if every item has been reported to the Assistant Treasurer.

According to GFOA, it is essential that governments establish and maintain appropriate inventory systems for their tangible capital assets. Such systems are needed to protect tangible capital assets from the danger of loss or misappropriation. Many governments have installed perpetual inventory systems to maintain effective control over their tangible capital assets. Perpetual inventory systems are constantly updated to reflect additions and deletions, thus providing managers with direct access throughout the year to

reliable information on current balances in tangible capital asset accounts. Establishing and maintaining a sound perpetual inventory system for tangible capital assets can relieve a government of the burden of performing an annual inventory. Such a system, however, still requires periodic verification to ensure that it is continuing to function properly. GFOA also notes that governments should inventory their tangible capital assets, at least on a test basis, no less often than once every five years.

Lastly, ORC 3313.41 sets forth specific requirements for the disposal of assets by boards of education. For example, it requires that if a board of education decides to dispose of real or personal property exceeding \$10,000 in value, it shall sell the property at public auction, after giving at least thirty days' notice of the auction by publication in a newspaper of general circulation or by posting notices in five of the most public places in the school district.

By not conducting a periodic inventory, the District is unable to accurately account for its fixed assets or ensure they are not being misused or misappropriated. Further, the lack of accurate, up to date records of its assets could result in unneeded expenditures for items already owned as well as lost opportunities to generate revenue by selling surplus or unneeded items.

**R2.7 LCSD should develop and implement financial policies in the following areas:**

- **Use of one-time and unpredictable revenues;**
- **Diversity of revenue;**
- **Balanced Budgeting;**
- **Contingency planning;**
- **Stabilization of funds;**
- **Debt Management;**
- **Fees and Charges; and**
- **Budget Calendar preparation and guidelines.**

**Developing such policies would help the District facilitate sound financial management, including the budget process. Furthermore, LCSD should develop a District-wide ethics policy.**

The District has some financial management policies, but lacks the following policies recommended by GFOA:

- **Use of One-Time Revenues-** A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these resources. In FY 2004-05, LCSD received \$326,000 in refunds on taxes paid. The previous Treasurer incorporated that amount into the five-year forecast in each of

the succeeding years. Because the refund was a one-time event, when a new forecast was prepared and the \$326,000 eliminated, it contributed to the projected operating deficits.

- **Diversity of Revenue-** 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. A diversity of 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. Such a policy could benefit the District because it is more reliant on State funding and less reliant on local property taxes than similar districts (see **Table 2-5**).
- **Balanced Budgeting-** 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. This encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or occurs. The policy should provide a clear definition of how budgetary balance is to be achieved, identification and rationale for the inclusion or exclusion of resources and resource uses, whether inter-fund transfers are included, when deviation from a balanced budget may occur, and be readily available to stakeholders for public discussion at key points in the budget process. Although the District has some policies addressing the budget, it does not address balanced budgeting. LCSD's General Fund expenditures exceeded revenue by \$240 per pupil in FY 2004-05 and \$140 in FY 2005-06.
- **Contingency Planning-** From a financial management perspective, contingency planning helps guide an entity during natural disasters, emergencies, and unexpected events. Development of a contingency plan in advance of such situations may be viewed positively by the rating agencies when evaluating a government's credit quality.
- **Stabilization of Funds-** Stabilization funds are called by many names including rainy day funds, unreserved funds, undesignated fund balances, and contingency funds. A government 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 policy should establish how and when the government will build up the funds, and identify the purposes for which they may be used. The minimum and maximum

amounts to be accumulated may be based on the types of revenues, condition of capital assets or the government's level of security with its financial position.

- **Debt Management-** A debt management policy provides written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of the debt portfolio. It improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to debt policies helps ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and to protect credit quality. On June 30, 2005, the previous Treasurer made an unapproved advance from the Debt Service Fund to the Self-Insurance Fund. As a result, the General Fund was required to repay the funds by transferring approximately \$1.4 million to the Self-Insurance Fund, which subsequently advanced the funds to the Debt Service Fund. This transfer contributed to the operating deficits in the General Fund.
- **Fees and Charges-** Policies that require identification of both the cost of the program and the cost that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the cost of services. It also requires the entity to consider the appropriateness of established fees and charges or other sources of funding. LCSD is not fully allocating costs in all areas. For example, the Food Service Department does not pay utility costs or SERS surcharges.
- **Budget Calendar and Preparation Guidelines-** The preparation of a budget calendar helps ensure that all aspects of the budget process have been considered and that adequate time has been provided. Budget guidelines and instructions help ensure that the budget is prepared in a manner consistent with government policies as well as the desires of management and the legislative body. Instructions are necessary so that all participants know when and what is expected, thereby minimizing misunderstandings and duplicate effort.

In addition to lacking the above financial policies, the District does not have an ethics policy. According to the Ohio Ethics Commission, a model ethics policy for local agencies contains a policy statement, general standards of ethical conduct, financial disclosure requirements, ethics education, assistance regarding the policy and ethics law, penalties, and a process for changing the policy.

*Budget Process***R2.8 LCSD should develop a mechanism to identify stakeholders' concerns, needs, and priorities during the planning and budgeting processes. This would help to ensure compliance with Board Policy, and help ensure support of District initiatives.**

LCSD's Board Policy KC, Community Involvement in Decision Making, stresses the importance of community involvement in decision making, and stipulates that the District will make every effort to encourage participation in the budgeting process. According to Policy KC, the Board will endeavor to identify the wishes of the community and be responsive to those wishes. Additionally, all citizens are encouraged to express ideas, concerns, and judgments about the schools to the school administration, the staff, any appointed advisory bodies, and the Board. LCSD considered community needs and priorities when preparing the FY 2006-07 budget by including five community members in determining potential reductions. Although the District included community members in the reduction planning, this was a one-time event. The District has not developed a routine mechanism, such as community surveys, to identify specific community needs for consideration in the budget process.

According to GFOA's *Recommended Budget Practices*, a government should develop mechanisms to identify stakeholder concerns, needs, and priorities. Among the mechanisms that might be considered are public hearings, opinion surveys, meetings of leading citizens and citizen interest groups, advisory committees, government strategic planning processes, neighborhood meetings, meetings with District employees, and workshops involving government administrative staff and/or the legislative body.

Without the ability to specifically identify community needs, concerns, and priorities, the District may be unaware of opportunities or ideas that could improve its financial and overall operational condition. The District also increases the potential of developing a budget that does not align with the community's desires.

**R2.9 The Board should take a more active role in budgeting and forecasting by carefully reviewing, monitoring and questioning information. This would help to identify and document the reasons for variations from the budget, operating deficits and continued negative fund balances. In particular, the Board should closely monitor and analyze budget-to-actual comparison results in the District's monthly reports. Doing so would help with early identification of potential problems and provide the Board with sufficient time to identify possible resolutions. Furthermore the Board members should receive ongoing training to help ensure their full understanding of the information presented in the monthly Treasurer's reports (see R3.15 in human resources for more information).**

LCSD provides the Board with monthly reports, including budget-to-actual comparisons. A review of Board meeting minutes and the reports found that the Board has approximately 10 days to review the reports prior to the discussion at the regular monthly meeting. The reports contain a reconciliation of investment accounts; month and year to date budget variances; a roster of checks; a seven year history of the General Fund balance, expenditures, and revenues; bank reconciliation information; payroll reconciliation; interest income; and transfers. To ensure that decisions are made with timely information, the reports are prepared based on the previous month's financial data (e.g., the August 2005 information is discussed at the September regular meeting).

Although LCSD has historically provided monthly reports to the Board, it is unclear whether the Board actively used the information contained in the reports to assess past performance and formulate future planning. In the past, the monthly Board reports indicated that certain funds continued to have negative balances, including the Bond Retirement Fund and the Self-Insurance Fund. There is no indication that the continued negative fund balances were questioned by the Board. For instance, a thorough review of the reports and questioning of fund balances could have alerted the Board of the impending deficit. A review of the monthly Board reports found the Self-Insurance Fund had a negative balance almost every month throughout FY 2004-05. The monthly reports also show a five year decline in the June 30 General Fund cash balance.

According to GFOA, a government should evaluate its financial performance relative to the adopted budget as an essential input in demonstrating accountability. Budget-to-actual or budget-to-projected actual comparisons of revenues, expenditures, cash flow, and fund balances should be periodically reviewed during the budget period. Staffing levels should also be monitored. Comparisons for at least the current year should be included in the budget document and be generally available to stakeholders during discussions related to budget preparation and adoption. Consistency and timeliness are particularly important when implementing this practice. It is essential that reports are prepared on a routine, widely-publicized basis. In addition to monitoring budget-to-actual results, reasons for deviations should be evaluated. These factors are important in assessing the significance of variations, including whether they are expected to be temporary or longer in duration.

Without effective budget monitoring, the Board may not be able to identify potential budget shortfalls or inefficient District programs and functions in a timely manner. This, in turn, may hamper LCSD's ability to improve its financial standing.

*Performance Measures*

**R2.10 In addition to using academic performance measures, LCSD should implement a financial and service performance measurement system to assess its progress in meeting defined goals and objectives. The performance measures developed by the Board and administrators should be incorporated into the strategic planning (see R2.3) and budgeting process. This would better enable LCSD to report on the status of the goals and outcomes of key programs and ensure outcomes are being achieved in a cost-effective manner. Once established, LCSD should formally report the performance measures and related outcomes to internal and external stakeholders. See Tables 2-5 and 2-6 for examples of financial performance measures, and the other sections of this performance audit for service and additional financial performance measures.**

With the exception of academics, LCSD has not established financial or service performance measures that enable the Board, administrators or other stakeholder to assess progress in meeting prescribed goals and objectives. LCSD uses academic performance measures such as adequate yearly progress (AYP), proficiency test results, the graduation and dropout rates, and achievement test results to track student outcomes on a continuous basis. If a building or student is in need of improvement, changes are made or assistance is arranged.

Although LCSD has been able to achieve an excellent academic rating from the ODE, the District is unable to determine if the educational programs are cost-efficient or which are most effective without using additional performance measures. This can lead to potential problems during periods of fiscal distress as it can become difficult to eliminate or reduce services without an indication of cost-efficiency. In addition, LCSD does not issue reports that include findings and recommendations from the reviews of academic performance. Instead, LCSD allows the teaching staff access to an online database of student scores, sends report cards to all parents, and provides a link to the State achievement tests on the District website. Additionally, parent-teacher conferences are used to discuss individual student progress and report cards.

GFOA recommends that financial, service, and program performance measures be developed and used as an important component of decision making and incorporated into governmental budgeting. According to GFOA, the information provided from a performance measurement system is useful for many functions including:

- Planning – The measurement-development process provides a focus and a discipline for engaging in planning. Performance measures add more detail and rigor to the planning, monitoring, and evaluating stages of a strategic planning process.



- Budgeting – Performance measures contribute to the formulation and justification of budget requests. They serve to illustrate the benefits that can be achieved if an additional level of resources is made available to a program. Comparably, in cases of scarce resources, performance measures can help governments make the case for budget reductions targeted at particular programs or functional areas rather than across-the-board cuts.

According to the GFOA, performance measures fall into the following four basic types:

- **Input measures:** Input indicators measure the volume of resources, both monetary and non-monetary, that are used in delivering a program or service. Total expenditures arising from the provision of a program or service is a frequently used monetary input measure.
- **Output measures:** Output indicators report the quantity or volume of products and services provided by the program.
- **Effectiveness/Outcome measures:** Effectiveness indicators measure the results, accomplishments, or quality of the item or service provided.
- **Efficiency measures:** Efficiency indicators quantify the relationship between input and output. They can be expressed as productivity ratios or as unit cost ratios.

According to GFOA, performance measures should be presented in basic budget materials, including the operating budget document, and should be available to internal and external stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward the achievement of previously developed goals and objectives. More formal reviews and documentation of those reviews should be carried out as part of the overall planning, decision-making, and budgeting process.

### *External Oversight*

**R2.11 LCSD should extend the Community Audit Advisory Committee (CAAC) past December 2006, to assist the Board and management in overseeing and monitoring internal and external financial functions. The Board should also ensure the CAAC meeting frequency of once per quarter is appropriate for the District's needs. For example, the District may require more frequent meetings in order to use the CAAC to help develop formal forecasting procedures (see R2.4), financial policies (see R2.7), and financial performance measures (see R2.10).**

LCSD created its CAAC in January 2006, primarily to oversee the FY 2004-05 financial audit and the implementation of changes in response to audit findings. Prior to this, there was no such advisory committee at the District. The purpose of the CAAC is to:

- Learn and understand the issues that are impacting LCSD;
- Review monthly and year-end financial reports;
- Review proposed budgets and related assumptions for the purpose of making recommendations relative to financial stability;
- Assist in translating the meaning of monthly and year-end financial reports, financial forecasts and associated assumptions, audit reports, and other financial documents to the general public;
- Make recommendations regarding debt management;
- Advise the Board in the choice of financial institutions;
- Meet with the auditor (Independent Public Accountant or IPA) at the conclusion of audits and report to the Board;
- Advise the Board in its choice of bond counsel for the District;
- Review any proposed updates of district financial policy as required by new laws or district needs;
- Inform the Treasurer, Superintendent and Board of community concerns relating to financial issues; and
- Act as a sounding board for the Treasurer and the Board regarding financial matters.

The CAAC plays an advisory role to the Board and is comprised of eight community members, all of whom have backgrounds in financial areas. Without Board intervention, the CAAC is set to expire in December 2006. In light of the District's turnover in key administrative positions, the CAAC can help to advise the Board on the prudent use of District resources and assist the Board with financial performance monitoring. According to the Treasurer, the CAAC was extended another year.

According to GFOA, three main groups are responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors. Of these three, the governing body must be seen as first among equals due to its unique position as the ultimate monitor of the financial reporting process. An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum, separate from management, in which auditors and other interested parties may candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess

management's practices, and that independent auditors, through their own review, objectively assess the government's financial reporting practices.

### *Communication with Stakeholders*

**R2.12 LCSD should publish a concise budget summary on the District's website that contains the components recommended by GFOA. A concise summary would help facilitate and enhance the budget process, as well as promote greater external stakeholder understanding, participation and confidence.**

LCSD's Treasurer uses the District's website to educate and inform the public. For example, monthly financial reports sent to the Board are available on the web site. The monthly Board reports include information on the budget, expenditures to date, payroll, revenue collections, and monthly and yearly budget-to-actual comparisons. In order to provide background information on the District, a levy history, a ten year financial history, real estate information, and an explanation of school funding are also available. In addition, the budget, three previous financial audits and two special audits are provided on LCSD's web site. The budget document lists each fund and includes fiscal year and month-to-date expenditures with an unencumbered balance; however, the document is not summarized. As a result, it could be difficult to read or understand by individuals without a financial background.

GFOA recommends that budget documentation for a government include a concise summary and guide to the key issues and aspects of the operating and capital components of the budget to ensure the education and involvement of the public. A summary should be publicly available for both the proposed and adopted budgets. The summary can be provided in many formats and can vary in size, scope, and level of detail. It may include one or more of the following: a transmittal letter, a budget message, an executive summary, and a budget-in-brief. At a minimum, a summary should do the following:

- Summarize the major changes in priorities or service levels from the current year and the factors leading to those changes;
- Articulate the priorities and key issues for the new budget period;
- Identify and summarize major financial factors and trends affecting the budget (e.g., economic factors, long-range outlook, significant changes in revenue collections, etc.);
- Provide financial summary data on revenues, other resources, and expenditures for at least a three-year period; and
- Define a balanced budget, describe state and local requirements for balancing the budget, and state if the budget is balanced or not. If the budget is not balanced, explain why not.

GFOA also indicates that presenting the budget document on a government's website offers an unparalleled means of easy access. Because of the time required to read and understand the entire budget document, a concise summary and guide to the key issues and aspects of the budget is a valuable tool to help ensure the education, confidence and involvement of the public.

**R2.13 LCSD should publish its current Student Handbooks and the Board's policies and procedures on its website. This would help reduce printing and mailing costs and increase access to information for students, staff and parents in the District. In addition, LCSD should update its Public Information Program policy to include the use of the internet and website as a method of communication.**

LCSD distributes copies of the Student Handbook to all new students. Hard copies are available upon request and can be printed from the website. However, the version on the website is for Lebanon High School, and is for the 2002-03 academic year. No other handbooks are available on the website. In addition, LCSD's website does not contain Board policies and procedures.

LCSD Board Policy KB, Public Information Program, mandates that the Superintendent maintain a positive school-community relations program. The program is to include, at a minimum, public attendance and participation at regular and special Board meetings, communications with members of the community through newsletters, the annual report, open-house programs, local media, and special printed communications. The policy also stipulates that members of the professional staff are to maintain contact with parents regarding the progress of their children. However, the policy does not address the use of the internet and the District's website as a means of communicating with the public.

By not using its website, the District limits access to the Student Handbook, and its policies and procedures. This can subsequently impact the District's ability to ensure students, parents and staff are aware of important information.

**R2.14 LCSD should develop a formal policy pertaining to communicating and partnering with local businesses. In addition, the District should establish a Business Advisory Council (BAC) to comply with ORC § 3313.17.4, potentially enrich the learning environment for students, and help provide funding for District activities.**

LCSD does not have formal policies for communications or partnerships with local businesses. In addition, LCSD does not have a Business Advisory Council (BAC). The Treasurer indicated that a Superintendent Advisory Committee, which the Treasurer believed functioned as a BAC, existed under the watch of the former Superintendent. However, it has been dormant since his departure.

LCSD accepts money in return for advertisements in its yearbooks and newspaper and has entered into an agreement with a local advertising agency. The company solicits local businesses to advertise on panels at LHS soccer, basketball, and football games. After all costs are settled, LCSD receives 50 percent of the revenue, which was approximately \$4,686 as of January 31, 2006.

ORC § 3313.17.4 requires boards of education to appoint a BAC to advise and provide recommendations to the board on the delineation of employment skills and the development of curriculum to instill these skills; changes in the economy and in the job market; the types of employment in which future jobs are most likely to be available; and suggestions for developing a working relationship among businesses, labor organizations, and educational personnel in the district or in the territory of the educational service center.

### *Purchasing Function and Organization*

**R2.15 LCSD should review and update its purchasing policies and procedures annually. In particular, the Board should update the purchasing policies to indicate the position responsible for approving purchases. Staff should be made aware of any changes and held accountable for following the procedures. To help accomplish this, LCSD should incorporate its updated purchasing policies and procedures into a purchasing manual for distribution throughout the buildings.**

**The District should continue with its efforts to instill greater internal controls in the purchasing process, and ensure the updated purchasing policies and procedures are followed. This can be aided by continued review of the process through the Treasurer's Office, and appropriate involvement of the Board and CAAC (see R2.11). For example, the CAAC could periodically review a sample of purchased orders to ensure compliance with District policies and procedures, thus providing an independent verification of the process.**

LCSD developed and implemented purchasing policies in 1996. The policies specify goals and objectives such as who has purchasing authority; the requisition and purchase order process; and competitive bidding requirements. However, LCSD's actual purchasing practices do not follow the Board approved policies. Board policy dictates that the Business Manager is responsible for the quality and quantity of purchases made and that all purchases be made through the Business Office. However, the practice is to give each building an allotment of funds, and make them responsible for the quantity of purchases since that building must work within its budget. In addition, the Business Manager's position has been eliminated. The Treasurer and the Superintendent approved purchase orders in the past, with no indication that they were reviewed by the Business

Manager. Lastly, LCSD has not incorporated its policies and procedures into a purchasing manual.

As noted in the Special Audit, LCSD's previous Treasurer cancelled over \$250,000 in purchase orders at the end of FY 2004-05 and then reissued the same purchase orders at the beginning of FY 2005-06, in violation of Board policy and ORC Section 5705.41. Furthermore, the FY 2003-04 Financial Audit noted that the District had total appropriations in excess of estimated resources. LCSD is now using special cost centers to track spending, as well as individual building budgets, to help prevent appropriations from exceeding resources. Additionally, the Treasurer has blocked access to funds that are outside an individual's building or department through the increased use of built in security features within the State software.

According to the Texas Education Association (TEA), every school district, large and small, should have a written manual describing its purchasing policies and procedures. It should be designed to assist building and department level personnel in the purchasing of supplies and services. Rules and guidelines for those purchases that are consistent with relevant statutes, regulations and board policies are a vital part of the manual. A manual helps in training school district personnel in purchasing policy and procedures. Finally, it promotes consistency in purchasing throughout the school district. Such a manual can either stand alone or be made a part of a financial and accounting manual.

Without a formal manual that contains updated purchasing policies and procedures, LCSD is not promoting financial accountability in the purchasing function. Conversely, establishing a formal purchasing manual, along with methods to ensure adherence to policies and procedures, can help increase accountability and integrity among personnel responsible for purchases.

**R2.16 LCSD should consider expanding participation in applicable purchasing consortiums. Doing so would provide additional price comparisons and in turn, better ensure the District purchases supplies at the "best" price. Furthermore, the District should maintain documentation of price quotes and staff should send such documentation along with the purchase orders to ensure multiple quotes are received prior to purchasing a good or service.**

LCSD uses competitive bidding for large dollar items and has solicited bids for copier services, banking, and insurance. LCSD's policies require price quotes for all purchases over \$1,000 but under \$15,000, however, the practice is to use \$25,000 as the threshold. An AOS sample of 60 purchase orders found 10 purchase orders under \$25,000, but over \$1,000 that totaled over \$40,000. However, the District was unable to provide documentation of price quotes.

LCSD participates in cooperative purchasing agreements or special pricing agreements for purchases of desks, tables, and office equipment through the State Purchasing Agreements, the purchasing of paper through the Southwestern Ohio Educational Purchasing Council (EPC), and applicable items from a food service purchasing consortium. However, the District may be foregoing potential savings by not entering into cooperative purchasing or special pricing agreements for other areas, such as fuel (see **transportation** section), and maintenance and office supplies.

LCSD is not a member of the Ohio Schools Council (OSC) Cooperative Purchasing Program, which offers products including gasoline and diesel fuel, maintenance and office supplies, and audio visual products. OSC, along with the Ohio Council of Educational Purchasing Consortia, has joined with 22 other states to secure national pricing by forming the Association of Educational Purchasing Agencies (AEPA). Products available through AEPA include classroom and office supplies, equipment, administrative software, copiers, and technology products. OSC members are eligible to participate in the AEPA. LCSD also is not a member of the U.S. Communities: Government Purchasing Alliance (USC), which is a nonprofit entity that assists government and non-profit agencies in reducing the cost of purchased goods by pooling the purchasing power of agencies nationwide. USC offers various products, including office and school supplies, maintenance and hardware supplies, and technology products. There is no cost to local agencies for participating in USC.

By not being a member of applicable consortiums, the District limits its access to additional, and potentially lower priced, goods and services.

*Financial Implication:* Becoming a member of OSC would cost approximately \$1,200 annually.

**R2.17 LCSD should actively monitor its controls over the disbursing process to ensure prior approval of all purchases and prompt payments. Controls should include a requirement for documentation explaining past due payments. By doing so, LCSD would ensure purchases are reviewed and approved prior to paying the invoice, increase its ability to take advantage of discounts, avoid late fees and penalties, and ensure good working relationships with vendors.**

According to LCSD's Assistant Treasurer, invoice processing begins in two ways: either an invoice is received in the Central Office or an invoice is received at the building where the goods and services are received. An invoice received in the Central Office will not be processed until there is verification from the individual requisitioning the goods or services that the goods or services were received. This verification comes in the form of a copy of the purchase order marked "ok to pay." Additionally, an invoice will not be paid when received at the building level until it, and the signed copy of the purchase order, are

received by the Central Office. Once purchase orders are matched to invoices, the invoice is then payable. A check should not be issued unless the Accounts Payable Department has a signed copy of the purchase order and the applicable invoice.

As noted in the FY 2004-05 Financial Audit, LCSD has several instances of deviations from policy/procedure, including seven for which the purchase order was dated subsequent to the invoice. Based on a sample of 47 purchases, the analysis for this performance audit found vendors are paid an average of six days after payments were due. However, two vendor payments were significantly past the due dates, skewing the average upwards. If those payments are removed, payments were made approximately two days prior to the due date. No documentation exists explaining why invoices were paid late. LCSD also missed an early payment discount of \$18.20 by being 21 days past the deadline. Furthermore, approximately 62 percent of checks were issued on a Wednesday or a Thursday. However, checks are supposed to be issued on Thursdays. In addition, 17 percent of reviewed invoices were dated prior to the purchase orders, indicating that the purchase orders were created after the obligation for the purchases and prior to approval.

With the change of Treasurers, the support of the Board for District-wide training on purchasing, (see **R2.15**) and stricter controls over the disbursing process would help ensure that Board policy is followed, disbursements do not exceed appropriations and LCSD takes advantage of all discounts available for early payment.

### *Staffing*

**R2.18 The Treasurer's Office should continue to offer cross-training opportunities to its employees. This would increase employee knowledge and skills, and the ability of the Treasurer's Office to function effectively in the event of staff turnover or employee absence.**

LCSD's financial services staff was cross-trained under the previous Treasurer, but the training has been discontinued since the current Treasurer assumed the position. In the event of extended absences, the Assistant Treasurer assumes those duties, as well as her own. Another employee may be trained if needed after an extended period. In using this practice, LCSD's Treasurer's Office may not be positioned to operate efficiently in the event of an unexpected or extended absence of one or more of its employees.

According to *Cross Training—Value in Today's Environment* (Society for Human Resource Management (SHRM), 2001), cross-training increases employees' knowledge and ability to perform different tasks by using current skills or by learning new skills. It is a good way to add variety to employees' workdays, introduce new challenges to their jobs and/or provide opportunities to try out new skills for future career development. It offers



the opportunity to work with different employees and supervisors, adding to enhanced self-esteem in both the employee learning the new skill and the employee teaching the skill. In addition to expanding job skills and performing different but relatively equal tasks, cross-training may be designed to enrich jobs. Job enrichment adds more responsibility to the employee's work. Through exposure to a variety of jobs, the employee gains a better understanding of the interrelationships between jobs and work groups and can develop a "bigger" picture of the operation of the organization. In addition, the organization creates a more flexible and versatile workforce; and cross training employees enables organizations to reduce the number of different jobs and hence reduce work jurisdiction.

### *Financial Recovery Plan*

**R2.19 LCSD should analyze and use the financial recovery plan outlined in Table 2-11 to evaluate the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on the District's financial condition. LCSD should also consider implementing the recommendations in this performance audit to improve its current and future financial condition. In addition, the District should update its financial recovery plan on an on-going basis as critical financial issues emerge, closely monitor revenue and expenditure activity, and actively review its performance against budgeted and projected figures.**

As the District is projected to have negative ending fund balances from FY 2006-07 to FY 2009-10, even when including the performance audit recommendations, it should consider various options to further reduce expenditures. Such options can include determining whether it should reduce regular and educational service personnel (ESP) staffing, and transportation services (see R5.6 in transportation) closer to State minimum standards. The District should discuss such options with the community to determine stakeholder needs and desires regarding service levels. Prior to making any staffing reductions, the District should carefully review enrollment trends and projections to ensure compliance with State minimum standards. The District should also closely review the recommendations in the transportation section in an effort to maximize potential bus reductions. To provide a conservative estimate, Table 2-11 includes the impact of reducing at least five buses (see R5.1 for more information).

Lastly, the District should carefully monitor purchased service expenditures, particularly those over which it can exercise more discretion. Lowering the revised purchased service expenditures can have a material effect on the five-year forecast. For example, if the District was able to achieve its original projections in purchased services along with the other revised assumptions and performance audit recommendations (except R6.2 – see Table 2-11), it would achieve positive ending

**fund balances throughout the forecast period. Nevertheless, based on the revised projections and audit recommendations, additional revenues may be necessary to stabilize the District's financial condition if the community expects to maintain current service levels.**

**Table 2-11** presents a potential financial recovery plan for use as a tool to assess the impact that implementation of the various performance audit recommendations would have on the District's financial condition. **Table 2-11** includes the revised projections outlined in **R2.1** and **R2.2** to present a more appropriate forecast of these items, and the cumulative effect of the audit recommendations.

For LCSD to maintain an acceptable level of financial stability, it will need to make difficult management decisions regarding potential means for increasing revenue and/or reducing expenditures. This includes determining whether the District can afford to continue operating well above State minimum standards for regular education teachers and ESP personnel. For instance, the District employed 38.0 more FTE regular education teachers and 14.0 more FTE ESP staff in FY 2005-06 than required by the applicable minimum staffing requirement in OAC 3301-35-05. While this performance audit provides a series of recommendations LCSD should consider, it is not all-inclusive, and other cost saving and revenue enhancing options should be continually assessed and incorporated into the financial recovery plan.

**Table 2-11: Revised Forecast with AOS Recommendations (in 000's)**

	Actual FY2002-03	Actual FY2003-04	Actual FY2004-05	Actual FY2005-06	Forecast FY2006-07	Forecast FY2007-08	Forecast FY2008-09	Forecast FY2009-10
Real Estate Property Tax	\$10,565	\$11,224	\$11,712	\$14,269	\$16,465	\$17,527	\$16,188	\$15,333
<i>Revised Tangible Personal Property Tax</i>	\$1,903	\$1,933	\$1,821	\$1,857	\$1,572	\$1,300	\$619	\$167
<i>Revised Unrestricted Grants in Aid</i>	\$13,462	\$14,253	\$16,184	\$17,289	\$17,343	\$17,343	\$17,527	\$17,760
Restricted Grants in Aid	\$68	\$34	\$49	\$116	\$88	\$86	\$86	\$86
<i>Revised Property Tax Allocation</i>	\$1,826	\$1,494	\$1,561	\$1,864	\$2,716	\$2,874	\$2,882	\$3,006
Other Revenues	\$351	\$436	\$617	\$465	\$319	\$329	\$338	\$349
<b>Total Operating Revenues</b>	<b>\$28,175</b>	<b>\$29,374</b>	<b>\$31,943</b>	<b>\$35,860</b>	<b>\$38,503</b>	<b>\$39,458</b>	<b>\$37,640</b>	<b>\$36,700</b>
Other Financing Sources	\$734	\$4,242	\$5,673	\$6,845	\$25	\$25	\$25	\$25
<b>Total Revenues and Other Financing Sources</b>	<b>\$28,909</b>	<b>\$33,615</b>	<b>\$37,616</b>	<b>\$42,705</b>	<b>\$38,528</b>	<b>\$39,483</b>	<b>\$37,665</b>	<b>\$36,725</b>
<i>Revised Personal Services</i>	\$18,757	\$19,744	\$21,938	\$21,119	\$21,436	\$21,604	\$22,175	\$22,986
<i>Revised Fringe Benefits</i>	\$4,831	\$6,277	\$6,078	\$7,082	\$7,339	\$8,035	\$8,930	\$10,024
<i>Revised Purchased Services</i>	\$3,468	\$4,197	\$5,239	\$6,627	\$7,422	\$8,313	\$9,310	\$10,427
Supplies, Materials, & Textbooks	\$911	\$865	\$1,001	\$969	\$994	\$985	\$1,019	\$1,050
Capital Outlay	\$195	\$318	\$218	\$83	\$89	\$82	\$85	\$87
Debt Service	\$0	\$183	\$179	\$4,866	\$1,007	\$1,008	\$1,007	\$250
Other Expenditures	\$368	\$390	\$329	\$447	\$428	\$451	\$467	\$481
<b>Total Operating Expenditures</b>	<b>\$28,530</b>	<b>\$31,974</b>	<b>\$34,982</b>	<b>\$41,193</b>	<b>\$38,714</b>	<b>\$40,478</b>	<b>\$42,993</b>	<b>\$45,306</b>
Other Financing Uses	\$1,553	\$4,913	\$3,779	\$2,194	\$0	\$0	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>	<b>\$30,083</b>	<b>\$36,887</b>	<b>\$38,761</b>	<b>\$43,388</b>	<b>\$38,714</b>	<b>\$40,478</b>	<b>\$42,993</b>	<b>\$45,306</b>
<b>Result of Operations (Loss)</b>	<b>(\$1,174)</b>	<b>(\$3,272)</b>	<b>(\$1,145)</b>	<b>(\$683)</b>	<b>(\$186)</b>	<b>(\$995)</b>	<b>(\$5,328)</b>	<b>(\$8,580)</b>
Beginning Cash Balance	\$6,722	\$5,548	\$2,277	\$1,132	\$449	\$263	(\$732)	(\$6,060)
<b>Ending Cash Balance</b>	<b>\$5,548</b>	<b>\$2,277</b>	<b>\$1,132</b>	<b>\$449</b>	<b>\$263</b>	<b>(\$732)</b>	<b>(\$6,060)</b>	<b>(\$14,640)</b>
<i>Revised Outstanding Encumbrances</i>	\$630	\$786	\$109	\$300	\$470	\$470	\$470	\$470
<b>Ending Fund Balance</b>	<b>\$4,919</b>	<b>\$1,491</b>	<b>\$1,022</b>	<b>\$149</b>	<b>(\$207)</b>	<b>(\$1,202)</b>	<b>(\$6,530)</b>	<b>(\$15,110)</b>
<b>Cumulative Balance of Replacement Levy</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,100</b>	<b>\$6,300</b>
<b>Ending Fund Balance</b>	<b>\$4,919</b>	<b>\$1,491</b>	<b>\$1,022</b>	<b>\$149</b>	<b>(\$207)</b>	<b>(\$1,202)</b>	<b>(\$4,430)</b>	<b>(\$8,810)</b>
<b>Impact of AOS Recommendations <sup>1</sup></b>						\$286	\$577	\$872
<b>Unreserved Fund Balance</b>	<b>\$4,919</b>	<b>\$1,491</b>	<b>\$1,022</b>	<b>\$149</b>	<b>(\$207)</b>	<b>(\$916)</b>	<b>(\$3,853)</b>	<b>(\$7,939)</b>

Source: Treasurer's Office and AOS Recommendations

<sup>1</sup> Excludes the impact of R6.2 to replace computers every five years, assuming the District uses the Permanent Improvement Fund for such purchases. If the District used the General Fund for technology replacements, the ending fund balances would decrease to approximately \$1.1 million in FY 2007-08, \$4.1 million in FY 2008-09, and \$8.3 million in FY 2009-10.

## Financial Implication Summary

The following table presents a summary of the annual costs for the recommendations in this section of the report, as well as the cumulative financial impact of the forecast changes (see **Tables 2-8** and **2-9** for detailed information).

### Summary of Financial Implications for Financial Systems

	Estimated Annual Costs	Cumulative Impact of Forecast Changes
<b>R2.1</b> Revise Unrestricted Grants-In-Aid, Tangible Personal, and Property Tax Allocation Projections		1,163,000 <sup>1</sup>
<b>R2.2</b> Revise Personal Service, Benefit, Purchased Service, and Encumbrance Projections		(\$11,851,000) <sup>1</sup>
<b>R2.16</b> Become a member of the Ohio Schools Consortium	\$1,200	
<b>Total Recommendations</b>	<b>\$1,200</b>	<b>(\$10,688,000) <sup>1</sup></b>

<sup>1</sup> Includes the impact of actual revenues and expenditures for FY 2005-06 when compared to the District's projections.



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# Human Resources

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## Background

This section of the performance audit focuses on human resource (HR) operations within the Lebanon City School District (LCSD or the District). The objective is to analyze the human resource operations of LCSD, develop recommendations for improvements in processes and procedures, and identify opportunities to increase efficiency and effectiveness while reducing expenditures. For benchmarking purposes, the District's operations have been evaluated against recommended practices and operational standards from several sources. These include the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Kaiser Family Foundation Annual Survey (Kaiser), the State Employment Relations Board (SERB), and the Society for Human Resources Management (SHRM). Furthermore, Type 6 districts<sup>1</sup> with similar demographics (urban/suburban and high/median income), that have high Ohio Proficiency test scores, and low per-pupil expenditures were used as peer districts<sup>2</sup> for comparison purposes. AOS also administered a survey to LCSD employees regarding human resource services. Survey questions and results can be found in **Appendix 3-A** at the end of this section.

### *Organizational Structure and Function*

LCSD has experienced significant turnover in its key administrative positions. In FY 2005-06, the District hired a new Superintendent, two treasurers, and restructured key administrative positions. The previous Superintendent's resignation in early FY 2005-06 became effective January 2006, and he was officially replaced by the new Superintendent in February 2006. An interim Superintendent was briefly employed during January 2006. Also, in January 2006, the District formally replaced the previous Treasurer with the District's Business Manager. He served as interim Treasurer from July 2005 until January 2006, when he was appointed Treasurer. He eventually resigned from that position in July 2006. The Assistant Treasurer acted as interim Treasurer until the recent hiring of the new Treasurer on October 18, 2006. The Business Manager's position will not be filled. The District created a Director of Human Resources position, which was filled by the Director of Elementary Instruction and Staff Development. Furthermore, a Director of Curriculum and Instruction position was created and

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<sup>1</sup> As categorized by the Ohio Department of Education.

<sup>2</sup> The ten districts used for peer comparisons include Amherst Exempted Village School District (Lorain County), Canfield Local School District LSD (Mahoning County), Poland LSD (Mahoning County), Jackson LSD (Stark County), Lake LSD (Stark County), Perry LSD (Stark County), Northmont CSD (Montgomery County), Norton CSD (Summit County), Oak Hills LSD (Hamilton County), and Wadsworth CSD (Medina County).

filled by the Director of Elementary and Secondary Education, Technology and Professional Development. The District also hired a new Director of Pupil Personnel and a Data Management Coordinator.

LCSD does not have a human resources department. Instead, the HR duties are primarily performed by the Director of HR and the Treasurer's Office. The Director of HR's responsibilities include the following:

- Participate as a member of the Local Professional Development Committee (LPDC);
- Participate as a member of the evaluation committee;
- Address the discipline of employees;
- Oversee the teacher licensure process;
- Direct the recruitment process, including hiring and interviewing individuals;
- Manage substitutes;
- Coordinate the mentoring program;
- Manage the transportation program of the District;
- Work with supervisors to coordinate HR functions for classified staff; and
- Coordinate other human resources functions, including sexual harassment issues and the Federal Medical Leave Act (FMLA).

The Treasurer's Office human resources responsibilities include the following:

- Process payroll;
- Prepare cost estimates associated with bargaining unit proposals;
- Track personal, sick and vacation leave;
- Track medical, dental and life insurance enrollment and changes; and
- Maintain personnel and benefit records.

### *Staffing*

**Table 3-1** compares FY 2005-06 staffing levels by category to the peer average on a FTE per 1,000 student basis as staffing levels are partially dependent upon the number of students.

**Table 3-1: FTE Staffing Levels for FY 2005-06**

	LCSD FTE Per 1,000 Students	Peer Average FTE per 1,000 Students	Variance
<b>Administrators</b>	<b>5.86</b>	<b>5.08</b>	<b>0.78</b>
Site Based Administrators	2.72	2.48	0.24
Central Administrators	3.14	2.60	0.54
<b>Educational Staff</b>	<b>60.22</b>	<b>62.30</b>	<b>(2.08)</b>
Curriculum Specialists	2.41	0.25	2.16
Counselors	1.74	1.91	(0.17)
Librarian/Media	0.89	0.44	0.45
Remedial Specialists	0.85	0.84	0.01
Regular Teachers	42.68	43.82	(1.14)
Special Education Teachers	3.40	5.13	(1.73)
Vocational Teachers	0.44	1.74	(1.30)
Tutor/Small Group Instructors	0.21	2.80	(2.59)
Educational Service Personnel - Teachers	3.76	3.71	0.05
Supplemental Special Education	3.21	0.88	2.33
All Other Educational Staff	0.63	0.78	(0.15)
<b>Professional Staff</b>	<b>5.03</b>	<b>2.32</b>	<b>2.71</b>
Psychologists	0.73	0.64	0.09
Registered Nurses	0.43	0.27	0.16
Social Workers	0.21	0.00	0.21
Physical Therapists	0.24	0.06	0.18
Speech & Language Therapists	1.05	0.72	0.33
Occupational Therapists	0.55	0.10	0.45
Visiting Teachers	0.21	0.00	0.21
All Other Professional Staff	1.61	0.53	1.08
<b>Technical Staff</b>	<b>2.26</b>	<b>2.34</b>	<b>(0.08)</b>
<b>Office / Clerical Staff</b>	<b>11.85</b>	<b>11.58</b>	<b>0.27</b>
<b>Crafts and Trades</b>	<b>1.67</b>	<b>1.43</b>	<b>0.24</b>
<b>Custodians/Ground-keepers</b>	<b>7.42</b>	<b>6.83</b>	<b>0.59</b>
<b>Bus Drivers</b>	<b>9.77</b>	<b>7.64</b>	<b>2.13</b>
<b>Food Service Workers</b>	<b>4.63</b>	<b>6.43</b>	<b>(1.80)</b>
<b>All Other Reported Staff</b>	<b>3.78</b>	<b>4.90</b>	<b>(1.12)</b>
<b>Total FTE Reported</b>	<b>112.49</b>	<b>110.86</b>	<b>1.63</b>

Source: FY 2005-06 March EMIS Report for LCSD and peer districts

As illustrated in **Table 3-1**, LCSD's overall FY 2005-06 staffing per 1,000 students of 112.49 was comparable to the peer average of 110.86. For the following categories, LCSD was significantly higher than the peer average FTE per 1,000 students:

- Administrators;
- Curriculum Specialists;



- Supplemental Special Education;
- Library/Media;
- Professional Staff;
- Crafts/Trade (maintenance and mechanics) and Custodians/Groundskeepers (see the **facilities** section for maintenance, custodians, and grounds; and the **transportation** section for mechanics); and
- Bus Drivers (see **transportation** section).

Library/media, registered nurses, social workers and visiting teachers are part of the District's Educational Service Personnel (ESP) category (see **R3.3**). Other professional staff, administrators, curriculum specialists, and supplemental special education staffing are discussed below.

### *Assessments Not Yielding Recommendation*

In addition to the analyses in this report, assessments were conducted on several areas within this section that did not warrant changes or yield any recommendations. These include the following:

- **Administrator Staffing:** LCSD had close to 1 FTE more per 1,000 students than the peer average. However, after accounting for administrative staffing reductions at the end of FY 2005-06, the District reduced the number of administrator FTEs to 5.18 per 1,000 students, which is similar to the peer average of 5.08.
- **Curriculum Specialist and Special Education Staffing:** LCSD staffing was significantly higher than the peer average for the following positions: curriculum specialist and supplemental special education. The District eliminated all curriculum specialist positions in FY 2006-07. While the District employs 2.3 more supplemental special education FTEs per 1,000 students, it has 1.73 fewer special education teacher FTEs per 1,000 students when evaluated against the peer average. In addition, when combining supplemental special education positions with special education teachers, LCSD employs 31.60 FTEs. This is 5.16 FTEs fewer than the 36.76 FTEs required by OAC 3301-51-09, which establishes minimum staffing requirements for special education. This is based on special education staffing and total special education enrollment in FY 2005-06. The lower staffing levels when compared to OAC 3301-51-09 could be due, in part, to the actual amount of time spent by special education students exclusively in special education classes. For example, 93 of the 183 students with specific learning disabilities spent at least 80 percent of their time in the regular classroom. Moreover, the District provided evidence of submitting a waiver to ODE for

FY 2006-07, and was granted formal approval to operate under the requirements in OAC 3301-51-09 for one special education teacher.

- **Professional and Clerical Staffing:** This category contains a higher number of speech and language therapists, psychologists, and physical and occupational therapists, used as support for the District's special needs program. The higher staffing levels are due, in part, to LCSD's special education student population being 10 percent higher than the peer average. For example, LCSD's speech and language therapists serve 12.7 speech and language impairment students per FTE, which is close to the peer average of 13.0 (excludes one peer district not reporting any speech and language FTEs, and another district reporting only 0.34 FTEs for 71 speech and language students). In addition, the District included five positions in the "accounting" classification, rather than in the clerical category under "bookkeeping". However, even when the 5 FTEs in the clerical categories are included, LCSD employs only 5.9 total clerical FTEs per 1,000 students. This is lower than the peer average of 6.2 clerical FTEs per 1,000 students.
- **Teaching Aides:** LCSD employs 33.4 teaching aide FTEs, with approximately 24 FTEs dedicated to special education. LCSD did not report any staff in the instructional paraprofessional or attendant categories, which can also provide support to special education students. LCSD employs 7.0 teaching aide FTEs per 1,000 students, which is higher than the peer average of 5.8 FTEs per 1,000 students. The peer average includes staff classified in the teaching aide, instructional paraprofessional, and attendant categories to account for potential coding differences. However, three of the ten peer districts did not report any staff in these three categories. When excluding these three districts, the peer average FTEs per 1,000 students increases to 8.3, which is higher than the LCSD.
- **Salaries:** LCSD's average salaries for administrative, educational, professional, technical, office/clerical and maintenance staff were similar to, or lower than, the peer average. While the average salaries for teaching aides, monitors and bus drivers were higher than the peer average, the salary levels in the step schedules for these positions appeared comparable to selected peers in close proximity to LCSD (Oak Hills LSD, Northmont LSD and Kings LSD; also included Mason CSD for bus driver comparison). Conversely, the District's food service salary schedules showed higher starting and ending salaries compared to the selected peer districts (see **issue for further study**).
- **Payment of Employee Retirement:** When including the District's payment of the employee retirement contribution for 20 administrators, the District's adjusted average salaries are still lower than the peer average by approximately 2 percent.

- **Bureau of Workers Compensation:** LCSD participates in the Ohio School Boards Association (OSBA) pool as a means of controlling premium costs. Consequently, LCSD was projected to save \$42,880 in FY 2005-06. Furthermore, LCSD's experience modifier of 0.83 earns the District a credit on the premium rates. According to BWC, an experience modifier rating of less than 1.0 indicates the District had fewer losses than anticipated.
- **Collective Bargaining Agreements:** The District maintains three collective bargaining agreements with its employee representatives: Lebanon Education Association (Certificated Contract), Ohio Association of Public School Employees AFSCME/AFL-CIO Local 511 (Classified Contract), and the Lebanon City Schools Employees Association (Transportation Contract). The Certificated Contract at LCSD is effective from September 1, 2005 to August 31, 2008. This agreement covers classroom personnel. Several LCSD collective bargaining agreement provisions in the Certificated Contract were similar to ORC statutes and/or recommended practices. These include: contractual days, teaching time, maximum class sizes, leaves of absence, evaluations, personal days, payment of employee retirement contributions, early retirement incentives (ERI), and sick leave accrual.

The Classified Contract is effective from July 1, 2005 to June 30, 2008. Several LCSD bargaining agreement provisions in the classified agreement are similar to ORC statutes and/or recommended practices. These include: evaluations, minimum call-in hours, personal days, payment of employee retirement contributions, ERI, and sick leave accrual. The District's Transportation Contract is also effective from July 1, 2005 to June 30, 2008, and covers bus drivers, mechanics, bus aides and crossing guards. The Transportation Contract includes provisions similar to the Classified Contract.

While the above provisions appeared reasonable, the performance audit identified some provisions for possible renegotiation (see **R3.7** and **R3.8**).

- **Communication:** The Board of Education has adopted the Board-Staff Communications Policy, requiring the Superintendent to develop appropriate methods to keep staff members fully informed of the Board's problems, concerns and actions. District administrators communicate with certificated staff via telephone or email. According to the District, approximately 50 percent of classified employees have access to email. Classified staff usually receive information from their immediate supervisor or through memos. In an employee survey administered by AOS (**Appendix 3-A**), 62 percent of employees agreed that information regarding their job duties and responsibilities is shared in a timely and effective manner between departments and individuals, while only 10 percent disagreed.

- **Certificated Professional Development:** LCSD has extensive mentoring and professional development programs. The District uses the Ohio Formative Induction Results in Successful Teaching (Ohio FIRST) program, developed by the Educational Testing Service (ETS) and sponsored by ODE. The program is designed to combine mentorship training, development of a professional portfolio, and the Pathwise Classroom Observation System training within a structured mentor assistance program for entry-year teachers. LCSD's professional development committee has been aggressive in monitoring and enforcing teacher certification. The District has developed a database that allows it to identify teachers whose certification is about to expire. Once identified, the committee communicates with the teacher to ensure their certification is renewed in a timely manner.
- **Special Education Parental Involvement:** LCSD focuses on parental involvement in its Intervention Process Handbook, which includes parent participation notices for Individual Education Plans (IEP), IEP team participation, and checklists for parental involvement and communication. The District sends suggested IEP goals and objectives to the parent in order to document attempts made to gain parent input on IEP goals. Furthermore, the District conducts annual Spring IEP reviews with parental involvement. IEP notices are sent to parents 14 days in advance of face-to-face IEP meetings.
- **Special Education Test Scores and Costs:** LCSD increased the proficiency reading rate for special education students from 37 percent in FY 2003-04 to 61 percent in FY 2004-05. However, the math proficiency rate for special education students remained constant from FY 2003-04 to FY 2004-05 at approximately 35 percent. By comparison, the Adequate Yearly Progress (AYP) goal for math for the "all student" grouping was at least 51.2 percent in FY 2004-05. However, the District has developed a plan to address this through a training program for staff and administrators. LCSD has a contract with the Warren County Educational Service Center (WCESC) to provide special education services and special education-related services. Furthermore, its special instruction expenditures of \$604 per pupil in FY 2004-05 were lower than the peer average of \$687 (see **financial systems** for more information on expenditures).
- **Gifted Plan and Procedures:** LCSD has developed a gifted plan and procedure policy for its gifted program. The policy meets the National Association for Gifted Children (NAGC) standards and the requirements in ORC § 3324 by including information such as needs assessment, identification procedures, parent notification, and acceptance of assessments from other districts.
- **Gifted Program Reporting and Test Scores:** LCSD complies with OAC §3301-51-05 requirements by submitting its annual report for the gifted program. The report indicates testing assessments administered to gifted students. In addition, the District monitors

students on an individual basis two times per year to maximize student participation and meet individual goals. The overall success of the program is assessed using the results of achievement tests. The gifted students scored from 91.3 to 100 percent in all academic categories during FY 2004-05. These results are above the state minimum score of 75 percent.

- **Gifted Program Resource Maximization:** LCSD allocates its State funding by ADM and properly reported its gifted staffing to obtain all eligible funding. LCSD also proactively requests additional partial funding units from the State. Furthermore, the District networks and uses resources available through memberships, such as West Central Association for Gifted Children and the NAGC.

### *Noteworthy Accomplishments*

During the course of this performance audit, the following noteworthy accomplishments were identified within LCSD:

- **Special Education Handbook:** LCSD's Intervention Process Handbook describes the intervention process and communicates how to accurately identify students having behavioral difficulties. The handbook describes stages in the intervention process, communicates the responsibilities of the intervention assistance team (IAT), and identifies follow-up steps. Accordingly, the handbook helps to explain the intervention process to staff and parents.
- **Employee Health Insurance Contributions:** LCSD requires all classified employees to contribute to the monthly health insurance premium based on the number of hours worked. Specifically, employee contributions for health insurance premiums are outlined as follows: 20 percent for employees working 7.0 to 8.0 hours per day, 30 percent for employees working 4.0 to 6.9 hours per day, and 60 percent for employees working up to 3.9 hours per day. Certificated employees also contribute 20 percent. Tutors/small group instructors and part-time teachers working less than 7.5 hours per day can receive health insurance by paying a prorated amount of the premium, based on the number of hours worked per day divided by 7.5. For part-time teachers employed prior to July 1, 1989, they pay 20 percent of the monthly premium. However, the District only employs seven part-time certificated employees, and all have hire dates after July 1, 1989. By comparison, LCSD's 20 percent contribution for most full time employees is higher than the 2004 average contributions reported by SERB of 11.8 percent for single coverage and 12.3 percent for family coverage.

*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 the auditor does not review within the scope of the audit. The following were identified as issues for further study:

- Substitute Pay Rate:** LCSD’s base rate for substitute teachers of \$78 per day is similar to the average daily rate of \$76 for other districts in Warren County (the County). If a substitute is on an assignment for 21 days or longer, however, the rate increases to \$178 per day. Extended rates for other districts were not readily available. However, LCSD should further review the extended substitute rate because of the significant increase, along with other rates (e.g., tutor and classified substitute rates), and benchmark them with other districts in the County.
- Food Service Salary Schedules:** LCSD’s starting and ending salaries for food service workers were higher than the selected peer districts of Kings LSD, Northmont CSD and Oak Hills CSD. LCSD food service positions in the classified contract include kitchen manager, assistant cook and cafeteria worker. **Table 3-2** shows the average beginning and ending food service salaries at LCSD compared to the selected peers.

**Table 3-2: LCSD and Selected Peer Food Service Salary Schedules**

	Lebanon CSD	Kings LSD	Northmont CSD	Oak Hills CSD	Peer Average
Average Beginning Salary	\$11.46	\$10.93	\$10.90	\$9.64	\$10.50
Average Ending Salary	\$15.66	\$14.01	\$13.40	\$14.83	\$14.08
# of Steps	25.0	15.0	30.0	13.5	19.5
Average Step Increase	1.46%	1.87%	0.76%	3.98%	2.21%

Source: Classified contract salary schedules for LCSD, King LSD, Northmont CSD, Oak Hills CSD

As shown in **Table 3-2**, LCSD’s average beginning and ending salary for food service staff is higher than each peer. Similarly, when comparing what appear to be like positions, LCSD’s starting and ending salaries were higher than at least two of the three peers. Therefore, LCSD should further review its food service salary schedule and consider renegotiation. This would be particularly important if the Food Service Fund encounters financial difficulties in the future. From FY 2002-03 to FY 2004-05, the District’s Food Service Fund has been self-sufficient.

## Recommendations

### *Staffing*

- R3.1 The Director of HR, Treasurer, and Superintendent should work together with educational and support administrators to develop a formal staffing plan that considers and includes student population, enrollment trends and workload measures. This can be aided by the staffing assessments in this performance audit and the ODE staffing analysis. A formal staffing plan will help the District ensure it maintains adequate staffing levels and meets State minimum staffing requirements. Furthermore, the District will have a better means of forecasting personnel costs and staffing needs.**

LCSD does not have a formal staffing plan. The Director of HR indicated that the District estimates staffing needs year-to-year based on available funding using human resource spreadsheets developed by the Treasurer's Office. In addition, ODE conducted a staffing analysis that was reviewed by the District on February 10, 2006. The analysis was prepared to assist the District in assessing staffing needs and future staffing patterns. The staffing analysis utilizes the Ohio Operating Standards and the Ohio Revised Code (ORC) when applicable.

Tulsa Public Schools (Oklahoma) has developed an extensive staffing plan, which outlines the allocation of regular and special education staffing, administrative, other instructional, clerical, custodial, and food service staff. The instructional and administrative allocations are based on student enrollment or student caseload for special education teachers. The other staffing allocations are derived from a variety of workload measures. For example, the determination of custodial staffing levels is based on a calculation using the number of teachers, students, and rooms, and the total area of the buildings. Food service allocations are determined using a minimum target meals per labor hour calculation established by the district. The staffing plan also outlines the procedure for developing staffing allocations for each area to achieve compliance with state mandates and alignment with the district's strategic plan.

*Strategic Staffing Plans* (The Society for Human Resources Management (SHRM), June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. *Staffing Strategy Over the Business Cycle* (SHRM, 2005) details how organizations may react to changes in the business cycle. It notes that an entity's staffing strategy should include a plan for how it

will implement its strategy at different points in the business cycle, including when a firm needs to temporarily or permanently reduce its workforce.

By using the staffing assessments in this performance audit and ODE's staffing review as a starting point, the District can work to develop a formal staffing plan to help ensure that personnel are allocated in an appropriate and cost effective manner.

**R3.2 LCSD should develop and implement policies and procedures for collecting, recording and submitting Education Management Information System (EMIS) data to ODE. Formal policies and procedures should include the roles and responsibilities of staff and departments involved in collecting data and reviewing EMIS reports, and the methods used to ensure the accuracy of data and adherence to the EMIS manual guidelines. Formally developed policies should help to ensure accurate and reliable EMIS reporting, particularly in periods of administrative turnover. This would also help ensure the District receives the appropriate level of State funding and help to benchmark its staffing levels to other school districts.**

ODE developed and implemented the Education Management Information System (EMIS) to assist school districts in effectively and efficiently managing student and personnel information. All districts are required to provide specific student, staff, and financial data to ODE for processing. The primary functions of EMIS are to meet State and federal reporting requirements; provide a streamlined system for districts to report the information necessary to receive state funding and determine eligibility for federal funding; establish an academic accountability system; and generate Statewide and district reports for stakeholders. The District indicated it follows the State guidelines in all matters pertaining to EMIS.

The Treasurer's Office enters and reviews EMIS staffing data, while the EMIS Coordinator and the Director of Curriculum validate EMIS data by using the EMIS manual and ODE reports. While the Treasurer indicated that EMIS data should be reliable now due to his review of the information and ODE's analysis in February 2006, District EMIS reports contained errors when he first became treasurer. The lack of formal processes and procedures governing the compilation, review and submission processes for EMIS data, coupled with high staff turnover, increases the risk of submitting inaccurate data which could adversely impact its State funding.

**R3.3 The District should examine and monitor its staffing levels in the Educational Service Personnel (ESP) category along with its historical and projected enrollment trends, and financial condition (see financial systems). The District could reduce 4 ESP FTEs based on FY 2005-06 data to be more consistent with the peer average. However, continued growth in student enrollment while maintaining current ESP**



staffing levels would naturally help to bring ESP staffing levels more in line with the peer average. Furthermore, it should be noted that the District reduced 1.0 ESP FTE for FY 2006-07.

According to OAC 3301-35-05, ESP staffing includes teachers of elementary art, music, and physical education; counselors; library media specialists; school nurses; visiting teachers; and social workers. OAC 3301-35-05(A)(4) requires school districts to employ a minimum of 5 ESP FTEs for every 1,000 regular students.

**Table 3-3** compares LCSD's FY 2005-06 ESP staffing per 1,000 regular education students and per 1,000 total students to the peer average.

**Table 3-3: LCSD and Peer District ESP Staffing**

	LCSD	Peer Average	Difference
<b>ESP Teachers</b>	18.0	17.6	0.4
<b>Counselors</b>	8.3	8.4	(0.1)
<b>Librarian / Media Specialist</b>	4.3	1.7	2.6
<b>School Nurses</b>	2.1	1.1	1.0
<b>Social Workers</b>	1.0	0.0	1.0
<b>Visiting Teachers</b>	1.0	0.0	1.0
<b>Total Education Service Personnel (FTE)</b>	<b>34.7</b>	<b>28.8</b>	<b>5.9</b>
<b>Total ESP per 1,000 Regular Students</b>	<b>8.4</b>	<b>7.3</b>	<b>1.1</b>
<b>Total ESP per 1,000 Students</b>	<b>7.3</b>	<b>6.4</b>	<b>0.9</b>

Source: LCSD and peer districts

As indicated in **Table 3-3**, LCSD employs more ESP FTEs per 1,000 regular students and per 1,000 total students, when compared to the peer averages. Of all the ESP categories, the largest variance between LCSD and the peer average occurs in the library media specialist category. LCSD employed 4.6 FTEs compared to the peer average of only 1.7 FTEs, which results in the District employing 0.45 more library media specialist FTEs per 1,000 total students (see **Table 3-1**). In contrast, LCSD employs 1.05 library technician/aid FTEs per 1,000 total students, which is equal to the peer average. When combining librarian/media specialists, technicians and aides, LCSD employs 1.94 FTEs per 1,000 total students, which is 30 percent higher than the peer average of 1.50. Additionally, LCSD employs 1.55 total library FTEs per school building, which is 58 percent higher than the peer average of 0.98 FTEs per school building.

To be more comparable to the peer average ratios of ESP FTEs per 1,000 regular students and per 1,000 total students, LCSD would need to reduce 4.0 FTEs. Furthermore, LCSD employs approximately 14 more ESP FTEs than required by the minimum ESP staffing requirements in OAC 3301-35-05(A)(4) of 5.0 FTEs per 1,000 regular students.

However, the District's enrollment has increased each year from FY 2000-01 to FY 2005-06, by an annual average of approximately three percent. Enrollment increased by 218 students or 4.6 percent in FY 2004-05, and by 240 students or 4.8 percent in FY 2005-06. Based on the average annual increase of three percent and FY 2005-06 ESP staffing levels, the District could reach the peer average of 6.4 ESP FTEs per 1,000 total students in FY 2009-10. Additionally, the District's March 2006 enrollment projections show an increase each year from FY 2006-07 to FY 2015-16.

### *Benefits*

**R3.4 Based its current financial condition and comparisons to the Kaiser survey, the District should review its healthcare plan provisions. However, it should balance potential changes in plan benefits with employee monthly contribution rate and its financial standing. For instance, during future negotiations, the District could consider increasing employee co-payments for physician visits and prescription drugs, and the annual employee out-of-pocket maximum. The District could also consider requiring employee cost-sharing for hospital visits and employee annual deductibles, as well as implementing appropriate utilization management provisions. Executing these measures could help the District reduce its health insurance costs, and subsequently improve its financial position (see financial systems).**

The District's medical coverage plan design is developed by LCSD's Insurance Committee, consisting of the Treasurer, the Superintendent or his designee, at least one Board member, and the employee bargaining units. LCSD offers employees partially paid major medical coverage through a preferred provider organization (PPO) plan.

The District's premium costs of \$360.17 for single and \$959.84 family in FY 2005-06 were slightly higher than comparable averages reported by SERB in 2004. However, when adjusting SERB data for inflation to reflect the FY 2005-06 time frame used for LCSD's data, the District's premiums are lower than the adjusted SERB state-wide average premiums, average premiums for PPOs, average premiums for similarly-sized school districts, and average premiums in the Cincinnati region. While the District's single family premium is lower than the average for the PPOs reported by Kaiser in the 2005 survey (\$381), its family premium is slightly higher than that reported by Kaiser (\$922).

**Table 3-4** compares LCSD's FY 2005-06 health care plan benefit coverage to the 2005 Kaiser survey results.

**Table 3-4: Healthcare Benefits Comparison**

<b>LCSD 2005-06 Benefits</b>	<b>2005 Kaiser Survey</b>
<b>Full-Time Employee Monthly Contributions to Premiums</b>	
Twenty Percent	All: 16% single (S), 26% family (F) PPO: 15% S, 25% F All State/Local Government: 9% S, 19% F PPO State/Local Government: 10% S, 20% F
<b>Co-payments for physician visits</b>	
<b>In Network</b> – \$10 per visit <b>Out of Network</b> – Deductible, then 80/20	2%: \$5 per visit 17%: \$10 per visit 29%: \$15 per visit 32%: \$20 per visit 12%: \$25 per visit 5%: \$30 per visit 3%: \$Other amount
<b>Multi-tier drug plan co-payments<sup>1</sup></b>	
<b>In Network</b> – \$5 generic drugs/\$12 preferred drugs <b>Out Network</b> – 50% co-pay, minimum of \$30 <b>Mail Order</b> - \$10 generic drugs/\$24 Preferred Drugs	\$10 generic drugs \$22 preferred drugs \$35 non-preferred drugs
<b>Average Annual Deductible</b>	
<b>In Network</b> – None <b>Out Network</b> – \$300/Single; \$600/Family	<b>Family</b> PPO (In Network) \$679 *Average includes covered workers who do not have a deductible  <b>Excluding covered workers who do not face a deductible:</b> <b>Family</b> PPO (In Network) \$952 <b>Single</b> \$323 \$455
<b>Average Cost Sharing for Hospital Visits<sup>2</sup></b>	
<b>In Network</b> – None <b>Out Network</b> – Deductible, then 80/20	<b>Average Hospital Deductible/Co-pay</b> All Plans: \$241 PPO: \$228 <b>Average Hospital Co-insurance: 16%</b> <b>Average Hospital Per Diem: \$163</b>
<b>Utilization Management Provisions</b>	
None	<b>Require Pre-Admission Certification for Inpatient Hospital Care:</b> 75% ~ Yes <b>Require Pre-Admission Certification for Outpatient Surgery:</b> 55% ~ Yes <b>Require Case Management for Large Claims:</b> 81% ~ Yes
<b>Annual Out of Pocket Maximums</b>	
<b>In Network</b>	<b>Single Coverage</b>

LCSD 2005-06 Benefits	2005 Kaiser Survey
Single Coverage - \$1,000 Family Coverage - \$2,000	9%: \$999 or less: 21%: \$1,000 - \$1,499 18%: \$1,500 - \$1,999 12%: \$2,000 - \$2,499 7%: \$2,500 - \$2,999 11%: \$3,000 or greater 22%: No Limit
<b>Out Network</b> Single Coverage - \$2,000 Family Coverage - \$4,000	<b>Family Coverage</b> 10%: \$1,999 or less 16%: \$2,000 - \$2,999 20%: \$3,000 - \$3,999 13%: \$4,000 - \$4,999 6%: \$5,000 - \$5,999 12%: \$6,000 or greater 22%: No Limit

Source: LCSD and the Kaiser Foundation 2005 Annual Survey

<sup>1</sup> As reported by Kaiser, a small percentage of plans have added a fourth tier of prescription drug cost sharing, with an average co-payment in that tier of \$74 and co-insurance of 43 percent. Kaiser also reports that 70 percent of covered workers have a three-tier prescription plan; 3 percent or less face both a co-pay and co-insurance for prescriptions; and 84 to 85 percent (excluding fourth tier) face only a co-pay.

<sup>2</sup> Only 3% of covered workers in the Kaiser survey face both a deductible/co-pay and co-insurance for hospital visits; 36% face only a deductible/co-pay; 10% face only coinsurance; 2% face a charge per day; and 48 percent have no separate cost sharing for hospital visits. The averages reported by Kaiser exclude workers who do not face these separate cost-sharing provisions

**Table 3-4** shows that the District’s 20 percent employee contribution to premiums is only lower than the overall average of all family plans and the average PPO family plan reported by Kaiser. However, **Table 3-4** indicates the other benefits at LCSD are more generous when compared to the Kaiser survey, as outlined in the following:

- **Co-payment for Physician Visits:** LCSD has a \$10 co-payment as do 17 percent of respondents in the Kaiser Survey. However, the majority of respondents (81 percent) in the Kaiser Survey had higher co-payments for physician visits.
- **Prescription Drug Co-payments and Deductible:** While organized in a three tier system, LCSD’s in-network prescription co-payments are lower than the Kaiser averages. However, LCSD’s co-payments for mail-order prescription are similar to the Kaiser survey.
- **Average Annual Deductible:** LCSD employees have no in-network annual deductible, while the average annual deductible reported by Kaiser was \$323 for single and \$679 for family in 2005. Even if employees select out-of-network providers, they pay \$23 less for single coverage and \$79 less for family coverage than

- the overall averages reported by Kaiser. Kaiser also reports that 71 percent of covered workers in PPO plans face an annual deductible for single and family coverage.
- **Average Cost Sharing for Hospital Visits:** LCSD does not have cost sharing for in-network hospital visit coverage. Kaiser reports that 52 percent of workers face some type of cost-sharing for hospital visits. Of these workers, Kaiser reports the average co-pay/deductible for all plans is \$241 and the average for PPOs is \$228; the average co-insurance rate is 16 percent; and the average hospital per diem rate is \$163.
  - **Utilization Management Provision:** LCSD's health care plan does not include a requirement for pre-admission certification for inpatient hospital care and outpatient surgery, and does not require case management for large claims. However, a majority of workers in the Kaiser Survey were required to submit a pre-admission certification for outpatient surgery and case management for large claims, in addition to pre-admission certification for inpatient hospital care.
  - **Out-Of-Pocket Maximum:** LCSD has an annual out of pocket maximum of \$1,000 for single coverage and \$2,000 for family coverage, which is on the low end of the 2005 Kaiser survey results. More specifically, the Kaiser survey found that only 30 and 26 percent of employees face an annual out of pocket maximum of less than \$1,500 for single coverage and less than \$3,000 for family coverage, respectively.

As previously mentioned, the District's premiums appear low when compared to the adjusted data reported by SERB and comparable to the 2005 Kaiser survey results, while the monthly employee premium contributions generally appear reasonable when compared to Kaiser. Nevertheless, reviewing and modifying the District's health care benefit levels can help to control, and potentially reduce, costs while still providing fair benefits to staff. This, in turn, can help improve the District's financial condition (see **financial systems**).

**R3.5 LCSD should consider negotiating an increase in the certificated employee contribution for dental insurance to 20 percent, similar to classified staff. This would reduce dental premium costs for the District and ensure equitable treatment among employee groups. Furthermore, the District should review the dental plan benefit levels to identify changes that would help reduce the premium costs for the family plan.**

LCSD's classified employee contributions for dental insurance are 20 percent, which is higher than the certificated employee contribution of 10 percent. **Table 3-5** compares the monthly dental premiums for LCSD to the 2004 SERB average and adjusted 2005

average<sup>3</sup>. Additionally, **Table 3-5** includes employee contribution amounts for LCSD. SERB did not report employee contributions for dental premiums.

**Table 3-5: Monthly Dental Premiums**

	LCSO Dental Premiums <sup>1</sup>	LCSO – Employee Contribution	SERB 2004 Report	SERB Adjusted Reflect 2005
<b>Dental Plan Coverage Average Annual Premiums</b>	<b>Single:</b> \$28.57 <b>Family:</b> \$87.08	<b>Certificated:</b> <b>Single:</b> \$2.86 <b>Family:</b> \$8.70  <b>Classified:</b> <b>Single:</b> \$5.70 <b>Family:</b> \$17.42	<b>Single:</b> \$34.87 <b>Family:</b> \$66.11	<b>Single:</b> \$40.00 <b>Family:</b> \$75.83

Source: LCSO negotiated agreements, SERB 2004 Annual Report

<sup>1</sup> LCSO dental premiums were effective January 2006.

As shown in **Table 3-5**, the dental premiums for the single plan is 29 percent lower than the adjusted SERB average, while the premium for the family plan is 15 percent higher than the adjusted SERB average. Furthermore, the District requires certificated staff to contribute a lower percentage of the premium than classified staff. In addition to increasing the dental costs for LCSO, requiring varying levels of employee contributions creates inequity in the level of benefits provided by the District.

*Financial Implication:* If certificated employees contributed 20 percent of dental premium costs, the District could save approximately \$9,800 annually. This is based only on the single plan premiums and assumes each certificated employee participates in the single plan to provide a conservative estimate.

*Collective Bargaining*

**R3.6 The District should adopt and document written qualifications, responsibilities and training requirements for its negotiating team members. Accordingly, the District should ensure assigned staff members receive appropriate training on a regular basis (e.g., annually) to enhance their knowledge of the negotiating process, issues, and legislative mandates.**

The HR Director stated there are no formal, documented qualifications and training requirements for negotiating team members. Additionally, formal collective bargaining training has not been provided to the negotiators. The District has developed a written document describing procedures for negotiations, which states that bargaining team

<sup>3</sup> To account for inflation in the SERB data, the percentage change in premium costs between 2003 and 2004 was used to project 2005 SERB premiums.

members agree to use Interest-Based Bargaining (IBB) as for the approach to negotiations. Nevertheless, the lack of formally documented qualifications and training requirements may result in team members acquiring only limited knowledge of negotiating skills and techniques used to effectively implement IBB and other negotiating strategies.

According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), school districts should maintain an effective collective bargaining process. The district negotiators should receive training to enhance negotiation knowledge and skills. Moreover, the roles and responsibilities of the negotiator, superintendent, and school board during the negotiating process should be clearly defined.

*Collective Bargaining and Labor Relations* (Herman, 1998) states the effectiveness of a bargaining team is determined by its ability, knowledge, and experience. A team well-versed in tactics, strategy, and timing will be in a better position to avoid impasses and strikes, and will end up with a better agreement than a team composed of inexperienced members.

Several organizations provide training in negotiations. The State Employment Relations Board (SERB) will provide organizations with training in the rules and techniques of collective bargaining. In addition to providing mediation services, SERB's Bureau of Mediation offers training for establishing effective labor management committees and for interest-based or modified traditional bargaining. The Ohio School Boards Association (OSBA) also offers different types of training for school boards, including collective bargaining and issues related to collective bargaining. OSBA also released *Collective Bargaining Outlook for 2006* which looks at current trends in the bargaining process.

Formally defining roles and responsibilities for the team designated to represent the District during contract negotiations, and providing relevant and regular training would help LCSD avoid agreeing to costly or problematic provisions in future negotiations.

- R3.7 LCSD should ensure sick leave use is effectively monitored and current policies are enforced. The District should include prohibitions against pattern abuse in sick leave policies, which may require negotiation. Furthermore, the District should negotiate to include disciplinary actions in collective bargaining agreements as a result of misusing or abusing sick leave. However, the District should avoid negotiating a specific threshold for when such actions can take place. This would provide LCSD with flexibility to proactively evaluate each potential instance of misuse or abuse based on the related circumstances.**

The District's sick leave policies are in the collective bargaining agreements and contain information on sick leave accrual rates, reasons sick leave may be used, and requirements for when a physician's statement is required. LCSD's classified and transportation contracts have additional disciplinary procedures for absenteeism. If an employee is absent more than six times, disciplinary procedures may take effect that start with a verbal reprimand, followed by written reprimand, suspension without pay, and possible termination after the eleventh occurrence.

LCSD's classified staff averaged 78.4 sick leave hours per employee in FY 2005-06. This was 36 percent higher than the average reported by the Ohio Department of Administrative Services (DAS) of 57.8 hours for state employees covered by the Ohio Civil Service Employees Association, Local 11 American Federation of State, County and Municipal Employees (AFSCME) in FY 2005. LCSD's certificated staff used 55.8 sick leave hours per employee in FY 2005-06, which was 9 percent higher than DAS' average reported for state employees covered by the State Council of Professional Educators, Ohio Education Association's (SCOPE) collective bargaining agreement (51.3 hours).

Although LCSD's collective bargaining agreements contain some policies concerning sick leave, the relatively high level of sick leave use could be attributed to ineffective monitoring and the absence of additional sick leave policies. For instance, contrary to LCSD's collective bargaining agreements, both the SCOPE and AFSCME collective bargaining agreements (2003-2006) with the State of Ohio contain a provision regarding pattern abuse, defined as consistent periods of sick leave use. Both agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

In addition, both the SCOPE and AFSCME agreements contain progressive disciplinary procedures up to termination. In contrast to LCSD's classified and transportation agreements, however, they do not specifically indicate when the progressive disciplinary procedures can commence and result in termination. Rather, they both state that "when unauthorized use, or abuse of sick leave is substantiated, the Agency Head or designee will effect corrective and progressive discipline, keeping in mind any extenuating or



mitigating circumstances.” While including language in the collective bargaining agreement to identify disciplinary actions for sick leave abuse can help address related cases, defining the threshold for when such actions can occur may preclude LCSD from implementing the actions before misuse or abuse becomes significant. For example, assuming an 8-hour work day for each occurrence, a classified employee can use up to 88 sick leave hours before termination. This is significantly higher when compared to DAS AFSCME average sick leave hours per employee of 57.8 in FY 2005. The classified and transportation agreements do enable the District to accelerate disciplinary procedures, but only if an employee fraudulently reports the use of leave. Lastly, 25 percent of respondents to the AOS survey of District employees indicated that current discipline procedures are fair and effective, with 24 percent providing a neutral response (see **Appendix 3-A**).

*The Role of Managers/Supervisor in Absenteeism Management* (University of Saskatoon in Saskatchewan, Canada, 2004) suggests that in order to effectively manage sick leave abuse, organizations should:

- Conduct 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 a high rate of absences.

According to the article *Sick Leave Abuse: A Chronic Workplace Ill* (American Society for Public Administration, April 2002), legal experts indicate that having a clearly written policy that specifies the organization’s standards and employee requirements, including disciplinary actions for policy violation, is necessary to discipline employees with attendance problems. Just as an employer analyzes turnover, organizations should look at sick leave trends. Doing so would help determine when sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively:

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.
- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems.
- Learn to say “No.” Employers should not let employees get away with abusing leave policies.

- Use procedures, regulations, practices and knowledge to benefit management as well as the employee.
- Document everything to learn from past mistakes.

In an effort to address high sick leave use, the Lakota Local School District (Butler County) included stricter procedures for managing employee sick leave usage in its classified contract ratified in 2004. The contract states the employee's supervisor is responsible for monitoring attendance and for counseling the employee on use of sick leave. The supervisor may review the attendance record with an employee and discuss possible ways to improve attendance. The administration will request a meeting with the president of the association to decide if the bargaining unit member should be placed on leave probation status if a member meets **any** of the following conditions:

- Has a disproportionate number of absences on a Monday and/or Friday;
- Has a disproportionate number of absences in any combination of sick leave, and/or compensatory time, and/or personal leave;
- Has a continuous pattern of exhausted accumulated sick leave, personal leave, or compensatory time; and/or
- Has used the following number of sick leave days in a contract year: 8 sick days for a 260 day contract employee, 7 sick days for a 239 day contract employee, and 6 sick days for all other employees.

Lakota LSD reduced temporary substitute costs by 33 percent in FY 2004-05 and by 68 percent in FY 2005-06 (as of June 16, 2006), which can be attributed to the aforementioned language in its classified contract. In addition, a Lakota Local School District elementary school sets targets for staff attendance that are monitored in monthly meetings.

*Financial Implication:* By reducing the average annual sick leave taken for certificated employees from 6.97 days to the DAS average of 6.41 days, the District could save approximately \$14,800 in annual certificated substitute costs, based on the District's daily substitute rate of \$78.

**R3.8 During the next round of contract negotiations, the District should consider reducing the maximum sick leave payout at retirement, holidays, and vacation days. Renegotiating these items may increase productivity and/or reduce costs (e.g., overtime and substitutes).**

The severance package offered by the District exceeds ORC §124.39 minimum standards for the payment of unused sick leave. LCSD certificated employees can receive a maximum sick leave paid out at retirement of 53 days; and classified employees can

receive a maximum sick leave paid out at retirement of 55 days. According to ORC §124.39, if an individual retires from active service with ten or more years of service with the State, they are entitled to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit up to 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of thirty days of the employee's unused sick leave, or allowing the number of years of service to be less than ten.

LCSD allows 12-month classified employees 10.5 paid holidays, 3.5 more holidays than required by ORC §319.087. In addition, classified employees working less than 12 months receive seven paid holidays. By comparison, ORC §319.087 indicates that nine or 12 month employees receive six paid holidays, while those working less than nine months are entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment. Furthermore, the District provides classified employees with 1-7 years of service two weeks of vacation; 8-14 years of service 3 weeks of vacation; 15-24 years of service 4 weeks of vacation leave; and employees with over 25 years of service 5 weeks of vacation leave. This is higher when compared to the minimum vacation requirement in ORC §3318.084, which indicates the following number of vacation weeks:

- One to nine years: two calendar weeks;
- Ten or more years: three calendar weeks; and
- Twenty or more years: four calendar weeks.

Allowing a higher number of sick leave days paid out at retirement than ORC minimums increases the District's long term liability. While the District still pays full-time staff regardless of whether they work or take time off, providing more paid holidays and vacation days decreases the number of work days. This, in turn, reduces productivity. In addition, providing more vacation can potentially increase the need for substitutes and overtime.

*Financial Implication:* By reducing the maximum sick leave days paid out to 30 days for all staff, the District could realize cost avoidance of approximately \$7,000 for a certificated employee and \$2,800 for a classified employee. This assumes that both employees would have received the maximum payouts in the current collective bargaining agreements. By reducing vacation provisions for year-round classified employees, the District could increase productivity and reduce costs that could be partially attributable to higher vacation leave (e.g, overtime and substitutes).

*Human Resources Management*

**R3.9 LCSD should develop a formalized recruiting process for new certificated employees that incorporates suggestions from the National Education Association (NEA) and other applicable sources. In particular, the District should use a recruitment team to help collect data, evaluate the District's needs, identify resources and recommend changes in practices. A formalized recruiting process would help the District attract and retain qualified employees.**

LCSD does not use formally documented recruiting practices or a recruitment team for assessing its staffing needs or hiring prospective employees. The Director of HR indicated the District has some difficulties recruiting science and math teachers because of staffing shortages in these subject areas. According to the Director, the process of hiring teachers includes soliciting applications mainly through word of mouth advertising and networking. The District then obtains the applicants' Gallup Teacher Insight (TI) Scores and uses these to narrow the list of applications. TI scores are a better predictor for teacher success than only an interview analysis, according to the District. Therefore, applicants with high TI scores are selected and invited for interviews. After the initial interviews, the Director of HR selects up to five candidates for each open position, and forwards the list to the school building that is in need of teachers. The applicants are interviewed for the final time and are given a lesson plan, 30 to 45 minutes to prepare with needed resources, and then they teach the plan for 20 minutes to children or the interview panel. The panel observes the candidate and completes an analysis with a checklist of things to look for. However, without a formalized recruitment process, LCSD may not effectively assess staffing needs, resources, and work-place culture; and may not have valuable information to identify recruiting trends and progress towards meeting recruitment goals. Developing a formal recruiting plan becomes increasingly important in light of the District's growing enrollment.

*Meeting the Challenges of Recruitment and Retention* (National Education Association (NEA), 2003) recommends the following steps for establishing an effective recruitment plan:

- **Gather a recruitment team:** A district should gather a committed and diverse recruitment team to help collect data, evaluate a district's needs, identify resources, and recommend a list of desired changes in policies and practices.
- **Assess needs:** A thorough assessment will examine anticipated retirements, expected attrition, and student demographics to determine just how many new teachers will be needed. It will also consider how diverse the teaching staff should be, define what

- kinds of skills and knowledge new teachers should possess, and specify which grade levels, subject areas, and school buildings are likely to have the greatest need.
- **Examine existing culture:** A district should determine what might keep applicants from coming to a particular school or school system. The quality of a school's workplace environment can be used as a recruitment tool. Teachers share the reputation of their school with the community, the university, and even the media. Successful recruiters examine their culture, policies, and practices honestly.
  - **Clarify the mission:** Successful recruiters know their mission and can clearly communicate it to potential applicants. Recruiters must determine what characterizes their district and community culture, and how this will affect the kinds of applicants they will seek out.
  - **Identify the target audience:** Identifying a target audience requires not only knowing who you are looking for but determining how best to appeal to those people. Effective recruiters ask themselves how they are going to sell teaching as an attractive profession and their school district as the most attractive place to teach.
  - **Involve the community:** Successful recruitment campaigns develop a comprehensive package that sells not only a district's schools but the surrounding community to potential applicants. An essential component of such a campaign is persuading businesses and community leaders to buy into recruitment initiatives.
  - **Collect data:** Having accurate data is essential throughout the recruitment process. The data enables a recruitment team to conduct an initial needs assessment, to be sure its program is working, and to assess future needs. It also provides a district with the figures necessary to make a compelling case when soliciting legislative support for recruitment programs. Effective recruiters establish a systematic way to determine and track which recruitment strategies are attracting applicants and which are not.

According to *Best Practices for Non-Profit Hiring* (SHRM, 2003), the following hiring practices best develop a strong and committed staff:

- Establish a schedule for the hiring process;
- Hire for talent and skill, not personality;
- Network and think creatively about how to reach applicants without relying exclusively on advertisements;
- Market the job accurately;
- Establish a hiring team for objectivity in the process;

- Listen in the first interview, talk in the second;
- Focus the interview on the desired attributes and competencies;
- Avoid hiring from a field of one;
- Review performance expectations; and
- Follow through as the hiring process is not over until the candidate completes the first few months on the job.

**R3.10 LCSD should create job descriptions for all positions. In addition, it should develop a formal schedule to review all position descriptions and update them as needed, to ensure that qualifications, responsibilities and work hours are accurate and current. LCSD should also consider comparing current job duties to job descriptions as part of annual performance evaluations or when positions become vacant. During the course of this audit, the HR Director began the process of updating job descriptions.**

The Director of HR stated that job descriptions exist for most positions, but are not reviewed and updated on a regular basis. The Director of HR estimated that job descriptions were last updated in the 1980's. Since that time the District's organizational structure has changed, positions have been added and eliminated, and titles have changed, thus job descriptions may no longer represent the current duties and responsibilities nor reflect the required qualifications. For example, the job description for the Director of Technology does not reflect the correct title and indicates that the position was previously created as a reporting subordinate to the Director of Instruction. The job description for the Computer Technician is also outdated since the position only lists basic computer skills as the level of expertise. The job functions appear to reflect communication functions rather than the direct support issues which constitute the actual job function. In addition, the Director of HR was hired in January, 2006; however, the job description had not been finalized. Furthermore, 7 percent of respondents to the AOS employee survey disagreed that their job description accurately reflects daily routine, with nine percent being neutral (see **Appendix 3-A**). Without accurate and current job descriptions, the District does not have a good basis for evaluating employee performance and employees cannot be fully versed in the requirements of their jobs.

*Job Descriptions: an Overview* (SHRM, 2002) states that job descriptions have the potential to become the subject of contention, including grievances or litigation. To ensure accuracy, an employer should designate one party (i.e. supervisor) as having the primary responsibility for keeping them current. In addition, the employer should have a plan for reviewing job descriptions regularly. A plan of this type should reflect the personnel resources available to do the review and the characteristics of the job content. Some jobs are dynamic, changing rapidly and extensively (due to technological or organizational considerations). As a result, the employer should review these job descriptions often.

Furthermore, OPPAGA states that a district should maintain up-to-date, clear, concise, and readily accessible job descriptions that accurately identify the duties of each position. OPPAGGA also indicates that the job descriptions should reflect the education, experience, knowledge, skills, and competency levels required for each class of position and for each district-level administrative position.

**R3.11 LCSD should formally track employee turnover for all employees and conduct exit interviews. Additionally, the District should regularly (e.g., annually) distribute and use employee satisfaction surveys to measure factors such as work environment, employee morale and general satisfaction, safety, operational problems and concerns, and opportunities for professional development. Taking such measures may help develop strategies for employee retention, reduce future District turnover, and identify employee concerns. Furthermore, the District should review the survey administered by AOS (see appendix 3A) and corresponding recommendations, and begin to address problem areas. LCSD could use the AOS survey to help in developing a more customized and detailed future survey of its human resource operations. As the District administers subsequent surveys, it should track progress in addressing the issues identified.**

LCSD does not conduct formal exit interviews or track reasons for employee turnover. The Treasurer's Office maintains a list of every employee who has left the District and retirement information. Excluding retirement, the District does not compile information on reasons why employees leave. LCSD has attempted to obtain feedback from employees on work climate through employee surveys and focus groups. According to the Director of HR, the District conducted focus groups in 2002 in an attempt to gauge worker satisfaction and identify problems in the school buildings; conducted the Ohio Pilot Teacher Working Condition Survey in 2003 to identify teachers' needs and issues; and conducted an on-line staff survey in 2005.

Historically, the District did not have a position for human resources to help regularly track employee turnover, conduct exit interviews, and regularly (e.g., annually) survey all employees. By not tracking reasons employees leave the District and regularly surveying all staff, LCSD cannot obtain valuable knowledge on working conditions and job satisfaction that affect turnover rates, morale and productivity. Moreover, survey results, while reflecting District employee opinions, can be used to identify areas that should be reviewed for improvement in human resource operations.

According to OPPAGA, districts should use the following methods to obtain information on employee working conditions to reduce turnover:

- 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;
- Conduct exit interviews with employees who terminate employment and compile the results of these interviews; and
- Maintain historical data on turnover rates for major classes of employees and monitor this data to identify unusual variations.

According to *Developing and Delivering Climate Surveys and Employee Satisfaction Surveys via Corporate Intranet* (Connelly, 2001), published by SHRM, employee satisfaction surveys can be conducted with all staff to reveal current employee thoughts on the general work environment in order to maximize employee performance and minimize turnover. AOS administered an employee survey to obtain feedback and perceptions concerning human resource services. **Appendix 3-A** at the end of this section presents the human resource portion of the survey. The following highlights key points from the survey that have not been specifically mentioned in the other assessments in this section:

- **Overall Satisfaction with Human Resources:** Only 41 percent of respondents agree or strongly agree with how human resource activities are managed in the District, with 22 percent disagreeing and 23 and 14 percent having neutral or no opinions, respectively. Likewise, only 43 percent are satisfied with the overall effectiveness of human resource management policies and procedures, with 24 percent disagreeing and 22 and 11 percent having neutral or no opinions, respectively.
- **Employee Satisfaction:** Only 37 percent of the respondents feel that employee satisfaction and morale is positive, with 41 percent disagreeing and 21 percent having neutral opinions.
- **Cross-Training:** Only 33 percent of respondents indicated that cross-training has been implemented in their department, with 24 percent disagreeing, 24 percent being neutral, and 18 percent with no opinion.

According to *Tips and Techniques for Successful Exit Interviews* (Work-force Management), the following strategies can be used in developing and performing effective exit interviews:

- Select carefully and train the people that are going to be doing the interviews;
- Do not ask people to fill out a 10-page questionnaire and mail it to an anonymous mailbox;



- Note that where separations are not voluntary and/or where the exiting employee is “emotionally charged,” delay the interview for two or three months;
- Make it about the employee;
- Use the exit interview to build a “parting relationship”; and
- Use the information and knowledge collected to assist with making future recruitment decisions, identify strategies to better retain staff, and improve the work environment.

### *Human Resources Technology*

**R3.12 The Director of HR, Treasurer and Director of Curriculum and Technology should work together when evaluating human resources technology and making upgrades. These employees should help determine whether the current Uniform Staff Payroll System (USPS) meets LCSD’s human resources technology needs.**

The Treasurer’s Office uses the Uniform Staff Payroll System (USPS) to track human resource data, including payroll information, personnel information, attendance information, and other staffing information used for EMIS reports. The Treasurer indicated a lack of professional development and prospective employee application tracking as current deficiencies. However, the Director of HR noted the District lacks a specialized human resources information system (HRIS) and may not be aware of the current USPS software functionality pertaining to human resources. By not ensuring that employees responsible for human resource activities are aware of current technology, the District increases the risk of not maximizing current technological capabilities, and purchasing and maintaining additional, duplicative systems.

CDG and Associates in *Personnel Matters* (CIO Magazine, 1995), recommends the following steps in preparing to implement HRIS:

- Create a project team upfront that includes representatives from HR and information technology. If the information technology group does not have expertise in a particular technology, hire a consultant with relevant experience.
- List attributes of any HR-related systems that are in place. Make note of what the systems do well, what needs improvement, and what functionality is missing. Pay particular attention to existing functionality so that it does not become lost when replaced by a new system.
- Before meeting with vendors, list any specific requirements necessary to facilitate a customized product demonstration. Never base a purchase decision on a canned demonstration.

- During a demonstration, all members of the evaluation team should be present. If integration is a goal, everyone should be around for the entire demonstration.
- Hold a debriefing session as soon as possible after each demonstration.

By having the Treasurer, Director of HR, and Director of Curriculum and Technology collaboratively assess the human resource functionality of USPS, the District would better ensure that current capabilities are maximized and meet its needs. This, in turn, would avoid costs related to implementing another system that would not significantly improve the current system's functionality.

**R3.13 LCSD should consider implementing an automated substitute calling system. An automated substitute system should improve the communication, reporting and management of the substitute system. It would also enable the District to eliminate the substitute caller position.**

LCSD uses a manual system for placing substitute teachers. The District employs a substitute caller who works from home and has a voicemail number that teachers call to request for substitutes. The substitute caller then returns the calls to obtain the information needed to find the appropriate placement. The substitute caller does not record or determine the error rate but estimated that, on average, the voicemail system may miss one call from teachers every two weeks. Without an automated substitute calling system, the District spends extra time calling and obtaining substitutes and can not easily track absence data and substitute information.

Automated substitute calling systems are web-based and/or phone-based systems that automatically contact substitutes from a pre-established list. One vendor indicates that its system allows principals to easily access real-time reports, empowering them to manage employee absenteeism to reduce costs. School administrators could enter and modify absence data, assign substitutes and access reports for their schools anywhere in real-time.

According to another vendor, the benefits of an automated phone-based substitute calling system include the following:

- Eliminates the labor intensive task of calling substitutes manually;
- Links teachers to preferred substitutes or substitute groups;
- Allows staff members who do not need substitutes to use a separate code;
- Establishes district-specific calling times;
- Allows individual substitutes to choose their own calling times;

- Prints a listing of absent teachers and arranged substitutes at a school each morning; and
- Allows prioritization of a school's substitute lists.

*Financial Implication:* The initial cost of a phone-based automated substitute calling system would be approximately \$1,200 for software, training and a telephone device license fee, as well as annual maintenance and support fees of approximately \$300 thereafter. By eliminating the substitute caller position, the District would save approximately \$9,200 annually.

### *Board Governance*

**R3.14 The Board should develop a self-evaluation process to assess its performance on an annual basis. Evaluations should be based on community input (e.g., surveys and complaints), as well as standards and goals established by the Board. By doing so, the Board will be in a better position to understand and address the community's priorities and concerns, and ensure it is operating in an effective manner.**

Although the Board has written policies that clearly delineate its roles and responsibilities, it does not have a self-evaluation process to assess its performance. Additionally, the Board does not use community surveys or track complaints to gauge performance. According to the AOS employee survey (see **Appendix 3-A**), 25 percent of respondents indicated the Board does not monitor its performance or the achievement of its goals, with 33 percent being neutral. Without a self-evaluation process, the Board does not have an effective method to gauge its performance in serving the District and community, and may have a difficult time accurately identifying community concerns and priorities.

According to *Key Work of School Boards Guidebook* (National School Boards Association (NSBA), 1996), there are clearly delineated roles and responsibilities for the school board and the superintendent pertaining to District-wide vision and planning, standard setting, assessment, accountability, resource alignment, climate setting, collaboration and continuous improvement. According to *Becoming a Better Board Member* (NSBA, 1996), many school boards attempt to evaluate themselves by assessing public opinion. If there are few complaints from members of the community and staff, school boards believe they are performing their responsibilities effectively. Some appointed board members view reappointment as an affirmation that they are doing a good job. While public opinion can provide an informal evaluation of a board, it cannot provide the kind of formal evaluation a school board really needs. Instead, board members should engage in regular self-evaluations to ensure that they continue to

exercise the most effective leadership possible. Examples of self-evaluation elements include the following:

- The evaluation should be constructive.
- Board members should develop standards against which they will evaluate themselves.
- Evaluations should be based on the goals the board sets for itself, rather than goals for the entire school district.
- The evaluation process should include board establishment of goals and strategies for improving performance.
- Formal evaluations should occur at least once per year.
- A composite picture of board strengths and weaknesses is best.
- The board should be evaluated as a whole, not as individuals.

*Becoming a Better Board Member* further notes that assessing comments and criticism from constituents, and examining the minutes of board meetings can serve as informal methods of evaluation. Using questionnaires is a popular technique that can make evaluations more manageable by listing the criteria to measure the board's performance. Moreover, *Becoming a Better Board Member* references various evaluation instruments developed by organizations to help boards evaluate their performance, including one developed jointly by the National School Boards Association and the American Association of School Administrators, as well as others developed by David B. Martin of the Ohio School Boards Association, Albert E. Holliday of the Journal of Educational Communications, and the Institute for Educational Leadership.

**R3.15 The District should develop a formal orientation program for Board members and ensure ongoing training is provided. This would help ensure Board members understand their roles and responsibilities in effectively governing and overseeing the District.**

Based on an AOS survey, Board members indicated that training was an issue of concern (see **Appendix 3-A: Table 3-7**). Specifically, only one out of four Board members responding to the survey agreed that they received sufficient orientation training or on-going training in areas pertinent to their roles. The remaining three Board members either were neutral, disagreed or strongly disagreed that they received sufficient orientation training or on-going training. In addition, when responding to the statement "I have been provided information on how to access District staff for appropriate information," one member disagreed while the remaining three were neutral. Only one person agreed that Board members are provided with information on how to direct staff to respond to constituent inquiries, while one disagreed and the remaining two were neutral.

While the District has policies for Board member orientation, it lacks a formal orientation program. According to District policy, new Board members are to receive orientation training. The primary purpose of this program is to acquaint new members with the procedures of the Board, the scope of its responsibilities and to assist them to become informed and active Board members. If the District does not ensure Board members receive appropriate orientation and on-going training, they may not fully understand their roles and responsibilities to effectively govern and oversee the District.

According to OPPAGA, new board members should receive orientation training when they first join board. According to *Becoming a Better Board Member* (NSBA, 1996), a board should have an orientation and in-service program for its members to ensure they understand expectations, evaluation criteria, and board goals (see **R3.14** for more information on evaluation and goals). *Becoming a Better Board Member* offers tips on preparing new board members for their service from the Michigan Association of School Boards (MASB). They include developing a written orientation plan for new board members and involving staff in board member orientation, especially those who have major responsibilities and expertise in certain areas.

**R3.16 The Superintendent and Board members should work together to implement a regular process for reviewing and updating Board policies. Doing so would ensure policies reflect current practices and clarify vague or misinterpreted language.**

In their responses to the AOS survey, Board members disagreed with the statement that written policies and procedures are routinely updated to ensure that they are timely, relevant and complete (see **Appendix 3-A, Table 3-7**). One Board member strongly disagreed with this statement, two Board members disagreed, and one Board member was neutral. If Board policies are not reviewed and updated regularly, they may not reflect current practices, and fail to incorporate innovative practices that would benefit the District.

The current Board policy on review and evaluation states the following: “In an effort to keep its written policies current so that they may be used consistently as a basis for Board action and administrative decision, the Board will review its policies on a continuing basis. The Board will evaluate how the policies have been executed by the school staff and will weigh the results. It will rely on the school staff, students and the community for providing evidence of the effect of the policies which it has adopted. The Superintendent is given the continuing responsibility of alerting the Board of any policies that are outdated or need revision. To accomplish this, the Superintendent may request input from the Board or Board Advisory Committee.”

According to *Becoming a Better Board Member* (NSBA, 1996), a board usually relies on the administration for the enforcement and periodic evaluation of policies. It may require (usually in a policy) that the Superintendent call attention to policies that are out-of-date or in need of revision. The policy-writing and revision process is essentially the same for amending rules to meet changing needs, to clarify vague or misinterpreted policies, or to comply with new laws or court decisions.

## Financial Implication Summary

The following tables represent a summary of the annual costs, one-time costs, and annual savings associated with the recommendations in this section of the report. Recommendations are separated based on whether or not they require negotiations. Implementation of those recommendations requiring negotiation would necessitate the agreement of affected bargaining units. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications for Human Resources

	Estimated Annual Costs	Estimated One-Time Costs	Estimated Annual Savings
<b>Recommendations Not Subject to Negotiation</b>			
<b>R3.13</b> Purchase an automated substitute tracking system	\$300	\$1,200	\$9,200
<b>Recommendations Subject to Negotiation</b>			
<b>R3.5</b> Increase the certificated staff contribution for dental insurance premiums to 20 percent			\$9,800
<b>R3.7</b> Develop strategies to monitor and control sick leave			\$14,800
<b>R3.8</b> Reduce the number of sick leave days paid out at retirement to 30 days for certificated and classified staff			\$9,800
<b>Total Recommendations</b>	<b>\$300</b>	<b>\$1,200</b>	<b>\$43,600</b>

## Appendix 3-A: Employee and Board Surveys

An employee survey was distributed by email to LCSD employees during the course of this audit. The purpose of the survey was to obtain feedback on a variety of subjects and to gauge the perceptions of customer services and related issues in the human resource area. Responses were received from 227 of 618 employees, for response rate of 37 percent. Survey responses were made on a scale of 5 to 1, where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 3-6** illustrates the results.

**Table 3-6: Employee Resource Survey Results**

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>No Opinion</b>	<b>Average Response</b>
<b>Job Description</b>							
I am aware of the duties required in my job description.	0% (0)	0% (0)	1% (3)	27%(57)	<b>71% (151)</b>	1% (1)	4.71
My job description accurately reflects my actual daily routine.	0% (0)	7% (14)	9% (20)	41%(87)	<b>42% (90)</b>	1% (1)	4.21
I have sufficient resources to fulfill my responsibilities.	3% (7)	17%(36)	12%(26)	<b>47%(99)</b>	21% (44)	0% (0)	3.65
I receive adequate on-going training to fulfill my job duties.	1% (2)	7% (14)	11%(24)	<b>55%(117)</b>	25% (53)	1% (2)	4.00
Cross-Training has been implemented in my department	5% (11)	19% (40)	24% (51)	<b>25% (54)</b>	8% (17)	18% (39)	3.67
<b>Performance</b>							
Our department could effectively maintain productivity in the event of a short-term absence.	3% (6)	11% (24)	8% (18)	<b>49%(103)</b>	28% (59)	1% (2)	3.90
The Board of Education monitors its performance and achievement of its goals.	4% (8)	21% (45)	33% (69)	<b>26%(55)</b>	8% (17)	8%(18)	3.39
I am aware of the Board of Education's achievement goals.	7% (15)	28%(59)	22%(46)	<b>32%(67)</b>	8% (17)	4% (8)	3.87
<b>Evaluation</b>							
I am evaluated annually.	2% (5)	16%(33)	10%(21)	<b>35%(75)</b>	35% (74)	2% (4)	3.91
The evaluation process provides timely and relevant feedback.	1% (3)	8%(18)	13%(27)	<b>40%(85)</b>	34% (72)	3% (7)	4.07
Evaluations are done in accordance with collective bargaining contracts.	1% (1)	1% (3)	7%(15)	<b>42%(90)</b>	39% (83)	9% (20)	4.47



	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>No Opinion</b>	<b>Average Response</b>
The evaluation form used is relevant to my job duties.	1% (3)	8% (16)	10%(22)	<b>44%(94)</b>	34% (72)	2% (5)	4.09
Management responds and acts on recommendations made in evaluation sessions.	1% (2)	6% (13)	25%(53)	<b>37%(78)</b>	21% (44)	10% (22)	4.01
<b>Sick Leave/Substitutes</b>							
The District's employee's sick leave policy is too lenient.	29%(61)	<b>41%(86)</b>	15%(31)	6% (12)	3% (7)	7% (15)	2.35
The District's employee substitutes are qualified and effective.	4% (9)	14%(30)	28%(59)	<b>45%(95)</b>	5% (11)	4% (8)	3.44
Current substitute system is effective in placing substitutes.	6% (12)	6%(12)	17%(35)	<b>48%(102)</b>	19% (40)	5% (11)	3.84
<b>Certification</b>							
I am aware of few lapses in certificate/licenses due to lack of management oversight.	13%(27)	15%(31)	20%(42)	18%(38)	12% (26)	<b>23% (48)</b>	3.70
<b>Human Resources</b>							
I am satisfied with how human resources activities are managed in the District.	4% (8)	18% (39)	23%(48)	<b>30%(64)</b>	11% (24)	14% (29)	3.68
I am satisfied with the overall effectiveness of Human Resources management policies and procedures.	3% (6)	21% (45)	22%(47)	<b>32%(67)</b>	11% (24)	11% (23)	3.60
I am informed of changes in District policies and procedures.	4% (8)	17% (36)	23% (49)	<b>44%(93)</b>	10% (22)	2% (4)	3.46
The Districts overall recruitment process is effective.	3% (7)	8% (18)	23%(48)	<b>42%(88)</b>	13% (28)	11% (23)	3.85
The District's procedures regarding job posting and hiring are effective.	3% (6)	9% (19)	18%(38)	<b>50%(107)</b>	16% (34)	4% (8)	3.79
I am satisfied with procedures regarding health benefits.	6% (12)	21% (44)	19%(40)	<b>41%(86)</b>	8% (16)	7% (14)	3.43
Current grievance procedures are fair and effective.	2% (4)	6% (13)	<b>32%(68)</b>	32%(67)	10% (21)	18% (39)	3.97
Current discipline procedures are fair and effective.	8% (17)	17%(37)	24%(50)	<b>34%(72)</b>	6% (13)	11% (23)	3.45
I feel overall District employee's satisfaction and morale is positive.	13% (28)	28%(59)	21%(45)	<b>32%(68)</b>	5% (11)	1% (1)	2.90
I feel confident in the leadership of the District.	8% (18)	16% (34)	29%(61)	<b>38%(80)</b>	8% (18)	1% (1)	3.23

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Average Response
Information regarding my job duties and responsibilities is shared in a timely and effective manner between departments and individuals.	2% (4)	8% (17)	24%(50)	<b>50%(105)</b>	12% (25)	5% (11)	3.77
My opinion is valued and my input is given consideration.	6% (13)	17%(35)	21% (44)	<b>39%(83)</b>	16% (33)	2% (4)	3.47
The District has formal written procedures that direct staff on how to respond on constituent inquiries.	2% (4)	10% (22)	29%(62)	<b>30%(63)</b>	5% (11)	24% (50)	3.97
The District staff receives training on how to respond to constituent inquiries.	3% (7)	17%(37)	<b>31%(66)</b>	21 (44)	3% (7)	24% (51)	3.75

A survey was also distributed by email to LCSD Board members during the course of this audit. The purpose of the survey was to gauge the opinion of the Board on its effectiveness. The response rate was 80 percent, with 4 out of 5 Board members participating. Responses were recorded on a scale of 5 to 1 where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 3-7** illustrates the results.

**Table 3-7: Board of Education Survey Results**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Response Average
<b>Board Roles</b>						
The Board plays an active role in developing the District's strategic plan.	0% (0)	0% (0)	0% (0)	<b>75% (3)</b>	25% (1)	4.25
The Board annually evaluates the progress the District has made toward achieving the objectives identified in the strategic plan.	0% (0)	0% (0)	25% (1)	<b>50% (2)</b>	25% (1)	4.00
The Board establishes goals and priorities for each fiscal year.	0% (0)	0% (0)	25% (1)	<b>75% (3)</b>	0% (0)	3.75
<b>Financial Reporting</b>						
Financial reports are provided to the Board for review prior to committee meetings.	0% (0)	0% (0)	0% (0)	<b>50% (2)</b>	<b>50% (2)</b>	4.50
Financial reports are discussed during Board meetings.	0% (0)	0% (0)	25% (1)	25% (1)	<b>50% (2)</b>	4.25
The proposed budget is presented to the Board in an easy-to-read and understandable format.	<b>25% (1)</b>	0% (0)	<b>25% (1)</b>	<b>25% (1)</b>	<b>25% (1)</b>	3.25
The District financial staff provides the Board with historical financial information that is useful for evaluating the proposed budget	0% (0)	25% (1)	0% (0)	<b>50% (2)</b>	25% (1)	3.75

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Response Average
The District financial staff provides the Board with financial information that is useful in evaluating the current financial situation or condition.	0% (0)	0% (0)	50% (2)	25% (1)	25% (1)	3.75
The District's financial staff provides sufficient information for line items over/under budget.	0% (0)	0% (0)	75% (2)	0% (0)	25% (1)	3.50
The Board is actively involved in developing solutions for the District's financial issues.	0% (0)	0% (0)	0% (0)	75% (3)	25% (1)	4.25
<b>Board Training</b>						
Newly elected board members receive sufficient orientation training.	25% (1)	25% (1)	25% (1)	25% (1)	0% (0)	2.50
Board members receive on-going training in areas that are pertinent to their roles.	25% (1)	25% (1)	25% (1)	25% (1)	0% (0)	2.50
<b>Board Communication</b>						
The District has written policies that clearly delineate the responsibilities of the board.	0% (0)	0% (0)	25% (1)	75% (3)	0% (0)	3.75
The District has written policies that clearly delineate the responsibilities of the Superintendent.	0% (0)	0% (0)	0% (0)	75% (3)	25% (1)	4.25
The District has written policies that clearly delineate the responsibilities of the Treasurer.	0% (0)	0% (0)	25% (1)	50% (2)	25% (1)	4.00
I have been provided information on how to access District staff for appropriate information.	25% (1)	0% (0)	75% (3)	0% (0)	0% (0)	2.50
I have been provided information on how to direct staff to respond to constituent inquiries.	25% (1)	0% (0)	50% (2)	25% (1)	0% (0)	2.75
Written policies and procedures are routinely updated to ensure that they are timely, relevant and complete.	25% (1)	50% (2)	25% (1)	0% (0)	0% (0)	2.00
Evaluations are performed for the Superintendent and Treasurer according to Ohio Revised Code (ORC) or at least annually.	0% (0)	25% (1)	0% (0)	25% (1)	50% (2)	4.00
The Superintendent and Treasurer's evaluations take into consideration the achievement of strategic goals	0% (0)	0% (0)	25% (1)	50% (2)	25% (1)	4.00



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# Facilities

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## Background

The facilities section focuses on custodial, maintenance, and grounds operations within the Lebanon City School District (LCSD or the District). The objective in this section is to analyze building operations and develop recommendations for improvements in efficiency, as well as possible reductions in expenditures. LCSD's operations are evaluated against recommended practices and operational standards from applicable sources that include the American Schools and University (AS&U) *34th Annual Maintenance & Operations Cost Study* (AS&U Cost Study or the Cost Study) and the National Center for Educational Statistics (NCES) *Planning Guide for Maintaining School Facilities* (NCES, 2003). In addition, Type 6 districts (urban/suburban-high median income)<sup>1</sup> with similar demographics, high Ohio Proficiency Test scores and low per-pupil expenditures were used for comparison purposes<sup>2</sup>. Furthermore, AOS administered a survey of LCSD's employees regarding custodial and maintenance services. The results of that survey were used in this report. The entire survey's results can be found in **Appendix 4-A** at the end of this section.

### *Organizational Structure and Function*

LCSD's facilities consist of six school buildings: Louisa Wright Early Childhood Center (ECC) (kindergarten), Bowman Primary School (grades 1 and 2), Donovan Elementary School (grades 3 and 4), Berry Intermediate School (grades 5 and 6), Lebanon Junior High School (grades 7 and 8), and Lebanon High School (grades 9 through 12). The District also has two administrative buildings: Holbrook Board Offices and Dunlavy Transportation Facility. Due to increasing enrollment, LCSD implemented its Ohio Schools Facility Commission (OSFC) Master Plan, during the period of August 2001 to August 2004. This resulted in the addition of two new buildings, Bowman Primary and the Lebanon High School, in FY 2004-05, as well as the conversion of an elementary building into administrative offices, and the conversion of another elementary building into the transportation facility. With the opening of the two new buildings in August 2004, LCSD chose to redistrict and shift to a system of grade-level buildings. The old High School became the Junior High School building.

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<sup>1</sup> As categorized by the Ohio Department of Education.

<sup>2</sup> The ten districts used for peer comparisons include Poland Local School District and Canfield Local School District (Mahoning County), Norton City School District (Summit County), Wadsworth City School District (Medina County), Amherst Exempted Village District (Lorain County), Lake Local School District, Perry Local School District and Jackson Local School District (Stark County), Oak Hills Local School District (Hamilton County), and Northmont City School District (Montgomery County).

Within the maintenance and operations area (referenced as M&O Department or the Department in this report), LCSD has three separate functions consisting of custodial, maintenance, and grounds:

- Custodial personnel are responsible for the operation and upkeep of LCSD facilities. Additionally, some custodians are responsible for minor maintenance duties. Head custodians report to their respective building administrators and are responsible for most of the buildings' light maintenance and some snow removal.
- Maintenance personnel are responsible for the skilled repair, maintenance work and upkeep activities for all District school buildings and office space. Additionally, maintenance workers are responsible for snow removal duties and, at times, are required to complete some grounds duties.
- The grounds keeping staff is responsible for the general upkeep of all grounds at LCSD. These responsibilities include mowing, landscaping, preparation of athletic fields, and a portion of the snow removal duties.

The Custodial/Maintenance Supervisor oversees these three functions and reports to the Superintendent.

### Staffing

**Table 4-1** shows M&O Department positions and total full time equivalents (FTEs).

**Table 4-1: LCSD M&O Total Positions and FTEs**

Classification	FY 2005-06 Positions	FY 2005-06 FTEs
Custodial/Maintenance Supervisor (8 hour, 12 month)	1.0	1.0
Head Custodian (8 hour, 12 month)	6.0	6.0
Shift Custodian (8 hour, 12 month)	26.0	25.5
Maintenance (8 hour, 12 month)	5.0	5.0
Grounds (8 hour, 9 month)	3.0	2.3
Crossing Guard	1.0	0.3
<b>Total<sup>1</sup></b>	<b>42.0</b>	<b>40.1</b>

**Source:** LCSD staffing spreadsheet and Custodial/Maintenance Supervisor interviews.

<sup>1</sup> Total positions will vary from total FTEs because not all employees are full time.

As shown in **Table 4-1**, in FY 2005-06 LCSD had 42 employees and 40 FTEs. Custodial employees at LCSD are all 8 hour, 12 month employees, except one part-time custodian. One head custodian is assigned to each school building to work first shift and 25.5 custodial FTEs, depending on the building assignment, work the second or third shift.

Maintenance employees are all full-time employees. Each maintenance employee is certified in a special area or has developed a unique skill. Certifications and special skills include heating ventilation and air conditioning (HVAC), plumbing, electrical, and carpentry.

Grounds employees in FY 2004-05 were 12 month employees; however, they were reduced to nine month employees for FY 2005-06 to reduce costs. Grounds employees, since being reduced to nine month status, are off-duty after the District's winter break until mid-March.

### *Key Statistics*

Key statistics related to the M&O Department are presented in **Table 4-2**. Also included in **Table 4-2**, and throughout the report, are the results of the *34th Annual Maintenance and Operations Cost Study* (AS&U, 2005). The Cost Study is based on a survey of business officials at school districts across the nation. The survey collected 2004-05 school year information on staffing levels, budgeted expenditures, and salaries for maintenance and operations departments across the country. In addition, **Table 4-2** includes square footage guidelines for custodians and acreage guidelines for grounds staff from the *Planning Guide for Maintaining School Facilities* (NCES, 2003).

**Table 4-2: LCSD Key Statistics and Indicators**

<b>Number of Buildings</b>	<b>8</b>
Elementary Schools	3
Middle Schools (one intermediate school, one junior high school)	2
High School	1
Administration	2
<b>Total Square Feet Maintained by Custodians <sup>1</sup></b>	<b>767,303</b>
Elementary Schools	228,100
Middle Schools (one intermediate school, one junior high school)	235,630
High School	267,012
Administration	36,561
<b>Square Feet Per Custodial FTE (31.5 FTEs)</b>	<b>24,359</b>
Elementary Schools (10.5 FTEs)	21,724
Middle School (9 FTEs)	26,181
High School (11 FTEs)	24,274
Administrative Building (1 FTEs)	36,561
<b>NCES Custodial Staffing Benchmark <sup>2</sup></b>	<b>29,500</b>
<b>Acres per LCSD Grounds FTE</b>	<b>119</b>
<b>NCES Grounds Standard Benchmark Acres per Staff <sup>3</sup></b>	<b>18</b>
<b>Total Square Feet Maintained by Maintenance</b>	<b>793,150</b>
<b>Square Feet Per Maintenance FTE (5 FTEs)</b>	<b>158,630</b>
<b>AS&amp;U 34th Annual Cost Survey &gt; 3,500 Student Median</b>	<b>85,572</b>
<b>LCSD FY 2004-05 M&amp;O Expenditures Per Square Foot</b>	<b>\$4.56</b>
<b>AS&amp;U 34th Annual Cost Survey &gt; 3,500 Student Median</b>	<b>\$4.29</b>
<b>Peer District Average M&amp;O Expenditures Per Square Foot</b>	<b>\$5.67</b>

Source: NCES, AS&U, peer districts, and LCSD financial, staffing, and building information.

<sup>1</sup> Reflects the square footage being cleaned by custodians.

<sup>2</sup> The NCES staffing benchmark ranges from 28,000 to 31,000 square feet per FTE with a mid-point of 29,500, at the NCES Level 3 cleaning standard (the normal standard for most school facilities).

<sup>3</sup> The NCES ratios for staff-to-acres based on levels of service are as follows: Acceptable = 1:20; Standard = 1:18; High = 1:15.

**Table 4-2** illustrates that LCSD's custodial staff are responsible for approximately 17 percent fewer square feet per FTE than the NCES average of 29,500. Conversely, the grounds staff maintains significantly more acres per FTE when compared to NCES benchmarks, while maintenance staff is responsible for double the square feet per FTE when compared to the AS&U median for 3,500+ Students. These variances are due, in part, to contracted services, and to the custodians performing some minor maintenance and snow removal activities, and maintenance staff performing snow removal and other grounds work (see *Issues for Further Study*). In addition, LCSD's M&O cost per square foot exceeds the AS&U Median for 3,500+ Students, but is significantly lower than the peer average (see **Table 4-4** for more information).



*Financial Data*

**Table 4-3** illustrates expenditures from the General Fund and all funds (includes Permanent Improvement Fund) for LCSD's facilities in FY 2003-04 and FY 2005-05, and budgeted expenditures for FY 2005-06.

**Table 4-3: LCSD M&O Expenditures**

	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>Percentage Change</b>	<b>FY 2005-06 Budgeted</b>	<b>Percentage Change</b>
<b>Salaries/Wages</b>	\$1,134,698	\$1,497,732	32.0%	\$1,411,368	(5.8)%
<b>Benefits</b>	\$413,640	\$456,070	10.3%	\$539,412	18.3%
<b>Purchased Services</b>	\$219,050	\$251,394	14.8%	\$306,773	22.0%
<b>Utilities</b>	\$728,418	\$1,067,536	46.6%	\$1,191,317	11.6%
<b>Supplies/Materials</b>	\$106,312	\$177,147	66.6%	\$186,828	5.5%
<b>Capital Outlay</b>	\$6,746	\$7,124	5.6%	\$5,400	(24.2)%
<b>Total General Fund</b>	<b>\$2,608,864</b>	<b>\$3,457,004</b>	<b>32.5%</b>	<b>\$3,641,098</b>	<b>5.3%</b>
<b>Total All Funds<sup>1</sup></b>	<b>\$2,858,718</b>	<b>\$3,616,029</b>	<b>26.5%</b>	<b>\$3,657,937</b>	<b>1.2%</b>

Source: LCSD BUDWRK Function 2700 financial information from FY 2002-03, FY 2003-04, and FY 2004-05.

<sup>1</sup>Totals and percentages may be off due to rounding.

Explanations of the significant variances shown in **Table 4-3** are as follows:

- Salaries and wages increased 32 percent from FY 2003-04 to FY 2004-05. This increase was attributed to the opening of 2 new buildings and the addition of 11 custodial employees in FY 2004-05. Salaries and wages were budgeted to decrease 5.8 percent from FY 2004-05 to FY 2005-06, which is primarily due to a reduction in maintenance salaries.
- Benefits increased 10.3 percent from FY 2003-04 to FY 2004-05 and were budgeted to increase by 18.3 percent from FY 2004-05 to FY 2005-06. The increase was attributed to the 11 new custodial employees. The budgeted increase in FY 2005-06 is attributed to increases in medical insurance expenditures.
- Purchased services increased 14.8 percent from FY 2003-04 to FY 2004-05 and were budgeted to increase by 22 percent from FY 2004-05 to FY 2005-06. The increase in FY 2004-05 was attributed to a 20 percent increase in District-wide building repairs and a 22 percent increase in property insurance. The budgeted increase in FY 2005-06 was attributed primarily to an increase in District-wide repair expenditures.
- Utilities increased 46.6 percent from FY 2003-04 to FY 2004-05, and were budgeted to increase by 11.6 percent from FY 2004-05 to FY 2005-06. The significant increase in FY 2004-05 was attributed to the consolidation of all telephone expenditures into a single item that was subsequently moved fully into the M&O Department expenditures, as well as the

opening of the new buildings in FY 2004-05. The budgeted increase from FY 2004-05 to FY 2005-06 is attributed to increases in gas and electric utility rates.

- Supplies and materials increased 66.6 percent from FY 2003-04 to FY 2004-05 and were budgeted to increase by 5.5 percent from FY 2004-05 to FY 2005-06. The increase in FY 2004-05 was attributed largely to the opening and stocking of the new buildings with maintenance, custodial, and grounds supplies. The increase in FY 2005-06 was attributed to increases in grounds supplies and vehicle fuel..

During the course of this performance audit, actual expenditures became available for FY 2005-06. The District spent a total of \$3,648,488 from all funds for M&O in FY 2005-06, which includes \$3,634,615 coming from the General Fund. The actual expenditures are less than one percent lower than the budgeted expenditures for FY 2005-06.

**Table 4-4** compares LCSD's expenditures per square foot for FY 2004-05 to the AS&U Median for districts with 3,500+ students and to the peer average.

**Table 4-4: LCSD M&O Expenditure per Square Foot Comparison**

Cost Area	LCSD	AS&U Median 3,500 + Students	Peer Average
Salaries/Benefits Per Square Foot	\$2.46	\$2.39	\$2.88
Purchased Services Per Square Foot	\$0.32	\$0.14	\$0.76
Utilities Per Square Foot	\$1.35	\$1.37	\$1.52
• Electricity Per Square Foot	\$0.73	N/A	\$0.87
• Water & Sewerage Per Square Foot	\$0.10	N/A	\$0.11
• Gas Per Square Foot	\$0.44	N/A	\$0.54
Supplies/Materials Per Square Foot	\$0.22	\$0.25	\$0.30
Capital Outlay Per Square Foot	\$0.01	N/A	\$0.08
Other Per Square Foot	\$0.00	\$0.14	\$0.03
Total General Fund Per Square Foot	\$4.36	N/A	\$5.59
Total All Funds Per Square Foot	\$4.56	\$4.29	\$5.67

Source: LCSD BUDWRK function 2700, the 34th AS&U Cost Study, Peer District's 4502 statements P&Q.

As displayed by **Table 4-4**, LCSD's total expenditures per square foot exceeded the AS&U Median for districts with 3,500+ students by 6.3 percent, due to higher expenditures per square foot for salaries/benefits and purchased services. However, LCSD's costs per square foot were lower than the peers for all categories, resulting in total expenditures per square foot that were 19.6 percent lower than the peer average.

### *Noteworthy Accomplishments*

During the course of this performance audit, the following noteworthy accomplishments were identified within LCSD's facility operations:

- **New Personnel Training:** LCSD offers a comprehensive new employee training program which meets NCES recommended practices. In addition, LCSD's new custodial employees are hired from the pool of substitute custodians. Both of these conditions help reduce the amount of time new employees need to become familiar with job duties and responsibilities.
- **Security Plans:** LCSD has a Comprehensive School Safety Plan (the Plan) which contains specific protocols for ensuring safety. In addition, the Safety Plan meets guidelines for ensuring the safety of school facilities and occupants.
- **AOS Facilities Survey Results:** LCSD staff and administrators were given the opportunity to rate the M&O Department's operations as a part of a District-wide satisfaction survey. The survey contained 23 questions specifically related to the facilities area. Survey responses averaged 4.05, which indicates a high level of satisfaction (survey responses were made on a scale of 5 to 1; with 5 being the highest rating). Most notably, 79 and 84 percent of respondents are satisfied with maintenance and custodial services, respectively, with only 6 percent of respondents dissatisfied with both services.
- **Energy Conservation and Purchasing:** LCSD has a centralized HVAC control system that allows the District to determine all HVAC settings remotely. The HVAC energy management system meets NCES standards. Additionally, the District receives electricity from the City of Lebanon at a discounted rate. The Treasurer also confirmed with the Ohio School Boards Association (OSBA) that the District's electricity rate was lower than OSBA's rate. Furthermore, the District uses the services of its energy agent to help monitor gas prices, and pre-purchase natural gas to lock in rates that protect LCSD from future price increases. Through a combination of the HVAC system, purchasing practices, and monitoring, LCSD has been able to maximize energy efficiency while minimizing costs. This is evidenced by **Table 4-4**, which shows that the District's utility costs per square foot are lower than the peer average and AS&U median.

### *Assessments Not Yielding Recommendations*

In addition to the analyses in this report, assessments were conducted on areas within the facilities section that did not warrant changes and did not yield recommendations. These areas are discussed below:

- **Overtime:** LCSD has been able to continuously reduce overtime expenditures as a percentage of salaries. Overtime expenditures as a percentage of salaries decreased from 9.9

percent in FY 2002-03 to 8.3 percent in FY 2003-04. Overtime expenditures further declined to only 3.9 percent of salaries in FY 2004-05.

- **New Technology Training:** LCSD has been able to provide custodial staff members with new technology and equipment training, which is in line with criteria from NCES.

### *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 the auditor does not review within the scope of the audit. AOS has identified staffing levels as an issue for further study.

As shown in **Table 4-2**, LCSD custodians clean fewer square feet per FTE when compared to the NCES benchmark. In contrast, grounds staff maintain more acres per FTE when compared to the NCES benchmarks and maintenance staff are responsible for more square feet per FTE when compared to the AS&U median for districts with 3,500+ students. However, some custodians are responsible for minor maintenance duties, which can partially account for the lower square footage per custodian FTE and the higher square footage per maintenance FTE. In addition, the District's purchased serviced expenditures of \$0.32 per square foot more than doubles the AS&U median of \$0.14, which may also contribute to the District's lower square footage per maintenance FTE when compared to the same AS&U median. Furthermore, certain custodians perform snow removal; maintenance workers perform some grounds duties including snow removal; and the District contracts for some grounds work. These factors can partially explain the higher acres maintained per grounds FTE. It should be noted that AOS did not review whether the District maintains all of the surrounding acreage, nor the level of work required to adequately maintain the grounds. However, when including grounds staffing and contracted costs, the District's total grounds costs per square foot (\$0.17) are in line with the AS&U median ratio of grounds payroll costs per square foot.

While the factors above can partially account for the discrepancies when compared to NCES benchmarks and AS&U data, the District should further review its staffing levels by accurately accounting for the time spent by staff performing custodial, maintenance and grounds functions. This should be done in conjunction with updating the job descriptions (see **R4.3**). Taking these measures would provide LCSD with reliable staffing information that can be benchmarked to relevant industry standards. This, in turn, would better ensure the District has adequate staffing levels for each function.

## Recommendations

### *Staffing and Organizational Issues*

- R4.1 LCSD should update its benchmark criteria to reflect nationally recognized facilities' standards, such as NCES. This would better ensure that the District employs an appropriate number of custodians. Additionally, this may enable the District to reduce the number of custodial positions, which is also contingent upon the time spent by custodians performing non-custodial duties (see *Issues for Further Study*).**

LCSD assigns custodial staff to each building based on a benchmark of 24,000 square feet per custodial FTE. This contributes to the District's custodians cleaning fewer square feet per FTE than the NCES benchmark, in addition to some custodians performing minor maintenance and snow removal duties (see *Issues for Further Study*). Specifically, LCSD's custodians clean an average of 24,359 square feet per FTE. In contrast, NCES' Level 3 cleaning standard, the normal standard for most school facilities, is 28,000 to 31,000 square feet per custodian. NCES also indicates that the actual number of square feet a custodian can clean will depend on additional variables, such as the type of flooring, wall covers, and number of windows.

By assigning custodians based on a lower square footage benchmark, the District increases the risk of operating with an excessive number of custodians and subsequently incurring unnecessary personnel costs. For example, without considering the time spent by custodians on maintenance and snow removal duties, the District employs approximately four more custodian FTEs than NCES' lower range Level 3 benchmark of 28,000 square feet per custodian as the goal.

- R4.2 LCSD should develop a maintenance and custodial operations policy and procedures manual. This manual should be posted on the District's website to promote greater access. Additionally, the policies and procedures should be reviewed and updated at least annually to ensure the information is accurate and up to date.**

LCSD has not developed a policy and procedures manual for its custodial and maintenance operations. Instead, it relies on the M&O Department to ensure that all policies and procedures are understood through an informal process of information dissemination. Specifically, all employee expectations are informally communicated either by the head custodian or by the other shift custodians with more experience. Formal policies and procedures relating to the everyday operations of the Department are absent except for the job descriptions. However, LCSD's M&O job descriptions are outdated (see **R4.3**). While the District's policy manual contains information on facility

use rates and a copy of the Facilities Use Agreement, these documents have not been updated to reflect the current facilities composition or practices. Updated facilities use forms are available from the Business Office but have not been officially adopted and updated in the District policy manual.

OPPAGA recommends that written operational procedures for the maintenance and custodial services departments should be up-to-date and accessible to school personnel and the public. To ensure this occurs, OPPAGA further advises that records of procedures and practices be maintained and readily available for review by the public, the District, and department staff upon request. The procedures should be updated on a regular schedule and employees should be included in the process.

The *Custodial Methods and Procedures Manual* [Association of School Business Officials International (ASBOI), 2000] can serve as a guideline for developing procedures for custodial and maintenance personnel. It outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. In addition, the International Sanitary Supply Association (ISSA) has developed a training program manual designed to help train custodians. The manual details the correct cleaning methods and proper use of custodial equipment along with procedures, guidelines, and pointers on the following:

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

Without a policy and procedures manual, the District increases the risk of staff inconsistently, inefficiently, and/or ineffectively performing job functions

*Financial Implication:* The International Sanitary Supply Association (ISSA) offers a custodial manual priced at \$60 for non-members.

**R4.3 LCSD should review and update all M&O job descriptions to ensure they contain essential elements. As the new job descriptions are completed, LCSD should create a new organizational chart for the M&O Department that is linked to the District's organizational chart. The M&O Department organizational chart should establish clear lines of authority.**

LCSD has outdated M&O Department job descriptions and a District organizational chart that does not include the M&O Department. Some of the job descriptions have not been updated in almost 20 years, and lack the essential elements suggested by NCES. However, the job descriptions are in the process of being updated by the HR Director.

LCSD's organizational chart only maps out the lines of authority at the highest. The chart includes the Board, Superintendent, Treasurer, and the HR Director, and the Directors of Curriculum & Instruction and Special Services. The organizational chart does not disseminate useful information related to the M&O Department.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), a good job description accurately identifies the knowledge, skills, and abilities needed by an individual to meet the expectations of the job. Components of an effective job description include:

- Duties and responsibilities;
- Working conditions;
- Physical requirements;
- Educational requirements;
- Credentials and licensure;
- Equipment used;
- At-will versus unionized positions;
- Channels of authority; and
- Evaluation mechanisms.

The job descriptions that appear to be the most recent for M&O staff include all NCES recommended elements except evaluation mechanisms. According to NCES, organizations should clearly communicate to staff the mechanism for evaluating performance (e.g., spot checks of their work, customer surveys, or some other evaluation mechanism).

NCES also indicates that employees should always know to whom they report and who has the authority to direct their efforts. A clear channel of authority starts with an accurate job description and an unambiguous organizational chart. NCES further states that an organizational chart should contain all relevant lines of reporting authority.

By updating job descriptions and including recommended elements, the District would be better able to convey job duties and expectations to staff, and improve its ability to objectively evaluate staff performance. Furthermore, depicting the organizational structure of M&O via a formal organizational chart would clearly demonstrate the lines of authority and composition of the operation.

### *Financial Reporting*

**R4.4 LCSD should be cognizant of the reclassifications made within purchased services when it reviews and analyzes historical information in its various financial reports. This would ensure the District makes informed decisions based on reliable data.**

The historical information (FY 2002-03, FY 2003-04, and FY 2004-05) presented in the FY 2005-06 BUDWRK report for purchased service expenditures does not agree with the historical purchased services expenditures published in the District's primary financial report (4502). This is due to the reclassification of purchased services expenditures within the M&O function. At the March 20, 2006 Board meeting, the Treasurer noted that approximately 200 accounts had been decreased to approximately 80 accounts by the time of the meeting. This included the consolidation of all telephone expenditures into Function 2700 (M&O) purchased services.

**Table 4-5** compares the historical expenditures presented in the FY 2005-06 BUDWRK to the expenditures as reported on the 4502.



**Table 4-5: LCSD 4502 to BUDWRK Comparison**

FY 2002-03			
Expenditures	4502	BUDWRK	Variance
Salaries & Wages	\$1,090,395	\$1,090,395	\$0
Benefits	\$127,696	\$127,696	\$0
Purchased Services	\$682,282	\$774,123	(\$91,841)
Materials & Supplies	\$108,412	\$108,412	\$0
Capital Outlay <sup>1</sup>	\$17,180	\$17,180	\$0.
<b>Total General Fund</b>	<b>\$2,025,967</b>	<b>\$2,117,808</b>	<b>(\$91,841)</b>
<b>Total All Funds</b>	<b>\$2,250,639</b>	<b>\$2,336,174</b>	<b>(\$85,535)</b> <sup>2</sup>
FY 2003-04			
Expenditures	4502	BUDWRK	Variance
Salaries & Wages	\$1,134,698	\$1,134,698	\$0
Benefits	\$413,640	\$413,640	\$0
Purchased Services	\$886,183	\$947,467	(\$61,284)
Materials & Supplies	\$106,312	\$106,312	\$0
Capital Outlay <sup>1</sup>	\$6,746	\$6,746	\$0
<b>Total General Fund</b>	<b>\$2,547,580</b>	<b>\$2,608,864</b>	<b>(\$61,284)</b>
<b>Total All Funds</b>	<b>\$2,797,434</b>	<b>\$2,858,718</b>	<b>(\$61,284)</b>
FY 2004-05			
Expenditures	4502	BUDWRK	Variance
Salaries & Wages	\$1,497,732	\$1,497,732	\$0
Benefits	\$456,070	\$456,070	\$0
Purchased Services	\$1,262,044	\$1,318,931	(\$56,887)
Materials & Supplies	\$177,147	\$177,147	\$0
Capital Outlay <sup>1</sup>	\$7,124	\$7,124	\$0
<b>Total General Fund</b> <sup>3</sup>	<b>\$3,400,117</b>	<b>\$3,457,004</b>	<b>(\$56,887)</b>
<b>Total All Funds</b> <sup>3</sup>	<b>\$3,559,142</b>	<b>\$3,616,029</b>	<b>(\$56,887)</b>

Source: LCSD 4502 financial reports and BUDWRK historical reports from FY 2002-03 thru FY 2004-05.

<sup>1</sup> General Fund expenditures for object code 600s and 700s were reported separately on LCSD's 4502 reports. However, on LCSD's 2700 BUDWRK report, the expenditures have been reclassified as only 600s.

<sup>2</sup> FY 2002-03 variance differs from total General Fund to total all funds due to a \$6,305.92 variance in Fund 003 expenditures.

<sup>3</sup> Totals may vary due to rounding.

As shown in **Table 4-5**, the variance between the 4502 and the BUDWRK exists in all three fiscal years and is contained solely in purchased services. Purchased services in FY 2002-03 vary in both the General Fund and the Permanent Improvement Fund, while they vary only within the General Fund in FY 2003-04 and FY 2004-05.

For the purposes of this audit, the historical information presented in the FY 2005-06 LCSD BUDWRK was used when assessing financial data. While the FY 2004-05 expenditures from the FY 2005-06 BUDWRK are slightly higher than those reported in the 4502 for FY 2004-05, **Table 4-4** shows that LCSD still compares favorably to the peer average in all expenditure areas, including purchased service expenditures.

### *Energy Management*

**R4.5 LCSD should continue to work with its vendor to complete the maintenance plan. Also, LCSD should follow through on developing comprehensive energy conservation policies and programs in an effort to reinforce energy efficient behavior for both students and staff. Furthermore, the District should provide the training necessary to help staff follow the energy conservation policies and program.**

While the District has demonstrated effective measures to address energy conservation (see **Assessments Not Yielding Recommendations**), it does not have an energy conservation education plan for staff or students. However, it approved an energy policy for the remainder of FY 2005-06 that requires the following:

- Occupied building temperatures at 69° F;
- Unoccupied building temperatures at 62° F; and
- Start-up will occur 1 hour prior to student arrival.

The HVAC systems at all buildings are controlled remotely from the central office; therefore, these directives are more notices rather than directions for what should happen. While there are no individual building energy policies, there are practices regarding conservation guidelines at the Donovan Elementary modular units. The modular units are unique in that the HVAC systems are site controlled rather than centrally controlled. Staff assigned to the modular units have been instructed by the Principal to follow the closed door and window policy when the HVAC is running and have been asked to heat the units no higher than 68° F.

The lack of a formal energy program, policies and related training is due, in part, to the short time period in which the Superintendent has been at LCSD. However, the Superintendent plans to institute energy conservation education programs, such as the Energy Manager program and the Golden Light Bulb program, which he implemented in other school districts. The Energy Manager program consists of a science teacher in charge of checking rooms during after-school hours to determine if energy is being wasted (primarily if lights are still on). The Energy Manager then leaves thank you or reminder notes depending on the situation. The Golden Light Bulb is a trophy which is given to the school building that produces the greatest energy savings each month. Energy savings are based on the current month and the corresponding month of the prior

fiscal year. As an added incentive to the Golden Light Bulb; local restaurants or businesses donate gift certificates for the program. Whichever school wins that month's award would also get the gift certificate, which is subsequently given to the employee whom the building principal feels is most deserving.

LCSD is also under contract with a company to develop a maintenance plan for Lebanon High School and Bowman Primary. The plan is being financed through the OSFC and is intended to create an ongoing framework for energy savings and efficiency at these buildings. These plans will comprehensively review energy consumption for each building and be used to target additional areas for energy efficiency cost-savings. The maintenance plan has been started and once completed, LCSD has contracted with the company to implement energy conservation equipment improvements. The contract will be at no cost to LCSD for a 12 month period. The company will provide energy saving equipment and expertise. LCSD will split equally with the company any energy savings.

According to the, *Planning Guide for Maintaining School Facilities* (NCES, 2003), school planners should embrace ideas that can result in reduced energy costs. The following guidelines will help a school district accomplish more efficient energy management:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the district's energy management program, and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting (i.e., contracts requiring desired results rather than simply a list of needed products) when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment, including power factor correction units, electronic ballast, high-efficient lamps, night setbacks, and variable-speed drives for large motors and pumps; and
- Install motion detectors that turn lights on when a room is occupied (and off when the room is unoccupied).

*School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy (DOE), prepared by Princeton Energy Resources International, HPowell Energy Associates, and the Alliance to Save Energy, 2004) provides detailed and practical guidance on how school districts can plan and implement enhancements to their current operations and maintenance (O&M) programs. These enhancements can successfully maintain facilities while also reducing energy costs by up to 20 percent. In

particular, this publication notes that a detailed energy policy should provide guidelines for the O&M program, and define broad cost and performance objectives.

According to TSPR, the bottom line for most energy management programs is educating the individuals who control the energy-using equipment on how they are involved in the overall process of conserving energy. Over 2000 Texas schools are participating in the Texas State Energy Conservation Office's (SECO) programs. In these programs, student teams patrol assigned areas of their school, checking for lights left on in unoccupied rooms. Tickets (or thank you notes) are left for the occupants to remind them to turn off lights when they are not needed. This popular hands-on energy education program for students has saved up to 30 percent on utility costs.

The Ohio Energy Project (OEP), a nonprofit organization, offers programs that include professional development and workshops for teachers and students throughout Ohio, including the following:

- Customized professional development;
- Energy workshops and fairs for teachers and students;
- Energy bike workshops for teachers;
- Primary workshops featuring This Mine of Mine, a hands-on activity about electricity from coal and reclaiming the land; and
- Workshops pertaining to Ohio's EnergySmart Schools Program (OESP), which helps reduce school energy consumption and costs by empowering teachers and students to make sustainable energy choices and affecting the attitudes and behaviors of teachers, students, and staff about energy conservation.

Further, materials developed by OEP and the National Energy Educational Development (NEED) provide teachers with the following:

- Energy concepts, including the major sources of energy, science of energy, forms and transformations, electricity, and energy efficiency;
- Complete, unbiased information and activities in a variety of disciplines;
- Ready-to-use lesson plans to implement in the classroom; and
- Extensive testing by a national panel of teachers across the country.

By following through on its plans to implement an energy conservation education program that covers essential policies and procedures, providing training on energy conservation, and continuing to work with FSE to develop the maintenance plan, the District would be in a better position to control and potentially minimize utility costs.

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*Planning*

**R4.6 LCSD should update its facilities master plan by working with school personnel, parents, students, and community members. Thereafter, it should update the facilities master plan on a regular basis to ensure it reflects current District information and building needs. The facilities master plan should be linked to the capital plan (see R4.7) and preventive maintenance plan (see R4.9). The facilities master plan should also contain updated enrollment projections (see R4.8), current building configurations and capacity analyses (see R4.8), health and safety (see R4.11), and building condition assessments (see R4.9).**

The OSFC master plan developed during FY 2000-01 and FY 2001-02 is currently being updated by LCSD. The master plan included a building assessment summary for all LCSD buildings. The master plan included enrollment projections for FY 2001-02 through FY 2010-11 and capital improvement plans, with associated costs for each project and projected funding sources. The master plan also contained projected capacity information for Lebanon High School and Bowman Primary. The two buildings were opened in August 2004, at which time LCSD switched to grade-level buildings. Consequently, the building capacities and projected enrollments in the current master plan are inaccurate. In addition, the building condition evaluations are outdated.

According to *Creating a Successful Facilities Master Plan* (DeJong, 2001), school districts should develop a long-term facilities master plan. The plan should contain information on capital improvements and financing, condition of the buildings, enrollment projections, and capacity analyses. The plan should be developed on a foundation of sound data and community input. A facility master plan, if developed properly, has the potential to significantly affect the quality of education in a school district. As a road map, the facility master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district-wide facility master plan is typically a 10-year plan which should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions.

By updating the OSFC master plan, LCSD will be able to complete its facilities planning functions in a more efficient and effective manner. Conversely, LCSD may begin to incur undue and unplanned expenses by failing to update the plan.

**R4.7 LCSD should continue to use the basic framework of its existing capital plan, but should clearly prioritize its projects and extend the plan to at least a five-year period. LCSD should also ensure the capital improvements plan coordinates with, and can be used as a resource for, the facilities master plan (see R4.6).**

LCSD's capital plan includes project categories for:

- Facility construction and improvements;
- Land acquisition / site improvements;
- Equipment replacement;
- Technology improvements and replacement; and
- Vehicle additions and replacement.

The capital plan includes a cost estimate for each project from FY 2002-03 through FY 2008-09. Projects are totaled by year and are compared to the budget based on the current year's estimates.

According to GFOA (2000), governments should have a process for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that identifies priorities, and integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and should be fully integrated into the government's overall financial plan. The capital improvement plan should also be included in a budget document. The process for developing the plan should allow ample opportunity for review and stakeholder involvement in prioritizing projects. GFOA further recommends that governments have the capital plan approved by the governing body.

Although LCSD does have a multi-year capital plan, it does not clearly prioritize projects. While the assumption can be made that the higher priority projects would be scheduled sooner, this may not always be the case due to the cost or availability of future funding resources. Furthermore, the current capital plan only extends to FY 2008-09.

By failing to clearly prioritize capital improvements and project for at least five years, LCSD may not be able to effectively plan for future projects and funding sources.

**R4.8 LCSD should review and formally adopt the enrollment forecast methodology used in the March 2006 enrollment projection report. The District should use the March 2006 enrollment projections for planning purposes, and subsequently update them on an annual basis as actual student enrollment data becomes available and conditions change. The District should use actual and projected enrollment data to routinely assess and monitor its building utilization rates. Doing so would help the District take appropriate measures to ensure sufficient space to house its student population.**

LCSD does not routinely complete capacity analyses to determine if building utilization rates are high or low. LCSD's last capacity analysis was completed in 2000-01 by DeJong. In addition, the District did not to use updated enrollment projections or capacity

analyses during the opening of the District's new buildings in August 2004, when the grade level composition at each building was altered. More specifically, LCSD had not completed an enrollment projection since the OSFC financed a DeJong enrollment projection which was released in September 2000. This outdated enrollment projection was then used in subsequent years for planning purposes rather than creating a new or updated enrollment projection. LCSD now has a DeJong draft enrollment projection report dated March 6, 2006. The enrollment projection report is based on a contract request from OSFC because LCSD does not complete its own enrollment projections.

DeJong's enrollment projections are based on analysis of several data sets including: live birth data; historical enrollment; community school enrollment; open enrollment; and housing information. The enrollment projections are meant to serve as a planning tool for the future. The District's enrollment projections as of March 2006 show enrollment increasing by 2 to 4 percent each year from FY 2006-07 to FY 2015-16. This is consistent with historical trends. From FY 2000-01 to FY 2005-06, the District's enrollment increased each year by an annual average of approximately three percent.

**Table 4-6** presents a capacity analysis of LCSD's school buildings. The methodology used to complete the analysis was developed by DeJong. The capacity of elementary and middle schools is calculated by multiplying the number of teaching stations (excluding rooms used for art, music, special education, and/or other special programs) by 25 students. Based on programming and scheduling issues, the capacity of the high school is calculated by multiplying the number of teaching stations by 25 students, then multiplying the capacity by a utilization factor of 85 percent because of bell scheduling, teacher prep work spaces, and other factors that limit the use of every space 100 percent of the time. Modular teaching stations are not included in this analysis.

**Table 4-6** uses DeJong's methodology to determine the capacity utilization rate for FY 2005-06.

**Table 4-6: LCSD FY 2005-06 Facility Utilization Rates (Excludes Modulars)**

Building	Building Capacity	Number of Students <sup>1</sup>	Utilization Rate
Bowman Primary School	904	803	89%
Donovan Elementary School	745	779	105%
Louisa Wright ECC	569	417	73%
<b>Elementary Total</b>	<b>2,218</b>	<b>1,999</b>	<b>90%</b>
Berry Intermediate School	822	775	94%
<b>Middle School Total</b>	<b>822</b>	<b>775</b>	<b>94%</b>
Lebanon Jr. High	1,142	821	72%
<b>Jr. High Total</b>	<b>1,142</b>	<b>821</b>	<b>72%</b>
Lebanon High School	1,623	1,296	80%
<b>High School Total</b>	<b>1,623</b>	<b>1,296</b>	<b>80%</b> <sup>2</sup>
<b>District Total</b>	<b>5,804</b>	<b>4,891</b>	<b>84%</b>

Source: LCSD and DeJong.

<sup>1</sup> Excludes 213 high school students that attend other schools/facilities, and excludes the preschool students because the rooms which they occupy are contracted to other non-District entities. Preschool students are served by other area providers, including the YMCA, WESC, and Warren County Head Start.

<sup>2</sup> When including all high school students as reported by ODE, the High School utilization rate increases to 95 percent.

**Table 4-6** shows the District uses 84 percent of its total building capacity. According to the March 2006 enrollment projections, LCSD would reach the total building capacity by FY 2010-11. In contrast to the other buildings, **Table 4-6** shows Donovan Elementary School at 34 students over capacity. However, Donovan Elementary is the only building that uses modular classrooms. When including these three rooms, Donovan Elementary has excess capacity of 41 students. Donovan Elementary is on the same grounds as Louisa Wright ECC. Currently, Louisa Wright ECC has classroom space that is being contracted out to the YMCA, the Warren County MRDD, and the Warren County – Head Start. Therefore, Louisa Wright ECC could be used to help address potential capacity problems at Donovan Elementary in the future, when these contracts expire. In addition, **Table 4-6** shows that the average building capacity utilization at the Junior High School is only at 72 percent.

By not using updated enrollment projections and capacity analyses, the District increases the risk of ineffectively planning for building needs, especially when it alters grade configurations. For instance, the failure to use updated enrollment projections and capacity analyses could have contributed to the present capacity problem at Donovan Elementary.



*Work Order System*

**R4.9 LCSD should fully implement all of the components of the online work order system, including the facilities management and training components. Using the system for training can help the District implement an ongoing and formal training program for its facility staff. The District should also use the system to routinely perform an inventory of its facility equipment and related items, as well as to help regularly audit its facilities. The District should use the information resulting from these audits to improve operations. Finally, LCSD should develop written policies and procedures for the prioritization of work orders.**

*Facilities Management:*

The M&O Department does not routinely perform inventory checks for custodial, maintenance, or grounds supplies and equipment; nor does the District evaluate the condition of the buildings or perform audits of the facilities. LCSD does track new equipment information but it does this using a paper process rather than the work order system's equipment library function. LCSD has an online work order system that has the ability to act as a facility data management system and includes the following functions:

- A work order management and automatic communication system;
- A fully automated preventive maintenance system;
- A library of building maintenance routines; and
- A repository for employee access to district facilities management information.

These additional programs are available, but not in use at LCSD. However, the Custodial/Maintenance Supervisor does anticipate using them in the future. It should be noted that FY 2005-06 is the second full year in which LCSD has used the work order system. Therefore, it may not have had sufficient time to implement the additional features. The work order system also allows the Custodial/Maintenance Supervisor to assign a priority level to every approved work order. However, there are no written guidelines for assigning this priority level. Priority level assignment under the existing system relies heavily on using institutional knowledge and experience to determine what work orders should have precedence. The system further allows the Custodial/Maintenance Supervisor to approve overtime if the work order is judged to be of a serious enough nature. The work order prioritization assignment and overtime approval are based primarily on the maintenance of acceptable health and safety conditions at LCSD. Any health or safety issue is always the highest priority. If a health or safety issue arises, all M&O Department staff members are expected to be available to handle it.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), a facility audit (or inventory) is a comprehensive review of a facility's assets. Facility inventories are a standard method for establishing baseline information about the components, policies, and procedures of a new or existing facility. A primary objective of a facility inventory is to measure the value of an aging asset relative to the cost of replacing that asset. Thus, facilities inventories are a tool for projecting future maintenance costs. Facilities inventories are accomplished by assessing buildings, grounds, and equipment, documenting the findings, and recommending service options to increase efficiency, reduce waste, and save money. In addition, facility inventories should be a routine part of the facilities maintenance program. By integrating the findings of annual audits over time, planners can ascertain realized (versus expected) product life cycles, the impact of various maintenance strategies and efforts on product life cycles, and the future demands the aging process might place on the infrastructure of a school district. This information can be used to increase the efficiency and cost-effectiveness of facility use and maintenance efforts in the future.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), a good maintenance program is built on the foundation of preventive maintenance. It begins with an audit of the buildings, grounds and equipment. Once data has been assembled, structural items and equipment can be selected for preventive maintenance. Regularly scheduled maintenance thwarts sudden and unexpected equipment failures, and reduces the overall life cycle cost of a building. In addition, according to *Preventive Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000), preventive maintenance is a planned program of periodic inspections, adjustments, and replacements needed to keep a building component operating at peak efficiency and extend its useful life. The OLA warns that a preventive maintenance program may not fulfill its goals without the following practices:

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

According to *Ins and Outs of School Facility Management, More than Bricks and Mortar* (Chan and Richardson, 2005), when making decisions about prioritization, the following principles should be considered; deadline; length of time; first-come first-serve; nature of the requested work; and geographic location. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), some maintenance tasks may be urgent

while others may be less pressing. Thus, assigning job priority is a necessary step and facility managers should use the following guidelines:

- Emergency: overtime is authorized;
- Routine: overtime is not authorized, complete in order or receipt; and
- Preventive: overtime is not authorized, complete according to the maintenance schedule.

The use of the facility data management system would allow LCSD to complete facility inventories on a routine basis. Updated facility inventories would then allow the District to improve its preventive maintenance and capital planning functions. Additionally, using the automated preventive maintenance system would help to effectively schedule preventive maintenance tasks and ensure they are completed in a timely manner. Moreover, establishing formal guidelines that define priority levels would help the District to effectively use the automated system, thus increasing awareness of activities that are critical to complete.

#### *Ongoing Staff Training:*

Currently, M&O Department employees receive only basic safety training which is usually conducted during the summer or spring break when all custodians move to first shift. Each year, custodial employees are required to undergo blood-borne pathogen training. This training is administered and completed online through the work order system. Although the District only completes the blood-borne pathogen training, its work order system offers other training resources, including workplace safety, electrical safety, human resources, food safety, interpersonal skills, personal development, and time management.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), staff training refers to learning opportunities designed specifically to help an employee do his or her job better. Professional development has a broader meaning, which includes expending participants' knowledge and awareness to areas outside their specific job duties, yet is still related to the overall well-being of the organization. Such topics might include: asbestos awareness, energy systems, building knowledge, first aid, emergency response, biohazard disposal, technology use, universal precautions, and the Right-to-Know Act. In addition, NCES indicates that preparing staff to get their work done properly, efficiently, and safely is cost-effective in the long-run.

In addition to helping to effectively manage facility operations, using the work order system can help the District implement an on-going, formal training program for staff. This, in turn, can help improve productivity and increase awareness of important facility concepts and issues.

### *User Satisfaction*

**R4.10 LCSD should create a formal feedback mechanism to gauge satisfaction with the M&O Department's services, such as an annual maintenance, grounds, and custodial satisfaction survey. The survey should be compiled, analyzed, and documented to facilitate monitoring of performance and satisfaction over time, as well as to makes changes where needed. Additionally, the District could use the AOS survey to help in developing a more customized and detailed future survey for its maintenance and custodial operations (see Appendix 4-A).**

LCSD's M&O Department does not use surveys to measure user satisfaction. The belief is that if a facility users (i.e. student, staff member, or administrator) are unhappy with custodial conditions or maintenance and repairs, they will inform the responsible party. In addition.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), many of the day-to-day activities or systems used to plan and operate a maintenance program also generate the types of information needed to evaluate its effectiveness. These can include user feedback/customer satisfaction surveys. The value of user perception should not be overlooked as an evaluation tool. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) provides a sample customer survey form, which contains a series of general statements, along with a rating system (i.e. strongly disagree, disagree, neutral, agree, and strongly agree).

### *Health and Safety*

**R4.11 In order to ensure the environmental health and safety of all school facilities, LCSD should implement yearly environmental health building reviews/walkthroughs that address areas like indoor air quality (IAQ), asbestos, water, and waste management. LCSD should review and use information available from the U.S. Environmental Protection Agency (EPA) to help complete these walkthroughs, including the EPA's checklists. LCSD should also review its outdated computers to determine whether they can be used, sold, or discarded. See the technology section for more information on computer disposal policies and inventory.**

LCSD does not complete yearly building walkthroughs to proactively address environmental health issues. Building principals indicated the District's buildings were safe from an environmental stand point, and did not report any major issues or safety hazards. However, the building principal at Berry Intermediate School noted an indoor air quality (IAQ) concern. An addition to the main building contains a garage area for maintenance vehicles along with a separate music and band room. The IAQ issue was addressed by the Custodial/Maintenance Supervisor shortly after being reported. Berry

Intermediate School also contains outdated computers. According to the U.S. Environmental Protection Agency (EPA), computers and monitors are considered to be hazardous waste and should be treated as such in order to maintain safety in waste management.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends that districts address IAQ, asbestos, water, and waste management in order to ensure a healthy school environment. To do so, districts must comply with all applicable laws and regulations at the federal, state, and local level. Although schools may not be able to proactively address all concerns, it is of the utmost importance that districts address all environmental health concerns as quickly and effectively as possible. A timely response to environmental health issues is the best way to reassure students, parents, and staff members of the safety of the buildings. An effective response mitigates any negative feedback which could result from the district appearing to be unconcerned about environmental health issues. NCES also holds that reasonable actions to address IAQ issues include periodic testing of air samples for carbon monoxide and carbon dioxide, relative humidity, and air temperature.

The EPA offers free building condition checklists, which can help M&O departments address health and safety issues. EPA checklists include the Walkthrough Inspection Checklist to assess building conditions and the Ventilation Checklist to ensure IAQ.

By not completing regular reviews of environmental health issues, LCSD relies on a reactive approach in addressing related issues or problems. By doing so, it runs the risk of allowing a small issue to become a major problem. This can require more resources and time to address than identifying and addressing potential problems beforehand.

**R4.12 LCSD should evaluate various options for improving security at Lebanon Junior High School and at Berry Intermediate School in a cost-effective manner. This should include ensuring that doors can be fully shut. This should also include restricting entry points into the buildings, and creating a related policy. This policy should be consistent with broader LCSD policies and should be communicated to all staff, students, and parents.**

LCSD has a Board Policy Manual which outlines broad direction related to safety. The sections which most comprehensively address safety include:

- Emergency Plans;
- Crisis Management;
- Buildings and Grounds Security;
- Buildings and Grounds Maintenance; and
- Maintenance and Control of Non-Instructional Materials.

The Board Policy Manual contains specific policy goals that are intended to be supplemented by procedural direction in the form of administrative protocols. In addition, LCSD has a Comprehensive School Safety Plan (the Safety Plan) which contains specific protocols for ensuring District safety. The Safety Plan includes sections which meet guidelines from NCES for ensuring the safety of both the school facility and its occupants. LCSD also has two maintenance workers that perform weekend building checks. These checks are mainly to ensure that there are no problems with any of the operating systems, but they also help to ensure ongoing facility safety. As an added measure of security, the Lebanon Police Department routinely patrols the building areas and checks outside doors to make sure they are secured. If an unlocked door is found, the police officers contact the Custodial/Maintenance Supervisor to come and lock the door.

All of the building principals felt that their buildings are relatively safe and secure, with a few exceptions. The Junior High School has some entrance doors which do not shut completely and often stick. In addition, Berry Intermediate School has multiple access points and the Principal feels there are too many doors students may come in through. The Principal also feels there is almost no way to control this problem as the doors can only be locked to the outside by being chained shut. While the Safety Plan indicates that only certain doorways will be open for outside entrance, the District lacks a site-specific policy that restricts entry points for the respective buildings.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), securing a facility refers to ensuring the physical security of both a facility and its occupants—and requires a comprehensive approach to planning. At a minimum, planners must consider the following issues:

- Locking systems;
- Equipment protection;
- Visibility;
- Police/security facilities;
- Fire protection;
- Communications systems; and
- Crisis management/disaster planning.

School Facilities.com suggests that schools limit the number of key accessible entryways to one front entrance and one near the loading dock for maintenance personnel. The remaining doors should then be used for exit only, forcing students, staff and visitors to use one main entrance which can be easily monitored. This improves security by controlling who enters the building.

Through the establishment of Board policies, administrative guidelines, and a comprehensive safety plan, LCSD has set up an effective framework for safety and security. However, reviewing and appropriately addressing the concerns raised by the building principals at the Junior High School and Berry Intermediate School can further ensure the safety and security of District facilities.

## Financial Implications Summary

The following table represents a summary of estimated one-time costs. For the purpose of this table, only recommendations with quantifiable impacts are listed.

### Summary of Financial Implications for LCSD Facilities

Recommendation	Implementation Cost
R4.2 Purchase a custodial staff manual	\$60
<b>Total</b>	<b>\$60</b>



## Appendix 4-A: Employee Survey Responses

AOS administered a survey of LCSD employees to obtain feedback and perceptions concerning custodial and maintenance services. 228 LCSD employees submitted the survey, with 206 employees completing the facilities section. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 4-A1** presents the results of the Facilities section of the survey.

**Table 4-A1: Facilities Survey Results <sup>1</sup>**

Survey Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Response Average
Work orders are responded to in a timely manner.	3% (6)	13% (26)	11% (23)	<b>48% (99)</b>	18% (37)	7% (15)	<b>3.87</b>
Custodial and maintenance employees deliver quality services.	1% (3)	9% (18)	8% (17)	<b>52% (107)</b>	28% (58)	1% (3)	<b>4.01</b>
Emergency work orders are given top priority.	1% (2)	4% (9)	15% (31)	<b>39% (81)</b>	21% (43)	19% (40)	<b>4.33</b>
Schools are notified in advance of work to be performed.	2% (4)	6% (13)	24% (49)	<b>35% (72)</b>	10% (20)	23% (48)	<b>4.14</b>
Schools are advised of incomplete work orders.	2% (4)	7% (15)	<b>30% (61)</b>	25% (51)	7% (15)	29% (60)	<b>4.16</b>
Work is scheduled so it is not disruptive.	3% (6)	13% (27)	19% (39)	<b>44% (91)</b>	14% (28)	7% (15)	<b>3.74</b>
Workers are careful near children.	1% (1)	2% (4)	7% (15)	<b>50% (104)</b>	29% (59)	11% (23)	<b>4.38</b>
Overall, I am satisfied with the maintenance department.	1% (3)	5% (10)	13% (26)	<b>52% (107)</b>	27% (55)	2% (5)	<b>4.05</b>
The regular cleaning schedule appears to be appropriate.	4% (9)	11% (22)	8% (16)	<b>52% (107)</b>	24% (49)	1% (3)	<b>3.84</b>
Custodial tasks are completed efficiently.	3% (7)	8% (16)	13% (27)	<b>49% (101)</b>	24% (49)	3% (6)	<b>3.91</b>
Facilities are properly cleaned.	4% (8)	14% (29)	13% (26)	<b>46% (94)</b>	22% (46)	1% (3)	<b>3.73</b>
Custodians are polite and have a good work ethic and attitude.	1% (2)	1% (3)	6% (13)	<b>47% (97)</b>	44% (90)	1% (1)	<b>4.33</b>
There appears to be a sufficient number of custodians in my building.	3% (7)	12% (25)	16% (32)	<b>46% (94)</b>	20% (41)	3% (7)	<b>3.77</b>
School grounds are properly maintained.	1% (2)	9% (18)	17% (35)	<b>54% (112)</b>	17% (36)	1% (3)	<b>3.83</b>
Custodial staff cooperates with other staff regarding safety of equipment on school grounds.	1% (2)	2% (5)	7% (14)	<b>55% (114)</b>	26% (53)	9% (18)	<b>4.29</b>
Work appears to be scheduled according to priorities.	1% (3)	2% (5)	12% (25)	<b>52% (108)</b>	17% (36)	14% (29)	<b>4.24</b>
Workers show respect for school property.	1% (2)	1% (2)	3% (6)	<b>63% (129)</b>	30% (61)	3% (6)	<b>4.28</b>

Survey Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Response Average
Playground equipment is properly maintained.	1% (2)	6% (12)	18% (38)	<b>34% (70)</b>	15% (31)	26% (53)	<b>4.33</b>
Overall, I am satisfied with the custodial staff's work.	1% (3)	5% (11)	8% (16)	<b>55% (114)</b>	29% (60)	1% (2)	<b>4.08</b>
I am aware of the District's security policies and procedures.	1% (2)	7% (14)	8% (17)	<b>61% (126)</b>	20% (41)	3% (6)	<b>4.01</b>
I feel that the District's security policies and procedures are enforced.	2% (4)	11% (22)	16% (33)	<b>50% (103)</b>	16% (32)	6% (12)	<b>3.84</b>
I feel safe in the school building.	1% (3)	6% (12)	6% (13)	<b>56% (116)</b>	30% (61)	1% (1)	<b>4.08</b>
I feel that the District ensures a safe and healthy environment.	1% (2)	8% (16)	10% (20)	<b>56% (115)</b>	25% (52)	1% (1)	<b>3.98</b>
<b>Total Respondents</b>							<b>206</b>

<sup>1</sup> Survey percentages may not add up to 100 percent due to some respondents skipping questions.



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# Transportation

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## Background

This section focuses on transportation operations in the Lebanon City School District (LCSD or the District). The objective is to develop recommendations for improvements in LCSD's transportation operations, and identify opportunities to increase efficiency and effectiveness. The District's operations have been evaluated against recommended practices and industry standards from several sources, including the National State Auditors Association (NSAA), the American Association of School Administrators (AASA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS). In addition, Type 6 districts (urban/suburban-high median income)<sup>1</sup> with similar demographics, high Ohio Proficiency Test scores and low per-pupil expenditures, were used for comparison purposes<sup>2</sup>. These districts are referred to as the "peer districts". It should be noted that unlike LCSD, the 10 peer districts did not contract with a third party for pupil transportation. Furthermore, AOS administered a survey of District employees regarding transportation services. Survey questions and results can be found in **Appendix 5A** at the end of this section.

Ohio Revised Code (ORC) § 3327.01 requires, at a minimum, that school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. 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 Program (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on their unique needs. LCSD offers transportation to District students who live within one mile from their assigned school, in excess of state minimum requirements.

Since 1999, LCSD has contracted with Laidlaw (the Provider) for student transportation services. During the first year of contract, bus drivers represented by the Ohio Association of Public School Employees (OAPSE), Local 51, were laid off by the District and rehired by the Provider. However, OAPSE's contract with LCSD included a recognition clause that was violated when meetings were conducted directly with employees concerning the intent to contract

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<sup>1</sup> As categorized by the Ohio Department of Education.

<sup>2</sup> The ten districts used for peer comparisons include Poland Local School District and Canfield Local School District (Mahoning County), Norton City School District (Summit County), Wadsworth City School District (Medina County), Amherst Exempted Village District (Lorain County), Lake Local School District, Perry Local School District and Jackson Local School District (Stark County), Oak Hills Local School District (Hamilton County), and Northmont City School District (Montgomery County).

transportation services. Consequently, the original contract with the Provider was cancelled and renegotiated the following year to include management services only.

On August 1, 2000, LCSD entered into a five-year agreement (the Contract) with the Provider for transportation management and maintenance services. On April 18, 2005, LCSD extended the contract until August 1, 2010. According to the Contract, the Provider manages LCSD's daily transportation operations, including bus maintenance and repair, parts inventory, liability insurance, supervision of bus drivers, training, recruiting, screening, scheduling, and routing. The Provider has four on-site employees including a Transportation Director, an assistant, and two dispatchers. LCSD employs all other transportation personnel, purchases all fuel for the buses, and shares the cost of the liability insurance with the Provider.

### *Operating Statistics*

School districts in Ohio are required to submit T-Forms to the Ohio Department of Education (ODE) to report ridership and cost data. **Table 5-1** displays LCSD's ridership statistics as reported in FY 2002-03, FY 2003-04, and FY 2004-05. Type I represents riders on Board-owned buses and Type II are riders on contractor-owned buses.

**Table 5-1: LCSD Ridership Statistics**

	FY 2002-03	FY 2003-04	FY 2004-05	Three-Year Change
<b>Riders</b>	4,117	4,496	5,042	22.5%
• <b>Type I Regular Needs</b>	808	607	369	(54.3%)
• <b>Type I Special Needs</b>	21	11	34	61.9%
• <b>Type II</b>	3,288	3,878	4,639	41.1%
<b>Total Type I Expenditures</b>	\$1,781,354	\$2,086,390	\$2,597,008	45.8%
• <b>Per Type I Rider</b>	\$2,205	\$3,437	\$7,038	219.2%
<b>Total Type II Expenditures<sup>1</sup></b>	\$1,072,248	\$1,301,911	\$1,083,304	1.03%
• <b>Per Type II Rider</b>	\$326	\$335	\$233	(28.4%)
<b>Total Expenditures<sup>2</sup></b>	\$2,853,602	\$3,388,301	\$3,680,312	29.0%
• <b>Per Rider</b>	\$693	\$754	\$730	5.3%

Source: Ohio Department of Education

<sup>1</sup>Total Type II expenditures were commingled and/or reported in the "other" section on the T-2 (see **R5.9**).

<sup>2</sup>Includes Type I and II expenditures only.

As shown in **Table 5-1**, total ridership at LCSD increased 22.5 percent from FY 2002-03 to FY 2004-05. During this same period, enrollment only increased 6.6 percent. In FY 2004-05, the District's riders included 440 non-public students, or 9 percent of its ridership, who were transported to eight private or parochial sites. In addition, Type I riders decreased while Type II riders increased as board-owned buses were replaced with contractor-owned buses. LCSD's total expenditures per rider decreased by 3.2 percent from FY 2003-04 to FY 2004-05.

**Table 5-2** compares LCSD's transportation ratios for FY 2004-05 to the peer average for the same period.

**Table 5-2: FY 2004-05 Transportation Ratio Comparison**

	LCSD	Peer Average <sup>1</sup>	Percent Variance
<b>Riders (Type I, IA, and II)</b>	5,042	3,306	52.5%
• <b>Type I Regular Needs</b>	369	3,257	(88.7%)
• <b>Type I and II Special Needs</b>	34	51	(33.8%)
• <b>Type II Regular Needs</b>	4,639	22	20,986.4%
<b>Buses</b>	71	43	67.1%
• <b>Active Buses</b>	65	36	78.6%
• <b>Spare Buses</b>	6	6	(1.6%)
• <b>Spares as percent of Total Fleet</b>	8.5%	15.3%	(44.8%)
<b>Riders per Active Bus</b>	77.6	96.4	(19.6%)
<b>Riders per Regular Bus</b>	80.8	104.7	(22.7%)
<b>District Square Miles</b>	82	29	177.9%
<b>Population Density</b>	396	975	(59.4%)
<b>Annual Routine Miles</b>	704,520	385,704	82.7%
• <b>Annual Miles Per Active Bus</b>	10,839	10,714	1.2%
• <b>Annual Miles Per Square Miles</b>	8,591	13,074	(52.2%)

Source: Ohio Department of Education LCSD and peer district T-Forms

<sup>1</sup>Peer totals and averages may vary due to rounding

As shown in **Table 5-2**, in FY 2004-05, LCSD transported approximately 20 percent fewer students per total active bus and per regular active bus when compared to the peer average. Although the District's higher square miles and lower population density can partially contribute to the lower riders per bus, other operational factors can also contribute to this disparity (see **Table 5-3** for additional discussion).

### *Expenditures*

In April 2003, the Legislative Office of Educational Oversight (LOEO) released a report titled *Student Transportation Funding in Ohio*. LOEO discovered districts contracting transportation spent, on average, 60 percent more per pupil than districts operating their own buses. By examining expenditures for contracting districts, LOEO discovered that potential reasons for higher operating figures include higher salaries, maintenance costs, and contractor's profit. In addition, some of the contractor's capital costs for buses, purchased and leased, were included in the contracted price.

**Table 5-3** compares LCSD's FY 2004-05 transportation expenditures by type to the peer average.

**Table 5-3: LCSD and Peer Average FY 2004-05 Expenditures by Type**

	LCSD	Peer Average	Percent Variance
<b>Personnel<sup>1</sup></b>	\$2,215,676	\$1,136,765	94.9%
Per Rider	\$439	\$358	22.9%
Per Bus	\$31,207	\$27,072	15.3%
Per Routine Mile	\$3.14	\$3.18	(1.2%)
<b>Maintenance &amp; Repairs<sup>2</sup></b>	\$104,826	\$121,675	(13.8%)
Per Rider	\$21	\$38	(44.8%)
Per Bus	\$1,476	\$2,824	(47.7%)
Per Routine Mile	\$0.15	\$0.33	(55.3%)
<b>Fuel</b>	\$232,417	\$119,497	94.5%
Per Rider	\$46	\$36	26.8%
Per Bus	\$3,273	\$2,821	16.1%
Per Routine Mile	\$0.33	\$0.33	1.1%
<b>Bus Insurance</b>	\$39,089	\$47,165	(17.1%)
Per Rider	\$8	\$15	(48.9%)
Per Bus	\$551	\$1,160	(52.6%)
Per Routine Mile	\$0.06	\$0.14	(60.8%)
<b>Total Expenditures<sup>3</sup></b>	\$3,680,312	\$1,458,349	152.4%
Per Rider	\$730	\$458	59.4%
Per Bus	\$51,835	\$34,742	49.2%
Per Routine Mile	\$5.22	\$4.09	27.7%
<b>Total Special Needs Expenditures</b>	\$105,399	\$231,282	(54.4%)
Per Rider	\$3,100	\$5,482	(43.5%)

**Source:** Ohio Department of Education

**Note:** Numbers may be off due to rounding.

<sup>1</sup>Includes salaries, retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.

<sup>2</sup>Includes maintenance and repairs, maintenance supplies, and tires and tubes.

<sup>3</sup>Includes additional miscellaneous expenditures for utilities (\$4,821), and other (\$1,083,304). According to the Provider, the contracted expenditures are separated by line item in the T-2 form (e.g., maintenance and repairs, maintenance supplies, and tires and tubes); with the remainder coded as "other" in the T-2 form. However, the Provider's personnel expenditures were not recorded in the applicable line items on the T-2 form in FY 2004-05 (see **R5.9**).

**Table 5-3** shows LCSD's total expenditures per rider, per bus and per routine mile were each higher than the peer average. This is primarily due to personnel expenditures. More specifically, LCSD spent 23 and 15 percent more per rider and per bus in personnel expenditures for FY 2004-05. This was due to transporting fewer riders per bus (see **Table 5-2**), which can subsequently be due to the contract, monitoring processes and general routing practices (see **R5.1**, **R5.2**, **R5.3** and **R5.4**). The District's higher average bus driver salary also contributes to the higher personnel expenditures. However, the bus driver salary schedules appear similar to peers in close proximity to Lebanon CSD (see **human resources**). Therefore, the higher average

salaries can be attributable to higher years of service and/or regional differences in compensation. Additionally, the District changed the driver's pay schedule from FY 2003-04 to FY 2004-05, which also contributed to the higher personnel expenditures per rider and per bus. Specifically, LCSD shifted the bus driver's pay from a 9 month schedule to a 12 month schedule that started in September 2003 and went through August 2004. For FY 2004-05, LCSD reverted back to the nine month schedule. Nevertheless, the change to a 12 month schedule caused driver's wages attributable to FY 2003-04 (months of July and August of 2004) to be recorded in FY 2004-05.

Although the District's fuel costs per rider and per bus were higher than the peer average, fuel expenditures per routine mile were in line with the peer average. In addition, the District's special needs costs per rider appear lower than the peer average, but the District did not itemize all special needs costs, such as fuel, maintenance or insurance (see **R5.9** and **R5.15**). Furthermore, LCSD spent 9.7 percent of its total General Fund expenditures on transportation functions, compared to the peer average of 5.2 percent.

### *Noteworthy Accomplishments*

During the course of this performance audit, the following noteworthy accomplishment was identified:

- **Spare Buses:** The District's spare buses represented only 8.5 percent of the District's total fleet. LCSD's buses are newer, which should enable them to travel longer without mechanical failure. LCSD's spare bus ratio is sufficient due to the age and mechanical condition of the fleet.

### *Assessments not Yielding Recommendations*

In addition to the analyses in this report, assessments were conducted on other areas within this section which did not warrant changes and did not yield recommendations. These areas are discussed below:

- **Inventory Security:** LCSD has purchased and paid for a fuel management system that will be fully installed and implemented in the near future. The fuel management system is a microprocessor-based fuel control and data acquisition system designed to gather and record specific information about fuel management operations. Once the system is fully installed, LCSD will monitor fuel usage more efficiently while providing more effective fuel security.
- **Bus Insurance:** As shown in **Table 5-3**, the District's insurance expenditures per bus were half the peer average in FY 2004-05. This is due to the Provider sharing the cost of the bus fleet's insurance coverage with the District, and LCSD sending out a detailed request for proposals for property, liability and fleet insurance.



- **Bus Maintenance and Repair:** At the start of the Contract, the Provider replaced 20 buses with new buses and has since added 4 to 5 new buses per year until FY 2004-05. The Provider maintains all District buses using its preventive maintenance (PM) software. The PM software helps to ensure the buses are maintained properly which should lead to an increased lifespan and lower repair costs. Thus, maintenance and repair costs per rider, per bus and per mile are lower than the peer averages.
- **Non-Routine Use of Buses:** The number of non-routine miles per ADM of 9.1 was similar to the peer average in FY 2004-05, while the number of non-routine miles per bus (641) and percentage of total miles attributable to non-routine miles (6.1 percent) were both lower than the peer averages of 1,008 and 10.4 percent, respectively. However, the District had to provide the non-routine miles when requested because the data was not reported on the T-forms (see **R5.9**).

## Recommendations

### *Routing Efficiency and Contract Management*

**R5.1 LCSD should work with the Provider to optimize routes and increase bus utilization via using the routing software and staggering bell schedules. For example, the District should request the Provider run various scenarios in the routing software to maximize bus utilization rates. Taking these steps could allow for the reduction of at least five buses. The District should work with the Provider to identify the bus reductions that would result in optimal savings by considering factors such as maintenance costs for each bus and the lower costs currently charged by the Provider for operating the remaining District-owned buses (see R5.4 for more information).**

**LCSD also should consider realigning the basis for the Provider's compensation to better maximize operational efficiency, and should improve other elements of the contract and related monitoring process (see R5.2, R5.3, and R5.4). Furthermore, based on the District's increasing enrollment, it should carefully monitor ridership data throughout the year and from year-to-year.**

Pursuant to Section VI (A) of the Contract, the Provider is primarily responsible for planning all bus routes in compliance with applicable laws and other requirements. The Provider agrees to work in cooperation with the Board to establish the most advantageous routing plan. The Provider utilizes routing software to create and maintain routes. In addition, the Provider, in cooperation with the District, employs a multi-tier bell system, cluster stops and staggered start times to enhance routing efficiency and bus utilization. However, bus utilization has decreased as new buses have been added. According to the District's T-1 Forms, the average bus utilization rate was 78.9 students per bus in FY 2003-04, 77.6 in FY 2004-05, and 67.3 in FY 2005-06. By comparison, the peers averaged 96.4 riders per active bus in FY 2004-05 (see **Table 5-2**).

The Provider operates on a two-tiered system whereby a bus first transports junior high and high school students; then picks up and transports the elementary school students. According to *Hidden Savings in Your Bus Budget*, (AASA, 2005), an effective pupil to bus ratio should average at least 100 students on a two-tiered system. Actual capacity use must be measured using 80 percent of rated capacity as a goal. In contrast, the District transported only 67 riders per active bus in FY 2005-06, with average bus utilization at 52 percent based on a 65 passenger bus. Approximately 90 percent of the Provider/District buses have a capacity of 65 or 72 passengers.

Since bell schedules can impact the ability to stagger start times and operate with fewer buses, **Table 5-4** presents the District's bell schedule.

**Table 5-4: Start and End Times for LCSD**

	Start Times	End Times
<b>Lebanon Junior High (Grades 7-8)</b>	7:20 A.M.	2:15 P.M.
<b>Lebanon High School (Grades 9-12)</b>	7:30 A.M.	2:35 P.M.
<b>Bowman Primary (Grades 1 and 2)</b>	8:45 A.M.	3:30 P.M.
<b>Donovan Elementary (Grades 3 and 4)</b>	9:00 A.M.	3:45 P.M.
<b>Berry Intermediate (Grades 5 and 6)</b>	9:00 A.M.	3:45 P.M.
<b>Louisa Wright Early Childhood Center (Grade K)</b>	9:05 A.M. 1:05 P.M.	11:45 A.M. 3:45 P.M.

Source: LCSD

**Table 5-4** illustrates that the start and end times at the junior high and high schools are approximately one to 1.5 hours after the elementary schools. The certificated bargaining agreement does not stipulate start and end times for teachers and only states that the teacher's day can be no longer than 7.5 hours. Therefore, the District has some flexibility in altering the bell schedules to enable at least some of the buses to complete a third run, thereby allowing the Provider to operate with fewer buses. In addition, the Provider noted that bus drivers take a break of approximately 15 to 45 minutes after transporting high school students. This indicates a potential to move up the start times at some of the elementary schools, which could help the District identify ways to alter the remaining start and end times to further stagger the bell schedules. This, in turn, would enable some buses to complete a third run.

If the District was able to achieve, at a minimum, a ratio of 77.6 riders per bus in FY 2004-05, it could eliminate five active buses based on FY 2005-06 bus data and FY 2004-05 ridership data. In FY 2005-06, the District reported 4,746 Type I and II riders, which is a reduction of 296 Type I and II riders from the number reported in FY 2004-05. By contrast, the District's total enrollment increased by 240 students or 4.8 percent in FY 2005-06. In order to be conservative and account for potential increases in enrollment and corresponding riders in the future, the ridership reported in FY 2004-05 was used in the estimate of potential bus reductions. More specifically, ridership in FY 2004-05 represents the highest reported Type I and II riders from FY 2002-03 to FY 2005-06. Nevertheless, depending on the District's and Provider's ability to increase bus utilization by using the software to improve routing efficiency and/or staggering bell schedules, the District may be able to eliminate additional buses. For example, if the District increased utilization to 100 riders per bus while still under a two-tiered system, it could eliminate 19 active buses, based on FY 2004-05 ridership. If each bus was able to complete three runs at 50 riders per bus, per run, LCSD could eliminate 36 buses. However, it may be difficult for each bus complete three runs and/or achieve the peer average due to factors such as the District's size and the impact on student ride time. As shown in **Table 5-2**,

the District's geographic area is three times the peer average, which contributes to its significantly lower population density.

Finally, the District pays the Provider on a per bus basis, which results in a dichotomy between the Contractor's profit motivation, and the District's financial needs and efficiency requirements. In essence, the Provider has an incentive to operate with more buses. On the other hand, paying the Provider on a rider per bus basis would create an incentive to maximize bus utilization and overall efficiency.

*Financial Implication:* By eliminating 5 buses, the District could save approximately \$78,000 annually in salaries and benefits, and \$2,700 annually in bus insurance costs, for a total potential savings of approximately \$80,700 per year. The savings are based on the lower salaried bus drivers, percentage of benefits comprising salary expenses from the T-2 form for FY 2004-05, and the average bus insurance cost per bus of \$551 in FY 2004-05. Furthermore, LCSD would save approximately \$73,800 annually in contracted costs. In order to avoid paying the price difference in future years to replace the District-owned buses (see **R5.4**), this is based on the daily cost per District-owned bus charged by the Provider for FY 2005-06. Because the price charged to operate the District-owned buses is lower than the Provider-owned buses, this also provides a conservative estimate. In total, the District could save approximately \$154,500 by eliminating at least 5 buses.

**R5.2 LCSD should formally assign the responsibilities of coordinating and monitoring the Contract to a District employee. This would help to ensure compliance with contract terms, aid in the identification and resolution of problems, and better ensure that the District receives optimal services at the lowest possible cost. The individual's job description should be updated to reflect the responsibilities and expectations of the position.**

Section VI, (G) of the Contract identifies the Director of Business Operations as the LCSD employee whom the Provider should notify concerning matters such as changes in route times. The position, however, was eliminated on January 1, 2006. The former Director of Business Operations estimated that 25 to 30 percent of his time was allocated to transportation functions and contract monitoring. With the elimination of the Director of Business Operations position, contract monitoring is now shared between the Treasurer and the Human Resource Director. However, LCSD did not formally designate a specific employee to monitor the contract. Furthermore, the Contract does not outline performance standards, which can prevent the District from effectively evaluating the performance of the Provider (see **R5.3**). Lastly, the District employs slightly more administrator FTEs per 1,000 students (5.18) when compared to the peer average (5.08) (see **human resources**). This additional administrative time could be allocated to the contract monitoring duties.

OPPAGA suggests that districts wishing to successfully privatize some or all of their student transportation services need to perform several steps. One of these steps is closely monitoring services provided by contractors and measuring results against agreed upon standards. Also, districts should employ experienced in-house contract administrators.

According to *Contracting for Services*, (National State Auditors Association (NSAA), 2003), monitoring is an essential part of the contracting service. Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. To properly monitor a contract, an agency should:

- Assign a contract manager with authority, resources, and time to monitor the project; and
- Ensure that the contract manager possess adequate skills and has necessary training to properly manage the contract.

By not formally designating a contract manager and outlining the specific responsibilities, along with the absence of performance standards in the Contract, LCSD runs the risk of incurring additional costs as a result of inefficient transportation services brought about by lax controls and minimal monitoring (see **Tables 5-2** and **5-3**, and **R5.1**).

**R5.3 LCSD should establish benchmarks for operating and productivity ratios in the Contract, such as cost per rider and riders per bus. By establishing and monitoring performance benchmarks throughout the Contract period, the District can better ensure an optimal level of service quality and cost efficiency. In addition, the District should assess performance benchmarks before negotiating a new transportation contract. It should also exercise its right to periodically (e.g., monthly) request reports from the Provider to help monitor services. The reports should display all aspects of transportation operations, including bus utilization rates.**

LCSD does not have formal performance standards and measurable outcomes to use in evaluating the Provider's performance, nor does the Contract include performance benchmarks. Furthermore, the Provider does not provide the District with periodic reports beyond cost information in the invoices. In addition, LCSD has not routinely requested operating reports from the Provider to periodically assess performance and adherence to the Contract even though the Contract permits the District to do so. Pursuant to Section XV (A) of the Contract, the Provider shall provide any reports and records which may be reasonably requested by LCSD and necessary for proper payment, evaluation of the Provider's performance, or any reports required to be submitted by the District to any governmental agency.

According to *Contracting for Services* (NSAA, 2003), once the decision to contract has been made, the agency should develop performance requirements that will hold vendors accountable for the delivery of quality services. These performance requirements should clearly define performance standards and measurable outcomes. In addition, the agency should identify how vendor performance will be evaluated and include positive or negative incentives. After contract completion, NSAA recommends the agency evaluate the contractor's performance against a set of pre-established, standard criteria and retain this record for future use. The contract should contain the performance standards, performance incentives, and/or clear penalties and corrective actions for non-performance.

According to the *Contract Management Manual*, (Voinovich Center for Leadership and Public Affairs, 2001), performance standards should be included in a contract, subject to negotiation of target levels and performance benchmarks. Performance standards should illustrate impact (indicators), be specific and definable (measurements), set benchmark criteria, identify the source of data, designate frequency, and have financial impact. The *Contract Management Manual* also notes that vendor performance reporting ties to the recommended sets of performance measures that address the vendor's fiscal performance, service delivery performance, and output-effectiveness performance.

By failing to clearly define performance standards, LCSD is unable to effectively measure the services of the Provider or determine whether they are cost effective. By not periodically requesting and reviewing reports, the District is not ensuring that the Provider is transporting students in an efficient manner. Conversely, by routinely assessing performance based on established benchmarks and adherence to the Contract throughout the year, LCSD may be able to identify inefficiencies or service concerns at the onset and work with the Provider to implement measures to alleviate these issues in a timely manner.

**R5.4 LCSD should seek to change the bus replacement criteria in the current Contract. Instead of basing replacements solely on age or mileage, the District should require the Provider to formally show that it would be more cost effective to replace the Board-owned buses than continuing to maintain them. This may help reduce the amount charged by the Provider to manage the District's transportation operations.**

Section III (B) of the Contract states that no Board-owned or Company-owned bus shall exceed eleven years of age or 150,000 miles at the start of any school year, unless agreed to by the Company and Board. In practice, the Provider has replaced the buses when they approach the criteria set forth in the contract. However, there are no State guidelines for bus replacement beyond the requirement that the buses must pass the annual Ohio State Highway Patrol inspection. Regardless of the buses' age or mileage, a district may continue to use them for transportation as long as they can pass the State inspection. The

Transportation Director indicated that all of the District's buses passed the safety inspection in FY 2004-05.

According to the National Association of State Directors of Pupil Transportation Services (NASDPTS), two independent studies in the mid-1980's of annual school bus operating costs indicated that after 12 years of use, the annual operating costs of school buses began to increase significantly and continued to increase each year thereafter. NASDPTS suggests that Type C and D buses should be replaced after 12-15 years, and Type A and B buses (lighter duty design buses) after 8-12 years. It also reports that South Carolina replaces buses after 250,000 miles and/or 15 years of service. In FY 2002-03, the State average age of replaced buses reimbursed by ODE was 16 years, with an average mileage of 210,000. Replaced buses ranged in age from 12 to 25 years, and in mileage from 140,103 to 260,615.

The District still owns 12 buses, with 6 of the 12 actively transporting students in FY 2004-05. For FY 2005-06, the Provider charged a daily rate of \$78.98 for Board-owned buses and \$108.89 for contractor-owned buses. The six Board-owned buses range from 1995 to 1997 model years with an average mileage of 113,700. Assuming these active buses are replaced according to the age requirements in the Contract, the Provider will replace all of the six active buses by FY 2007-08. Furthermore, the average model year of the Provider/District fleet is 2000, with an average mileage of approximately 73,000. The average model year for District-owned buses is 1997, with an average mileage of approximately 113,700. By comparison, the average model year for Provider-owned buses is 2001, with an average mileage of only 69,000.

*Financial Implication:* Based on the potential to eliminate at least five buses, the District could avoid paying the increase in price resulting from the Provider replacing at least 5 of LCSD's 6 remaining active buses. This would amount to \$26,900 in FY 2005-06; \$27,700 in FY 2006-07; \$28,500 in FY 2007-08 and \$29,400 in FY 2008-09. These amounts are based on the FY 2005-06 prices and three percent increases thereafter, as stipulated in the Contract. Additionally, this assumes the District-owned buses cost more to repair and maintain than the Provider-owned buses and, consequently, would be the buses eliminated in **R5.1**. However, if the Provider-owned buses are eliminated, the above estimated cost avoidances would represent a delay in incurring the expenditures rather than a true cost avoidance.

### *Transportation Policies and Procedures*

**R5.5 LCSD should review and update its transportation policies on an annual basis to ensure that written policies reflect the District's practices and the Board's intent. This should include working with the Provider to review and update the Transportation Handbook. Doing so would ensure the Transportation Handbook**

**accurately reflects the policies in the Board Policy Manual and current transportation practices. Policies should be clearly written, developed with community input, and accessible to all users.**

The Transportation Handbook was developed by the Provider and modified to meet District needs at the beginning of the Contract period. It contains transportation policies and procedures as well as regulations and guidelines for Transportation Department personnel. However, the Transportation Handbook has not been updated or revised since the Provider began managing transportation operations in 1999. Furthermore, LCSD does not annually review the transportation sections in the Board Policy Manual.

According to *Key Legal Issues for Schools*, (ASBO, 2006), the general operating procedures for school boards should include annual reviews of all new and revised policies to determine whether modifications should be made on the basis of implementation and experience. ASBO further recommends that school boards consider developing a policy review committee to identify issues and situations that should be considered during annual policy reviews. The board and superintendent should encourage consultations and open forums with interested groups and individuals before policies are placed on the agenda for adoption.

By not regularly reviewing the Transportation Handbook and the Board Policy Manual, policies can become outdated, inconsistent and/or not reflect current transportation practices. For example, the Board Policy Manual (EEAA) states the District will provide transportation to students K-8 who live more than two miles from the assigned school and transportation for high school students is optional. Exceptions can be made for hazardous walking conditions or assignments to other schools due to overcrowding. Conversely, the Transportation Handbook states that LCSD will transport students that reside one mile or more from the school of attendance. Those students residing less than one mile from school but within one half mile of a bus stop may also ride. The actual practice of LCSD is to offer transportation to all students. Furthermore, by not periodically reviewing policies and procedures, LCSD could experience inefficient operations and a decrease in the quality of service provided to students.

**R5.6 If LCSD continues to experience financial difficulties, it should consider adopting transportation standards that are closer to State minimum requirements to reduce transportation costs. However, prior to making reductions in transportation services, the District should work with ODE to determine any potential reductions in State reimbursements.**

LCSD operates above the State minimum requirements by transporting high school students and students residing less than two miles from the school of attendance. In July 2005, LCSD estimated that if transportation services were no longer provided to high



school students, it would save \$790,415 in salary, benefit, fuel and management fee costs before reimbursement, and \$391,765 in net savings after accounting for the loss in reimbursements. AOS estimated savings of approximately \$881,200 based on the number of routes for high school students (17) and the average cost per bus of \$51,835 in FY 2004-05. By using the number of high school riders and cost per rider of \$730 in FY 2004-05, estimated savings would be approximately \$1 million. These two latter estimates do not include the impact of any reduction in State reimbursements. Additionally, as the two AOS estimates capture all costs including fixed costs, the District estimate of approximately \$790,000 before reimbursements appears reasonable.

Historically, student ridership and costs have been two of the key variables used in determining a school district's state reimbursement for transportation. According to House Bill (HB) 66 passed by the 126<sup>th</sup> General Assembly, transportation reimbursements for FY 2005-06 and FY 2006-07 will be two percent higher than the prior fiscal year. As a result, the District could reduce its transportation services to state minimums without a reduction in its reimbursement amount for FY 2005-06 and FY 2006-07. However, ODE is required to develop and recommend a new formula to the Office of Budget and Management and the Ohio General Assembly to be used in calculating the FY 2007-08 reimbursements.

*Financial Implication:* Eliminating high school transportation for FY 2006-07 could save the District approximately \$790,000 annually. However, the actual savings will depend on the impact of transportation reductions on future state reimbursements as well as the impact of fixed costs. During the conclusion of this performance audit, ODE indicated that the regular education transportation reimbursements for FY 2007-08 will be one percent higher than FY 2006-07 for each school district.

**R5.7 LCSD should develop formal policies and procedures governing the identification and evaluation of hazardous areas in the District that would require exceptions to the transportation policy. This would ensure potential hazardous conditions are identified in a uniform and consistent manner.**

While LCSD has a form available to report unsafe conditions, it lacks guidelines to help identify potentially hazardous areas. Instead, LCSD drivers are entrusted to accurately identify hazardous areas. Although it does not reflect current practices or include guidelines for hazardous conditions, the Board Policy Manual indicates that exceptions to the transportation policy can be made for hazardous walking conditions.

The Provider supplies a form for bus drivers to use to alert the Transportation Director of unsafe conditions on routes. The form asks for the location, details about the condition to be addressed (e.g., overgrown trees or unsafe corners), along with a recommendation and the action taken in an effort to resolve safety issues. If a parent feels that an area is

hazardous, the Transportation Director is contacted and the condition examined. The Transportation Director decides, based on experience, if the condition should be deemed hazardous. If a parent is still unsatisfied, they may report it to the Superintendent.

The following key criteria are defined as hazard areas for bus routing in the Ohio Administrative Code (OAC) 3301-83-20 (I):

- Overpasses and underpasses;
- Construction projects;
- On-street parking areas;
- Traffic counts (density);
- Areas without curbs and sidewalks; and
- Railroad crossings.

The Warren County Engineer's Office maintains maps and other documents that could be used to assist the District in identifying road hazards along walking routes to its school buildings. The District could also use the report from the NASDPTS on bus hazard surveys to serve as a potential template for designing its policy and associated information.

Developing formal procedures which provide guidelines for identifying, evaluating and reviewing hazardous areas will reduce the risk of failing to designate an area that may otherwise be considered hazardous and, in turn, increase the safety of students.

**R5.8 LCSD should continue to assess non-routine expenses, and establish policies and procedures for the reimbursement of non-routine transportation expenses that outline the manner in which fees are established, and the appropriate method for tracking and monitoring services. LCSD should charge all costs associated with non-routine miles to the appropriate department and fund within the District.**

LCSD does not have a policy for charging non-routine miles to the appropriate user. Historically, the District has charged all costs for non-routine transportation trips to the General Fund. Prior to the close of FY 2004-05, the Board requested an itemization of costs for non-routine miles in FY 2004-05 to assist them in deciding what amount to charge students to participate in activities (i.e., athletic, band, ROTC etc.). The Treasurer's Office prepared a spreadsheet listing the date, department, mileage/trip charge, driver's salaries and benefits charged to the General Fund for each extra-curricular trip. **Table 5-5** summarizes transportation expenditures for extracurricular non-routine activities for FY 2004-05, based on the Treasurer's analysis.

**Table 5-5: Non-Routine Transportation General Fund Expenditures**

Category	Cost
Athletics	\$33,116
Band	\$6,721
ROTC	\$2,072
Other <sup>1</sup>	\$34,860
<b>Total</b>	<b>\$76,769</b>
<b>General Fund Non-routine Expenditure Total<sup>2</sup></b>	<b>\$102,333</b>

Source: LCSD Treasurer's Office

<sup>1</sup>Includes Lebanon Educational After School Program (LEAP) and after school activity buses currently funded by grants, and excludes amounts that were charged to federal funds.

<sup>2</sup>Includes additional extracurricular trip expenses (not assessed) for Lebanon High School (\$10,721), Lebanon Junior High School (\$5,661) and the elementary schools (\$9,182).

According to **Table 5-5**, LCSD could have charged \$76,769 in non-routine transportation expenditures to the respective departments or funds. The District paid the Provider a field trip rate of \$0.27 per mile in FY 2004-05, in addition to the drivers' salaries and benefits. This amounted to \$34,807 in FY 2004-05 in additional non-routine costs. The Board did not implement a user charge during FY 2005-06 for non-routine transportation.

As stated in ORC § 3301-83-16, no pupil may be charged for transportation to and from regular day classes and other educational field trips on school days. However, the board of education shall recover an amount not to exceed the actual operational costs associated with non-routine use of school buses, with the exception of field trips that are extensions of the instructional program. As reported on the district's T-Reports, these costs include the following:

- Driver's salary;
- Fuel;
- Maintenance;
- Service;
- Supervision; and
- Insurance.

According to ODE, approved non-routine uses of buses include:

- Trips that are extensions of the instructional program as determined by the school;
- Trips for the transportation of enrolled pupils directly participating in school-sponsored events;
- Transporting pupils taking part in summer recreation programs when such programs are sponsored by a recreation commission and there is an agreement between the board of education and the recreation commission; and

- Trips for transportation of pupils and/or adults, as approved by the board of education to and from events within the local community which are school or local community sponsored. Such events shall be open to the public.

Properly charging non-routine miles back to the respective fund or user would result in additional monies being available for other purposes in the General Fund and better tracking of costs related to each department and fund. In addition, properly accounting for the non-routine use of buses may help District departments become more aware of, and accountable for, transportation use.

*Financial Implication:* LCSD could save approximately \$76,000 in General Fund costs by charging non-routine trips back to the respective funds and/or departments and reducing the Transportation budget by an equivalent amount.

**R5.9 LCSD should establish formal policies and procedures for the completion of T-Forms. This would better ensure that reports are accurate and reconciled to the District's financial data, comply with ODE guidelines, and are reviewed and approved prior to submission to ODE. Moreover, formal policies and procedures would help to ensure the District has received accurate and complete information from the Provider, which can be used to help assess the Provider's performance (see R5.2 and R5.3). In particular, LCSD should compel the Provider to complete and submit a T-2C Form, as required by ODE.**

Districts in Ohio are required to submit T-Forms to ODE, which are used to report ridership and cost data. The T-1 Form is used to report the transportation service level of the District and categorizes the riders by service types (Type I/Board-owned or Type II/contractor-owned), students by bus type (regular or special needs), and the daily miles for each bus. The T-1 Form also categorizes students living within one mile and those residing more than one mile from their schools, and the type of school attended (public, non-public or community school). The T-2 Form is used to report the actual expenses incurred by a district while transporting pupils reported on the T-1 Form. Type II expenditures should be reported and certified by the contractor on a T-2C Form and submitted to the District for review and insertion on the T-2.

The Provider did not complete a T-2C Form for FYs 2003-04 or 2004-05. LCSD's FY 2004-05 T-2 Form did not separately report Type II (Contractor-Owned) expenses. Rather, all expenses were reported under Type I (Board-owned). According to the Provider, the contracted expenditures were separated by line item in the T-2 Form (e.g., maintenance and repairs, maintenance supplies, and tires and tubes), with the remainder coded as "other." The "other" was approximately \$1.08 million in FY 2004-05. However, the Provider's personnel expenditures were not recorded in the applicable line items on the T-2 form in FY 2004-05. The total annual non-routine miles were also reported

incorrectly in the miscellaneous section, while the number of square miles was mistakenly entered into the non-routine miles category. In addition, special education costs were not fully reported. The T-2 for FYs 2003-04 and 2004-05 only reported special needs bus drivers' salaries and retirement costs. The T-2 did not allocate costs such as fuel, employee insurance, physical exams and drug tests, training, bus insurance, maintenance and repairs, and tires for the special education routes. Furthermore, the T-2 omitted much of the miscellaneous data, such as total number of special education students, amounts spent to purchase buses, and the most recent cost per gallon for fuel.

The above errors or omissions could be due, in part, to the absence of formal policies and procedures for completing T-Forms. The Provider's Transportation Director is responsible for completing LCSD's T-Forms. The forms are then sent to the Treasurer and Superintendent for approval.

According to *Student Transportation Funding in Ohio* (LOEO, 2003), accuracy problems for transportation related data exist in a number of school districts, especially regarding the number of students transported, daily bus miles traveled per student, and district transportation costs. LOEO also states that the first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-Forms.

Without formal policies and procedures, LCSD risks submitting erroneous information to ODE, which in the past was used to determine the amount of the District's transportation reimbursements. By not requiring the Provider to complete a T-2C Form, LCSD increases the potential for the Provider's costs to be recorded in the incorrect line items and commingled with District expenditures. This subsequently prevents the District from effectively evaluating the costs related to contracting for transportation services.

**R5.10 LCSD should formalize its practices governing fuel purchasing to ensure that prices are compared prior to selecting a vendor and include comparisons to applicable consortiums (e.g., the Ohio Department of Administrative Services (ODAS) Cooperative Purchasing Program). This would, in turn, help to ensure the District consistently receives the "best" price when making fuel purchases.**

LCSD has an on-site fuel tank located at the transportation facility. The tank's capacity is 12,000 gallons and it is filled approximately twice a month. The head mechanic is responsible for ordering fuel when needed. While there are no formal policies regarding fuel purchasing practices, prices are compared among four local vendors to help identify the best price. LCSD's head mechanic tracks the date, cost per gallon and vendors' prices for all fuel purchases. The fuel is ordered when the on-site fuel tank drops below 3,000 gallons. Each delivery is approximately 7,500 gallons, which allows the District to receive a bulk discount.

According to the Voinovich Center for Leadership and Public Affairs at Ohio University, effective contract management assures the community that taxpayer dollars are spent strategically and wisely, which includes control over what is to be purchased, by whom, for what purpose, with expected results, and at what price. The purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community.

ODAS' Cooperative Purchasing Program offers governments in Ohio "cost savings and convenience by empowering members to buy supplies and services through state government contracts," including fuel purchases. Because LCSD is a school entity, the annual membership fee is \$110 annually.

Although the District's fuel expenditures per mile were similar to the peer average (see **Table 5-3**), comparing fuel prices from local vendors to consortiums like ODAS Cooperative Purchasing Program would further ensure that LCSD selects the "best" fuel vendor. This can be aided, in part, through the development of formal procedures that guide the process for purchasing fuel. This would be particularly important in the event of turnover in key personnel.

**R5.11 LCSD should consider posting the transportation policies and procedures, as well as other pertinent transportation information, on the District's website to increase communication with students, parents, employees, and the community. If the District uses the website to allow parents and students to obtain specific student-related information, it should implement the appropriate measures to ensure the security of such information.**

LCSD sends transportation information post cards to students in K-6 before the beginning of the school year. These post cards include the student's name, location, time of student pick-up and drop-off, and bus number. Students in grades 7-12 can find bus information posted at the school of attendance. These students must go in advance to get the location and time of the pick-up. LCSD conveys transportation related issues, such as budget cuts, through community forums and newsletters. Its Transportation Handbook is provided to bus drivers and aides in an effort to communicate the information needed to operate in an efficient manner. However, the District does not use its website to communicate transportation policies, procedures and related information.

OPPAGA suggests that school districts use every practical means of communication to provide timely information to parents and guardians, such as newsletters, flyers, web sites, etc. In addition, the Lakota Local School District provides a link on its homepage to the Transportation Department's web page. Individual student route information is

provided for public and non-public students, and is accessible with a student ID number. Also available on the web page are registration forms, appeal forms, parent responsibility information, student safety information, consequences of misbehavior, permission to change bus stops, and transportation contact information.

Although the District uses some methods to communicate transportation-related issues to parents and students, failing to use the website prevents it from using an easy and convenient method of communication. According to the Provider, students will be able to use the District’s website to obtain bus stop information for the 2007-08 school year.

**R5.12 LCSD should record the time mechanics spend driving buses in the substitute bus driver personnel expenditure line item on the T-2 form. Doing so would more accurately depict LCSD’s costs for substitute bus drivers and mechanic functions. Furthermore, the District should ensure mechanic and other transportation costs on the T-2 form are reconciled with its internal financial reports (see R5.9 for more information).**

According to the Transportation Director, the mechanics charge all working hours to the mechanics line item. However, they spend a portion of their time substituting for absent bus drivers. This does not accurately depict the expenditures for bus repairs and maintenance or substitute driver salaries. The T-2 form requires districts to separately report substitute driver and mechanic personnel expenses. In addition, according to the Uniform School Accounting System (USAS), there are different expenditure function codes for bus drivers-vehicle operation services (Function 2820), and for mechanics-vehicle servicing and maintenance services (Function 2840).

Along with a failure to account for the time mechanics spend as substitute bus drivers, the District does not appear to be consistently reporting mechanic costs on its T-2 forms and internal financial reports. **Table 5-6** compares the District’s mechanic salary costs reported on the T-2 forms to its internal financial reports (BUDWRK).

**Table 5-6: Comparison of Mechanic Salary Costs Reported**

	FY 2002-03	FY 2003-04	FY 2004-05
<b>Per T-2</b>	\$98,657	\$103,350	\$122,869
<b>Per BUDWRK</b>	\$35,727	\$36,555	\$101,034
<b>Variance</b>	\$62,930	\$66,795	\$21,835

Source: District T-2 forms and BUDWRK reports

As shown in **Table 5-6**, the mechanic salary costs reported on the T-2 were significantly higher than the mechanic salary costs reported in the BUDWRK for each year. This discrepancy could not be explained by the District. The above variances may be due, in part, to the lack of formal policies and procedures for reporting of transportation expenses (see **R5.9**).

By not recording the time and costs related to mechanics serving as substitute drivers, the District cannot know the actual costs related to these two functions. This hinders budgeting and planning efforts. In addition, the absence of formal policies and procedures for compiling and reviewing transportation data increases the potential for inaccuracies.

### *Compensation*

**R5.13 Subject to negotiations, LCSD should consider eliminating the contractually-guaranteed hours for bus drivers, or at least reducing them to no more than two hours per day. This could help reduce personnel expenditures and prevent payments to employees when no work is being performed. If the District is unsuccessful in eliminating the minimum guaranteed hours provision, it should negotiate to require transportation personnel to work during the entire period for which they are receiving payment by identifying other duties that can be performed.**

The Master Agreement between Lebanon City School District Board of Education and the Lebanon City Schools Employee Association (collective bargaining agreement) is effective July 1, 2005 – July 30, 2008. According to Article 8, Section 1 of the collective bargaining agreement, bus drivers on regular trips shall be paid in 15 minute increments at their regular rate of pay with a 1-hour minimum per trip. Regular trips are defined as each morning and afternoon route including its transfers and/or shuttles in which students are picked up and delivered.

LCSD bus drivers are paid at an hourly rate from the time the route begins until it ends. Morning and afternoon routes are multi-tier, allowing drivers to transport high school and junior high students in the early morning before transporting elementary students in the second tier of the morning run. Therefore, for the buses solely dedicated to the morning and afternoon routes, each bus would complete a total of four regular trips per day. Based on the minimum of 1-hour per regular trip, this would equate to a minimum payment of four hours per day for the respective bus drivers. In addition, some buses complete a mid-day route, but the collective bargaining agreement excludes mid-day routes from “regular trips.”

In contrast to LCSD, Boardman Local School District and Cuyahoga Falls City School District (CFCS) guarantee a minimum of no more than two paid work hours to transportation personnel. CFCS specifically stipulates in its collective bargaining agreement that employees are required to work the entire two-hour minimum for which they are being paid. In addition, Hamilton CSD bus drivers are compensated for actual route time plus the safety check time, without a guaranteed minimum. Lastly, Manchester LSD guarantees only 30 minutes per route.



By requiring more guaranteed hours, the District increases its transportation costs, assuming that some regular trips are less than one hour. For example, **Table 5-3** shows that LCSD’s transportation personnel costs were \$439 per rider and \$31,207 per bus in FY 2004-05, which were approximately 23 and 15 percent higher than the respective peer averages (\$358 per rider and \$27,072 per bus). However, based on information provided by the Treasurer, no bus driver is paid for exactly four hours per day. Even if all regular trips currently take more than one hour to complete, maintaining the one hour minimum payment language in the collective bargaining agreement exposes the District to the risk of paying for time not worked. This could become problematic as the District takes measures to improve bus utilization and overall routing efficiency (see **R5.1**).

*Payment-in-Lieu of Transportation*

**R5.14 LCSD should consider increasing the number of payment-in-lieu of transportation agreements as an alternative to providing transportation. In order to maximize savings, and in conjunction with taking measures to optimize bus utilization (see R5.1), the District should establish payment-in-lieu of transportation agreements with riders that would enable reductions to its fleet.**

In FY 2004-05, the District had 50 payment-in-lieu (Type IV) of transportation agreements. In FY 2005-06, the District reported 36 payment-in-lieu of transportation agreements, all for nonpublic school students. The decrease in FY 2005-06 is due, in part, to a decrease in total ridership. Additionally, the District dedicated nine buses exclusively to transport nonpublic regular school riders in FY 2004-05 and FY 2005-06, averaging only 37 riders per bus in FY 2005-06 and only 45 riders per bus in FY 2004-05.

**Table 5-7** compares LCSD’s Type IV riders and expenditures to the peer average for FY 2004-05.

**Table 5-7: FY 2004-05 Cost comparison of Type IV Expenditures**

	LCSD	Peer Average <sup>1</sup>
Type IV Riders	50	60
Type IV Expenditures	\$6,714	\$9,704
Type IV Expenditures per Rider	\$134	\$153
Expenditures per Rider (Type I & II)	\$730	\$458
Difference per Rider	\$596	\$305

Source: Ohio Department of Education

<sup>1</sup>Expenditures, riders, and expenditures per rider only reflect the districts reporting this information.

**Table 5-7** shows Type IV transportation is less expensive than Type I/II transportation. Therefore, striving to actively promote and establish additional payment-in-lieu of transportation agreements, along with other measures to optimize ridership per bus (see

**R5.1)**, can help the District reduce the number of buses and overall transportation costs. In comparison to the peer average, LCSD's average cost per Type IV rider was 11.9 percent lower.

**Table 5-8** compares the Type IV riders as a percentage of total regular riders for LCSD and the peer average.

**Table 5-8: FY 2004-05 Comparison of Type IV Riders**

	LCSD FY 2004-05	Peer Average FY 2004-05
<b>District Total Regular Riders</b>	5,058	3,271
<b>Total Type-IV (Payment-in-Lieu Riders)</b>	50	60
<b>Percentage of Payment-in-Lieu Riders</b>	1%	1.8%

Source: District T-Reports

As shown in **Table 5-8**, LCSD provided Type IV transportation to 1 percent of its students compared to the peer average of 1.8 percent in FY 2004-05. In order for LCSD to be in line with the peer average benchmark of 1.8 percent, it would need to negotiate payment-in-lieu of transportation agreements with 43 more riders.

According to ORC § 3327.02, a school district may determine that it is impractical to transport a pupil who is eligible for transportation to and from school under section ORC § 3327.01 of the Revised Code, after considering the following factors:

- Time and distance required to provide transportation;
- The number of pupils transported;
- The cost of providing transportation in terms of equipment, maintenance, personnel, and administration;
- Whether similar or equivalent service is provided to other pupils eligible for transportation;
- Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and
- Whether other reimbursable types of transportation are available.

Once a determination of impracticality has been made, the Board must offer payment-in-lieu of transportation to the pupil's parent/guardian.

*Special Needs***R5.15 LCSD should revise the Individualized Education Program (IEP) development process to include the Transportation Director. Doing so would ensure appropriate alternatives for transporting special needs students are discussed, including parent/guardian contracts and partnering with neighboring school districts.**

In FY 2004-05, Transportation Department staff members were not active in the IEP development process for students with special needs. However, the Transportation Director intends to provide special needs transportation input during future IEP development meetings. Prior to the 2005-06 school year, LCSD had not entered into any parent/guardian contracts for the transportation of special needs students. However, according to the Treasurer, the District is starting to explore parent/guardian contracts by having the Pupil Personnel Director discuss this option with parents at enrollment. Furthermore, the District has not explored the possibility of partnering with neighboring districts for special education transportation.

Pursuant to ORC § 3327.01, transportation must be provided for pupils attending special education classes for educable mentally retarded children. According to ODE, providing pupil transportation and meeting the specific needs of students with special needs has become increasingly complex. Of the more than 1.3 million students transported at public expense, more than 48,000 are students with disabilities. As stipulated in OAC 3301-51-07(A), “each school district shall adopt and implement written procedures...that ensure an IEP is developed and implemented for each child with a disability.” Furthermore, as stipulated in OAC 3301-51-07(E), when forming an IEP team, districts should include the following as IEP team members:

- The child’s parents;
- The child, if appropriate;
- At least one regular education teacher of the child;
- At least one special education teacher of the child;
- A representative of the school district who is qualified to provide or supervise the provision of specially designed instruction;
- An individual who can interpret the instructional implications of evaluation results; and
- Other individuals who have knowledge or special expertise regarding the child, including related services personnel, as appropriate.

According to ODE, school districts can contract with parents or guardians to provide transportation for their special needs students under OAC Section 3301-83-19.

Although **Table 5-3** shows that LCSD's cost per special needs rider (\$3,100) was lower than the peer average (\$5,482) by 43.5 percent, the District only allocated salary and retirement costs to special needs transportation. Therefore, the District's special needs transportation expenditures appear under-reported for FY 2004-05 (see **R5.9**). Nevertheless, including the Transportation Director in IEP meetings and continuing to offer parent/guardian contracts can help the District ensure special needs transportation costs are considered and effectively controlled.

## Financial Implications Summary

The following table summarizes the estimated annual cost savings identified in recommendations presented in this section of the report.

### Summary of Financial Implications <sup>1</sup>

Recommendation		Estimated Annual Cost Savings
<b>R5.1</b>	Reduce at least five buses by working with the Provider to optimize routes and increase bus utilization.	\$154,500
<b>R5.4</b>	Seek to change the bus replacement criteria in the Contract.	\$26,900 (Cost Avoidance)
<b>R5.8</b>	Charge back non-routine miles.	\$76,000
<b>Total</b>		<b>\$257,400</b>

<sup>1</sup> The table excludes **R5.6** which recommends that the District consider eliminating high school transportation because this recommendation should be considered in relation to the District's overall financial condition (see **financial systems**).

## Appendix 5A: Employee Survey

AOS administered a survey of LCSD employees to obtain feedback and perceptions concerning transportation services. The survey was administered to 227 employees; 198 of whom completed the transportation section. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 5-A1** illustrates the results. While numerous questions contain a large percentage of “no opinion” responses, the survey results indicate a generally positive staff perception of transportation services. For instance, the highest percentage of respondents disagreeing with a particular statement was only 17 percent and the percentage disagreeing was lower than 10 percent in five of the thirteen areas.

**Table 5-A1: Transportation Survey Results<sup>1</sup>**

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>No Opinion</b>	<b>Response Average</b>
Effective communication of transportation policies and routes exist.	1% (2)	11% (21)	18% (35)	<b>40% (80)</b>	6% (12)	24% (48)	<b>4.13</b>
Effective coordination of routes and special trips exist between departments.	3% (5)	7% (13)	23% (46)	29% (57)	7% (14)	<b>32% (63)</b>	<b>4.27</b>
The transportation department provides timely transportation of students to and from school.	3% (5)	8% (15)	12% (23)	<b>51% (101)</b>	12% (24)	15% (30)	<b>4.08</b>
The transportation department provides timely transportation to and from special events.	2% (4)	3% (6)	16% (31)	<b>41% (81)</b>	10% (19)	29% (57)	<b>4.39</b>
The transportation department is effective in addressing complaints.	3% (5)	13% (25)	23% (46)	24% (47)	4% (8)	<b>34% (67)</b>	<b>4.16</b>
Transportation routes are completed with regard to the safety of the children.	0% (0)	3% (5)	13% (25)	<b>45% (89)</b>	12% (24)	28% (55)	<b>4.5</b>
Children arrive at school in a mindset conducive to learning.	3% (5)	14% (27)	22% (44)	<b>38% (76)</b>	6% (12)	17% (34)	<b>3.83</b>

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>No Opinion</b>	<b>Response Average</b>
The attitude, courtesy, and work ethic of the transportation department is positive.	3% (6)	12% (23)	21% (41)	<b>35% (69)</b>	9% (17)	21% (42)	<b>3.98</b>
Overall, the quality of all transportation services provided is good.	0% (0)	8% (16)	17% (33)	<b>46% (91)</b>	10% (20)	19% (38)	<b>4.16</b>
I am satisfied with the District's current transportation policies and procedures.	1% (2)	10% (20)	18% (36)	<b>39% (78)</b>	10% (19)	22% (43)	<b>4.12</b>
Safety rules and regulations are adequate and enforced.	2% (3)	14% (28)	19% (37)	<b>35% (69)</b>	10% (20)	21% (41)	<b>4</b>
Transportation vehicles are clean and well kept in appearance.	0% (0)	2% (4)	17% (33)	<b>41% (82)</b>	18% (35)	22% (44)	<b>4.41</b>
Safeguards governing the access and use of parts and inventory are adequate and regularly enforced.	0% (0)	1% (2)	22% (44)	22% (43)	8% (16)	<b>47% (93)</b>	<b>4.78</b>

Survey percentages may not add up to 100% due to some respondents skipping questions.





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# Technology

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## Background

This section of the performance audit focuses on technology functions within the Lebanon City School District (LCSD or the District). The objective is to assess staffing levels and technology support, planning, budgeting, purchasing, security, hardware and software, deployment, communications, and professional development. Recommendations were developed to improve operational effectiveness and efficiency in the use of technology. LCSD operations were evaluated against the recommended practices and standards from several sources, including the Consortium for School Networking (CoSN) and the International Society for Technology Education (ISTE). Furthermore, results from the 2006 Ohio SchoolNet Biennial Education Technology Assessment (BETA) Survey were used to compare LCSD's technology services to ten peer districts. These districts<sup>1</sup> consisted of other Type 6 urban<sup>2</sup> districts with similar demographics (urban/suburban and high median income), high Ohio Proficiency test scores, and low per-pupil expenditures. Finally, AOS administered a survey of LCSD employees regarding technology services. The questions and results from this survey can be found in **Appendix 6-A** at the end of this section.

### *Organizational Function*

The LCSD Technology Department (the Department) provides services to support computers and other technological equipment, manage access to networked software, provide Internet and intranet access, and monitor the Internet Protocol (IP) telephone system. In addition, the Department provides technology support for the Lebanon Citizens National Bank branch located in the high school (LHS), the Mary Haven Youth Center, the cafeteria point-of-sale (POS) system, the Human Resources Department background check application, and a variety of Transportation Department software. The Department also monitors the computerized and centrally controlled heating, ventilation, and air conditioning (HVAC) system.

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<sup>1</sup> The ten districts used for peer comparisons include Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County).

<sup>2</sup> As categorized by the Ohio Department of Education.

### *Staffing*

The Department staff consists of the Senior Network Administrator, the Network Administrator, the Computer Technician, and the Helpdesk Secretary. These four full-time equivalent (FTE) staff members are under the supervision of the Director of Technology (0.25 FTE) who also serves as the Director of Elementary and Secondary Instruction (0.75 FTE), a curriculum leadership position. The Director is responsible for the data network, telephone, voicemail, email, web site, and all user accounts. The Director's other technology-related responsibilities include developing policies and procedures, designing technology professional development (PD), maintaining equipment inventory, supervising helpdesk programs, overseeing equipment maintenance, and reviewing technology related purchases.

The two network administrators spend about 50 percent of their time on support functions with the remainder dedicated to network management functions. Specifically, network administrator responsibilities include the following:

- Managing user accounts;
- Supporting District software applications and databases;
- Developing training for staff members;
- Maintaining and monitoring network infrastructure;
- Maintaining server updates and security;
- Implementing a reliable backup system and disaster recovery plan;
- Maintaining user policies;
- Maintaining and monitoring district email accounts and monitoring software;
- Developing the District website;
- Maintaining servers and hardware for IP telephone services; and
- Responding to and documenting user problems.

The Computer Technician focuses exclusively on direct support issues, handling repair calls, maintaining records, providing general checkups, setting up new computers, and participating in team planning. The Helpdesk Secretary assists with direct support by managing the telephone call system, handling all basic technical problems, entering technical work orders, reviewing the work order tickets for prioritization, and monitoring the process. The remainder of this employee's time includes several office support functions such as maintaining the budget, ordering equipment, researching prices, making purchases, tracking inventory, maintaining service records, renewing licenses, and managing the copiers. The Helpdesk Secretary is the only Department employee who works on a nine-month contract.

LCSD eliminated 8.5 instructional leader positions in FY 2005-06. These positions helped facilitate the monitoring of academic progress and relayed information on building needs (e.g., development of curriculum, assessment and intervention), including computers.

*Architecture*

Each of LCSD’s buildings links to the City of Lebanon (the City) fiber ring with a 1,000 megabits per second (Mb) fiber connection. Fiber cables were installed to each school building as part of a Citywide installation project in 1999. When LCSD built Bowman Elementary and Lebanon High School (LHS) in FY 2003-04, the District paid for the installation of fiber connections to the City’s fiber cable network. LCSD has Internet access through a dedicated line (100mb) to the Southwest Ohio Computer Association (SWOCA), which connects to Lebanon Junior High School (LJHS). The administrative offices use a different virtual local area network (VLAN) connection for security reasons.

LCSD network users include 5,181 students and 496 staff. **Table 6-1** shows the total computers compared to the network users for LCSD, the peer average, and the State average.

**Table 6-1: Computer User Community**

	LCSD	Peers	Statewide
<b>Computer Totals</b>	1,500	13,658	598,479
<b>Staff (in approximate FTE)</b>	496	4,819	472,519
<b>Enrollment</b>	5,181	45,042	1,807,796
<b>Total User Community</b>	5,677	49,861	2,280,315
<b>Ratio of Users per Computer</b>	3.8	4.6 <sup>1</sup>	3.8

Source: 2006 BETA Surveys, ODE EMIS Staffing Reports, and ODE Enrollment

<sup>1</sup>Ratio for peer districts is based on the average of the district ratios, rather than dividing the total users by the total computers.

According to **Table 6-1**, LCSD has an average of 3.8 network users per computer, which is comparable to the Statewide average. While the peer average is significantly higher with 4.6 users per computer, this is largely due to the impact of one district that has a ratio of 12 users per computer. Removing this district reduces the peer ratio to 3.8, the same as LCSD.

*Financial Data*

In FY 2005-06, the Treasurer created a special cost center (SCC) in an effort to identify and capture all technology-related supplies, purchased services, and capital outlay expenses across the District that were not directly related to the Department. Prior to FY 2005-06, LCSD failed to capture technology expenditures. During the course of the audit, the Treasurer worked to reassign expenditures to the SCC. Nevertheless, the SCC excluded salary expenditures, thus underestimating the costs associated with technology support (see **R6.3**). In addition, District spending from the Permanent Improvement and Building funds for technology-related expenditures for the new school buildings was not fully captured in the SCC to ascertain the total cost of ownership (see **R6.3**).

**Table 6-2** presents the estimated technology expenditures at LCSD as compiled by AOS. These totals include the designated SCC, other identified technology expenditures, and amounts charged to the SchoolNet grants for new equipment and technology services.

**Table 6-2: LCSD District-wide Technology Expenditures by Category**

Category	FY 2002-03	FY 2003-04	% Change	FY 2004-05	% Change	Three Year Change
<b>Salaries/Benefits</b>	\$205,521	\$274,791	33.7%	\$318,928	16.1%	55.2%
<b>Purchased Services</b>	\$120,174	\$109,273	(9.1%)	\$122,501	12.1%	1.9%
<b>Supplies &amp; Materials</b>	\$39,472	\$25,494	(35.4%)	\$63,181	147.8%	60.1%
<b>Capital Outlay</b>	\$106,993	\$244,027	128.1%	\$238,422	(2.3%)	122.8%
<b>Total</b>	<b>\$472,161</b>	<b>\$653,585</b>	<b>38.4%</b>	<b>\$743,031</b>	<b>13.7%</b>	<b>57.4%</b>

**Source:** LCSD accounting reports FY 2002-03 to FY 2004-05 for SCC 0027, function code 2225, SchoolNet funds, permanent improvement levy, and building funds.

**Note:** Totals may not equal due to rounding.

Based on **Table 6-2**, District-wide technology expenditures increased 38.4 percent in FY 2003-04 and 13.7 percent in FY 2004-05, as further explained below:

- **Salaries/Benefits:** This line item increased 16.1 percent in FY 2004-05 due to the hiring of the Computer Technician and an increase in overtime pay. The District indicated that variances in this category are largely due to shifts in the manner of accounting for technology salaries.
- **Purchased Services:** The purchased services category increased 12.1 percent in FY 2004-05, due largely to the use of the ONEnet Ohio grant (later renamed the Ohio K-12 Network grant) for wiring services.
- **Supplies & Materials:** This line item increased 147.8 percent in FY 2004-05 due to significant software purchases with the opening of the new school buildings.
- **Capital Outlay:** This category increased 128.1 in FY 2003-04 due to significant purchases of various computers and technology server equipment from the Permanent Improvement and Building funds for the opening of the new schools.

### *Noteworthy Accomplishments*

During the course of this performance audit, the following practices were identified as noteworthy accomplishments within LCSD:

- **Thin-Client Technology and Remote Access for Network Users:** LCSD uses Citrix software as a thin-client system to manage the networked system from a central location. Department staff can install and manage the system without being physically present at each building to load and manage the individual computers. According to *Thin-Client Technology* (PC Magazine, 2002), this type of technology results in lower hardware costs, easier client management, and improved disaster recovery capabilities. According to the 2006 BETA Survey, only eight percent of school buildings in the State and only one of the ten peer districts (in two of its six buildings) have employed thin-client technology.

LCSD has established remote access for network users, including teachers and students due, in part, to the structure and use of the thin-client architecture. This not only offers conveniences for staff, but also provides opportunities for students to access resources outside regular school hours.

- **Instructional Software:** LCSD has created an environment in which planning includes significant instructional software purchases for integration into the curriculum. LCSD incorporates software into teaching by using assessments to gauge elementary students' progress. LCSD places all tools such as curriculum and guides online to assist teachers in working collaboratively to develop common assessments and uniform standards. This can help teachers assess student progress, identify high priority subject areas, and tailor class material to individual student needs. Furthermore, at LHS, the Department has outfitted classrooms with digital whiteboards and DVD-enabled computers that interface with digital overhead projectors. Using interactive whiteboards allows teachers to display lessons and presentations, add notes and comments made during class, and print lessons and notes directly from the boards.

In general, LCSD uses technology more frequently for instructional purposes when compared to the peer and State averages, as evidenced by the following comparisons from the 2006 BETA Survey:

- 96 percent of LCSD teachers use technology at least once a month to enter and manage student information, higher than the peer and State averages of 91 and 88 percent, respectively.
- 78 percent of LCSD teachers use technology at least once a month to create lesson plans, higher than the peer and State averages of 75 and 73 percent, respectively.

Similarly, 29 percent of LCSD's teachers use technology for this purpose on a daily basis, while peer districts averaged 22 percent and the State averaged 20 percent.

- 63 percent of LCSD teachers use technology at least once per month to support standards based instruction; lower than the peer average of 73 percent and State average of 67 percent. However, 20 percent of LCSD's teachers used technology for this purpose on a daily basis, which is higher than the peer and State averages of 17 and 15 percent, respectively.
- 79 percent of LCSD teachers use technology at least once a month to examine student performance trends, which is higher than the peer average of 72 percent and State average of 67 percent.

Lastly, 74 percent of respondents to the AOS survey (see **Appendix 6-A**) indicated that building administrators support the integration of technology in the curriculum.

- **Communications:** LCSD uses email to facilitate communications and teacher web pages to enhance the exchange of information. According to the 2006 BETA survey, 70 percent of LCSD teachers report using web pages at least once a month to post class-related information, which is significantly higher than the peer and State averages of 38 and 33 percent, respectively. Likewise, the 2006 BETA Survey indicates that 89 percent of teachers in the District use email at least once a month to communicate with parents, which is considerably higher than the peer average of 73 percent and the State average of 60 percent.

LCSD has also developed an intranet to enhance internal communications. The site provides access to building web pages and information, such as staff directories, District and school announcements, calendars, athletics information, lunch menus, student gallery for sharing student work, employee information, job postings, learning center links and resources, and District newsletters and postcards from the Superintendent. Furthermore, staff experiencing technical support problems can find troubleshooting guides and make technical service requests through the site.

- **Certificated Technology Professional Development (PD) Program:** LCSD maintains minimum requirements for technology training, uses a software package to effectively manage PD documentation, and establishes a list of timely and appropriate training courses. Along with participation in professional development scheduled during the teacher workday, the collective bargaining agreement requires teachers to pursue ten hours of training each year outside the normal workday, including two hours of technology training. In addition, newly hired teachers receive training (at least one hour) on technology. The software package, called PD Express, facilitates all training at LCSD. This software is on the network and teachers must sign-up to track the training required to renew their certificates and licenses. According to the 2006 BETA survey, 88 percent of LCSD's teachers rated their

principals as adequate (31 percent), moderately strong (32 percent), or very strong (25 percent) in providing sufficient professional development opportunities. This is higher than the peer average of 84 percent and State average of 79 percent. Furthermore, the District's technology PD program can contribute to the more frequent use of technology for instructional purposes (see **Instructional Software**) and can help staff troubleshoot their own problems, thus enabling the technicians to focus more on complex issues.

- **Uninterruptible Power Supply (UPS) Units:** The Department uses UPS portable backup generators throughout the District to secure technology devices and preserve the functionality of equipment in the event of unexpected power loss. Technology staff members routinely check on backups, along with the generator and computers, as part of the disaster recovery backup plan. According to *Redundancy in All Things* (PC Magazine, 2002), UPSs are often overlooked but should be included in planning a backup facility. Having back-ups helps ensure the continuity of information and services in an emergency, thereby helping the District quickly and cost-effectively recover from potential disasters.
- **Voice over Internet Protocol (VoIP) Telephony Technology:** LCSD uses VoIP technology, which allows all District calls to go through the network using existing fiber-optic lines. According to *A Case for Inter-Building Fiber Optic Networks on OSFC Projects* (Technology Systems Integrations, 2004), centralizing telephone services on a network can reduce the quantity of expensive traditional phone lines required, thus providing a significant reduction in monthly phone and telecommunication charges. The City chose to install fiber lines across the entire city, allowing LCSD access to an advanced technology infrastructure. Accordingly, LCSD was able to invest in VoIP technology at a lower overall cost.

### *Assessments Not Yielding Recommendations*

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

- **Network Architecture and Bandwidth:** LCSD's Ethernet building connections to the Internet are through a 100mb line and the District uses a uniform server operating system of Microsoft 2000/2003. The Director and Senior Network Administrator estimated that LCSD uses only about five to seven percent of capacity and that bandwidth should remain satisfactory for at least three years. According to *Taking TCO to the Classroom* (CoSN, 2001), a technologically savvy school plans its network to establish connections that provide enough bandwidth to manage current and future needs, particularly multimedia applications.
- **Technical Support Services:** LCSD employs basic policies, procedures, and practices to ensure efficient and effective technical support. LCSD operates a work order system that is part of an escalation process for online troubleshooting, helpdesk services, technical field

support, and network administrative assistance. The network hosts Department hardware and software, allowing routine account management, software installation, and similar functions to be handled from the central location. To assist in the response to technical support issues, LCSD provides information on the intranet that lists technical tips and common support problems. The District also provides materials that identify solutions to common problems along with information on how to find assistance. Furthermore, the Department staffs a telephone helpline to assist with immediate response to basic support issues. The work order system is available through the website, which gives LCSD staff an opportunity to request support for technical problems. The system also tracks priority levels, defines categories, and provides completion statistics.

- **PD for Technical Staff:** LCSD offers adequate training opportunities for technology staff, allowing them to stay current with the advancement of technology. Staff members have free Citrix software training as part of the contract with the service provider. The Department sends staff to Microsoft TechNet training, a five-day eTech Ohio technology academy, Southwestern Ohio Instructional Technology Association (SOITA) trainings, National Educational Computing Conference (NECC), and one or two conferences offered by the State. The staff also uses free online training through the Microsoft Developer Network (MSDN). By offering ongoing PD within the Department, technology employees are better able to meet the needs of the District, and serve users and students.
- **Information Technology (IT) Controls:** LCSD has established general controls in the areas of access, systems development, systems maintenance, operations, and physical security. LCSD has a written information security policy addressing the protection of data, applications, networks, and computer systems from unauthorized access, alteration, or destruction. LCSD also has protective software for technology systems including anti-virus and backup protection; filtering; email, spam, and virus filtering; anti-spyware; and password protection. Remote network management software prevents LCSD users from installing unauthorized software on network computers. Furthermore, SWOCA creates and stores backup tapes of LCSD data for emergency use. Lastly, the Technology Department creates daily and weekly backup tapes for the District.
- **Acceptable Use Policy (AUP):** During the course of this audit, LCSD posted an online Student Network Internet Access Agreement that contains necessary provisions of the AUP guideline for students. The policy offers specific information on the types of behaviors considered unacceptable and the consequences, and requires the signatures of the student and parent. LCSD also requires staff to sign an AUP for general computer and laptop use, which contains information about the types of unacceptable behavior considered disruptive.



- **Management Software:** The major management applications integrate with each other, allowing the District to transfer information without having to manually input data. The District uses the State software for financial, payroll and student information. See the **human resources** section for more information on related software.
- **Grants:** The Director indicated that LCSD pursues the typical school district grants. For example, the District received grant funding from SchoolNet, ONEnet (now called the Ohio K-12 Network), and E-Rate each year from FY 2003-04 to FY 2005-06. Grants serve to enhance the opportunities by providing supplemental funding and allowing larger purchases that may not be possible within the constraints of a tight budget. LCSD purchases additional software and hardware with the additional grant funding.
- **Printing Options:** According to the 2006 BETA Survey, LCSD has invested exclusively in laser technology for printers across the District. According to the article *Inkjets Versus Laser Printers* (smallbusinesscomputing.com, July 19, 2005) by Drew Robb, the cost to purchase and supply ink cartridges for a common laser printer is one-eighth that of an inkjet printer. In addition, LCSD has installed multi-function machines that serve as copiers and networked printers. According to the article *Multifunction Devices* (PC Magazine (pcmag.com), August 1, 2000) by Bruce Brown, multifunction devices offer advantages such as consuming less desk space, and streamlines user guides, cables, and other printing supplies.

## **Recommendations**

### *Planning and Budgeting*

**R6.1 LCSD should expand its technology plan (the Plan) by including measurable objectives, the ongoing costs associated with maintenance and upgrades (see R6.3), and computer replacement costs (see R6.2). The District should update the Plan on an annual basis. LCSD should also conduct regular (e.g., annual) assessments to identify District-wide and building-level needs, and include the results of such assessments in the Plan. While LCSD has involved the community in planning, it should seek consistent input from community members on technology planning and oversight. In addition, LCSD should include staffing benchmarks (see R6.5) and the results of regular user satisfaction surveys and performance evaluations in the Plan (see R6.6).**

LCSD develops a three-year technology plan through the Ohio SchoolNet Commission's template on the eTech Ohio web site. This template ensures the District satisfies the eligibility requirements for various State and Federal grant funding opportunities. LCSD completed the most recent plan in 2006, for the FY 2006-07 to FY 2008-09 cycles, with input from the Technology Planning Committee that includes District administrators, teachers, the Technology Department staff, and a few community members. The Treasurer and Superintendent reviewed the plan which was subsequently approved by the Board.

The Plan includes an overview of the progress and the philosophy used to integrate technology into the instructional program in the District. However, the plan fails to provide extensive information on the District's ongoing technology expenditures beyond the curriculum, such as maintenance or computer replacement costs. In addition, LCSD does not conduct a regularly scheduled (annual) assessment to identify District and building-level technology needs. While LCSD does make some efforts to request end-user feedback, surveys are not formally incorporated into the Plan. Additionally, the Plan generally lacks measurable objectives to gauge goal attainment. For example, the technology plan indicates that data from the State report card and BETA surveys will be used to help determine progress on numerous goals, but does not present the specific data or measures from the sources that would help determine whether goals have been met. Historically, the Plan is only updated every three years as requested by eTech. In contrast, the FY 2003-04 plan indicated that updates would occur annually to align with the LCSD strategic planning process.

Although LCSD has a Technology Committee, the Director noted that meetings for FY 2006-07 had been postponed indefinitely due to the District's financial problems. The

opinions and input of the Committee, however, could be especially important during times of economic uncertainty.

According to *Best Financial Management Practices with Their Associated Indicators* (Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), 2002), school districts should create technology plans that include the following general criteria:

- Regularly scheduled district technology assessments;
- Broad stakeholder input in technology planning;
- Identification of individual building technology needs; and
- Annual budgets that provide funds for major technology initiatives as reflected in the technology plan.

The failure to link all related costs to goals in the Plan hampers the ability of external audiences to understand the relationship between goals and the associated costs, and can hinder the District from effectively implementing the goals in the Plan (see **R6.3**). Without regular Committee and other appropriate stakeholder involvement in planning, the District may overlook key issues. Moreover, by not including specific and measurable objectives, gauging the status of goals and objectives will be difficult for the District. Lastly, by updating the Plan only once every three years, the District risks a lack of consistent oversight and monitoring of progress in achieving its goals. This, in turn, can prevent the District from successfully attaining its technology goals.

**R6.2 LCSD should develop a formal replacement schedule for its computers and related equipment based on its formal policy, and include it in its technology plan (see R2.1) and capital plan (see facilities). The District should also review the policy to ensure it is in line with the thin client environment. Although the District should continue to consider other factors when deciding whether to replace technology (e.g., other District needs, current computer repair costs, etc.), a formal replacement plan would help the District anticipate and quantify potential costs for replacing computers in the future. Furthermore, the District should review its computer inventory and determine the age of its machines to help plan for potential replacements.**

LCSD has a formal policy entitled Technology Replacement Guidelines, which indicates the following:

- Financial constraints may restrict replacement;
- Potential for disruptions, staff time, and possible retraining caused by computer replacements;

- Possible compatibility issues from newer equipment not supporting older applications;
- Purchases should consider life cycle, infrastructure and software compatibility, and upgrades; and
- Computers should be sufficient in the initial location for a minimum of three years with only one software upgrade.

According to the policy, LCSD plans to replace technology every three to five years. Replacements should occur when hardware becomes a barrier to the user by not effectively running necessary software. However, in cases of insufficient funding, the District will prioritize based on infrastructure needs; administrative, facilities, and instructional usage; and the critical nature of the work.

Approximately 63 percent (1,228) of the District's computers are less than five years of age. However, 433 computers are listed without dates. While the District has recently purchased computers through new construction financing, it has not established a formal replacement plan to indicate when computers may be ready for replacement. More specifically, while the technology plan indicates the District's general guidelines for replacement, it does not present a schedule that projects when computers may be ready for replacement based on the respective age and the policy for replacing technology every three to five years. Additionally, the District's most recent capital plan (March 2006) does not include any costs for technology replacement or improvement from FY 2006-07 to FY 2008-09. According to the Director, the failure to replace the computers according to the five-year goal is due to budget limitations. In practice, LCSD typically replaces computers as they become too expensive to repair. Furthermore, the Department indicates that because LCSD uses the thin-client model, it is able to use older computers as terminals. All software is on the network and the units simply provide access. The Director notes that while it would be ideal to replace computers every three to five years, the use of thin client technology does not make this a necessity. The Director also indicates that even the District's oldest computers do not present a barrier to users because they still effectively run all necessary software. *Thin Client Technology* (Technical Resource Group, 2002) notes that studies show Wintertms (i.e., Windows-based terminal for thin client computing) run without failure up to five times longer than PCs.

ISTE recommends school districts replace equipment according to a three to five-year cycle, either by leasing or purchasing equipment. According to *a School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001), school districts should replace computers on a regular schedule, usually every five years. The life cycle of even the most advanced multimedia computer is still only about five years.

By not having a formal replacement plan, the District increases the potential for using outdated equipment that costs more to maintain and repair in the long term than buying or leasing new equipment. In addition, the lack of a formal replacement plan prevents the District from being fully aware of the age of its computers as well as when they may be due for replacement. Consequently, the District's cannot effectively plan for potential costs related to replacement.

*Financial Implication: Thin Client Technology* notes that the average retail price of a Winterm is \$500. Based on this price, and assuming the District replaced computers every five years to provide a conservative estimate, the annual cost would be approximately \$150,000.

**R6.3 LCSD should develop and implement policies and procedures to capture the total cost of ownership (TCO) of the District's technology, including the initial purchase cost of hardware and software, and ongoing costs for maintenance, administration, upgrades, and training. To aid in calculating TCO, the District should consider using the free web-based software developed for this application. Furthermore, the technology plan (see R6.1) should include TCO assessments to allow LCSD administrators and community stakeholders to understand the total financial implications associated with technology. This would also help ensure that the District adequately plans and budgets for purchases and support costs needed to meet the District's technology needs. In addition, the District should continue to develop and use the special cost center (SCC), ensure the SCC captures all costs related to technology, and use the SCC to develop technology budgets.**

Although Department staff considers TCO in decisions, LCSD does not complete and document a TCO assessment. For example, the technology plan suggests that the decision to initiate Thin-Client technology in the District will reduce hardware and technical support costs, but does not include an estimate of the potential savings. The past decentralization of technology purchases has prevented proper tracking of TCO. As stated previously, the Treasurer created a special cost center code (SCC) in an effort to identify and capture all technology-related supplies, purchased services, and capital outlay expenses across the District. However, the SCC does not fully capture salary expenditures and the technology-related expenditures for the new school buildings.

According to *Technology Budgeting Basics* (TechSoup, 2000), only about 30 percent of a computer system's TCO is the initial purchase of hardware, software, and peripherals. To help school officials understand all direct and indirect costs associated with operating school networks and ensure they have budgeted adequately to support technical investments, they can use a free web-based tool at [www.classroomtco.org](http://www.classroomtco.org) for estimating TCO. This tool was developed by the Consortium for School Networking, the research and advisory firm Gartner, Inc., and the North Central Regional Technology in Education

Consortium at the North Central Regional Education Laboratory. School districts can input approximately 100 pieces of data to form the basis for analysis. While there is no correct number for TCO, this tool allows districts to evaluate their decisions over time and compare their estimates against similar districts.

By not tracking the TCO, LCSD cannot determine when the cost of computer maintenance exceeds the cost of replacement. As a result, the District may not allocate sufficient funds for the maintenance or replacement of computers, and may overspend to support outdated equipment.

### *Purchasing*

**R6.4 LCSD should centralize all technology purchases through the Department. By using the Software Review Schedule as a base, the District should develop formal policies and procedures that guide and explain the entire centralized process for technology purchases. Policies and procedures should include responsibility, signing authority, and timelines. Centralizing the technology purchasing process with the Department and developing corresponding policies and procedures would authorize and strengthen the Department's role in the process. This, in turn, would better ensure compatibility checks, uniformity, and an equitable allocation of computers across school buildings (see R6.9); potentially consolidate purchases to obtain lower prices; and strengthen the general purchasing control environment.**

**The Department should follow through on its intent to maintain documentation of price research, and require buildings and departments to do likewise if they aid in this process. This would provide a higher level of assurance that the District is performing such research and purchasing equipment at the "best" price. This documentation requirement should be included in the aforementioned policies and procedures. In addition, LCSD should update the Software Review Schedule to reflect the changes in the review and approval process.**

LCSD has created a system designed to centralize purchasing by directing requisitions through the Department. However, while the District typically checks for compatibility, department and building administrators still have the authority to make technology purchases independent of the Department. The Department does not review purchasing decisions or document the research on prices, relying instead on the building and departmental leaders. This creates the opportunity for LCSD to purchase hardware or software that is not supported by current District technology or is incompatible with the District's planned use of future resources. The help desk secretary researches prices for internal Technology Department requests, and indicated that she sometimes obtains quotes and verifies prices when asked by other District departments. However, the help desk secretary has not typically kept a record of alternative prices. During the course of

the audit, the Director requested that the help desk secretary maintain documentation of price research with the records of purchase orders.

While department and building administrators are primarily responsible for purchasing management software and assorted hardware, the Department has created a Software Review Schedule with comprehensive steps for the submission and approval process for instructional software. The schedule includes a form that allows teachers and staff to submit software requests and state how they align to curriculum objectives. The schedule indicates that staff should send requests to instructional leaders and the Software Review Team will make recommendations to the directors of curriculum for approval. However, the District eliminated the instructional leader positions in FY 2005-06, while it consolidated the curriculum director positions so that final decisions now rest with the Director. In addition, the purchasing policy lacks specific timeframes for the processing of forms and requirements for signatures on requisition forms. Furthermore, the Department has no enforcement mechanism for ensuring that a review of compatibility takes place. As a result, District departments have purchased incompatible systems and software in the past. For example, the Food Service Department purchased computer equipment without compatibility verification. The Department was required to support the equipment after the service agreement expired.

According to *Annual Technology Purchasing Forecast for 2004-05* (Quality Education Data (QED), 2004), less than 20 percent of nationally surveyed school districts reported that they allowed buildings to purchase autonomously. According to *Best Financial Management Practices with Their Associated Indicators* (OPPAGA, 2002), districts should review the results of research and evaluations of previous decisions. *Forum Unified Education Technology Suite* (NCES, 2005) indicates that a school district should document technology considerations in order to present key decision-makers in the organization with analysis even if the decision-making process is informal. The material should give key decision makers all the information they need to make an informed decision. Furthermore, according to the article *Thirteen Tech Support Strategies* (techlearning.com, March 15, 2005) by Dave Henderson, school districts should assign a point person to examine every purchase order for equipment and software before it leaves the District. A point person will enforce hardware standards, ensure all purchased software will run properly, and verify that software meets educational objectives.

In addition to increasing the potential to purchase incompatible or unsupported equipment, the failure to centralize technology purchases within the Department increases the risk of increased costs by purchasing the same supply in smaller quantities and/or buying goods at a higher price.

*Staffing and Organization*

**R6.5 LCSD should develop staffing benchmarks for technical support based on its current technology system and industry standards. These standards should be included in the District's technology plan (see R6.1) and should be used to ensure an adequate level of technology staffing, guide decisions about staffing, and justify staffing changes. Formally reviewing survey results, and periodically measuring performance against standards for response can further guide decision making and improve turnaround times (see R6.6). In addition, the District should explore low cost alternatives to help with technical support, such as re-establishing the student support program (see R6.7) and/or assigning appropriate staff to help with basic support functions at the buildings (e.g., teachers with a technology background). Furthermore, the District should ensure the administrative time devoted to technology is appropriate.**

While the District's technology plan indicates a goal to attain a support staff-to-computer ratio of 1:6, the goal appears unrealistic. More specifically, the District would need to employ 250 technology FTEs to achieve a ratio of 6 computers per support staff. According to the Director, the 1:6 ratio was a typographical error and with the current staff setup, the Department is working at a 1:500 staff-to-computer ratio. In addition, the Director devotes only 25 percent of available time to technology, and spends the remainder serving as the Director of Instruction. Prior to FY 2005-06, the Director was primarily in charge of curriculum for grades 6-12, but now is responsible for all grades. In regards to total District-wide administrative (i.e., directors, managers, etc.) staffing levels, LSCD employs a number of administrators per 1,000 students similar to the peer average.

**Table 6-3** shows the ratio of computers to staff for time dedicated to direct user and network support (3.56 FTEs), and for the technology staff devoted to direct user support (2.56 FTE).



**Table 6-3: LCSD Ratio of Computers to Technical Support Staff**

LCSD Buildings	Total Computers	Computers per Tech Dept Staff: Direct User and Network Support (3.56 FTEs)	Computers per Direct User Support Tech Staff (2.56 FTEs)
<b>Bowman</b>	163	45.8	63.7
<b>Donovan</b>	150	42.1	58.6
<b>LHS</b>	360	101.1	140.6
<b>LJHS</b>	157	44.1	61.3
<b>LWECC</b>	42	11.8	16.4
<b>Berry</b>	158	44.4	61.7
<b>Total for School Buildings</b>	1,030	289.3	402.3
<b>Labs, Libraries, and Mobile Carts</b>	470	132.0	183.6
<b>Total all Buildings</b>	<b>1,500</b>	<b>421.3</b>	<b>585.9</b>

Source: IT Department and equipment inventory reports

Note: Totals may vary slightly due to rounding. Staffing excludes the Director.

As shown in **Table 6-3**, the District maintains 421.3 computers per direct user and network support FTE and 585.9 computers per direct user support FTE. The *Technology Support Index* (ISTE, 2005) suggests a school district is at high efficiency at a computer-to-technician ratio of 75:1; satisfactory efficiency at a ratio between 75:1 and 150:1; moderate efficiency at a ratio between 150:1 and 250:1; and low efficiency at a ratio over 250:1. In contrast, *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001) suggests that a technologically savvy district provides computer support at a ratio of at least one support person for every 500 computers in a closely managed network. This report also indicates that more centralized control of networks with network management software and reducing the number of operating systems and applications that are supported are ways to minimize the number of staff needed to support technology. The District uses a thin-client system to manage the network from a central location, and maintains a uniform server operating system (see *Assessment Not Yielding Recommendations*). Moreover, the District employs various tools to help staff troubleshoot their own problems, including training (see **R6.6** for more information). These approaches along with central management of the network and a single operating system can help mitigate the Technology Department's workload.

CoSN also recommends that a school district develop technology support goals, such as a pre-determined ratio of support based on the district's technology needs, and incorporate these into the district's technology plan. Likewise, according to *Innovative Solutions to Help Address the Issues and Challenges Facing Most Public School Districts* (TSPR, 2003), districts should set standards for information technology staffing such as a baseline for how many computers one technician can support. Without a reliable baseline

for technology support, LCSD lacks guidance on the proper staffing levels needed to effectively maintain and support its technology systems.

*Financial Implication:* Assuming the District used students and/or assigned staff to help provide basic technology support at the buildings to increase direct user support staff by 0.5 FTE and thus maintain an average of 500 computers per direct user support FTE, the cost would be approximately \$16,500 annually. This estimate is based on the entry level salary rate in the classified collective bargaining agreement of \$15.88 per hour for a computer technician. This also assumes the District would be required to provide supplemental pay to the staff helping provide basic support.

**R6.6 The Technology Department should compile summary reports and formally analyze trends from the responses to its internal and BETA surveys. Additionally, the District should review the survey administered by AOS (see Appendix 6-A) and further investigate potential problem areas. In an effort to ensure overall timely response and help decrease technical support response times, the Department should develop formal standards and goals for response and turnaround times. Accordingly, the Department should periodically measure performance against these standards and goals via its work order system. Furthermore, LCSD should use the results of these surveys and evaluations in its technology planning process (see R6.1).**

LCSD surveys staff periodically to assess user satisfaction with technical support and the overall levels of usage of classroom and media center computers. The Department last conducted a District survey in November/December 2004 to assess user satisfaction. However, the Technology Director noted that the Department did not create a summary of the results because the surveys were reviewed during a departmental staff meeting. The Director conducts surveys every other year to avoid overlapping with the BETA Survey. Department staff also review the BETA Survey responses.

A review of statistical reports generated through the online work order program presents average ages of closed work order tickets from February 2003 to February 2006. The three-year average turnaround time was 7.7 days for all closed work orders. However, responses for routine work orders, such as account creations, voicemail problems, and password issues, showed a pattern that indicated response times of approximately 24 hours. As shown, the work order system provides statistics for evaluating service; however, the Department has not developed standards or goals for evaluation purposes.

**Table 6-4** shows the responses to the 2006 BETA Survey asking teachers how long it usually takes to resolve a problem if they rely on someone else for computer support at LCSD, the peer districts, and Statewide.

**Table 6-4: Technical Support Response Time**

Response Time	LCSD		Peer Average		Statewide Total	
	# of Teachers	% of Teachers	# of Teachers	% of Teachers	# of Teachers	% of Teachers
Same day	33	14.1%	789	32.2%	25,291	26.5%
Next day	63	26.9%	755	30.8%	22,373	23.4%
2-3 working days	78	33.3%	617	25.2%	24,108	25.2%
4-5 working days	30	12.8%	120	4.9%	8,247	8.6%
More than 5 working days	21	9.0%	127	5.2%	12,844	13.5%
Does not apply to me	9	3.8%	45	1.8%	2,615	2.7%
<b>Total Responses</b>	234	100.0%	2,453	100.0%	95,478	100.0%

Source: 2006 BETA Teacher Survey Q41

According to **Table 6-4**, LCSD had a substantially lower percentage of teachers indicating that problems were resolved the same day. Consequently, 55.1 percent of teachers indicated that it took at least two days to resolve problems, which is higher than the peer average of 35.3 percent and the State average of 47.3 percent. The lower percentage of problem resolution on the same day could be partially attributable to the ability of staff to troubleshoot their own problems, potentially resulting in the Department addressing more complex issues that require additional time to resolve. More specifically, the District provides technical tips and common support problems on the intranet. It also provides materials to staff that identify solutions to common problems along with information on how to find assistance, and a telephone hotline to assist with immediate response to basic support issues. The District's certificated technology PD program can also help staff troubleshoot their own problems. Nevertheless, developing staffing benchmarks, and re-establishing the student support program and/or assigning staff with basic technology support responsibilities in the buildings (see **R6.5** and **R6.7**) could help improve technical support response times.

A survey conducted by AOS (see **Appendix 6-A**) asked specific questions about timely support services. Computer requests were addressed in a timely manner according to 72 percent of the responses. They were slightly lower for computer repairs with 66 percent of respondents indicating that these were handled in a timely manner. Overall, 67 percent of staff who responded felt satisfied with LCSD technical assistance. The following delineates the survey results that were not rated as positively by respondents when compared to other survey results. These issues may negatively affect the Department's workload and the overall effectiveness of the District's use of technology.

- Only 39 and 36 percent of respondents indicated that administrative and instructional users know all major software functions used in their department with 20 and 24 percent in disagreement, and 28 and 23 percent with no opinion or N/A, respectively.

- Only 43 percent of respondents indicated that instructional software meets the needs of users, with 20 percent disagreeing and 21 percent with no opinion or N/A.
- Only 43 percent of respondents indicated that instructional software is used effectively and efficiently, with 21 percent disagreeing and 21 percent with no opinion or N/A.
- While 54 percent of respondents agreed that computer systems are reliable and 58 percent agreed that data processing speed is satisfactory, 29 and 22 percent disagreed, respectively.
- Although 61 percent of respondents indicated they use the intranet to access information or stay informed, 25 percent indicated that they do not use the intranet for those purposes.

According to the *Technology Support Index* (ISTE, 2005), an outstanding organization ensures that quality assurance is measured by a random and automatic system that tracks customer satisfaction and closed tickets. Throughout the year, data is collected and used to make necessary adjustments in a school district's technical support strategy. Questions asked are specific to technical support and the data is used to make adjustments.

The failure to consistently review data from surveys via formal reports and analysis prevents the District from tracking data and performance over time to identify patterns and ensure adequate resolution of problems. Although LCSD provides various tools to help staff troubleshoot their problems prior to requiring assistance from the Department, the absence of standards and goals to drive response times can hinder the Department from effectively evaluating performance and fully ensuring responses are timely.

**R6.7 LCSD should explore the costs and benefits of re-establishing a student support program. In doing so, the District should address security concerns by establishing protocols that restrict access and track changes. A program designed to allow students to assist technicians with trouble-shooting and routine tasks in exchange for course credit represents a mutually beneficial situation for student and the District. The training prepares students for careers in technology by educating them in technology support and deployment with hands on experience, while allowing the District to use low-cost resources for some of its technology support needs.**

LCSD provided a technology support-training program prior to FY 2004-05, teaching five students per year in a credit-based instructional course. At the time, LCSD did not use technicians for support and thus benefited from the students performing trouble-shooting and other computer assistance. According to the Director, LCSD eliminated the program because of security issues and a lack of student interest. LCSD continues to employ students periodically as paid summer help to conduct inventory counts, install programs, and clean computers.

In the 2006 BETA Survey, 17.1 percent of teachers indicated that they received assistance on technology support issues from students despite not having a student program. This was slightly lower than the peer average (20.1 percent) and the State average (19.0 percent). In addition, the use of students for assistance shows that security risks may still be present despite eliminating the student program.

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 Foundation survey (December 2001 to February 2002), 54 percent of school districts reported that students are providing technical support in their districts. Key duties included troubleshooting problems, setting up equipment/wiring, and technical maintenance. Forty-eight percent of school districts reported that students are provided formal training. ETech Ohio has developed an online database at [www.osn.state.oh.us/misc/assist](http://www.osn.state.oh.us/misc/assist) containing field-proven technology support models using students from 30 school districts.

### *Hardware*

**R6.8 LCSD should regularly update its Uniform Equipment Guidelines to detail the specifications for and requirements of equipment and to keep up with changes in technology. This would avoid the potential of purchasing and supporting varying sets of equipment, increase awareness of the appropriate equipment to use and purchase, better allow for bulk purchasing discounts, and reduce training requirements.**

LCSD established Uniform Equipment Guidelines indicating standardized equipment should be used in the areas of network infrastructure, administrative operations, facilities, and instructional equipment. The Technology Director reported that LCSD had established uniform equipment standards with three-year warranties and regularly seeks to use the same models in a single building to increase efficiency. Although the Uniform Equipment Guidelines state the requirement for uniformity, LCSD has not detailed the equipment considered uniform beyond the single network infrastructure.

According to *Seven Cost-Saving Strategies* (eSchool News Online, 2003), schools that standardize computer systems can reduce technology support and computer training costs. For example, the Faribault (Minnesota) Public School District publishes a list of standardized equipment every year. The equipment list contains detailed specifications and requirements for the following equipment:

- Workstations;
- Laptops;
- Printers;

- Monitors;
- Scanners;
- Mouse/Keyboard;
- Fax/Modems;
- Internal/External CD Burners and DVD Burners;
- Personal Digital Assistants;
- Digital Cameras;
- Multimedia Projectors;
- Video Equipment;
- Network-Related Devices;
- External Storage Devices; and
- A comprehensive supported software list.

In addition, forms are attached that can be used to request the purchase of non-standardized equipment. Consequently, employees in the Faribault Public Schools are provided with an exhaustive list of acceptable equipment that the district will support. In the absence of a standard list of uniform hardware and software, LCSD potentially creates situations where the Technology Department must spend time and effort communicating and explaining to staff what equipment and software is permitted. Along with the lack of centralized technology, purchases within the Department (see **R5.4**), the lack of standardization also increases the potential for purchasing incompatible or unsupported equipment, thus incurring additional costs to maintain multiple systems.

**R6.9 LCSD should review its allocation of computers across school buildings to ensure students have equitable access to technology resources and that variations are appropriately justified. This can be aided, in part, by centralizing purchasing for technology (see R6.4). In addition, the District should address computer allocations for each building in its technology plan (R6.1).**

LCSD had several buildings in FY 2005-06 that exceeded the State standard of five students per computer. While the technology plan addresses the District's overall goal of maintaining a student to computer ratio of 5:1, it does not address computer allocations for each building. **Table 6-5** illustrates the ratio of students to instructional computers in school buildings at LCSD.

**Table 6-5: LCS D Student to Computer Ratio by School Building**

Building (Grades)	Student Enrollment FY 2005-06	Computers in Classrooms FY 2005-06	Students per Computer
Louisa Wright Early Childcare Center (LWECC) (K)	413	42	9.8
Bowman (1-2)	817	163	5.0
Donovan (3-4)	779	150	5.2
Berry (5-6)	785	158	5.0
Junior High (LJHS) (7-8)	841	157	5.4
High School (LHS) (9-12)	1,546	360	4.3
<b>Total</b>	<b>5,181</b>	<b>1,030</b>	<b>5.0</b>

Source: 2006 BETA Survey and ODE Enrollment

As seen in **Table 6-5**, LCS D had a student-to-computer ratio that matched the State standard of 5.0. However, Donovan Elementary, LJHS, and LWECC exceeded the standards with students-per-computer ratios of 5.2, 5.4, and 9.8, respectively.

According to the *SchoolNet Plus Grade 7 FY05 Application and Guidelines* (Ohio SchoolNet, 2004), a district should have a general goal of a 5:1 student-to-computer ratio in grades K-12. The distribution of the computers across school buildings is as important as the number of computers a district owns. According to *Best Financial Management Practices With Their Associated Indicators* (OPPAGA, 2002), a district should ensure the equitable distribution of resources among schools by linking each school's educational plan with the technology plan. In addition, a district should review the resource allocation levels to meet planning and curriculum needs in conjunction with developing an annual budget request.

If LCS D does not appropriately allocate its hardware throughout its buildings and programs, students and other users may not have an equal opportunity to benefit from the technology. Certain buildings may have reasonable differences based on physical limitations of the structures, varying State online testing requirements, or specific academic programming goals.

**R6.10 LCS D should update the Equipment Disposal Guidelines to include a position authorized to approve disposals and the requirement to maintain documentation of the disposal. The Department should review outdated computers to determine whether they should be used, sold or disposed; and periodically track the inventory of computers to ensure adherence to the disposal policies (see the financial systems section for more information on inventory). Assigning responsibility and requiring documentation will help to ensure the completion of the disposal process, and help to prevent the potential for fraud or misuse of the assets.**

**During the course of the audit, LCSD implemented a new fixed assets disposal policy that will affect the Technology Department by requiring certain steps in the disposal process. The paperwork includes a copy of the disposal form, which requires reasons for disposal, the identification tag number, and administrator approval.**

LCSD has written Equipment Disposal Guidelines for technology requiring that computer equipment be re-used within the District wherever possible. In the event of disposal, the policy prohibits dumpster disposal, requires data erasures, and links to the District's fixed asset procedures. Since LCSD has continually re-used computers for replacements and parts, the District has not relied on the formal policy. Nevertheless, the policy does not require that documentation be maintained to verify disposals and lacks a position to formally approve the disposals.

The Technology Director indicated that many of the computers in storage were left after the closure of the Dunlevy building, and 74 computers were placed in storage as spares. The Director also indicated that about 15 to 20 computers were no longer viable for repair parts and had been disposed of with the assistance of the Maintenance Supervisor. However, due to a miscommunication in the disposal process, these computers were found to still be in LCSD's possession. The failure to track and dispose of these computers demonstrates a breakdown in the disposal policy and process.

According to *Disposal of Old Computer Equipment* (The CPA Journal, 2004), organizations should maintain written documentation verifying disposal, and remove or reformat the hard drive to avoid someone retrieving stored files. According to the *Innovative Solutions to Help Address the Issues and Challenges Facing Most Public School Districts* (TSPR, 2003), unwritten rules are simply no substitute for clearly outlined procedures. Because computer assets involve hazardous waste and data security risks in addition to traditional inventory control issues, a computer disposal policy should be developed that incorporates detailed accountability and specific documentation procedures for disposal of these fixed assets.

**R6.11 LCSD should post computer donation guidelines on its website to increase community awareness of the standards and operating systems that the District is willing to accept. This, in turn, can help the District take advantage of low-cost opportunities to obtain equipment. With a strengthened uniform equipment policy (see R6.8), LCSD's donation policy will be sufficient to provide guidelines for acceptable technology donations.**

LCSD has a written policy stating that donated technology resources must be in good working order, consistent with hardware standards at LCSD, and cost effective to upgrade to a usable status. The policy states that LCSD has a right to decline resources



that do not meet the uniform policy; however, the website does not include the donation policy. By not posting the policy and related equipment standards, the community and potential donors may not be aware of the District’s willingness to accept equipment.

**R6.12 LCSD should maximize the cost-effectiveness of investments in technology resources. As each building is equipped with a digital video system, LCSD should conduct a cost-benefit analysis to consider investing in the projection equipment to allow for access and use in the elementary buildings. LCSD should incorporate this analysis of technological equipment investments into planning (see R6.1).**

LCSD invested in the use of a streaming digital video system, but the 2006 BETA Survey reveals that use of the equipment in the classroom has lagged. The 2006 BETA Survey indicated that all LCSD buildings use a video on demand delivery system, while only 20.8 percent of the State and 38.2 percent of peer district buildings use this system.

**Table 6-6** presents the responses for the 2006 BETA Survey question that asked teachers how frequently they used short digital video segments that they accessed via computers in the classroom.

**Table 6-6: Teacher Use of Digital Video Equipment in Classrooms**

	LCSD		Peer District Total		Statewide Total	
	# of Teachers	% of Teachers	# of Teachers	% of Teachers	# of Teachers	% of Teachers
<b>I do not have access</b>	45	19.2%	389	15.9%	19,788	20.7%
<b>Never</b>	106	45.3%	1156	47.1%	44,592	46.7%
<b>At least once per year</b>	38	16.2%	393	16.0%	13,901	14.6%
<b>At least once per month</b>	27	11.5%	356	14.5%	11,011	11.5%
<b>At least once per week</b>	11	4.7%	109	4.4%	4,478	4.7%
<b>Daily</b>	7	3.0%	50	2.0%	1,708	1.8%
<b>Total</b>	234	100.0%	2,453	100.0%	95,478	100.0%

Source: 2006 BETA Teacher Surveys Question 20

Note: Totals may not equal due to rounding.

**Table 6-6** indicates that 3.0 percent of teachers use short digital video segments in the classroom on a daily basis, which is slightly higher than peer districts (2.0 percent) and other districts across the State (1.8 percent). The percentage of teachers indicating they use the technology weekly or monthly is either lower or generally similar to the peer and State averages. In addition, 45.3 percent indicated that they have never used this technology, which is close to the peer and State averages. Thus, despite having this digital video equipment in all of its buildings, the District is not maximizing its use.

Since LCSD has video on demand in all buildings, participation should be higher than peer and State averages. During the course of the audit, the Director explained that the

elementary school buildings do not have the projection equipment necessary to use the digital video system. The new high school has the necessary equipment and must loan it to the other buildings for them to take advantage of the system. The Director explained that this was the cause of the participation rates reported in **Table 6-6**.

### *Security*

**R6.13 LCSD should include authority levels and time frames in its Disaster Recovery Plan Guidelines, and periodically test the guidelines. By doing so, it would be able to expedite crisis decision-making, help to alleviate foreseeable problems, and shorten the potential disaster recovery period.**

LCSD has a formal set of Disaster Recovery Guidelines. It includes general guidelines, a disaster recovery checklist and implementation of temporary operations, but is not specific as to who has authority to make decisions or when steps should be performed. In addition, the District does not routinely test the guidelines. **Table 6-7** identifies key elements for disaster recovery planning based on information from the Texas School Performance Review.

**Table 6-7: Key Elements of a Disaster Recovery Plan**

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

Source: National Center for Education Statistics, Safeguarding your Technology, modified by Texas School Performance Review, Eagle Pass School District audit.

By including authority levels and timeframes in its Guidelines, and periodically testing them, the District’s disaster recovery planning will be more in line with the benchmarks in **Table 6-7** and be better designed to address potential disasters.

## Financial Implications Summary

The following table lists the annual implementation costs associated with the recommendations in this section of the performance audit. For the purpose of this table, only recommendations with quantifiable impacts are listed.

### Summary of Financial Implications for Technology

<b>Recommendation</b>	<b>Annual Implementation Costs</b>
<b>R6.2 Adopt a replacement plan</b>	\$150,000
<b>R6.5 Use students and/or building staff to help provide direct user support</b>	\$16,500
<b>Total</b>	<b>\$166,500</b>

## Appendix 6-A: Employee Survey Responses

AOS administered a survey of 228 LCSD 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 made on a scale of 5 to 1: where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 6-8** presents the results.

**Table 6-8: Auditor of State LCSD Technology Survey Results**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N/A or No Opinion	Average
<b>Administrative Software</b>							
Users know all major software functions used in their departments.	3% (5)	17% (33)	13% (25)	<b>30% (58)</b>	9% (18)	28% (55)	<b>3.48</b>
Software meets the needs of the users.	3% (6)	11% (21)	13% (26)	<b>34% (66)</b>	10% (19)	29% (56)	<b>3.57</b>
Software is used effectively and efficiently.	3% (5)	10% (19)	17% (33)	<b>32% (62)</b>	10% (19)	28% (53)	<b>3.58</b>
Users can get help when needed.	2% (3)	7% (14)	9% (18)	<b>38% (73)</b>	18%(34)	26% (52)	<b>3.91</b>
<b>Instructional Software</b>							
Users know all major software functions used in their departments.	4% (8)	20% (39)	17% (33)	<b>28% (54)</b>	8% (15)	23% (43)	<b>3.35</b>
Software meets the needs of the users.	6% (11)	14% (26)	16% (31)	<b>32% (61)</b>	11% (21)	21% (41)	<b>3.50</b>
Software is used effectively and efficiently.	6% (12)	15% (28)	14% (27)	<b>34% (64)</b>	9% (17)	21% (40)	<b>3.45</b>
Users can get help when needed.	4% (7)	7% (14)	13% (25)	<b>42% (80)</b>	14% (27)	20% (38)	<b>3.78</b>
<b>All Users – Software Training</b>							
Administrative/office software training meets user needs.	2% (4)	9% (18)	19% (38)	<b>37% (73)</b>	11% (21)	22% (43)	<b>3.74</b>
Instructional/classroom software training meets user needs.	4% (8)	15% (29)	18% (35)	<b>41% (81)</b>	10% (19)	13% (25)	<b>3.52</b>
Training facilities meet user needs.	3% (6)	14% (27)	19% (38)	<b>42% (83)</b>	11% (22)	11% (21)	<b>3.62</b>
Training programs are useful.	3% (6)	13% (26)	22% (44)	<b>45% (88)</b>	11% (21)	6% (12)	<b>3.55</b>
Users feel more training is needed.	3% (5)	13% (26)	21% (42)	<b>39% (77)</b>	16% (31)	8% (16)	<b>3.67</b>
<b>General Computer Operation/Data</b>							
Computer systems are	8% (15)	21% (42)	16% (32)	<b>46% (90)</b>	8% (15)	2% (3)	<b>3.29</b>

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>N/A or No Opinion</b>	<b>Average</b>
reliable.							
Speed of data processing is satisfactory.	6% (12)	16% (31)	19% (37)	<b>48% (95)</b>	10% (19)	2% (3)	<b>3.44</b>
Access to a printer is adequate.	10% (19)	19% (37)	13% (25)	<b>44% (87)</b>	14% (27)	1% (2)	<b>3.37</b>
Systems contain accurate and complete data.	3% (6)	7% (13)	23% (46)	<b>52% (103)</b>	10% (19)	5% (10)	<b>3.74</b>
Data from computer systems is useful for decision making or monitoring.	3% (5)	9% (17)	26% (51)	<b>47% (93)</b>	9% (17)	7% (14)	<b>3.72</b>
<b>Technical Assistance</b>							
Technical assistance department (if applicable) is easily accessible.	2% (3)	9% (18)	13% (26)	<b>52% (103)</b>	22% (43)	2% (4)	<b>3.90</b>
Requests for assistance are answered in a timely manner.	2% (4)	11% (21)	13% (26)	<b>50% (98)</b>	22% (44)	2% (4)	<b>3.86</b>
Computer repair services are easily accessible.	4% (8)	11% (22)	14% (27)	<b>47% (93)</b>	19% (37)	5% (10)	<b>3.81</b>
Computer repair requests are answered in a timely manner.	4% (8)	11% (22)	15% (29)	<b>47% (92)</b>	19% (38)	4% (8)	<b>3.78</b>
Technology staff is able to solve hardware problems.	2% (3)	4% (7)	9% (18)	<b>57% (113)</b>	22% (44)	6% (12)	<b>4.14</b>
Number of technology personnel is adequate to provide support.	8% (15)	25% (49)	13% (26)	<b>36% (71)</b>	12% (23)	7% (13)	<b>3.39</b>
I am satisfied with the technical assistance provided by the District.	5% (10)	9% (17)	17% (33)	<b>49% (97)</b>	18% (36)	2% (4)	<b>3.73</b>
Electronic mail is widely used.	0% (0)	1% (1)	1% (2)	36% (70)	<b>61% (121)</b>	2% (3)	<b>4.62</b>
The internet is used to access information and/or teach students.	2% (3)	4% (7)	7% (14)	<b>54% (106)</b>	30% (59)	4% (8)	<b>4.19</b>
I use the District's intranet to access information or stay informed.	8% (15)	17% (34)	13% (25)	<b>41% (80)</b>	20% (39)	2% (4)	<b>3.54</b>
District building administration supports the integration of technology into the curriculum.	3% (6)	4% (7)	11% (22)	<b>48% (95)</b>	26% (51)	8% (16)	<b>4.15</b>



## **District Response**

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The letter that follows is the official response of the Lebanon City School District to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When disagreements were noted and supporting documentation was provided, revisions were made to the audit report as appropriate.

The District's official response does not note any disagreements or unresolved factual matters. As a result, no additional report revisions were necessary.



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700 Holbrook Avenue • Lebanon, Ohio 45036-1648  
Phone (513) 934-5770 • Fax (513) 932-5906  
www.lebanon.k12.oh.us

August 16, 2007

Dear Auditor Taylor, CPA:

This communication is in response to Lebanon City School's performance audit. On behalf of the Board of Education and the administrative team, we would like to express our appreciation for the time, energy and effort spent by you and your staff to put this report together. The following information are items that the school district addressed during the development of the performance audit, or items that we have planned for and we are currently implementing for the 2007 – 2008 school year.

Under Executive Summary - Key Recommendations:

Financial Systems

- **5-year forecast changes with regards to the financial recovery plan** – The district has already made significant changes within the district budgets and the forecast outlook as approved May 31, 2007 demonstrates sound prudent management decisions. The forecast used in this audit has improved to show unencumbered fund balances of \$2,453,327 for fiscal year 2007 and a balance of \$4,169,416 in 2008. The current forecast also shows significant balances for fiscal years 2009 through 2011 with the renewal of an emergency levy and permanent improvement levy due to expire in 2009. These changes in the forecast will bring the district out of financial caution in 2007.
- **Multi-year strategic plan** – The district conducted pre-strategic planning with the staff and community members in the 06-07 school year. The district will continue with developing a multi-year strategic plan in the 07-08 school year.
- **Implement policies and procedures** – The district evaluated proposals from OSBA and NEOLA, Inc. for the development of new policies and the revision of current policies. The Board and the entire administrative team will be working together in a series of workshops to complete this task this year.
- **Identify stakeholders' concerns, needs and priorities** – The district involves a large diverse group of stakeholders through a process called the "Implication Wheel". In addition, an advisory finance committee of various business professionals makes recommendations from regular scheduled meetings on budget planning and the process.
- **Budgeting and forecasting** – The Board currently works with the Treasurer and Community Advisory Audit Committee to ensure the proper steps and actions are

being followed in the implementation of the budget and financial forecasts of the district. The Board is given a monthly report from the Treasurer which includes detailed information in an easy to read and understand format that includes colored graphs and reports. The administrative team is looking at improvements within our website that will contain more detailed financial information. Currently, the 5-year forecast is on our website and is updated automatically with the State's website.

- **Expanding purchasing consortiums** – the district will look to expand purchasing consortiums and other ways to lower our purchasing costs and improve our buying power.

#### Human Resources

- **Eliminate ESP FTEs** – The school district discontinued the ESC services for multi-disabilities and brought this service in house which reduced expenditures approximately \$100,000 annually.
- **Increase physician visits and prescription drugs co-payments** – the district successfully negotiated with all three associations for the increase of payments for physician visits from \$10 to \$15 and prescription drugs from \$5/\$12 to \$10/\$20.
- **Sick leave use is effectively monitored** – The district procedures and the enforcement are communicated with all of the administrators with the expectation that consistent practice will be followed throughout the district. In addition, an incentive plan was implemented through the negotiation process to increase staff attendance.
- **Evaluations should be based on community input** – The district will utilize surveys to gather input from the community. Information has been collected from Burges & Burges Strategist for one resource. The district will also collect information from the community from large groups in the strategic planning process.

#### Facilities

- **Benchmark criteria** – The district implemented standards for the 06 -07 school year that are based on the recommendations of the International Sanitary Supply Association.
- **Update facilities master plan** – The district will address facilities as one of the three targeted areas in the district strategic planning process.

#### Transportation

- **Eliminate at least five buses** – The district utilized a committee of staff and community members with knowledge and experience in school transportation. Six buses are reduced from the fleet for the 07 – 08 school year. Amendments were made in the transportation contract to bring the manager position under district control, so that ridership data would have constant monitoring throughout the year.
- **Coordinating and monitoring the Contract to a District employee** – Superintendent, Treasurer and Human Resource Director are coordinating and monitoring the transportation contract.

- **Establish benchmarks for operating and productivity ratios** – Benchmarks are currently being developed through: committee, the district employed transportation manager and personnel from the central office.
- **Change the bus replacement criteria** – A bus replacement schedule is being developed by utilizing the revenue captured through the reduction in the number of buses used.
- **Completions of T-Forms – Procedures have** been initiated that requires the district treasurer to review T-Forms submitted by the transportation manager before each report is sent to ODE.
- **Assess non-routine expenses** – The district's transportation manager will assess all non-routine expenses.
- **Increasing the number of payment-in-lieu of transportation** – The district's transportation manager will utilize pay-in-lieu transportation whenever it is an acceptable alternative for the community member.

#### Technology

- **Conduct regular assessments** – The district is conducting annual reviews of building inventory and needs.
- **Documentation on price research and update software review schedule** – The district attaches quotes to the PO documentation and software is updated annually.

#### Financial Recommendations

- R2.1 and R2.2 – The district is now using 5-year forecast software developed by two school district treasurers called Software Solutions. More than 300 districts use it state wide. The model for the software conforms to all State laws and budget bills. Using this software allows treasurers to model revenues and expenditures using at least three years of history and trending. This software also allows us to monitor the forecast on a monthly basis to find discrepancies early if any exist.
- R2.4, R2.5 and R2.7 – Policy review, updates and revision are in progress for fiscal year 2008 and beyond.
- R2.11 – The Community Advisory Audit Committee charter is extended to December 31, 2007 and will be reviewed for continuation again before this date.
- R2.18 – Cross-training efforts are taking place within the Treasurer's Office. Any function of the staff can be done by two or more co-workers. We also have district substitutes that can perform functions within the office of the Treasurer.

#### Human Resources Recommendations

- R3.2 – A new hire tracking form was created with the help of the treasurer department, EMIS, payroll and human resource department to streamline the information that is needed for new hires.
- R3.3 – The district examines the schedule and staffing for any ESP employees who resign or retire to determine if that position was to be handled through attrition or it needs to be filled.
- R3.4 – Through negotiations with the three employee associations, the employee co-pay was increased as well as the payment for prescription drugs.

- R3.6 – The district has initiated training in cooperation with the association that includes all members of each building leadership team.
- R3.10 – The human resource director is currently working to update every job description.
- R3.13 – The human resource director has begun looking at AESOP which is an automated substitute calling plan for future implementation.
- R3.15 – The district provides a formal orientation program for all of the individuals who run for the Board. Board members attend Board/Administrators joint work session on policy revisions.
- R3.16 – Board and administrators meet every other month to revise Board policy.

#### Facilities Recommendations

- R4.1 – The district implemented standards for the 06-07 school year that are based on the recommendation of the International Sanitary Supply Association.
- R4.3 – The M & O job descriptions are part of the job description updates that are being revised by the Human Resources department.
- R4.5 – The district is reviewing proposals from various sources in determining the comprehensive energy conservation policies and programs that will be implemented.
- R4.7 – The district will prioritize projects as the strategic plan section on facilities is completed this school year.
- R4.8 – District currently uses the enrollment forecast method by a company contracted through the OSFC agreement.
- R4.12 – All doors at Berry Intermediate have been replaced and the only entrance is at the main office. Entrance areas at other buildings are being addressed by utilizing Permanent Improvement Funds.

#### Transportation Recommendations

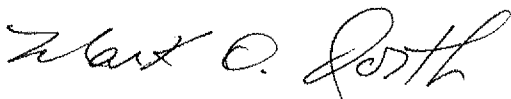
- R5.1 – Utilized a committee of staff and community members with knowledge and experience with school transportation. Reduced 6 buses from the bus fleet for the 07-08 school year.
- R5.2 - Made amendment in transportation contract to bring manager position back to the district so that ridership data would have constant monitoring throughout the year.
- R5.3 – Benchmarks are currently being developed through committee, district employed transportation manager and personnel from the central office.
- R5.4 – A bus replacement schedule is being developed by utilizing the revenue captured through the reduction in the number of buses used.
- R5.9 – Procedures have been initiated that requires the district treasurer to review T-forms submitted by the transportation manager before each report is sent to ODE.
- R5.10 – The district's transportation manager will compare fuel prices with all local suppliers before placing the diesel fuel order.
- R5.14 – District transportation manager will utilize pay-in-lieu transportation whenever it is an acceptable alternative for the community member.

### Technology Recommendations

- R6.1 – Expansion of the Technology Plan Annually review building inventory & needs.
- R6.2 – Develop a formal replacement schedule for its computers & related equipment. Review computer inventory and determine age of its machines. Done and updated routinely.
- R6.3 – Develop & Implement policies and procedures to capture TCO Initial purchase cost hardware and software. Maintain 3 year budget tracking. Ongoing maintenance, admin., upgrades, training cost. Maintain 3 year budget tracking. Web-based software to track. Reviewing the suggested “Free software” recommendation for functionality. Maintain the SCC with Treasurer. Currently in place per Treasurer’s procedures.
- R6.4 – Centralize all technology purchases through the department documentation on price research. Attaching quotes to our PO documentation. Update Software Review Schedule, Update annually.
- R6.5 – Develop staffing benchmarks, measure performance, monitoring help tickets timelines for completion.
- R6.6 – Measure performance against work order system. Monitor weekly work orders and level of response times. Can print report status weekly/monthly.
- R6.8 – Regularly update its Uniform Equipment Guidelines Annually monitor.
- R6.9 – Review its allocation of computers across school buildings to ensure equitable access. Annually review building inventory and needs.
- R6.11 – Post computer donation guidelines on website. In process with website updates.
- R6.12 – Maximize the cost-effectiveness of investments in technology resources. Invest in digital video system for the elementary buildings; LHS, LJHS, Berry, Donovan and Bowman all have adequate equipment for video streaming.
- R6.13 – Include authority levels & timeframes in the Disaster Recovery Plan Guidelines.

On behalf of the Board of Education and the Lebanon City School’s staff, we would like to thank you for your valuable assistance in helping develop a more efficient and effective school district.

Respectfully,



Mark O. North  
Superintendent



Randall R. Bertram  
Treasurer