



Mary Taylor, CPA
Auditor of State

BEAVER LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

NOVEMBER 10, 2009



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Auditor of State

To the Residents and Board of Education of the Beaver Local School District:

In accordance with Ohio Revised Code Section 3316.042, a performance audit was conducted in the Beaver Local School District, due to its fiscal caution status. Subsequently, the District was placed in fiscal watch. The functional areas assessed during the audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its educational mission, and because improvements in these areas can assist the District in improving its financial condition.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The audit also provides an independent assessment of the District's financial situation and a framework for improvement. While the recommendations contained in the audit report are resources intended to assist in improving operational efficiency and effectiveness, the District is encouraged to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes the project history; a district overview and financial outlook; subsequent events; the scope, objectives and methodology for the performance audit; and a summary of the recommendations, noteworthy accomplishments, issues for further study, and financial implications. This report has been provided to the District and its contents discussed with the appropriate elected officials and administrators. The District has been encouraged to use the results of the performance audit as a resource for further improving 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. This performance audit is also accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

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

Mary Taylor, CPA
Auditor of State

November 10, 2009

Executive Summary

Project History

Ohio Revised Code (ORC) § 3316.042 permits the Auditor of State (AOS) to conduct performance audits of any school district in a state of fiscal caution, watch or emergency and review any programs in which it believes that greater operational efficiency, effectiveness and accountability can be achieved. On February 23, 2009, the Ohio Department of Education (ODE) declared the Beaver Local School District (BLSD or the District) to be in a state of fiscal caution based on anticipated deficits in FY 2008-09 and the potential for deficits in future years. As a result, AOS initiated a performance audit of BLSD. Based on a review of BLSD's information and discussions with the District, the following functional areas were included in the performance audit:

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

District Overview

BLSD operates under a locally elected Board of Education (BOE) consisting of five members, which is responsible for providing public education to students. The District is located in Columbiana County and serves residents of the Townships of Elkton, Madison, Middleton, and St. Clair, and the Villages of Rogers and Calcutta. According to the United States Census Bureau, the combined population of the four townships and two villages was 23,646 in the 2000 Census. The median household income was \$34,595, compared to the national average of \$41,994. In addition, 12.0 percent of individuals lived below the poverty line, compared to the national average of 12.4 percent. Lastly, 75 percent of area residents had at least a high school education while 8 percent of residents had a bachelors degree or greater.¹

BLSD is comprised of five school buildings: three elementary schools (kindergarten through 4th grade), a middle school (5th grade through 8th grade), and one high school (9th grade through 12th grade). In FY 2008-09, the District reported employing a total of approximately 251 full-time equivalent (FTE) employees, including 16 administrative FTEs, 154 certificated teaching FTEs,

¹ The median income, poverty, and education levels are reported by the United States Census Bureau for the 44432 zip code, which is where the Beaver LSD's administration building is located.

and 81 classified and other support staff FTEs.² The District provided educational services to an average daily membership (ADM) of 2,109 students. Students with physical disabilities comprise approximately 16 percent of the student population. Additionally, based on the FY 2007-08 ODE Local Report Card, BLSD met 21 of 30 performance standards, received the academic designation of Effective, and met the adequate yearly progress requirements. Lastly, the District used 28 buses to transport 1,666 students in FY 2008-09, or 59.5 students per bus.

In FY 2007-08, the District's total General Fund revenue per pupil equaled \$8,238 while the expenditures equaled \$8,706. By comparison, the peer average revenue per student was \$8,712 while the expenditures equaled \$8,366. When including all governmental funds, the District spent \$9,626 per pupil, compared to the peer average of \$10,416. Although BLSD ended FY 2007-08 with a surplus in the General Fund of approximately \$22,000, the Treasurer's forecast projects the District's overall financial condition will decline in FY 2008-09 and continue through FY 2012-13. Specifically, the Treasurer estimated the District will face deficit balances of approximately \$555,000 in FY 2008-09, \$819,000 in FY 2009-10, \$901,000 in FY 2010-11, \$1.1 million in FY 2011-12, and \$1.4 million in FY 2012-13. Currently, the District levies 25.6 mills for the General Fund that are continuing in nature. The District also levies a five-year emergency levy (5.5 mills) for its General Fund that was successfully renewed in February, 2009. The property tax levies are estimated to generate approximately \$5.6 million in local revenues for the General Fund in FY 2008-09.

Financial Outlook

Table 2-4 in the **financial systems** section presents the framework for a financial recovery plan for BLSD that demonstrates the impact of the performance audit recommendations on the District's financial condition. The District will need to make difficult management decisions in order to improve its financial condition. However, **Table 2-4** shows that through the combination of reductions already implemented by the District and the performance audit recommendations, BLSD can maintain positive ending fund balances beginning in FY 2010-11. However, the outcomes in **Table 2-4** are contingent upon the attainment of the District's and AOS projections, the timing of implementation of the performance audit recommendations, and the actual impact of those recommendations. See **R2.8** in the **financial systems** section for additional discussion.

Prior to the adoption of final strategies for addressing the financial difficulties, BLSD is encouraged to discuss all potential options with stakeholders to obtain their input and expectations. Adopting a strategic plan (**R2.4**) and obtaining citizen feedback (**R2.3**) through surveys and other mechanisms would ensure that BLSD implements strategies to achieve

² This represents the staffing levels BLSD reported through the Educational Management Information System (EMIS) in February, 2009. However, the District subsequently reduced regular teacher and facility staffing levels, while EMIS reporting errors inflate BLSD's FTE calculations. See the **human resources** and **facilities** sections for additional analysis.

financial recovery that are based on defined goals and objectives, and community input and desires.

Subsequent Events

On September 10, 2009, AOS placed BLSD in fiscal watch based on a review of the May forecast and ODE's determination that the District failed to submit an acceptable recovery plan. In addition, House Bill 1 was enacted during the latter portion of this performance audit, which alters the funding formula for school districts. The respective sections of the performance audit include a discussion of the key provisions that can impact the related assessments and recommendations (see **Table 2-1**, **R3.1**, **R5.4**, and **R5.5**). Nevertheless, BLSD is encouraged to review the provisions in House Bill 1 to determine the extent to which they impact the assessments and recommendations contained in this performance audit, as well as its funding and operations in general.

Objectives

A performance audit is defined as an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. A performance audit provides objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall objective of this performance audit is to assist the District in identifying strategies to reduce expenditures and, in turn, help improve its financial standing. The major assessments conducted in this performance audit include the following:

- **Financial Systems:** includes evaluations of BLSD's five-year financial forecast, revenue and expenditures, strategic planning, financial reporting and policies, stakeholder involvement, payroll operations, budgeting and purchasing practices, and the financial stability of the food service fund;
- **Human Resources:** includes analyses of District-wide staffing and salary levels, collective bargaining agreements, employee benefits, and sick leave usage;
- **Facilities:** includes assessments of custodial, maintenance, and groundskeeper staffing levels, overtime costs, staff development programs, energy management, facility management, and long-term planning; and

- **Transportation:** includes evaluations of operating efficiency, policies and procedures, data reporting, and fleet management.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that BLSD can consider to help improve its financial condition and operations.

Scope and Methodology

The performance audit of BLSD was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was conducted between March 2009 and July 2009, and data was drawn primarily for fiscal years 2007-08 and 2008-09. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from BLSD, peer school districts, and other relevant sources. Peer school district data and other information used for comparison purposes were not tested for reliability, although the information was reviewed for reasonableness.

AOS developed a composite of 10 selected districts, which were used for peer comparisons. The selected school districts include Celina LSD (Mercer County), East Guernsey LSD (Guernsey County), East Holmes LSD (Holmes County), Garaway LSD (Tuscarawas County), Leipsic LSD (Putnam County), Logan-Hocking LSD (Hocking County), New London LSD (Huron County), Ridgewood LSD (Coshocton County), Southeast LSD (Wayne County), and Springfield LSD (Mahoning County). These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten districts as rural with low median income and high poverty, which is the same demographic classification as BLSD. Additionally, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, East Liverpool CSD (Columbiana County), Salem CSD (Columbiana County) and West Branch LSD (Mahoning County) were used for certain salary and collective bargaining agreement comparisons, due to their proximity to BLSD.

External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), the American Association of School Administrators (AASA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

The performance audit process involved significant information sharing with BLS D, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected 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, BLS D provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

The Auditor of State and staff express appreciation to BLS D for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

- **Spending Levels:** As shown in **Table 2-3**, BLS D's governmental fund operating and total expenditures per pupil were lower than the peer averages in FY 2007-08. While **Table 2-2** shows that BLS D's total General Fund expenditures per pupil were 4.1 percent higher than the peer average in FY 2007-08, the District's salary and benefit expenditures per pupil were both lower than the peer average. These two areas comprise 73 percent of the expenditures in the General Fund. The higher General Fund expenditures per student are mainly due to tuition costs for students attending other schools through the open enrollment and community school programs, which are largely outside the District's direct control. Consequently, the District is limiting costs in the areas that have the most significant impact on its financial condition.
- **Staffing and Salary Levels:** Despite overstating FTEs in some categories (see **issues for further study**), BLS D employs fewer total FTEs per 1,000 when compared to the peer average. In addition, when accounting for reporting errors and staffing reductions, the District employs more FTEs per 1,000 students in only two of the ten categories listed in **Table 3-1**. However, these two areas are related to the District's educational program (classroom teachers and education service personnel). The lower overall staffing levels can be attributed to proactive efforts to limit staffing levels in recent years. Similarly, although the District can take measures to address certificated salary schedules as teachers gain additional experience (see **R3.2**) as well as food service salary schedules (see **R2.7** in the **financial systems** section), **Table 3-1** shows that BLS D's average salary

levels are lower than the peer average in nine of the ten categories.³ Collectively, the lower staffing and salary levels indicate the District is effectively managing costs that have the most significant impact on its financial condition.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide BLS D with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report. In addition to the recommendations, the sections of the report note assessments conducted in the performance audit that did not warrant recommendations.

In the area of financial systems, BLS D should:

- Analyze and use **Table 2-4** to evaluate the effect of the recommendations presented in this performance audit. Based on regular discussions with the community (see **R2.3**), the District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits. For example, in addition to the recommendations in this performance audit that identify a potential for sharing services, the District should consider the feasibility of partnering with other districts to share applicable services. Furthermore, the Treasurer should update **Table 2-4** on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.
- Develop a comprehensive strategic plan that outlines its long-term vision for all operational and educational programs. Once developed, BLS D should link the strategic plan to the budget (see **R2.5**), the five-year forecast, the three-year education plan the District recently developed, and other similar plans (see **facilities** and **transportation**).
- Consider including additional information on its website and establishing periodic community forums, citizen surveys, and community focus groups.
- Revise its purchasing policy to establish lower thresholds for obtaining price quotes. The Treasurer's Office should help devise the new threshold with the intent of subjecting more items to competitive pricing, without being overly cumbersome for operational units. In addition, the District should include requests for proposals in the revised policy, specifying when they should be used and what information they should contain.

³ Even when adjusting for the overstatement of instructional paraprofessional and food service worker FTEs (see **issues for further study**), the District's average salaries would still be lower than the peer average in the respective categories.

- Negotiate to eliminate the minimum hour guarantees and uniform allowances that are provided to food service employees. The District should also negotiate to make the food service salary schedules more comparable to other area school districts.

In the area of human resources, BLS D should:

- Consider reducing regular education and education service personnel (ESP) staffing levels by 2.5 and 2.0 FTEs, respectively, if the District does not implement the performance audit recommendations and other strategies to reduce costs. Doing so would allow the District to reduce its operating costs and maintain staffing levels that are similar to the peer average, but still above the State minimum requirements. However, BLS D should weigh decisions to reduce teacher and ESP staffing levels against the impact the reductions may have on the quality of education. Likewise, the District should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements and ensure proposed reductions will permit compliance with the new requirements.
- Consider negotiating to reduce certificated salary schedules to a level more comparable to other area school districts.
- Negotiate to require all full-time employees receiving health benefits to contribute 15 percent of the monthly premiums. The District should also modify the employee contribution language in the collective bargaining agreements to eliminate the fixed dollar limitations. Further, the District should consider adopting uniform hourly thresholds for participation in the healthcare program that apply to all employees, regardless of classification or hire date.
- Work with the Ohio Bureau of Workers Compensation (BWC) to evaluate potential strategies for reducing workers compensation claims and premium costs, including the deductible, the drug free work place (DFWP), and the transitional work programs.
- Strive to reduce the amount of sick leave used by its employees by establishing standards signifying excessive or inappropriate use and consequences for abuse. The District also should regularly monitor sick leave use, request documentation to support extended absences (e.g., physician statements), and periodically conduct employee satisfaction surveys. Moreover, the District should consider negotiating to reduce the number of sick days paid at retirement.
- Consider amending the language in the BLEA agreement to allow for more flexibility in determining when to implement a reduction-in-force and the extent of staff reductions, negotiate to eliminate the uniform allowances in the OAPSE agreement, and negotiate to increase the length of the teacher day to 7 hours and 30 minutes. The District should also

consider negotiating to at least reduce the compensation for longevity pay, performance bonuses, tutoring and after school detention, curriculum head designation, and teaching mentor provisions to be more comparable to the area peer districts. Moreover, BLS D should consider negotiating to reduce the number of supplemental contracts for curriculum heads.

In the area of facilities, BLS D should:

- Consider reducing custodial staffing levels by 4 FTEs. In addition, the District should conduct a detailed cost-benefit analysis of its internal and external maintenance and grounds keeping services. Taking these measures would allow BLS D to achieve custodial staffing levels that are more comparable to industry benchmarks, and help determine the best use of staff and contracted services.
- Develop an energy management and conservation program by creating formal policies and procedures. Subsequently, the District should distribute and discuss the policies and procedures with the administration, faculty, staff, and students to educate and train them about energy conservation and ensure implementation of the appropriate energy management practices. The District should also review services from industry sources that would help improve energy management. In addition, BLS D should assign an employee to monitor District-wide and building-level utility consumption.
- Continue to work with its citizens to develop a long-term strategy for renovating its buildings. In doing so, the District should actively engage citizens in on-going discussions to inform them of current building conditions, discuss the impact buildings have on student performance, review options for financing future renovations, and identify specific reasons for citizen dissatisfaction with past OSFC models for renovating the schools (see **R2.3** in the financial systems section for strategies on obtaining citizen input). Subsequently, the District should work with OSFC to determine whether future proposals and program options could be modified to reflect the feedback obtained from the aforementioned discussions. In the meantime, the District should develop a short-term capital improvement plan that prioritizes projects, includes and links to a capital budget, and projects future costs.

In the area of transportation, BLS D should:

- Consider reducing the fleet by at least three active buses.⁴ To accomplish this reduction and potential additional reductions, BLS D should conduct annual surveys of parents to determine the number of students that will be using other methods of transportation and adjust routes accordingly. The District should also review the potential for adjusting bell

⁴ The Superintendent indicated the District eliminated two buses prior to the start of FY 2009-10.

schedules to allow some buses to complete three runs. In conducting this review, BLSD should consider several factors, including the impact on costs and operating efficiency, as well as the new State funding formula (see **R5.4**), student ride times, pick-up and drop-off times, and compliance with collective bargaining agreements. Furthermore, the District should consider expanding the use of cluster stops. When doing so, BLSD should consider the maximum walking distance of one-half mile (see **R5.4**) and potential safety hazards. Finally, the District should consider using requests for proposals (RFP) to solicit price quotes from routing software vendors.

- Conduct a cost-benefit analysis of the bus maintenance function to ensure that the “best” approach is being used to provide this service. In doing so, the District should review potential partnerships with other local governments to share bus maintenance services and/or the cost effectiveness of outsourcing portions of the maintenance work.
- Review the transportation program within the context of the new State funding formula and determine the impact of current service levels on its reimbursement rate. The review should include the impact of transporting students living less than one mile from school, transporting high school students, and not designing cluster stops up to the maximum walking distance of a half-mile for the majority of routes.
- Establish formal policies and procedures to ensure accurate T-forms are prepared, reviewed and reconciled before submission to ODE. As part of these procedures, the Treasurer’s Office and the Transportation Supervisor should be required to use the data verification tools in the T-1 reporting module, compare the T-2 form expenditures to prior years, and reconcile all significant variances. The policies should also require that bus drivers fully document all daily transportation levels during the October count week, and that T-forms be filed with ODE within the mandatory timeframes.
- Strengthen internal controls at the bus garage by maintaining an inventory report and implementing a process for reviewing fuel logs. Alternatively, the District could consider the purchase of an electronic system that would strengthen the controls over fuel usage.

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 resources to pursue. AOS has identified funding for building repairs and reporting of FTEs in EMIS for certain positions as issues for further study. See the **facilities** and **human resources** section for more information.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 1-1: Summary of Performance Audit Recommendations

	Estimated Annual Savings	Estimated Annual Costs
Recommendations not subject to collective bargaining		
R2.6 Revise purchasing policies	\$130,000	
R3.1 Reduce regular education and ESP staffing by 4.5 FTEs.	\$200,000	
R3.5 Participate in cost-saving programs through BWC.	\$26,500	
R3.6 Reduce sick leave use.	\$28,000	
R4.1 Reduce staffing by 4.0 FTE custodians.	\$115,300	
R4.5 Develop and implement formal energy management policies and procedures, review external services, and assign someone to monitor energy use.	\$42,000	
R5.1 Eliminate three buses.	\$53,000	
R5.3 Reduce the bus maintenance costs.	\$10,000	
Total Estimated Cost Savings – Not Subject to Collective Bargaining	\$604,800	
Recommendations subject to collective bargaining		
R2.7 Eliminate General Fund subsidy to the Food Services Fund.	\$23,000	
R3.3 Increase the employee premium contribution to 15 percent for all employees.	\$252,000	
R3.4 Reduce life insurance benefits to \$40,000 per employee.	\$3,200	
R3.7 Eliminate uniform allowances and reduce severance payouts.	\$44,600	
R3.9 Address other forms of compensation in the CBAs.	\$10,800	
Total Estimated Cost Savings – Subject to Collective Bargaining	\$333,600	
Recommendations with implementation costs		
R4.4 Purchase a computerized maintenance management system (CMMS)		\$2,000
Total Estimated Implementation Cost		\$2,000
Total of all recommendations with financial implications		
Total	\$938,400	\$2,000

Source: AOS Recommendations

Financial Systems

Background

This section of the performance audit focuses on financial systems within the Beaver Local School District (BLSD or the District), including an assessment of the District's five-year forecast. BLSD's operations were evaluated against information from relevant sources, such as Government Finance Officers Association (GFOA), the Ohio Revised Code (ORC), and selected peer districts.¹

Financial History and Condition

ORC § 3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC § 3316.03 also authorizes the Ohio Department of Education (ODE) to place a school district in fiscal caution if it identifies fiscal practices or budgetary conditions that if left uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the school board is given 60 days to provide a written financial recovery proposal to ODE outlining steps to correct the practices or conditions that led to the declaration. BLSD was placed in fiscal caution on February 23, 2009, due to projected deficits in the five-year forecast submitted to ODE. In response, the District submitted a recovery plan to ODE on March 31, 2009 that outlined planned expenditure reductions of approximately \$580,000 in FY 2009-10 and \$636,000 in FY 2010-11. However, on September 10, 2009, AOS placed BLSD in fiscal watch based on a review of the May forecast and ODE's determination that the District failed to submit an acceptable recovery plan.

BLSD is funded at the local level through a variety of voter approved levies. Specifically, the District levies 25.6 mills for the General Fund that are continuing in nature. However, due to the impact of inflation, the effective tax rate for these levies has declined below 20 mills, placing the District at the 20 mill floor² for property tax funding purposes. The District also levies a five-year emergency levy (5.5 mills) for the General Fund that was successfully renewed in February, 2009. Lastly, the District previously had a 3.0 mill permanent improvement levy to meet capital needs. However, this levy was not renewed in March, 1996. In total, BLSD's property tax levies are estimated to generate approximately \$5.6 million in local revenues for the General Fund.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology. The "peer average" comprises ten school districts.

² A school district with at least 20 mills of current expense taxes levied may not have its effective tax rate reduced below 20 mills. Once the effective tax rate reaches 20 mills, no further reductions in effective rates are made, allowing such districts to receive the full revenue growth from increases in taxable values on those mills.

Although BLSD ended FY 2007-08 with a surplus in the General Fund of approximately \$22,000, the Treasurer's forecast projects the District's financial condition will decline in FY 2008-09 and continue through FY 2012-13. Specifically, the Treasurer estimated the District will face deficit balances of approximately \$555,000 in FY 2008-09, \$819,000 in FY 2009-10, \$901,000 in FY 2010-11, \$1.1 million in FY 2011-12, and \$1.4 million in FY 2012-13. **Table 2-1** presents the historical and projected revenues and expenditures from the District's five-year forecast prepared in May 2009, which includes the impact of the District's recovery plan submitted to ODE. See **R2.1** for additional discussion.

Table 2-1: May 2009 Five-Year Forecast (in 000s)

Forecast Line	Actual Fiscal Year			Forecasted Fiscal Year				
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues:								
General Property (Real Estate)	\$4,819	\$4,818	\$4,990	\$5,195	\$5,298	\$5,700	\$6,013	\$6,112
Tangible Personal Property Tax	\$735	\$635	\$534	\$444	\$388	\$391	\$395	\$398
Unrestricted Grants-in-Aid	\$9,516	\$9,561	\$9,698	\$9,699	\$9,889	\$10,138	\$10,138	\$10,139
Restricted Grants-in-Aid	\$127	\$155	\$123	\$126	\$116	\$116	\$116	\$116
Property Tax Allocation	\$700	\$706	\$805	\$929	\$953	\$929	\$958	\$965
All Other Operating Revenue	\$1,521	\$1,602	\$1,701	\$1,553	\$1,661	\$1,775	\$1,895	\$2,021
Total Revenue	\$17,417	\$17,477	\$17,851	\$17,946	\$18,305	\$19,049	\$19,515	\$19,752
Other Financing Sources:								
Proceeds from Sale of Notes	\$0	\$0	\$500	\$1,000	\$0	\$0	\$0	\$0
Operating Transfers-In	\$0	\$0	\$0	\$7	\$0	\$0	\$0	\$0
Advances-In	\$16	\$53	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financial Sources	\$163	\$21	\$87	\$37	\$1	\$1	\$1	\$1
Total Other Financing Sources	\$179	\$74	\$587	\$1,044	\$1	\$1	\$1	\$1
Total Revenues and Other Financing Sources	\$17,596	\$17,550	\$18,438	\$18,990	\$18,306	\$19,050	\$19,515	\$19,753
Expenditures:								
Personal Services	\$9,195	\$9,439	\$10,022	\$9,599	\$9,491	\$9,629	\$9,891	\$10,271
Employees' Retirement/Insurance Benefits (ERIB)	\$3,316	\$3,501	\$3,788	\$3,815	\$4,009	\$4,320	\$4,572	\$4,614
Purchased Services	\$3,142	\$3,400	\$3,446	\$3,560	\$3,662	\$3,690	\$3,718	\$3,747
Supplies and Materials	\$699	\$724	\$818	\$773	\$748	\$748	\$748	\$748
Capital Outlay	\$438	\$372	\$480	\$365	\$365	\$365	\$365	\$365
Debt Service ¹	\$29	\$20	\$521	\$1,037	\$16	\$16	\$16	\$16
Other Objects	\$333	\$285	\$284	\$284	\$284	\$284	\$284	\$284
Total Expenditures	\$17,151	\$17,740	\$19,359	\$19,433	\$18,576	\$19,053	\$19,595	\$20,046
Other Financing Uses:								
Operational Transfers - Out	\$294	\$221	\$94	\$101	\$58	\$66	\$67	\$67
Advances - Out	\$65	\$1	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financing Uses	\$4	\$0	\$0	\$1	\$1	\$1	\$1	\$1
Total Other Financing Uses	\$363	\$222	\$94	\$102	\$59	\$67	\$68	\$68
Total Expenditure and Other Financing Uses	\$17,514	\$17,962	\$19,453	\$19,535	\$18,635	\$19,120	\$19,663	\$20,115
Results of Operations (Net)	\$82	(\$411)	(\$1,015)	(\$545)	(\$329)	(\$70)	(\$147)	(\$362)
Beginning Cash Balance	\$1,420	\$1,502	\$1,090	\$75	(\$470)	(\$799)	(\$869)	(\$1,016)
Ending Cash Balance	\$1,502	\$1,090	\$75	(\$470)	(\$799)	(\$869)	(\$1,016)	(\$1,378)
Bus Purchase Reservations	\$17	\$44	\$53	\$85	\$20	\$32	\$46	\$52
Total Reservations	\$17	\$44	\$53	\$85	\$20	\$32	\$46	\$52
Fund Balance for Certification of Appropriations	\$1,484	\$1,046	\$22	(\$555)	(\$819)	(\$901)	(\$1,062)	(\$1,430)

Source: BLSF FY 2008-09 May five-year forecast

Note: Totals may vary due to rounding.

¹ Debt service includes: All Principal (Historical), Principal-Notes, Principal-Other, and Interest and Fiscal Charges.

During the latter portion of the audit, the State passed House Bill 1, which alters the State funding formula for schools that was in effect for FY 2007-08 and FY 2008-09. ODE developed simulation reports, as of August 18, depicting State funding levels for FYs 2009-10 and FY 2010-11 based on House Bill 1. In addition, the Legislative Services Commission's (LSC)

reported projected stimulus funding that is not captured in the ODE simulations³. Based on ODE's simulation reports and the LSC information, the District's State funding levels will not change substantially when compared to the District's projections. Specifically, **Table 2-1** shows the Treasurer projected total State funding (unrestricted grants-in-aid and restricted grants-in-aid) to equal approximately 10.00 million in FY 2009-10 and \$10.25 million in FY 2010-11. By comparison, ODE's simulation reports plus LSC's reported stimulus monies show funding levels at approximately \$10.25 million in FY 2009-10 and \$10.44 million in FY 2010-11, which are 2.5 and 1.9 percent higher than the Treasurer's projections, respectively.

Revenue and Expenditure Comparisons

Table 2-2 compares BLSD's General Fund revenues by source and expenditures by object with the peer average on a per student basis in FY 2007-08.

Table 2-2: Revenues by Source, Expenditures by Object – Per Pupil

	BLSD	Peer Average
Property & Income Tax	\$1,769	\$3,257
Intergovernmental Revenues	\$4,822	\$4,761
Other Revenues	\$1,647	\$694
Total Revenues	\$8,238	\$8,712
Personal Services	\$4,613	\$4,624
ERIB ¹	\$1,745	\$1,853
Purchased Services	\$1,588	\$1,002
Supplies & Materials	\$377	\$335
Capital Outlay ²	\$221	\$121
Debt Service	\$0	\$4
Miscellaneous	\$118	\$203
Other Financing Uses	\$43	\$224
Total Expenditures	\$8,706	\$8,366

Source: BLSD and peer average year-end financial information

¹ Employee retirement and insurance benefits (ERIB).

² Capital outlay includes both capital outlay and capital outlay – replacement.

As shown in **Table 2-2**, BLSD's total revenues per pupil are 5.4 percent lower than the peer average. The large variances in property taxes and other revenues are partially due to the District's accounting practices. Specifically, the District accounts for the tax proceeds of the 5.5 mill emergency levy as a Special Revenue Fund, and subsequently transfers the proceeds into the General Fund to support daily operations. The proceeds from the transfer (approximately \$1.3 million or \$592 per student) are captured in **Table 2-1** as an other revenue source. If these proceeds were reclassified, the District's property taxes per student would increase to \$2,361 and the other revenues per student would decline to \$1,055. The remaining variance in property taxes can be due to BLSD's low property tax rates and land valuation. For instance, the Columbiana

³ LSC notes that some of the projected stimulus funding would be provided to nonpublic schools, but it does not show the portion specifically allocated for BLSD.

County Auditor reported in 2007 that BLSD's equivalent tax rate per 1,000 of assessed land valuation was 33.9 mills while the Columbiana County Average was 39.3 mills.⁴ The remaining variance in other revenues is primarily due to the District using this line-item to account for short-term note proceeds (\$230 per pupil).

Table 2-2 also shows that BLSD's total expenditures per pupil are 4.1 percent higher than the peer average. Explanations for areas where BLSD's expenditures exceeded the peer average include the following:

- *Purchased Services* – **Table 2-2** shows that BLSD spent \$586 more per student on purchased services than the peer average. The variance is primarily due to tuition paid by the District for students attending other schools through the open enrollment and community school programs, as well as to contracted special education and property services. Specifically, the District spent \$713 per student on tuition costs while the peer average was \$445. The tuition costs associated with these programs are largely outside of the District's direct control. Likewise, the District spent \$431 on contracted professional and technical services, of which 72 percent was for special education programming, while the peer average was only \$150. However, **Table 2-3** shows that the District's total spending for the special education program (includes contracted costs) on a per student basis (\$1,023) is lower than the peer average (\$1,059). Finally, the District spent approximately \$194 per student on contracted property services while the peer average was only \$120. The higher property services expenditures is due to the District contracting for a significant amount of building repairs in FY 2007-08, which can be partially attributed to the age and condition of the District's buildings. However, improved facility planning could assist the District in anticipating needed repairs and prioritizing limited funds, while improved policies would better ensure cost-effective purchases. See the **facilities** section for discussions on facility planning and **R2.6** for an assessment of purchasing policies.
- *Supplies and Materials* – **Table 2-2** shows that the District spent \$42 more per student on supplies and materials than the peer average. This line-item accounts for instructional materials such as textbooks, library books, and periodicals, and general and non-instructional supplies and materials such as vehicle and building maintenance supplies. In FY 2007-08, the District spent approximately \$50 per student on instructional supplies and materials, and \$327 per student on general and non-instructional supplies and materials. By comparison, the peer average was \$40 and \$288, respectively. The higher costs can be partially attributed to the District's purchasing policies (see **R2.6**), although the age and condition of the District's building also can contribute towards the variance.

⁴ None of the peers used for **Table 2-2** are located in Columbiana County. Nevertheless, the combination of **Table 2-2** and BLSD's lower tax rates in comparison to the Columbiana County average indicate that it is likely that BLSD's overall tax structure is lower than the peers.

- *Capital Outlay* – **Table 2-2** shows that the District spent \$101 more per student on capital outlay than the peer average. The majority of the District’s expenditures (\$131 per student) were to replace transportation related equipment, and equipment at the elementary and high school buildings. The remaining expenditures (\$90 per student) were to replace buses through a lease/purchase agreement, and purchase new computer equipment for the middle and high schools. See the **transportation** section and **R2.6** for discussions of the lease/purchase agreement and purchasing policies, respectively.

Table 2-3 shows the expenditures posted to various Uniform School Accounting System (USAS) function codes for BLSD and the peer districts on a per pupil basis in FY 2007-08. It should be noted the expenditures shown in **Table 2-3** do not reflect the staffing and operational changes the District implemented prior to the start of FY 2009-10.

Table 2-3: FY 2007-08 Governmental Expenditures Per Pupil

	BLSD	Peer Average	Difference
Instructional Expenditures:	\$6,066	\$5,535	\$531
Regular Instruction	\$5,022	\$4,021	\$1,001
Special Instruction	\$1,023	\$1,059	(\$36)
Vocational Education	\$9	\$251	(\$242)
Adult/Continuing Education	\$2	\$2	\$0
Other Instruction	\$10	\$203	(\$193)
Support Service Expenditures:	\$2,976	\$3,437	(\$461)
Pupil Support Services	\$268	\$406	(\$138)
Instructional Support Services	\$225	\$459	(\$234)
Board of Education	\$10	\$21	(\$11)
Administration	\$871	\$800	\$71
Fiscal Services	\$186	\$278	(\$92)
Business Services	\$0	\$8	(\$8)
Plant Operation & Maintenance	\$802	\$803	(\$1)
Pupil Transportation	\$614	\$629	(\$15)
Central Support Services	\$0	\$32	(\$32)
Non-Instructional Services Expenditures	\$0	\$44	(\$44)
Extracurricular Activities Expenditures	\$255	\$292	(\$37)
Total Operational Expenditures	\$9,297	\$9,307	(\$10)
Facilities, Acquisition & Construction	\$89	\$755	(\$666)
Debt Service Expenditures	\$240	\$354	(\$114)
Total Governmental Fund Expenditures	\$9,626	\$10,416	(\$790)

Source: BLSD and peer district FY 2007-08 year-end financial information

Note: Totals may vary due to rounding.

Table 2-3 shows that BLSD's governmental operating and total expenditures per pupil were lower than the peer averages in FY 2007-08. In addition, the District's expenditures only exceeded the peer average in the regular instruction and administration line-items. The high expenditures in these line-items are primarily attributed to higher staffing levels within the administration and regular teacher classifications. However, the District has made staffing reductions in both areas. See the **human resources** section for an additional discussion concerning the District's staffing levels.

Audit Objectives for the Financial Systems Section

The following is a list of the questions used to evaluate the financial systems functions at BLSD:

- What has been the District's financial history?
- Does the District's five-year forecast reasonably and logically project future revenues and expenditures?
- Does the District actively involve stakeholders in its decision-making processes?
- Has the District developed a strategic plan that links to educational and operational plans and is consistent with recommended practices?
- Does the District have comprehensive financial policies to guide management?
- Does the District produce recommended financial reports?
- How do the District's revenues and expenditures compare to peer districts?
- Is the District's budgetary process consistent with recommended practices?
- Are the payroll operations consistent with recommended practices?
- Does the District have a comprehensive purchasing policy and corresponding procedures that have been approved by the Board and ensure the use of a competitive selection process?
- Is the District's Food Service Fund self-sufficient?
- What is the financial outlook of the District when considering revised projections and the recommendations in the performance audit?

Assessments conducted on the forecast development and review process, forecast compliance with State guidelines, forecast historical reliability, forecast revenue assumptions and major revenue lines, forecast personal services expenditures, budget development process, purchasing controls, and payroll process were found to be comparable to the peers and/or other benchmarks.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified the District's expenditure levels as noteworthy accomplishments. As shown in **Table 2-3**, BLSD's governmental fund operating and total expenditures per pupil were lower than the peer averages in FY 2007-08. While **Table 2-2** shows that BLSD's total General Fund expenditures per pupil were 4.1 percent higher than the peer average in FY 2007-08, the District's salary and benefit expenditures per pupil were both lower than the peer average. These two areas comprise 73 percent of the expenditures in the General Fund. The higher General Fund expenditures per student are mainly due to tuition costs for students attending other schools through the open enrollment and community school programs, which are largely outside the District's direct control. Consequently, the District is limiting costs in the areas that have the most significant impact on its financial condition.

Recommendations

Five-Year Forecast

R2.1 Upon completion, the Treasurer should review the forecast notes to ensure that the assumptions and supporting documentation are consistent with the figures presented in the financial forecast. The Treasurer should also double-check the calculations and spreadsheet formulas for the major line-items in the forecast (real estate property taxes, State funding, personal services and employee benefits) to ensure that the final figures accurately reflect the intended results. Taking these steps will help ensure the reliability of the Treasurer's forecast projections and prevent misunderstandings from stakeholders reviewing the forecast.

As a component of this performance audit, AOS reviewed the District's forecast, including the underlying assumptions and supporting documentation for overall reasonableness. During this review, AOS determined that the District's projections and supporting documentation for the real estate property tax, unrestricted grants-in-aid, personal services and purchased services appeared reasonable based on historical trends, legislation, information from outside sources and year-to-date actual results for FY 2008-09. Furthermore, although the remaining revenue and expenditure line-items were not reviewed in detail, they were reviewed in total and determined to be materially consistent with the historical trends and applicable legislative requirements, with any significant variances attributable to reductions implemented through the District's recovery plan and/or planned operational changes. Finally, during the course of the audit, actual revenue and expenditure information for FY 2008-09 became available. The District's actual revenues (\$17,959,985) represented a positive variance of less than one percent from the Treasurer's projections (\$17,946,461). Likewise, the actual expenditures (\$19,071,884) represented a positive variance of less than two percent from the Treasurer's projections (\$19,433,096).

AOS noted the following inconsistencies during the review of the financial forecast:

- **Purchased Services:** The notes to the financial forecast indicate that purchased services are projected to increase 5.0 percent annually. However, the actual figures included in the financial forecast are only projected to increase at an average annual rate of approximately 1.7 percent. The Treasurer indicated that the figures included in the financial forecast are accurate and that the notes need to be updated.
- **Supplies and Materials:** The notes to the financial forecast indicate that supplies and materials are projected to decline 10 percent in FY 2008-09, and then increase

3.0 percent annually thereafter. However, the actual figures included in the financial forecast reflect a 5.5 percent decline in FY 2008-09, a 3.2 percent decline in FY 2009-10, and no changes from FY 2010-11 through the remainder of the forecast period. The Treasurer indicated that the figures included in the financial forecast are accurate and that the notes need to be updated.

- **Encumbrances:** The notes to the financial forecast indicate that encumbrances are estimated to equal 2.0 percent of the total expenditures. However, the financial forecast does not include any amounts for encumbrances. The Treasurer indicated that the District does not need to report the encumbrances because it regularly pays down its obligations at year-end, thus eliminating the need to carry-over outstanding purchase orders (encumbrances) to the following year. The District reported General Fund encumbrances of approximately \$92,000 in FY 2005-06, \$104,000 in FY 2006-07, and \$13,800 in FY 2007-08 in its 4502 cash basis financial reports. Given that the FY 2006-07 encumbrances represent less than 1.0 percent of the District's total expenditures, the Treasurer's explanation appears reasonable. Nevertheless, updating the notes to reflect the actual assumptions used in developing the forecast would help avoid potential confusion and misunderstanding.
- **Health Benefits:** The notes to the financial forecast indicate that health benefits are projected to increase 10.0 percent annually throughout the forecast period, which appears reasonable based on the District's historical trends. However, the Treasurer mistakenly omitted the increase from the projection in FY 2012-13. The financial forecast presented in **Table 2-4** will be updated to reflect a 10.0 percent increase in health insurance costs in FY 2012-13, which increases the total expenditures by approximately \$348,000.

Financial Management Policies

R2.2 BLSD should develop policies to address the use of one-time revenues, contingency planning, and the operating budget/stabilization funds. Addressing these areas will help guide decision-making, promote long-term financial flexibility, and help the District withstand short-term declines in revenues due to economic conditions.

The Board has financial policies to help guide the District's decision-making. The Board policies were developed with assistance from the Northeast Ohio Learning Associates (NEOLA) and are updated on a regular basis. Furthermore, the District makes the policies available to the public through a link on the District's website. Although the Board policies are relatively comprehensive, they lack certain specific policies identified in *Recommended Budget Practices: A Framework for Improving State and Local*

Government Budgeting (GFOA, 1999). A summary of these policies includes the following:

- **Use of One Time Revenues:** A government should adopt policies limiting the use of one-time revenues for ongoing expenditures. One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process.
- **Operating Budget/Stabilization of Funds:** A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs. The GFOA also indicates that when developing the budget, a government should maintain a prudent level of financial resources to protect against reducing services or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up these stabilization funds and the purposes for which they may be used. Although the District has a policy enabling the Treasurer to include a Reserve Fund in the budget, the policy does not define how and when to distribute monies to the Reserve Fund. Additionally, in actual practice, the District has chosen not to establish a separate Reserve Fund due to the current financial difficulties.
- **Contingency Planning:** A government should have policies to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.

Public Participation

R2.3 BLSD should consider including additional information on its website and establishing periodic community forums, citizen surveys, and community focus groups. Taking these measures can help increase community interest and participation in the District's operations.

The District's primary means of communicating financial information to the citizens is through its website. Specifically, the District includes monthly Board financial reports and graphs, financial terminology, local tax information, historical financial audits, the tax budget, and a link to the five-year forecast (on ODE's web site) on its website. In addition, the District makes its upcoming Board meeting agendas, historical Board

meeting minutes, and Board policies available to the public through the website. BLSD also mails a quarterly newsletter to all households in the community that provides a variety of financial and operating information. Nevertheless, BLSD officials indicated that these efforts have previously generated limited community interest in the District's operations. The following is a summary of strategies used by other school districts and/or suggested practices to help improve community involvement.

- **Website** – Although BLSD includes a variety of financial and operating information on its website, the presentation could be expanded to provide additional information that could be helpful to the public. The Westerville City School District (Franklin County) has a detailed website that includes similar information as BLSD, but also includes multiple years of comprehensive annual financial reports (CAFRs), popular annual financial reports (PAFRs), tax budgets, cost per pupil comparisons to other school districts in Franklin County, and reports that have been provided to a Financial Accountability Community Taskforce (FACT) that the district formed to oversee its progress in meeting plans and promises made during a 2006 levy campaign. The Westerville City School District website also includes links for forming collaborative school-business partnership programs, adopt-a-school programs, a variety of community-related information, the district's vision and mission statements, and links to annual operating and financial reports published by the district.
- **Community Forums** – With the exception of a school building “open house” that was held several years ago in support of the Ohio Schools Facilities Commission (OSFC) project (see **facilities** section), BLSD does not hold regularly scheduled community forums to educate the citizens about its financial condition and general operations. During a performance audit of the Painesville Township Local School District⁵ (Lake County) released in March 2007, the Treasurer noted that the District held town hall style meetings where discussions took place regarding issues like school funding and the impact on the District, the use of the permanent improvement levy, capital improvement projects, and curriculum issues. The meeting dates and times were advertised through television, print, and online ads and notices were sent home to inform parents. Likewise, the South-Western City School District (Franklin County) approved and published a *Contract with the Community* in 2009 that outlines specific goals and objectives associated with a new levy proposal, and an intention to establish a system of quarterly reports and meetings with the community to discuss its fiscal, operational, and educational improvement initiatives. *Public Participation in Planning, Budgeting, and Performance Management* (GFOA, 2009) states that governments, to improve

⁵ Painesville Township Local School District has since changed its name to Riverside Local School District.

public participation, should identify citizen preferences and satisfaction levels through common methods such as focus groups and public meetings.

- **Community Surveys** – With the exception of periodic surveys related to the OSFC program, BLSD does not conduct regular community surveys to gauge citizen satisfaction with the District’s programs and services. During the performance audit of the Painesville Township Local School District⁶, AOS noted that the District administered annual surveys to solicit citizen feedback. One of the surveys solicited feedback on the level of satisfaction with the District’s educational services, fiscal management, and communications; the adequacy of facilities and equipment; and measures to alleviate building overcrowding. *Public Participation in Planning, Budgeting, and Performance Management* (GFOA, 2009) states that governments should use in-person, mail, phone, or internet surveys as a method to identify citizen preferences and satisfaction levels.
- **Community Focus Groups** – BLSD does not regularly use community focus groups to help oversee the financial management of the District. GFOA indicates that governments should consider creating public or neighborhood advisory groups, committees, and informal task forces to help improve public participation. In 2009, the Hilliard City School District (Franklin County) formed an Auditing and Accountability Committee from citizens for the purpose of reviewing the district’s financial reporting and internal control structure, and to provide assurance to stakeholders that the district’s financial management is effective and efficient.

Planning and Reporting

R2.4 BLSD should develop a comprehensive strategic plan that outlines its long-term vision for all operational and educational programs. In preparing the plan, BLSD should include detailed goals, objectives, timeframes, performance measures, benchmarks and applicable cost estimates. Once developed, BLSD should link the strategic plan to the budget (see R2.5), the five-year forecast, the three-year education plan the District recently developed, and other similar plans (see facilities and transportation). This approach shifts the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs and outcomes, and ultimately to the accomplishment of the goals and objectives in the strategic plan.

BLSD does not have a comprehensive strategic plan to guide long-term operations and spending decisions. As a result, the District develops the budget and five-year forecast

⁶ Painesville Township Local School District has since changed its name to Riverside Local School District.

based primarily on contractual obligations, historical spending levels and knowledge of immediate needs.

The District recently worked with a group of parents, teachers and administrators to develop a three-year education plan required through the *Ohio Improvement Process*, which is an education intervention model administered by ODE. The goals identified in BLSD's education plan include:

- BLSD students will improve reading performance as evidenced by reading scores, increasing 3 percentage points per year on the State assessment and reaching 90 percent by June, 2012;
- BLSD students will improve math performance as evidenced by district math scores, increasing 3 percentage points per year on the State assessment and reaching 85 percent by June, 2012; and
- Total student absences in BLSD will decrease by 5 percent annually through June, 2012.

In addition, the District's education plan identifies detailed strategies that will be implemented to meet the abovementioned goals and benchmarks. However, although BLSD's education plan is detailed and includes components that could be incorporated into a comprehensive strategic plan, it was designed to be an academic improvement tool and does not include detailed operational and financial goals, objectives, benchmarks or performance measures.

According to *Recommended Practices on the Establishment of Strategic Plans* (GFOA, 2005), all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. This would establish logical links between spending amounts and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In developing the strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and are an important link between the goals in the strategic plan and the activities funded in the budget.

Without a comprehensive strategic plan that includes detailed objectives and performance measures, BLSD may have difficulty evaluating the relationship between its spending decisions and operational outcomes. This, in turn, increases the risk of ineffectively addressing District needs.

R2.5 BLS D should consider preparing a budget document (budget memo, executive summary, etc.) that includes charts and graphs to summarize key financial information, and a narrative to explain key assumptions, goals and objectives for the upcoming year. BLS D should also consider preparing and issuing comprehensive annual financial reports (CAFR) and popular annual financial reports (PAFR). All of these documents should be published on the District’s website for increased accessibility. Developing some or all of these documents will help the Board, stakeholders, and interested citizens better understand the District’s financial condition and the issues that influence key decisions.

BLS D is required by Ohio Administrative Code (OAC) 117-2-03 to issue financial statements prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). BLS D is also required by ORC § 5705.28 to develop and approve an annual tax budget on or before January 15, and by ORC § 5705.38 to pass an annual appropriation measure by October 1. However, ORC § 5705.38 also indicates that prior to passage of the annual appropriation measure, a school district is permitted to pass a temporary appropriation measure for meeting the ordinary expenses of the district from July 1 until the annual appropriation measure is passed by the Board of Education. The District’s financial audits for FY 2005-06, FY 2006-07 and FY 2007-08 indicate that it complied with OAC 117-2-03 and is preparing its annual financial statements on an accrual basis, with no significant internal control or non-compliance issues noted. Furthermore, a review of the Board Meeting Minutes shows that the District adopted the annual tax budget for FY 2009-10 on January 12 and a temporary appropriation measure on June 8, both of which comply with the abovementioned requirements.

Although the District is meeting the minimum financial reporting and budgetary requirements, it does not prepare certain supplementary documents that may help stakeholders better understand its finances. Specifically, the District does not prepare a Comprehensive Annual Financial Report (CAFR), a Popular Annual Financial Report (PAFR), or a published budgetary narrative/memorandum that explains the key assumptions and significant financial issues addressed in the annual appropriation measure. According to the Treasurer, the additional preparation time and cost have prevented the District from preparing these documents in the past.

Recommended Practices: Government Accounting, Auditing, and Financial Reporting (GFOA, 2006) indicates that state and local governments should not be satisfied with only issuing basic financial statements required by GAAP, but should also publish a CAFR. The CAFR would expand the reporting model to include information on BLS D’s operating environment, explanations for past spending decisions and future commitments, as well as budgetary statements and statistical information. Likewise, *Recommended Practices: Preparing Popular Reports* (GFOA, 2006) encourages governments to supplement their annual financial reports with simpler, “Popular” Annual

Financial Reports (PAFR) designed to assist those who need a less detailed overview of a government's financial activities. According to GFOA, the PAFR supplements the GAAP basis financial statements and is used to describe a government entity's operations in a consolidated, aggregated or condensed format. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends. Lastly, *Distinguished Budget Presentation Awards Program: Awards Criteria* (GFOA, 2008) recommends that governments prepare a budget document, or other similar documentation (budget memo, summary letter, etc.), that provides summary information, including an overview of significant budgetary issues, goals and objectives, historical trends, and resource choices. Charts and graphs should be used to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

Purchasing

R2.6 The District should revise its purchasing policy to establish lower thresholds for obtaining price quotes. The Treasurer's Office should help devise the new threshold with the intent of subjecting more items to competitive pricing, without being overly cumbersome for operational units. In addition, the District should include requests for proposals in the revised policy, specifying when they should be used and what information they should contain. These policies will provide the Board with greater assurance that goods and services are being purchased at a competitive price.

Table 2-2 shows that the District spent a total of \$377 per student from the General Fund on supplies and materials, \$221 for capital outlay, and \$1,588 for purchased services while the peer averages were \$335, \$121 and \$1,002, respectively. Likewise, **Table 4-3 in facilities** shows that the District spent \$0.57 per square foot on building supplies and materials, \$0.24 per square foot on capital outlay, and \$1.56 per square foot on purchased services while the peer averages were \$0.35, \$0.06 and \$0.48, respectively. Finally, **Table 5-2 in transportation** shows that the District's maintenance and repairs expenditures were 19.8 percent higher than the peer average on a per bus basis and 15.4 percent higher on a per routine mile basis.

The Board has relatively comprehensive purchasing policies that address competitive bidding, standardizing the equipment and supplies at each building to allow for quantity purchases through competitive pricing, purchasing through consortiums, and lawful purchasing procedures. However, the Board's purchasing policies only require three price quotations on purchases of more than \$10,000 and do not address the use of requests for proposals (RFPs) when contracting for purchased services, which may contribute toward the abovementioned expenditure variances along with the specific building and transportation needs at BLSLSD. In practice, the Treasurer indicated that most office and

food service supplies are purchased in bulk through consortiums such as the U.S. Communities: Government Purchasing Alliance (USC) and the Hospital Purchasing Service, while building maintenance, transportation and classroom supplies and materials are usually purchased through department head negotiations with local vendors. The Superintendent further indicated that the District informally requires department heads and managers to obtain multiple price quotes when making most purchases, and the expenditure variances noted above are likely due to unique circumstances at BLSD.

In contrast to BLSD, the Akron City School District requires employees to obtain three price quotes on anything costing more than \$6,000. Similarly, the Cincinnati City School District requires various forms of competitive pricing for goods and services costing more than \$500. *The Contract Management Manual* (Voinovich Center for Leadership and Public Affairs, 2001) indicates an RFP is a form of a bid, and is generally used for services that cannot be summarized in written bid specifications. It includes numerous recommendations as to what should be included in an RFP, and how to structure, evaluate, and award an RFP.

Financial Implication: The District spent approximately \$1.3 million on supplies and materials, and capital outlay in FY 2007-08. If the District could achieve a 10 percent cost savings by adopting more stringent policies, the annual savings would be approximately \$130,000. Due to the impact of tuition costs, purchased services was excluded from the estimate of potential cost savings. However, **Table 2-1** shows that the District is projecting the combined expenditures for supplies and materials and capital outlay to equal \$1.1 million throughout the forecast period, for a projected savings of approximately \$185,000 from the FY 2007-08 levels. The projected savings is based on the District's recovery plan, which indicates that it will reduce costs by maintaining tighter control over discretionary purchases. Based on the District's year-to-date expenditures through March 2009, the District's projected savings appears reasonable. Although the District could still experience additional savings by implementing **R2.6**, they will not be included in **Table 2-4** to be conservative.

Food Service Fund

R2.7 The District should negotiate to eliminate the minimum hour guarantees and uniform allowances that are provided to food service employees. The District should also negotiate to make the food service salary schedules more comparable to other area school districts. These steps, in conjunction with the actions already taken by the District, would help eliminate the need for future General Fund subsidies to the Food Service Fund.

Historically, BLSD's food service operations have not been self-sufficient. Since FY 2005-06, the District has transferred an average of \$106,000 annually from the General

Fund to cover deficits in the Food Service Fund. Additionally, the District's financial forecast presented in **Table 2-1** projects future transfers of \$90,000 in FY 2008-09, \$23,000 in FY 2009-10, and \$30,000 annually thereafter. To help address the projected deficits, the District recently implemented point-of-sale technology at its elementary school buildings, is piloting a "fast break breakfast" program that allows high school and middle school students to purchase breakfast foods between classes, and has adopted a plan to eliminate two food service employees (a six-hour cook and a two-hour cook) prior to the start of FY 2009-10. Furthermore, the District uses the State's direct certification program to identify students eligible for free and reduced lunches and point-of-sale technology at the middle school and high school, and purchases food service supplies and materials at discounted prices through consortiums.

Although the District's plans for FY 2009-10 will help address the deficit balances, the District can further improve the efficiency of the food service program by addressing certain provisions within the collective bargaining agreement (CBA). A summary of these provisions include the following:

- **Minimum Hours:** The District's CBA stipulates that food service employees are classified as head cooks, regular cooks, or hourly cooks. Based on the salary schedule in the CBA, head cooks and regular cooks are entitled to receive a minimum of six hours of pay per day for 180 days per year while the hourly cooks are entitled to receive a minimum of two hours of pay for 178 days per year. In FY 2008-09, the District employed 17 food service employees. However, only 3 were classified as hourly employees that received less than six hours of pay on daily basis. The remaining 14 are classified as six-hour employees, which entitle them to full healthcare benefits based on the District's current plan provisions. Furthermore, because of their hire dates and the structure of the District's health benefits, none of the 14 employees are required to contribute towards the monthly health insurance premium costs (see the **human resources** section for additional details). Providing minimum hour guarantees for food service employees limits the District's ability to manage the program and potentially results in higher costs associated with providing healthcare benefits. In contrast, the East Liverpool CSD classifies its food service employees as cafeteria aides, cashiers and workers, but does not provide minimum hour guarantees. Likewise, West Branch LSD and Salem CSD do not provide minimum hour guarantees. Lastly, the Marysville Exempted Village School District's (Union County) Classified Manual (November, 2008) states that all food service employees will be employed for 184 days per year, but the hours per day will be determined as needed by the District.
- **Compensation:** According to the FY 2008-09 salary schedules, BLSD's regular cooks earn between \$10.54 per hour and \$12.58 per hour, depending on years of service. By comparison, similar positions at East Liverpool CSD, Salem CSD and

West Branch LSD earn an average of between \$8.72 per hour and \$10.96 per hour. BLSD's salary schedule is comprised of 8 steps spread out over 25 years, which is similar to Salem CSD's schedule which is comprised of 10 steps over 25 years. The District's beginning and ending salaries are higher than Salem CSD. East Liverpool CSD's salary schedule is comprised of 9 steps that are completed consecutively over 9 years. The salary after year 9 is \$11.31, while BLSD is \$11.94 after year 9. West Branch LSD's salary schedule is comprised of 14 steps that are completed consecutively over 14 years. The salary after year 14 is \$12.02, while BLSD is \$12.10 after year 14. Furthermore, the average value of a step increase at BLSD equals \$0.26 while the peer average is only \$0.20.

- **Uniform Allowances:** R3.7 in the **human resources** section shows that the District's uniform allowances for food service employees are generous compared to East Liverpool CSD, Salem CSD, and West Branch LSD.

Financial Implication: If the District is able to eliminate future General Fund subsidies of the Food Service Fund through the actions it has already taken and by renegotiating the abovementioned provisions, the savings would equal \$23,000 in FY 2009-10 and \$30,000 annually thereafter based on the District's five-year forecast.

Financial Outlook

R2.8 BLSD should analyze and use Table 2-4 to evaluate the effect of the recommendations presented in this performance audit. Based on regular discussions with the community (see R2.3), the District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits. For example, in addition to the recommendations in this performance audit that identify a potential for sharing services, the District should consider the feasibility of partnering with other districts to share applicable services. Furthermore, the Treasurer should update Table 2-4 on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.

Table 2-4 presents an updated financial outlook for BLSD, which includes the revised benefit projections (see R2.1) and demonstrates the impact of the performance audit recommendations on the District's financial condition. The District will need to make difficult management decisions in order to improve its financial condition. However, **Table 2-4** shows that through the combination of reductions already implemented by the District and the performance audit recommendations, BLSD can maintain positive ending fund balances beginning in FY 2010-11. Adopting a strategic plan (R2.4) and obtaining citizen feedback (R2.3) through surveys and other mechanisms would ensure that BLSD

implements strategies to achieve financial recovery that are based on defined goals and objectives, and community input and desires.

The projections in **Table 2-4** will depend, in part, on the attainment of the District and AOS revised projections. Therefore, monitoring the attainment of the projections and updating the forecast as necessary will ensure the District bases future decisions on the most current information. The projections will also depend upon timing related to implementing the performance audit recommendations and the actual impact of those recommendations. **Table 2-4** includes implementation of a portion of some performance audit recommendations beginning in FY 2009-10, with full implementation of each recommendation beginning in FY 2010-11. In addition, the District may be able to realize greater savings from implementing the recommendations because AOS applies a generally conservative approach in estimating the financial implications.

Lastly, during the latter portion of the performance audit, the State passed House Bill 1, which provides a new funding formula for school districts in FY 2009-10 and FY 2010-11. Based on ODE simulation reports that show State funding levels resulting from House Bill 1 for FYs 2009-10 and 2010-11, and the projected stimulus funding reported by the Legislative Services Commission (LSC)⁷, the District's State funding levels will not change substantially when compared to the Treasurer's projections. See **pages 2-3 to 2-4** for more information.

⁷ LSC notes that some of the projected stimulus funding would be provided to nonpublic schools, but it does not show the portion specifically allocated for BLSD.

Table 2-4: Financial Outlook

Forecast Line	Actuals			Forecasted				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenues:								
General Property (Real Estate)	\$4,819	\$4,818	\$4,990	\$5,195	\$5,298	\$5,700	\$6,013	\$6,112
Tangible Personal Property Tax	\$735	\$635	\$534	\$444	\$388	\$391	\$395	\$398
Unrestricted Grants-in-Aid	\$9,516	\$9,561	\$9,698	\$9,699	\$9,889	\$10,138	\$10,138	\$10,139
Restricted Grants-in-Aid	\$127	\$155	\$123	\$126	\$116	\$116	\$116	\$116
Property Tax Allocation	\$700	\$706	\$805	\$929	\$953	\$929	\$958	\$965
All Other Operating Revenue	\$1,521	\$1,602	\$1,701	\$1,553	\$1,661	\$1,775	\$1,895	\$2,021
Total Revenue	\$17,417	\$17,477	\$17,851	\$17,946	\$18,305	\$19,049	\$19,515	\$19,752
Other Financing Sources:								
Proceeds from Sale of Notes	\$0	\$0	\$500	\$1,000	\$0	\$0	\$0	\$0
Operating Transfers-In	\$0	\$0	\$0	\$7	\$0	\$0	\$0	\$0
Advances-In	\$16	\$53	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financial Sources	\$163	\$21	\$87	\$37	\$1	\$1	\$1	\$1
Total Other Financing Sources	\$179	\$74	\$587	\$1,044	\$1	\$1	\$1	\$1
Total Revenues and Other Financing Sources	\$17,596	\$17,550	\$18,438	\$18,990	\$18,306	\$19,050	\$19,515	\$19,753
Expenditures:								
Personal Services	\$9,195	\$9,439	\$10,022	\$9,599	\$9,491	\$9,629	\$9,891	\$10,271
<i>Employees' Retirement/Insurance Benefits - Revised FY 2012-13</i>	\$3,316	\$3,501	\$3,788	\$3,815	\$4,009	\$4,320	\$4,572	\$4,962
Purchased Services	\$3,142	\$3,400	\$3,446	\$3,560	\$3,662	\$3,690	\$3,718	\$3,747
Supplies and Materials	\$699	\$724	\$818	\$773	\$748	\$748	\$748	\$748
Capital Outlay	\$438	\$372	\$480	\$365	\$365	\$365	\$365	\$365
Debt Service ¹	\$29	\$20	\$521	\$1,037	\$16	\$16	\$16	\$16
Other Objects	\$333	\$285	\$284	\$284	\$284	\$284	\$284	\$284
Total Expenditures	\$17,151	\$17,740	\$19,359	\$19,433	\$18,576	\$19,053	\$19,595	\$20,395
Other Financing Uses:								
Operational Transfers-Out	\$294	\$221	\$94	\$101	\$58	\$66	\$67	\$67
Advances-Out	\$65	\$1	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financing Uses	\$4	\$0	\$0	\$1	\$1	\$1	\$1	\$1
Total Other Financing Uses	\$363	\$222	\$94	\$102	\$59	\$67	\$68	\$68
Total Expenditure and Other Financing Uses	\$17,514	\$17,962	\$19,453	\$19,535	\$18,635	\$19,120	\$19,663	\$20,463
<i>Performance Audit Recommendations²</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$160</i>	<i>\$900</i>	<i>\$950</i>	<i>\$1,004</i>
Results of Operations (Net)	\$82	(\$411)	(\$1,015)	(\$545)	(\$169)	\$830	\$803	\$294
Beginning Cash Balance	\$1,420	\$1,502	\$1,090	\$75	(\$470)	(\$639)	\$192	\$994
Ending Cash Balance	\$1,502	\$1,090	\$75	(\$470)	(\$639)	\$192	\$994	\$1,288
Bus Purchase Reservations	\$17	\$44	\$53	\$85	\$20	\$32	\$46	\$52
Total Reservations	\$17	\$44	\$53	\$85	\$20	\$32	\$46	\$52
Fund Balance June 30 for Certification of Appropriations	\$1,484	\$1,046	\$22	(\$555)	(\$659)	\$160	\$948	\$1,236

Source: BLSD FY 2008-09 May five-year forecast and AOS performance audit recommendations

Note: Totals may vary due to rounding.

¹ Debt service includes: All Principal (Historical), Principal-Notes, Principal-Other, and Interest and Fiscal Charges.

² This excludes **R2.6** to be conservative.

Table 2-5 summarizes the financial implications from the performance audit as they relate to the five-year forecast and associated funds.

Table 2-5: Summary of Performance Audit Financial Implications

Recommendation	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Estimated Cost Savings - Not Subject to Negotiations				
R3.1 Reduce regular education and ESP staffing by 6.5 FTEs. ¹	\$0	\$219,860	\$228,654	\$237,800
R3.5 Implement BWC deductible, DFWP discount programs, and transitional workplace program. ²	\$13,250	\$27,560	\$28,662	\$29,809
R3.6 Reduce certificated staff sick leave use to the DAS average.	\$14,000	\$28,000	\$28,000	\$28,000
R4.1 Reduce 4.0 FTE custodians. ²	\$58,192	\$121,039	\$125,880	\$130,915
R4.5 Develop and implement formal energy management policies and procedures as well as assign someone to monitor energy use. ²	\$22,197	\$46,924	\$49,599	\$52,426
R5.1 Reduce three buses. ²	\$26,500	\$54,590	\$56,228	\$57,915
R5.3 Reduce bus maintenance costs. ²	\$5,000	\$10,300	\$10,609	\$10,927
Total Estimated Cost Savings - Not Subject to Negotiations	\$139,139	\$508,273	\$527,633	\$547,793
Estimated Cost Savings - Subject to Negotiations				
R2.7 Eliminate General Fund subsidy to the Food Services Fund.	\$23,000	\$30,000	\$30,000	\$30,000
R3.3 Increase the employee premium contributions to 15 percent for all employees. ¹	\$0	\$305,470	\$336,017	\$369,619
R3.4 Reduce life insurance benefits to \$50,000 per employee. ¹	\$0	\$3,200	\$3,200	\$3,200
R3.7 Eliminate uniform allowances and reduce severance payouts. ¹	\$0	\$44,600	\$44,600	\$44,600
R3.9 Address other forms of compensation in the CBAs. ¹	\$0	\$10,800	\$10,800	\$10,800
Total Estimated Cost Savings - Subject to Negotiations	\$23,000	\$394,070	\$424,617	\$458,219
Estimated Implementation Cost				
R4.4 Purchase a computerized maintenance management system (CMMS)	\$2,000	\$2,060	\$2,122	\$2,185
Total Estimated Implementation Cost	\$2,000	\$2,060	\$2,122	\$2,185
Net Performance Audit Financial Implications	\$160,139	\$900,283	\$950,128	\$1,003,826

Source: AOS performance audit recommendations

Note: Totals may vary due to rounding. Financial implications are increased each year based on the Treasurer's assumptions, inflation or historical trends.

¹ Assumes no savings in FY 2009-10 with full implementation thereafter.

² Assumes mid-year implementation in FY 2009-10 with full implementation thereafter.

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Human Resources

Background

This section of the performance audit focuses on Beaver Local School District's (BLSD or the District) human resource operations. BLSD's human resource operations are evaluated against recommended or leading practices, industry benchmarks, operational standards, and selected peer school districts.¹ Sources of comparative information include the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Ohio Education Association (OEA), the Ohio Department of Administration (ODAS), the State Employment Relations Board (SERB), the Bureau of Workers' Compensation (BWC), and the Kaiser Family Foundation 2007 National Survey (Kaiser Survey).

Organizational Structure

BLSD does not have a separate department dedicated to human resource functions. Instead, the District's Treasurer and Superintendent complete the major human resource functions, including hiring, terminating, managing and evaluating employees; negotiating collective bargaining agreements; administering the health insurance programs; processing payroll; monitoring compliance with minimum employment standards; and overseeing the process for reporting information through the Education Management Information System (EMIS).

Staffing

Table 3-1 compares BLSD's full-time equivalent (FTE) employees per 1,000 average daily membership (ADM) to the peer average in FY 2008-09.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology. The "peer average" comprises ten school districts.

Table 3-1: Staffing Level Comparison (FTEs per 1,000 Students)

	Beaver LSD	Peer Average	Difference
ADM – Students Educated (FTE)¹	2,109	1,654	455
Administrative Personnel²	7.5	6.6	0.9
Office/Clerical	6.6	7.2	(0.6)
Classroom Teachers³	53.7	48.9	4.8
Special Education Teachers	8.9	9.3	(0.4)
Education Service Personnel⁴	8.8	7.1	1.7
Other Certificated Staff⁵	1.9	4.2	(2.3)
Teacher Aides	3.8	8.1	(4.3)
Other Technical/Professional⁶	0.0	1.0	(1.0)
Other Student Services⁷	0.5	1.8	(1.3)
Operations	27.5	28.0	(0.5)
Total Staffing	119.2	122.0	(2.8)

Source: Education Management Information System (EMIS) data as submitted to ODE.

¹ Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

² Administrative personnel includes central and site-based administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District.

³ Classroom teachers include regular and vocational teachers, and permanent substitutes.

⁴ Education Service Personnel include ESP Teachers, Counselors, Librarians, Registered Nurses, Social Work, and Visiting Teachers.

⁵ Other Certificated Staff include Curriculum Specialists, Remedial Specialists, Tutor/Small Group Instructors, and Other Professionals.

⁶ Other Technical/Professional Staff include Library Staff, Computer Support Staff, and Other Professional Staff less Librarians

⁷ Other Student Services include Student Services Staff less Counselors, Registered Nurses, Social Work Staff, and Visiting Teachers.

Table 3-1 shows that BLSD's total staffing levels (119.2) are lower than the peer average (122.0) on a per 1,000 ADM basis, which can be attributed to the District proactively working to limit its staffing levels in recent years. Nevertheless, **Table 3-1** shows that BLSD's staffing levels exceed the peer average in the administrative personnel, classroom teacher, and educational service personnel classifications. However, BLSD's Assistant Superintendent retired at the end of FY 2008-09 and will not be replaced. Additionally, the District had an EMIS coding error that resulted in building principals being overstated by one FTE. After adjusting for the staffing change and coding error, the District's revised administrative staffing level equals 6.6 per 1,000 ADM, which is consistent with the peer average. See **R3.1** for an analysis of BLSD's regular teacher and ESP staffing levels.

Salaries

Table 3-2 compares the District's average salary and salary cost per student (ADM) to the peer average in FY 2008-09. A school district's average salary is impacted by the beginning salary, years of service, negotiated wage and step increases, and educational level attained by the personnel within a classification. The salary cost per student is impacted by the number of staff employed in a classification and their respective salaries. As a result, it is possible for a school district to have lower average salaries than the peers, but higher salary costs per student if the district is employing more personnel than the peers.

Table 3-2: Salary Comparison

	Average Salaries			Salaries Per Student		
	BLS D	Peer Average	Variance	BLS D	Peer Average	Variance
Administrators	\$63,749	\$68,314	(6.7%)	\$480	\$448	7.1%
Office/Clerical	\$24,412	\$27,453	(11.1%)	\$162	\$197	(17.8%)
Classroom Teachers¹	\$45,741	\$49,221	(7.1%)	\$2,455	\$2,413	1.7%
Special Education Teachers	\$44,241	\$47,489	(6.8%)	\$392	\$441	(11.1%)
Educational Service Personnel²	\$44,622	\$49,496	(9.8%)	\$394	\$350	12.6%
Other Certificated Staff³	\$50,314	\$49,874	0.9%	\$95	\$201	(52.7%)
Teacher Aides	\$14,646	\$15,926	(8.0%)	\$56	\$130	(56.9%)
Other Technical/Professional Staff⁴	\$0	\$18,676	(100.0%)	\$0	\$28	(100.0%)
Other Student Services⁵	\$52,988	\$22,306	137.6%	\$25	\$47	(46.8%)
Operations	\$15,382	\$19,864	(22.6%)	\$423	\$554	(23.6%)

Source: FY 2008-09 EMIS data as submitted to ODE. EMIS data from BLS D has been adjusted to reflect FY 2008-09 salaries.

¹ Classroom Teachers include Regular and Vocational Teachers, and Permanent Substitutes.

² Educational Service Personnel include ESP Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers.

³ Other Certificated Staff include Curriculum Specialists, Remedial Specialists, Tutor/Small Group Instructors, and Other Professionals.

⁴ Other Technical/Professional Staff include Library Staff, Computer Support Staff, and Other Professional Staff, not including librarians

⁵ Other Student Services include Student Services Staff less Counselors, Registered Nurses, Social Work Staff, and Visiting Teachers.

Table 3-2 shows that BLS D's average salaries are lower than the peer average in every classification except other certificated staff and other student services. A detailed review of the District's certificated salary schedule (includes other certificated staff) is shown in **R3.2**. BLS D's higher average salary for other student services is due to the District employing 1.0 FTE within this classification while the peer average is 5.0. **Table 3-2** supports this by showing that BLS D's salary per student for other student services is significantly lower than the peer average. Furthermore, an analysis of BLS D's salary schedules for certain classified positions (clerical, custodial, bus drivers and food service employees) showed that with the exception of the food

service employees (see **financial systems** section), the salary schedules were generally comparable to those in place at East Liverpool CSD, Salem CSD and West Branch LSD.

Table 3-2 also shows that BLSD's salary cost per student is higher than the peer average in the administrative, classroom teacher and educational service personnel classifications. These results are consistent with **Table 3-1**, which illustrated that the District's staffing was higher than the peer average on a per 1,000 ADM basis in the same classifications. However, the higher administrative salary cost per student is inflated due to staffing reductions and reporting errors (see **Table 3-1**). When excluding the Assistant Superintendent position which has been eliminated, the District's revised administrative salary cost per student declines to \$437, which is lower than the peer average.

Negotiated Agreements

The District has collective bargaining agreements (CBA) with the Beaver Local Education Association (BLEA) and the Ohio Association of Public School Employees (OAPSE). The CBA with the BLEA is effective from September 1, 2008 through August 31, 2011 and covers certificated/licensed employees such as teachers, guidance counselors, nurses, librarians, speech and hearing therapists, and tutors. The CBA with the OAPSE is effective from July 1, 2007 through June 30, 2010 and covers classified employees such as secretaries, paraprofessionals, custodians, transportation employees, and cafeteria workers. During the performance audit, AOS assessed and compared various contract provisions contained in the CBAs to requirements in the ORC and OAC, and to leading practices, and area school districts. These assessments are shown in **R3.7**, **R3.8**, and **R3.9**.

Audit Objectives for the Human Resources Section

The following is a list of the questions used to evaluate the human resources function at BLSD:

- Is the District's current allocation of personnel efficient?
- Are District salaries in line with the peer average?
- How does the cost of benefits offered by the District compare with industry benchmarks?
- Are the District's negotiated agreements in line with peers and leading practices?

Assessments conducted on the District's health insurance premium costs (medical, prescription, dental and vision) was found to be comparable to industry benchmarks.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified the District's staffing and compensation levels as noteworthy accomplishments.

Despite overstating FTEs in some categories (see **issues for further study**), BLSD employs fewer total FTEs per 1,000 when compared to the peer average. In addition, when accounting for reporting errors and staffing reductions, the District employs more FTEs per 1,000 students in only two of the ten categories listed in **Table 3-1**. However, these two areas are related to the District's educational program (classroom teachers and education service personnel). The lower overall staffing levels can be attributed to proactive efforts to limit staffing levels in recent years. Similarly, although the District can take measures to address certificated salary schedules as teachers gain additional experience (see **R3.2**) as well as food service salary schedules (see **R2.7** in the **financial systems** section), **Table 3-1** shows that BLSD's average salary levels are lower than the peer average in nine of the ten categories.² Collectively, the lower staffing and salary levels indicate the District is effectively managing costs that have the most significant impact on its financial condition. For instance, salaries and benefits comprised 73 percent of total General Fund expenditures in FY 2007-08.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during the audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues the auditors do not have time or resources to pursue. The District's method for reporting FTEs in EMIS for certain positions qualifies as an issue for further study.

The District's EMIS demographics report shows that each employee classified as an instructional paraprofessional or food service worker is 1.0 FTE, despite varying work hours. Specifically, the EMIS report shows that two instructional paraprofessionals work 6.5 hours and six instructional paraprofessionals work 7.0 hours. Likewise, the EMIS report shows that one food service employee works 7.5 hours, four work 6.5 hours, seven work 6.0 hours, five work 2.0 hours, and one works 1.5 hours. This reporting method contradicts the process outlined in the EMIS Manual for FY 2008-09, which states the following: "Full-time equivalency (FTE) is the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. The number 1.00 represents one full-time assignment. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district." As a result, the District is inflating its FTEs by reporting all

² Even when adjusting for the overstatement of instructional paraprofessional and food service worker FTEs (see **issues for further study**), the District's average salaries would still be lower than the peer average in the respective categories.

instructional paraprofessionals and food service workers as 1.0 FTE. Therefore, the District should correct these FTE calculations in future reports and ensure that it calculates all FTEs according to EMIS instructions. Based on a review of the District's EMIS reports and other related information, the District is complying with the EMIS reporting instructions for the positions assessed in **R3.1**.

Recommendations

Staffing

- R3.1 If the District does not implement the performance audit recommendations and other strategies to reduce costs, it should consider reducing regular education and education service personnel (ESP) staffing levels by 2.5 and 2.0 FTEs, respectively. Doing so would allow the District to reduce its operating costs and maintain staffing levels that are similar to the peer average, but still above the State minimum requirements. However, BLSD should weigh decisions to reduce teacher and ESP staffing levels against the impact the reductions may have on the quality of education. Likewise, the District should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements and ensure proposed reductions will permit compliance with the new requirements.**

Table 3-1 shows that BLSD employs more classroom teachers per 1,000 students³ when compared to the peer average in FY 2008-09. This is due to employing more regular education teachers. Specifically, the District employs 53.7 regular teacher FTEs per 1,000 students, compared to the peer average of 46.4. Additionally, pursuant to OAC § 3301-35-05, BLSD is required to maintain at least one FTE classroom teacher for every 25 regular education students on a District-wide basis. When including only regular education students, BLSD maintains an average of 15.7 regular education students per regular teacher, which is lower than the peer average of 17.2. This indicates that the District employs more regular teachers.

On the FY 2007-08 State report card, the District met 21 out of 30 performance indicators and achieved a performance index score of 93.4, which qualified for an “Effective” rating. By comparison, the peers met an average of 26 out of 30 performance indicators and achieved an average performance index score of 98.6. The District would need to eliminate approximately 10 FTEs to achieve the peer average regular student-to-teacher ratio. At the conclusion of FY 2008-09, the District reduced staffing levels by 7.5 FTE regular teaching personnel. As a result, BLSD would have to reduce an additional 2.5 FTEs to achieve the peer average regular student-to-regular teacher ratio.⁴ Lastly, based on State minimum requirements, the District could reduce approximately an additional 32 regular education FTEs, after accounting for the reduction of 7.5 FTEs.

³ While the District experienced a decline in student enrollment for FY 2008-09, the projections developed by OSFC indicated that enrollment by FY 2012-13 will be similar to FY 2008-09. See **facilities** for more information.

⁴ Alternatively, the District could eliminate approximately 7.5 FTEs to achieve the peer average number of regular teacher FTEs per 1,000 **total** students, after accounting for the reductions at the conclusion of FY 2008-09.

In addition to the higher regular education teacher staffing levels, **Table 3-1** shows that BLSD employs more ESP personnel (8.8) per 1,000 total students than the peer average (7.1). Based on only including regular education students, the District would need to eliminate approximately 2.4 ESP FTEs to achieve the peer average staffing levels.⁵ OAC § 3301-35-05(A)(4) requires that school districts employ a minimum of five FTE education service personnel for every 1,000 regular education students. ESP positions need to be assigned to at least five of the eight following areas: elementary art, music, and physical education teachers; visiting teachers; counselors; registered nurses; social workers; and library/media specialists. Based on the OAC requirements, the District could reduce ESP staffing levels by approximately 9.0 FTEs.

During the latter portion of the performance audit, the State passed House Bill 1, which provides a new funding formula for school districts in FY 2009-10 and FY 2010-11 that accounts for teacher positions. For instance, to determine funding levels for “core” teacher positions, the legislation uses a ratio of 25 students per teacher in 4th through 12th grades, and 19 students per teacher in kindergarten through 3rd grades for FYs 2009-10 and 2010-11. The student-to-teacher ratio for kindergarten to 3rd grades declines to 1:17 for FYs 2011-12 and 2012-13, and further declines to 1:15 thereafter. The aforementioned student ratios are based on formula ADM. The legislation also indicates that funding levels for “specialist” teacher positions are based specialist teachers comprising 20 percent of core teachers in kindergarten through 8th grade, and 25 percent of core teachers for 9th grade through 12th grade. In addition, the legislation provides funding for the “licensed librarian and media specialist factor.” While the legislation addresses funding levels for counselor and nurse positions, it indicates that counselor and nurse positions will not be funded in FY 2009-10 and FY 2010-11.

Financial Implication: By eliminating 2.5 FTE regular teacher positions and 2.0 FTEs from the ESP classification, BLSD could save approximately \$200,000 in salaries and benefits starting in FY 2010-11.

Compensation

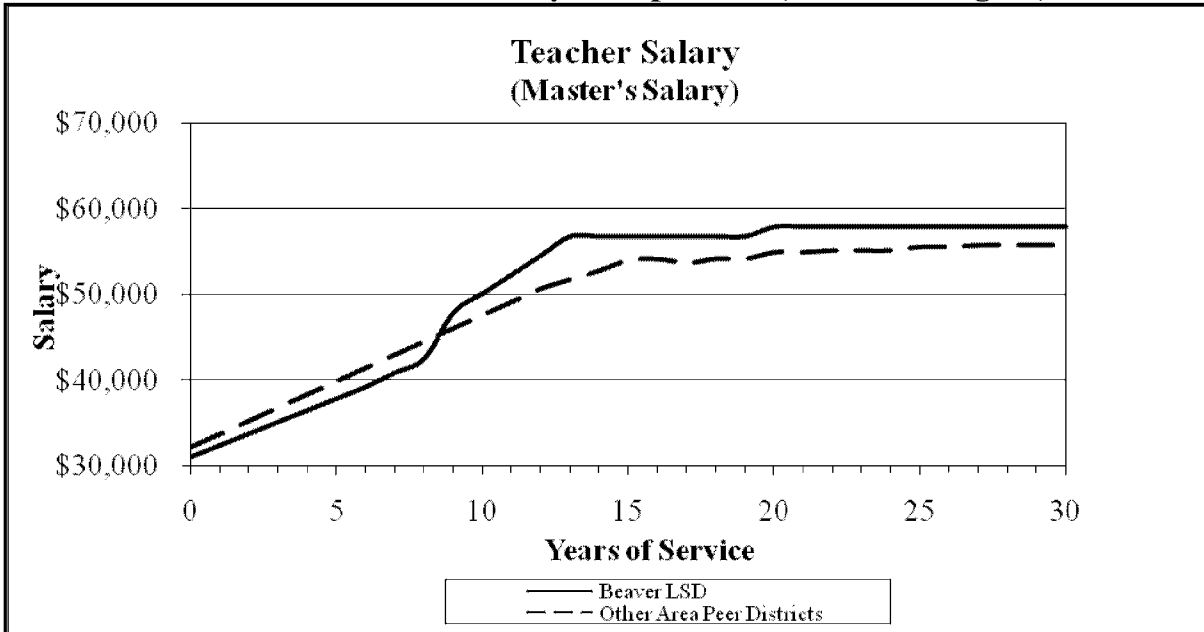
R3.2 The District should consider negotiating to reduce certificated salary schedules to a level more comparable to other area school districts. Doing so will ensure the District is not providing disproportionate levels of compensation as certificated staff achieve additional tenure.

Although **Table 3-2** shows that the average classroom teacher salary is approximately 7 percent lower than the peer average, certificated staff salaries were further reviewed

⁵ Alternatively, the District could eliminate approximately 4.0 FTEs to achieve the peer average number of ESP FTEs per 1,000 **total** students.

because variances in tenure and geographic factors can affect the comparison. Moreover, certificated staff salaries comprise the majority of the District’s salary costs, at approximately 70 percent of the General Fund in FY 2007-08. **Chart 1** compares BLSD’s salary schedule for certificated staff with a master’s degree to an average of East Liverpool CSD, Salem CSD, and West Branch LSD (other area peer districts).

Chart 1: Teacher’s Salary Comparison (Master’s Degree)



Source: CBAs for BLSD and other area peer districts.

Chart 1 shows that once BLSD’s certificated employees reach 9 years of service, they are paid a higher annual salary than the other area peer district average. Furthermore, assuming an employee works 30 years, they would make approximately \$48,300 or 2.6 percent more by working at BLSD during their career than they would at the other area peer districts.

Table 3-3 compares various tiers of BLSD’s certificated salary schedule to the average of 131 school districts in the Southeast and East Region, the same region as BLSD.

Table 3-3: Salary Schedule Comparison

	Beaver LSD FY 2007-08	Southeast and East Region Average ¹ FY 2007-08
BA Minimum	\$27,569	\$28,830
BA Maximum Before Longevity ²	\$46,867	\$45,223
MA Minimum	\$30,188	\$31,927
MA Maximum Before Longevity ²	\$55,138	\$52,514
Years to Obtain MA Maximum ²	13.0	13.5
Average Annual Increase: MA Minimum to MA Maximum	6.4%	4.8%
MA With 11 years of Experience	\$50,837	\$48,837
MA With 25 Years of Experience	\$56,241	\$55,280
MA With 30 Years of Experience	\$56,241	\$55,970
Average Annual Increase: MA Minimum to MA With 30 Years	2.9%	2.5%
% Increase on Base: Change in BA Minimum from 2006-07 to 2007-08	3.0%	2.5%

Source: B LSD and Ohio Education Association (OEA) for other districts' data

¹ The data for the southeast and east region comprises 131 districts, including BLSD.

² This represents the last step of consecutive annual increases.

Table 3-3 is consistent with **Chart 1** by showing that while the District provides lower beginning salaries for employees with bachelors and masters degrees, the maximum salaries and the average annual increases at BLSD are higher than the region averages. As a result, the lower average salaries reported in **Table 3-2** are likely due to the tenure of the District's certificated staff. For example, approximately 63 percent of BLSD's regular teachers have less than 15 years of experience. Therefore, maintaining the current certificated salary schedule could cause the average salaries to exceed the peer average over the long-term as the District's teachers gain additional tenure.

Benefits

R3.3 BLSD should negotiate to require all full-time employees receiving health benefits to contribute 15 percent of the monthly premiums. This would make the District's contributions slightly higher than the SERB averages, but lower than the Kaiser Survey averages. Furthermore, the District should modify the employee contribution language in the collective bargaining agreements to eliminate the fixed dollar limitations. Doing so will ensure that future employee contributions keep pace with inflation. Lastly, the District should consider adopting uniform hourly thresholds for participation in the healthcare program that apply to all employees, regardless of classification or hire date. For example, the District could require all employees to work at least 30 hours per week to receive full benefits. Employees

working less than 30 hours per week could receive pro-rated benefits based on the percentage of time they work, similar to the current process for classified employees hired after 1995. This will make it easier for the District to administer the healthcare program and provide benefits in an equitable manner.

BLSD offers medical (includes prescription), vision, dental, and life insurance to all employees. For healthcare (which includes prescription benefits) and dental purposes, all participating employees are enrolled in a PPO plan administrated by Anthem Blue Cross and Blue Shield. Certificated staff receive vision insurance through VSP Vision Care and classified staff receive coverage through a separately managed AFSCME Health and Welfare program. All employees receive \$50,000 of life insurance benefits through Sunlife Insurance (see **R3.4**). The District regularly works with a consultant to develop strategies for controlling its healthcare costs, which includes reviewing alternative insurance providers, and periodically revising the structure of the abovementioned plans. However, the District's insurance costs per employee equaled \$9,234 in FY 2007-08 while the peer average was \$8,830.

Table 3-4 compares BLSD's FY 2008-09 premiums and employee contributions to data reported by the Ohio Education Association's 2008 Survey (OEA) and the State Employment Relations Board 2007 State Survey (SERB). Premium costs reported by SERB and OEA have been increased for inflation, to allow for a reliable comparison to BLSD's premiums in FY 2008-09.

Table 3-4: Monthly Healthcare Premiums

	BLSD FY 2008-09	OEA Estimates	SERB Estimates
Premium Analysis:			
Monthly Healthcare Premiums	Single: \$459.76 Family: \$1,149.38	Single: \$438.43 Family: \$1,108.80	Single: \$448.55 Family: \$1,160.94
Monthly Dental Premiums	Single: \$29.00 Family: \$79.00	Single: \$41.00 Family: \$77.00	Single: \$41.95 Family: \$86.89
Monthly Vision Plan Premiums	Single: \$7.90 Family: \$17.89	Single: \$9.00 Family: \$19.00	Single: \$13.37 Family: \$19.49
Total All Plans	Single: \$496.66 Family: \$1,246.27	Single: \$488.43 Family: \$1,204.80	Single: \$503.87 Family: \$1,267.32
Employee Contributions:			
Certificated Staff: --hired before FY 1994-95	Single: \$30 Family: \$30	Medians: Single: 9% Family: 10%	Statewide: Single: 12.3% Family: 13.3%
--hired from FY 1994-95 to FY 1996-97	Single: 5.0%, \$35 max Family: 5.0%, \$65 max		School Districts: Single: 12.5% Family: 14.2%
--hired after FY 1997-98	Single: 10.0%, \$55 max Family: 10.0%, \$105 max		
Classified Staff: --working more than 15 hours per week and hired before FY 1994-95	Single: 0.0% Family: 0.0%	Medians: Single: 9% Family: 10%	Statewide: Single: 12.3% Family: 13.3% School Districts: Single: 12.5% Family: 14.2%
--working less than 15 hours per week and hired before FY 1994-95	Single: 50.0% Family: 50.0%		
--working less 30 hours per week and hired after FY 1994-95 ¹	Single: 10.0% plus a proration based on a 30 hour schedule. Family: 10.0% plus a proration based on a 30 hour schedule.		
--working 30 hours per week and hired after FY 1994-95	Single: 0.0% Family: 0.0%		
--working 30 hours per week and hired after 11/1/07	Single: 10.0%, \$25 max Family: 10.0%, \$55 max		

Source: Beaver LSD, OEA 2008 Survey, SERB 2007 Annual Report

¹ As an example of this provision, the Board would pay 60 percent of the premium costs for an employee that works 20 hours per week, which is calculated as (20/30)* 90 percent.

Table 3-4 shows that BLSD's healthcare, dental and vision plan premiums, when combined, are comparable to the estimated OEA and SERB survey averages. However, the maximum limitations of BLSD's full-time employee contributions are below the OEA and SERB averages, with the exception of the single premium contribution for certificated staff. Specifically, the maximum full-time employee contribution for certificated staff equates to 12.0 percent of the single premium and 9.1 percent of the family premium, and for classified staff equates to 5.4 percent of the single premium and 4.8 percent of the family premium. Likewise, data reported by the Kaiser Survey shows that the national average contribution rates were 16 percent for single coverage and 28 percent for family coverage. Lastly, because the maximum limitations are stated in fixed dollar amounts rather than percentages, BLSD's employee contributions would not keep pace with inflationary increases in future premium costs.

Along with the lower employee contributions under the maximum requirements discussed above, BLSD's higher insurance costs per employee are also due to the complicated phase-in schedule shown in **Table 3-4**, which causes a large disparity in the employee payments. More specifically, 46 of the District's 62 classified employees who participate in the health insurance plan do not contribute anything towards their health insurance costs. Likewise, of the District's 19 classified employees (18 bus drivers and 1 cook) that work less than 30 hours per week, 9 do not contribute anything towards their health insurance costs while the remaining 10 contribute approximately 21 percent. Additionally, 66 of the District's 135 teachers who participate in the health insurance plan contribute less than \$551.71, which is the current contribution required for teachers in the single plan hired after FY 1997-98. Of the 135 teachers, 31 are in the single plan and 104 are in the family plan.

Financial Implication: The District could experience an annual cost savings of \$281,000 by requiring all employees to contribute 15 percent towards the cost of health insurance. Assuming the District implements the staffing reductions identified in this performance audit, this would reduce the potential insurance savings to approximately \$252,000. This is based on the family premium to be conservative. Actual savings will depend upon the specific positions eliminated by the District and their respective insurance status.

R3.4 The District should consider negotiating to reduce the life insurance coverage levels to a maximum of \$40,000 for certificated and classified staff. Doing so would make the District's rates comparable to East Liverpool CSD and West Branch LSD, but still higher than the OEA median.

In accordance with the CBAs, BLSD provides \$50,000 in life insurance benefits to all employees at a cost of approximately \$0.12 per \$1,000 in coverage. By comparison, the Ohio Education Association reports that the median life insurance benefit in 2008 was \$35,000 for all employees and the cost was \$0.14 per \$1,000 in coverage. Furthermore,

East Liverpool CSD provides its certificated staff with \$40,000 in life insurance benefits while the classified staff receive a \$30,000 benefit. Similarly, West Branch LSD provides all full-time certificated and classified employees with \$40,000 in life insurance benefits. Salem CSD is similar to BLSD and provides all employees with \$50,000 in life insurance benefits.

Financial Implication: If the District reduced the life insurance coverage levels to \$40,000, the estimated savings would be approximately \$3,400 annually. Assuming the District implements the staffing reductions identified in this performance audit, this would reduce the potential savings to approximately \$3,200. Additionally, these cost savings assume the District will continue to pay \$0.12 per \$1,000 in coverage.

R3.5 BLSD should work with the Ohio Bureau of Workers Compensation (BWC) to evaluate potential strategies for reducing workers compensation claims and premium costs, including the deductible, the drug free work place (DFWP), and the transitional work programs. Collectively, these programs could help the District achieve premium discounts in the short-term, but would improve workplace safety with a long-term goal of re-qualifying for the group-rating program.

According to the Ohio Bureau of Workers Compensation (BWC), group-rating programs allow similar entities (cities, counties, townships, schools, etc.) to merge their experiences together as one large employer in an effort to achieve a lower premium rate than they could on their own. BWC also indicates that belonging to a group-rating program can yield substantial savings, allowing employers to receive a maximum premium discount of up to 90 percent. Prior to 2008, BLSD participated in a group-rating program that saved the District approximately 82 percent in premium costs. However, the District incurred several large claims from 2003 through 2006, which resulted in it becoming ineligible for group-rating beginning with the 2008 plan year. Furthermore, the District does not currently participate in the following programs administered by the BWC to help reduce premium costs or improve workplace safety:⁶

- **Deductible Program:** BWC's deductible program helps employers lower their premiums by offering an upfront premium discount in the form of a per claim deductible. It also encourages employers to focus on workplace health and safety to reduce injuries and illness. Under this program, an employer chooses a deductible level not to exceed 25 percent of the premium in a policy year. The employer is then responsible for any claims costs up to the deductible. BWC calculates the employers' level of premium discount based on the chosen level of deductible and an assessment of the hazard level of each employer. BWC

⁶ In 2009, the District requested that BWC conduct a payroll audit to determine if it was correctly reporting its workers' compensation liability. The audit concluded that BLSD slightly overstated its payroll liability for 2008.

indicates that employers who effectively manage their workers' compensation claims and related costs will see a financial benefit through the deductible program. However, if an employer does not manage claim costs, the deductible costs can exceed premium savings.

- **Drug-Free Workplace Program (DFWP):** DFWP was established by BWC to encourage employers to detect and deter substance use and abuse, and to take appropriate corrective action in an effort to improve workplace safety. Employers participating in DFWP must develop a substance abuse policy that describes their program and conduct random drug tests of employees. If implemented, the District could receive premium discounts ranging from 10 to 20 percent annually for five years, with the range depending on the number of employees subjected to drug tests.
- **Transitional Work Program:** BWC indicates that developing a transitional work program is an effective strategy for reducing the cost of workers' compensation claims. Specifically, a transitional work program helps businesses offer injured employees strategies to return to work as soon and as safely possible, but before the worker is 100 percent recovered. According to BWC, statistics show that indirect employer costs for a workplace injury that becomes a long-term claim are four times greater than the direct cost of the claim itself. These costs include decreased productivity, increased hiring and training costs, higher overtime expenses, increased legal costs, lowered morale, and loss of business and customer goodwill. A BWC study showed that on average, employers who used a transitional work program saved \$1,108 in compensation claim costs. In addition, those employers returned their injured workers to the job 10 days sooner than employers who did not have a program.

Financial Implication: In FY 2008-09, the District paid approximately \$132,000 for workers compensation insurance. If it reduced its costs by 20 percent by implementing the deductible, DFWP and transitional work programs, the annual savings would be \$26,500.

- R3.6 BLSD should strive to reduce the amount of sick leave used by its employees by establishing standards signifying excessive or inappropriate use and consequences for abuse. The District also should regularly monitor sick leave use, request documentation to support extended absences (e.g., physician statements), and periodically conduct employee satisfaction surveys. Taking such measures would help the District ensure sick leave is used appropriately and minimize the potential for abuse. This, in turn can reduce sick leave use and related substitute costs.**

In FY 2007-08, BLSD's used an average of 93.2 sick leave hours per employee.⁷ By comparison, the Ohio Department of Administrative Services (ODAS) reports that State employees in similar job classifications as the District's certificated and classified employees used an average of 75.3 and 61.4 sick leave hours per employee, respectively. Although BLSD's CBAs and Board Policies indicate appropriate instances for using sick leave, they do not define when the use of sick leave is considered excessive nor do they specify possible consequences for sick leave abuse. Furthermore, BLSD does not regularly provide department heads with reports to monitor employee sick leave and does not typically require employees to provide a physician's statement to justify extended absences. Lastly, BLSD has not conducted employee satisfaction surveys in the past to determine if morale issues are affecting attendance.

Absence Management: Strategies for Curbing Absenteeism in the Workplace (International Public Management Association, 2003) suggests that while discipline is necessary in many cases of excessive absenteeism, non-punitive steps can be taken to help improve attendance management. The following are recommendations aimed at limiting and reducing employee absenteeism:

- Employers should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.
- Document employees' absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism among specific individual employees or whether absenteeism is a chronic problem throughout the organization.
- Hold supervisors accountable for good attendance. Managers should be aware of each employee's attendance patterns and be instructed to look for performance problems. Supervisors should document chronic absenteeism, and speak privately with repeatedly absent employees as soon as possible after their absence, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.
- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.

⁷ The District's sick leave days were divided by 7 to calculate hours, based on the teacher workday. Since the workday for some of the other employees is eight hours, this provides a conservative conversion.

Financial Implication: A reduction in certificated sick leave use to the DAS average would result in savings of approximately \$29,000, based on the District's substitute rate. This is based on achieving the State's certificated average of 75.3 hours days per FTE to be conservative. However, assuming the District reduces certificated staffing levels (see **R3.1**), the total substitute savings are estimated at approximately \$28,000 per year. A reduction in classified sick leave usage could not be quantified because substitutes are not consistently used to cover absences, though the District should experience gains in productivity.

Negotiated Agreements

R3.7 The District should consider negotiating to reduce the number of holidays and sick days paid at retirement. The District should also consider amending the language in the BLEA agreement to allow for more flexibility in determining when to implement a reduction-in-force and the extent of staff reductions. Lastly, the Board should consider negotiating to eliminate the uniform allowances in the OAPSE agreement. However, if the District continues to provide uniform allowances, it should negotiate to include language in the OAPSE agreement that requires cafeteria staff and bus mechanics to provide documentation that the allowance was used for the intended purpose, similar to the custodial staff.

As a component of the performance audit, certain provisions within the District's BLEA and OAPSE bargaining agreements were compared to State minimum requirements, relevant standards, and/or peers. The following provisions were identified as comparable to these requirements and/or standards: minimum staffing, employee evaluations, annual sick leave accrual, vacation leave, Board pension contributions, negotiated wage increases, retirement incentives, minimum call-in pay, length of school year, maximum class sizes, and personal leave accrual rates. A summary of the areas that exceeded these standards includes the following:

- **Holidays:** According to ORC § 3319.087, 11 and 12 month employees are entitled to a minimum of 7 holidays, and 9 and 10 month employees are entitled to 6 holidays. BLSD's 11 and 12 month classified employees receive 11 holidays while all other classified positions receive 9 holidays. In addition, while Salem CSD provides 9-10 month employees with 10 holidays and 11-12 month employees with 11 holidays, West Branch LSD provides only 6 holidays for 9-10 month employees and 9 holidays for 11-12 month employees. East Liverpool CSD provides 9-10 month employees with 9 holidays which is more than BLSD, and 11-12 month employees with 10 holidays which is less than BLSD. Providing employees with more holidays can reduce productivity since there are fewer workdays devoted to District operations.

- **Sick Leave Accrual and Severance Payouts:** The District's CBAs stipulate that when an employee retires, he/she shall be paid severance pay for the sick leave days they have accumulated up to a maximum of 120 days for certified staff and 100 days for classified staff. By comparison, ORC §124.39 stipulates that if an individual retires with 10 or more years of service with the State, they are entitled to be paid 25 percent of the value of their accrued but unused sick leave, up to a maximum of 30 days. BLSA's maximum severance payouts are also higher than the peers. Specifically, the maximum payouts at East Liverpool CSD are 46 days for certificated and classified staff, at Salem CSD are 75 days for certificated staff and 80 days for classified staff, and at West Branch LSD are 65 days for certificated and classified staff. BLSA's sick leave and severance pay provisions result in higher operating costs and future long-term liabilities. For example, in a scenario where a certificated employee with a master's degree retires with 120 sick days accrued after 30 years of service, the District's severance liability would be approximately \$38,000 while the liability using the ORC minimums (capped at 30 days) would be approximately \$9,500. Furthermore, since 2001, the District has had 42 teaching employees (approximately 4 annually) receive an average severance payout of 111 sick days at a cost of approximately \$31,000.
- **Reduction-in-Force Provisions:** The District's CBA indicates that BLSA can only implement a reduction-in-force if there is a decline in total pupil enrollment, a decline in enrollment by grade level or program area, or a suspension of schools or territorial changes affecting the District. The CBA further stipulates that "effective with FY 2006-07, a reduction-in-force may only occur when the Board is affected by a loss in program funding in federal and state grants, state foundation program, and parity aid. If the Board receives notification during the school year that funding in the above areas has been reduced for the upcoming fiscal year, it may suspend contracts for the upcoming school year. In addition, the number of reductions cannot exceed the dollar loss to the Board from these sources divided by the average base salary in the year of the cut for the program funding affected." Lastly, the CBA indicates that a potential RIF will be applied "to no more than three bargaining unit members in the first year of this contract (FY 2008-09), and four in the second (FY 2009-10)."

As a result of these provisions, it may be difficult for the Board to implement a reduction-in-force due to a declining financial condition brought about by other conditions. For example, it is unclear if the Board can adjust the staffing levels to account for potential declines in local property tax collections from changes in legislation (tangible property tax phase-out), a weak economy, or increased tax delinquencies. In contrast to BLSA, the CBA at West Branch LSD uses language that gives the Board more flexibility when making reduction-in-force decisions. Specifically, West Branch LSD's CBA indicates that the Board may implement a

reduction-in-force when there has been a decline in student enrollment, a regular teacher returning from a leave of absence, a suspension of schools or a territorial change, monetary difficulties and/or staffing patterns that have been altered by student course selections.

- **Uniform Allowances:** The District's classified CBA includes clothing allowance provisions that vary based on job classification. Specifically, the CBA indicates that cafeteria workers are provided with a uniform allowance of \$175 annually, but does not require employees to submit documentation that the allowance was used for the intended purpose. Conversely, the CBA indicates that a \$130 clothing allowance is reimbursed to custodial staff upon submission of appropriate receipts. Furthermore, the CBA indicates that 100 percent of bus mechanic uniform rental and cleaning costs will be paid by the Board, but does not mention an annual limit or documentation requirements. However, the Treasurer indicated that the District informally requires supporting documentation in all of the abovementioned instances. East Liverpool CSD requires cafeteria workers and bus mechanics to purchase their own uniforms through salary deductions, and does not mention custodial uniforms. The CBA at Salem CSD does not mention uniform allowances for any classified employees. Finally, the CBA at West Branch LSD indicates that the Board will pay the full cost of purchasing and cleaning bus mechanic uniforms upon initial successful inspection of all school buses annually, but does not mention uniforms for cafeteria and custodial staff.

Financial Implication: The District would save approximately \$5,100 annually by eliminating the uniform allowance provisions in the OAPSE agreement. Assuming the District implements the staffing reductions in the **facilities** section, this would decline to approximately \$4,600 annually. If the District reduced the severance payout to 75 days, the point between the ORC minimum requirements (30 days) and its current maximum payout (120 days), the annual savings is estimated to be approximately \$40,000. A payout of 75 days would still be higher than two of the three area peers. Additionally, the savings assume that 4 employees will retire annually, which is based on the average since 2001.

- R3.8 BLSL should negotiate to increase the length of the teacher day to 7 hours and 30 minutes, similar to Salem CSD and West Branch LSD. This would increase the amount of time available for the current staff to provide student instruction. However, depending on teacher certifications and school bell schedules, and if necessitated by its financial condition, the District may be able to reduce staff at the secondary level without directly impacting the student-to-teacher ratios for a particular class by requiring one additional period of instruction per day.**

Table 3-5 compares the teacher day at BLSD and the other area peer districts, as defined in the certificated collective bargaining agreements.

Table 3-5: Comparison of Teacher Day

	Beaver LSD	East Liverpool CSD	Salem CSD	West Branch LSD
Length of Teacher Day	The bargaining unit member's workday shall not exceed 7 hours, and shall occur between the hours of 7:00 AM and 4:00 PM.	The teacher workday at the secondary schools shall not be longer than 7 hours and 13 minutes. The Teacher workday at the elementary schools shall not be longer than 7 hours.	The teacher workday at the secondary schools shall not exceed 7 hours and 35 minutes. The teacher workday at the elementary schools shall not exceed 7 hours and 25 minutes.	The school day shall not exceed 7 hours and 30 minutes.
Planning Time	At least 200 minutes of planning time per week (40 minutes per day).	1 planning period of approximately 40 minutes daily for secondary teachers and 30 minutes daily for primary teachers.	All secondary teachers receive one planning period per day (40 to 50 minutes, depending on bell schedule). All elementary teachers receive 30 minutes of planning time per day.	At least 200 minutes of planning time per week (40 minutes per day).
Lunch Time	All teachers receive at least a 30 minute lunch period.	All teachers receive at least a 30 minute lunch period.	All teachers shall receive at least a 30 minute lunch period.	All teachers shall receive at least a 30 minute lunch period.

Source: BLSD and peer CBAs

Table 3-5 shows that BLSD's teachers receive a similar amount of planning time and lunchtime as the other area peer districts, but provide approximately 30 fewer minutes of instruction per day compared to Salem CSD and West Branch LSD based on the length of teacher day. When annualized, the variance equates to BLSD's teachers providing approximately 12 fewer days of instruction per employee. Increasing the length of teacher day to 7 hours and 30 minutes could be one strategy the District could use to help improve student performance on the State report cards (see **R3.1**). However, if necessitated by its financial condition, increasing the length of teacher day could potentially allow the District to reduce staff at the secondary schools without having a direct impact on the student-to-teacher ratios for a particular class. For example, if the District required each secondary teacher to provide one additional period of instruction per day by expanding the work day to 7 hours and 30 minutes, the District could possibly reduce 12 positions without considering teacher certifications.

R3.9 The District should consider negotiating to reduce the compensation for longevity pay, performance bonuses, tutoring and after school detention, curriculum head designation, and teaching mentor provisions to be more comparable to the area peer districts. The District should also consider negotiating to eliminate longevity pay and performance bonuses because none of the three area peer districts provide such compensation. Moreover, BLSD should consider negotiating to reduce the number of supplemental contracts for curriculum heads.

In addition to the generous salary schedule (see **R3.2**), the District's CBA with the BLEA includes a variety of provisions that allow teachers to earn additional compensation. A summary of these provisions compared to the other area peer districts (East Liverpool CSD, Salem CSD, and West Branch LSD) includes the following:

- **Longevity Pay:** BLSD's CBA indicates that teachers will receive a one-time payment of \$500 upon reaching the 14th step of salary schedule. By comparison, none of the other area peer districts include longevity pay provisions in their certificated CBAs.
- **Performance Bonus:** BLSD's CBA indicates that a \$250 State designation performance bonus will be paid in the first pay of October 2009 to all individuals employed in the first year of the contract. Furthermore, individuals who retire during the 2008-2009 school year will be entitled to the state designation performance bonus. None of the other area peer districts include performance bonuses in their certificated CBAs.
- **Tutoring and After School Detention Pay:** BLSD's CBA indicates that certificated employees are entitled to receive \$18.00 per hour for providing tutoring and/or detention monitoring services outside the regularly scheduled teaching assignment. Although East Liverpool CSD has similar provisions and hourly rates in its CBA, Salem CSD does not have either provision in its CBA. Furthermore, West Branch LSD does not have an after school detention pay provision, and only pays \$16.30 per hour for home tutoring services.
- **Curriculum Head Designation:** Beginning in 2008-09, BLSD curriculum heads earn a supplemental contract of \$1,000. The CBA further stipulates that by FY 2010-11, there will be 12 curriculum head designations that will each be paid a \$1,000 supplemental contract. While Salem CSD does not mention a curriculum head designation, East Liverpool CSD has 11 supplemental contracts for department chairs which begin at Step 0 (\$341.30) and end at Step 3 (\$372.80). Likewise, West Branch LSD has 2 supplemental positions for elementary and middle school head teachers that pay 6.0 to 8.0 percent of the bachelor degree

minimum salary. When using the minimum salary of \$29,324 in FY 2008-09, the percentages equate to \$1,759 and \$2,346, respectively, at West Branch LSD.

- **Teaching Mentors:** To assist new teachers beginning employment at BLSD, the District formed a committee comprised of a lead mentor and three liaison mentors that are responsible for developing an entry year/mentorship program and selecting mentors for new employees. The District provides a \$1,500 supplemental contract to the lead mentor for a maximum of 75 hours of work, \$17.00 per hour for a maximum of 45 hours of work (\$765) to the three liaison mentors, and \$15.00 per hour for a maximum of 45 hours (\$675) to any teachers designated as mentors. By comparison, East Liverpool CSD provides \$650 annually to its mentors. Salem CSD participates in a Mentor Teacher Program offered through the Columbiana County Educational Service Center. The CBA at Salem CSD specifically states “Salem Schools will participate with the Columbiana County Schools in the Mentor Teacher Program as long as the program receives consortium funding throughout the County. In the event County funding is discontinued, the Board will negotiate with the union to establish a mentor program, the personnel involved, and the stipend to be awarded.” Finally, West Branch LSD provides its mentors with \$500 annually.

Financial Implication: The exact savings from modifying the abovementioned provisions will depend on the specific number of employees that participate in each program. However, the District could save approximately \$7,500 annually by reducing the compensation for the 12 curriculum heads to \$375 annually, similar to East Liverpool CSD. Likewise, the District could save \$1,845 annually by reducing the compensation for the lead mentor and the three liaison mentors to \$650 annually, similar to East Liverpool CSD. Lastly, the District has at least 47 teachers that were hired after 1996 (average of 3.5 employees per year) and therefore, would still be eligible for the one-time longevity payment of \$500. Eliminating this provision would save the District approximately \$23,500, or an average of \$1,500 per year, assuming three employees are eligible each year.

R3.10 When negotiating future agreements, BLSD should ensure that all appropriate members are included on the negotiating team, and that they have the necessary training and expertise to fully evaluate the future implications of each contract proposal. Based on the projected deficits included in the financial forecast, the District should prioritize the renegotiation of the costly provisions identified in this performance audit.

According to the Superintendent, the District uses a team approach to negotiations that includes the Treasurer, legal counsel, two Board members, and the Superintendent serving as the chief negotiator. In addition, the Superintendent indicated that she has

previously received training on interest based bargaining techniques. However, it should be noted that the current Superintendent has only been employed at BLSD since November, 2007. According to the article: *Interactive or Interest Based Bargaining* (Brad Spangler, June 2003), “an interest based bargaining strategy focuses on mutually beneficial agreements based on the interests of the disputants ... to create joint value.” The article mentions that the parties must fully analyze the consequences of the agreement.

R3.7, R3.8, and R3.9 show that the District has several unfavorable provisions in its bargaining agreements. In addition, **R3.2, R2.7** in the **financial systems** section, and **R3.3** show that the District’s certificated salary schedule, the food service salary schedule and the negotiated health insurance benefits for all employees are generous. These issues have contributed to the current financial difficulties and indicate that District administrators may have used an ineffective bargaining process in the past that did not give full consideration of the impact a provision would have on future operations and/or costs. Given that the Treasurer is projecting operating deficits in the financial forecast, it is imperative that future negotiating teams have appropriate representation, training, and expertise to fully evaluate each proposal before reaching a settlement.

Financial Implications Summary

The following tables present a summary of annual cost savings and implementation costs identified in this section of the report.

Table 3-6: Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings
R3.1 Reduce regular education and ESP staffing by 4.5 FTEs.	\$200,000
R3.5 Participate in cost-saving programs through BWC.	\$26,500
R3.6 Reduce sick leave use.	\$28,000
Total	\$254,500

Source: AOS Recommendations

Table 3-7: Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.3 Increase the employee premium contribution to 15 percent for all employees.	\$252,000
R3.4 Reduce the life insurance benefits to \$40,000 per employee.	\$3,200
R3.7 Eliminate uniform allowances and reduce severance payouts.	\$44,600
R3.9 Address other forms of compensation in the CBAs.	\$10,800
Total	\$310,600

Source: AOS Recommendations

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Facilities

Background

This section of the performance audit focuses on Beaver Local School District's (BLSD or the District) facilities operations. Throughout this section, BLSD's operations are evaluated against selected peer school districts,¹ and recommended practices and operational standards from applicable sources, including the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), the United States Department of Energy (DOE), the Ohio's Energy Smart Schools Program (ESSP), and the Government Finance Officers Association (GFOA).

Organizational Structure and Staffing

BLSD is comprised of five school buildings: three elementary schools (kindergarten through 4th grade), a middle school (5th grade through 8th grade), and one high school (9th grade through 12th grade). Due to space limitations, the District also operates and maintains 15 modular units, which are attached to the school buildings and used for a variety of educational and student support functions. Additionally, the District operates and maintains a separate administration building, a sports complex, and the Reserve Officers' Training Corps (ROTC) building. With the exception of FY 2008-09, the District's total student enrollment (headcount) has remained fairly consistent at approximately 2,400 students annually since FY 1998-99. In FY 2008-09, the enrollment declined to 2,211 students. The Treasurer attributed the decline to the economy in Columbiana County and parental concerns over a threatened teacher strike prior to the start of school in FY 2008-09.

BLSD has 16 employees that are responsible for completing the maintenance and operations functions (M&O) for the District's buildings and grounds. These functions include cleaning all areas of each school building, completing a variety of building maintenance tasks, and maintaining the exterior environment around the buildings and grounds (i.e. maintaining all sports fields, controlling weeds, and removing snow and ice during the winter). BLSD's M&O function is overseen by the Maintenance Supervisor. **Table 4-1** shows BLSD's staffing levels for the M&O function by position and based on functional responsibility.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology. The "peer average" comprises ten school districts.

Table 4-1: BLSD M&O Staffing Breakdown

Classification	Total Number of Positions	Number of FTEs
Supervisor ¹	1.0	0.5
Custodians ²	14.0	12.8
Maintenance	1.0	1.5
Groundskeeper ³	0.0	0.7
Total Department Staff	16.0	15.5

Source: BLSD

¹ The Maintenance Supervisor estimates that 50 percent of his time is allocated to supervisory duties while the remaining 50 percent is spent performing building maintenance functions.

² The District employs 14 custodians. However, 8 custodians are employed through 260 day contracts (8.0 FTEs) and 6.0 custodians are employed through 212 day contracts (4.8 FTEs).

³ The District does not classify any employees as groundskeepers. In practice, one custodian spends approximately 70 percent of the time performing grounds keeping duties. However, the District employs substitute custodial employees during the growing season that are used to offset the loss of 0.7 custodial FTEs at the high school. Therefore, only the substitute employees are included in the FTEs reported in **Table 4-1** (0.7 FTEs).

Table 4-1 shows that when the employees are allocated based on functional responsibility, the M&O function is comprised of 0.5 supervisor FTEs, 12.8 custodial FTEs, 1.5 maintenance FTEs (including the supervisor), and 0.7 groundskeeper FTEs.

Key Statistics and Indicators

Table 4-2 compares key statistics for BLSD's M&O function to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) and averages reported by the *Maintenance and Operations Cost Study* (AS&U).¹

¹ The *Maintenance and Operations Cost Study* is an annual publication and the AS&U average in **Table 4-2** represents the average of the last six years.

Table 4-2: M&O Statistics

Buildings	
Total Number of Buildings	22
Elementary Schools	3
Middle School	1
High School	1
Modulars (including admin building)	15
Auxiliary sites	2
Square Feet	
Total Square Feet Cleaned & Maintained¹	218,447
Elementary Schools	61,834
Middle School	65,440
High School	74,621
Auxiliary sites	16,552
Workload Ratios	
Total Square Feet Cleaned per FTE (12.8 FTE)	17,066
<i>NCES Planning Guide Benchmark²</i>	<i>29,500</i>
Total Square Feet Maintained per FTE (1.5 FTE)	145,631
<i>AS&U Cost Survey National Median</i>	<i>94,872</i>
Total Acres per Groundskeeper (0.7 FTE, 115 acres)	164.3³
<i>AS&U Cost Survey National Median</i>	<i>40</i>

Source: BLS, AS&U, NCES

¹ The M&O staff clean and maintain all buildings and modulars on a daily basis.

² *The Planning Guide for Maintaining School Facilities* (NCES, 2003) normal standard for most school facilities is 28,000 to 31,000 square feet per FTE custodian, which results in a midpoint of 29,500.

³ Although the District is comprised of 115 acres, some of this is wooded property that is not maintained. Additionally, BLS contracts for mowing services, which further limits the acreage maintained by District employees.

As shown in **Table 4-2**, BLS's custodial staff maintains significantly fewer square feet per FTE than the NCES benchmark. Conversely, the District's maintenance and groundskeepers maintain more square feet and acreage per FTE than the respective benchmarks. However, the District contracts for building maintenance and mowing services, which helps offset the lower staffing levels. See **R4.1** for additional discussions of the District's staffing levels and contracted services.

Financial Data

Table 4-3 compares BLS's M&O expenditures per square foot for FY 2007-08 to the peer average and AS&U national median.

Table 4-3: Expenditures per Square Foot in FY 2007-08

	BLS D	AS&U	Peer Average
Personal Services	\$3.68	\$2.05	\$2.54
Purchased Services	\$1.56	\$0.21	\$0.48
Utilities	\$1.91	\$1.52	\$1.30
Supplies & Materials	\$0.57	\$0.38	\$0.35
Capital Outlay	\$0.24	N/A	\$0.06
Miscellaneous/Other	\$0.00	\$0.40	\$0.00
Total General Fund	\$7.96	\$4.56	\$4.73
All Fund Utilities	\$1.91	\$1.52	\$1.31
Total All Funds	\$7.96	\$4.56	\$4.94

Source: BLS D, OSFC, peer districts, and the AS&U 37th report (2008).

Table 4-3 shows that BLS D's total M&O expenditures in FY 2007-08 were significantly higher than the AS&U national median and the peer average. Additionally, **Table 4-3** shows that BLS D's expenditures per square foot were higher than both the AS&U national median and the peer average for each line-item, with the exception of miscellaneous/other.

BLS D's higher personal service costs are primarily attributed to maintaining higher custodial staffing levels (see **R4.1**). BLS D's higher purchased services costs can be attributed to contracting for certain grounds keeping services (\$0.11 per square foot) and building repairs (\$1.36 per square foot) (see **R4.1**). BLS D's higher utility costs can be partially attributed to the lack of a comprehensive energy management program (see **R4.5**); while the higher supplies and materials can be partially attributed to the lack of defined purchasing policies (see the **financial systems** section). In addition, the lack of a short-term capital improvement plan (see **R4.2**) and a formal preventative maintenance program (see **R4.3**) can contribute to the higher costs in purchased services, supplies and materials, and capital outlay. Along with the abovementioned factors, the age and condition of the District's buildings likely contribute to the higher expenditures for purchased services, utilities, supplies and materials, and capital outlay (see **R4.2**).

Audit Objectives for the Facilities Section

The following list of questions was used to evaluate the facility functions at BLSD:

- Are the District's custodial, maintenance and groundskeeper staffing levels comparable to industry standards, and does BLSD limit the use of overtime?
- Are the District's energy management practices comparable to leading practices?
- Are BLSD's facility management and planning practices comparable to leading practices, and what are the District's building utilization rates?
- Does the District have a system for prioritizing maintenance needs?
- Does the District have an effective system for providing training to facility staff?

Assessments conducted on the District's overtime costs did not warrant a recommendation.

Issue 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 resources to pursue. AOS identified potential funding for building repairs as an issue for further study.

The District has been working with the Ohio Schools Facilities Commission (OSFC) since 2001 to develop plans for renovating its buildings. However, the proposed bond levies to fund the local portion of the program were defeated multiple times. In addition, District voters did not renew BLS D's 3.0 mill permanent improvement levy in 1996.

OSFC advertises that the Qualified School Construction Bonds (QSCB) program is a new financing mechanism that is available through the American Recovery and Reinvestment Act (ARRA)² to fund building renovations. Under the program, bond holders are provided federal tax credits in lieu of interest, in order to significantly reduce the issuer's borrowing cost for public school construction. To participate, entities must use 100 percent of the funds for construction, renovation or repair of a public school facility or for the acquisition of land for construction. Participating entities must also meet certain minimum ARRA requirements. As the District works with stakeholders to determine a long-term strategy for renovating its buildings (see **R4.2**), it should review the QSCB program as one potential option for financing the repairs/renovations.

² The ARRA was passed in 2009 and is commonly known as the federal stimulus bill.

Recommendations

Staffing

- R4.1 BLSD should consider reducing custodial staffing levels by 4 FTEs. In addition, the District should conduct a detailed cost-benefit analysis of its internal and external maintenance and grounds keeping services. Taking these measures would allow BLSD to achieve custodial staffing levels that are more comparable to benchmarks, and help determine the best use of staff and contracted services for maintenance and grounds keeping functions.**

Table 4-2 shows that BLSD's maintenance and groundskeeper staff maintain more square feet and acres per FTE, respectively, than the AS&U national medians. BLSD would need to hire 0.8 maintenance FTEs and 2.2 grounds keeping FTEs to achieve the respective benchmarks in **Table 4-2**. However, **Table 4-3** also shows that BLSD's purchased service expenditures per square foot (\$1.56) are significantly higher than the peer average (\$0.48) and the AS&U national median (\$0.23), which is primarily attributed to the District using contracted services for building repairs and grounds keeping. Specifically, of the \$1.56 the District spent per square foot on purchased services in FY 2007-08, \$1.36 was for contracted building maintenance and repair services, \$0.11 was for contracted mowing and grounds keeping services, and \$0.09 was for all other purchased services. In addition, the District spent \$0.62 per square foot on contracted building maintenance and repair services, \$0.09 for contracted mowing and grounds keeping services, and \$0.35 for all other purchased services in FY 2006-07.

The abovementioned staffing and cost comparisons show that the District is regularly using contracted services to help offset the lower maintenance and groundskeeper³ staffing levels. However, the District does not regularly prepare cost-benefit analyses to demonstrate that this is the most cost effective strategy for completing these functions. Additionally, BLSD's higher personal service and purchased service expenditures per square foot in **Table 4-3** suggests that the District's balance between staffing levels and contracted services warrants additional review.

Table 4-2 also shows that BLSD's custodians are maintaining significantly fewer square feet than the NCES benchmark. The District would need to reduce 5.4 custodial FTEs to achieve the NCES benchmark. However, during the course of the audit, the District made adjustments to the custodial staffing assignments, which resulted in a net reduction of 0.7 FTEs. As a result, the District's projected custodial staffing level for FY 2009-10 is still higher than the NCES benchmark by 4.7 FTEs. If the District eliminated 4.0 custodial

³ Although the District is comprised of 115 acres, some of this is wooded property that is not maintained. This also contributes to the lower groundskeeper staffing levels.

FTEs to be conservative based on the age and condition of the buildings, the revised square footage per FTE would be 26,969, which is still lower than the NCES benchmark.

Financial Implication: If BLSD eliminated 4.0 FTE custodians, the District could save approximately \$115,300 in salaries and benefits in FY 2009-10, based on the lower-salaried staff.

Planning

R4.2 The District should continue to work with its citizens to develop a long-term strategy for renovating its buildings. In doing so, the District should actively engage citizens in on-going discussions to inform them of current building conditions, discuss the impact buildings have on student performance, review options for financing future renovations, and identify specific reasons for citizen dissatisfaction with past OSFC models for renovating the schools (see R2.3 in the financial systems section for strategies on obtaining citizen input). Subsequently, the District should work with OSFC to determine whether future proposals and program options could be modified to reflect the feedback obtained from the aforementioned discussions.

In the meantime, the District should develop a short-term capital improvement plan that prioritizes projects, includes and links to a capital budget, and projects future costs. Doing so will help ensure critical repair work and equipment replacement is completed in a cost-effective and timely manner during the development of a long-term strategy. Moreover, it would help the District anticipate facility and equipment repairs that need to occur in the interim, identify project financing before it is needed, and minimize safety hazards, facility deterioration and unforeseen capital costs.

BLSD has several significant building related challenges that it will have to address in order to achieve long-term financial stability. Specifically, the performance audit notes the following about BLSD's buildings:

- **Capacity:** Because of space limitations, the District operates and maintains 15 modular units. Additionally, although the District's enrollment declined to 2,211 students in FY 2008-09, AOS determined that the District's buildings would be over capacity without using the modular units. Specifically, AOS estimated the District's buildings average a utilization rate of approximately 107 percent when the modular units are excluded⁴. Prior to FY 2008-09, the District's enrollment remained relatively stable, declining less than two percent from FY 1998-99

⁴ The functional capacity of each building is based on 25 students per regular classroom and the methodology in *Defining Capacity* (DeJong & Associates, Inc., 1999).

(2,439 students) through FY 2007-08 (2,401 students). Furthermore, the OSFC projected that the District's enrollment would equal 2,219 by FY 2012-13, which indicates that the District's current space limitations could continue to be an issue in the future. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that maintaining corollary and special needs facilities such as trailers and modular units demand all the support required by "regular" buildings, and usually merit additional attention because of their construction limitations. Modified management standards may be required because they may fill-up with carbon monoxide or lose heat more quickly.

- **Age and Condition:** The majority of the District's buildings were originally constructed from 1950 through 1959, but have received several updates and additions in subsequent years. During its building evaluation, OSFC concluded that most of the District's buildings were in poor condition and recommended they be demolished and replaced with newly constructed buildings. OSFC estimated that the total renovation cost to rehabilitate the current buildings would exceed \$29.4 million. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that "...as America's school buildings age, we face the growing challenge of maintaining our facilities at a level that enables our teachers to meet the needs of 21st century learners. While the construction of new facilities supports this task, many older buildings have developed modularly over time. A 1920s era school may have gotten an addition in 1950, which in turn got an addition in 1970, and yet another addition in 1990. The task of caring for these older buildings at a level that supports contemporary instructional practices is substantial." **Table 4-3** supports the NCES assertions by showing that the District's total M&O expenditures per square foot (\$7.96) are significantly higher than the AS&U national median (\$4.42) and the peer average (\$4.94). Although the District's custodial staffing levels contribute to the cost variances (see **R4.1**), the age and condition of the District's buildings also likely contribute to the higher costs.
- **Funding:** The District has been working with the OSFC since 2001 to develop plans for replacing its buildings. However, the proposed bond levies to fund the local portion of the program were defeated in November 2003, August 2004, November 2004, November 2006, and May 2007. In the 2006 OSFC proposal, the facilities master plan called for demolishing all existing buildings and constructing a new elementary building (kindergarten through eighth grade) and a new high school building. OSFC would have paid 71 percent of the renovation costs (estimated to be \$39.5 million) with the District's local bond issue funding

the remaining 29 percent (estimated to be \$16.1 million).⁵ In addition to the failed bond proposals, District voters did not renew BLSD's 3.0 mill permanent improvement levy in 1996.⁶ During the various levy and bond proposals, the District attempted to hold various community forums and other events to inform the citizens of the need for building renovations. However, the Treasurer indicated there was minimal community participation.

Through its work with OSFC, the District has developed several long-term facilities plans, which included detailed facility audits, specific projects and cost estimates by building, capacity analyses, and 10 year enrollment projections. The last District-wide update to these plans occurred in 2007 (the middle school assessment was updated in March, 2008). Based on AOS reviews of the building conditions, the enrollment projections, and the capacity utilization, the plans developed through OSFC appear to be reasonable assessments of the District's future building needs. Since the last bond failure, the District has continued to meet periodically with OSFC to evaluate possible options for moving forward with the building renovations. However, the District has not met with the community to discuss the proposals, nor has it developed alternative plans for maintaining the current buildings should future efforts to work with the OSFC fail. Furthermore, the District does not have a short-term capital improvement plan/budget in place to identify and prioritize building repairs that need to occur in the interim. As a result, most capital improvements are made on an emergency basis from General Fund resources. Lastly, **Table 2-2** in the **financial systems** section shows that BLSD's total General Fund revenues on a per student basis (\$8,238) are lower than the peer average (\$8,712), which indicates that the District does not have significant General Fund resources to allocate towards building renovations.

The Government Finance Officers Association (GFOA), in its recommended practice on *Multi-Year Capital Planning* (2006), states that all governments should develop and adopt a multi-year (at least three but preferably five years or more) capital plan to ensure effective management of capital assets. A prudent capital plan will identify and prioritize expected capital needs based on a government's strategic plan (see **R2.4** in the **financial systems** section), establish project scope and cost, detail estimated funding by source, and project future operating and maintenance costs. Further, in its recommended practice, *Capital Project Budget* (2007), GFOA recommends that all governments prepare and adopt a formal capital budget. The capital budget should be directly linked to, and flow from, the multi-year capital plan. GFOA notes that a properly prepared and adopted

⁵ A 2009 update to the master plan estimated OSFC's share of the costs at approximately \$37.6 million and the local share at \$20.3 million.

⁶ BLSD had a 3.0 mill permanent improvement levy in place from 1985 through 1995. However, voters did not renew this levy in 1996. Furthermore, voters rejected new permanent improvement levy proposals (2.0 mills) in November 1996 and May 2002.

capital budget is essential to ensure proper planning, funding, and implementation of major projects.

- R4.3 BLSD should develop a formal preventive maintenance (PM) program. In doing so, BLSD should consider the process recommended by NCES and ensure that all PM activities are recorded through the work order system (see R4.4). Consistently planning, performing, and tracking preventive maintenance activities will help the District minimize facility and equipment deterioration, efficiently schedule projects, and track costs associated with certain preventive maintenance activities.**

BLSD has a policy on maintenance which states that the Board recognizes that the fixed assets of the District represent a significant investment to the community, and maintenance is a prime concern to the Board. Further, the Board directs the conduct of a continuous program of inspection, maintenance, and rehabilitation for the preservation of all school buildings and equipment. Finally, wherever possible and feasible, maintenance shall be preventive. Despite this policy, BLSD does not have a formal preventive maintenance program (PM program). According to the Maintenance Supervisor, the District performs certain preventive maintenance activities on a regular basis including oiling and greasing the HVAC system, changing filters, and contracting with a vendor to inspect and maintain building roofs. However, these and other PM activities are not consistently documented through the work order system or in a written preventive maintenance plan.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that a good maintenance program is built on a foundation of preventive maintenance. Once the items identified that should receive preventive maintenance have been identified, planners must then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are a good place to start when developing this schedule; they usually provide guidelines about the frequency of preventive services, as well as a complete list of items that must be maintained. Once the information is assembled, it must be formatted so that preventive maintenance tasks can be easily scheduled. Ideally, scheduling is handled by a computerized maintenance management program which can track information about the equipment and building to be serviced, the date the service was provided, the name of the technician, and the cost of the materials (see **R4.4** for additional discussion).

Work Order System

R4.4 BLS D should consider purchasing a computerized maintenance management system (CMMS) that has the ability to track the information recommended by NCES. When making the purchase, the District should ensure the vendor provides BLS D employees with appropriate training so that all functions are used to the fullest extent possible. If the District chooses to retain the paper-based work order process, the forms should be expanded to include all NCES recommended elements and completed for all requested services. Maintaining a work order process would help in estimating future costs and timeframes for projects. In addition, a CMMS would help in formalizing the preventive maintenance program and make future preventive maintenance costs more predictable (see R4.3).

The District uses a manual work order process to prioritize requests for service and to track facility related information. The Maintenance Supervisor indicated that all requests for service are prioritized based on a consideration of health and safety issues, the order of the request, and professional judgment. The paper-based work order form allows a principal or department head to report a short description of the necessary repair, the name of the building, the date the service was requested, previous requests related to this issue, an indication of emergency status, and an assessment of potential legal liability. However, no fields are included that would allow the District to easily track and report detailed project histories or the cost of labor, supplies, and materials. Furthermore, the Maintenance Supervisor estimates that the paper-based work orders are only completed 40 percent of the time. The remaining requests for service are communicated informally through phone calls. The Maintenance Supervisor indicated that he maintains a notebook to assist in prioritizing the phone requests for service. However, these sometimes result in duplicative and/or extraneous requests since they do not receive principal or department head approval beforehand. The phone based system also limits the District's ability to consistently and easily track the aforementioned facility related information.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) notes that work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. The *Planning Guide* goes on to indicate that, at a minimum, work order systems should account for:

- The date the request was received;
- The date the request was approved;
- A job tracking number;
- The job status (received, assigned, ongoing, or completed);
- The job priority (emergency, routine, or preventive);
- The job location (where, specifically, is the work to be performed);

- The entry user (the person requesting the work);
- The supervisor and craftsperson assigned to the job;
- The supply and labor costs for the job; and
- The job completion date/time.

However, the *Planning Guide* also indicates that a computerized maintenance management system (CMMS) may be a more efficient approach to managing the work order process. Such systems have become increasingly affordable and easy to use. The *Planning Guide* goes on to indicate that in terms of utility, a good CMMS program will:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Allow the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included; and
- Allow labor and parts costs to be captured on a per-building basis (or, even better, on a per-task basis).

Financial Implication: A CMMS could cost approximately \$1,000 annually, based on a vendor's advertised price. To be conservative, this estimate is doubled for a total of \$2,000 to account for transportation maintenance (see **R5.7** in the **transportation** section). However, the exact price will depend on the features desired by BLS D and the contract terms negotiated with the vendor.

Energy Management

R4.5 BLS D should develop an energy management and conservation program by creating formal policies and procedures. In doing so, the District should review information from industry sources (e.g., NCE S, U.S. Department of Energy, and Ohio's Energy Smart Schools Program). Subsequently, the District should distribute and discuss the policies and procedures with the administration, faculty, staff, and students to educate and train them about energy conservation and ensure implementation of the appropriate energy management practices. The District should also review services from industry sources that would help improve energy management (e.g., Ohio's Energy Smart Schools Program). In addition, BLS D should assign an employee to monitor District-wide and building-level utility consumption. Centrally tracking energy use as reported on monthly invoices would provide trend comparisons that could be used to identify potential issues of waste and/or inefficient equipment, and determine which energy conservation programs/practices are having the greatest impact.

Table 4-3 shows that BLSD's utility cost per square foot in FY 2007-08 are significantly higher than the peer average and the AS&U national median. BLSD's higher costs are partially attributed to the absence of a comprehensive energy management program. For example, BLSD does not regularly monitor, benchmark, or report energy usage by building, does not have an energy conservation policy that includes detailed goals and objectives, and does not currently participate in energy management programs offered by external organizations outside of purchasing consortiums.⁷ Furthermore, BLSD has not undertaken any programs to inform staff and students of the importance of energy conservation and/or the impact waste has on the District's budget.

Despite the lack of a comprehensive energy management program, the District has taken some steps to improve energy use. Specifically, the District has updated the lighting and heating systems at most school buildings and installed new temperature controls at certain schools. It also purchases natural gas and electricity through consortiums. Additionally, the age and condition of the District's buildings, coupled with the use of modular units, increases the potential for energy inefficiencies. Nevertheless, the large variances shown in **Table 4-4** indicate that the District would be in a better position to control and potentially reduce utility costs through improved monitoring and proactive management.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a 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 building-by-building energy audits to identify inefficiencies;
- Institute performance contracting when replacing older, energy-inefficient equipment;
- Reward buildings that decrease energy consumption;
- Install energy-efficient equipment; and
- Install motion detectors that turn the lights on when the room is occupied, and off when the room is unoccupied.

⁷ BLSD contracted with a vendor to have an energy audit conducted in 2003 using H.B. 264 monies. However, the District has not conducted any additional energy audits since that time and does not work with any additional organizations to help reduce energy use. According to BLSD, it contracts for routine HVAC maintenance,

School Operations and Maintenance: Best Practices for Controlling Energy Costs (U.S. Department of Energy, 2004) indicates that there are different types of energy conservation programs. Energy tracking and accounting programs are comprehensive and require the collection, recording, and tracking of monthly energy costs in all school district facilities. The data allow staff to compare energy performance in all buildings and identify problems at individual facilities. On the other hand, voluntary energy awareness programs operate on the premise that increasing the general energy awareness of faculty, staff, and students will result in voluntary changes in behavior and reductions in energy consumption. An example of this approach is affixing “Turn the Lights Off” stickers to lighting switch plates. Finally, quick fix and low cost programs rely on the identification and repair of simple building problems that are moderate in cost and likely have a short energy savings payback. Such programs may include replacing weather stripping on doors and windows, instituting night and weekend temperatures setbacks, and establishing district-wide shut down procedures.

The Ohio’s Energy Smart Schools Program (OESSP) provides materials and programs for teachers and/or students to improve the learning environment in schools while saving energy and money, utilizing the school building as a learning laboratory. OESSP 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. Types of activities available through the OESSP include:

- Performing energy audits and comfort surveys of buildings to determine where the building's energy efficiency and learning environment can be improved;
- Signing an EnergySmart Schools contract to encourage students to reduce the amount of energy they use every day;
- Conducting waste audits that demonstrate where waste occurs in the building and ways to improve the situation with cooperative action; and
- Supporting Ohio Schools Going Solar, complete with a solar array that generates electricity and serves as a powerful teaching tool.

Financial Implication: BLSO could save approximately \$42,000 annually if it were to reduce its utility costs by 10 percent. BLSO’s revised cost per square foot would be \$1.71, which would still be significantly higher than the peer average (\$1.31) and the AS&U national median (\$1.52).

Employee Training

R4.6 BLSD should develop a comprehensive professional development plan for its custodial and maintenance staff. This plan should be based on relevant industry sources and cover critical aspects of an employee’s responsibilities, such as new and updated work procedures; appropriate use of equipment; and proper chemical and waste management procedures. The professional development plan should also be structured to provide new employees with an orientation to the District and instructions concerning specific job expectations, work requirements, and assigned responsibilities. Lastly, the District should track the total number of hours and types of training an employee receives and seek relevant feedback from training participants. Taking these measures will help ensure that employees attend the appropriate training, understand their work responsibilities and potential health and safety concerns, and perform their jobs in an efficient and effective manner.

The District does not have a formal new employee or continual professional development program for custodial and maintenance staff. According to the Maintenance Supervisor, the District provides informal, on the job training to all maintenance and custodial staff. As issues arise, the custodial and maintenance staff are given instructions in a small group setting. When the District feels it is necessary, a local company also trains the custodians on safe chemical applications free of charge. However, the District does not track or document employee attendance at the abovementioned training activities. The Maintenance Supervisor also indicated that the District has experienced some negative issues in the past associated with improper application of cleaning chemicals.

The ESProfessionals: An Action Guide to Help in Your Professional Development (National Education Association, 2003) indicates that custodians and maintenance employees are “guardians of the school environment” for students, staff and the community, and their workloads continue to grow as new technology and equipment requires new skills, increased duties, and additional responsibilities. One of the most important responsibilities is to ensure proper indoor air quality, uniform temperatures, and healthful ventilation. Often with little, if any, specific or meaningful training, the custodian must also deal with dangerous materials such as laboratory spills, toxic materials, and asbestos. That is why a lack of meaningful, multi-tiered professional development programs is a real health and safety issue for the public school custodian and the entire school community. This publication goes on to indicate that ongoing professional development for custodians and maintenance employees should include the following elements:

- Building security, including neighborhood watch programs;
- Asbestos training, including information about State and Federal regulations pertaining to the handling and removal of such material;

- Blood borne pathogen training, including the potential risks of blood and human waste cleanups, and the Blood Borne Pathogen Standard drafted by the U.S. Occupational Safety and Health Administration;
- Hazardous equipment, including how to operate all machinery;
- Hazardous chemicals, including extensive training in the use of cleaning chemicals to reduce injuries to students and staff;
- Ergonomics, including how to properly lift to avoid back injury and information about new cleaning tools and products that can minimize back strain; and
- Time management, including how workers can prioritize their tasks so they can accomplish them efficiently and effectively.

Likewise, *The Planning Guide for Maintaining School Facilities* (NCES, February 2003) indicates that people who are new to an organization have special training needs. Newly hired personnel should receive the following types of training as soon as possible after joining the organization:

- **Orientation (or tour) of the organization's facilities:** including the payroll division (where timecards are punched or submitted), emergency locations (such as the nurse's office), the cafeteria, and the supervisor's office;
- **Orientation (or tour) of the person's work area:** including the primary location where he or she might be expected to perform job-related tasks;
- **Equipment instructions:** including an introduction to all tools, machinery, and vehicles the individual will be expected to use;
- **Task-oriented lessons:** including instructions on how to best perform the individual's work tasks (e.g., how to clean a carpet or repair a roof);
- **Expectations:** including a clear description of precisely what the individual must do to meet the requirements of the job; and
- **Evaluation information:** including an explanation of all criteria on which the individual will be evaluated, such as the tasks that will be evaluated, all relevant performance standards and expectations, who will do the evaluating, what mechanisms will be used to perform the evaluations (e.g., random checks or daily assessments), and the potential ramifications of the evaluations.

Without proper documented training, the District increases the risk of being held liable due to incidents stemming from employees completing tasks incorrectly, and of staff ineffectively and/or inefficiently performing job tasks.

Financial Implications Summary

The following table lists cost savings and implementation costs for recommendations contained in this section of the report.

Table 4-4: Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings	Estimated Annual Cost
R4.1 Reduce staffing by 4.0 FTE custodians.	\$115,300	N/A
R4.4 Purchase a computerized maintenance management system (CMMS).	N/A	\$2,000
R4.5 Develop and implement formal energy management policies and procedures, review external services, and assign someone to monitor energy use.	\$42,000	N/A
Total	\$157,300	\$2,000

Source: AOS facilities recommendations

Transportation

Background

This section of the performance audit focuses on Beaver Local School District's (BLSD or the District) transportation operations. Throughout this section, BLSD's operations are evaluated against selected peer school districts,¹ and leading or recommended practices and operational standards from applicable sources, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the American Association of School Administrators (AASA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in kindergarten through grade eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as students attending district schools. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. BLSD provides transportation services in excess of these requirements (see **R5.4**).

Operational Statistics

The Transportation Supervisor oversees the District's transportation function. BLSD provided Type-I pupil transportation services to 1,666 regular needs riders in FY 2008-09. Type-I services pertain to those provided on District-owned yellow buses.

Table 5-1 compares BLSD's transportation operational data to the peer average.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology. The "peer average" comprises ten school districts.

Table 5-1: Key Statistics and Operating Ratios

Key Statistics	BLSD FY 2007-08	BLSD FY 2008-09	Peer Average FY 2007-08	% Difference vs. Peers FY 2007-08
Square Miles	112	112	141	(20.6%)
Enrollment	2,398	2,262	1,789	34.0%
Total Students Transported - All Types	2,357	1,711	1,207	95.2%
Yellow Bus Riders (Type I)				
Public	2,242	1,647	1,114	96.3%
Non-Public	54	4	35	54.7%
Community School	0	0	0	0.0%
Special Needs	13	15	6	116.7%
Total Yellow Bus Riders	2,309	1,666	1,183	95.2%
Buses (Type I)				
Active Buses	27	28	18	50.0%
Spare Buses	5	5	6	(16.7%)
Miles (Type I)				
Annual Routine Miles	415,080	429,480	297,666	39.4%
Annual Non-routine Miles	34,604	N/A	24,523	41.1%
Total Miles	449,684	429,480	322,190	39.6%
Operating Ratios				
Enrollment per Square Mile	21.4	20.2	14.9	42.4%
Riders Per Square Mile	20.6	14.9	10.3	100.0%
Yellow Bus Riders per Active Bus	85.5	59.5	64.6	32.4%
Routine Miles per Active Bus	15,373	15,339	15,380	0.0%
Spare Bus Ratio	15.6%	15.2%	25.2%	(9.6%)
Percent State Reimbursement	50.1%	N/A	55.6%	(5.5%)
Total Transportation Expenditures as Percent of General Fund	7.1%	N/A	6.7%	0.3%

Source: BLSD and peer district T-forms.

Note: Totals may vary due to rounding. Additionally, during the course of the performance audit, statistical component information for FY 2008-09 was not yet available for all categories. Therefore, some categories are reflected as N/A.

Table 5-1 shows that in FY 2008-09, the District's total yellow bus ridership declined by 643 students while the number of active buses increased by one.² As a result, the District's reported yellow bus riders per active bus declined from 85.5 in FY 2007-08 to 59.5 in FY 2008-09, which is now lower than the peer average (64.6) despite the District's higher population density (as measured by the higher enrollment and riders per square mile). However, the District's ridership totals prior to FY 2008-09 are likely overstated (see **R5.5**). **Table 5-1** also shows that the peer districts are achieving higher average State reimbursement rates (55.6 percent compared to 50.1 percent). The variance in State reimbursement rates can be partially attributed to certain transportation policies and practices in place at BLSD (see **R5.4**).

² The Superintendent indicated that the additional bus was for multi-handicapped students.

Table 5-2 compares BLSD's transportation cost data to the peer average for FY 2007-08.³

Table 5-2: Transportation Cost Comparison: FY 2007-08

	BLSD	Peer Average	% Difference
Salaries:			
· Per Active Bus	\$18,294.37	\$18,136.90	0.9%
· Per Routine Mile	\$1.19	\$1.19	(0.2%)
Benefits:			
· Per Active Bus	\$10,962.07	\$13,452.94	(18.5%)
· Per Routine Mile	\$0.71	\$0.89	(20.0%)
Maintenance & Repairs:¹			
· Per Active Bus	\$7,414.00	\$6,189.04	19.8%
· Per Routine Mile	\$0.48	\$0.42	15.4%
Fuel:			
· Per Active Bus	\$8,195.93	\$7,369.14	11.2%
· Per Routine Mile	\$0.53	\$0.49	9.4%
Bus Insurance:			
· Per Active Bus	\$19.85	\$667.69	(97.0%)
· Per Routine Mile	\$0.00	\$0.04	(97.1%)
All Other Costs:			
· Per Active Bus	\$4,042.41	\$706.86	471.9%
· Per Routine Mile	\$0.26	\$0.05	458.0%
Total Expenditures:			
· Per Active Bus	\$48,928.63	\$46,522.57	5.2%
· Per Routine Mile	\$3.18	\$3.08	3.3%

Source: BLSD and peer district T-forms

Note: Percentages may vary due to rounding.

¹ Maintenance and repairs includes mechanic and mechanic helper salaries, where applicable.

Table 5-2 shows that BLSD's total expenditures were higher than the peer average on per active bus and per mile basis, which is primarily due to variances in the maintenance and repair, fuel, and all other line-item expenditures. Additionally, BLSD's insurance costs were reported incorrectly on the T-2 form (see **R5.5**). The actual cost for insurance was \$17,590 or approximately \$651 per active bus, which is lower than the peer average. Explanations for the aforementioned variances include the following:

- **Maintenance and Repairs:** **Table 5-2** shows that the District spent \$7,414 per active bus on maintenance and repair services in FY 2007-08 while the peer average was \$6,189.

³ **Table 5-2** excludes comparisons of cost per rider because the District likely over-reported riders in FY 2007-08 (see **R5.5**).

The higher costs are primarily due to differences in operating structure. For example, the District employs two full-time mechanics, which equates to 0.95 FTEs per 1,000 ADM. Additionally, the District's mechanic salary and benefit costs equate to \$2,961 per active bus. Of the 10 peer districts, four did not report employing any mechanics, but reported total maintenance costs per active bus of \$5,448, which is lower than BLSD's cost of \$7,414 and the overall peer average of \$6,189. The average staffing level for the remaining six peer districts is 0.87 FTEs per 1,000 ADM and the average salary and benefit costs equal \$3,087 per active bus. The District's higher maintenance costs compared to the four peer districts not reporting any mechanics indicates that BLSD may be able to improve efficiency by evaluating other service delivery options (see **R5.2**). Additionally, reviewing its purchasing practices (see **financial systems** section), developing a bus replacement plan, and improving the internal controls at the bus garage (see **R5.6** and **R5.7**) may also assist the District in addressing the higher maintenance and repair costs.

- **Fuel:** **Table 5-2** shows that BLSD's fuel costs were higher than the peer average on a per bus and mile basis. The higher costs can be partially attributed to the District's fuel procurement practices and the lack of District-owned fuel storage tanks (see **R5.7**).
- **All Other Costs:** **Table 5-2** shows that BLSD's other costs are significantly higher than the peer average on a per rider, bus and mile basis. In FY 2007-08, the District's expenditures from this line-item included approximately \$96,000 in bus lease costs, which comprise 88 percent of the total all other costs. BLSD is in the final year of a five-year bus lease program that was used to replace five older buses that failed inspections performed by the State Highway Patrol (see **R5.6**).

Audit Objectives for the Transportation Section

The following is a list of the questions used to evaluate the transportation function at BLSD:

- Do the District's transportation policies and procedures meet leading practices and ensure efficient operations?
- Are the District's transportation-related operating and financial indicators in line with peer averages and/or industry benchmarks?
- Does the District have an adequate control system over reporting?
- Is the District efficiently maintaining and managing its fleet?

Assessments conducted on the District's preventative maintenance plan, number of spare buses and bus driver collective bargaining agreement provisions were found to be comparable to the peers and/or other benchmarks.

Recommendations

Staffing and Operations

R5.1 BLSD should consider reducing its fleet by at least three active buses.⁴ To accomplish this reduction and potential additional reductions, BLSD should conduct annual surveys of parents to determine the number of students that will be using other methods of transportation (own car, friends, parents, etc.) and adjust routes accordingly. The District should also review the potential for adjusting bell schedules to allow some buses to complete three runs. In conducting this review, BLSD should consider several factors, including the impact on costs and operating efficiency, as well as the new State funding formula (see R5.4), student ride times, pick-up and drop-off times, and compliance with collective bargaining agreements. Furthermore, the District should consider expanding the use of cluster stops. When doing so, BLSD should consider the maximum walking distance of one-half mile (see R5.4) and potential safety hazards.

Finally, the District should consider using requests for proposals (RFP) to solicit price quotes from routing software vendors. The RFP should be structured to require that potential vendors demonstrate and guarantee that the software will resolve the prior mapping issues and that adequate training will be provided to all appropriate personnel (see financial systems section for additional discussion of RFPs). Doing so will eliminate the need to manually compile the routes, and help to ensure the selected software is functional and being used to the fullest extent.

Table 5-1 shows that the District transported fewer riders per active bus in FY 2008-09 than the peer average, despite its higher population density. Additionally, the article *Hidden Savings in Your Bus Budget* (AASA, December 2005)⁵ indicates that “an effective pupil-to-bus ratio should average at least 100 pupils on a double route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal.” Similarly, Management Partnership Services (MPS)⁶ recommends that districts maintain a minimum of 15 percent of available capacity per bus to create flexibility and reduce potential disruptions in operations.

In order to further assess bus utilization, AOS created a target efficiency calculation that assumes three students per seat for regular elementary transportation, and two students

⁴ The Superintendent indicated that the District reduced two buses prior to the start of FY 2009-10.

⁵ The author of this article is a private school transportation firm that conducts audits for more than 30 school districts, including Cleveland, Ohio, New York City, New York and Kansas City, Missouri.

⁶ MPS provides professional management services to student transportation and government fleet management organizations.

per seat for regular middle and high school transportation. This is based on bus manufacturer's rated capacity and other industry sources. Subsequently, an 80 percent utilization factor is applied to the bus capacity calculations, based on the information from AASA and MPS. These target efficiency calculations show that the District could eliminate nine buses. However, the District's size and the subsequent impact on student ride times may not allow for a reduction of nine buses. If the District reduced three active buses, the riders per active bus would improve to 66.6, which is similar to the peer average of 64.6.

The following highlights current operating practices that likely contribute towards the District's lower capacity utilization and/or increased operating costs:

- **Route Monitoring:** Although the District has routing software, it is not able to fully use all the features due to mapping issues the software vendor cannot resolve. As a result, the District has received several refunds from the software vendor and is making plans to discontinue use of the software at the end of FY 2008-09. The Transportation Supervisor indicated that the District will likely manually complete the routes for FY 2009-10. However, regardless of how the routes are prepared, the District does not conduct a survey of potential riders to determine students that are eligible to ride a bus, but choose other modes of transportation. According to ODE, school districts should conduct an annual survey of potential riders prior to assigning routes. A survey of riders will eliminate some students who do not intend to ride BLSD buses, which can assist the District in determining more efficient routes. Additionally, an alternative transportation software company advertises that automated routing software allows for better, safer, and more cost effective school bus routing decisions; streamlines school district boundary planning and mapping; saves money on fleet maintenance and transportation operations; and positively impacts the bottom line through increased operational efficiencies.
- **Bell Schedules:** The current student drop-off and release times for the high school are 7:45 am and 2:25 pm, while the middle school is 7:45 am and 2:20 pm. The drop-off and release times for the three elementary schools are 9:15 am and 3:15 pm. Under this schedule, the District's buses complete two runs per day in FY 2008-09. Altering the bell schedules may enable some buses to complete a third run, which would enable the District to operate with fewer total buses. However, the size of BLSD and student ride times may make it difficult to have the entire fleet complete three runs per bus in a cost effective manner. Furthermore, altering the bell schedules would likely require the District to address the length of teacher day provisions in the collective bargaining agreement (see **human resources** section).

- **Cluster Stops:** The District makes limited use of cluster stops. However, the Transportation Supervisor indicated that the District is planning to increase the use of cluster stops prior to FY 2009-10, but that they cannot be used in every circumstance due to a variety of hazardous conditions. See **R5.4** for additional discussion.

Financial Implication: It is conservatively estimated that BLSD could save approximately \$53,000 annually if it eliminated three buses. This savings is based on the District's salary for the least tenured bus driver and an estimate of the benefit costs using historical costs as a percentage of wages. However, BLSD may be able to realize additional savings related to fuel, insurance, and maintenance costs, if the abovementioned strategies reduce the number of miles driven each year and/or route times. For example, based on the District's total cost per active bus in FY 2007-08, eliminating three buses could save BLSD approximately \$327,000 in annual costs. Furthermore, the difference in costs by obtaining different routing software is not readily quantifiable.

R5.2 BLSD should conduct a cost-benefit analysis of the bus maintenance function to ensure that the “best” approach is being used to provide this service. In doing so, the District should review potential partnerships with other local governments to share bus maintenance services and/or the cost effectiveness of outsourcing portions of the maintenance work. The District should also review R5.7, which may potentially allow for reduced costs through improved internal controls. Likewise, reviewing its purchasing practices (see financial systems section) and developing a bus replacement plan (see R5.6) can also assist the District in addressing the higher maintenance and repair costs.

Table 5-2 shows that BLSD spends more per active bus and per routine mile on maintenance and repair services when compared to the peer averages. In addition to the higher costs for FY 2007-08, the District's maintenance and repair costs per active bus in FY 2005-06 (\$6,380) and FY 2006-07 (\$6,213), and costs per routine mile in FY 2006-07 (\$0.43) were higher than the respective peer averages in FY 2007-08 (\$6,189 and \$0.42). Four of the ten peer districts that did not report mechanic positions spent an average of \$5,448 in maintenance and repair costs per bus, which is lower than the average of the other six districts that did report maintenance positions (\$6,683). However, the Treasurer indicated that BLSD has not considered other alternatives for providing bus maintenance services including outsourcing the maintenance work and/or partnering with other local governments to share services. A 2005 performance audit of the Barberton City School District (Barberton CSD) noted that Barberton CSD had a formal agreement with the Norton City School District (Norton CSD) to share the costs and responsibilities of providing bus repair and maintenance services. According to Barberton CSD's Business Manager, the contract with Norton CSD resulted in a 25 percent decline in maintenance

and repair costs, repairs being performed in a timely manner, and all State inspections being satisfactory.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should have a process in place to evaluate how well existing programs meet programmatic and operating policies and plans. The process should include an examination of how the government traditionally provides the service. It should also consider whether the service can be delivered more effectively or more efficiently if provided in a different way, either by the government itself or through entities outside the government. GFOA also indicates that governments should look at sharing services with other government entities as one potential service delivery option. Doing so may allow the government to provide their residents with services they could not provide on their own, or to provide their residents lower cost and/or higher quality services.

Lastly, reviewing its purchasing practices (see **financial systems** section), developing a bus replacement plan (see **R5.6**), and improving the internal controls at the bus garage (see **R5.7**) may also assist the District in addressing the higher maintenance and repair costs. For instance, while the District's mechanic salary and benefit costs per active bus were lower than the average of the six peer districts with mechanics, its total maintenance and repair costs per active bus (\$7,414) was still higher than the six peer average (\$6,683).

Financial Implication: In FY 2007-08, BLSD spent approximately \$200,000 on bus maintenance services. If it can reduce its costs by five percent by sharing services with other local governments, outsourcing services, establishing a bus replacement plan (**R5.6**), improving the internal control practices (**R5.7**), and/or reviewing its purchasing practices (see **financial systems**), the annual savings would be approximately \$10,000. Additionally, the revised maintenance costs per active bus would be \$7,043, which is still significantly higher than the peer average (\$6,189).

Policies and Procedures

R5.3 BLSD should consider developing a per-mile reimbursement rate to facilitate charge-backs for non-routine transportation services. In developing this rate, the District should ensure that all allowable costs are considered, including the cost of employee benefits, bus maintenance, and insurance. The Board should also update its policy to reflect the allowable expenses and indicate how the reimbursement rate should be calculated.

BLSD's Board policies permit the District to use school buses for non-routine purposes, provided that such trips do not interfere with routine school transportation services. The

Board policies also state that “the cost of non-routine transportation shall be reimbursed to the Board in an amount periodically set by the Board depending on the purpose.” However, the Board policies do not include examples of allowable expenses or state how the reimbursement rates are to be calculated. In practice, BLSD requires the athletic program to reimburse the District for the cost of the bus driver’s salary (includes Medicare and workers compensation). External groups reimburse the District the cost of the bus driver’s salary and an estimate of the fuel costs based on current fuel prices. The District does not charge for other operating costs, such as benefit, bus maintenance and insurance.

OAC §3301-83-16 defines the non-routine use of school buses as “transportation of passengers for purposes other than regularly scheduled routes to and from school. School buses may be used for non-routine trips only when such trips will not interfere with routine transportation services.” It also states that the board shall recover an amount not to exceed the actual operating costs associated with the non-routine use of school buses, with the exception of field trips that are extensions of the instructional program. These costs include bus driver salary and benefits, fuel, maintenance, service, supervisory costs, and insurance.

Financial Implication: Although not readily quantifiable, the District can generate additional revenues by charging external groups for the full operational cost of non-routine services.

- R5.4 BLSD should review its transportation program within the context of the new State funding formula and determine the impact of current service levels on its reimbursement rate. The review should include the impact of transporting students living less than one mile from school, transporting high school students, and not designing cluster stops up to the maximum walking distance of a half-mile for the majority of routes. Modifying these provisions may allow BLSD to improve the efficiency of the transportation function. As an example, BLSD could potentially reduce one bus from its active fleet by eliminating transportation services for students living less than one mile from their school buildings. Likewise, designing cluster stops closer to the half-mile maximum could help reduce ride times and fuel use by reducing the number of starts and stops. Once BLSD has completed this review, it should update its policies accordingly. If the District does not make any changes, it should still update its policies to accurately reflect current practices.**

BLSD’s transportation policies stipulate that services be provided to all students (kindergarten through 12th grade) that live beyond two miles of their assigned school building. Exceptions to the foregoing limits may be made in the case of a temporarily or permanently-disabled child who has been so certified by a physician and in the case of adverse safety conditions. The Board policies also state that bus routes shall be

established so that an authorized bus stop is available within reasonable walking distance of the home of every transported resident student. However, despite the policies, the District's actual practice is to transport all students regardless of proximity to the school buildings and to design the routes so that the majority of students are transported directly to and from their homes.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school for all students in kindergarten through grade eight who live more than two miles from their assigned school. In addition, Ohio Administrative Code § 3301-83-13 indicates that students may walk up to one-half mile to a bus stop. The District's actual transportation practices exceed the State minimum requirements in the following areas:

- Transporting kindergarten through eighth grade students living less than two miles from school;
- Designing the majority of bus stops less than one-half mile from a student's home; and
- Transporting high school students.

Additionally, in FY 2008-09, the District is transporting 74 students that live within one mile of their school. According to *Instructions for Preparing Form T-1 Report of Pupil Transportation Service* (ODE, 2007), students living within one mile of the school building are not eligible for reimbursement.

In FY 2005-06, the District incurred transportation expenditures of approximately \$1.1 million, and received \$620,000 in related State funding for a reimbursement rate of 59 percent. Although State funding increased to approximately \$665,000 by FY 2007-08, the District's transportation costs increased to approximately \$1.3 million, causing the reimbursement rate to decline to 50 percent. By comparison, the peer average reimbursement rate was approximately 56 percent in FY 2007-08 and the average reimbursement rate achieved by East Liverpool CSD, Salem CSD, and West Branch LSD (all located in Columbiana County) was 63 percent. It is estimated that the District could reduce at least one bus from the fleet by adopting transportation policies closer to State minimum requirements. This is based on BLSLSD transporting 74 students living within one mile of their school buildings. However, this does not consider safety hazards that may exist within the District or the impact the reduction could have on student ride times.

During the latter portion of this audit, the State of Ohio passed House Bill 1, which included revisions to the State funding formula for transportation. Most notably, the new funding formula provides increased funding for achieving or exceeding efficiency targets (measured by ridership per bus), and for providing transportation services to high school students who live more than one mile from school, students in kindergarten through

eighth grade who live more than one mile but less than two miles from school, and nonpublic and community school students. However, the legislation also indicates that the final funding amount in FYs 2009-10 and 2010-11 will be prorated as necessary to remain within the State's budgeted amount for transportation.

R5.5 BLSD should establish formal policies and procedures to ensure accurate T-forms are prepared, reviewed and reconciled before submission to ODE. As part of these procedures, the Treasurer's Office and the Transportation Supervisor should be required to use the data verification tools in the T-1 reporting module, compare the T-2 form expenditures to prior years, and reconcile all significant variances. The policies should also require that bus drivers fully document all daily transportation levels during the October count week, and that T-forms be filed with ODE within the mandatory timeframes. Taking these measures will help ensure the District receives appropriate State reimbursements for its transportation services, adheres to the reporting instructions for transportation data, and uses accurate information for decision-making.

BLSD does not have written policies or procedures in place to guide staff in preparing and reviewing T-forms before they are submitted to ODE. In practice, the Transportation Supervisor prepares the T-forms based on student headcounts compiled by the bus drivers during the first full week in October, and financial information supplied by the Treasurer.

The following inconsistencies were noted during a review of the T-forms:

- **Filing Deadlines:** ODE requires the T-1 form to be prepared, submitted and received by November 1. ODE placed a note on the District's T-1 form indicating that although the District signed the FY 2008-09 T-1 form on October 29, it was not submitted until November 7. The District submitted its T-2 form for FY 2007-08 (the most recent year available) within the required timeframes.
- **Inconsistent Ridership:** According to the T-forms, the District's total ridership was 2,373 students in FY 2005-06, 2,428 in FY 2006-07, 2,357 in FY 2007-08, and 1,711 in FY 2008-09. The Transportation Supervisor attributed the variance in FY 2008-09 to a decline in open enrollment students and more students taking classes at home through on-line capabilities. However, the Transportation Supervisor was also unsure of the methodology used to prepare T-forms prior to her taking the position in July 2008. It appears that prior to FY 2008-09, the District may have been reporting all eligible riders instead of actual riders. For example, in FY 2006-07, BLSD reported that it transported 2,333 public riders while the total District enrollment was 2,374 students. Similarly, the District reported transporting 2,242 public riders in FY 2007-08, or 93 percent of the total enrollment (2,398). In FY 2008-09, BLSD's public ridership as a percent of total

enrollment declined to approximately 73 percent, which appears more reasonable considering that the peer average for FY 2007-08 was 64 percent. The District was not able to explain the higher ridership totals in FY 2006-07. *Instructions for Preparing Form T-1 Report of Pupil Transportation Service* (ODE, 2007) states that “eligible riders for reimbursement purposes, are pre-school handicapped pupils transported on regular routes and kindergarten through twelfth grade pupils enrolled and actually transported during the first full week in October that school is in session.”

- **Incomplete Supporting Documentation:** To compile the information for the T-forms, the Transportation Supervisor requires the bus drivers to complete data collection sheets during the October student count week to capture students transported and miles traveled. However, some of the bus drivers did not fully complete the forms. For instance, 13 of the 28 driver sheets did not list all riders and miles traveled for each of the five days. Likewise, eight buses did not specifically indicate the miles that corresponded to the transportation of students on a particular run (high school/middle school or elementary) for any day of the week. Rather, the driver sheets for these eight buses indicated a total mileage for all runs, which reconciled to the mileage reported in the T-1 form. Furthermore, another bus reported traveling 40 miles per day. However, the 40 miles was crossed out on the driver sheet and replaced with 86 miles, without any written explanation for the modification. *Instructions for Preparing Form T-1 Report of Pupil Transportation Service* (ODE, 2007) indicates that districts should “...count riders for each day of the count week, and then report the average riders for one day of that week.” The instructions also state that each district should “record the total number of daily routine miles for morning and afternoon public, nonpublic, and community school pupils, driven from the time the bus leaves storage, completes regular routes, and returns to storage.”
- **Inconsistent T-2 information:** In FY 2002-03, BLSD reported that the District was 144 square miles on the T-2 form. In FY 2003-04 and FY 2004-05, no square miles were reported. From FY 2005-06 through FY 2008-09, BLSD reported that the District was 112 square miles in size. Furthermore, the FY 2003-04 T-2 form was submitted without any staffing information, salary costs, non-routine miles, amounts spent to purchase buses, and/or cost per gallon of fuel. Lastly, the Treasurer acknowledged that the insurance costs reported on the FY 2007-08 T-2 form are understated. *Instructions for Preparing Form T-2 Report of Pupil Transportation Expense* (ODE, 2007) indicates that the number of employees by job classification, and their related salary and benefits should be reported on the T-2 form. Additionally, all costs of operation including bus maintenance, supplies, materials and insurance expenditures should be reported on the T-2 form.

- **Data Verification:** *Instructions for Preparing Form T-1 Report of Pupil Transportation Service* (ODE, 2007) indicate that “an audit report has been provided in the reporting system for your (each school district) use in validating data. In this report, the data entered will be compared to your previous year’s report. We strongly recommend that you run the audit report when your data entry is complete to view the variances from previous year data. Take care to look for consistency in numbers, and also to compare the number of reported riders with your district total ADM. School districts reporting ridership that represent more than 80 percent of their registered ADM should expect closer scrutiny with regard to report auditing.” However, the Transportation Supervisor, Treasurer, and Superintendent stated that they have not used the audit report function in the past.

As noted in **R5.4**, House Bill 1 includes changes to the State funding formula for transportation purposes. A representative from ODE indicated that “a key difference in this formula from previous formulas is that transportation funding will now be calculated based upon current year ridership, bus mileage, and service levels. This makes accurate and timely completion of the T-forms very important.” Further, the report *Student Transportation in Ohio* (Legislative Office of Education Oversight (LOEO), April 2003) indicates that the first step in ensuring accurate T-form data is for school districts to create and adhere to formal policies and procedures that govern the submission of T-forms.

Planning and Other Operations

- R5.6 BLSD should develop and approve a bus replacement plan, and update it annually. All bus and equipment replacement should be based on economic modeling that allows for replacement at the most advantageous point in the equipment’s life cycle. The plan should include criteria for bus replacement, such as maintenance costs (see R5.7), estimated cost at the time of replacement, safety inspection results, age, mileage and condition of buses. The plan should also include identification of the buses that will potentially need to be replaced in upcoming years. Reviewing and updating the plan annually would allow the District to better anticipate future costs and ensure cost-effective replacement decisions.**

BLSD does not have a written bus replacement plan that projects yearly bus purchases, which increases the likelihood of having to make bus purchases or repairs on an emergency basis. This occurred in FY 2003-03 when the District had to purchase five new buses as a result of failed inspections conducted by the State Highway Patrol. In this instance, the District was forced to enter into a five-year lease-purchase agreement and pay the related financing charges because it did not have sufficient monies reserved to pay for the buses from current year resources. As of March 2009, the average age of BLSD’s active fleet was approximately 11 years old with 110,000 miles.

There are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass the annual Highway Patrol inspection. As long as a bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. However, the National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests that Type C and D buses (conventional buses) should be replaced after 12 to 15 years, and Type A and B buses (lighter duty buses) should be replaced after 8 to 10 years. The NASDPTS also notes that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service.

The Treasurer's financial forecast notes indicate that the District plans to replace one bus annually throughout the forecast period, and will use any State subsidies to replace a bus when sufficient funds have accumulated. Considering the average age and mileage of the current fleet, BLSD's projected financial difficulties, and the performance audit recommendation to eliminate at least three of the 28 active buses (see **R5.1**), the District's plans for bus replacement appear reasonable. Nevertheless, developing a bus replacement plan would help the District better anticipate bus replacement needs, identify the specific buses to replace, and review all options for funding bus purchases in advance.

The Government Finance Officers Association (GFOA), in its recommended practice on *Multi-Year Capital Planning* (2006), states that all governments should develop and adopt multi-year capital plans to ensure effective management of capital assets. A prudent capital plan will identify and prioritize expected capital needs based on a government's long-term plan.

R5.7 BLSD should strengthen its internal controls at the bus garage by maintaining an inventory report and implementing a process for reviewing fuel logs. Alternatively, the District could consider the purchase of an electronic system that would strengthen the controls over fuel usage. Taking measures to strengthen internal controls would provide additional assurance that the equipment, parts, supplies, materials and motor fuel are being used for the appropriate purposes and limit the potential for waste and/or inefficient purchasing decisions. Additionally, the District should conduct a comprehensive review of its fuel procurement practices to ensure that the current process is cost-effective compared to owning the storage tanks for diesel fuel. As part of this review, the District should evaluate the feasibility of working with other local governments to share the costs of operating a central fuel depot. Finally, the District should track operating costs by bus and for the total fleet, which could be aided by the implementation of software (see R4.4 in the facilities section). This will assist the District in preparing the bus replacement plan (see R5.6) and detecting potential operating and efficiency problems.

In addition to the preceding assessments, AOS noted the following regarding certain transportation practices in place at BLSD:

- **Inventory:** The District does not have strong internal controls over the equipment, parts, supplies and materials stored at the bus garage. For example, the Bus Mechanics do not maintain a comprehensive inventory report showing the equipment, parts, supplies and materials that should be on-hand at any given time based on the amounts purchased and used during the course of a school year. As a result, it would be difficult for the District to detect potential theft, and there is increased risk for misplacing supplies and materials, making inefficient purchasing decisions, and waste. The *Preventative Maintenance Manual for Virginia School Buses* (Virginia Department of Education, 2003) indicates that “inventory records of parts, tubes, tires, batteries, lubricants, etc. are essential in stocking such items. These records also provide a means of controlling inventory so as to ensure that parts are being used on authorized vehicles. It is imperative that all items taken out of inventory appear on a repair order so that they can be charged to the proper vehicle.” The publication goes on to indicate “...inventory records can also be used to check for pilferage and unauthorized use.”
- **Fuel Purchasing:** BLSD does not own the underground tanks that are used to store diesel fuel. Rather, the District requires a vendor to supply the storage tanks and the fuel. Because of this relationship, the District may not consistently receive the lowest price per gallon on motor fuel. For example, based on a comparison of ten diesel fuel purchases in FY 2007-08, BLSD’s average price was \$3.43 per gallon while the price offered to government entities by the Ohio Department of Administrative Services (ODAS) during the same timeframe was \$3.34⁷. In FY 2007-08, the District spent approximately \$221,000 on motor fuel. When the price difference with ODAS is extrapolated over a full-year, the savings would be approximately \$5,700. However, this does not consider any additional costs associated with the District having to purchase and maintain its own storage tanks. During a 2005 performance audit of the Barberton City School District (Barberton CSD), AOS noted that Barberton CSD collaborated with the City of Barberton (the City) to maintain a centralized fuel depot that was used by both entities. This allowed Barberton CSD and the City to share the maintenance and insurance costs associated with the fuel depot, as well as achieve quantity discounts on fuel purchases.
- **Fuel Security:** To track and monitor fuel usage, the District requires bus drivers to manually record the gallons of fuel obtained and the bus number on a paper log stored at the fuel depot. However, there are no checks-and-balances in place to ensure that bus drivers properly complete the manual log and that all fuel purchases can be accounted for based on inventory and usage records. The power to the fuel depot is turned-off every night to prevent theft during non-school

⁷ Both the BLSD vendor price and DAS price reflect a \$0.28 state sales tax per gallon of diesel fuel.

hours. During the 2005 performance audit of the Barberton CSD, AOS noted that Barberton CSD and the City of Barberton used an automated system to monitor fuel usage. Under this system, bus drivers and City employees used swipe card technology to release the fuel. The software then captured the driver's name, date, time gallons pumped and price of fuel. This information was then used to allocate the cost of fuel back to the City and the Barberton CSD.

- **Vehicle Maintenance Costs:** BLSD does not use vehicle repair data to track and monitor the specific operating and maintenance costs for each bus, which could make it difficult to complete the economic modeling identified in **R5.6**. The Virginia Department of Education indicates that it is important for transportation managers to track the following information by both vehicle and fleet: cost of repairs including parts and labor; fuel consumption and cost; total operational cost; historical data of inspection and repairs; bus database by manufacturer, year, make and model; and personnel information including timekeeping and payroll.

Financial Implications Summary

The following table lists cost savings for recommendations in this section of the report.

Table 5-3: Summary of Financial Implications for Transportation

Recommendation	Estimated Annual Cost Savings
R5.1 Eliminate three buses	\$53,000
R5.2 Reduce bus maintenance costs	\$10,000
Total	\$63,000

Source: AOS transportation recommendations

District Response

The letter that follows is Beaver Local School District's official response 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 District officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.



BEAVER LOCAL

Board Of Education



October 29, 2009

Auditor of State Mary Taylor
88 East Broad Street
Columbus, Ohio 43215

Dear Ms. Taylor,

The Beaver Local Board of Education and administration would like to thank you and commend you for the Performance Audit that was performed. On October 26, 2009, the post-audit meeting was held. William Rouse and Matt Rogonjic conducted the meeting. They provided valid and useful information for the district.

The district is appreciative of the noteworthy accomplishments that were pointed out in the audit, especially regarding the pro-active approach the district took to reductions in force for both certified, classified, and administrative personnel. Additionally, many of the recommendations are things that the district has identified as problem areas, most specifically health benefits, salaries, severance, and sick leave for both certified and classified employees. The Performance Audit supports the message that the board and administration have been trying to convey to the employees and the community, regarding these issues.

The facilities section is very beneficial. As was discussed, the board and administration are very cognizant of the burden the age and conditions of the buildings have placed on the district budget. The district continues to work with the Ohio School Facilities Commission. Based on the lack of community support, the board is exploring alternative options other than the passage of a bond issue.

Even with the uncertainties of funding due to House Bill 1, the five year forecast of the district treasurer and the audit are parallel. The district is cognizant of the fact that the recommendations in the audit are based on what is known. It is obvious that there are opportunities for substantial savings. Even though there are collective bargaining hurdles, the district is actively pursuing alternatives to the current health plan and its structure. Based on some preliminary numbers, the district has the potential to save close to a half million dollars annually provided the Beaver Local Education Association and OAPSE Local 564 choose to cooperate. In addition, negotiations will begin with OAPSE Local 564 shortly after the first of the year. At this time, severance will be a priority issue.

I would be remiss for not commending Bill Rouse and the team that worked with him for their professional approach and attention to detail during the performance audit. The support and assistance has been very important and will serve as a useful fiscal management tool for the district. The goal of the board is to continue to operate efficiently and effectively without sacrificing the integrity of the educational process.

If you have any questions or concerns, please do not hesitate to contact me at my office (330) 385-6831, option 1. Again, thank you for all of your assistance.

Sincerely,

A handwritten signature in cursive script that reads "Sandra J. DiBacco".

Dr. Sandra J. DiBacco
Superintendent of Schools

c: Beaver Local Board of Education
Matt Rogonjic



**Auditor of State
Mary Taylor, CPA**

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