



Mary Taylor, CPA
Auditor of State

FAIRFIELD LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

MAY 21, 2009



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

Pursuant to Amended Substitute House Bill (HB) 119, a performance audit was initiated for the Fairfield Local School District (Fairfield LSD), beginning in August 2008. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations, which support its mission of educating children, and because improvements in these areas can assist in improving the District's financial situation.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Fairfield LSD's financial situation and a framework for its financial recovery. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

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

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

May 21, 2009

Executive Summary

Project History

As authorized under House Bill (HB) 119, the Auditor of State (AOS) conducted a performance audit of the Fairfield Local School District (FLSD or the District). The performance audit began in August 2008 due to the District's May 2008 five-year forecast, which showed a deficit beginning in FY 2008-09 of \$79,974 and accelerating to \$2,633,398 at the end of the forecast period. The audit included a review of any programs or areas of operation in which AOS believed the District could achieve greater operational efficiency, effectiveness, and accountability.

The following areas were assessed in the performance audit, based on AOS research and discussions with FLSD officials:

- Finance and Strategic Management;
- Human Resources;
- Facilities; and
- Transportation.

Audit work concluded in December 2008. The goal of the performance audit process was to assist FLSD administrators and the Board of Education by identifying cost savings opportunities and options for improving management practices. The ensuing recommendations comprise options the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

Fairfield Local School District is located in Highland and Clinton counties and operates under a locally elected Board of Education consisting of five members elected at-large for staggered four-year terms. The District was established in 1962 through the consolidation of existing land areas and school districts. It serves an area of approximately 63 square miles and includes the villages of Leesburg and Highland, Fairfield Township, portions of Peen and Liberty townships, and a portion of Wayne Township in Clinton County.

In FY 2007-08, the District provided educational services to an average daily membership (ADM) of 864¹ kindergarten through twelfth grade (K-12) students. In addition, the District employed approximately 100 full-time equivalent (FTE) staff consisting of 6 FTE administrators, 55 FTE educational personnel, 4 FTE professional/technical personnel, 13 FTE office/clerical staff, and 22 FTE operations and other staff. The regular education student-to-teacher ratio in FY 2007-08 was approximately 20:1. Also, in FY 2006-07, the District met 23 out of the 30 academic performance indicators established by ODE and was categorized as an effective district. FLSD's FY 2007-08 report card showed the District met 19 out of 30 performance indicators and continued in its status as an effective district.

FLSD operates one school building, which houses K-12 students. It also operates an administration building and a bus garage, all of which are connected to the main school building. The District provided transportation services to 677 riders using 8 active buses in FY 2007-08.

Based on projections and assumptions contained in the District's October 2008 five-year financial forecast, coupled with the recommendations outlined in this report, the District can avoid future operating deficits and sustain positive fund balances through FY 2011-12. With the closure of DHL operations in Clinton County, the District may encounter an operating environment that is substantially different from that presented in its October 2008 forecast. As result, the District will need to assess its projections frequently to determine if expenditure reductions beyond those presented in this report are needed.

Subsequent Events

During FY 2007-08, FLSD enacted several cost-saving measures. These measures included eliminating 1.0 FTE Library/Media Specialist and reducing its nurse position from 1.0 FTE to 0.75 FTE. In addition, the Director of Special Programs retired and the District will not pay the employee's share of the retirement for the new Director.

Objectives, Scope and Methodology

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

¹ The source for this formula average daily membership is the Final Version #3 enrollment data contained in the Ohio Department of Education (ODE) SF-3 report.

The overall objective of this performance audit is to assist the District in identifying strategies to improve its financial condition. The following presents the major assessments conducted in this performance audit:

- Expenditures, forecasting, budgeting, purchasing, and strategic planning were reviewed in the **financial systems section**.
- District-wide staffing levels, collective bargaining agreements, salary levels, benefit costs and special education expenditures were assessed in the **human resources section**.
- Custodial and maintenance staffing, facility-related expenditures, building capacity, policies and procedures, preventative maintenance, and the work order system were examined in the **facilities section**.
- Transportation staffing and expenditures, reporting, and policies and procedures were reviewed in the **transportation section**.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations in the performance audit comprise options that FLSD can consider in the continuing effort to stabilize its financial condition.

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

The performance audit process involved significant information sharing with FLSD, 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 FLSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the District's comments. In addition to the report, Auditors also verbally communicated less significant issues separately to District administration.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from FLSD and other school districts. AOS developed a composite of ten school districts that

was used to provide benchmark comparisons for the areas assessed. The selected districts were Bethel-Tate LSD (Clermont), Bluffton EVSD (Allen), Botkins LSD (Shelby), Clear Fork Valley LSD (Richland), Coldwater LSD (Mercer), Fort Recovery LSD (Mercer), Marion LSD (Mercer), North Central LSD (Wayne), St. Henry Consolidated LSD (Mercer), and Versailles CSD (Darke).² Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They included ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National State Auditors Association (NSAA), the United States Government Accountability Office (GAO), and other related best practices. Information used as criteria (benchmarks or leading practices) was not tested for reliability although the information was reviewed for reasonableness.

The Auditor of State and staff express their appreciation to the Fairfield Local School District for its cooperation and assistance throughout this audit.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the FLSD 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 the area of finance and strategic management, FLSD should:

- Develop an updated District plan that outlines the strategic vision for all operational and educational programs.
- Ensure that its published forecast assumptions address all areas of the five-year forecast projections, which they accompany.
- Supplement existing financial policies to include those recommended by *Best Practices in Public Budgeting* (GFOA, 2000).
- Formalize and disseminate a District-wide purchasing manual.
- Update the existing Board policies to include a District-wide ethics policy based on the Ohio Ethics Commission's (OEC) model ethics policy for local governments.

² The ten selected peers are classified by ODE as Type 2 Districts. These Districts were selected because they are high performing, low cost rural/agricultural, high poverty, low median income school districts.

- Follow through with its plans to establish Board working sessions for setting financial goals and priorities. In addition, FLSD should convene a District-wide finance committee that includes both internal and external stakeholders.
- Consider updating its web site to include administrative and financial information that could be useful to stakeholders.
- Fully implement the South Central Ohio Computer Association's (SCOCA) HR Kiosk (Kiosk) application.

In the area of human resources, FLSD should:

- Consider making reductions in its classroom teaching staff to avoid projected deficits. The elimination of 2.0 FTE classroom teachers could save FLSD approximately \$87,000 in salaries and benefits in FY 2009-10 while keeping the District 20 percent above the State minimum requirements.
- Consider eliminating 3.0 FTE education service personnel (ESP) to avoid projected deficits. FLSD could save approximately \$185,000 in salaries and benefits in FY 2009-10.
- Develop a formal staffing plan to address current and future staffing needs. In doing so, FLSD should establish staffing allocations for administrative, certificated, and classified personnel.
- Cease paying the employee's share of the retirement benefit for all administrative positions. The District could save approximately \$28,000 annually based on FY 2007-08 wages.
- Implement the Bureau of Workers' Compensation's (BWC) leading practices for work place safety to reduce worker's compensation claims and associated costs; and enroll into a BWC discount program. Participation in a discount program to reduce its penalty rating by 10 percent would save the District approximately \$6,000 annually.
- Consider implementing separate single and family plans for dental coverage to better match employee needs and reduce costs. This could save the District approximately \$5,000 annually.
- Take advantage of web-based training opportunities offered by Ohio School Board Association (OSBA) to Board members at no cost.

In the area of facilities, FLSD should:

- Develop a comprehensive facilities master plan that reflects the future direction of the District.
- Develop and implement a formal energy management program. If the District were able to save approximately 10 percent on utility costs, it would generate an annual cost savings of approximately \$20,000.
- Develop a custodial and maintenance handbook that contains procedures and training standards.
- Use a computerized maintenance management system (CMMS) to improve the management of its facility maintenance program. An annual subscription to a CMMS system would cost approximately \$500 per year.

In the area of transportation, FLSD should:

- Develop and maintain a bus replacement plan to ensure that it is properly planning and budgeting for the replacement of its aging bus fleet.
- Use a more accurate methodology for reporting special education costs on the T-2 Form by tracking and aggregating all costs for the special education van.

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. The following summarizes one issue requiring further study.

Custodial Staffing Levels: The District should monitor the impact of its low custodial staffing level on the cleanliness of facilities during FY 2008-09. Because it chose not to replace a custodian who retired, its workload levels are higher than national benchmarks. While this practice results in greater levels of efficiency, FLSD should ensure that, over time, the higher workload does not negatively impact the overall condition of its building.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that FLSD should consider in its efforts to stabilize its financial situation. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Performance Audit First-Year Financial Implications

Recommendation	Estimated FY 2009-10 Impact
Annual Cost Savings	
R3.1 Reduce two regular education teachers (20 percent above State minimum)	\$87,000
R3.2 Reduce three ESP teachers (20 percent above State minimum)	\$185,000
R3.4 Eliminate additional retirement benefit pick-up for District administrators	\$28,000
R3.5 Participate in BWC programs to reduce premiums	\$6,000
R3.6 Implement single and family dental coverage plans	\$5,000
R4.1 Develop an energy management program.	\$20,000 ¹
Additional Annual Costs	
R4.4 Purchase CMMS software.	\$500
Total Net Cost Savings from Performance Audit Recommendations	\$330,500

Source: AOS recommendations

¹ This financial implication is presented at 50 percent implementation in the first year of the forecast.

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Financial Systems

Background

This section focuses on the financial systems and strategic management functions within Fairfield Local School District (FLSD or the District). The purpose of this section is to analyze FLSD's current and future financial condition and examine District-wide management policies and procedures in order to develop recommendations for improvements and identify opportunities to increase efficiency. FLSD's financial management policies, procedures, and operations were evaluated against recommended practices, industry standards, State requirements, operational benchmarks, and data from 10 peer districts.¹ Recommended practices and industry standards were drawn from various sources including the Government Finance Officers Association (GFOA), Ohio Revised Code (ORC), the Ohio Department of Education (ODE), the Auditor of State (AOS), the Ohio Ethics Commission (OEC), the National Institute on Government Purchasing (NIGP), and the University of Kansas.

Financial History and Economic Climate

FLSD has operated with fluctuating, although primarily negative, General Fund balances² over the last three fiscal years (FY). It has also had fluctuating, although primarily declining cash balances during the same time period. In addition, FLSD's FY 2008-09 October five-year financial forecast projects the District will end FY 2011-12 with a General Fund deficit of approximately \$610,000 and FY 2012-13 with a deficit of approximately \$1.4 million.

In FY 2008-09, FLSD has a voted General Fund millage of 22.3 mills and is at the "20 mill floor" for collection purposes. The District estimates its property taxes will generate approximately \$1.2 million in local revenue for FY 2008-09. The District was able to pass a permanent improvement (PI) levy in March 2008 with estimated collections of approximately \$300,000 beginning in 2009. However, the PI levy will not affect the District's General Fund collections.

FLSD is located in Highland County, a county which according to 2007 census figures had a higher poverty index and a lower median household income than the State average. In addition, Highland County's unemployment rate has increased from 6.0 percent in 2007 to 6.9 percent in 2008; both rates, as well as the rate of increase, are higher than the State averages for the same time periods of 5.6 percent and 6.3 percent, respectively. A decline in the area's general

¹ See the **executive summary** for a list of the peers.

² General Fund results of operations balances.

economic condition could lead to a loss in population, a subsequent decrease in District enrollment, and a declining tax base.

Treasurer's Office Operations

FLSD's Treasurer has been at the District since March 2006 and has substantial experience in public finance. The Treasurer's Office consists of three positions including the Treasurer, Assistant Treasurer/Accounts, and Assistant Treasurer/Payroll. All three employees are all highly experienced in their respective functions and all hold treasurers' licenses.

Financial Condition

Table 2-1 presents FLSD's FY 2008-09 October five-year financial forecast as submitted to ODE.

Table 2-1: FY 2008-09 October Five-Year Forecast (in 000s)

Line	Actual			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)	\$1,057	\$1,128	\$1,218	\$1,218	\$1,250	\$1,290	\$1,340	\$1,390
Tangible Personal Property Tax	\$216	\$173	\$134	\$61	\$22	\$10	\$5	\$1
Unrestricted Grants-in-Aid	\$4,599	\$4,809	\$4,836	\$4,836	\$4,836	\$4,900	\$4,910	\$4,925
Restricted Grants-in-Aid	\$94	\$102	\$83	\$83	\$83	\$83	\$83	\$83
Property Tax Allocation	\$148	\$191	\$208	\$235	\$250	\$255	\$260	\$265
All Other Operating Revenue	\$438	\$377	\$547	\$410	\$410	\$410	\$410	\$410
Total Revenue	\$6,552	\$6,780	\$7,025	\$6,842	\$6,851	\$6,948	\$7,008	\$7,074
Other Financing Sources:								
Operating Transfers-In	\$316	\$295	\$182	\$150	\$150	\$150	\$150	\$150
Advances-In	\$0	\$25	\$32	\$65	\$0	\$0	\$0	\$0
All Other Financial Sources	\$1	\$0	\$137	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$317	\$320	\$352	\$215	\$150	\$150	\$150	\$150
Total Revenues and Other Financing Sources	\$6,869	\$7,100	\$7,377	\$7,057	\$7,001	\$7,098	\$7,158	\$7,224
Expenditures:								
Personal Services	\$3,899	\$4,092	\$3,837	\$3,755	\$3,914	\$4,041	\$4,162	\$4,296
Employees' Retirement/Insurance Benefits	\$1,414	\$1,418	\$1,315	\$1,425	\$1,450	\$1,519	\$1,593	\$1,668
Purchased Services	\$953	\$1,182	\$1,164	\$1,250	\$1,325	\$1,400	\$1,490	\$1,575
Supplies and Materials	\$216	\$213	\$183	\$202	\$212	\$223	\$234	\$245
Capital Outlay	\$49	\$48	\$24	\$57	\$7	\$7	\$7	\$7
Other Objects	\$99	\$101	\$107	\$112	\$115	\$118	\$122	\$127
Total Expenditures	\$6,630	\$7,054	\$6,630	\$6,800	\$7,023	\$7,308	\$7,608	\$7,918
Other Financial Uses:								
Operational Transfers - Out	\$316	\$295	\$182	\$150	\$150	\$150	\$150	\$150
Advances - Out	\$25	\$7	\$0	\$65	\$0	\$0	\$0	\$0
Total Other Financial Uses	\$341	\$303	\$182	\$215	\$150	\$150	\$150	\$150
Total Expenditure and Other Financing Uses	\$6,971	\$7,356	\$6,812	\$7,015	\$7,173	\$7,458	\$7,758	\$8,068
Excess Revenue & Other Financing Sources over(under) Expenditures & Other Financing	(\$102)	(\$257)	\$565	\$42	(\$172)	(\$360)	(\$600)	(\$845)
Beginning Cash Balance	\$712	\$610	\$353	\$918	\$960	\$788	\$428	(\$172)
Ending Cash Balance	\$610	\$353	\$918	\$960	\$788	\$428	(\$172)	(\$1,017)
Reservations:								
Outstanding Encumbrances	\$163	\$73	\$146	\$100	\$100	\$100	\$100	\$100
Textbook and Instructional Material	\$0	\$0	\$3	\$0	\$0	\$0	\$0	\$0
Capital Improvements	\$0	\$0	\$25	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$210	\$282	\$300	\$310	\$320	\$330
Bus Purchases	\$0	\$0	\$21	\$0	\$6	\$12	\$18	\$0
Total Reservations	\$0	\$0	\$259	\$282	\$306	\$322	\$338	\$330
Fund Balance June 30 for Certification of Appropriations	\$447	\$280	\$514	\$578	\$382	\$6	(\$610)	(\$1,447)
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	\$447	\$280	\$514	\$578	\$382	\$6	(\$610)	(\$1,447)
Unreserved Fund Balance June 30	\$447	\$280	\$514	\$578	\$382	\$6	(\$610)	(\$1,447)

Source: FLSD

Note: Totals may vary due to rounding.

By its nature, forecasting requires estimates of future events. As a result, differences between projected and actual results are common because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections were prepared.

FLSD's FY 2008-09 October five-year financial forecast was reviewed to assess the reasonableness of historical and projected revenues and expenditures. The forecast and accompanying assumptions were found to reasonably reflect the District's likely future financial condition. However, AOS found that FLSD had, for some forecast line items, submitted assumptions that did not fully support its projections (see **R2.2**).

Expenditure Flow Model Revenue and Expenditures

Table 2-2 shows FLSD's revenue per pupil in comparison to the peer average.

Table 2-2: FY 2007-08 Revenue Comparison

FY 2007-08	FLSD		Peer Average		Difference	
Pupils ¹	863		1,251		(388)	
Revenue Category	Total	Per Pupil	Total	Per Pupil	Total	Per Pupil
Local Revenue	\$1,913,271	\$2,217	\$3,429,655	\$2,800	(\$1,516,384)	(\$583)
State Revenue	\$5,099,467	\$5,909	\$6,276,465	\$5,015	(\$1,176,998)	\$895
Federal Revenue	\$386,624	\$448	\$555,943	\$421	(\$169,319)	\$27
Total²	\$7,399,362	\$8,574	\$10,262,063	\$8,235	(\$2,862,701)	\$339

Source: FLSD and peers FY 2007-08 revenue and EFM average daily membership (ADM)

¹ Pupils represents FY 2007-08 EFM ADM.

² Total EFM revenue is based on ODE's specific composition methodology. In FY 2008-09 FLSD's total General Fund revenue per pupil was \$8,458.34 while the peer average was \$7,778.80 per pupil.

As shown in **Table 2-2**, FLSD's total revenues were lower than the peer average; however, on a per pupil basis, because FLSD has fewer pupils than the peer average, they were actually higher than the peer average. While, both FLSD and the peers are heavily reliant on State revenue, FLSD is more reliant on this revenue source than the peers. As such, the District's overall revenue structure will have greater sensitivity to fluctuations in enrollment and State per pupil funding.

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Functions must continually be evaluated and prioritized, given the limited availability of resources. **Table 2-3** compares FLSD's expenditures based on the expenditure flow model (EFM)³ to the peer average.

³ The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of kindergarten through twelfth grade students and does not include all the funds accounted for by a school district.

Table 2-3: FY 2007-08 Expenditure Comparison

FY 2007-08	FLSD		Peer Average		Difference	
Pupils ¹	863		1,251		(388)	
Expenditure Category	Total	Per Pupil	Total	Per Pupil	Total	Per Pupil
Administrative	\$1,153,428	\$1,336	\$1,132,797	\$931	\$20,631	\$405
Building Operations	\$1,279,519	\$1,482	\$1,922,691	\$1,492	(\$643,172)	(\$10)
Staff Support	\$266,138	\$308	\$177,549	\$148	\$88,589	\$160
Pupil Support	\$565,412	\$655	\$869,471	\$720	(\$304,059)	(\$65)
Instructional	\$3,521,113	\$4,079	\$6,050,568	\$4,958	(\$2,529,455)	(\$879)
Total	\$6,785,610	\$7,860	\$10,153,076	\$8,250	(\$3,367,466)	(\$390)

Source: FLSD and peers FY 2007-08 financial information and EFM ADM

¹ Pupils represents FY 2007-08 EFM ADM.

As shown in **Table 2-3**, FLSD's FY 2007-08 total expenditures were lower than the peer average. However, the District's administrative and staff support expenditures were higher than the peers. Further explanation of these two expenditure categories follows below:

- Administrative** – According to ODE, central office administrative costs are costs incurred for the Board, Superintendent's Office, Fiscal Services, Business Manager, and Support Services. These costs do not deal directly with the education of the students and encompass planning, research, information services, staff services, and data processing expenditures. The building-level administrative costs are functions of the building principal's office. Approximately 75 percent of the District's administrative expenditures were allocated to the central office. Of these expenditures, approximately 80 percent were for personal services and employee retirement and insurance benefits (ERIB). FLSD's administrative expenditures are partially attributable to the District's provision of an additional retirement benefit to administrative employees (see **human resources**).
- Staff Support** – This expenditure category consists of both central office and building-level expenditures. According to ODE, staff support costs that are expended by the central office include in-service for District staff members, instructional improvement services and meeting expenses for all staff. Building-level staff support includes all needed support, staff development, training, retraining, additional college courses, and advice occurring directly in the building. Approximately 92 percent of the District's staff support expenditures were allocated to the central office. Of these expenditures, approximately 78 percent were for personal services and ERIB.

Analyses within the **human resources** section found that FLSD's staffing and compensation was relatively consistent with comparative benchmarks. Because FLSD is a smaller District with less than 1,000 students, its costs will appear higher on a per pupil basis because of certain fixed

costs (e.g., Superintendent and Treasurer) which the District incurs regardless of the number of students it serves.

General Fund Expenditures

Table 2-4 compares FLSD's General Fund expenditures per pupil to the peer average.

Table 2-4: FY 2007-08 General Fund Expenditures Comparison

Expenditure	FLSD	Peer Average	Difference	% Difference
Pupils¹	863	1,251	(\$388.30)	(31.0%)
Personal Services	\$4,446.45	\$4,541.87	(\$95.42)	(2.1%)
ERIB	\$1,524.31	\$1,619.64	(\$95.34)	(5.9%)
Purchased Service	\$1,348.57	\$839.91	\$508.66	60.6%
Supplies & Textbooks	\$211.62	\$292.53	(\$80.92)	(27.7%)
Capital Outlays	\$27.54	\$130.41	(\$102.87)	(78.9%)
Debt Service	\$0.00	\$11.23	(\$11.23)	(100.0%)
Miscellaneous	\$124.39	\$231.84	(\$107.45)	(46.3%)
Other Financing Uses	\$210.76	\$202.55	\$8.20	4.0%
Total Expenditures	\$7,893.62	\$7,869.99	\$23.64	0.3%

Source: FLSD and the peers FY 2007-08 financial information and EFM ADM

¹ Pupils represents EFM ADM.

As shown in **Table 2-4**, FLSD's FY 2007-08 total General Fund expenditures per pupil were slightly higher than the peer average. More specifically, per pupil expenditures were higher than the peer average for purchased services and other financing uses. FLSD's other financing uses expenditure was for transfers-out. The District had matching transfers-in to the General Fund and no additional analysis was warranted.

Table 2-5 compares the composition of FLSD's purchased service expenditures per pupil to the peer average.

Table 2-5: FY 2007-08 General Fund Purchased Services Comparison

Purchased Services	FLSD Per Pupil	Peer Avg. Per Pupil	Per Pupil Difference	Per Pupil % Difference
Pupils¹	863	1,251	(388)	(31.0%)
Professional & Technical Services	\$369.47	\$127.97	\$241.50	188.7%
Property Services	\$126.59	\$153.26	(\$26.67)	(17.4%)
Travel Mileage / Meeting Expense	\$18.21	\$17.38	\$0.84	4.8%
Communications	\$46.36	\$20.09	\$26.27	130.8%
Electricity	\$137.79	\$127.35	\$10.43	8.2%
Water & Sewage	\$11.75	\$9.57	\$2.17	22.7%
Natural Gas	\$87.65	\$56.44	\$31.21	55.3%
Oil	\$0.00	\$8.34	(\$8.34)	(100.0%)
Other Utility	\$0.00	\$0.54	(\$0.54)	(100.0%)
Contract, Craft, or Trade Services	\$0.00	\$1.74	(\$1.74)	(100.0%)
Tuition	\$546.56	\$327.59	\$218.97	66.8%
Pupil Transportation	\$0.80	\$7.79	(\$6.99)	(89.8%)
Other Purchased Services	\$3.40	\$8.62	(\$5.22)	(60.6%)
Total	\$1,348.57	\$866.68	\$481.89	55.6%

Source: FLSD and the peers FY 2007-08 financial information and EFM ADM

¹ Pupils represents FY 2007-08 EFM ADM.

As shown in **Table 2-5**, the largest expenditure within the purchased service category for both FLSD and the peers was tuition. Districts do not have direct control over the level of student tuition expenditures. Excluding tuition expenditures, FLSD's total purchased service expenditures were approximately \$802 per pupil while the peer average was approximately \$539. Of the District's remaining purchased services, the categories significantly higher than the peer average included: professional and technical services, communications, electricity, water and sewage, and gas.⁴ Further explanation of these categories is as follows:

- **Professional and Technical Services** - This category is related to non-payroll services which, by their nature, can only be performed by persons with specialized skills and knowledge.⁵ Within professional and technical services, the majority of expenditures were for educational services obtained from the Southern Ohio Education Service Center (the ESC), tuition/excess costs for multi-handicapped students, and technical support services from the South Central Ohio Computer Association (SCOCA).
- **Communications** - This category is related to services provided by persons or businesses to assist in transmitting and receiving messages or information. The District's communication expenditures were directly related to telephone, postage, and T-1 data lines. Although these expenditures appear to be reflective of costs that FLSD incurs

⁴ Although travel mileage/meeting expense and water and sewerage expenditures were higher than the peer average both expenditures were less than 5 percent of total purchased services (excluding tuition); while these categories of expenditure are important for the District to monitor they were not material to the overall analysis.

⁵ These are services for which the District contracts.

regardless of the number of students it serves, they are still important for the District to closely monitor and evaluate.

- **Electricity and Natural Gas** - These categories are directly related to building operations and are generally indicative of inefficiencies in the use of utilities. See **facilities** for further analysis of the District's energy consumption.

Audit Objectives for the Financial Systems Section

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

- What has been the District's financial history and does the District have policies and procedures to ensure effective and efficient management?
- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system for communicating its financial data and does the District actively involve parents and other stakeholders in the decision making process?
- Has the District developed a strategic plan that links educational and operational plans and incorporates recommended practices?
- How does the District's revenue and expenditure information compare with the peers?
- Has the District established policies governing ethical conduct?
- Does the District's purchasing follow recommended practices and do procedures ensure adequate control over purchases?
- Has the District developed effective internal controls over the payroll process?

Recommendations

District-wide Planning and Management

R2.1 FLSD should develop an up-to-date District plan which outlines the strategic vision for all operational and educational programs. In preparing the plan, FLSD should include detailed goals, objectives, benchmarks, timeframes, performance measures, cost estimates, and funding sources. In addition, FLSD should link the strategic plan to its annual budget, five-year forecast, comprehensive continuous improvement plan (CCIP), and facilities master plan. This approach would shift the focus from inputs (salaries and cost of purchased goods and services) and outputs (students educated, programs developed, meals served, riders transported) to the accomplishment of outcomes (the goals and objectives stated in the District's plan).

FLSD had a five-year, District-wide Continuous Improvement Plan (the District plan or the plan) but this plan is no longer applicable to District operations. The former Superintendent developed the District plan and the original timeframe covered by the plan was FY 2004-05 through FY 2008-09. Although the plan covers the current year of operations, it has never been updated and focuses on a financial scenario that does not reflect the District's actual financial situation.

In lieu of updating or developing a new District plan, the District is using a year-to-year goal setting and planning process. District officials explained that this approach was designed to help regain a stable financial footing without sacrificing academic performance. The Superintendent feels that the development of an effective District plan would likely require a facilitator to ensure better employee participation in the planning process and a good deal of time, but that the District does not currently have the resources to do this.

Recommended Practice on the Establishment of Strategic Plans (GFOA, 2005) recommends that all governments develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. An important complement to the strategic planning process is the preparation of an accompanying long-term financial plan. In preparing the strategic plan, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and the activities funded in the budget.

In the absence of an up-to-date and applicable District plan to tie together all operational and program needs, including budgetary and educational goals, FLSD may not be able to link current District actions with long-term program outcomes. As a result, it might under- or over-fund particular programs relative to other District needs. A single District-wide planning document could improve the efficiency of FLSD's expenditures through tighter budgetary controls and a longer-term focus. Incorporation of performance benchmarks would also help ensure the strategic plan serves as a tool for continuous program and operational improvement. Continuous improvement of the District's educational and business operations will serve as a crucial step in the District's efforts to regain and maintain fiscal stability.

R2.2 FLSD should ensure that its published forecast assumptions adequately address all areas of the five-year financial forecast projections. Insufficient supporting assumptions may preclude the Board from accurately assessing the forecast prior to approval and prevent District stakeholders from accurately understanding the information it contains.

FLSD's FY 2008-09 October forecast assumptions do not explain the Treasurer's methodology for projecting supplies and materials or other objects. Although these line items are not major areas of expenditure (supplies and materials was approximately 3.0 percent of total FY 2008-09 projected expenditures, while other objects comprised 1.6 percent), cumulatively, they could materially affect the forecast.

Further, FLSD's FY 2008-09 October forecast assumptions do not completely address the Treasurer's methodology for projecting ERIB or explain the major elements of the line item. For example, ERIB includes (for both certificated and non-certificated staff) retirement; insurance benefits including medical/hospitalization, life, dental, vision, and other insurance; Workers' Compensation; and unemployment compensation.

FLSD's FY 2008-09 October forecast assumption regarding ERIB states only that ERIB continues to increase at a higher rate than most other expenditures and that the District has experienced large increases in medical insurance and Bureau of Workers' Compensation premiums over the past year and anticipates that they will continue to increase over the next five years.

The *Auditor of State's Best Practices* (AOS, Spring 2004) notes that a common problem with forecasts is that they do not contain adequate assumptions. Sometimes assumptions are based on unsupported or inaccurate information. Because assumptions are crucial to the development of useful financial forecasts, the entity should include detailed, sound assumptions in each forecast. AOS recommends assumptions that are sufficiently detailed to allow the reader to understand the factors included in each line item of the forecast. Best practice forecasts are accompanied by explanations of each assumption, which often

include supporting documentation. Supporting documentation may include trend analyses, expert opinion, or other critical information. In the absence of complete and accurate assumptions, FLSD risks publishing a forecast that does not provide readers with a sufficient explanation of the future financial condition of the District.

Policies and Procedures

R2.3 FLSD should supplement existing financial policies to include those recommended by *Best Practices in Public Budgeting* (GFOA, 2000). These policies would help the District promote long-term financial flexibility and stability by identifying the appropriate parameters for financial activities outside the District's day-to-day operations. Improved policy guidance would help FLSD plan more effectively and avoid making major cost reductions because of a temporary downturn in the economy or the failure to pass a levy.

FLSD's Board has adopted financial policies to help guide financial decision-making. However, the District lacks some policies recommended by the GFOA. *Recommended Budget Practices* (GFOA, 2000) encourages development of financial policies in the following areas:

Stabilization Funds – A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes. The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Finally, development of a policy on minimum and maximum reserve levels may be advisable.

Fees and Charges – A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. Policies may address a requirement to review all fees and charges, the level of cost recovery for services and the reason for any subsidy, and the frequency with which cost-of-services studies will be undertaken. Stakeholders should be given an opportunity to provide input into formulation of these policies.

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

Debt level and capacity – A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of

debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita.

One-time revenues – This policy should limit the use of one-time revenues to ongoing expenditures. By definition, one-time revenues cannot be relied upon in future budgets. A policy on the use of one-time revenues should provide guidance to minimize disruptive effects on services due to non-recurrence for these sources. One-time revenues and allowable uses for those revenues should be explicitly defined within the policy.

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

Contingency planning - 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.

Inclusion of the policies recommended by GFOA and tailoring those policies specifically to the District and its operations could help ensure better management of limited resources and consistency in financial practices. For example, such policies can help the District operate more smoothly in the event of employee absence or turnover, be used as a tool for financial decision making if reductions become necessary, and improve the ability of the District to take timely action as potential shortfalls occur. In addition, comprehensive financial policies could aid in overall management and provide a sound framework upon which to establish practices of performance measurement, planning, and budgeting.

R2.4 FLSD should develop a District-wide purchasing manual to ensure adherence to Board policies and to promote consistency in all purchasing transactions. The manual should include specific procedures for requisitioning, approving, and making purchases for the District.

FLSD does not have a purchasing manual. Purchases are governed by Board policy and all purchases are controlled and processed centrally through the Treasurer's Office. Board policies are available at all buildings and purchasing guidelines are available on the District's web site. All purchases of over \$25,000 are mandated by ORC and Board policy to be subject to competitive bidding requirements. In addition, FLSD's Board

policy states “if feasible, all purchases over \$15,000 but less than \$25,000 will be based on price quotations from at least three vendors.” All purchases, unless emergency in nature, are pre-approved through the proper channels of authority. Further, the District’s financial audit and management letters for FY 2004-05, FY 2005-06, and FY 2006-07 contain no citations related to purchasing and no recommendations with regard to its purchasing process. Requisitions generated at the building or department level are submitted for approval to the building principal or department administrator and can be either paper-based or electronic. Requisitions, which have been approved, are then sent to the Superintendent for approval and then to the Treasurer’s Office for final processing. The Assistant Treasurer/Accounts manually inputs all paper-based requisitions in the District’s accounting software.

FLSD is a member of the Southwestern Ohio Educational Purchasing Cooperative (the EPC) and it also makes school supply purchases through School Specialty, Inc. However, not all purchases are made through consortiums. For example, custodial supplies are purchased through a local supplier. Requisitions are typically not accompanied by evidence of price quotations but the Assistant Treasurer/Accounts noted that this does not mean that price quotes are not obtained.

While policies establish what an organization requires, procedures describe how policies will be carried out or implemented. According to *Introduction to Public Procurement* (The National Institute of Governmental Purchasing (NIGP), 2009), procedure manuals are written in detail, intended not just to provide guidance but also to set out the forms, process requirements, and steps for each procurement action. A procedure manual is best structured in exactly the same sequence as the procurement cycle, detailing each step in the process and showing the forms to be used, the information required, and the standard length of time necessary to complete any step in the process. This facilitates operational planning and provides benchmarks for monitoring the process. Procedure manuals should be tailored to meet agency requirements and, at a minimum, should include:

- Procurement goals, objectives, and responsibilities;
- A step-by-step outline of the procurement process, including the processing of requisitions, solicitations, bid evaluation and awards, preparation and issuance of purchase orders and contracts, follow-up, and contract administration;
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting vendor performance;

- A step-by-step outline of the property and supply management programs, including inventory control and management and the transfer or disposal of surplus property;
- Other special procedures, such as a description of a cooperative purchasing program, how to process invoices for payment and how to process call-ups against term contracts and blanket purchase orders; and
- A listing of the important forms used in the procurement process, instructions to bidders and general conditions governing contracting, and a glossary of procurement terms used in the manual.

The manual should be written for the guidance of both the procurement staff and those people in user departments who are charged with initiating requisitions. It is good practice to make direct reference to, and in some cases include a copy of, the enabling regulation or policy in a procedure manual. Procedure manuals sometimes include process flow charts to graphically portray the flow of forms and information through the procurement process.

Some Ohio school districts have developed procedure manuals to guide staff through the purchasing process and ensure regulations and district policies are adhered to. For example, Miami East Local School District in Miami County has a requisition and purchase order handbook that includes reference to ORC statutes for purchase order authorization; detailed procedures for purchase orders, emergency purchases, and online requisitions; USAS coding definitions; and sample forms.

Although FLSD has some of the NIGP recommended policies and forms in place, it lacks a readily available purchasing manual. The development, approval, and distribution of a purchasing manual would help the Board, Treasurer, and Superintendent clarify the District's official position on all purchasing matters. A purchasing manual would ensure personnel follow proper procedures for determining the optimal vendor, maximizing services from purchasing consortiums, and continually re-evaluating vendors and consortiums to ensure purchasing practices are in line with District goals

R2.5 FLSD should update existing Board policies to include a District-wide ethics policy based on the Ohio Ethics Commission's (OEC) model ethics policy for local governments. This policy should hold all District representatives and employees, regardless of tenure, to a consistent standard of ethical conduct. The Board should also revise its policy on staff conflicts of interest so that ethical standards apply uniformly to all employees.

FLSD has policies regarding Board ethics and District-wide staff conflicts of interest. However, the policies do not include a District-wide ethics policy, which addresses all elements recommended by OEC. In addition, the policy on staff conflicts of interest, adopted in 2004, contains the statement, “this policy does not apply to current employees but will apply to employees hired after the policy adoption date.”

The OEC states that the underlying principle for all functions of the ethics law is to uphold straightforward standards of conduct that maintain integrity and propriety in connection with decisions and policy involving public funds. Specifically, the law prohibits conflicts of interest or personal gain in making and implementing public decisions. Additionally, the OEC offers a model ethics policy for local government agencies. The model ethics policy lists a number of general standards for ethical conduct as well as ethics requirements and penalties associated with compliance failure.

IN the absence of a comprehensive policy that holds all District representatives and employees accountable to a consistent ethical standard, FLSD may be at greater risk for individual ethical misconduct and a loss of the public’s trust. Further, the addition of wording which specifically excludes certain employees from ethical guidelines heightens the District’s risk of employee misconduct.

Stakeholder Involvement and Information Sharing

R2.6 FLSD should follow through with its plans to establish Board working sessions for setting financial goals and priorities. In addition, it should convene a District-wide finance committee that includes both internal and external stakeholders.

The District does not have a budget or finance committee. However, the Superintendent would like to move toward work sessions in which Board members would work to set financial goals and priorities. The Superintendent wants the Board to be more active in providing guidance for District priorities but with the potential to expand the scope of the work sessions.

The District’s efforts to convene a finance committee should begin with contacting prior members of a District levy committee. The Treasurer noted that during the May 2008 levy attempt he convened a levy committee of 20 to 25 community members. This group was selected based on individual expertise or community standing and was apprised of the District’s financial situation in detail. The group members were instrumental in holding community forums and speaking engagements with a number of local groups and associations. Although the Treasurer no longer meets formally with the former levy committee members, he maintains contact with individuals.

According to the University of Kansas publication, *The Community Tool Box, Section 5. Creating a Financial and Audit Committee* (2007), a finance committee is typically a standing committee of the board that works with the administration to monitor the organization's finances. The finance committee is often chaired by the treasurer and may consist of only board members or may include external supporters with specific skills that are valuable to the board. For example, those selected for the committee should have a specific relevant expertise or lend greater credibility to the finance committee and by extension, the Board. Common responsibilities of the finance committee include:

- Overseeing the financial dealings of the organization;
- Participating in the annual audit;
- Evaluating the organization's fiscal operation, and those in charge of it;
- Ensuring the financial elements of the organization are in accord with its vision, mission, and strategic plan; and
- Reporting to the full board about the financial condition of the organization and/or any financial irregularities or inefficiencies.

Although FLSD intends to involve Board members in a more detailed discussion of the District's financial situation, there are no specific plans to expand or to create a separate finance committee including District and community stakeholders. Without representation from stakeholders in the discussion of the District's financial condition, there may be difficulty in maintaining support for its financial decisions.

R2.7 FLSD should consider updating its web site to include administrative and financial information that could be useful to stakeholders. By doing so, FLSD would be using a relatively inexpensive method to help community members better understand its financial condition as well as its program and business goals. In addition, a redesigned web site with increased content could make additional public information more easily accessible to the community.

The current web site contains basic information about the District, such as contact information, building locations, a calendar of events, lunch prices, the Superintendent's message, Board mission statement, and Treasurer's Office information. The web site contains very little financial or program information and does not include information such as the budget, five-year financial forecast, or comprehensive continuous improvement plan (CCIP). The web site also lacks fundamental Board information such as policies, meeting minutes, and agendas.

According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government should publish its budget documents and annual financial report directly on the web site. Further, GFOA notes that a government effectively using its web site can realize a number of benefits, including increased public

awareness, increased public usage of the information, availability of information for use in public analysis, and possible avoidance of disclosure redundancy.

Several Ohio school districts use web sites to provide stakeholders with key information pertaining to district operations. For example, Westerville City School District's web site provides Board policies, meeting minutes and agendas, presentations, and goals; its FY 2008-09 tax budget and five-year forecast; historical financial reports; property tax, millage, and valuation information; historical costs per pupil; and a glossary of school financial terms. Wayne Trace Local School District's web site includes an annual financial report illustrating funding sources, and containing comparisons to neighboring school districts, as well as expenditures by object and function. Finally, Lebanon City School District publishes monthly financial reports on its web site including expenditures to date, its current budget, historical comparisons by object, historical revenues and expenditures charts, salaries and benefits as a percent of revenues, and bank reconciliations.

FLSD's web site has not been developed to include the financial information and documents recommended by GFOA and observed on other Ohio school district web sites. Expanding the web site to incorporate financial information such as the five-year forecast, tax budget, financial reports, and property tax data would help better educate the public about the District's financial situation and potentially increase public awareness and support for different program and funding strategies.

Operational Efficiency

R2.8 FLSD should fully implement the South Central Ohio Computer Association's (SCOCA) HR Kiosk (Kiosk) application. In order to do so, it should work with representatives from SCOCA to ensure that all affected employees participate in the free Kiosk training. Full implementation of Kiosk would result in increased efficiency in a number of processes, most notably in the payroll exception use and approval process.

FLSD's payroll system is a bi-weekly, exception-based payroll. All employee pay is on the same pay run, including supplemental, which is paid four times per year. All employees are also required to use direct deposit.

FLSD requires pre-approval of all leave use and leave use guidelines are available online. The District also requires pre-approval of all overtime; the only exception is emergency maintenance. Each department and building-level administrator is required to approve and send payroll to the Treasurer's Office. The Assistant Treasurer/Payroll then checks and processes the payroll. The bus garage has a time clock and each employee clocks-in and clocks-out. Otherwise, all payroll information is paper-based.

According to SCOCA, the District could further automate its leave submission process by implementing HR Kiosk. HR Kiosk has three main components that allow employees to:

- view their own leave use online with no assistance from the treasurer’s office;
- view their own pay stubs online with no assistance from the treasurer’s office; and
- request leave online.

HR Kiosk is available to the District at no additional cost. In addition, all necessary software support and training to implement HR Kiosk is provided free of additional charge to SCOCA member districts.

Full implementation of Kiosk would allow for increased efficiency in the payroll process through elimination of duplicative data entry and paper-based processes.

Financial Recovery

R2.9 FLSD should implement the performance audit recommendations contained in this and other report sections. Implementation of the performance audit recommendations would offset projected deficits and help FLSD to maintain a positive year-end fund balance through FY 2011-12. However, additional reductions in service levels or staffing may be needed to fully address the District’s projected FY 2012-13 deficit. Identifying additional savings beyond those included in this performance audit would allow FLSD to make less severe reductions in staff.

In order to address the projected deficit, FLSD will need to make substantial reductions in staff and program operations. Reductions could have a negative effect on student performance and impact the District’s ability to provide some specialized programs to its students. Some recommended reductions take staffing to levels below those of the peer average. However, by implementing the performance audit recommendations FLSD can maintain a positive fund balance through FY 2011-12.

Table 2-6 demonstrates the affect of the performance audit recommendations on the five-year forecast and ending fund balances, assuming that all are implemented. Full implementation of performance audit recommendations is projected to result in a positive fund balance in FY 2011-12 of approximately \$403,000 leaving the District with a FY 2012-13 negative fund balance of approximately \$71,000; an amount significantly lower than the original deficit projection shown in **Table 2-1**.

Table 2-6: Revised FY 2008-09 Five-Year Forecast (in 000s)

Line	Actual			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)	\$1,057	\$1,128	\$1,218	\$1,218	\$1,250	\$1,290	\$1,340	\$1,390
Tangible Personal Property Tax	\$216	\$173	\$134	\$61	\$22	\$10	\$5	\$1
Unrestricted Grants-in-Aid	\$4,599	\$4,809	\$4,836	\$4,836	\$4,836	\$4,900	\$4,910	\$4,925
Restricted Grants-in-Aid	\$94	\$102	\$83	\$83	\$83	\$83	\$83	\$83
Property Tax Allocation	\$148	\$191	\$208	\$235	\$250	\$255	\$260	\$265
All Other Operating Revenue	\$438	\$377	\$547	\$410	\$410	\$410	\$410	\$410
Total Revenue	\$6,552	\$6,780	\$7,025	\$6,842	\$6,851	\$6,948	\$7,008	\$7,074
Other Financing Sources:								
Operating Transfers-In	\$316	\$295	\$182	\$150	\$150	\$150	\$150	\$150
Advances-In	\$0	\$25	\$32	\$65	\$0	\$0	\$0	\$0
All Other Financial Sources	\$1	\$0	\$137	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$317	\$320	\$352	\$215	\$150	\$150	\$150	\$150
Total Revenues and Other Financing Sources	\$6,869	\$7,100	\$7,377	\$7,057	\$7,001	\$7,098	\$7,158	\$7,224
Expenditures:								
Personal Services	\$3,899	\$4,092	\$3,837	\$3,755	\$3,914	\$4,041	\$4,162	\$4,296
Employees' Retirement/Insurance Benefits	\$1,414	\$1,418	\$1,315	\$1,425	\$1,450	\$1,519	\$1,593	\$1,668
Purchased Services	\$953	\$1,182	\$1,164	\$1,250	\$1,325	\$1,400	\$1,490	\$1,575
Supplies and Materials	\$216	\$213	\$183	\$202	\$212	\$223	\$234	\$245
Capital Outlay	\$49	\$48	\$24	\$57	\$7	\$7	\$7	\$7
Other Objects	\$99	\$101	\$107	\$112	\$115	\$118	\$122	\$127
Total Expenditures	\$6,630	\$7,054	\$6,630	\$6,800	\$7,023	\$7,308	\$7,608	\$7,918
Other Financing Uses:								
Operational Transfers - Out	\$316	\$295	\$182	\$150	\$150	\$150	\$150	\$150
Advances - Out	\$25	\$7	\$0	\$65	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$341	\$303	\$182	\$215	\$150	\$150	\$150	\$150
Total Expenditure and Other Financing Uses	\$6,971	\$7,356	\$6,812	\$7,015	\$7,173	\$7,458	\$7,758	\$8,068
<i>Performance Audit Recommendations</i>	N/A	N/A	N/A	N/A	\$320	\$341	\$352	\$363
Result of Operations (Net)	(\$102)	(\$257)	\$565	\$42	\$148	(\$19)	(\$248)	(\$481)
Beginning Cash Balance	\$712	\$610	\$353	\$918	\$960	\$1,108	\$1,089	\$841
Ending Cash Balance	\$610	\$353	\$918	\$960	\$1,108	\$1,089	\$841	\$359
Reservations:								
Outstanding Encumbrances	\$163	\$73	\$146	\$100	\$100	\$100	\$100	\$100
Textbook and Instructional Materials	\$0	\$0	\$3	\$0	\$0	\$0	\$0	\$0
Capital improvements	\$0	\$0	\$25	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$210	\$282	\$300	\$310	\$320	\$330
Bus Purchases	\$0	\$0	\$21	\$0	\$6	\$12	\$18	\$0
Total Reservations	\$0	\$0	\$0	\$282	\$306	\$322	\$338	\$330
Fund Balance June 30 for Certification of Appropriations	\$447	\$280	\$726	\$578	\$702	\$667	\$403	(\$71)
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	\$447	\$280	\$726	\$578	\$702	\$667	\$403	(\$71)
Unreserved Fund Balance June 30	\$447	\$280	\$726	\$578	\$702	\$667	\$403	(\$71)

Source: FLSD and AOS

Note: Totals may vary due to rounding.

Table 2-7 summarizes the performance audit recommendations reflected in the revised five-year forecast. With the implementation of these recommendations, it is projected that FLSD could maintain a positive fund balance through FY 2011-12.

Table 2-7: Summary of Performance Audit Recommendations (in 000s)

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Annual Cost Savings				
R3.1 Eliminate two regular education teaching positions (20 percent above State minimum)	\$87	\$91	\$94	\$98
R3.2 Eliminate three ESP positions (20 percent above State minimum)	\$185	\$192	\$199	\$207
R3.4 Eliminate the additional retirement benefit pick-up for District administrators	\$28	\$28	\$29	\$29
R3.5 Participate in BWC programs to reduce premiums	\$6	\$6	\$6	\$6
R3.6 Implement single and family dental coverage plans	\$5	\$5	\$5	\$5
R4.1 Develop an energy management program	\$10 ¹	\$20	\$20	\$20
Total Annual Cost Savings	\$321	\$341	\$352	\$364
Annual Cost				
R4.4 Subscribe to a computerized maintenance management systems (CMMS)	\$1	\$1	\$1	\$1
Total Annual Cost	\$1	\$1	\$1	\$1
Total Cost Savings from Performance Audit Recommendations (Less Annual Cost)	\$320	\$341	\$352	\$363

Source: AOS Performance Audit Recommendations

¹ This financial implication is presented at 50 percent implementation in the first year of the forecast.

Human Resources

Background

This section of the performance audit focuses on the human resource (HR) functions of the Fairfield Local School District (FLSD or the District). Operations were evaluated against leading practices, industry benchmarks, operational standards, and peer districts.¹ Comparisons were made for the purposes of developing recommendations to improve efficiency and operating practices, as well as identifying potential cost savings. Recommended practices and industry standards were drawn from various sources, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the Kaiser Family Foundation (Kaiser), the National Education Association (NEA), the Ohio Education Association (OEA), the State Employment Relations Board (SERB), and the Ohio School Boards Association (OSBA).

Organizational Structure and Function

FLSD does not have a department dedicated to performing HR functions. Instead, the Superintendent and the Treasurer's Office complete these activities. The Superintendent conducts employee recruitment, negotiates collective bargaining agreements, and maintains personnel files, which include general information and employee evaluations. The Treasurer's Office assists with labor negotiations; updates fiscal reports and Education Management Information System (EMIS) staffing information; maintains files on salary and benefits for each employee; and processes payroll.

Staffing

Table 3-1 illustrates the full-time equivalent (FTE) staffing per 1,000 students educated² at FLSD compared to peers, as reported to ODE through EMIS. The FTEs in **Table 3-1** are presented on a per 1,000 student basis to eliminate variances attributable to the size of the peer districts.

¹ See **executive summary** for a list of the peer districts.

² The number of students educated was calculated by taking the percent of time students were enrolled less the percent of time students attended joint vocational schools, education service centers, and post-secondary programs.

Table 3-1: FY 2007-08 FLSD Staffing Comparison (FTEs per 1,000 Students)

	Fairfield LSD		Peer Average		Differences	
	FTE Staff	FTE/1,000 Students ¹	FTE Staff	FTE/1,000 Students	FTE Staff	FTE/1,000 Students
Students Educated		836.36		1,212.29		(375.93)
Administrators	5.4	6.4	7.0	5.5	(1.6)	0.9
Finance & Accounting	3.0	3.6	2.0	1.8	1.0	1.8
Office/Clerical	5.0	6.0	6.8	5.7	(1.8)	0.3
Education Staff	52.6	62.9	79.4	66.3	(26.8)	(3.4)
Teacher Aides	8.0	9.6	5.7	4.7	2.3	4.9
Library Staff	2.0	2.4	2.9	2.4	(0.9)	0.0
Student Services	5.0	6.0	3.9	3.1	1.1	2.9
Operations	19.0	22.8	27.8	23.2	(8.8)	(0.4)
Total FTE Reported	100.0	119.7	136.2	113.4	(36.2)	6.3

Source: FY 2007-08 EMIS data reported to ODE.

Note: Data reflects FTE employees reported by the districts through EMIS. No changes were made to client or peer data. Totals may differ due to rounding.

¹ FLSD's per 1,000 student FTE numbers are greater than the actual FTEs reported because it has fewer than 1,000 students enrolled.

As illustrated in **Table 3-1**, FLSD's education staff and operations have fewer FTEs than the peer average. Conversely, FLSDs staffing levels are significantly higher on a per 1,000 student basis in the following categories:

- **Finance & Accounting:** FLSD has one treasurer and two assistant treasurers. As of September 2008, an assistant treasurer's daily work hours were reduced and as a result, the finance and accounting staff decreased from 3.0 FTE (3.6 FTE per 1,000) to 2.8 FTE (3.4 FTE per 1,000).
- **Teaching Aides:** The District employs 8.0 FTEs in teaching aide positions. However, 5.0 FTEs are funded through Title and grant funds. Furthermore, based on the 3.0 teaching aide FTEs that are supported through the General Fund, the number of teaching aides per 1,000 students is reduced to 3.6, which is below the peer average.
- **Student Services:** Nearly all of the FTEs reported in this category are attendants. Many of these employees are assigned as instructional aides to special education classrooms or to individual students to satisfy IEP requirements. The District employs 3.0 attendant FTEs, which equates to 3.6 attendants per 1,000 students. Two of the attendants are funded through Title and grant funds, while the other attendant resigned at the end of FY 2007-08. The adjustment of staffing levels for Student Services for those charged to other funds brings the District in line with the peer average.

Compensation

Table 3-2 compares FLSD salaries to the peers. These salaries do not include retirement contribution pick up or benefit costs paid by the District on behalf of its employees.

Table 3-2: FY 2007-08 FLSD Salary Comparison

	Average Salaries			Salaries Per Students Educated		
	Fairfield LSD	Peer Average	Difference	Fairfield LSD	Peer Average	Difference
Students Educated				836.36	1212.29	(375.93)
Administrative	\$66,952	\$68,758	(2.6%)	\$350	\$388	(9.8%)
Finance & Accounting	\$50,159	\$50,169	0.0%	\$179	\$87	105.7%
Office/Clerical	\$22,850	\$25,833	(11.5%)	\$136	\$147	(7.5%)
Education Staff	\$47,218	\$49,568	(4.7%)	\$2,968	\$3,279	(9.5%)
Teacher Aides	\$16,993	\$15,116	12.4%	\$162	\$77	110.4%
Library Staff	\$38,948	\$28,711	35.7%	\$93	\$70	32.9%
Student Services	\$18,089	\$39,333	(54.0%)	\$151	\$134	12.7%
Operations	\$21,280	\$18,981	12.1%	\$483	\$428	12.9%
Total				\$4,522	\$4,628	(2.3%)

Source: ODE EMIS data reported for FLSD and the peer districts

In the comparison presented in **Table 3-2**, FLSD's total salaries per student educated are slightly below the peer average. The District's average salaries for teaching aides, library staff, and operations are higher than the peer averages. Years of service and the education level attained by the personnel within a category, are factors that directly impact average salaries.

Benefits

The District provides a comprehensive health insurance benefits package including medical, dental (see **R3.6**), prescription drug, and vision to eligible employees. It controls insurance costs by purchasing coverage through the South Central Ohio Insurance Consortium. FLSD also requires eligible employees to contribute toward the monthly medical premium. The District's employees contribute 21 percent of the monthly premium for single coverage and 25 percent for family coverage, which is in line with private sector industry standards. Kaiser's 2007 Health Benefits Survey reported that employees pay 15 percent of the monthly premium for single coverage and 26 percent for family coverage.

Negotiated Agreements

Workday hours, salaries, benefits, and types of leave for regular certificated and classified employees are outlined in the collective bargaining agreement between the Board of Education and the Fairfield Education Association (FEA). The collective bargaining agreement is effective from July 1, 2005 through June 30, 2009 and includes both certificated and classified employees.

In June 2008, the District and FEA agreed to an amendment to the active collective bargaining agreement. The amendment was to provide a re-opener for salaries for FY 2008-09. The amendment included a zero percent raise, a freeze on all years of service increases, a reward to all employees with a 2 percent one-time payment, and a 50 percent reduction in all supplemental salaries.

Program Operation

Under the supervision of the Director of Special Programs, FLSD has programs in place for special and gifted education. The District's approach to special education includes intervention and placement of special needs students in regular education classrooms where possible. Procedures are in place for identifying gifted students; however, due to financial constraints, the District has placed a moratorium on its gifted program for FY 2008-09.

The District has controlled vocational education costs by offering only necessary courses needed to fulfill graduation requirements. Students pursuing vocational education studies use the Laurel Oaks Campus of the Great Oaks Career Technical Center. Great Oaks is comprised of 36 school districts from Hamilton, Clermont, Highland, Clinton, and Fayette counties.

Human Resources Audit Objectives

The following questions were used to evaluate HR operations within FLSD:

- How do staffing levels compare with similar high performing districts?
- Is the District's compensation package in line with other high performing districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in line with peers and best practices?
- Does the District effectively manage human resource issues?

- Does the Board operate in an effective manner?
- Does the District provide special education programs for students with disabilities that maximize resources and are compliant with state and federal regulations?
- Does the District provide an effective and efficient workforce development program that meets the needs and expectations of the community?

Recommendations

Staffing

R3.1 FLSD should consider making reductions in its classroom teaching staff to avoid projected deficits. The District could potentially reduce classroom teachers by 2 FTEs and remain approximately 20 percent above State minimum requirements as set forth by OAC § 3301-35-05. If it is unable to implement other cost saving recommendations in the performance audit, the District may need to move closer to State minimum requirements for classroom teacher staffing levels in order to avoid future deficits. While such reductions may be necessary to avoid projected deficits, FLSD should evaluate the impact any reductions in direct instruction personnel may have on student achievement.

The District employs 37 classroom teacher FTEs. **Table 3-3** compares the District's regular teacher staffing to the peer average and State minimum standards.

Table 3-3: Classroom Teaching Staffing Levels

	Fairfield LSD	Peer Districts	Difference
Students Educated	836.4	1212.3	(375.9)
Classroom Teachers (FTE)	37.0	57.2	(20.2)
Classroom Teachers per 1,000 Students	44.2	47.7	(3.5)
<u>Comparison to State Minimum Requirements</u>			<u>FTE Teachers</u>
Classroom Teachers Employed			37.0
State Minimum Required Classroom Teachers			29.3
<i>Classroom Teachers Above State Minimum Requirement</i>			7.7

Source: FLSD and peer districts ODE EMIS reports for FY 2007-08

As illustrated in **Table 3-3**, the number of classroom teachers per 1,000 students is below the peer average. Although FLSD is below the peer average, it exceeds the regular student to regular classroom teacher ratio mandated by State minimum standards.

OAC § 3301-35-05 requires districts to maintain a district-wide student-to-teacher ratio of at least 1.0 FTE classroom teacher for every 25 students in the regular student population as defined in ORC § 3317.023. Classroom teachers are licensed employees who provide direct instruction to pupils, excluding teachers funded from federal sources; educational service personnel; and vocational and special education teachers.

The District has 7.7 more FTE classroom teachers than the State minimum requirements. A reduction in staffing levels would decrease salary and benefit costs and the projected

budget deficit. However, reducing direct instruction personnel may have an impact on the District's primary mission of educating students.

Financial Implication: The elimination of 2.0 FTE classroom teachers could save FLSD approximately \$87,000 in salaries and benefits in FY 2009-10 while keeping the District 20 percent above the State minimum requirements. This estimate of savings will increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

R3.2 FLSD should consider eliminating 3.0 FTE education service personnel (ESP) to avoid projected deficits. It could make these reductions and remain 20 percent above the State minimum requirements. While such reductions may be necessary to avoid projected deficits, the District should evaluate the impact of ESP reductions on educational services and student achievement.

The District employs 7.0 ESP FTEs. **Table 3-4** compares FLSD's ESP staffing to the peer average and State minimum standards.

Table 3-4: FLSD and Peer ESP Staffing Comparison

	Fairfield LSD	Peer Districts	Difference
Students Educated	836.4	1212.3	(375.9)
ESP Teachers (FTE) ¹	4.0	5.4	(1.4)
Counselors (FTE)	1.0	2.0	(1.0)
Librarian / Media Specialist (FTE)	1.0	0.8	0.2
School Nurses (FTE)	1.0	0.3	0.7
Total Educational Service Personnel (FTE)	7.0	8.7	(1.7)
ESP Teachers per 1,000 Students	4.8	4.6	0.2
Counselors per 1,000 Students	1.2	1.7	(0.5)
Librarian / Media Specialist per 1,000 Students	1.2	0.7	0.5
School Nurses per 1,000 Students	1.2	0.2	1.0
Total ESP per 1,000 Students²	8.4	7.4	1.0
Total FTE ESP Above Peer Districts			0.8
Comparison to State Minimum Requirements			FTE's
Total ESP Employed			7.0
State Minimum Required ESP			3.7
ESP Above State Minimum Requirement			3.3

Source: FLSD FY 2007-08 and peer FY 2007-08 staffing data as reported to ODE.

¹ ESP teachers include K-8 art, music, and physical education teachers.

² FLSD has less than 1,000 students educated

As illustrated in **Table 3-4**, FLSD's ESP staffing is slightly above the peer average and 3.3 FTE above the State minimum requirement.

OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 educational service FTEs for every 1,000 students in the regular student population. Additionally, ESP staff must be assigned to at least five of the following eight areas: counselor, library media specialist, school nurse, visiting teacher, social worker, and elementary art, music and physical education.

FLSD employs 3.3 FTEs above the State minimum requirement. The forecasted operating deficit may require staffing reductions to balance its budget. Eliminating 3.0 ESP FTEs would bring the District closer to the State minimum while providing a financial savings.

Financial Implication: FLSD could save approximately \$185,000 in salaries and benefits in FY 2009-10 by eliminating 3.0 ESP FTEs. This estimate of savings will increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

R3.3 The District should develop a formal staffing plan to address current and future staffing needs. In doing so, FLSD should establish staffing allocations for administrative, certificated, and classified personnel. This will help ensure the District proactively addresses its staffing needs and complies with State and federal requirements. Likewise, the plan should illustrate how staffing and related costs impact the District's financial condition and overall mission.

The District does not have a formal staffing plan. The Superintendent and building principals determine staffing needs.

Strategic Staffing Plans (SHRM, June 2002) notes that high performing organizations use staffing plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. In addition, *Estimating Future Staffing Levels* (SHRM, 2006) notes the most important question for any organization is what type of workforce it will need in order to successfully implement its strategic mission. Once this question is answered, the organization can focus on recruiting, developing, motivating, and retaining the number and mix of employees that will be required at each point in time.

The Cincinnati City School District has developed a formal staffing plan for certificated and classified personnel that works to incorporate state requirements, contractual agreements, available resources, and educational goals into a process that includes central and site-based administrators and personnel. The staffing plan, linked to the District's student-based budgeting plan, employs a template that includes recommended elements and serves as a planning tool for the District's Instructional Leadership Teams.

Lakota Local Schools developed a formal classified staffing plan that determines the number of employees needed based on enrollment, meals per labor hours, and building square footage.

By implementing a staffing plan and updating it on an annual basis, FLSD will be better prepared to make changes to staffing levels in response to its enrollment and financial condition. The District could complete a staffing plan in-house at no additional cost.

Compensation

R3.4 FLSD should cease paying the employee share of the retirement benefit for all administrative positions. This may require renegotiation of administrator contracts.

FLSD contributes the employer portion of the retirement benefit, as well as all or a portion of the employee's share, for six District employees. Five of the positions receive an additional 1 percent towards their retirement benefit. Those positions are:

- Superintendent;
- Director of Special Programs;
- Technology Coordinator; and
- Principals (2).

FLSD contributes 50 percent of the employee's share plus an additional 0.5 percent towards the Treasurer's retirement benefit.

School districts in Ohio are required to administer payments into two retirement plans: the State Teachers Retirement System (STRS) for teachers and other certificated staff, and the School Employees Retirement System (SERS) for positions such as secretaries, custodians, business managers, teacher aides, dentists, bus drivers, and food service personnel. STRS and SERS mandate the percentages of contribution to be made by an employer and employee. Employers are required to contribute 14 percent of each employee's annual salary to the respective retirement fund. Employees must contribute 10 percent of their annual earnings.

The District goes beyond these requirements and picks-up the employee share of the retirement benefit for selected positions and in some cases contributes an additional 1 percent. By reducing the number of positions that receive the additional retirement benefit to the Superintendent and Treasurer, the District could eliminate the associated costs.

Financial Implication: If the District were to stop paying the employee share of the retirement benefit and the additional 1 percent for all positions, it would save approximately \$28,000 annually based on FY 2007-08 wages.

Benefits

R3.5 The District should implement Bureau of Workers' Compensation's (BWC) leading practices for work place safety to reduce workers' compensation claims and associated costs. It should also enroll in any BWC discount programs for which it is eligible. Further, the District should formally adopt and implement continuous on the job training to help enhance work place safety. Mandatory job safety training brings awareness of job safety issues and keeps employees updated on new practices.

FLSD uses a third party administrator to handle workers' compensation claims. It receives a quarterly report from the administrator that outlines claims with updated medical and compensation amounts.

BWC classifies the risk associated with public employers using an employer modification rating (EMR). The EMR is based on the type of employer and the claims history. The EMR determines the amount of the discount on base rate or the penalty amount above the base rate that the employer will pay in premiums. FLSD's calendar year (CY) 2008 EMR is 1.04, a penalty rating. The District's CY 2008 premium payment was based on the CY 2007 group rating discount and CY 2007 actual payroll and claims that occurred during CYs 2002, 2003, 2004, and 2005. The workers' compensation premium paid in CY 2008 was approximately \$10,600.

BWC encourages employers to prevent claims by offering assistance and funding to initiate work place safety programs. Many times simply having these programs will automatically reduce premium costs regardless of their actual effect in reducing claims. BWC programs reduce premiums by lowering the employer modification rating used in payment formulas. These programs include the Premium Discount Program (PDP), the Drug-Free Workplace Program (DFWP), and the \$15,000 Medical Only Program (15K Program) BWC's 10-Step Business Plan is the primary component of the PDP and DFWP.

The BWC Safety Council Program provides local communities with quality programs addressing occupational safety and health, workers' compensation, and risk management education and information. The councils inform participants about new techniques, products and services, and provide a thorough knowledge of these services. Employers can earn a 2 percent rebate for meeting all of the participation eligibility requirements and a 2 percent performance bonus for reducing either the frequency or severity of claims by 10 percent, or by maintaining both frequency and severity at zero. An employer must meet all eligibility requirements to be eligible for the performance bonus.

FLSD is not currently enrolled in any BWC discount programs. Due to the size of the District, one claim can greatly impact its workers' compensation rate. Using BWC programs will assist the District with current claims costs through discounts, and possibly reduce future work related injuries, which will reduce the District's experience modifier in future years' premium calculations.

Financial Implication: Based on its CY 2007 payroll and the EMR for 2008, participation in a discount program to reduce the District's penalty rating by 10 percent would result in savings of approximately \$6,000 annually.

R3.6 The District should consider implementing separate single and family plans for dental coverage to better match employee needs and reduce costs. Offering single and family plans would ensure that the District is not paying for coverage its employees do not need.

FLSD offers dental coverage to its staff. However, it offers only family coverage for all employees regardless of their need for this level of coverage. The monthly dental premium is approximately \$63 and is paid by the District.

According to the OEA, the average premium for dental insurance is \$40 for single coverage and \$70 for family coverage paid entirely by the employer.

Because only family plans are offered, employees who only need single coverage are receiving additional unused coverage. Assuming the employees who select single health insurance coverage will also choose single dental coverage, 17 employees would potentially choose single coverage options based on FY 2007-08 data. The difference between the District's monthly family dental premium of \$63 and the OEA monthly single dental coverage premium of \$40 is \$23 per employee per month.

Financial Implication: Based on the number of single medical plans and the OEA average premium for single coverage, the District could save approximately \$5,000 annually.

R3.7 The District should take advantage of web-based training opportunities offered by the Ohio School Boards Association (OSBA) to Board members at no cost. These online training sessions focus on specific topics and may be helpful for all members of the FLSD Board. The additional training will assist Board members in understanding their roles and responsibilities.

The five-member Board comprises three new members and two experienced members. Each Board member has received a manual published by OSBA. Board members attended the new Board member training and orientation.

According to *Board Leadership Development* (OSBA, 2007), leadership starts with skilled and well-informed school board members and administrators. OSBA offers a variety of training courses and seminars for board members. Many are online and available free of charge. These online sessions vary from ten minutes in length to longer than an hour:

- Candidate: Roles and Responsibilities of a School Board Member;
- Speaking One Voice – Communicating as a Board; and
- Understanding the Five-Year Forecast.

FLSD has taken advantage of traditional training opportunities offered by OSBA, such as the new member training. However, OSBA's web-based training courses target specific topics and provide Board members an opportunity to engage in training activities at no cost to the District. By making Board members aware of these opportunities, the District can encourage new and veteran Board members to take advantage of professional development activities without additional costs.

Financial Implications Summary

The following table is a summary of estimated annual cost savings.

Table 3-5: Recommendations for Human Resources

Recommendation	Annual Cost Savings
R3.1 Reduce Classroom Teachers by 2.0 FTEs	\$87,000
R3.2 Reduce ESP staff by 3.0 FTEs	\$185,000
R3.4 Discontinue paying additional benefit for employees retirement for all administrative employees	\$28,000
R3.5 Implement BWC leading practices for work place safety and enroll into the Workers' Compensation Discount Program	\$6,000
R3.6 Implement single plans for dental coverage for 17 employees with a savings of \$23 per month per single employee.	\$5,000
Total ¹	\$311,000

Source: AOS Recommendations

¹ Financial Implication reflects non-cumulative savings each year of the forecasted period. For estimated cumulative savings for these recommendations, see **financial systems**.

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Facilities

Background

The facilities section of the performance audit focuses on custodial, maintenance, and grounds keeping staffing; operations; expenditures; energy management; and building utilization in Fairfield Local School District (FLSD or the District). Operations were evaluated against leading practices and industry standards, including American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES) and Association of School Business Officials International (ASBO), as well as selected peer school districts.¹ Comparisons were made for the purposes of developing recommendations to improve the efficiency or effectiveness of business practices.

Summary of Operations

FLSD comprises a K-12 facility. The District also has a bus garage, administrative building and vocational/agricultural building that are connected to the facility. FLSD consolidated to one building in 2002 as part of an Ohio School Facilities Commission (OSFC) construction project.

The District has an estimated \$140,000 permanent improvement levy, which it will use to fund capital improvements. In FY 2008-09, the District plans to use permanent improvement funds to pay for a portion of the Maintenance and Transportation Director's (Director) salary, the textbook set-aside balance, and the capital outlay set-aside balance, and purchase a new school bus. The first half collections of this new permanent improvement levy will be recognized in 2009.

Staffing

Table 4-1 illustrates Maintenance and Operations (M & O) staffing levels, and the number of FTE employees responsible for maintaining District facilities. The District employed five custodians in FY 2007-08, but one custodian retired at the end of the fiscal year, reducing the total number of custodial employees to four for FY 2008-09.

¹ See the **executive summary** for a list of the peer districts.

Table 4-1: FY 2008-09 M & O Staffing Levels

Classification	Number of Positions	FTEs by Activity
Maintenance ¹	2	1.3
Total Custodians	4	4.0
Groundskeeper ²	0	0.1
Total M & O Personnel	6	5.4

Source: District custodial staffing list and interviews

¹ The District employs a Maintenance and Transportation Director who estimates he dedicates approximately .75 FTE to maintenance functions. The District also employs a Maintenance Assistant who assists with maintenance functions (.5 FTE). This position is currently filled by a part-time bus driver.

² The Maintenance and Transportation Director and the Maintenance Assistant are responsible for groundskeeping functions, but collectively work only a small portion of their time on this function (.1 FTE).

The Maintenance and Transportation Director's maintenance responsibilities include ensuring District facilities are kept clean, safe, properly maintained and operating efficiently, and assisting with groundskeeping responsibilities. The Director reports to the Superintendent. The Maintenance Assistant maintains buildings, grounds (e.g., snow removal and mowing), equipment and vehicles (including school buses) under the supervision of the Director. Custodians are responsible for cleaning school buildings on a daily basis; preparing facilities for the next school day for teachers, students and visitors; and performing all applicable custodial duties.

Key Statistics

Key statistics related to FLSD's facilities are presented in **Table 4-2**. In addition, results from the 37th *Annual Maintenance & Operations Cost Study* (AS&U, 2008), and statistics from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) were used as benchmarks for this section of the performance audit. The AS&U report contains the results of a detailed survey of administrators at public districts across the nation regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. It also provides a national median for each expenditure category. In some areas, NCES benchmarks were used as they provide standards that reflect a higher degree of efficiency or effectiveness.

Table 4-2: FLSD Key Statistics and Indicators, FY 2008-09

Categories	Key Statistics and Indicators
Number of School Buildings – Combined K-12	1
Custodial Operations	
Total Square Feet Cleaned ¹	139,158
FLSD Square Feet per Custodial FTE	34,790
NCES Square Feet per Custodial FTE ²	29,500
Maintenance Operations	
FLSD Square Feet Maintained ³	142,158
FLSD Square Feet per Maintenance FTE	112,268
AS&U 5-Year Average National Square Feet per Maintenance FTE ⁴	95,000
Groundskeeping Operations	
FLSD Acres Maintained Groundskeeping	20
FLSD Acres per Groundskeeper FTE	182
AS&U 5-Year Average National Median Acres per Grounds Staff FTE	43
Expenditures	
FLSD General Fund FY 2007-08 M & O Expenditures per Square Feet	\$4.12
Custodial & Maintenance Expenditures (less Utilities)	\$2.68
Utilities	\$1.44
AS&U Annual Cost Survey Median	\$4.56
Type 2 Peer Districts' Avg. Expenditures per Square Ft	\$3.98

Source(s): FLSD's 4502 reports (Statements P & Q), Ohio Department of Education (ODE), Peer Districts, AS&U 37th Annual Cost Study, and NCES National Averages.

¹FLSD square feet cleaned includes the K-12 school building, and the connected administrative and vocational/agricultural buildings.

² The Planning Guide for Maintaining School Facilities (NCES, 2003) cleaning standard (the normal standard for most school facilities) is 28,000 to 31,000 square feet per FTE custodian.

³ FLSD square feet maintained includes the K-12 school building, administrative building, vocational/agricultural building and bus garage.

⁴ Five-Year Average is from the annual reports published by AS&U from FY 2003-04 to 2007-08.

According to **Table 4-2**, FLSD is more efficient in each functional area (custodial, maintenance, and groundskeeping) than the industry benchmarks. In total, the District falls 1.0 FTE below the benchmarks. However, the Maintenance and Transportation Director indicated he was concerned with the Maintenance Department being able to clean facilities effectively because of the recent 1.0 FTE reduction in staff.

The District's M & O expenditures per square foot of \$4.12 are lower than the AS&U Cost Survey Median of \$4.56 and slightly higher than the Type 2 Peer District Average Expenditures per Square Foot of \$3.98. See **Table 4-4** for a detailed comparison of costs per square foot.

Financial Data

Table 4-3 illustrates the District's General Fund expenditures to maintain and operate the facilities for FY 2005-06, FY 2006-07, and FY 2007-08.

Table 4-3: FLSD M&O Expenditures, Three Year History

	FY 2005-06	FY 2006-07	% Change	FY 2007-08	% Change
Salaries/Benefits	\$317,668	\$318,001	0.1%	\$318,336	0.1%
Purchased Services excluding utilities	\$31,215	\$30,841	(1.2%)	\$34,200	10.9%
Utilities	\$187,262	\$191,481	2.3%	\$204,687	6.9%
Materials/Supplies	\$28,112	\$29,117	3.6%	\$27,794	(4.5%)
Capital Outlay	\$1,067	\$1,058	(0.8%)	\$1,135	7.3%
Total General Fund	\$565,325	\$570,499	0.9%	\$586,151	2.7%

Source: FLSD 4502 Statement P and Statement Q, and Budwork reports for FY 2005-06, FY 2006-07, FY 2007-08

Note: Numbers may vary due to rounding

As shown in **Table 4-3**, the District experienced the largest increase in facilities expenditures in the purchased services category. The Maintenance and Transportation Director attributes the increase to a combination of routine maintenance on buildings and replacing HVAC computer system software. Conversely, the District has managed to keep its salary and benefit expenditures stable. Overall, the District has been successful in keeping maintenance cost increases to a minimum, with most of the costs attributed to on-going, routine maintenance.

Table 4-4 compares FLSD's General Fund custodial and maintenance related expenditures on a per square foot basis to the peer average and the AS&U national benchmark.

Table 4-4: FLSD Expenditures per Square Foot

	FLSD FY 2007-08	Peer Districts ²	Peer % Difference	AS&U	AS&U % Difference
Square Footage	142,158	205,174	(30.7%)	N/A	N/A
Salaries/Benefits	\$2.24	\$1.91	17.2%	\$2.05	9.2%
Purchased Services	\$0.24	\$0.51	(52.8%)	\$0.21	14.6%
Utilities	\$1.44	\$1.25	15.2%	\$1.52	(5.3%)
Materials/Supplies	\$0.20	\$0.25	(21.8%)	\$0.38	(48.5%)
Capital Outlay	\$0.01	\$0.05	(84.0%)	N/A	N/A
Other	\$0.00	\$0.00	0.0%	\$0.40 ¹	(100.0%)
Total General Fund	\$4.12	\$3.98	3.6%	\$4.56	(9.6%)

Source: FLSD FY 2007-08 and peer district FY 2006-07 4502 Statement Q, the 37th Annual M&O Cost Study; and FLSD documentation for square footage

Note: Numbers may be off due to rounding.

¹ Most often identified as clerical, equipment repair and rental, insurance and travel costs

² If peer districts increased at the same 2.74 percent increase as FLSD in FY 2007-08, the peer General Fund expenditures per square foot would be \$4.09.

As shown in **Table 4-4**, FLSD expenditures per square foot show mixed results in comparison to the peers and AS&U. The District is spending more per square foot than its peers for both salaries and benefits, and utilities. In comparison to the AS&U standards, the District is spending more per square foot in salaries and benefits, and purchased services. Salaries and benefits comprise the largest percentage of the General Fund maintenance budget (54.4 percent). This category is also the most significantly above peer and AS&U standards. However, the District has made reductions in custodial staffing through attrition. With the recent 1.0 FTE reduction, the costs derived from salaries and benefits would be in line with the AS&U median for this category.

Building Capacity and Utilization

Table 4-5 shows functional school building capacity and utilization for FY 2007-08. The K-12 building is designed with sections designated for elementary, middle and high school and the capacities for each are shown below.

Table 4-5: FY 2007-08 FLSD Summary Capacity and Utilization ¹

Grade Level	Functional Capacity ²	FY 08 Head Count	Over/(Under) Capacity	FY 08 Utilization
Elementary (K-6)	535	478	(58)	89%
Middle (7-8)	149	135	(14)	91%
High School (9-12)	298	260	(38)	87%
Total	982	873	(110)	89%

Source: FLSD AOS Functional Capacity derived through building walk-throughs and interviews; EMIS enrollment

¹ According to DeJong and Associates methodology, optimal building utilization is 85 percent.

² The capacities for all classrooms were calculated by multiplying the number of regular classrooms and full-day kindergarten rooms by 25 students, and self-contained special education rooms by 10 students to arrive at the total capacity of the building. Classrooms used for music, art, resource room, tutoring, gym, library and computer labs are set aside and excluded from the number of rooms used in the elementary calculation. The capacity in the middle school and senior high school classrooms were calculated by multiplying the total number of teaching stations by 25 students and multiplying the product by an 85 percent utilization factor.

The District's overall building utilization is 89 percent, which is slightly higher than the optimal utilization of 85 percent. Total elementary students have increased the most when compared to middle school and high school students over the last 10 years, and the District has responded by closing open enrollment for elementary grades. In 2005, The District engaged a consultant to complete enrollment projections. Since 2005, the consultant's enrollment projections have been higher than the District's actual enrollment by approximately 6 percent. For the last three years, the District's actual enrollment has remained consistent with less than a 1 percent change. However, future enrollment may decline due to the closure of a major package distribution facility near the District. As enrollment, functional capacity, and utilization change, the District should develop strategies to address facilities needs through a facilities master plan (See **R4.1** and *issues for further study* in the executive summary).

Audit Objectives for the Facilities Section

The following objectives were used to evaluate the facility operations within the District:

- Does the facility maintenance operation use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function and does it use these in management decision making?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Is the District's custodial and maintenance staffing comparable to leading practices?
- Are District energy management practices comparable to leading practices?
- Are the District's facility management and planning practices comparable to leading practices?
- Does the Maintenance and Operations Department have a system for prioritizing maintenance needs uniformly throughout the district?

Recommendations

Facility Planning

R4.1 FLSD should develop a comprehensive facilities master plan that reflects the future facility needs and its relation to the education programs of the District. In developing the plan, FLSD should work with a cross-section of school personnel, parents, students, and community members to ensure all stakeholders have input regarding the District's facility needs and future plans. The District should ensure the master plan reflects the current building configuration and future enrollment projections, a five-year capital improvement plan and a formal preventive maintenance (PM) schedule. It should monitor functional capacity and utilization to ensure appropriate use of buildings and classroom space.

FLSD does not have a comprehensive facilities master plan or five-year capital improvement plan. When the District constructed its single new school building, OSFC provided it with a facilities plan. According to the Maintenance and Transportation Director, the OSFC plan contained a preventive maintenance (PM) plan, but maintenance staff do not use the software component for the PM plan because it would be too labor intensive to enter the data.²

As of December 15, 2008, the District has not provided a requested copy of the OSFC document. However, AOS accessed the OSFC interactive web site containing the District's Maintenance Business Plan (MBP) and Facilities Maintenance Report (FMR). The MBP provides information on budgeting for on-going maintenance costs, staff requirements, capital replacement and maintenance strategies. The FMR tracks equipment specifications, preventive maintenance, warranty information, maintenance activity summaries, material benchmarks, labor costs and supply costs. The District could use the FMR to manage and track its preventive maintenance schedule for equipment and repairs and, by extension, to prioritize work orders (see **R4.4**). Also, the District does not formally monitor functional capacity and utilization (see **Table 4-5** for FY 2007-08 District utilization rates).

Lastly, the District does not have a formal process for evaluating the condition of facilities (e.g., conducting building audits). Instead, it relies on the experience of the custodial and maintenance staff to identify any needed repairs. The District's facility consultant has provided the Maintenance Department with recommendations for staffing and guidance on energy management. The Maintenance and Transportation Director indicated they rarely get complaints about the condition of the K-12 building.

² OSFC has indicated that the data maintained in the MBP can be loaded into an electronic work order system.

According to *Creating a Successful Facilities Master Plan* (DeJong, 2001), school districts should develop a long-term facilities master plan. The plan should contain information on capital improvements and financing, enrollment projections, and capacity analyses. The plan should be developed on a foundation of sound data and community input. As a roadmap, the facilities master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district-wide facilities master plan is typically developed for a ten-year period and should be updated periodically to incorporate improvements that have been made, changes in demographics, or other educational directions.

Other components of a master plan include a capital improvement plan, which details large maintenance and construction projects on a five-year schedule. According to *Preventive Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000), a capital improvement program is a schedule of capital improvements, listed in priority order, over a number of years. It proposes specific projects to meet the needs identified in the long-range plan. If the long-range plan offers a range of alternatives, the capital improvement program identifies a specific course of action the jurisdiction intends to take. Capital improvement programs typically include remodeling and new construction, as well as major maintenance projects.

A formal PM program should address all routine, cyclical, and planned building maintenance functions. Local jurisdictions should include preventive maintenance along with other maintenance projects in long- and short-term maintenance plans that are tied to capital improvement programs, capital budgets, reserved accounts, and operating budgets. Active planning for preventive maintenance should occur at the same time as planning for other maintenance; it is needed both for the long-term (at least a three-year outlook) and the short-term (the upcoming year). Long-term planning includes a long-range facility plan and a capital improvement program. Short-term planning includes annual work plans and annual budgets. As part of facilities planning, it is also important for the District to regularly analyze and update enrollment projections, functional capacity and utilization to have accurate and reliable data with which to manage facilities.

Facilities audits should be conducted regularly to assist in developing the preventive maintenance plan (*The Planning Guide for Maintaining School Facilities*, NCEC, 2003). A facility audit is a comprehensive review of a district's assets, and is a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. Once initiated, audits must be performed on a regular basis (e.g. annually) because conditions change constantly. If facility audits are an ongoing feature of maintenance management, compiling and maintaining each year's data can make the next year's audit task easier. Furthermore, by integrating the findings of annual audits over time, planners can confirm facility and component life cycles, the impact of various maintenance strategies and efforts on product life cycles, and the future demands the

aging process might place on the infrastructure of a school district. This information can be used to increase the efficiency and cost-effectiveness of facility use and maintenance efforts in the future.

Because the District has recently completed the OSFC planning process for the new buildings constructed in 2002, it has not developed a separate facilities master plan, or used other components of facilities planning such as a preventive maintenance plan, capital improvement plan, and facility audits. Nevertheless, developing a facilities master plan would help the District anticipate and identify needed facility and equipment repairs, prioritize projects and related funding, and communicate facility needs to the public. This may help to lower maintenance costs as preventive, scheduled work would occur at appropriate intervals and breakdown maintenance could be avoided. In addition, having a plan for maintenance and improvements would help guide the Director in categorizing priority, urgent and standard requests. Once developed, the District should update the facilities master plan regularly to reflect building improvements that have been made, changes in demographics, and other educational directions. These documents and planning tools are essential for long-term facilities management and efficient District operations.

Similarly, conducting regular building audits, based on the information from the District's previous OSFC plan could improve the quality of information collected by the Coordinator while reducing the frequency of building inspections. Using a computerized maintenance management system would also help FLSD track its maintenance expenditures, including labor and supplies, related to facility maintenance and ensure that it is maintaining its facilities in a timely and cost-effective manner (see **R4.4**). Closely tracking expenditures and ensuring they are appropriate, necessary, and aligned with the goals and plans of the District, would improve FLSD's ability to address maintenance issues quickly and control its facilities management costs.

Energy Management

R4.2 FLSD should develop and implement a formal energy management program. The Board should implement a policy and procedures that incorporate practices recommended by the United States Green Building Council. The District should distribute and discuss the policies and procedures with the administration, faculty, and staff in an effort to educate them about energy conservation and the impact waste has on the operating budget. As a component of the procedures, FLSD should implement an energy conservation education program for its students. Lastly, the Maintenance and Transportation Director should formally review and benchmark utility costs on an annual basis.

The District has not developed a formal energy management program. An energy management program typically includes an energy management policy, education program, and additional detailed strategies to reduce utility costs. The District's facility consultant assists the District in monitoring energy usage. The Maintenance and Transportation Director indicated the Maintenance Department informs teachers of energy efficient practices such as turning off lights and closing doors during annual orientation.

FLSD's General Fund utilities expenditures per square foot of \$4.12 are 9.6 percent less than the American Schools and Universities (AS&U) benchmark of \$4.56. The building is a newer facility with programmable HVAC systems and time controlled exterior lighting, which are used to manage energy consumption. Although utility costs are lower than AS&U, a formal energy management program would help the District maintain its low utility costs.

The article, *Top Ten No-Cost Ways to Lower Your School's Utility Bills* (U.S. Green Building Council, 2008), lists the following ideas for reducing school utility costs:

- **Establish and communicate a policy:** Includes connection to a business plan, identifying roles and responsibilities; establishing temperature set points; providing energy management guidelines for computers and equipment (school and personal); establishing guidelines for shutting down equipment during vacations; using benchmarking; providing awareness and training and establishing a Sustainable Energy Efficient Committee.
- **Benchmark your school:** School districts can go to www.energystar.gov and enter data for their school and compare it to a national average.
- **Assign responsibilities for common areas:** Includes developing check-lists and assigning responsibility for monitoring energy efficiency for common areas such as hallways, auditoriums, and gymnasiums.
- **Establish a recognition program:** Involves organizing award ceremonies to give visibility to the program and recognizing energy behavior of staff.
- **Control classroom thermostats:** Controlling classroom thermostats, either manually by establishing an acceptable range (e.g., 72 to 78 F) and setting back on nights and weekends, or programming an automated system to an established range and periodically inspecting settings.
- **Use building automation systems (BAS):** Using a technician, program the Building Automation System (BAS) to optimize system settings.

- **Turn off outside lighting:** Turning off outside lighting from midnight to 6:00 A.M. The National Crime Prevention Council tested strategies to prevent crime and a dark campus actually was determined to deter vandals.
- **Establish a plug load policy:** Developing a plug load policy for equipment (e.g., water heaters, vending machines, computers, etc.) that saves energy by implementing seasonal shut down of certain equipment and using stand-by power which includes the use of power strips, unplugging equipment when not in use, and purchasing Energy Star rated equipment.
- **Keep doors and windows closed:** Creating positive pressure which causes air to vent to the outside can increase the cooling and heating load of the equipment.
- **Control exhaust fans:** Creating negative pressure where outside air can enter through numerous cracks and holes in the building brings in unwanted temperatures and humidity levels.

In FY 2005-06, Mansfield City School District implemented an aggressive energy conservation program. It developed energy conservation policies which were distributed to all employees. Employee participation in the measures was required of all personnel. Administrators and support personnel (particularly custodians) were invested in the process and enlisted to help ensure its success. The policy not only contained recommended practices outlined in NCES and US Department of Energy publications, but included several leading practices as well. Some of the stipulations of the policy that exceed recommended practices included the following:

- Areas that are not occupied (even if left for a short period of time) will have lighting turned off. After the school day, custodians will use half lighting in the hallways where possible. Custodians will turn on lighting only in areas where they are working or for scheduled facility use. (Schools can save from 8 percent to 20 percent in energy costs simply by turning off lights in unused rooms.)
- Refrain from turning lights on unless definitely needed. Remember that lights not only consume electricity, but also give off heat. This places an additional load on the air conditioning equipment and thereby increases the use of electricity necessary to cool the room.
- Entry doors and secondary entry doors should be kept closed and not propped open (except during start of school and dismissal.)
- Where applicable, curtains and/or blinds should be closed at the end of each day.

- Teachers will ensure that all classroom computer hard drives (CPU units), PC monitors, local printers, and speakers are turned off during periods of time the buildings are not occupied by students.
- Space heaters use 1000 watts per hour. They are to be eliminated from use in all buildings.
- Personal plug-load electrical appliances that are not directly related to official business should not be introduced into the workspace. This includes personal beverage makers, warmers, space heaters, personal refrigerators, microwaves, toaster ovens, hot plates, three (3) or more circulating fans in one room. These are restricted from school district facilities, unless authorized in writing by the Chief Operating Officer's Office. If these items are found in the building, they shall be removed by the Custodial Manager.
- Coffee makers may be established at a central point.
- A maximum of two (2) circulating fans may be used in a specific workspace. No more than two circulating fans may be used in a typical classroom. The presence of more than two fans is prohibited.
- Where cross-ventilation is available during periods of mild weather, shut down air conditioning equipment and adjust the temperature by opening windows and doors.
- Refrigerators in staff lounge and science areas will be emptied and unplugged during extended breaks and over the summer, unless used for summer school.
- The Head Custodian at each school will be responsible for operating the building in an unoccupied mode at the closing of each school day or scheduled facility use.
- Window air conditioning units are strictly prohibited unless approved and installed by the maintenance department. The only requests that will receive consideration are those that provide documented health issues of a student or staff member or a space that is occupied during the majority of the summer months.

According to the *Top Ten No-Cost Ways to Lower Your School's Utility Bills* (U.S. Green Building Council, 2008), implementing an energy management program could help the District save up to 10 percent on its utility bills. Making energy conservation measures a requirement of all staff and empowering administrators and building custodians to exercise aggressive energy management practices could help FLSD reduce its energy consumption costs and redirect these funds to other priorities.

Financial Implication: If the District saved 10 percent on utility costs, it would generate an annual cost savings of approximately \$20,000.

Custodial and Maintenance Procedures

R4.3 The District should develop a custodial and maintenance handbook that contains procedures and cleaning standards. Developing and implementing a custodial and maintenance handbook will help ensure the effectiveness of custodial and maintenance personnel, and result in more consistent work outcomes.

The District does not have a custodial and maintenance handbook that contains custodial procedures and training standards. The District's custodial staff receives training through an in-service day at the beginning of the school year and is trained on new equipment by the vendor as the need arises. The Maintenance and Transportation Director indicated that new employees receive required training, such as the proper care and storage of chemicals, and Occupational Safety and Health Administration (OSHA) blood borne pathogen training.

The custodial staff consists of four employees who have an average longevity of 11 years. The Maintenance and Transportation Director indicated that a custodial and maintenance handbook could be beneficial, but because of the staff experience, the District has been able to complete custodial work without developing a formalized handbook.

Custodial Methods and Procedures Manual (Association of School Business Officials International, 2000), states that a manual can serve as a guideline for developing procedures for custodial and maintenance personnel. The manual includes information such as cleaning procedures, cleaning and maintenance standards, evaluations, job descriptions and maintenance guidelines. In addition, the International Sanitary Supply Association has developed a training program designed to help train custodians. The program details the correct cleaning methods, as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers on the following:

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

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

Without a formal custodial and maintenance handbook that details the District's procedures and standards for cleaning and maintaining its facilities, there is an increased risk of staff inconsistently, inefficiently, and/or ineffectively performing job tasks. Improved consistency, achieved through District-wide custodial and maintenance procedures, would enhance the effectiveness of the custodial and maintenance personnel and potentially reduce the costs associated with equipment and supplies.

Work Order Prioritization

R4.4 The District should use a computerized maintenance management system (CMMS) to improve the management of its facility maintenance program. One option available to the District would be to modify the Facility Maintenance Report (FMR) spreadsheet that was purchased as part of the OSFC plan, and use it to track and prioritize work orders. Another option the District could consider is the purchase of CMMS software; however, this may not be feasible because of the District's financial situation.

Using the FMR spreadsheet or purchasing CMMS software would allow the District to automatically prioritize, schedule, and track multiple work requests. A CMMS would also allow the District to begin tracking and monitoring the amount of supplies and materials used on a project, the cost of labor (including staffing levels and overtime use), and the productivity and performance of assigned personnel, which would be helpful in estimating future costs and timeframes for potential projects.

To assign maintenance work, the District relies primarily on printable forms that are accessible online for its work order system. Work orders are usually filled out by principals, and given to the Maintenance Department. Once the work order has been completed, the form is filed in the Maintenance Department. The District does not formally track work orders through a CMMS system, or routine maintenance tasks through a PM plan (see **R4.2**). The Maintenance and Transportation Director reports that facility complaints are rarely received and safety concerns are given priority.

FLSD has available the Facility Maintenance Report (FMR) spreadsheet developed by OSFC as part of its facility plan. The FMR can be used to track preventive maintenance activities, but the Maintenance Department does not use it. The Department believes it would be too time-consuming to enter the data into the system. The FMR does not include a component to track work orders, but the District could modify the current FMR

to track work orders and link them to preventative maintenance. Likewise, the FMR may be downloaded into a CMMS of the District's choosing (assuming it selects one of several compatible systems recommended by OSFC). Purchasing CMMS software is an option and software costs start at approximately \$500, based on supplier advertised prices. However, the exact price will depend on the features desired by FLSD and the contract terms negotiated with the vendor.

According to the *Planning Guide for Maintaining School Facilities* (NCES, February 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that a work order has been addressed, and track the cost of parts and labor. A work order system can be a manual, paper-based, tracking tool. More efficient work order systems come in the form of computerized maintenance management systems (CMMS). Their purpose is to manage work requests as efficiently as possible and meet the basic information needs of the District. Upon completion of a work order, all information about the request should be placed in a data bank for historical and analytical use (e.g., for determining the yearly cost of building maintenance).

While the District's form and work order process meet some of the recommended elements of a work order system, implementing a CMMS system would:

- Help the Maintenance Department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Permit the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included; and
- Ensure labor and parts costs are captured on a per-building or per-task basis.

If FLSD elects to maintain a manual system, then the work order form should be formalized and should include NCES recommended elements. Upon completion of the work order, the Maintenance and Transportation Director can log the work order data on a spreadsheet.

By tracking the information contained on the work orders over time, the District will be able to ensure that maintenance tasks are being completed in the most efficient manner and that repair needs are being addressed in a timely fashion. Furthermore, tracking supply and labor costs reported on the work order will help the Director to annually calculate the maintenance labor costs and maintenance related supply costs, making departmental budgeting, and staffing requests easier. Using a computerized work order system would increase the accessibility of past work orders, and facilitate the collection of information for the determination of trends in maintenance work. Because of the size of the District and the nature of its facilities, though, implementing such a system would not result in immediate financial savings, and would be cost-neutral over the long-term.

Financial Implication: An annual subscription to a CMMS system would cost approximately \$500 per year.

Financial Implications Summary

The following table represents a summary of estimated annual costs and annual cost savings for this section. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Table 4-6: Summary of Financial Implications for Facilities Section

Recommendation	Annual Costs	Annual Cost Savings
R4.1 Develop energy management program		\$20,000 ¹
R4.4 Subscribe to a CMMS system	\$500	
Total	\$500	\$20,000

Source: AOS

¹ This financial implication is presented at 50 percent implementation in the first year of the forecast.

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Transportation

Background

This section of the performance audit focuses on the Fairfield Local School District (FLSD or the District) transportation operations. The operations were evaluated against leading practices, operational standards, and selected peer school districts. Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, to reduce expenditures. Throughout this section, leading practices and operating standards were drawn from various sources, including the National Association of State Directors of Pupil Transportation Services (NASDPTS), Ohio Department of Education (ODE), and Florida Office of Program Policy Analysis and Government Accountability (OPPAGA).

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to other students. In addition, school districts must provide transportation to disabled students who are unable to walk to school, regardless of the distance. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

Organizational Structure and Responsibilities

The District's transportation policies are contained in its Board Policy Manual, but these policies are not available on-line and have not been updated since 2005. The transportation policies address a variety of topics, including non-routine bus transportation, school bus idling, and school bus safety. In addition, the District has a newsletter, which is available on-line. The newsletter contains a routing schedule, and miscellaneous transportation information. Due to the lack of sidewalks, and the primarily rural setting of the District, FLSD provides yellow bus transportation to all students who request it. These conditions have also made the use of cluster stops impractical for most areas within the District. Therefore, the District's buses provide door-to-door transportation services for the majority of students. The Maintenance and Transportation Director meets with bus drivers at the beginning of each year to establish routes based on new students attending the District, and reviews any changes in ridership from the prior year. The Transportation Department conducts rider counts during the October count week as required by the Ohio Department of Education. Additionally, the Director monitors ridership by conducting counts three additional times during the school year.

Excluding the Maintenance and Transportation Director, all District transportation employees are covered under the collective bargaining agreement between the Fairfield Education Association and the Fairfield Local School District Board of Education (July 1, 2005 to June 30, 2009). This contract states that a full-time bus driver works six hours a day (30 hours per week) and a full-time mechanic works eight hours per day (40 hours per week). The contract contains only minimal references to the transportation function or its employees.

The Director reports to the Superintendent, and ensures the District provides safe and efficient transportation services. The Director's transportation duties include developing routes and schedules for buses, maintaining records, assigning drivers to buses, and providing assurance that bus maintenance is performed effectively. The Director supervises nine drivers with assigned routes responsible for safely transporting students to and from school and school-related events. Six of these routes are regular routes. One shuttle bus picks up students at four bus stops in Leesburg; another bus transports students to the vocational school; and the majority of special needs students are transported in a van.

Pursuant to the collective bargaining agreement, a full-time bus driver is eligible for medical and dental benefits and works six hours per day. The Maintenance Assistant is one of the nine drivers with an assigned route, and works eight hours per day because of additional maintenance duties. The District also employs a full-time mechanic who reports to the Director and is responsible for ensuring all buses are in good working order and able to pass a safety inspection at all times. FLSD purchases fuel, parts and supplies from local vendors.

Historical Expenditures

Table 5-1 shows FLSD's transportation expenditures for FY 2005-06 to FY 2007-08.

Table 5-1: FLSD General Fund Transportation Expenditures ¹

Category	FY 2005-06	FY 2006-07	FY 2007-08	Three-Year Change
Personnel Expenditures ²	\$204,618	\$195,322	\$263,115	28.6%
Benefits ³	\$31,518	\$27,331	\$38,070	20.8%
Employee Insurance	\$62,980	\$54,653	\$69,795	10.8%
Miscellaneous ⁴	\$2,183	\$1,725	\$2,975	36.3%
Total Personnel Expenditures	\$301,299	\$279,031	\$373,955	24.1%
Maintenance and Repairs	\$33,009	\$32,441	\$38,433	16.4%
Tires and Tubes	\$7,637	\$6,322	\$7,550	(1.1%)
Fuel	\$55,386	\$45,649	\$60,575	9.4%
Bus Insurance	\$7,654	\$6,893	\$9,003	17.6%
Maintenance Supplies	\$1,664	\$1,670	\$1,950	17.2%
Utilities	\$32,589	\$29,870	\$31,158	(4.4%)
Other	\$1,018	\$979	\$1,313	29.0%
General Operations Expenditures	\$138,957	\$123,824	\$149,982	7.9%
Total	\$440,256	\$402,855	\$523,937	19.0%
				AS&U Percentage
As a % of Total General Fund Expenditures	6.6%	5.8%	7.1%	4.9%

Source: FLSD transportation data as reported to ODE on T-2 report.

¹ Includes Board-owned yellow bus (Type 1) expenditures only.

² Includes the following categories from the T-2 report: supervisor, supervisor clerk, regular driver, substitute driver, bus attendant, mechanic, and mechanic helper.

³ Includes retirement and workers' compensation categories from the T-2 reports.

⁴ Includes physical exams and drug tests (drivers), certification and licensing costs, and training (all) from the T-2 reports.

As shown in **Table 5-1**, the total transportation personnel expenditures increased by 24 percent, from FY 2005-06 to FY 2007-08. The primary factor contributing to the increase was a 187 percent increase in substitute driver salaries because three regular drivers were on extended leave in FY 2007-08.

General operations expenditures (e.g., non-personnel expenditures) increased by 7.9 percent from FY 2005-06 to FY 2007-08. Although fuel expenditures increased 9.4 percent over the three-year period, the District's price for diesel fuel was below that of the State contract¹. The

¹ From a sample of fuel invoices taken from October 2007 to March 2008, the District paid an average of \$3.17 for diesel fuel, which was lower than the Department of Administrative Services (DAS) average price of \$3.37.

Director indicated he compares the price the District pays for fuel with surrounding districts to ensure competitive pricing.

FLSD's maintenance and repair expenditures increased by 16 percent over the three-year period. The average age of its fleet buses is approximately 11 years, which impacted this increase. FLSD plans to purchase a bus in FY 2008-09 through the Montgomery County Educational Purchasing Collaborative (EPC). All of the District's buses passed the Ohio Highway Patrol inspection in 2008.

The District has a locked, fenced-in, 1,000-gallon tank to fuel buses. The tank does not incorporate an automated system that would allow the Director to print reports for tracking purposes. The Director indicated there have not been any instances of vandalism and buses are stored in a secure location and monitored by surveillance cameras..

Operational and Cost Comparisons

Table 5-2 compares District expenditure and operational data to the peer average.

Table 5-2: Key Operating Statistics

Key Statistics	FLSD FY 2007-08	FLSD FY2006-07	Peer Average FY 2006-07	Percent Above/Below
Square Miles	63	63	60.6	4.0%
Students per Square Mile	15.3	14.5	22.6	(35.8%)
Transportation Expenditures as Percent of General Fund	8.0%	6.2%	4.5%	38.3%
Total Yellow Bus Riders	677	652	731.1	(10.8%)
Percent Public Riders	99.9%	99.8%	98.3%	1.6%
Percent Special Needs Riders	0.1%	0.2%	1.5%	(89.8%)
Percent Non-public & Community School Riders	0.0%	0.0%	0.2%	(100.0%)
Active Buses	8	8	12.2	(34.4%)
Spare Bus Ratio	33.3%	33.3%	21.3%	56.8%
Annual Routine Miles	120,060	141,480	146,988	(3.7%)
Routine Miles per Active Bus	15,008	17,685	11,585	52.7%
Non-routine Miles as Percent of Total Miles	9.3%	7.8%	14.3%	(45.4%)
Yellow Bus Riders per Active Bus	99.0	81.5	58.3	39.8%

Source: FLSD FY 2006-07 and FY 2007-08 transportation data as reported to ODE and peer districts' FY 2006-07 transportation data. Peer district data has not been tested.

Note: Yellow bus riders per active bus for FY 2007-08 was adjusted by removing the shuttle bus and JVS bus from the ratio to reflect a more appropriate operating measure.

The District's Yellow Bus Riders per Active Bus in FY 2006-07 was 81.5, which is 39.8 percent higher than the peer average, indicating the District has relatively efficient routing. However, it is less than the benchmark in *Hidden Savings in Your Bus Budget* (American Association of

School Administrators (AASA, 2005) of at least 100 pupils on a double route, two-tier bus system. Two of the District's buses, the shuttle bus and JVS bus, have lower ridership than the buses that run regular routes. In FY 2007-08, the shuttle bus transported 40 riders and the JVS bus transported 43. Adjusting for the shuttle bus and JVS bus in FY 2007-08, FLSD transports an average of 99 students per bus, which is comparable to the AASA benchmark.

The District's non-routine trip miles as a percentage of total miles is 7.8 percent, which is lower than the peer average and indicates that it did not have a large number of non-routine trips in FY 2006-07. Although FLSD's spare bus ratio is higher than the peer average, the District plans to sell a spare bus because it has become more costly to maintain than to sell or salvage for parts.

Table 5-3 shows FY 2006-07 background transportation expenditure data for FLSD and the peers.

Table 5-3: FY 2006-07 Transportation Expenditure Data

	FLSD	Peer Average	Percent Above/ (Below)
Total General Fund Transportation Expenditures			
• Per Yellow Bus Rider	\$617.88	\$588.19	5.0%
• Per Active Bus	\$50,356.88	\$33,011.66	52.5%
• Per Routine Mile	\$2.85	\$2.84	0.2%

Source: FLSD and peer district T-1 and T-2 reports

FLSD's expenditures per active bus are approximately 53 percent higher than the peer average due to several factors. First, the District uses fewer active buses (8 buses compared to a 12 bus average for the peers), while maintaining greater efficiency transporting 81.5 riders per yellow bus compared to a peer average of 58.3. Second, FLSD employs a bus mechanic while the peers do not. Further, the utility costs for the bus garage (\$30,000) were greater than the peer average (\$2,380). Fuel is another cost driver for the District's transportation operations. However, the District is spending less per gallon than the cost identified by the Department of Administrative Services (DAS). The District spent an average of 3 percent less for fuel than DAS during a six month period beginning October 2007. Finally, the age of FLSD's fleet is causing repair and maintenance costs to be higher as well.

Audit Objectives for the Transportation Section

The following objectives were used to evaluate the transportation operations within the District:

- How do the District’s transportation policy and procedures compare with best practices and impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How does the District’s “yellow bus” (Type I & II) transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?
- Does the District have sufficient controls in place to ensure the security of its buses, equipment, parts, supplies, and fuel?
- How does the District ensure it gets the best value when purchasing transportation related items (e.g. fuel)?
- Is the District effectively and efficiently maintaining and managing its fleet?

Recommendations

R5.1 FLSD should develop and maintain a bus replacement plan to ensure that it is properly planning and budgeting for the replacement of its aging bus fleet. The bus replacement plan should contain the age and mileage of every bus in the fleet and estimates of these amounts at the projected replacement date. The Maintenance and Transportation Director and the Treasurer's Office should manage the plan, ensuring monthly updates and annual evaluations of all maintenance and repair costs for each bus. Developing a replacement plan with this information should allow the District to effectively plan for the replacement of buses at the most advantageous point in their lifecycle.

Further, the District should consider maintenance costs when replacing old buses, and the causes of these costs. To further reduce maintenance and repair costs on buses, the District should consider using cost-containment strategies such as requesting bids for fuel and routine bus parts, and purchasing oil and lubricants in bulk. Lastly, the District should analyze all transportation expenditures in relation to the budget. This should include multi-year trend analysis to identify excessive costs and data errors.

FLSD has not developed a bus replacement plan. The District has historically sought to purchase a new bus every two years, but long-term planning for the replacement of buses has not occurred and no new buses have been purchased for four years. In August 2008, the Board passed a resolution to purchase a new bus.

The Transportation Department tracks its costs manually and when a bus is perceived to have become too expensive to maintain, a new bus is purchased. Because of the largely rural nature of the District and the fact that all students are provided with door-to-door service, the buses are high mileage vehicles. When determining which bus to replace, the District considers both age and mileage as relevant factors.

Table 5-4 compares FLSD's FY 2006-07 maintenance and repair costs to the peer average.

Table 5-4: FY 2006-07 Maintenance and Repairs Costs

	FLSD	Peer District Average	Percent Variance
Maintenance & Repairs			
· Per Yellow Bus Rider	\$113.22	\$ 86.99	30.1%
· Per Active Bus	\$9,227.50	\$ 4,808.64	91.9%
· Per Routine Mile	\$ 0.52	\$ 0.42	25.5%

Source: Ohio Department of Education T-Reports

As shown in **Table 5-4**, FLSD's costs are significantly higher in each maintenance and repair category when compared to the peer district average, especially on a per active bus basis, where FLSD is 92 percent higher than the peers. FLSD is currently spending more per active bus for maintenance and repairs than any of the peer districts. However, all District buses passed the Ohio Highway Patrol Motor Vehicle Inspections in 2008.

There are no State guidelines for bus replacement beyond the requirement that a bus must be able to pass annual Highway Patrol inspection. As long as the bus can pass the inspection, a district may continue to use the bus, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) does offer some suggested replacement guidelines. According to the NASDPTS, buses should be replaced after 250,000 miles and/or 12 to 15 years of service. ODE indicates that, on average, districts are matching the payment provided by the State for bus purchase with an equal amount of local funding. This has resulted in an average replacement age of 17 years for buses in Ohio.

A multi-year bus replacement plan identifies and prioritizes expected needs based on an organization's strategic plan, establishes purchase projections and costs, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. According to Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the replacement policy should include criteria such as age of the vehicle, vehicle mileage, and maintenance costs versus vehicle value. In addition, the school board should periodically review this policy and make any needed revisions.

Although, FLSD is planning to replace only one of its buses, six buses will be beyond the NASDPTS guidelines for bus replacement age in the last forecast year, four of which are spare buses. When replacing buses, FLSD should be particularly cognizant of total maintenance and repair costs per bus. As school buses age and their mileage increases, the maintenance costs increase dramatically. The process of replacing aging and high-mileage buses will help to reduce these costs.

Fiscal Accountability of Pupil Transportation (Office of Performance Evaluations, Idaho State Legislature, 2004) suggests examples of other maintenance and repair cost-containment strategies, including purchasing all buses from the same manufacturer to minimize types of spare parts, requesting bids for fuel and routine bus parts, and purchasing oil and lubricants in bulk. This report also recommends that districts analyze all transportation expenditures in relation to the budget. This would include multi-year trend analysis to identify excessive costs and data errors.

In the absence of an updated bus replacement plan, FLSD may be unprepared for large future capital obligations and may devote additional resources to maintaining more costly buses. Although AOS did not incorporate bus replacement into the FLSD financial

recovery plan (see **financial systems**), the District will need to incorporate planned replacement for up to six buses starting in the last year of the forecast. A bus replacement plan will help FLSD better prepare for these future expenditures.

R5.3 The District should use a more accurate methodology for reporting special education costs on the T-2 Form by tracking and aggregating all costs for the special education van. Tracking and submitting special education costs on the T-2 for the van would follow ODE instructions to report costs per vehicle, and result in more simplified and accurate reporting of costs which are used for reimbursement. To ensure more accurate reporting of transportation costs on the T-2 report, the District should code all eligible transportation costs to the 2800 transportation function code. The District should exclude all non-routine labor and operational costs from the T-2, including salaries, benefits, maintenance, insurance and fuel costs. The Treasurer, Maintenance and Transportation Director, and those involved in the review process should attend T-Form training to ensure proper submission of the T-Forms.

FLSD did not report its special education transportation information correctly on the T-2 form and did not allocate some transportation costs to the 2800 transportation function codes. For the T-2 report, the Director enters the non-routine miles and price of fuel and the Treasurer fills out the rest of the transportation costs. The Treasurer indicated that he contacted the ODE Area Coordinators for assistance with filling out the T-2 reports and that he is using the T-2 ODE User Guide as a reference. Although the Director indicated he has attended ODE training on completing the T-2 reports, the Treasurer indicated he has not received T-2 training.

Issues involving the District's T-2 reporting include the following:

- Inconsistencies in reporting related to Type I and Type V expenditures.
 - In FY 2006-07, the District reported \$33,844 for *Type V Board-owned, other vehicles* because of the van used to transport special education students.
 - In FY 2007-08, it reported only \$3,746 because the District reported \$51,916 in special education costs as Type 1 Board-owned. This should have been primarily reported as Type V.
- Inconsistencies in the methodology used to allocate transportation costs to special education.
 - The District allocated personnel costs based on the percentage of District pupils classified as special education students. For the remaining cost

categories on the T-2 (mechanic, maintenance and repair, etc...), the District allocated costs to special education based on the approximate percentage of the District's vehicles used to transport special education students.

- Inaccuracies in the reporting of special education FTEs.
 - This was caused by the way the District applied the allocation percentages to FTEs.
 - Although the District appears to have excluded non-routine salaries from the T-2 report, other non-routine costs such as benefits, maintenance, bus insurance and fuel were not excluded, which inflated its reported transportation costs.
- Inconsistencies in coding and tracking transportation-related expenditures.
 - The FY 2007-08 T-2 report transportation expenditures (\$528,583) were 29 percent higher than the amount reported (\$410,068) on the District's 4502 financial report in the transportation function code. The Treasurer indicated the 4502 did not capture all transportation costs including the correct costs for the Director's, Superintendent's Secretary and building secretaries' time used to provide support for transportation, as well as the costs for the Maintenance Assistant who helps to maintain buses.

Form T-2 Instructions (ODE, 2007) provides guidelines for prorating special education bus trips to accurately report special education costs. Prorating is based on the percentage of trips made for special education out of the total regular trips a bus makes.. Prorating cost by miles, pupils, or hours is not acceptable. In all cases, non-routine transportation must be omitted.

Turnover in the Treasurer's position has impacted the accuracy of the previous years' T-2 report. Likewise, because of the District's small size and the multiple tasks assigned to any one management position, accurately reporting costs on the T-2 is more difficult because salary costs must be divided between functions (i.e. maintenance and transportation).

To ensure accurate reporting of future transportation costs, the District should code all appropriate transportation costs to the USAS Function Code 2800. The District should then use the Function Code 2800 as a baseline for completing the T-2 report, and exclude only non-routine costs as required by ODE. Also, the District should use a more accurate methodology for calculating special education costs by tracking and properly reporting all costs for the special education van. In the future, if the District has a regular bus with

more than the 50 percent special education students on a route, it should pro-rate the related costs. Inaccurate reporting of special education costs on the T-2 will not adversely affect funding in FY 2007-08 since transportation funding increased by a fixed amount of 1 percent. However, inaccurate reporting may affect future reimbursements once a funding formula is reinstated.

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District Response

The letter that follows is Fairfield 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 information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

Fairfield Local Schools

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April 28, 2009

Auditor of State
Columbus Regional Office
88. E. Broad Street
Columbus, Ohio 43215


Dear Auditor Taylor,

On behalf of the Fairfield Board of Education and the Administrative Team I would like to express our gratitude for the time and effort your office put forth on our audit report. It is the intent of the Fairfield Local Board of Education to carefully analyze the academic and financial impact of each of the recommendations and begin to work toward completion of many of the recommendations. We are currently putting into place the following steps to address some of the recommendations:

- The Fairfield Webpage is being updated to reflect financial links as well as Board of Education Meeting Notes (R2.7)
- We implementing a phased in reduction of administrative retirement benefits beginning with the contract for our new Director of Federal Programs (R3.4)
- We have reduced FTE for ESP by 1.20 for this school year (R3.2)
- Our treasurer has requested separate family and single rates from Dental Insurance Carrier for comparison to current rates (R3.6)
- While we have tried to replace buses on a regular basis our financial situation has not permitted this. With the passage of a Permanent Improvement Levy we have purchased one (1) new bus this year and will enter into the bid cycle for next year as well. Our transportation office will begin developing a replacement schedule (R5.1)

Overall, we felt the Performance Audit was very informative and gives us a framework to begin looking at all facets of our operations. We will refer to and utilize the document as we continue to offer excellent services to our students and community.

Sincerely,


William Garrett, Superintendent


J. Bart Barber, Treasurer



**Auditor of State
Mary Taylor, CPA**

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