



Mary Taylor, CPA
Auditor of State

MOHAWK LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

JULY 16, 2009



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Auditor of State

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

Pursuant to Amended Substitute House Bill 119, a performance audit was initiated for the Mohawk Local School District (Fairfield LSD) beginning in November 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 eliminating the District's financial difficulties and in improving its 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 Mohawk LSD's financial situation and a framework for sustainability. While the recommendations contained in the audit report are resources intended to assist in managing Mohawk LSD's finances, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a 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 Mohawk LSD, and its contents discussed with the appropriate officials and District administrators. The District has been encouraged to use the results of the performance audit as a resource for 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

July 16, 2009

Executive Summary

Project History

In accordance with Ohio House Bill 119, the Auditor of State (AOS) conducted a performance audit of Mohawk Local School District (Mohawk LSD or the District) beginning in November 2008. Prior to the commencement of the audit, Mohawk LSD submitted its October 2008 forecast to the Ohio Department of Education (ODE), which showed a year-end cash balance of \$269,000 in FY 2008-09 and a deficit growing to \$5.1 million by the end of the forecast period. The audit included a review of any programs or areas of operation in which the AOS believed greater operational efficiency, effectiveness, and accountability could be achieved.

Based on AOS research and discussions with Mohawk LSD officials, the following areas were assessed in the performance audit:

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

Audit work concluded in February 2009. The goal of the performance audit process was to assist Mohawk LSD administrators and the Mohawk LSD Board of Education by identifying cost saving opportunities and options for improving management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

Mohawk Local School District Overview

Mohawk LSD is located in Wyandot County and encompasses approximately 127 square miles. The District uses one building, which it opened in 2007, to house its educational programs and students in preschool through twelfth grade. The Ohio School Facilities Commission (OSFC) assisted the District in the construction of the building. In addition, the District has a general maintenance facility, a bus maintenance facility, and a field house.

Mohawk LSD operates under a locally elected Board of Education (BOE) consisting of five members that is responsible for providing public education to the resident students of the District. The District employs approximately 116 full-time equivalent (FTE) staff (7 administrators, 61 educational staff, and 48 other staff) responsible for providing services to 958 students. The District reduced staff in FY 2008-09 by 1 FTE bus driver, 5 FTE teachers, and 8

coaching/advisor positions. The Treasurer estimates the District will save approximately \$280,500 in FY 2008-09 because of these reductions. Based on the FY 2007-08 Ohio Department of Education (ODE) Local Report Card, Mohawk LSD met 25 out of 30 State Indicators, scored 96.5 out of 120 on the Performance Index Score, and met the Value Added Measure, but did not meet the Adequate Yearly Progress Indicator. Overall, the District's designation was effective.

Mohawk LSD transported 568 regular and special needs riders with 15 active buses and 7 spare buses in FY 2007-08. The District uses a single-tier transportation system, and in FY 2008-09, reduced its number of active buses to 13. Mohawk LSD employs a transportation supervisor, a mechanic, 13 drivers, and substitute drivers.

Mohawk LSD's revised October 2008 forecast projects deficit fund balances beginning in 2010-11, totaling \$714,000 in that year. Throughout the forecasted period, the District expects to experience negative cash flows, causing a deficit of approximately \$716,000 in the unreserved fund balance by the end of FY 2012-13. This amount includes the assumed passage of a 1.0 percent income tax renewal and an additional 0.5 percent income tax levy. During the course of the audit, the Board approved placing on the May ballot the renewal issue and a new 0.75 percent income tax levy.

Prior to the performance audit, the Board of Education and District administrators were proactive in making decisions to reduce overall expenditures and limit future operating deficits. Based on the projections and assumptions contained in the District's October 2008 five-year forecast, coupled with the recommendations outlined in this report, the District can avoid future operating deficits and sustain positive fund balances through FY 2012-13. However, in order to achieve a positive fund balance, Mohawk LSD will have to make many difficult management decisions, some of which may have an impact on its educational programs.

Objectives

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations 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.

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

- **Financial Systems:** includes an evaluation of Mohawk LSD's five-year financial forecast, strategic planning, budgeting, fiscal policies, revenue and expenditure comparisons, management of payroll, purchasing, and community involvement.
- **Human Resources:** includes an evaluation of allocation of personnel, the compensation packages, the benefits provided, the negotiated agreements, and special education programs.
- **Facilities:** includes an evaluation of staffing levels, benchmarks used to evaluate functions and decisions, procedures and standards for efficient operation, work order systems, and energy management.
- **Transportation:** includes an evaluation of the accuracy and reliability of the transportation data, operating efficiency, and purchasing practices.

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

Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Audit work was conducted between November 15, 2008, and February 27, 2009, and data was drawn from fiscal years 2000 - 2008. To complete this report, the auditors gathered a significant amount of data pertaining to the Mohawk Local School District, conducted interviews with numerous individuals associated internally and externally, and reviewed and assessed available information. Peer data and other information used for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness and applicability.

In addition, several school districts were selected to provide benchmark comparisons for the areas assessed in the performance audit. The school districts of Bethel-Tate Local School District (Clermont County), Bluffton Exempted Village School District (Allen County), Botkins Local School District (Shelby County), Clear Fork Valley Local School District (Richland County), Coldwater Exempted Village School District (Mercer), Fort Recovery Local School District (Mercer County), Marion Local School District (Mercer County), North Central Local School District (Wayne County), St. Henry Consolidated Local School District (Mercer County), and Versailles Exempted Village School District (Darke County) were used in the applicable sections

of the performance audit. These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten school districts as rural/agricultural with low to moderate median income, which is the same demographic classification as Mohawk LSD. Additionally, these ten school districts met a high number of performance standards at a relatively low cost per pupil.

Furthermore, AOS used external organizations and sources to provide comparative information and benchmarks. They include the American Association of School Administrators (AASA), the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

The performance audit process involved significant information sharing with Mohawk LSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, AOS held periodic status meetings throughout the engagement to inform Mohawk LSD of key issues affecting selected areas, and to share proposed recommendations to improve or enhance operations. Throughout the audit process, input from Mohawk LSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, Mohawk LSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on Mohawk LSD's comments.

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

Subsequent Events

During the course of this audit, MLSD released its May 2009 forecast which projected a deficit of \$5.1 million by FY 2012-13 without the addition of new revenue. If its renewal levy is approved, the deficit will be reduced to \$2.1 million. Further, the approval of new taxes would cause a positive ending fund balance through the forecast period.

Although the forecast shows the potential for a positive ending fund balance, MLSD was advised to carefully monitor the forecast as the assumptions upon which major revenue categories are based may change through the State appropriation measure and the ongoing impact of economic forces. MLSD does not have sufficient reserves to offset a deep revenue reversal.

MLSD made additional cost reductions and changes in operations through the end of FY 2008-09.

Noteworthy Accomplishments

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

- **Human Resources:** Mohawk LSD has effectively controlled its sick leave use and substitute costs. Sick leave use was below the DAS averages. Furthermore, substitute use for the entire District has decreased by 34 percent since FY 2005-06. Administrators attribute the low sick leave use to staff morale and the positive impact of certain management practices within the District.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the District 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 recommendations from the performance audit report.

In the area of financial systems, Mohawk LSD should:

- Develop a strategic plan that includes a mission, goals, performance measures, and a method to monitor progress toward achieving its goals. The District should link the strategic plan with the forecast.
- Develop comprehensive financial policies that are in line with GFOA recommended practices. It should also prepare a separate budget document that contains key policies, plans, goals, and key issues. The District should communicate this budget document by posting it to the web site so it is readily accessible to the community. Finally, the District should prepare its annual financial report in accordance with Generally Accepted Accounting Principles.

In the area of human resources, Mohawk LSD should:

- Consider reducing its teaching staff by 4.0 FTEs because of its financial condition. If the District is unable to implement other cost saving recommendations from the performance audit, it may need to adopt State minimum requirements for classroom teacher staffing levels in order to avoid future deficits, which would result in the elimination of 10.0 FTEs. A reduction of 4.0 regular education FTEs would save the District approximately \$190,000 per year.

- Reduce 3.0 FTEs in the educational services personnel category to reduce future years' deficits. This staffing level will lower ESP staffing to the State minimum requirement, saving Mohawk LSD approximately \$110,000 annually.
- Charge a portion of the time for the two monitors who have lunch/playground duties back to the Food Service Fund. This would save the General Fund approximately \$4,700 annually.
- Minimize increases to base wages during future union negotiations. If the District is able to limit the negotiated wage increases as recommended in this audit, it would save approximately \$352,000 over the next four years.
- Cease paying the employee's share of the retirement benefit for all administrative positions, which would save Mohawk LSD approximately \$37,000 per year.
- Require administrators to contribute an employee share of 15 percent to health insurance premiums in an effort to reduce health insurance costs, saving the District approximately \$10,000 per year. The District can generate additional savings by renegotiating the design of its health insurance plan to include additional cost sharing provisions.
- Reinststate its health care committee. The committee could be helpful in identifying cost-saving strategies and determining the appropriate design for the District's health insurance program.
- Renegotiate a lower maximum number of sick days paid out at retirement for the certificated bargaining unit. The District should also change this provision in the non-certificated staff handbook.
- Eliminate stipend language from its certificated collective bargaining agreement, which would save Mohawk LSD \$13,500 annually.
- Evaluate opportunities and strategies to reduce direct special education expenditures. These should include, at a minimum, ongoing assessments of staffing needs and services, the potential benefits of partnering with other districts for the provision of specialized instructional programs, the process for identifying special education students, and the development of IEPs.

In the area of facilities, Mohawk LSD should:

- Continue to work with contractors, the OSFC, and its legal counsel to resolve issues driving the high electricity usage and costs resulting from the faulty geothermal heating and cooling system in its newly constructed school building. The District should also establish energy management and conservation policies that align with leading practices and require tighter temperature controls on building areas such as classrooms. An effective energy management program and an effective geothermal heating and cooling system would save the District approximately \$121,000 per year.
- Benchmark facility management performance using key measures, such as cost per square foot and the number of square feet cleaned and maintained per FTE, as a means of evaluating the efficiency and effectiveness of its custodial and maintenance program.
- Update its procedure manuals for custodial staff and maintenance staff based on leading practices and the finalized plan once it is received from the Four Seasons Environmental Inc. The manuals should details proper maintenance and cleaning procedures to ensure staff is familiar with the work expectations and employee processes, as well as the use of materials and equipment.
- Establish a training and professional development program for its custodial and maintenance staff based on recommended practices. In addition, the Maintenance Supervisor should complete the Building Operator Certification available through the Ohio Public Facilities Maintenance Association.
- Require its contractor to complete the Maintenance Business Plan manual and then use it to conduct preventive, planned, and unplanned maintenance. The District should use the Plan to guide its future maintenance activities, determine staffing needs, and monitor compliance with standards.
- Use its computerized maintenance management system to automatically schedule and track preventive maintenance activities, prioritize multiple work requests, and assist in anticipating needed facility maintenance, equipment repairs, and replacement.

In the area of transportation, Mohawk LSD should:

- Establish formal procedures to ensure that T-reports are accurately prepared, reviewed, and reconciled before submission to ODE. In developing these procedures, the District should require that the Transportation Supervisor and Treasurer to complete thorough reviews of the T-reports prior to submission to ODE.

- Reduce its spare fleet by four buses. Selling four buses would generate one-time revenue for the District and potentially decrease insurance and maintenance and repair costs. The District should also ensure that future changes in the size of its active fleet lead to corresponding changes in the number of spare buses.

During the course of the audit, MLSD sold three spare buses.

- Seek competitive bids or issue RFPs to multiple vendors for the procurement of fuel and actively compare prices to determine whether it should consider becoming a member of other fuel purchasing consortiums.
- Acquire routing software to assist in quantifying potential saving from changing routes, eliminating buses, or changing from one to two tiers. Although routing software would cost the District about \$10,000 for the system and about \$2,000 annually in maintenance costs, these investments should be offset by savings from improved operating efficiency.

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 did not have the time or resources to pursue. The following summarizes the issues requiring further study.

New Building Maintenance and Equipment Replacement: As a component of the OSFC building project, the District received a Maintenance Business Plan (MBP) prepared by Four Season's Environmental, Inc. The plan includes preventive and planned maintenance and replacement for all aspects of the building system. Based on the Plan, the District's facilities maintenance staffing levels are low. The Plan recommends the District employ 3.0 maintenance FTEs for the suggested planned and preventive maintenance of the new building.

Furthermore, the MBP recommends the allocation of approximately \$326,000 per year to perform sophisticated equipment maintenance. The Plan includes the following systems in this calculation:

- Heating, Ventilating, and Air Conditioning Maintenance;
- Direct Digital Controls Automated Control Maintenance;
- Kitchen Equipment Maintenance;
- Roof Maintenance;
- Annual Internal Air Quality Audit; and
- Water Treatment.

In FY 2007-08, the District spent approximately \$814,000 from the General Fund for facilities operations, only \$70,000 of which was for purchased services (mostly contracted repairs), and \$42,000 for supplies and materials. Of the total amount, maintenance activities consumed approximately \$168,000.

Based on current operating levels, the District may not be able to keep pace with the suggested preventive, planned, and unplanned maintenance of the building. In order to determine the best course of action, Mohawk LSD should carefully review its Maintenance Business Plan and preventive maintenance schedules, including an examination of all contracts, to determine which activities can be completed in-house and which should be right sourced. According to the MBP, the District should consider right sourcing all landscaping and lawn care in order to free up time for a more concentrated focus on building maintenance by the Maintenance Supervisor.

Summary of Financial Implications

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

Summary of Performance Audit Recommendations

Recommendations	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Recommendations Not Subject to Negotiation				
R3.1 Reduce 4.0 FTE regular education teachers	\$178,687	\$185,853	\$193,785	\$201,988
R3.2 Reduce 3.0 FTE educational service personnel staff	\$109,198	\$113,577	\$118,424	\$123,437
R3.3 Charge a portion of the lunch/playground monitors' time to the Food Service Fund	\$4,700	\$4,700	\$4,700	\$4,700
R4.1 Lower utility costs associated with the geothermal system	\$115,000	\$115,000	\$115,000	\$115,000
R4.2 Implement an energy management program	\$5,800	\$5,800	\$5,800	\$5,800
R4.6 Obtain building operation certification	(\$1,245)	(\$45)	(\$45)	(\$45)
R5.2 Eliminate four spare buses	\$5,500	\$1,500	\$1,500	\$1,500
R5.3 Seek competitive fuel prices	\$2,000	\$2,000	\$2,000	\$2,000
R5.4 Purchase routing software	(\$10,000)	(\$2,000)	(\$2,000)	(\$2,000)
Subtotal Not Subject to Negotiations	\$409,640	\$426,385	\$439,164	\$452,380
Recommendations Subject to Negotiation				
R3.4 Limit negotiated wage increases	\$49,000	\$100,000	\$154,000	\$49,000
R3.4 Eliminate technology stipend	\$13,500	\$13,500	\$13,500	\$13,500
R3.5 Eliminate paying employees share of retirement benefits	\$37,000	\$37,000	\$37,000	\$37,000
R3.6 Require administrators to pay 15% employee share toward health care insurance	\$10,000	\$10,000	\$10,000	\$10,000
Subtotal Subject to Negotiations	\$109,500	\$160,500	\$214,500	\$109,500
Total all Recommendations	\$519,139	\$586,886	\$653,665	\$561,881

Source: AOS recommendations

Financial Systems

Background

This section focuses on the financial systems in the Mohawk Local School District (Mohawk LSD or the District). It analyzes the current and future financial condition of Mohawk LSD for the purpose of developing recommendations to improve financial management and identifying opportunities for greater efficiency. Operations were evaluated against leading or recommended practices, industry benchmarks, and selected peer districts¹ in order to develop recommendations that will improve efficiency and business practices. Leading or recommended practices and industry standards were drawn from various sources, including the Ohio Department of Education (ODE), the American Institute of Certified Public Accountants (AICPA) and the Government Finance Officers Association (GFOA).

Treasurer's Office Operations

The Treasurer's Office consists of three FTEs, including the Treasurer, Assistant Treasurer, and the Education Management Information System (EMIS) Coordinator. The Treasurer reports directly to the Board of Education (the Board). The Treasurer's responsibilities include keeping an account of all District funds; filing financial statements with the Board, Superintendent, and County Auditor; investing funds; approving purchases; authorizing payroll; and preparing the annual budget. The Assistant Treasurer processes payroll on a biweekly basis. The EMIS Coordinator enters only student information into EMIS, while the Superintendent's secretary spends a small portion of her time entering staff data into EMIS.

The payroll process includes recommended internal controls, including maintaining data backups, requiring the Treasurer's authorization, maintaining an ongoing record of leave accrual and usage, and comparing leave usage and absence forms with substitute employee payroll records.

Mohawk LSD has purchasing policies in place that cover purchases subject to bid, those appropriated and not appropriated, local purchasing, and vendor relations. The process uses a paper-based system that requires purchasers to submit requisitions prior to purchases being made. The Treasurer reviews requisitions to ensure they are appropriate and that the funds are available. The District's purchasing policies and procedures meet recommended practices.

¹ See the **executive summary** for a list of the peer districts and an explanation of the methodology used to select the peers.

In March of 2009, the Treasurer left Mohawk LSD to work in another school district. The Board of Mohawk LSD filled the vacant position with a highly experienced Interim Treasurer.

Financial Condition

Mohawk LSD's sources of revenue include property taxes, income taxes, and restricted and unrestricted grants-in-aid. In FY 2007-08, the District operated with \$8.6 million in revenue, of which 35 percent came from local taxes. The local taxes include property taxes and a school district income tax. Unrestricted grants-in-aid represent 51.1 percent of the District's income. The District also receives 8.9 percent of its General Fund revenue from other income, which consists mainly of tuition from other districts. Mohawk LSD operates at the 20-mill floor.²

The District has experienced a decline in student enrollment in recent years, which increases its reliance on revenues that are not based on student count to cover its fixed costs of operation. The District has placed two income tax levies on the May ballot, a renewal levy of 1 percent and a new levy of 0.75 percent.

Mohawk LSD developed a revised five-year forecast in October 2008 and provided it to the Auditor of State (AOS) for analysis. **Table 2-1** presents historical and projected revenues and expenditures as of October 2008. By its nature, forecasting requires estimates of future events. Therefore, differences between projected and actual revenues and expenditures are common, as circumstances and conditions frequently do not occur as expected.

² Pursuant to HB 920 and the reduction factor, a school district's outside millage combined with its inside millage cannot be reduced beyond 20 mills.

Table 2-1 Mohawk LSD Financial History and Forecast (in 000s)

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12	Forecast 2012-13
Real Estate Property Tax	\$1,758	\$1,816	\$1,816	\$1,882	\$1,912	\$1,969	\$2,028	\$2,061
Tangible Personal Property Tax	\$70	\$46	\$39	\$25	\$9	\$5	\$0	\$0
Income Tax	\$1,073	\$1,147	\$1,254	\$1,209	\$1,221	\$944	\$0	\$0
Unrestricted Grants-in-Aid	\$4,390	\$4,393	\$4,406	\$4,365	\$4,390	\$4,444	\$4,499	\$4,555
Restricted Grants-in-Aid	\$77	\$29	\$28	\$34	\$31	\$32	\$32	\$32
Property Tax Allocation	\$242	\$252	\$307	\$321	\$336	\$329	\$335	\$321
Other Revenues	\$676	\$740	\$766	\$796	\$816	\$836	\$781	\$802
Total Operating Revenues	\$8,286	\$8,423	\$8,616	\$8,632	\$8,715	\$8,559	\$7,675	\$7,771
Salaries & Wages	\$4,714	\$4,717	\$4,461	\$4,378	\$4,446	\$4,630	\$4,775	\$4,948
Fringe Benefits	\$1,904	\$1,842	\$1,826	\$1,830	\$1,977	\$2,124	\$2,277	\$2,447
Purchased Services	\$1,334	\$1,560	\$1,689	\$1,869	\$1,926	\$1,985	\$2,045	\$2,107
Supplies, Materials, & Textbooks	\$270	\$279	\$313	\$368	\$403	\$397	\$432	\$427
Capital Outlay	\$114	\$13	\$0	\$67	\$0	\$80	\$0	\$100
Debt Service	\$30	\$30	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$171	\$128	\$157	\$168	\$168	\$171	\$176	\$181
Total Operating Expenditures	\$8,537	\$8,569	\$8,446	\$8,680	\$8,920	\$9,387	\$9,705	\$10,210
Net Transfers/Advances	\$0	\$151	\$30	\$0	\$0	\$0	\$0	\$0
Other Financing Sources/Uses	\$14	\$25	\$34	\$25	\$25	\$25	\$25	\$25
Net Financing	\$14	\$176	\$64	\$25	\$25	\$25	\$25	\$25
Result of Operations (Net)	(\$237)	\$30	\$234	(\$23)	(\$180)	(\$803)	(\$2,005)	(\$2,414)
Beginning Cash Balance	\$265	\$28	\$58	\$292	\$269	\$89	(\$714)	(\$2,719)
Ending Cash Balance	\$28	\$58	\$292	\$269	\$89	(\$714)	(\$2,719)	(\$5,133)
Encumbrances	\$15	\$1	\$8	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$13	\$57	\$284	\$269	\$89	(\$714)	(\$2,719)	(\$5,133)
Income Tax- Renewal Levy (Cumulative Balance)	\$0	\$0	\$0	\$0	\$0	\$315	\$1,610	\$2,945
Income Tax – New Levy (Cumulative Balance)	\$0	\$0	\$0	\$0	\$0	\$157	\$805	\$1,472
Ending Fund Balance	\$13	\$57	\$284	\$269	\$89	(\$242)	(\$304)	(\$716)

Source: 2008 Forecast

Note: Totals may vary from actual due to rounding.

As illustrated in **Table 2-1**, Mohawk LSD projected a deficit in net operations of approximately \$23,000 in FY 2008-09. Throughout the forecasted period, the District projects negative cash flows. Even though the forecast assumes the renewal of the current income tax levy and an

additional 0.5 percent income tax levy, the unreserved fund balance at the end of FY 2012-13 shows a deficit of approximately \$716,000. Without the renewal levy and the additional income tax, Mohawk LSD projects an FY 2012-13 deficit of \$5.1 million.

The performance audit includes a review of the assumptions that have a significant impact on the forecast, such as general property tax, income tax, unrestricted grants-in-aid, personal services, employees' retirement and insurance benefits, purchased services, and supplies and materials. AOS analyzed the District's assumptions and methodologies presented in the forecast,

The process used by the Treasurer in the development of the five-year forecast meets AICPA recommended practices. For example, the Treasurer prepares the forecast in good faith and uses the best information available at the time. Furthermore, the assumptions she developed appear appropriate and the Board reviews and approves the forecast. The Treasurer's projections appeared reasonable based on historical trends, actual year-to-date activity, legislative requirements, third-party information, and current economic conditions.

Revenue and Expenditure Comparisons

Table 2-2 compares Mohawk LSD's FY 2007-08 General Fund revenues by source and expenditures by object with the peers. The data is presented on a per-student basis to account for differences in student population.

Table 2-2: Revenue and Expenditure Comparison

	Mohawk LSD FY 2006-07	Mohawk LSD FY 2007- 08	Peer Average	Difference	% Difference
Property & Income Tax	\$3,121	\$3,305	\$2,402	\$903	37.6%
Intergovernmental Revenues	\$4,849	\$5,040	\$5,303	(\$263)	(5.0%)
Other Revenues	\$919	\$882	\$642	\$240	37.5%
Total Revenue	\$8,889	\$9,228	\$8,347	\$881	10.5%
Wages	\$4,894	\$4,743	\$4,879	(\$136)	(2.8%)
Fringe Benefits	1,911	\$1,941	\$1,741	\$200	11.5%
Purchased Services	\$1,618	\$1,796	\$907	\$888	97.9%
Supplies & Textbooks	\$4290	\$333	\$314	\$19	6.1%
Capital Outlays	\$14	\$0	\$139	(\$139)	(100.0%)
Debt Service	\$0	\$0	\$12	(\$12)	(100.0%)
Miscellaneous	\$133	\$167	\$246	(\$78)	(32.0%)
Other Financing Uses	\$0	\$0	\$214	(\$214)	(100.0%)
Total Expenditures	\$8,858	\$8,980	8,452	\$528	6.2%

Source: Mohawk LSD and peers' 4502 reports.

As illustrated in **Table 2-2**, Mohawk LSD's FY 2007-08 revenues were 10.5 percent (\$881 per pupil) higher than the peer average. The expenditures exceed the peers by 6.2 percent (\$528 per pupil). The District significantly exceeded the peers in the following line items:

- *Fringe Benefits*: The District spent \$200 more per student than the peers on retirement and benefits. The health insurance and dental premiums for single coverage are higher than the peer average. The District also has lower co-pays than the peers, which influences the cost of premiums (see **human resources**).
- *Purchased Services*: The District spent \$889 more per student than the peers on purchased services. This included payments to the North Central Ohio Educational Service Center (ESC), water treatment services, attorney fees, supervisor services, charges from the Information Technology Center (ITC) for online services, and utility expenses. Of these items, utility expenses are the main drivers of the District's high expenditure level (see **facilities** for additional information on utility charges).
- *Supplies and Textbooks*: The District spent \$19 more per student than the peers on supplies and textbooks. A large component of these expenses is other supplies and materials, which includes computers and building maintenance supplies.

Table 2-3 compares Mohawk LSD's governmental fund operating expenditures per student with the peers on a function basis.

Table 2-3: Governmental Fund Operational Expenditures (by Function)

USAS Function Classification	Mohawk LSD FY 2007-08		Peer Average		Difference	% Difference
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp		
Instructional Expenditures:	\$5,830	59.8%	\$5,626	62.2%	\$204	3.6%
Regular Instruction	\$4,650	47.7%	\$4,297	47.6%	\$353	8.2%
Special Instruction	\$1,062	10.9%	\$990	10.9%	\$72	7.3%
Vocational Education	\$100	1.0%	\$215	2.3%	(\$115)	(53.5%)
Adult/Continuing Education	\$1	0.0%	\$0	0.0%	\$1	N/A
Other Instruction	\$18	0.2%	\$124	1.4%	(\$106)	(85.5%)
Support Service Expenditures:	\$3,436	35.2%	\$3,032	33.5%	\$404	13.3%
Pupil Support Services	\$400	4.1%	\$352	3.9%	\$48	13.6%
Instructional Support Services	\$430	4.4%	\$399	4.4%	\$31	7.8%
Board of Education	\$43	0.4%	\$24	0.3%	\$19	79.2%
Administration	\$682	7.0%	\$718	7.9%	(\$36)	(5.0%)
Fiscal Services	\$309	3.2%	\$260	2.9%	\$49	18.8%
Business Services	\$30	0.3%	\$1	0.0%	\$29	2900.0%
Plant Operation & Maintenance	\$968	9.9%	\$791	8.8%	\$177	22.4%
Pupil Transportation	\$535	5.5%	\$452	5.1%	\$83	18.4%
Central Support Services	\$38	0.4%	\$35	0.4%	\$3	8.6%
Non-Instructional Services Expenditures	\$0	0.0%	\$5	0.1%	(\$5)	(100.0%)
Extracurricular Activities Expenditures	\$489	5.0%	\$377	4.2%	\$112	29.7%
Total Governmental Fund Operational Expenditures	\$9,755	100.0%	\$9,040	100.0%	\$715	7.9%

Source: FY 2007-08 District and peer 4502 reports

As illustrated in **Table 2-3**, Mohawk LSD's total governmental expenditures were higher than the peer average in FY 2007-08. The District spent \$715 more per student more than the peers (\$672,815 total). The recommendations in this performance audit, if implemented, would help bring the District's expenditures per pupil more in line with the peer average, particularly in non-instructional areas. Explanations for the higher per student expenditures include the following:

- *Regular Instruction:* The District spent \$353 more per student on regular instruction than the peers because of higher staffing levels. This is projected to decrease in FY 2008-09 because the District has reduced staffing by three elementary teachers, one junior high teacher, and one French teacher (see **human resources**).
- *Special Instruction:* Mohawk Local School District spent \$72 more per student on special instruction compared with the peers. Even though it mainstreams more students than the peers, it has added specialized programs, including an emotional

disturbance unit and a mental health unit. Mohawk LSD also employs 4.5 special education FTEs more than the peers on a per 1,000 student basis (see **human resources**).

- *Pupil Support Services:* The District spent \$48 more per student on pupil support services compared with the peers. This category may include guidance services, health services, professional and technical services, psychological services, and occupational therapy services. Most of the costs are salaries and benefits. Mohawk LSD contracts with the ESC to provide some pupil support services (see **human resources**).
- *Instructional Support Services:* Mohawk Local School District spent \$31 more per student on instructional support services compared with the peers. These expenditures include the salaries and benefits for a computer technician, bus aides, and special education aides, as well as expenditures for computer equipment and library expenses. The main drivers of these service costs are the expenses for technology.
- *Board of Education:* Mohawk LSD's Board of Education expenses were \$19 more per student than the peers. Board compensation, liability insurance, and memberships in professional organizations make up the majority of expenses in this category. Costs were slightly higher in FY 2007-08 because of insurance payments from FY 2006-07 carried over into FY 2007-08. The District reduced its cost for liability insurance by approximately 10 percent from FY 2005-06 to FY 2007-08.
- *Fiscal Services:* The District spent \$49, or approximately 19 percent, more per student on fiscal services compared with the peers. This category includes Treasurer's Office expenses (salaries and benefits, County Auditor expenses, and financial audit expenses). Higher costs in this category are related to the tenure of employees and the generous benefits coverage (see **human resources**).
- *Business Services:* Business services expenditures for the District are \$29 more per student compared with the peers. This line item includes T1 lines (computer lines), general supplies, postage, and repairs and maintenance.
- *Plant Operation & Maintenance:* The District spent \$177 more per student on plant operation and maintenance compared with the peers. This line item consists of custodial salaries and benefits, water treatment services, maintenance expenses, insurance, supplies and equipment and electricity (see **facilities**).
- *Pupil Transportation:* Pupil transportation expenditures are \$83 more per student compared with the peers. This line item includes bus driver salaries and benefits, bus insurance, fuel, and maintenance (see **transportation**).

Audit Objectives for the Financial Systems Section

The following is a list of the questions used to evaluate the financial management practices at Mohawk LSD:

- What has been the District's financial history and does it have policies and procedures to ensure effective and efficient financial management?
- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Are the District's budgetary processes consistent with leading practices, and how does the District's allocation of revenues and expenditures compare with the peers?
- Does the District effectively manage payroll operations?
- Has the District developed a strategic plan that links to educational and operational plans and meets leading practice criteria?
- Does the District's purchasing process follow recommended practices, and do procedures ensure adequate internal control over purchases?
- Does the District have an effective system of communicating its financial data, and does it actively involve parents and other stakeholders in the decision making process?

Auditors found that Mohawk LSD's forecasting process, payroll operations, and purchasing processes met recommended or leading practices.

Recommendations

Planning, Policies, and Budgeting

R2.1 Mohawk LSD should develop a strategic plan to help it better articulate its program and funding decisions to stakeholders and the community. Doing so will help ensure proper organization, administration and supervision of the District and will achieve compliance with State operating standards regarding strategic planning and continuous improvement. Furthermore, Mohawk LSD's plan should include a mission, goals, performance measures and a method to monitor progress toward achieving its goals. Mohawk LSD should ensure that the plan aligns available resources with the service needs of its community and stakeholders. Strategic planning will enable Mohawk LSD to better allocate resources to critical areas that demonstrate effectiveness. However, District officials should tailor the strategic plan to the needs of the District, rather than attempt to incorporate each of the GFOA's recommended practices.

According to District administrators, Mohawk LSD does not have a formal strategic plan that it follows as a guideline for the future. Although goals are discussed, the District does not have them formally written or maintained in a manner that is readily accessible to stakeholders. Currently, District officials do not plan to create a strategic plan because they have more immediate issues to address in light of the District's financial condition. According to the Superintendent, the Ohio School Boards Association (OSBA) did work with the District to develop core values and goals.

According to Ohio Administrative Code (OAC) § 3301-35-03 (A), "The proper organization, administration, and supervision of a school district or school require effective strategic planning." Strategic planning allows a district to measure performance and progress toward meeting its strategic goals and objectives. The creation of the strategic plan is the responsibility of the board of education, the superintendent, and other key stakeholders. Effective strategic planning is based on the needs of current and future students, as well as other stakeholders of the school district. It should be used to develop strategic goals and objectives that are measureable, to align strategies with goals and objectives, and to identify key internal performance targets. A district's strategic plan should be communicated to all stakeholders.

Recommended Budget Practice on the Establishment of Strategic Plans (GFOA, 2005)³ recommends that all governmental entities use some form of strategic planning to connect organizational goals with spending. GFOA states that an organization's objectives for a strategic plan will help determine how available resources tie to future goals. The plan

³ This document can be found at: <http://www.gfoa.org/downloads/budgetStrategicPlanning.pdf>

should encompass all operational and educational programs. A strategic plan also helps organizations anticipate and respond quickly to changes in the environment. Some recommended steps for strategic planning are:

- Identify Critical Issues.
- Create an Action Plan.
- Develop Measurable Objectives.
- Obtain Approval of the Plan.
- Monitor Progress.

Without a formal strategic plan, Mohawk LSD may have difficulty evaluating the relationship between its spending decisions and program outcomes. Moreover, a formalized plan would enable the District to communicate goals and objectives to the community more effectively. It should incorporate plans for programs such as food service, facilities, transportation, and educational services. For example, the District has many buses that exceed the recommend average life, but there is no bus replacement plan in place. A strategic plan could help address these kinds of issues (see **R2.3**).

R2.2 Mohawk LSD should develop comprehensive financial policies that are in line with leading GFOA practices. This will involve tailoring current NEOLA policies to address District needs and goals. Once completed, the Board should formally adopt the policies. Going forward, the District should ensure that its financial and budgetary practices are consistent with these policies.

The District uses financial and Board policies developed by NEOLA, and the policies are posted on the District's web site. The policies address District finances in a limited fashion. According to GFOA, financial policies should be consistent with broad organizational goals and should be the outcome of sound analysis. Policies also should be consistent and relational. *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1998)*⁴ suggests that the following policies should be present in each organization:

- Contingency Planning;
- Budget Stabilization Funds;
- Fees and Charges;
- Debt Issuance and Management;
- Debt Level and Capacity;
- Use of One-Time Revenue;
- Use of Unpredictable Revenues;

⁴ This publication can be found at: <http://www.gfoa.org/services/dfl/budget/RecommendedBudgetPractices.pdf>,

- Balancing the Operating Budget; and
- Revenue Diversification.

Creating such policies could help the District maintain smooth operations. Policies can also be used to guide future financial decision-making. In addition, complete financial policies may improve the ability of school districts to take appropriate action in a timely manner, which could aid in the budgeting process and overall achievement of long-term goals (see R2.1).

R2.3 Mohawk LSD should prepare a separate budget document and five-year financial forecast, that contains key policies, plans, goals, and key issues. This would help link the budget to the District's goals. The document should also include a financial overview of short- and long-term plans (obtained from the five-year forecast), a guide to operations, an explanation of the basis of accounting and a budget summary. This would improve Mohawk LSD's efforts at focusing its budget priorities for the upcoming year and subsequently maintain that focus once the budget has been adopted. The District should also develop benchmarks to help create these goals, and obtain input from key stakeholders. A review of GFOA's recommended budgeting practices may be a helpful tool in preparing a separate budget document. The District should communicate this budget document by posting it to the web site to make it readily accessible to the community.

Mohawk LSD does not have an individual budget document. Instead of a budget document, the District uses the five-year forecast and a report called BudSum accounts as its budget document. The Treasurer creates these two documents, but the Superintendent and building principals add their input about textbooks and equipment that the District needs. The Treasurer also attempts to incorporate the goals of the District into the documents. The District does not have documented policies, procedures, or goals for the budget preparation process. Since the Treasurer has approximately 27 years experience, she prepares the budget based on her accumulated knowledge and experience. However, during the course of this audit, the Treasurer left the Mohawk LSD to become a Treasurer at another district.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1998)⁵ recommends that governments develop budgets that are consistent with approaches to achieve goals. Some features of a good budget are as follows:

- Description of key policies, plans, and goals;
- Identification of key issues;

⁵ This publication can be found at: <http://www.gfoa.org/services/dfl/budget/RecommendedBudgetPractices.pdf>

- A financial overview of the short- and long-term financial plan;
- A guide to operations;
- Explanation of the budgetary basis of accounting;
- A budget summary;
- Budget review;

Developing the budget based on goals and objectives outlined in the strategic plan will help Mohawk LSD focus its limited resources, which subsequently will help the District use its funds more efficiently. Using benchmarks to set goals and measure its performance will also help the District focus its budget decisions and use its limited resources efficiently.

The District uses its web site as a tool to communicate with the community. Information that can be found on the site includes the District's policies, Board minutes, and staff lists. People can use the web site to e-mail the Superintendent and other administrators. GFOA recommends also including budget documents on a web site to increase public awareness and use of the information, as well as to avoid redundancy in responding to requests for information.

R2.4 Mohawk LSD should file its annual financial report in accordance with Generally Accepted Accounting Principles.

The FY 2007-08 financial audit of the District included a non-compliance finding because the District does not file an annual financial report in accordance with Generally Accepted Accounting Principles (GAAP). The District acknowledged the finding, but indicated that it had made a conscious choice (with approval of the Board) to save preparation and audit costs by not filing its financial statements in accordance with GAAP. Instead, the District prepared its financial statements using a "GAAP look alike" format.

Ohio Revised Code (ORC) § 117.38 requires each public office to file a financial report for each fiscal year. OAC § 117-2-03 further clarifies this provision by requiring school districts to prepare annual financial report in accordance with GAAP. Pursuant to ORC § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with State law. Moreover, failure to report on a GAAP basis compromises the District's ability to evaluate and monitor its overall financial condition.

Financial Recovery Plan

R2.5 The District should consider implementing the recommendations in this performance audit and taking other appropriate actions to avoid projected operating deficits. In addition, the Treasurer should update the District's five-year financial forecast on an ongoing basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.

By implementing the performance audit recommendations, including those subject to negotiation, Mohawk LSD should be able to maintain a positive fund balance from FY 2009-10 through FY 2012-13. **Table 2-4** demonstrates the impact of the recommendations on the five-year forecast ending fund balances, assuming the recommendations are fully implemented.

This table includes potential staffing reductions for regular education teachers and ESP personnel, increased employee contributions for health care, and reduced utility costs, as well as other performance audit recommendations. The forecasted ending balances in **Table 2-4** will depend, in part, on the passage of the District's proposed income tax levies. Monitoring the attainment of the forecast projections and updating them as necessary will help the District base future decisions on the most current information. Lastly, the projected ending balances in **Table 2-4** will partially depend on the timing of the District's implementation of the performance audit recommendations.

Table 2-4: Mohawk Local School District Financial Recovery Plan (in 000s)

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12	Forecast 2012-13
Real Estate Property Tax	\$1,758	\$1,816	\$1,816	\$1,882	\$1,912	\$1,969	\$2,028	\$2,061
Tangible Personal Property Tax	\$70	\$46	\$39	\$25	\$9	\$5	\$0	\$0
Income Tax	\$1,073	\$1,147	\$1,254	\$1,209	\$1,221	\$944	\$0	\$0
Unrestricted Grants-in-Aid	\$4,390	\$4,393	\$4,406	\$4,365	\$4,390	\$4,444	\$4,499	\$4,555
Restricted Grants-in-Aid	\$77	\$29	\$28	\$34	\$31	\$32	\$32	\$32
Property Tax Allocation	\$242	\$252	\$307	\$321	\$336	\$329	\$335	\$321
Other Revenues	\$676	\$740	\$766	\$796	\$816	\$836	\$781	\$802
Total Operating Revenues	\$8,286	\$8,423	\$8,616	\$8,632	\$8,715	\$8,559	\$7,675	\$7,771
Salaries & Wages	\$4,714	\$4,717	\$4,461	\$4,378	\$4,446	\$4,630	\$4,775	\$4,948
Fringe Benefits	\$1,904	\$1,842	\$1,826	\$1,830	\$1,977	\$2,124	\$2,277	\$2,447
Purchased Services	\$1,334	\$1,560	\$1,689	\$1,869	\$1,926	\$1,985	\$2,045	\$2,107
Supplies, Materials, & Textbooks	\$270	\$279	\$313	\$368	\$403	\$397	\$432	\$427
Capital Outlay	\$114	\$13	\$0	\$67	\$0	\$80	\$0	\$100
Debt Service	\$30	\$30	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$171	\$128	\$157	\$168	\$168	\$171	\$176	\$181
Total Operating Expenditures	\$8,537	\$8,569	\$8,446	\$8,680	\$8,920	\$9,387	\$9,705	\$10,210
Net Transfers/Advances	\$0	\$151	\$30	\$0	\$0	\$0	\$0	\$0
Other Financing Sources/Uses	\$14	\$25	\$34	\$25	\$25	\$25	\$25	\$25
Net Financing	\$14	\$176	\$64	\$25	\$25	\$25	\$25	\$25
Result of Operations (Net)	(\$237)	\$30	\$234	(\$23)	(\$180)	(\$803)	(\$2,005)	(\$2,414)
Beginning Cash Balance	\$265	\$28	\$58	\$292	\$269	\$89	(\$714)	(\$2,719)
Ending Cash Balance	\$28	\$58	\$292	\$269	\$89	(\$714)	(\$2,719)	(\$5,133)
Encumbrances	\$15	\$1	\$8	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$13	\$57	\$284	\$269	\$89	(\$714)	(\$2,719)	(\$5,133)
Income Tax- Renewal Levy (Cumulative Balance)	\$0	\$0	\$0	\$0	\$0	\$315	\$1,610	\$2,945
Income Tax – New Levy (Cumulative Balance) ¹	\$0	\$0	\$0	\$0	\$0	\$236	\$1,208	\$2,208
Ending Fund Balance	\$13	\$57	\$284	\$269	\$89	(\$164)	\$99	\$20
Cumulative Impact of Performance Audit Recs.	N/A	N/A	N/A	N/A	\$519	\$1,106	\$1,760	\$2,322
Revised Ending Fund Balance	N/A	N/A	N/A	N/A	\$688	\$943	\$1,858	\$2,342

Source: 2008 Forecast

Note: Totals may vary due to rounding.

¹ Adjusted to reflect ballot language

Table 2-5 summarizes the cost savings and implementation costs associated with the recommendations contained within the performance audit. Some recommendations and the associated savings are dependent on the outcome of collective bargaining negotiations.

Table 2-5: Summary of Performance Audit Recommendations

Recommendation	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Recommendations Not Subject to Negotiation				
R3.1 Reduce 4.0 FTE regular education teachers	\$178,687	\$185,853	\$193,785	\$201,988
R3.2 Reduce 3.0 FTE Educational service personnel staff	\$109,198	\$113,577	\$118,424	\$123,437
R3.3 Charge a portion of the Lunch/Playground monitors time to the Food Service Fund	\$4,700	\$4,700	\$4,700	\$4,700
R4.1 Lower utility costs associated with the geothermal system	\$115,000	\$115,000	\$115,000	\$115,000
R4.2 Implement an energy management program	\$5,800	\$5,800	\$5,800	\$5,800
R4.6 Obtain building operation certification	(\$1,245)	(\$45)	(\$45)	(\$45)
R5.2 Eliminate four spare buses	\$5,500	\$1,500	\$1,500	\$1,500
R5.3 Seek competitive fuel prices	\$2,000	\$2,000	\$2,000	\$2,000
R5.4 Purchase routing software	(\$10,000)	(\$2,000)	(\$2,000)	(\$2,000)
<i>Subtotal Not Subject to Negotiations</i>	\$409,640	\$426,385	\$439,164	\$452,380
Recommendations Subject to Negotiation				
R3.4 Limit negotiated wage increases	\$49,000	\$100,000	\$154,000	\$49,000
R3.4 Eliminate technology stipend	\$13,500	\$13,500	\$13,500	\$13,500
R3.5 Eliminate paying employees share of retirement benefits	\$37,000	\$37,000	\$37,000	\$37,000
R3.6 Require administrators to pay 15% employee share toward health care insurance	\$10,000	\$10,000	\$10,000	\$10,000
<i>Subtotal Subject to Negotiations</i>	\$109,500	\$160,500	\$214,500	\$109,500
Total all Recommendations	\$519,139	\$586,886	\$653,665	\$561,881

Source: AOS recommendations

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Human Resources

Background

This section of the performance audit focuses on the human resource (HR) functions of the Mohawk Local School District (Mohawk LSD or the District). Operations were evaluated against leading practices, industry benchmarks, operational standards, and peer districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiency and operating practices, as well as to identify 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 Kaiser Family Foundation (Kaiser), the National Education Association (NEA), the Ohio Education Association (OEA), the State Employment Relations Board (SERB), and the Government Finance Officers Association (GFOA).

Organization Structure and Function

Mohawk LSD does not have a human resource (HR) department. Instead, the Superintendent, Treasurer, Assistant Treasurer, Secretary to the Superintendent, and EMIS Coordinator, as well as building principals, complete most HR-related activities in the District. The Treasurer, Superintendent, a building principal, a Board member, and legal counsel participate in collective bargaining negotiations. The Superintendent is also responsible for hiring staff. The Treasurer and Secretary to the Superintendent work together to enter staff EMIS data. The EMIS Coordinator compiles, verifies and submits the student EMIS data and helps verify the staff data before submission. The Assistant Treasurer processes payroll and leave requests.

Staffing

Table 3-1 compares Mohawk LSD's staffing levels with the peer averages based on both a total FTE and a per 1,000 students basis.

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

Table 3-1: FY 2007-08 Staffing per 1,000 Students

Categories	Mohawk LSD ¹		Peer Average		Differences	
	Total FTE Staff	Total FTE/1,000 Students	Total FTE Staff	Total FTE/1,000 Students	Total FTE Staff	Total FTE/1,000 Students
Administration	7.0	7.3	9.0	7.3	(2.0)	0.0
Office/Clerical	6.0	6.3	6.8	5.7	(0.8)	0.6
Education Staff:	61.2	63.9	79.4	66.3	(18.2)	(2.4)
Classroom Teachers	47.6	49.7	65.2	54.5	(17.6)	(4.8)
Special Education Teachers	10.3	10.7	9.6	7.8	0.7	2.9
Remedial Specialist	2.0	2.1	4.3	3.6	(2.3)	(1.5)
Other Educational Support	1.3	1.4	0.3	0.4	1.0	1.0
Teacher Aides	7.3	7.6	5.7	4.7	1.6	2.9
Library Staff	1.8	1.9	2.9	2.4	(1.1)	(0.5)
Computer Support	0.0	0.0	0.6	0.6	(0.6)	(0.6)
Other Professionals	0.0	0.0	0.1	0.1	(0.1)	(0.1)
Student Services	2.4	2.5	3.9	3.1	(1.5)	(0.6)
Operations:	30.0	31.3	27.8	23.2	2.2	8.1
Maintenance	1.0	1.0	1.1	0.9	(0.1)	0.1
Custodial & Grounds	6.0	6.3	7.6	6.2	(1.6)	0.1
Bus Drivers	13.3	13.9	10.1	8.5	3.2	5.4
Food Service	6.7	7.0	8.4	7.1	(1.7)	(0.1)
Other Building & Operations	3.0	3.1	0.6	0.5	2.4	2.6
Total FTE Reported	115.7	121.8	136.2	115.2	(20.5)	6.6

Source: Client FY 2008-09 and peer districts' EMIS staffing data for FY 2007-08.

¹The table has been adjusted to reflect the staffing reductions made for FY 2008-09, and to illustrate Mohawk LSD's staffing levels as of FY 2008-09.

Table 3-1 illustrates that Mohawk LSD's staffing levels per 1,000 students are higher in the following areas:

- Office/clerical staff by 0.6 FTEs. However, if bookkeepers, who are categorized under administration in **Table 3-1**, are included in the office/clerical analysis, the peer average FTE per 1,000 students increases from 5.7 to 6.3;
- Special education teachers by 2.9 FTEs (see **issue for further study**);
- Teacher aides by 2.9 FTEs (see **issue for further study**);
- Other Educational Support by 1.0 FTE (see **issue for further study**); and
- Operations by 8.1 FTEs (see **R3.3**).

Salaries

Table 3-2 compares Mohawk LSD's average salaries by EMIS classification with the peer averages.

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

	Average Salaries			Salaries Per Student Educated		
	Mohawk LSD	Peer Average	Difference	Mohawk LSD	Peer Average	Difference
Administration	\$75,985	\$68,030	11.7%	\$395	\$388	1.8%
Office/Clerical	\$27,188	\$25,833	5.2%	\$171	\$147	16.3%
Education Staff	\$45,987	\$49,568	(7.2%)	\$2,939	\$3,279	(10.4%)
Teacher Aides	\$13,732	\$15,116	(9.2%)	\$105	\$77	36.4%
Library Staff	\$37,334	\$28,711	30.0%	\$70	\$70	0.0%
Computer Support	\$0	\$33,427	(100.0%)	\$0	\$43	(100.0%)
Other Professionals	\$0	\$82,402	(100.0%)	\$0	\$59	(100.0%)
Student Services	\$53,405	\$42,344	26.1%	\$132	\$134	(1.5%)
Operations	\$15,157	\$16,085	(5.8%)	\$474	\$428	10.7%
District Average	\$36,154	\$41,002	(11.8)	\$4,468	\$4,628	(3.1%)

Source: Mohawk LSD and Peer District All R Staff Similar District EMIS report for FY 2007-08.

Table 3-2 illustrates that Mohawk LSD's administrative, clerical, student services, and library average salaries exceed the peer averages. However, a longevity analysis for these classifications illustrated that Mohawk LSD's staff has more years of service than the peer average, which is a contributing factor in the higher salaries. However, for the student services category, which includes counseling, Mohawk LSD's employees have 10 years less experience, yet have higher salaries.

Due to the financial condition of the District, adjustments should be made to reduce the District's salary cost burden (see **R3.4**). Lastly, while **Table 3-2** shows that the average salary for administration in FY 2007-08 is 11.7 percent higher than the peers and 1.8 percent higher per student educated than the peers, the District also pays a portion of the administrators' retirement contributions, which increases the overall compensation levels for administrators (see **R3.5**).

Benefits Administration

Medical Insurance

Mohawk LSD is a member of the North Central Ohio Insurance Trust, which is part of the Ohio Mid-Eastern Regional Education Services Agency (OME-RESA) Health Benefits consortium. The District's plan administrator is Employee Benefit Management Corporation (EBMC). Under its consortium, the District offers a Preferred Provider Network (PPO) plan to its enrollees.

The District has 41 employees who receive an annual \$1,000 opt-out stipend, and 76 who receive health care benefits. Medical insurance premiums for single coverage exceed industry averages (see **R3.6**). While the District's premiums for medical and dental are higher than industry benchmarks, the District's vision and life insurance premiums are significantly lower than the State and national averages.

The District requires certificated and classified enrollees to pay 15 percent cost sharing, and it prorates the premium for part-time staff, to reduce the cost burden for health care benefits. By requiring 15 percent cost sharing, the District exceeded the SERB average. However, the Board does not require similar cost sharing for the administrators (see **R3.6**).

ORC § 9.901 states, in part, that all health care benefits provided to public school employees shall be provided by health care plans that contain best practices established by the State of Ohio School Employees Health Care Board (SEHCB). According to OAC § 3306-2-03, all school district health care insurance plans must contain wellness programs, disease management programs, and programs designed to treat complex medical problems. In addition, SEHCB recommends dependent eligibility audits. As the District has wellness and disease management programs in the place, and OME-RESA is ensuring that an audit process is implemented, the District is compliant with the SEHCB requirements.

Workers' Compensation

Mohawk LSD's experience modifier (EM) is 0.4 for 2008, which indicates that the District has a better than average loss experience compared with similar organizations (1.0). The lower EM is also a result of the District being group rated through the Bureau of Workers Compensation, and taking part in discount programs such as the Safety Council and Transition to Work programs.

Negotiated Agreements

Mohawk LSD certificated employees are part of the Mohawk Education Association bargaining unit, which represents all full-time and part-time certificated personnel, exclusive of administrative and supervisory personnel. The contract expires June 30, 2009. A comparison of the District's contract with State requirements and industry standards shows that Mohawk's

certificated contract provisions are comparable in the areas of school year, teaching time, leave time, and evaluation process. However, other articles contained in the certificated contract are more generous and could prove costly to the District (see **R3.9** and **R3.10**). Furthermore, the District has language in its certificated contract that dictates class size maximums, which could hinder the administration in making staffing decisions (see **R3.1**).

Classified employees are not covered under a negotiated agreement. However, a comparison of the employee handbook with State requirements and industry standards shows that Mohawk's employee handbook provisions are comparable to industry standards in the areas of staffing, evaluation procedures, call-in hours, leave, and holidays.

Program Operations

Under the guidance of the Special Education Supervisor, who is contracted from the North Central Ohio Educational Service Center (NCOESC), the District has specific programs in place for special education students. Where possible, students are mainstreamed into regular classrooms. Mohawk LSD's General Fund spending per pupil for FY 2007-08 on special education was higher than the peer average (see **R3.11**). The District also targets academically at-risk students for intervention. The District is small enough to examine the needs of each student on a case-by-case basis, and each student is evaluated in each grade level while attending the District. While the District does not offer gifted programs in-house due to cost, it does have a contract for a Gifted Program Coordinator through the NCOESC. The Gifted Program Coordinator works with each teacher at the elementary level to implement gifted programs within the regular education classroom.

The District does not offer its own vocational education program. Instead, it offers the majority of its career technical courses through the Vanguard Sentinel Career Center, and four courses are offered in-house. The District's costs for vocational education for FY 2007-08 were \$100 per pupil, which is 53 percent below the peer average of \$215 per pupil.

Audit Objectives for the Human Resources Section

The following is a list of the questions used to evaluate the human resource functions at Mohawk LSD:

- Is the District's current allocation of personnel efficient and effective?
- 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 leading practices?
- Does the District provide special education programs for students with disabilities that maximize resources and are compliant with State and federal regulations?

Recommendations

Staffing

R3.1 Given Mohawk LSD's projected deficit during the forecast period, the District should consider reducing its teaching staff to the State minimum level as set forth in OAC § 3301-35-05.² Eliminating 4.0 FTEs would bring its staffing levels to approximately 20 percent above State minimum requirements. However, if the District is unable to implement the recommendations in this performance audit, identify cost savings in other areas, or generate additional revenue, it may need to eliminate up to 10.0 classroom teacher FTEs to reach State minimum requirements. While either of these reductions may be necessary to avoid projected deficits, Mohawk LSD should evaluate the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.

These reductions may be impacted by class size restrictions in the certificated bargaining agreement. Therefore, the Superintendent should discuss proposed staffing reductions with the District's legal counsel and its certificated bargaining unit to ensure it does not violate the negotiated agreement. Furthermore, in future negotiations, the District should attempt to remove the maximum class size provision from the certificated contract.

OAC § 3301-35-05 mandates that school districts maintain district-wide student-to-teacher ratios of at least 1.0 FTE classroom teacher for every 25 students in the regular student population. Mohawk LSD's current staffing levels exceed this requirement. **Table 3-3**, compares Mohawk LSD's classroom teacher staffing levels with the peers and State minimums.

Table 3-3: Classroom Teachers Comparison

Positions	Mohawk LSD	Peer Average	Difference
Regular Teachers (FTE)	41.8	57.2	(15.4)
Students Educated (FTE)	958.2	1212.3	(254.1)
Regular Teachers per 1,000 Students	43.6	47.7	(4.1)
Regular Students to Regular Teacher Ratio	19.1	18.3	0.8
Comparison with State Minimum Requirements	FTE Teachers		
Regular Teachers Employed			41.8
State Minimum Required Regular Teachers			31.9
Regular Teachers Above State Minimum Requirement			9.9

Source: Mohawk LSD and peers' ODE EMIS reports for FY 2007-08.

² MLSD could consider alternatives to a reduction in positions including limiting contract days or hours.

Table 3-3 illustrates that while the District's classroom teacher staffing level is slightly below the peer average, it is still above the State minimum. Furthermore, as shown in **Table 3-1**, the District's other educational support staffing level exceeds the peer average by 1.0 FTE per 1,000 students. This group consists of a part-time junior high athletic director, a part-time senior high athletic director, and a part-time technology coordinator. All of these individuals also work as teachers for the District. One employee who was included as other educational support staff in **Table 3-1** has since left the District, leaving the District with 1.16 FTE per 1,000 students. While staffing reductions in the regular education and other educational support classifications may be necessary, these reductions are impacted by the class size requirements dictated in the certificated negotiated agreement.

According to the negotiated agreement:

- Teachers in grades k-3 shall not have class sizes that exceed 28 students.
- Teachers in grades 4-5 shall not have class sizes that exceed 32 students.
- Teachers in grades 6-8 shall not have class loads that exceed 165 students per day.
- Teachers in grades 9-12 shall not have class loads that exceed 165 students per day.

The Treasurer indicated that this provision has not been costly, since the District's enrollment has declined, allowing a reduction in staff to occur while continuing to meet the class size provisions. While this provision has not affected the District, it could hinder efforts by the District to streamline its operations in the future.

According to *Collective Bargaining for Schools* (The Mackinac Center for Public Policy, 1998), establishing class size requirements within a collective bargaining agreement restricts the school administration's decision-making about the most effective use of staff, space, and scarce financial resources. Furthermore, researchers found that there is no evidence that supports the main justification for these proposals; namely, that smaller classes produce improvements in student performance. Therefore, having this language reduces the administration's ability to make management staffing decisions.

Absent additional revenue, the District will need to make additional cost reductions to achieve financial solvency in future years. **Table 3-3** illustrates that up to 10.0 FTEs can be reduced to bring regular teaching levels to the State minimum. However, to alleviate some of the burden on academic programs while still realizing cost savings, incremental reductions could be made. Similarly, reductions might be made through attrition and leaving vacancies unfilled.

Financial implication: If the District eliminates 4.0 regular teacher FTEs, it would generate an annual cost savings of \$190,000, and approximately \$760,000 over the

forecast period. A reduction of 10.0 FTEs would generate annual cost savings of \$507,400, and approximately \$2 million over the forecast period.

R3.2 Mohawk LSD should consider eliminating 3.0 FTE educational service personnel (ESP) to bring its staffing to the State minimum requirement set forth in OAC § 3301-35-05. While such reductions may be necessary to avoid projected deficits, Mohawk LSD should evaluate the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.

Table 3-4 illustrates a comparison of Mohawk LSD's ESP staffing levels with the peers and with State minimums established in OAC § 3301-35-05.

Table 3-4: ESP Staffing Comparison

Positions	Mohawk LSD	Peer Average	Difference
ESP Teachers (FTE)	4.1	5.4	(1.3)
Counselors (FTE)	2.4	2.0	0.4
Librarians / Media Specialists (FTE)	0.8	0.8	0.0
School Nurses (FTE)	0.0	0.3	(0.3)
Social Workers (FTE)	0.0	0.1	(0.1)
Visiting Teachers (FTE)	0.0	0.1	(0.1)
Total Educational Service Personnel (FTE)	7.3	8.7	(1.4)
Students Educated (FTE)	958.2	1212.3	(254.1)
ESP Teachers per 1,000 Students	4.2	4.6	(0.4)
Counselors per 1,000 Students	2.5	1.7	0.8
Librarians / Media Specialists per 1,000 Students	0.8	0.7	0.1
School Nurses per 1,000 Students	0.0	0.2	(0.2)
Social Workers per 1,000 Students	0.0	0.1	(0.1)
Visiting Teachers per 1,000 Students	0.0	0.1	(0.1)
Total ESP per 1,000 Students	7.5	7.4	0.1
Total FTE ESP Above/(Below) Peer Districts			0.1
Comparison with State Minimum Requirements			FTEs
Total ESPs Employed			7.3
State Minimum Required ESPs			4.0
ESPs Above State Minimum Requirement			3.3

Source: Mohawk LSD and peers' ODE EMIS reports for FY 2007-08. Mohawk LSD staffing has been adjusted to reflect reductions for FY 2008-09.

As shown in **Table 3-4**, the District is slightly above the peer average per 1,000 students, but is 3.3 FTE over the State minimum requirement for this ESP personnel.

OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 FTE educational service personnel FTEs for every 1,000 students in the regular student population. Additionally, these ESP teachers 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.

Due to the District's projected deficit in its five-year forecast, this category may need to be reduced to State minimums.

Financial implication: If the District decreased 3.0 ESP FTEs, it would generate an average annual cost savings of \$116,000, and approximately \$464,000 over the forecast period.

R3.3 Mohawk LSD should charge to the Food Service Fund a portion of the time for the two monitors who have lunch/playground duties. The District should develop a systematic and rational allocation methodology for doing so, and should disclose the methodology in its documents supporting its forecast.

As shown in **Table 3-1**, the other building operations category has 2.6 more FTEs per 1,000 students than the peer average. This category includes student monitors. As two of the monitors have lunch/playground duties, the District may be able to charge a portion of their time to the Food Service Fund. The Food Service Fund has had a surplus each year since FY 2005-06 and maintained a \$37,000 ending fund balance for FY 2007-08.

According to *Measuring the Cost of Government Services* (GFOA, 2002) governments should calculate the full costs of their services. The full cost includes all direct and indirect costs related to those services. Direct costs include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service, as well as the materials and supplies, and other associated operating costs such as utilities and rent, training and travel. Indirect costs include shared administrative expenses within the work unit and in one or more support functions outside the work unit (e.g., legal, finance, human resources, facilities, maintenance, or technology). These shared costs should be apportioned by some systematic and rational allocation methodology, and that methodology should be disclosed.

If the District begins to charge its Food Service Fund for the cost of lunch monitors, it will more accurately reflect activity within the food service operation and also allow the District to reduce the burden on its General Fund for these positions.

Financial implication: The District can realize an annual costs savings to the General Fund of \$4,700, and approximately \$18,800 over the forecast period, assuming that half of each monitor's time is charged to the Food Service Fund.

Compensation

R3.4 Mohawk LSD should minimize increases to its base wages during future bargaining unit negotiations. Taking these measures will help address the District's projected deficits and bring salary levels more in line with peer averages.

As shown in **Table 3-2**, Mohawk LSD's average salaries are higher than the peer averages in the administrative, office/clerical, student services, and library staff categories, despite a negotiated pay freeze in effect from FY 2006-07 to FY 2008-09. During this time, staff received step increases, but base salaries remained at the 2007 levels.

According to the Treasurer, the District expects the freeze to be discontinued during the next round of collective bargaining, beginning in FY 2009-10. Therefore, The Treasurer has projected a wage increase of 3 percent for FY 2010-11, 2 percent for FY 2011-12 and 3 percent for FY 2012-13. The District gives non-certificated staff the same increases negotiated by the certificated bargaining unit.

While it may not be feasible to maintain no growth in base wages, limiting increases in future years will help continue the slow growth of salaries and, over time, bring District salaries more in line with the peers. Mohawk LSD could achieve significant cost avoidance over the forecast period by limiting negotiated wage increases while maintaining step increases for its employees.

Financial implications: By limiting negotiated wage increases to no more than 5 percent in total for the forecast period, Mohawk LSD could realize an average annual cost savings of \$88,000 and approximately \$352,000 over the forecast period.

R3.5 Mohawk LSD should cease paying the employee's share of retirement contributions for all administrative positions. This may require renegotiation of administrator contracts.

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 classified positions. Ohio law mandates the contribution percentages to be made by employers and employees. Employers are required to contribute 14 percent of each employee's annual salary to the appropriate retirement fund. Employees are responsible for contributing 10 percent. Mohawk LSD goes beyond the STRS and SERS requirements and pays the entire 10 percent employee share (known as "pickup"), and pays an additional pickup on the pickup of the employee portion (1 percent of salary) for four administrative employees.

Table 3-2 illustrates that the average salary for administrators in FY 2007-08 was 11.7 percent higher than the peer average. However, the additional pension benefit offered by the District increased the administrative salaries by 11 percent.

Financial Implication: Eliminating retirement pickup for administrators would generate cost savings of approximately \$37,000 per year in the District's General Fund, based on FY 2008-09 wages.

Health Benefits Administration

R3.6 Mohawk LSD should require administrators to contribute the employee share of 15 percent for health insurance premiums in an effort to reduce premium costs. Requiring all employees to contribute towards health insurance premiums reduces the District's financial burden for health insurance costs.

While the District requires a 15 percent health insurance contribution by staff, it does not require administrators to pay the employee share. Instead, the District pays 100 percent of the cost of health care for these individuals. However, given that all other District employees pay an employee share in line with SERB and Kaiser averages, it is reasonable for the District to require administrators to contribute towards their health insurance as well. Having additional employees contribute can help lower the cost for insurance premiums to the District. Moreover, by excluding administrators from the contribution requirement, the District is offering additional compensation not available to other District employees.

Financial Implication: If the District requires administrators to pay 15 percent employee contributions, it can realize cost savings of about \$10,000 annually or \$40,000 over the forecast period, based on FY 2008-09 premiums.

R3.7 The District should renegotiate the design of its health insurance plan to include additional cost sharing provisions. Specifically, the District should bring its health insurance plan in line with industry benchmarks by doing the following:

- **Implement co-pays for doctor visits;**
- **Implement coinsurance for doctor visits and the drug plan;**
- **Implement a three-tier prescription drug plan;**
- **Increase deductibles;**
- **Increase cost sharing for hospital visits and outpatient surgery; and**
- **Increase annual out-of-pocket maximums.**

Adopting a plan design more comparable to industry benchmarks will assist the District in reducing the total cost of providing health insurance, and can result in lower health care premiums.

Table 3-5 compares the District’s FY 2008-09 monthly premiums with the OEA averages for Ohio school districts, the Kaiser averages for PPO plans, and the SERB averages for school districts with PPO plans.

Table 3-5: Insurance Premiums Comparison

Average Monthly Premiums	Mohawk LSD FY 2008-09	OEA Averages FY 2008-09	Kaiser Averages FY 2008-09	SERB Averages FY 2008-09	Industry Averages	Percent Difference
Health Care						
Single	\$522.97	\$434.19	\$420.00	\$449.05	\$434.41	20.39%
Family	\$1,382.10	\$1,101.41	\$1,131.90	\$1,167.95	\$1,133.75	21.90%
Dental						
Single	\$62.48	\$41.00	N/A	\$60.22	\$50.61	23.45%
Family	\$62.48	\$77.00	N/A	\$89.15	\$83.08	(24.79%)

Source: Mohawk LSD, Kaiser Family Foundation, SERB and OEA.

Note: Industry averages for FY 2008-09 are estimates based on reported premiums from FY 2007-08 and historical annual increases.

As shown in **Table 3-5**, the District’s health insurance premiums are 20 percent higher than the industry average for single coverage and 22 percent higher for family coverage. The District’s higher health insurance premiums are partly caused by the plan design being more generous than is typically found in health insurance plans. The District’s dental premium for single coverage is 23 percent higher than the industry average, but 25 percent lower for family coverage. The higher premium for single coverage is a result of the dental premium being the same for single or family coverage.

The following highlights areas where OEA and/or Kaiser describe typical cost sharing provisions that are not included in the District’s health care plan design:

- Co-pays for doctor visits average \$20 for in-network doctor visits for PPO plans (Kaiser);
- Coinsurance for doctor visits average 17 percent for in-network doctor visits for PPO plans (Kaiser);
- Coinsurance for drug plans average 21 percent for generic, 25 percent for preferred drugs, and 38 percent for non-preferred for plans that include three tiers (Kaiser); and

- Cost sharing for outpatient surgery averages 16 percent for PPO plans (Kaiser)³.

The following highlights areas where the District's health care plan requires some cost sharing, but less than the industry benchmarks:

- Drug co-pays average \$10 for generic, \$20 for brand name, and \$30 for non-formulary (OEA) and \$10 generic, \$26 preferred, \$46 non-preferred. (Kaiser);
- Annual deductibles average \$560 for single coverage and \$1,344 for family coverage in PPO plans (Kaiser); and
- Cost sharing for hospital visits averages 17 percent for PPO plans (Kaiser); Out-of-pocket maximums average \$600 in network/\$1200 for single and \$1200 in network/\$2400 for family coverage (OEA).

According to the *Elected Official's Guide to Health Care Cost Containment* (GFOA, 2005), governments should institute a number of strategies to contain health care costs. One strategy is to adjust plan design through incremental or major changes. Incremental changes include adjusting co-payment and coinsurance levels to influence individual behavior with respect to network/out-of-network services, brand/generic prescriptions and over the counter medication, inpatient/outpatient services, and other decisions.

Furthermore, the OEA Survey for 2008 reports that the most prevalent prescription drug plan design is a three-tiered program (generic, brand name, non-formulary brand), with increased cost sharing from tiers one to three.

Although the District requires employees to contribute 15 percent toward the premium costs, its plan lacks many cost containment measures recommended by the GFOA and found in other plans surveyed by OEA and Kaiser. As such, the District is not taking advantage of the opportunities to control or reduce its health care costs, as evidenced by its high premiums. By aggressively managing its plan design, Mohawk LSD could reduce its costs for employee health insurance.

R3.8 Mohawk LSD should reinstate its health care committee. The committee could be helpful in identifying cost saving strategies and determining the appropriate design for the District's health insurance program.

According to the Treasurer, the District had a health care committee in the past to help reduce health insurance costs. The Board is reportedly interested in reinstating the committee to evaluate the implementation of health savings accounts.

³ The District requires 30 percent payment for out of network services.

As noted in *Research Report: What Works Now – Employer Strategies and Tactics for Controlling Health Care Costs* (Workforce Management, 2004), companies use a variety of strategies to better manage health care costs, including internal labor/management committees. These committees can help disseminate information to employees about the employer's financial situation and the impact of health care costs. One source of information often used is from a third-party administrator regarding historical costs of health-related services used by employees. This information helps to educate employees about what drives increases in health insurance premiums. Information sharing can also help persuade employees to accept increased co-pay amounts or other costs, which partially offset the effect of premium increases on the employer.

The use of a committee to investigate a variety of cost saving strategies, including health savings accounts, could help the District lower its premium costs. Furthermore, involving a labor/management health care committee could help the District and its employees more readily reach agreement on changes in health insurance benefits.

Negotiated Agreements

R3.9 Mohawk LSD should renegotiate the maximum number of sick days paid out at retirement, and should make similar a change to the non-certificated staff handbook. Reducing the maximum sick leave payout at retirement would bring the District in line with ORC standards and could help it achieve cost savings.

The District should also eliminate its retirement incentive program, which is linked to the maximum sick days paid out at retirement. If Mohawk LSD does offer a retirement incentive, it should conduct an annual cost benefit analysis to determine the potential for retirement incentives to improve its financial condition.

According to Mohawk LSD's certificated negotiated agreement, employees with 10 or more years of service with the District are eligible for severance pay based on one-fourth of the accumulated sick leave or a maximum of 55 days. However, ORC § 124.39, stipulates that an individual retiring from active service with ten or more years of service with a school district is entitled to a cash payment equal to one-fourth of the value of accrued but unused sick leave credit, up to 30 days. Although districts may adopt policies allowing for higher levels of severance payments, the amount of sick leave paid at retirement can affect the District's financial condition.

In addition, according to Mohawk LSD's negotiated agreement, employees who are eligible for retirement by the end of the school year and who give written notice by April 1 of their intent to retire will receive retirement incentives based on their years of service in the District. Specifically, employees who have 20 years of service and are age 60 at retirement receive 100 percent severance pay to which they are entitled. Employees who

have 25 years of service and are age 55 at retirement receive 95 percent of the severance pay to which they are entitled. Employees who have 30 years of service and are of any age at retirement receive 75 percent of the severance pay to which they are entitled. According to *Evaluating the Use of Early Retirement Incentives* (GFOA, October 2004), governments should exercise extreme caution if considering early retirement incentives (ERIs). Governments should take several actions prior to the decision to offer an ERI in terms of goal-setting, cost/benefit analysis, and budgetary analysis. Governments should also develop an implementation plan. In addition, the Ohio Office of Budget and Management has developed the following criteria for State agencies considering ERIs:

1. Provide a documented cost savings, including the projected cost/savings that the early retirement incentive plan will provide, the time required to achieve those savings, and the actions that the agency will take to achieve those savings. Cost savings should be based on the elimination of the positions by the retirees and/or the filling of these positions with lower cost employees;
2. Be affordable within the agency's current appropriations; and
3. Help the agency meet its defined management goals.

By reducing its severance pay to State minimums, the District could decrease its costs associated with severance and retirements. By including this provision in the contract, it limits the District's right to make decisions based on financial feasibility. Finally, including an early retirement incentive in the contract may not be beneficial to the District and, as such, should be considered for renegotiation.

R3.10 Mohawk LSD should eliminate certain stipend language from its certificated collective bargaining agreement. Eliminating these stipends will reduce the District's financial liability for these benefits, and bring it more in line with other Ohio districts that do not offer the stipends.

The certificated contract provides numerous stipends to staff. The contract stipulates the following stipends:

- **Professional Committee curriculum work:** \$250;
- **National Board Certification:** \$2,000 annually;
- **Technology Certification:** \$250 annually at novice level and \$500 annually at practitioner level; and
- **Tournament Reward:** Specific supplemental pay schedules that reward coaches if teams achieve tournament participation and win.

In reviewing the collective bargaining agreements of five randomly selected peer districts, only one offered a stipend for professional committee curriculum work for \$600, and none offered any of the other stipends Mohawk LSD offers.

According to the Treasurer, no one receives the National Board Certification stipend. Between two to four staff receive the curriculum stipend, and the actual number varies from year to year. As a result, the cost for the curriculum stipend is minimal, ranging from \$500 to \$1,000 based on the number of staff receiving the benefit. The technology stipends cost the District approximately \$13,500 annually, and the additional monetary rewards for coaches are difficult to project in the budget. For FY 2007-08 and FY 2008-09, the coaches have waived the tournament play stipends. While not all of the provisions have resulted in costs to the District, all have the potential to increase costs.

Financial implication: Based on the cost of the technology stipends alone, discontinuing this provision would result in cost savings of \$13,500 annually.

R3.11 Mohawk LSD should evaluate opportunities and strategies to reduce direct special education expenditures. These should include, at a minimum, ongoing assessments of staffing needs and services, potential benefits of partnering with other districts for the provision of specialized instructional programs, an examination of the process for identifying special education students, and developing IEPs.

Additionally, Mohawk LSD should consider providing additional training on IEP development, service models, and special education funding to those employees directly involved in providing services to special education students.

Mohawk LSD could realize cost savings by implementing cost cutting measures for its special education program. Mohawk LSD's special education spending on a per ADM basis (\$1,062) was 7 percent more than the peer average (\$990). The higher costs are a result of higher special education staffing and salaries. Mohawk LSD employed 10.3 FTE special education teachers and 7.3 FTE teacher aides in FY 2008-09. On a per 1,000 student basis, Mohawk LSD has 3.0 FTE more special education teachers and 3.0 FTE more teacher aides than the peer average. However, 6.0 FTE special education teachers and 0.5 FTE teacher aides are grant funded. Based on requirements mandated under OAC§ 3301-51-09, Mohawk LSD had 0.7 FTE more than the minimum staff required. In addition to the higher staffing, special education teachers have higher salaries compared with the peer average, but this is primarily a result of Mohawk's teachers having more seniority than peer districts.

While costs on a per student basis are higher, an analysis of special education costs per special education student indicates that Mohawk LSD's special education costs and special needs population have decreased from FY 2005-06 through FY 2007-08. However, according to the Treasurer, the District has not taken any measures to reduce special education costs, beyond establishing contracts with the ESC for various staff positions, including a special education supervisor, gifted program coordinator, psychologist, and various teaching and teacher aide positions. The District has also made

efforts to increase revenues by attracting students from other districts to Mohawk LSD's special education programs. Therefore, the per student cost reductions from FY 2005-06 through FY 2007-08 are more related to increases in the number of special needs students relative to the amount of spending by the District.

Rivers of Red (School Administrator, 2003), discusses the following strategies school districts have used to minimize expenses:

- Provide literacy support, especially in primary grades, to avoid specialized education in the future;
- Use more than one reading approach to reach students with diverse needs;
- Consider the consequences of curriculum changes;
- Actively teach basic study skills and organizational strategies;
- Link resource authority and fiscal accountability; and
- Seek opportunities to share expenses with others.

Practical Ideas for Cutting Costs and Ways to Generate Alternative Revenue Sources (Adsit and Murdock, 2005), also indicates that districts can do the following to limit special education costs:

- Limit the services provided by using stricter interpretation of eligibility criteria;
- Reduce the frequency of diagnostic testing to the state minimums;
- Standardize the tests used throughout the district, so that fewer tests are done;
- Hire special education teachers who are also certified to teach regular education classes;
- Expand the use of paraprofessionals (instead of employing 2 teachers, consider employee one teacher and two aides); and
- Schedule special education teachers to handle more than one assignment.

Along with examining these methods, districts should continually evaluate the use of external resources, including county ESCs and other neighboring school districts, to ensure the optimal allocation of resources.

The Ohio Department of Education's Office of Exceptional Children provides leadership, assistance, and oversight to school districts that provide instruction for students with disabilities. Internal trainings for employees responsible for the development of student IEPs can improve the efficiency and effectiveness of services provided.

Determining the types of disabled children served by Mohawk LSD, identifying the significant services that drive special education expenditures, and evaluating options to provide these services may help the District to reduce costs for special education services.

Financial Implications Summary

The following table is a summary of estimated annual cost savings. Implementation of those recommendations subject to negotiation requires agreement from the collective bargaining unit.

Table 3-6: Recommendations for the Human Resources Section

Recommendation	Annual Cost Savings
Recommendations Not Subject to Negotiation	
R3.1 Reduce classroom teachers by 4.0 FTEs	\$190,000
R3.2 Reduce 3.0 ESP FTEs	\$116,000
R3.3 Charge a portion of the lunch/playground monitor time to the Food Service Fund	\$4,700
R3.5 Eliminate retirement pickup for administrators	\$37,000
R3.6 Require administrators to pay 15 percent of health insurance premiums	\$10,000
Subtotal Recommendations Not Subject to Negotiation	\$357,000
Recommendations that may be Subject to Negotiation	
R3.4 Limit negotiated wage increases	\$88,000
R3.10 Eliminate negotiated stipends	\$13,500
Subtotal Recommendations that may be Subject to Negotiation	\$101,500
Total ¹	\$458,500

Source: AOS Recommendations

¹ Amounts are an average of the savings created over the forecast period.

Facilities

Background

This section of the performance audit focuses on Mohawk Local School District's (Mohawk LSD or the District) facility operations. The District's operations are evaluated against selected peer school districts,¹ recommended practices, and operational standards from applicable sources, including the American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES), and the Association of School Business Officials (ASBO).

Mohawk LSD has a main school complex that houses all students (pre-kindergarten through grade twelve) and administration offices. The building was constructed as an Ohio School Facilities Commission (OSFC) project and was first occupied in January 2007. Additional District buildings include the bus garage, Mohawk Community Investors (MCI) building (which includes a gymnasium and leased space for community events), athletic field house, stadium, agricultural storage building, and maintenance storage building.²

The District has seven facilities employees who are responsible for custodial, groundskeeping, and maintenance activities. The Maintenance Supervisor reports directly to the Superintendent, oversees the facilities operations, and is responsible for facilities maintenance administration tasks, including equipment warranty management. The District's six custodians report to the Maintenance Supervisor and are responsible for the day-to-day cleanliness of the school building.³

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of full-time equivalent (FTE) employees responsible for maintaining Mohawk LSD's facilities.

Table 4-1: FY 2008-09 Maintenance and Operations Staffing

Classification	Number of Positions	FTEs as Actually Assigned
Maintenance/Administration ¹	1	.95
Custodial Personnel	6	5.18
Groundskeeping	0	0.23
Total	7	6.36

Source: Mohawk LSD interviews and District payroll and EMIS reports

¹ The Maintenance Supervisor estimates that he spends 90 percent of his time on maintenance tasks, about 5 percent of his time on administrative duties, and 5 percent of his time on groundskeeping.

¹ See the **executive summary** for a list of the peer districts and an explanation on selection of the methodology.

² These buildings are not included in the square footage maintained.

³ The District cleans field house and stadium restrooms on an as-needed basis.

Table 4-1 shows that a total of 6.36 FTEs clean and maintain the District's facilities. Of the assigned custodial staff, two custodians are nine-month employees and four are twelve-month employees. Since there are no formally assigned grounds or maintenance workers besides the Maintenance Supervisor, he performs these duties with occasional assistance from custodial staff. In the summer, the Maintenance Supervisor and twelve-month custodians spend approximately 20 percent of their time maintaining the District grounds. The Maintenance Supervisor handles snow removal during the winter months with assistance from two custodians as needed. **Table 4-1** was adjusted to reflect custodial time spent on groundskeeping related tasks.

During the academic year, the District has four day shift and two evening shift custodians. The custodial staff cleans the main building on a daily basis, including classrooms, restrooms, halls, and office spaces. The day shift custodians do not have assigned areas of the building to clean. Instead, they assume responsibility for the building as a whole and cover all cleaning tasks in a given area on a rotating basis. The evening shift custodians divide duties on their own and clean their respective areas.

Table 4-2 compares Mohawk LSD's key statistics and indicators with the National Center for Educational Statistics (NCES) benchmarks and the American Schools and Universities (AS&U) annual survey.

Table 4-2: Key Statistics and Indicators FY 2007-08

Number of School Buildings	1
Total Square Feet Cleaned by Custodians	150,000
Mohawk Pre K-12	150,000
Mohawk LSD Square Feet per Custodial FTE	28,958
Planning Guide Custodial Staffing Benchmark ¹	29,500
Mohawk Square Feet Maintained⁴	171,400
Mohawk Square Feet per Maintenance FTE (FTE)	190,444³
AS&U 5-Year Average National Median Square Feet per Maintenance FTE ²	95,000
Mohawk LSD Acres per Groundskeeping FTE	344
AS&U 5-Year Average National Median Acre per Grounds keeping FTE	43

Source: AS&U, NCES, and Mohawk LSD

¹ *The Planning Guide for Maintaining School Facilities* (NCES, 2003) level 3 cleaning standard (the normal standard for most school facilities) is 28,000 to 31,000 square feet per FTE custodian.

² Five-Year Average is from the annual reports published by AS&U for school years FY 2002-03 to FY 2006-07.

³ Based on the Maintenance Supervisor spending 90 percent of time performing maintenance tasks.

⁴ Includes all buildings

As show in **Table 4-2**, custodial staff maintains a workload slightly lower than the NCES recommended workload for level three cleaning. However, the maintenance and groundskeeping workloads are substantially above national averages.

Prior to the completion of the District's new building, the Maintenance Supervisor functioned as a working supervisor and spent 85 to 90 percent of his time performing maintenance tasks during the academic year and about 20 percent of his time on groundskeeping duties during the summer. However, in FY 2008-09, he spent the majority of his time dealing with administrative duties and addressing unforeseen maintenance issues with the new building.

Table 4-3 compares Mohawk LSD's facilities maintenance and operations expenditures on a per square foot basis with the peer district average and the AS&U national median.

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

Object Code	Mohawk LSD	Peer District Average	Difference	AS&U National Median
District Square Footage	171,400	206,213	(17%)	N/A
Salary and Benefits	\$1.93	\$1.96	(1%)	\$2.05
Purchased Services ¹	\$0.41	\$0.58	(30%)	\$0.21
Utilities ²	\$1.90	\$1.21	57%	\$1.52
• Electricity	\$1.77	\$0.76	133%	N/A
• Gas	\$0.13	\$0.32	(60%)	N/A
Materials and Supplies	\$0.25	\$0.25	(1%)	\$0.78
Total General Fund	\$4.49	\$4.03	11%	\$4.56
All Funds Utilities	\$1.90	\$1.22	55%	N/A
Total All Funds	\$5.05	\$4.38	15%	N/A

Sources: District and peer 4502s and AS&U

Note: Totals may vary due to rounding

¹ Figure excludes utilities

² Field house and bus garage square footage added to calculate utility costs

Table 4-3 shows the District's total General Fund spending in FY 2007-08 was higher than the peer district average. However, salary and benefits and materials and supplies were in line or lower than the peer average and the AS&U median. Overtime, a component of salary and benefits, represents less than 2 percent of salaries at Mohawk LSD, which is in line with leading practices.

The cost of purchased services shown in **Table 4-3** represents an increase of 69 percent from the prior year. Although purchased service costs were 30 percent lower than the peer average, the costs were higher per square foot than the AS&U median. According to the Maintenance Supervisor, the District hires contractors to handle maintenance tasks that it does not have the internal capacity or resources to complete (see *issues for further study* in the executive summary).

Utilities were significantly higher than both the peer average and the AS&U median (by 57 percent and 20 percent, respectively). Specifically, electric costs were higher than the peer

average by 133 percent. The high electricity usage and corresponding expense is directly related to the District's problems with its geothermal heating and cooling system (see **R4.1**). The District purchases electricity from a local co-op and has two meters: one for the geothermal system and one for the building in general. It also seeks out the lowest pricing available for propane and locks in pricing annually. Excluding the difference in electricity costs, the District's overall spending per square foot is lower than both the peer average and the AS&U National Median.

Audit Objectives

The following questions were used to evaluate the facilities functions at Mohawk LSD:

- Does the District use appropriate benchmarks to evaluate functions and aid decision making?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Are the District's cleaning and maintenance staffing levels comparable to industry standards and/or leading practices?
- Are District's energy management practices comparable to leading practices?
- Does the District have an effective work order system?

Auditors did not examine facility utilization since the building was completed in 2007 and preliminary assessments indicated that custodial staffing met recommended workload benchmarks.

Recommendations

Energy Management

- R4.1 Mohawk LSD should continue to work with contractors, OSFC, and its legal counsel to resolve issues driving high electricity usage and costs resulting from the faulty geothermal heating and cooling system in its newly constructed OSFC building. Reducing electricity expenditures would bring the overall utilities expenses in line with the peer average and the AS&U national median.**

At the conclusion of the audit, District officials indicated the problems with MLSD's geothermal system were being resolved.

The District is spending more per square foot to operate its buildings than the peer average and the AS&U national median because of high utility expenditures; specifically electricity costs (see **Table 4-3**). In FY 2007-08, electricity expenditures exceeded the peer average by 133 percent.

The Maintenance Supervisor attributed high electricity costs to the faulty geothermal system. The geothermal system involves a heat exchange from a "pond loop" to the building. The system was designed to capture heat from the District's pond and use that heat in the cool months to heat the building. In the warm months, the system should capture the cool water temperature and use the low water temperature to cool the building. However, the system compressors failed and have required replacement at each changeover between heating and cooling since the building was placed in operation. Built-in safety precautions turn off the chillers and turn on the electric boilers if the water temperature drops below a certain level (see **R4.2**).

The District's efforts to work with OSFC and contractors to correct the problems have been unsuccessful. The District is now working with its legal counsel, OSFC, and the contractors to seek resolution to unresolved issues with the new construction. In January 2009, the contractor identified the presumed cause of the compressor failures and began implementing safeguards to reduce the likelihood of failures in the future.

The District should continue to work with all parties involved in order to resolve the improper functioning of the compressors, which results in excessive use of the electric boilers and high electricity costs. A successful remedy would enable the District to lower electricity expenses to a level more in line with the peer average.

Financial Implication: If the District was able to lower its utility costs to that of the peer average through the proper functioning of its geothermal system, it would save approximately \$115,000 per year.

R4.2 Mohawk LSD should establish energy management and conservation policies that align with leading practices and require tighter temperature controls on building areas, including classrooms. Once adopted,, the District should distribute and discuss its energy conservation policies with administrators, faculty, and students in an effort to educate them about energy conservation and the impact of waste on the District’s operating budget. An energy conservation campaign may help Mohawk LSD increase awareness and encourage voluntary changes in behavior.

The District does not have a formal energy conservation policy. However, the Maintenance Supervisor and the Superintendent are reviewing options for conserving energy. While the District is taking some measures to control utility costs, it does not follow formal energy management policies, procedures, or guidelines.

The heating and cooling system is programmed for seasonal building conditions and is automated to adjust the temperature according to the areas of the building, time of day, and day of the week. Heating and cooling can be remotely monitored on the weekends. According to the Maintenance Supervisor, the temperature maintained in the building is 72 degrees. Each classroom has a thermostat that is partially controlled by the occupant, and can be raised to a maximum of 77 degrees and lowered to a minimum of 68 degrees before the air handler turns back on.

The District is considering lowering the minimum temperature to 65 degrees during the winter. Recently the Maintenance Supervisor found that the air handlers could be set to a holiday schedule to conserve electricity. He also has considered requesting additional training; however, all the system controls are not working properly, and will not work until the geothermal system is repaired (see **R4.1**).

Table 4-3 compared the District’s FY 2007-08 utility expenditures per square foot with the peer average and the American Schools & University’s (AS&U) 37th Annual Cost Study and showed the District’s utility costs per square foot (\$1.91) were significantly higher than the peer average (\$1.21) and the AS&U national median (\$1.52).

The *School District Energy Manual* (ASBO International, 1998) states that many school districts use a maximum temperature of 68 degrees for heating and 78 degrees for cooling in occupied spaces, and 55 degrees for heating and “off” for cooling of unoccupied spaces. Others may choose levels that are more moderate.

In addition, according to the *Top Ten No-Cost Ways to Lower Your School’s Utility Bills* (U.S. Green Building Council, 2008), ways to lower a school’s utility bills include the following:

- Establish and communicate a policy;

- Benchmark your school;
- Assign responsibilities for common areas;
- Establish a recognition program;
- Control classroom thermostats;
- Use building automation systems (BAS);
- Turn off outside lighting;
- Establish a plug load policy;
- Keep doors and window closed; and
- Control exhaust fans.

Furthermore, according to the *Planning Guide for Maintaining School Facilities* (NCES, February 2003), the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy costs.

The District should focus additional efforts toward conservation of energy consumption. Due to ongoing issues with building heating and cooling systems, the savings associated with this recommendation is not readily quantifiable. However, by establishing an energy conservation policy and by better controlling building temperatures, the District will be able to reduce electricity consumption and reduce overall utility costs.

According to *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004) a successful maintenance and operations program will typically achieve savings of between \$0.06 and \$0.30 per square foot of annual utility cost, depending on the program type, aggressiveness of changes, the state of current maintenance and operations practices, and the conditions of plants. First year costs may be somewhat higher if the district purchases software or program equipment or contracts for initial consulting assistance. Costs will be less if substantial assistance is provided by utilities or other parties.

Financial Implication: By implementing an aggressive energy management program, the District could immediately save \$.03 per square foot on annual utility costs. This would result in annual savings of approximately \$5,800 annually, in addition to the savings in **R4.1**.

Staff Development

R4.3 Mohawk LSD should benchmark its facility management performance using key measures, such as cost per square foot and the number of square feet cleaned and maintained per FTE, as a means of evaluating the efficiency and effectiveness of its custodial and maintenance programs. Using performance measures would help guide future decision making and help the District ascertain which operations work effectively and efficiently.

The District does not use benchmarks to gauge or assess custodial and maintenance performance, efficiency, or workload. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), maintenance and operations manuals, vendor expertise, warranties, and other resources (e.g., web sites) can be sources of benchmarking data. In addition, the basis for effective long-term planning (including both policy and financial initiatives) is accurate information about the physical condition of facilities and their ability to meet the functional requirements of the instructional program. One way of determining functional ability is through the use of benchmarking, which is the act of charting and comparing activities, standards, levels of performance, and other factors against a facility's history, similar facilities (its peers), or independent building usage data (as can be found in trade publications). The AS&U Annual Cost Study also presents findings that can help the District in benchmarking expenditures by providing baseline or median data which reflects actual spending by school districts on maintenance and operations.

Benchmarking will assist the District in identifying areas where it operates efficiently or where potential cost-cutting opportunities exist. Measures can also help establish performance goals and analyze year-over-year performance trends.

R4.4 Mohawk LSD should update its procedures manuals for the custodial and maintenance staff based on leading standards and the plan received from the Four Seasons Environmental Inc. The manual should detail proper maintenance and cleaning procedures to ensure staff members are familiar with work expectations and employee processes, as well as the use of materials and equipment. The District should require all maintenance and custodial personnel to sign an acknowledgement indicating they have read and understand the contents of the manual appropriate to their duties. Once the manuals are complete, the District should establish a schedule to regularly review and update the procedures as needed.

The District does not have an up-to-date custodial and maintenance procedures manual. According to the Maintenance Supervisor, Mohawk LSD has a custodial handbook that contains outdated cleaning procedures. Four Seasons Environmental, Inc., a facility operations and maintenance-consulting group, provided the District a "how-to" guide,

which includes information covering all aspects of its maintenance operations including preventive maintenance, professional development, and training of maintenance technicians (see **R4.5**). However, Mohawk LSD has not fully used its Business Plan because of the complexity and cost of maintaining all the new building systems at an optimal level. In addition, Board members noted the plan had not been customized for their facilities and was, as a result, less useful than originally thought. Board representatives indicated that MLSD would pursue obtaining a corrected Business Plan from its contractor.

The *Custodial Methods and Procedures Manual* (ASBO, 2000), indicates that school boards of education should establish standard procedures for custodial service and building and grounds maintenance. The manual outlines procedures in various areas including staffing standards, daily job duties and tasks, job descriptions and schedules, employee evaluations, and cleaning procedures and work methods for various job tasks. The District can use this manual as a basis for updating its procedures manual. Additionally, Mohawk LSD can obtain statistical information from NCES and ISSA to enhance custodial procedures.

Implementation of a formal custodial and maintenance procedure manual, customized to meet the District's needs, will standardize cleaning and maintenance functions. Furthermore, development of formal procedures will aid the District in establishing cleaning schedules, instructing employees on the proper use of materials, implementing cleanliness standards, and improving familiarization with equipment, cleaning supplies, and appropriate cleaning procedures. Suggestions and guidelines typically offered in the Maintenance Business Plan may be useful in customizing procedures. These efforts will help improve custodial and maintenance staff efficiency, general cleanliness, and maintenance of the building.

R4.5 Mohawk LSD should establish a training and professional development program for its custodial and maintenance staff based on recommended practices. The program could be based on those outlined in the *Planning Guide for Maintaining School Facilities* (NCES, 2003), as well as applicable elements from the District's Maintenance Business Plan. The curriculum design should cover critical aspects of employee responsibilities and could be provided in-house or externally.

In addition, the Maintenance Supervisor should complete the Building Operator Certification (BOC) available through the Ohio Public Facilities Maintenance Association (OPFMA), a professional development program for maintenance operations staff.⁴ The program provides training in critical building operation including energy conservation techniques, HVAC systems and controls, efficient

⁴ Additional information on the BOC and other training programs may be found at www.opfma.org.

lighting fundamentals, facility electrical systems, indoor air quality, and environmental health and safety regulations.

The District does not have a formal professional development program for custodial and maintenance personnel. Mohawk LSD staff receives annual training in blood-borne pathogens and the District maintains Material Safety Data Sheets for cleaning products as required by the Hazard Communication Standard. Although the District has not developed a professional development program, the Maintenance Business Plan contains suggestions and resources for professional development and training, many of which would be applicable to MLSD. Moreover, using the District's *Maintenance Track* software to track employee performance data would help the Maintenance Supervisor determine who may need training and who is able to take on additional responsibility.

The Maintenance Supervisor is working toward a certification for water pollution control since the District is required to have a certified employee on site. Because the Maintenance Supervisor is not licensed for electric, HVAC, or plumbing work, contractors provide these services. After the construction of the new school building, the OSFC provided staff training on how to clean and maintain portions of the building; however, the training has not been used.

According to *The ESProfessionals: An Action Guide to Help in Your Professional Development* (National Education Association, 2006), examples of ongoing professional development for custodians and maintenance employees include the following:

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

By establishing a formal training program and documenting the training provided, the District will enhance the professional skills of its custodial and maintenance employees.

This will help improve productivity and consistency in cleaning and preventive maintenance procedures.

Financial Implication: The BOC program cost is approximately \$1,245 per individual for OPFMA members. Membership in the OPFMA requires an annual fee of \$45 per individual.

R4.6 The District should conduct performance evaluations of its custodians in accordance with Board policy to improve and reinforce the desired skills, attitudes, and abilities of the staff. The evaluations should include performance standards to identify and remediate weaknesses that might prevent the staff from completing their assigned duties in an efficient and effective manner.

The District does not conduct performance evaluations for its custodial staff as stated in the Board policy. According to Mohawk LSD's Board policy 4220, the Supervisor is required to perform formal evaluations for custodial staff. In addition, OAC § 3301-35-05 states that classified staff shall be evaluated at regular intervals and the evaluation results shall be discussed with the classified staff in evaluation conferences.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) suggests that employee performance evaluations be conducted on a regular basis to ensure that staff is participating in meeting an organization's goals and objectives. Moreover, to assess staff productivity, managers and supervisors must establish performance standards and evaluation criteria. For example, a custodian's performance might be measured by the amount of floor space or number of rooms serviced, the cleanliness of the facilities, and his or her attendance record.

According to *Custodial Prowess* (AS&U, 2005), districts should, at a minimum, make sure all custodians have up-to-date written work schedules and should acknowledge the custodial staff when they perform well, such as through the performance evaluation process. In addition, according to *Continual Improvement* (AS&U, 2008), a simple walkthrough of the building can assess the state of cleanliness and orderliness by observing the following:

- How efficiently and effectively cleaning is being done;
- Filter bags and capture tanks are being emptied at the appropriate intervals;
- Safeguards are practiced to avoid back and other injuries; and
- Handling of recyclables and waste are appropriate.

In addition, according to *Planning Guide for Maintaining School Facilities* (NCES, February 2003), management should use the following guidelines for developing performance standards:

- Establish goals;
- Create an evaluation instrument;
- Be as detailed and specific as possible;
- Define the performance scale (e.g., 0=poor to 5=excellent);
- Be flexible (acknowledge extraordinary circumstances when they arise);
- Convey expectations clearly; and
- Review the performance standards on a regular basis.

Developing performance standards that are tied to performance evaluations will provide maintenance and custodial staff with valuable feedback. Furthermore, the completion of performance evaluations will ensure compliance with Board policies and may lead to improved productivity. Conversely, performance evaluations can also lead to corrective action in areas where employees may be underperforming.

Operations Management

R4.7 The District should pursue obtaining a customized Maintenance Business Plan from its contractor and then use it to conduct preventive, planned, and breakdown (unplanned) maintenance. The District should use the Plan to guide its future maintenance activities, determine staffing needs, and monitor compliance with standards. Following the guidelines contained in the Plan will help prevent future failures of building systems that would interrupt daily activities and the delivery of instructional services.

The District recently completed a large capital improvement project with the OSFC consisting of construction of a pre-kindergarten through grade 12 building complex. With the exception of preventive maintenance on the fire pump and generator, Mohawk LSD does not track preventive maintenance activities and has not yet begun using *Maintenance Track*, the Computer Maintenance Management System (CMMS), installed by the District's Maintenance Plan Advisor (MPA) as part of the new construction. The MPA prepared a detailed Maintenance Business Plan for the District that contains all preventive, planned, and emergency maintenance schedules, as well as other vital information for successful maintenance operations. However, the District has not begun using the Plan, primarily due to lack of time and resources. In addition, the Maintenance Supervisor reports spending much of his time in the new complex addressing ongoing HVAC problems and other building issues. Finally, Board members noted that, when closely examined, the Maintenance Business Plan had not been appropriately customized to MLSD or its facility. The Board indicated that it plans to pursue obtaining its customized plan from its contractor.

The *Planning Guide for Maintaining School Facilities* (NCES, February 2003), states that a well-designed facility management system generally encompasses emergency (or unplanned) maintenance, routine (planned) maintenance, preventive maintenance, and predictive maintenance. The District's Maintenance Business Plan addresses each of these areas. In addition, the District has access to this information through the OSFC web site.

While Mohawk LSD does have a formal and comprehensive preventive maintenance plan, the District's lack of resources has impeded it from using the Plan as intended. The District should take necessary steps to ensure the appropriate personnel use the Plan to guide maintenance activities and safeguard its recent investment in its new buildings and building systems.

R4.8 The District should use its *Maintenance Track* computerized maintenance management system (CMMS) to automatically schedule and track preventive maintenance activities, prioritize multiple work requests, and help anticipate needed facility maintenance, equipment repairs, and replacements. Using the CMMS would also help the District track and monitor the amount of supplies and materials used; the cost of labor, including staffing levels and overtime usage; and the productivity and performance of assigned personnel. This information would be helpful in estimating future costs and timeframes for projects. In addition, maintenance prioritization can help direct staff in performing routine or ongoing maintenance.

The District has a CMMS installed by its MPA as part of its construction project. However, the District is not using the software to schedule, track, or prioritize maintenance activities. Instead, Mohawk LSD uses email to communicate work orders, and the Maintenance Supervisor decides the level of priority of each work order request, prioritizing emergencies. While the email system relays work order requests, it does not provide a central location to track and record all maintenance work. Furthermore, a review of a sample work order (email) provided by the District indicated that several elements were missing, including the date the request was approved, a job tracking number, job status, job priority, supply and labor costs for the job, and job completion date/time. In addition, the job location was not specific.

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. More efficient work order systems come in the form of computerized maintenance management systems (CMMS). At a minimum, the work order process should account for the following:

- The date the request was received

- The date the request was approved
- A job tracking number
- Job status (received, assigned, ongoing, or completed)
- Job priority (emergency, routine, or preventive)
- Job location (where, specifically, is the work to be performed)
- Entry user (the person requesting the work)
- Supervisor and craftsman assigned to the job
- Supply and labor costs for the job
- Job completion date/time

The *Planning Guide for Maintaining School Facilities*, also suggests that upon closing out a work order, all information about the request should be placed in a data bank for future historical and analytical use (e.g., for determining the yearly cost of building maintenance). Mohawk LSD's CMMS has this capability.

By using its *Maintenance Track* software, and tracking the information contained on the work orders over a period of time, the District will be able to ensure that maintenance work orders and overall maintenance operations are being carried out in the most efficient manner possible. The CMMS will help Mohawk LSD better organize preventive and planned maintenance, provide warranty updates and record keeping capabilities, and help ensure that maintenance tasks are performed consistent with District expectations. While implementation of this recommendation will require time for the appropriate personnel to learn capabilities of the software program, it will not result in any additional direct costs to the District.

Financial Implications Summary

The following table presents a summary of implementation costs and annual cost savings identified in this section of the report

Table 4-4: Summary of Financial Recommendations for Facilities

Recommendation	One Time Implementation Costs	Annual Savings (Cost)
R4.1 Reduce Utility Costs		\$115,000
R4.2 Implement Energy Management Program		\$5,800
R4.5 Obtain Building Operator Certification	(\$1,245)	(\$45)
Total	(\$1,245)	\$120,755

Source: AOS Recommendations

Transportation

Background

This section of the performance audit assesses the Mohawk Local School District's (Mohawk LSD or the District) transportation operations. The overall purpose is to analyze and compare key operational areas and, where applicable, develop recommendations for improvements in operations and reductions in expenditures. Leading practices and industry standards were drawn from various sources, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Legislative Office of Education Oversight (LOEO), Ohio Department of Education (ODE), the Ohio Administrative Code (OAC), the National Association of State Directors of Pupil Transportation Services (NASDPTS), and peer districts.¹

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 provided to their own students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. Due to the rural nature of the District, Mohawk LSD exceeds the State minimum requirements and offers transportation to all students. The lack of sidewalks also limits the use of cluster stops to areas where students can safely walk. When used, cluster stops are less than one-half mile from students' homes, in accordance with OAC § 3301-83-13. As a result of its financial condition, Mohawk LSD does not transport students for field trips and has limited the distance it will transport teams for sporting events.

Operating Environment

The District's transportation operations fall under the supervision of the Transportation Supervisor (Supervisor), who manages the District's Transportation Department and supervises the Department's mechanic, 13 bus drivers, and substitute drivers. The Supervisor reports to the Superintendent. The Supervisor's responsibilities include routing, training staff, scheduling extracurricular trips, monitoring weather, preparing reports, assisting with summer bus inspection.

Mohawk LSD's transportation policies are a part of the Board Policies, which are available on the District's main web page. These policies, created by NEOLA, address a variety of topics, including routine and non-routine bus transportation, administrative responsibilities of the

¹ See the **executive summary** for a description of the ten peer district averages used throughout this report.

Transportation Supervisor, bus conduct, student surveillance, and payment-in-lieu of transportation. The policies allow for administrative discretion.

As the District is housed in one building, Mohawk LSD operates a single tier to transport all students to and from school. The District transports some students for one hour and five minutes in the morning and in the afternoon. The Supervisor does not use routing software, but develops and updates the routes using a computer system provided by the Educational Service Center (ESC) to comply with OAC §3301.83.13 (**R5.4**). The Transportation Supervisor occasionally recalibrates routes based on ridership using his experience and knowledge of the District.

Operational Statistics

Transportation reports (T-reports) are used to convey ridership (T-1) and cost (T-2) information to ODE and other stakeholders. Mohawk LSD has not developed written procedures or guidelines to ensure accurate and timely reporting of transportation data to ODE (see **R5.1**). In FY 2007-08, Mohawk LSD operated 15 active buses and 7 spare buses, to transport 568 regular and special needs riders to school. **Table 5-1** shows Mohawk LSD's key transportation statistics for FY 2007-08 and compares the District's data with the peer average.

Table 5-1: Key Transportation Statistics

Key Statistics	Mohawk LSD	Peer Average	Percent Difference
District Data			
Square Miles	127	60	111.7%
Students ¹	1,011	1,303	(22.4%)
Total Students Transported (All Types)	583	702	(16.9%)
Yellow Bus Riders			
Public	557	681	(18.2%)
Non-Public	2	2.3	(13%)
Community School	6	0	N/A
Special Needs	3	8	(62.5%)
Total Yellow Bus Riders	568	692	(17.9%)
Buses			
Active Buses	15	11.9	26.1%
Spare Buses	7	3.9	79.5%
Miles			
Annual Routine Miles	166,500	140,058	18.9%
Annual Non-routine Miles	12,707	23,788	(46.6%)
Total Miles	179,207	163,846	9.4%

Source: ODE transportation reports

¹ October student count from EMIS Student Enrollment Report

Note: Totals may vary due to rounding

Table 5-1 illustrates that Mohawk LSD covers twice as many square miles as the peer average. However, the District is less densely populated than the peer average, meaning that its bus fleet

must travel more miles to transport its students—about 18.9 percent more than the peers. Consequently, although the District transports fewer students than the peer average, it maintains more active and spare buses (see **R5.2**).

Table 5-2 presents Mohawk LSD's operating ratios from FY 2007-08 and compares its ridership statistics with the peer averages.

Table 5-2: Transportation Operating Ratios

Operating Ratios	Mohawk LSD	Peer Average	Percent Difference
Students ¹ per Square Mile	8	22.7	(64.9%)
Daily Miles per Yellow Bus Rider	1.6	1.2	37%
Riders Per Square Mile	4.5	12.0	(62.8%)
Public Riders as Percent of Total Enrollment	55%	51%	4%
Yellow Bus Riders per Active Bus	37.9	56.6	(33%)
Routine Miles per Active Bus	11,100	11,393	(3%)
Non-routine Miles as Percent of Total Miles	7%	18%	(10%)
Spare Bus Ratio	32%	25%	7%

Source: ODE transportation reports

¹ October student count from EMIS Student Enrollment Report

Note: Percent differences may vary due to rounding

As **Table 5-2** illustrates, Mohawk LSD is less densely populated than the peers and has fewer riders per square mile. The District travels approximately 3 percent fewer routine miles per bus than the peer average because the District only runs one tier. Overall, the District's operating ratios are lower than the peers as, in FY 2007-08, Mohawk LSD transported approximately 38 riders per active bus compared with 57 transported by the peers. These ratios indicate that routing efficiency can be improved (see **R5.4**).

Expenditures

Table 5-3 shows Mohawk LSD's FY 2007-08 total transportation costs by type: per rider, per bus, and per routine mile, in comparison with the peer averages.

Table 5-3: FY 2007-08 Total Expenditure Comparison

Transportation Expenditures	Mohawk LSD	Peer Average	Percent Difference
Per Yellow Bus Rider	\$861.70	\$655.71	31.4%
Per Active Bus	\$32,629.67	\$35,410.45	(7.9%)
Per Routine Mile	\$2.94	\$3.08	(4.5%)
Expenditures as a % of General Fund	5.8%	4.5%	N/A

Source: District and Peer T-2 Reports from ODE

As **Table 5-3** shows, Mohawk LSD spent more per rider than the peer average, which is indicative of low ridership. However, the District's costs per bus and per mile were below the peers as a result of the large geographic area covered by its transportation operations. Furthermore, the District's overall spending on transportation comprises a larger percentage of General Fund expenditures than the peer average. Similarly, the *37th Maintenance and Operations Cost Study* (American School & University Magazine, 2008) identified the national median cost of transportation at \$437 per student or 4.88 percent of total District expenditures. Mohawk LSD's expenditures per rider and expenditures as a percentage of General Fund exceeded the AS&U benchmark.

The higher transportation costs per rider are the result of salaries, benefits, and fuel costs. Salary and benefits costs are higher because the District operates more buses than the peers, and thus employs more bus drivers. Benefits costs also reflect the higher health care premiums paid by the District compared with industry standards (see **human resources**). In FY 2008-09, Mohawk LSD reduced two active buses by eliminating routes; however, additional reductions may be possible.

Audit Objectives for the Transportation Section

The following is a list of the questions used to evaluate the Mohawk LSD's transportation function:

- 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 does the District ensure it gets the best value when purchasing transportation related items?

Recommendations

R5.1 Mohawk LSD should develop and implement written procedures to ensure that T-reports are accurately prepared, reviewed, and reconciled. The District should ensure that ridership data is compiled in accordance with ODE requirements and is reviewed by the Transportation Supervisor and Treasurer prior to submission. By developing a formal procedure and making sure that it is followed, the District can ensure that it is reporting accurate transportation information.

The District does not have written procedures or guidelines to ensure accurate and timely reporting of transportation data to the Ohio Department of Education (ODE). As a result, in FY 2007-08 and 2008-09, the District did not accurately report transportation data to ODE. The Transportation Supervisor is responsible for preparing the information for the reports and reviewing it with the Treasurer. Bus drivers are responsible for compiling ridership data. The Supervisor uses the ridership data to calculate the T-reports. Although the T-reports are reviewed by the Transportation Supervisor and the Treasurer, the auditors identified errors in the T-1 reports. However, the discrepancy between the driver-reported information and the ODE reports were approximately two-tenths of a percent for student count and one percent for mileage. The following errors were identified during this audit:

- FY 2008-09 ridership counts included students who were only transported in the afternoon or an average of the number of students transported to and from school counts. *Form T-1 Instructions* (ODE, June 2007) states that students should be counted only once each day, regardless of how many vehicles they ride. Students should be counted on their ride to school.
- In addition, the number of students reported and miles driven in FY 2007-08 were inconsistent and contained calculation errors. For example, the District calculated the average number of students transported during a count week by taking the total number of students transported and dividing by four days of the week; in other instances, the total number of students transported was divided by five days.

According to *Student Transportation in Ohio* (LOEO, 2003), accuracy problems for transportation related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. In addition, during site visits to school districts, LOEO found that some districts over-reported the number of students they transported. By administrative rule, only students actually riding the bus during the first full week of October (count week) should be reported to ODE for reimbursement.

Well-documented procedures enhance the accountability and consistency among staff and management (*Documentation of Accounting Policies and Procedures* (GFOA, 2002 and 2007)). According to GFOA, the documentation of policies and procedures should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, it should indicate which employees are to perform which procedures, and procedures should be described as they are actually intended to be performed.

Without written policies and procedures that identify the process and methodology for completing and reviewing the T-reports, Mohawk LSD submitted erroneous or improperly derived information to ODE. Establishing a formal procedure that explains the methodology used to prepare T-reports, identifies the responsible parties, and sets forth the process to review the information will help ensure that the District is reporting accurate data. While the quality of information does not impact District transportation-related reimbursements from the State in this budget cycle, future reimbursements may be based on District data and erroneous information could impact the reimbursement Mohawk LSD receives. Improving the quality of data submitted will help ensure that the District uses accurate and reliable data when making decisions regarding transportation operations.

R5.2 Mohawk LSD should reduce its spare fleet by four buses. This would result in a spare-to-active bus ratio that is more consistent with ODE’s guidelines and closer to the peer average. Selling four buses would generate one-time revenue for the District and decrease insurance, maintenance, and repair costs. The District should also ensure that future changes in the size of its active fleet are reflected in changes in the number of spare buses.

Mohawk LSD maintains a very large spare bus fleet compared with recommended practices and the peer average. The spare bus ratio is also nearly double the standard reported by ODE. **Table 5-4** compares Mohawk LSD’s spare bus fleet to the peer average.

Table 5-4: Spare Bus Ratio Comparison

Categories	Mohawk LSD FY 2006-07	Mohawk LSD FY 2007-08	Mohawk LSD FY 2008-09	Peer Average FY 2007-08	Percent Difference FY 2007-08
Active Buses	15	15	13	11.9	26.1%
Spare Buses	7	7	9	3.9	79.5%
Spare Bus Ratio	31.8%	31.8%	40.9%	24.8%	7.0%

Source: ODE T-reports for Mohawk LSD and peers

According to the Associate Director of ODE's Pupil Transportation Office, districts usually only need one spare bus for every four active buses. In other words, spare buses should comprise 20 percent of the District's fleet. Based on the ODE recommended number of active and spare buses, the District should have maintained five spare buses in FY 2008-09. Reducing the size of the District's spare bus fleet will reduce costs associated with insurance and routine maintenance, and will generate one-time revenue through the sale of the spare buses.

Financial Implication: Based on the compensation for the buses as scrap metal at a cost of \$1,000, the District could (conservatively estimated) receive \$4,000 in revenue by selling four spare buses. Additionally, the District would save approximately \$1,500 in annual insurance costs, based on the average insurance cost per vehicle in of \$375, for a total cost savings in FY 2009-10 of \$5,500.

R5.3 Mohawk LSD should seek competitive bids for the procurement of fuel. Similarly, it should actively compare fuel prices on a regular basis to determine whether it should become a member of a fuel-purchasing consortium. When using a competitive selection process, the District should formalize its agreement with the chosen vendor through a contract so it can better ensure adherence to its expectations for service.

Mohawk LSD uses a single local vendor to obtain its fuel. It does not purchase fuel through a consortium because, according to the Treasurer, there was not a significant price difference between the consortium and its fuel supplier. In addition the Board policy on local purchasing encourages the use of local vendors, assuming all other considerations, including cost, are equal.

The District maintains a centralized fuel tank (1,000 gallons) on site, purchases its fuel in bulk, and submits appropriate documentation for fuel tax refunds. While these practices help the District control its fuel costs, additional opportunities for cost reductions may be realized through using a more competitive fuel purchasing practice. **Table 5-5** compares Mohawk LSD's fuel expenditure ratios to the peers for FY 2006-07 through FY 2007-08.

Table 5-5: Fuel Expenditure Ratios

Categories	Mohawk LSD FY 2006-07	Mohawk LSD FY 2007-08	Peer Average FY 2007-08	% Difference FY 2007-08
Total Yellow Bus Riders	708	568	692	(18%)
Total Active Buses	15	15	12	26%
Total Routine Mile	161,100	166,500	140,058	19%
Total Fuel Expenditures	\$62,881	\$87,722	\$78,436	12%
Fuel Expenditures Per Rider	\$89	\$154	\$121	27%
Fuel Expenditures Per Active Bus	\$4,192	\$5,848	\$6,421	(9%)
Fuel Expenditures Per Routine Mile	\$0.39	\$0.53	\$0.57	(8%)

Source: Mohawk LSD and Peer T-1 and T-2 reports

As shown in **Table 5-5**, Mohawk LSD spends less on fuel on a per bus and per routine mile basis than the peers. However, the District’s fuel expenditures per rider exceed the peer average by 27 percent. While some of this difference is related to the District’s low utilization rates, Mohawk LSD has, at certain points in time, paid prices well above the State contract rates.

The Ohio Department of Administrative Services (DAS) has implemented a Cooperative Purchasing Program, and it actively solicits competitive bids for fuel. This voluntary program offers Ohio counties, townships, municipalities, school districts, public libraries, regional park districts, and other political subdivisions the benefits and costs savings of buying goods and services at volume discounts through State contracts. **Table 5-6** shows the comparison between Mohawk LSD’s fuel prices and the DAS prices for sample periods in FY 2006-07 and 2007-08.

Table 5-6: Mohawk LSD and DAS Fuel Comparisons

Time Period	Total Gallons Purchased	Mohawk LSD Average Price per Gallon ¹	DAS Average Price per Gallon ¹	Difference
Weeks of 12/18/07 - 1/28/08²	3,906	\$3.11	\$3.18	(\$0.08)
Weeks of 12/1/08 - 1/26/09	3,510	\$2.11	\$1.97	\$0.15

Source: Mohawk LSD Finance Office, and DAS website

¹ Average price per gallon includes taxes, and for the DAS price, a fixed fuel transportation charge and minimum delivery charges where applicable.

² This period is missing two weeks from December, as the District did not provide the documents

Table 5-6 shows that Mohawk LSD maintained competitive fuel pricing for the time period reviewed in FY 2007-08. However, for FY 2008-09, the DAS fuel prices are substantially lower than those obtained by the District. The supplier used by the District is the same supplier under contract with the State. Therefore, if the District purchased fuel under the DAS contract, it would have experienced substantial cost savings.

Mohawk LSD could join the State cooperative purchasing program by passing a Board resolution to join, paying an annual membership fee of \$100, and developing and filing quarterly reports documenting the District's usage of cooperative vendors. In addition to savings on fuel, the District may realize savings on other commonly used supplies and materials by purchasing them through the State purchasing plan.. At a minimum, tracking fuel costs and routinely comparing fuel prices against a benchmark or among local vendors would ensure that the District is receiving competitive prices.

Financial implication: Based on the differences between Mohawk LSD's cost per gallon of fuel and the State contract price, as well as the volume of purchases in FY 2007-08, the District could save up to \$2,000 annually by using a cooperative purchasing program. This savings assumes a 3 percent price difference.

R5.4 Mohawk LSD should purchase routing software to increase its routing efficiency. Routing software would help Mohawk LSD develop more efficient routes which could lead to reduced costs. For instance, automated routing software may enable the District to decrease the number of regular miles traveled annually and reduce the amount of time students are on the bus. Additionally, the District should comply with the Mohawk Procedure 8670 and complete the "TRANSPORTATION COST ANALYSIS" to determine if the changes will increase efficiency.²

The District does not use routing software to help the Transportation Supervisor develop routes. Although Mohawk LSD's total enrollment has declined, the number of riders as a percent of total enrollment has fluctuated. During years where riders as a percent of enrollment has increased, riders per active bus have also increased. **Table 5-7** illustrates changes in ridership for Mohawk LSD from FY 2005-06 through FY 2008-09.

Table 5-7: Mohawk LSD Change in Ridership per Bus

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Enrollment	1,055	1,026	1,011	N/A
Total Riders	563	708	568	584
Total Riders as percent of Enrollment	53%	69%	56%	N/A
Riders per Active Bus	40	47	38	45

Source: Mohawk LSD T-Forms and ODE Enrollment Reports

As shown in **Table 5-7**, the number of total riders peaked in FY 2006-07 and has since declined significantly. From FY 2006-07 to FY 2008-09, the number of total riders decreased 17 percent. The higher number of riders in FY 2006-07 coincided with the opening of the District's new building in January 2007. Prior to the opening of the new

² Procedure 8670 includes an analysis of direct and indirect cost of transporting students. The Procedure and accompanying cost analysis assist the District in analyzing the total costs to the District should the District change transportation policies.

building, Mohawk LSD operated several elementary schools in villages throughout the District, and many students were able to walk to school. The District amended its T-1 report in January 2007 to reflect its additional riders.

However, with all students attending one school, and students from all grades riding together, the buses were initially more crowded than in the past. The Transportation Supervisor assumed this caused a drop in ridership as students found alternative methods of transportation to school in FY 2007-08. Also, some of the differences may be the result of reporting issues identified by auditors in the T-1 data, which results from a lack of formal policies and procedures for reporting (see **R5.1**). Based on an average rated capacity of 66 passengers per bus, the District had a utilization rate in FY 2008-09 of 68 percent. Based on actual capacity using an average mix of 2.5 students per seat, the utilization rate for FY 2008-09 was 82 percent. The District reduced the number of active buses from 15 to 13 (a decrease of 13 percent) in FY 2008-09.

ODE developed an efficiency target model to account for geographical, population, and other differences. The model establishes a target student per bus value for each district in the State. Districts with a ridership ratio over 1.0 are defined as efficient relative to other school districts. Higher ratios indicate higher relative efficiency. Although Mohawk LSD's ratio was 1.15 compared to a State average of 1.10 and a peer average of 1.12 in FY 2008-09, the District's efficiency levels may still be improved.

ODE attributes low ridership to policy issues that result in lower rider ratios, such as transporting students less than 1 mile from school (who are not counted for funding purposes), bell times that are too close together (minimizing the amount of time available to pick up students), or routing plans that deliberately schedule few students per bus. While these are not necessarily bad policies, they cause districts to operate transportation less efficiently, which in turn results in a higher cost per student to provide that transportation service.

A Method for Evaluating of School Bus Routing – A Case Study of Riverdale, New Jersey (Transportation Research Board, 2001) found that, of three accepted methods of routing, automated routing generated the highest degree of efficiency and, correspondingly, the lowest cost. Although Riverdale is a small district, routing software generated efficiencies that, while smaller in scale, were comparable to larger districts.

Because Mohawk LSD transports students from all grades on one bus, it has a single bell schedule and routing that can lead to lower levels of efficiency. By using staggered bell times, and adding a second tier, the District may improve its ridership ratios and potentially reduce buses. Alternatively, if the District adjusted its transportation operations to achieve an increase in the percent of rated capacity, it could reduce the number of active buses and achieve cost savings. However, as the District is rural and

spans 127 square miles, such changes must be closely evaluated to ensure that students do not spend long periods of time in transit to and from school.

Financial Implication: If Mohawk LSD purchased routing software, it would incur a one-time cost of about \$10,000 and an annual maintenance fee of approximately \$2,000.

Financial Implications Summary

The following table represents a summary of one-time costs and revenue, and annual costs and savings identified in this section of the report.

Table 5-8: Summary of Financial Implications for Transportation

Recommendation	One-time Revenue (Costs)	Annual Savings (Costs)
R5.2 Reduce six spare buses	\$4,000	\$1,500
R5.3 Obtain competitive bids for fuel or join a fuel purchasing consortium		\$2,000
R5.4 Purchase routing software	(\$10,000)	(\$2,000)
Total	(\$6,000)	\$1,500

Source: AOS recommendations

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District Response

The letter that follows is the Mohawk Local School District's (MLSD) official response to the performance audit. Throughout the audit process, staff met with MLSD officials to ensure substantial agreement on the factual 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.

To Whom It May Concern:

The Mohawk Local School District Board of Education met with [REDACTED], from the office of the Auditor of State, in order to review the recent performance audit performed at our school. After a quick overview of our district and a recap of the objectives as well as the scope and methodology of the audit, she reviewed the findings.

In the areas of financial systems, human resources, facilities, and transportation several recommendations were made. All of these recommendations have been looked at closely by each of the board members. These recommendations have served as very good guidelines for us and sparked conversation among us. During our meeting with [REDACTED] it became clear that the school board had already completed some of the recommendations, or at least started to address them in part. I have listed them below for reference.

>As of fall '09 we will have reduced our FTEs by three from the year prior. These were from not replacing retirees and/or employees moving to other districts for employment.

>We have minimized the most recent wage increases. Over the past two years our staff has implemented a "no pay increase" due to our lack of income in the district combined with state budget cuts. They have been able to take their negotiated step increases, although all do not share in that.

>The Board was excited about the idea of charging a portion of our noon playground/lunch duty personnel back to the food service fund. This will be looked at closely.


>The board is currently in negotiations with the union and plans are to reinstate the health care committee with goals established as well as timelines along with a specific instruction of studying the Health Savings Account system of insurance. We have seen other local schools use this system and feel it will provide a greatly needed savings to our district.

>The area of facility recommendations has been addressed at great lengths long before this audit and as of this spring the OSFC has agreed to cover all expenses needed in order to see that our state of the art geothermal system is running efficiently. This has been a thorn in our side for two years. At a rate of \$120,000 a year in excess utility cost this improperly functioning system has cost our district taxpayers a tremendous amount of money. (Does the state audit the performance of the OSFC in any way, shape, or form?) That could be a huge area of savings for the state taxpayers!

> We have reduced our bus fleet by three, just one bus short of the recommended four bus reduction.

All in all I was pleased at the discussion that the review meeting brought about. I believe our board has made great strides over the past four years in realigning our needs and our goals. I also believe we can use the information provided to help us move forward.

Sincerely,



Todd E. Price, President Mohawk Local School Board



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