

Appendix A: Purpose, Methodology, Scope, and Objectives of the Audit

Performance Audit Purpose and Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight 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.

Generally accepted government auditing standards (GAGAS) require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

We conducted this performance audit in accordance with GAGAS. Those standards require that we 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Scope and Objectives

In order to provide the District with appropriate, data driven, recommendations, the following questions were assessed within each of the agreed upon scope areas:

Audit Scope, Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are the District’s forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	Meets Standards; No Recommendation
Are the District’s strategic planning practices consistent with leading practices?	Meets Standards; No Recommendation
Is the District’s General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District’s financial condition?	R.1 and Tier II
What impact will the performance audit recommendations have on forecasted revenues and/or expenditures?	No Recommendation
Human Resources	
Are the District’s staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District’s financial condition?	R.2, R.3, and Tier III

Are the District’s salaries and wages appropriate in comparison to local peers and the District’s financial condition?	Tier II
Are the District’s insurance costs appropriate in comparison to other governmental entities within the local market and the District’s financial condition?	R.4 and Tier II
Are the District’s collective bargaining agreement provisions appropriate in comparison to local peers, minimums requirements, and the District’s financial condition?	R.5 and Tier II
Facilities	
Are the District’s facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District’s financial condition?	Exceeds Standards; No Recommendation
Are the District’s facilities non-regular labor expenditures appropriate in comparison to peers, leading practices, industry standards, and the District’s financial condition?	Meets Standards; No Recommendation
Are the District’s facilities preventive maintenance practices consistent with leading practices and industry standards?	Meets Standards; No Recommendation
Are the District’s utilities procurement practices cost-effective compared to available options?	Meets Standards; No Recommendation
What best practices should the District consider when pursuing building renovations while school is in session?	R.6
Transportation	
Is the District’s fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District’s financial condition?	R.7

Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives. The following internal control components and underlying principles were relevant to our audit objectives¹:

Control environment:

- We assessed the District’s exercise of oversight responsibilities in regards to detecting improper payroll reporting and benefits administration, and
- We assessed the District’s activities associated with its purchasing practices.

Risk Assessment:

- We considered the District’s activities to assess fraud risks.

Information and Communication:

- We considered the District’s use of quality information in relation to its financial and data reporting to ODE, specifically its five-year forecast, transportation, facility, and staffing data.

¹ We relied upon standards for internal controls obtained from *Standards for Internal Control in the Federal Government* (2014), the U.S. Government Accountability Office, report GAO-14-704G

Control Activities:

- We considered the District’s compliance with applicable laws and contracts, including with outside stakeholders and employees

Monitoring:

- We considered the District’s monitoring activities concerning its building usage and enrollment.

No internal control deficiencies were identified during the course of the audit.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer Districts;
- Industry Standards;
- Leading Practices;
- Statutes; and,
- Policies and Procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with relatively lower per pupil spending and similar academic performance. A “Local Peers” set was selected for a comparison of the general fund subsidy of extracurricular activities, compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. The table on the following page shows the Ohio school districts included in these peer groups.

Peer Group Districts

Primary Peers
<ul style="list-style-type: none"> • Anna Local School District (Shelby County) • Bluffton Exempted Village School District (Allen County) • Hicksville Exempted Village School District (Defiance County) • Marion Local School District (Mercer County) • Minster Local School District (Auglaize County) • South Range Local School District (Mahoning County) • St Henry Consolidated Local School District (Mercer County) • Versailles Exempted Village School District (Darke County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Arcadia Local School District (Hancock County) • Elmwood Local School District (Wood County) • Findlay City School District (Hancock County) • Liberty Benton Local School District (Hancock County) • McComb Local School District (Hancock County) • North Baltimore Local School District (Wood County)
Transportation Peers
<ul style="list-style-type: none"> • Bluffton Exempted Village School District (Allen County) • Delphos City Village School District (Allen County) • Green Local Village School District (Wayne County) • South Range Local School District (Mahoning County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed. Each recommendation in this report describes the specific methodology and criteria used to reach our conclusions.