



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Willoughby-Eastlake City School District,

At the request of the Ohio Department of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of operations. Functional areas selected for operational review were identified with input from District management and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

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Executive Summary

Background

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 Auditor of State's Office (AOS) conducted the performance audit of Willoughby Eastlake City School District (WECSD) in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

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. AOS developed objectives designed to identify efficiencies that could be gained from the following operational areas of the District:

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

The following objectives were identified in consultation with the District:

- Are the District's budgeting practices comparable to best practices?
- Is the District's 2012 Financial Recovery Plan reasonable?
- Are the District's purchasing and vendor payment practices comparable to best practices?
- Is the District's financial communication consistent with leading practices?
- Is the District's special education program spending reasonable?
- Is the District's staffing efficient compared to peers?
- Are the District's salaries comparable to the peers?

- Are the District's health/life benefits comparable to leading practices?
- Are the District's collective bargaining agreements consistent with leading practices?
- Is the District's sick leave usage comparable to State averages?
- Is the District's facility related data reliable for use?
- Is the District's custodial and maintenance staffing efficient compared to peers and other benchmarks?
- Does the District make effective use of technology?
- Does the District effectively manage its use of overtime?
- Do building capacities and enrollment projections suggest that the District should change how it plans to use its buildings?
- Are the District's capital planning efforts consistent with best practices?
- Is the District's preventative maintenance effort consistent with best practices?
- Does the District follow State guidelines for completing T1 and T2 reports?
- Does the District's transportation contract allow for efficient transportation services?
- Does the District use an efficient process for procuring fuel?
- Is the District's food service data reliable?
- Are the District's food service staffing levels consistent with the peers/industry benchmarks?

Methodology and Benchmarks

Applicable standards 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.

Data was drawn from FY 2010-11, FY 2011-12, and FY 2012-13. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from WECSO, peer school districts, and other relevant sources. The performance audit process involved significant information sharing with WECSO, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held during the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations for improving or enhancing operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, WECSO provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments and supporting documentation.

AOS used five school districts as peers for benchmarking purposes: Centerville City (Montgomery); Medina City (Medina); Mentor Exempted Village (Lake); Milford Exempted Village (Clermont); and West Clermont Local (Clermont). These districts were selected based upon demographic and operational data as well as input from the District. External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the Ohio Department of

Education (ODE), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes noteworthy accomplishments identified during the course of this audit.

- **Capital Improvement Plan:** WECSO currently has a formal, Board approved, capital improvement plan in place to address its maintenance and capital needs. As a section of the District's Strategic Plan, the capital improvement plan (referred to by the District as the Five-Year Facilities Plan) addresses H.B. 264 energy initiatives, building renovations, building closures, and new facility construction. In addition, the District has a 1.5 mill continuous permanent improvement levy to fund the ongoing capital maintenance needs of existing buildings.
- **Building and Grounds Staffing Levels:** AOS identified WECSO's building and grounds staffing levels as a noteworthy accomplishment. **Table 7** shows that WECSO employs 44.5 FTE compared to national benchmarks indicating a need for 66.7 FTE in the District. This can be attributed to the District's effort to create and implement a financial recovery plan to reduce expenditures.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The District should further study the following issues:

- **State Software:** The District changed to State software for FY 2012-13. At the time of this audit, the coding for prior years expenditures was not consistent with the Uniform School Accounting System manual (USAS). For all future reports, the district plans to prepare all entries in accordance with the USAS manual. In addition, the district should consider the cost and benefit of reclassifying prior year's expenditures for consistent reporting and budgeting information.
- **Staffing Plan:** WECSO should review the costs and benefits of reevaluating the formal comprehensive staffing plan that is tied to goals and objectives identified in the strategic plan. WECSO does not have an accurate formal staffing plan. However, in FY 2011, the District had ODE perform a staffing analysis which compared its staffing levels to state minimum staffing level requirements.

Summary of Recommendations and Financial Implications

A summary of recommendations and financial implications are listed below.

Summary of Recommendations and Financial Implications

Recommendations	Savings
R1 Provide more financial information to stakeholders	N/A
R2 Include additional details in future annual budget documents	N/A
R3 Reevaluate the staffing plan, consider reduction of ESP and clerical staffing	\$1,430,000
R4 Reduce Severance payouts, sick leave accrual and Holiday	\$294,000
R5 Renegotiate collective bargaining health insurance language	N/A
R6 Develop formal Education Management Information Systems procedures	N/A
R7 Develop a formal maintenance priority schedule	N/A
R8 Develop a comprehensive preventative maintenance plan	N/A
R9 Actively promote and advertise the food service program	N/A
Total Cost Savings from Performance Audit Recommendations	\$1,724,000

Source: AOS recommendations

Management Implications

In addition to financial implications, the performance audit also includes management recommendations that may not have a direct financial effect but could improve administration.

- **Human Resources:** Monitor the Districts' health insurance reserve fund.
- **Food Service:** Use enterprise funds to pay for their portion of utility expenditures.

Financial Systems

Background

This section of the performance audit focuses on financial systems within the Willoughby-Eastlake City School District (WECSD or the District). WECSD's operations were evaluated using information from relevant sources, such as the Government Finance Officers Association (GFOA), the Ohio Revised Code (ORC), and selected peer districts.

On November 4, 2011, the District was notified by the Ohio Department of Education (ODE) that it would be required to submit a written plan to address projected deficits for FY 2012-13 in its then current five-year forecast. ODE noted that failure to submit an adequate plan could result in the District being placed in Fiscal Caution, a designation used to alert school districts of potential fiscal distress.

The District passed a 4.99 mill emergency operating levy in March of 2012 but failed to pass its 4.71 renewal levy in May 2013. The renewal levy will be placed on the November 2013 ballot.

In response to the financial shortfalls, the District has been proactive in reviewing operations and taking action to stabilize its financial condition. The District created a financial recovery plan that included a reduction in force, salary freezes, outsourcing of transportation services, closing of one elementary building, increasing employee contributions to health insurance plans and changing the benefit amount in its health insurance plan. Despite these efforts, without a 4.71 mill renewal levy in November, 2013, the District's five-year financial forecast anticipates a deficit in FY 2015.

Table 1 presents the District's five-year forecast. The forecast reflects implementation of the financial recovery plan. The District's five-year forecast is also available on the website: <http://fyf.oecn.k12.oh.us/genForecast.asp?IRN=45104&Format=HTML>.

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

	Actual 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Real Estate Property Tax	\$50,505	\$53,504	\$53,642	\$48,408	\$46,392	\$46,537
Tangible Property Tax	\$4,928	\$4,329	\$4,321	\$4,994	\$3,847	\$3,847
Unrestricted Grants	\$12,488	\$12,528	\$13,497	\$14,207	\$14,397	\$14,590
All Restricted Grants	\$72	\$72	\$72	\$72	\$72	\$72
Property Tax Allocation	\$12,047	\$10,995	\$10,117	\$9,231	\$8,900	\$8,900
Other Revenues	\$1,729	\$1,929	\$1,929	\$1,929	\$1,929	\$1,929
Total Operating Revenues	\$81,262	\$83,355	\$83,577	\$77,840	\$75,537	\$75,875
Total Other Financing	\$3,848	\$2,987	\$0	\$0	\$0	\$0
Total Revenues and Other Financing	\$85,109	\$86,342	\$83,577	\$77,840	\$75,537	\$75,875
Personnel Services	\$51,341	\$47,699	\$48,132	\$48,707	\$49,330	\$49,874
Employees Retirement/Insurance	\$16,898	\$18,727	\$17,731	\$18,989	\$20,370	\$21,868
Purchased Services	\$10,273	\$15,999	\$16,377	\$17,024	\$17,698	\$18,401
Supplies and Materials	\$1,264	\$1,940	\$1,965	\$1,991	\$2,018	\$2,044
Capital Outlay	\$17	\$57	\$82	\$108	\$134	\$160
Other Objects	\$1,173	\$1,216	\$1,272	\$1,331	\$1,393	\$1,457
Total Expenditures	\$80,867	\$85,638	\$85,680	\$88,150	\$90,942	\$93,804
Total Other Financing Uses	\$4,482	\$5,362	\$1,200	\$1,200	\$1,200	\$1,200
Total Expenditures and Other Financing	\$85,449	\$91,000	\$86,760	\$89,350	\$92,142	\$95,004
Expenditures and Other Financing Uses	(\$339)	(\$4,659)	(\$3,183)	(\$11,510)	(\$16,605)	(\$19,129)
Beginning Cash Balance	\$11,972	\$11,633	\$6,975	\$3,792	(\$7,718)	(\$24,323)
Cash Balance June 30	\$11,633	\$6,975	\$3,792	(\$7,718)	(\$24,323)	(\$43,452)
Estimated Encumbrances June 30	\$7,892	\$2,500	\$500	\$500	\$500	\$500
Fund Balances	\$3,741	\$4,475	\$3,291	(\$8,218)	(\$24,823)	(\$43,952)
Property Tax-Renewal or Replacement	\$0	\$0	\$3,586	\$10,026	\$12,896	\$12,931
Cumulative Balance of Replacement	\$0	\$0	\$3,586	\$13,612	\$26,509	\$39,440
Unreserved Fund Balance June 30	\$3,741	\$4,475	\$6,878	\$5,394	\$1,685	(\$4,512)

Source: WECS D

¹ Totals may vary due to rounding.

Table 2 shows the District's expenditure history from FY 2008-2009 through FY 2011-2012:

Table 2: Historical Expenditures

	FY 2008-09	FY 2009-10	Percent Change	FY 2010-11	Percent Change	FY 2011-12	Percent Change	Average % Change
Administrative	\$7,885	\$8,830	12.0%	\$8,943	1.3%	\$8,727	(2.4%)	3.0%
Building Operations	\$16,934	\$17,722	4.6%	\$18,487	4.3%	\$17,2606	(6.6%)	0.8%
Staff Support	\$2,826	\$2,523	(10.7%)	\$2,778	10.1%	\$2,671	(3.8%)	(1.5%)
Pupil Support	\$7,793	\$9,175	17.7%	\$9,917	8.1%	\$9,681	(2.4%)	7.8%
Instructional	\$47,834	\$52,005	8.7%	\$52,644	1.2%	\$49,641	(5.7%)	1.4%
Total Expenditures	\$83,273	\$90,254	8.4%	\$92,769	2.8%	\$87,980	(5.2%)	2.0%
FTE Students	8,311	8,261	(0.6%)	8,367	1.3%	8,079	(3.4%)	(0.9%)

Source: Ohio Department of Education

As shown in **Table 2**, expenditures increased by 2.0 percent from FY 2008-09 to FY 2011-12. However, in FY 2011-12 the District made reductions in every category. Overall, in FY 2011-12 the District made reductions in expenditures of 5.2 percent from the previous year. During this time, the District's enrollment decreased by 3.4 percent

Table 3 shows WECSD's expenditures per pupil (EPP) compared to the peer average for FY 2011-12.

Table 3: Expenditures per Pupil (EPP) - Peer Comparison

	WECSD EPP	Peer Average EPP	Difference	Percent Difference
Administrative	\$1,080	\$986	\$94	9.5%
Building Operations	\$2,136	\$2,029	\$107	5.3%
Staff Support	\$331	\$425	(\$94)	(22.2%)
Pupil Support	\$1,198	\$925	\$273	29.5%
Instructional	\$6,144	\$5,912	\$232	3.9%
Total Expenditure per Pupil (EPP)	\$10,890	\$10,278	\$612	6.0%
FTE Students	8,079	7,541	538	7.1%

Source: Ohio Department of Education

As shown in **Table 3**, the District's FY 2011-12 EPP exceeded the peer average by 6.0 percent. The District is spending more than the peers in administrative, building operations, pupil support, and instructional. The majority of the financial impact from implementation of their financial recovery plan is not reflected in this table. For example, the District employs 160 fewer FTE's in FY 2012-13 than in FY 2011-12. Based upon the District's full implementation of its recovery plan in FY 2012-13, and because the District has fewer FTEs per 1,000 students than its peers (see **Table 4**) and salaries are comparable to its peers (see **Table 5**), spending per pupil should show a significant decrease when ODE publishes these numbers later in 2013.

Assessments not yielding recommendations

Assessments of the District's five-year forecast and recovery plan yielded no recommendations.

Recommendations

R1 Provide more financial information to stakeholders

The District should provide more financial information to its stakeholders. This could include expanding the number of reports and tools that are available through its website, preparing a comprehensive annual financial report (CAFR) and a popular annual financial report (PAFR), or providing other equivalent supplementary information. The District should also conduct annual surveys of its citizens and form citizen and business advisory groups. Taking these steps can be helpful in communicating District priorities, accomplishments, and future plans during periods of significant change, as well as promoting the District's efforts to engage the community.

Supplemental Financial Reporting: The Treasurer indicated during the interview process that the District has not historically prepared CAFRs or PAFRs. However, *Recommended Practices: Government Accounting, Auditing, and Financial Reporting Practices* (GFOA, 2006) indicates that state and local governments should not be satisfied with only issuing basic financial statements required by GAAP, but should instead publish a CAFR. A CAFR would expand the reporting model to include information on WECS D's operating environment, explanations for past spending decisions and future commitments, as well as budgetary statements and statistical information. Likewise, *Recommended Practices: Preparing Popular Reports* (GFOA, 2006) encourages governments to supplement their annual financial reports, with simpler, "popular" annual financial reports designed to assist those who need a less detailed overview of a government's financial activities. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends.

Website: The District's website does not have a web page dedicated to the Treasurer's office. Furthermore, while the website does include links to Board minutes, its five-year forecast and strategic plan, it does not include links that help explain its financial information. In comparison, the peer district websites offer much more financial information than does the WECS D website. For instance, all of the peer districts have a separate webpage for the Treasurer's office. The Treasurer's webpage at Medina CSD includes copies of the five-year forecast and assumptions for the previous three years, as well as copies of the last three CAFRs. Similarly, Centerville CSD includes copies of the five-year forecast with assumptions and the most recent year's CAFR, in addition to an audit report, county millage rates, and tax information. Mentor CSD not only includes the five-year forecast with assumptions and CAFRs on its Treasurer's website, but also makes available copies of the annual budget, state audit reports, monthly financial statements, and a link to the Citizens' Financial Advisory Committee. Lastly, both Milford EVSD and West Clermont LSD include presentations on various financial topics on their respective Treasurers' websites, in addition to budget, CAFR, and five-year forecast with assumptions documents.

Citizen and Business Advisory Groups: The District does not have any type of citizen or business advisory committees in place to help review operations, obtain stakeholder feedback, and serve as a liaison between WECS and its citizens. *Public Participation in Planning, Budgeting, and Performance Management* (GFOA, 2009) identifies the creation of public or neighborhood advisory groups, committees, and informal task forces as a best practice. For example, in 2009 the Hilliard City School District (Franklin County) formed an Auditing and Accountability Committee of citizens to ensure that

- the district's internal and external financial reporting is reliable;
- the internal control structure is effective and efficient;
- the management practices and operations comply with all Board of Education policies and applicable laws, regulations, and provisions of contracts and grants; and
- management practices and operations are effective and efficient.

Likewise, Parma CSD created the Facilities Integration Team in 2009, which was designed to create an implementation plan for the consolidation and configuration of the District's buildings. The group is comprised of staff, parents, residents, and local business people.

Ohio Revised Code § 3313.82 Business Advisory Councils states: “The board of education of each city and exempted village school district and the governing board of each educational service center shall appoint a business advisory council which shall advise and provide recommendations to the board on matters specified by the board.

After the completion of fieldwork, the District established a Business Advisory Council.

R2 Include additional details in future annual budget documents

The District should include additional details in its future annual budget documents, to include a five-year forecast, key assumptions, narratives, charts, and graphs.

The FY 2012-13 annual budget was prepared by the previous Treasurer. According to the current Treasurer, future budgets will be prepared collaboratively with the Superintendent, building principals and other administrative staff. The future budget process, as described by the current Treasurer, will move forward as follows:

- Budgeted amounts by operating unit (i.e., funds, special cost centers, etc.) will be decided upon through collaborative meetings with the Superintendent, building principals and other administrative staff;
- A tentative budget will then be submitted to the Board for review and comment;
- A final budget will then be sent to the Board for approval

Although the FY2012-13 budget was not prepared through a collaborative process, it was still successful both in meeting the Ohio Revised Code (ORC) requirement for timeliness and linking appropriations to strategic initiatives. ORC § 5705.38 requires that a Board of Education pass its annual appropriations measure by the first day of October. The District complied with the requirement in FY 2012-13, adopting the appropriation measure on September 10, 2012. With

respect to strategic planning, the FY2012-13 budget is consistent with Government Finance Officer's Association's (GFOA) recommendations, as it incorporates the District's capital planning goals, which are located in its Five-Year Strategic Plan. According to Recommended Budget Practices (GFOA, 1999), "a good budget process establishes linkages to broad organizational goals." It goes on to state that, "the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals."

While the District complies with the minimum timeframe requirements as set forth in the ORC and is consistent with GFOA best practices regarding strategic capital planning, the budgetary process could be improved. The FY 2012-13 budget document generally consists of an appropriation resolution that quantifies estimated revenues and expenditures by fund for the current year. It does not include the five-year forecast that shows the long-term impact of the budget, nor does it include a memorandum explaining key forecast assumptions and the link between the first year of the forecast and the appropriations resolution. Further, the budget document does not include narratives, demographic information, charts and graphs or written explanations to communicate budget priorities for the upcoming year. *Recommended Budget Practices* (GFOA, 1999) indicates that the budget should be presented in a clear, easy to use format, with the use of multiple documents, tailored to the needs of various stakeholders. These may include brief summaries of important information to be used by different audiences to enhance their understanding of important budget issues and tradeoffs. Some items in a budget document that will assist the reader include the following: a table of contents, a consistent format, high-level summary information that describes overall funding sources and the organization as a whole, a description of the overall planning and budgeting process and the interrelationships of those various processes, supplementary information about the government and the area for which it has responsibility, charts and graphs to better illustrate important points, concise and clearly-written summaries, uncluttered pages, and detailed information placed in appropriate locations so that it does not overwhelm the reader. For the budget document to be readily understandable, it not only must contain the appropriate information, but must also be prepared in a manner that is clear and comprehensible. The current Treasurer indicated that future budgets will include the key elements listed above (five-year forecast, key assumptions, narratives, charts, graphs, etc.).

The lack of detail in the District's current budget document may result in a lack of understanding by various audiences. If detailed and/or supplemental documentation is provided, the District can ensure appropriate decisions are made by Board members and the community. Better decision making may also result from increasing opportunities for stakeholder input.

Human Resources

Background

This section of the performance audit focuses on WECSD's Human Resources. The Board, Superintendent, and Treasurer oversee the human resource function: the Board at a policy level, the Superintendent for management operations, and the Treasurer for financial transactions. Throughout this section, WECSD's operations are evaluated against select peer school districts, leading or recommended practices and operational standards from applicable sources. Sources include the State Employment Relations Board (SERB), and the Society for Human Resource Management (SHRM).

Staffing

Table 4 compares FY 2012-13 WECSD's full-time equivalent (FTE) staffing levels on a per 1,000 student basis with the peer average for FY 2011-12.

Table 4: Staffing Level Comparison (FTEs per 1,000 Students)

Position	WECSD FY 2012-2013	Peer Average
Administrative	3.61	4.13
Office/Clerical	7.46	6.40
General Education Teachers	38.42	41.24
All Other Teachers ¹	14.8	11.41
Education Service Personnel (ESP)	6.98	5.85
Educational Support	1.83	2.74
Other Certificated	0.04	0.34
Non-Certificated Classroom Support	7.69	12.17
Sub-Total	80.83	84.28
Operations	16.99	19.14
All Other Staff	2.96	4.41
Total Staff	100.78	107.83

Source: FY EMIS data submitted to ODE.

¹See Appendix for additional information.

Note: See Appendix for a description of the position codes used in this table. Also, students include those receiving educational services from the districts and excludes the percent of time students are receiving educational services outside the districts.

Table 4 shows that for FY 2012-13, WECSD employs fewer total FTE's per 1,000 students than the peer average (100.78 and 107.83 respectively). Specifically the administrative, general education, educational support, other certificated, non-certificated classroom support, operations and all other staff positions employed fewer FTE's per 1,000 students than the peer average. The District reduced staffing levels at the conclusion of FY 2011-12 that impacted the total staff per

1,000 students for FY 2012-13. Specifically, the District reduced staffing in each position classification listed in **Table 4**. The District also outsourced its transportation operations and much of the transportation staffing, reducing its staffing ratio from 120.18 FTEs per 1,000 students in FY 2011-12 to 100.78 FTEs per 1,000 students in FY 2012-13.

Salaries

Table 5 compares the District's average salary cost with the peer average for FY 2011-12. Beginning wage rates, years of service, negotiated salary schedules, and education or skill level attained impact average salaries.

Table 5: Average Salary Comparison

	WECS D FY 2011-12	Peer Average
Administrative	\$78,198	\$90,215
Office/Clerical	\$37,335	\$39,108
General Education Teachers	\$66,250	\$66,256
All Other Teachers	\$60,074	\$62,224
Education Service Personnel (ESP)	\$62,721	\$66,350
Educational Support	\$61,864	\$56,957
Other Certificated	\$30,967	\$54,384
Non-Certificated Classroom Support	\$24,212	\$20,722
Operations	\$25,059	\$27,215
All Other Staff	\$60,397	\$48,561
Total Staff	\$51,660	\$52,054

Source: FY 2011-12 EMIS data submitted to ODE.

Note: See the appendix for a description of the position codes used in this table

Table 5 shows that in total, WECS D's average salary is \$51,660 while the peer average is \$52,054.

In addition to **Table 5**, separate salary comparisons were conducted for all teachers with a master's degree, custodial employees, maintenance employees and administrators based on the assumption of a 30-year career. These comparisons to peer district averages showed WECS D compensation was comparable to its peers. As a result, compensation levels were not reviewed any further during this audit.

Negotiated Agreements

The District has collective bargaining agreements (CBA) with the Willoughby-Eastlake Teachers Association (certificated CBA), the Willoughby-Eastlake Classified Professionals Association, the Willoughby-Eastlake Ohio Association of Public School Employees (OAPSE) local 159 and 163 (classified CBA). The certificated CBA covers all certificated/licensed personnel employed by the Board, except the Superintendent, Treasurer, principals and other individuals receiving administrative contracts. The classified and OAPSE CBAs cover all regular full-time and part-

time classified positions, including bus drivers, monitors, attendants, food service, custodians, maintenance, and secretarial/clerical.

Assessments Not Yielding a Recommendation

The assessments of district-wide staffing and salary levels, cost for health and life insurance, special education spending and sick leave for certificated and classified staff did not yield recommendations.

Recommendations

R3 Reevaluate the staffing plan and consider reduction of education service personnel (ESP) and clerical staffing

While it is not a common practice in Ohio to operate at or near State minimums, the District could reduce its ESP staffing to meet state minimum standards. Also, the District should reduce its clerical staffing levels to be more consistent with its peers. Before making reductions, the District should review the potential impact it would have on the quality of education.

Financial Implication: Bringing ESP positions close to state minimum standards requires a reduction of 21 FTEs. Using the lowest paid ESP employee (\$37,746 in FY 2012) and the 32 percent benefits to salary ratio at the District, a reduction of 21 FTEs would save the District approximately \$1,160,000 in salaries, benefits and pension. Likewise, by bringing clerical positions close to the peer average per 1,000 students requires a reduction of 8 FTEs. Using the lowest paid FTE clerical employee (23,010 in FY 2012) and 32 percent benefits to salary ratio at the District, a reduction of 8 FTEs would save the District approximately \$ 270,000 in salaries, benefits and pension for a combined total savings of **\$1,430,000**.

Although general education teachers are slightly above the state required minimums, the District's ESP staffing levels are higher than required by 21 FTE's. Likewise, the District's clerical position per 1,000 students is higher than the peer average by 8 FTE's. As such, WECS D should use objective workload measures to help ensure efficient and effective staffing levels, and link staffing decisions to long-term goals and objectives.

In practice, the District uses judgments and educational or operational goals to determine staffing levels. *Strategic Staffing Plans* (SHRM, June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. A strategic staffing plan forms an infrastructure to support effective decision-making in an organization.

R4 Reduce severance payouts, sick leave accrual and holidays

The District should negotiate to reduce its maximum allowed sick leave accumulation, severance payouts, and the number of paid holidays to a level more comparable to its peers or ORC minimum requirements.

Financial implication: If the District had paid employee sick leave severance at ORC minimums in FY 2011-12, it could have saved approximately **\$294,000**.

A review of the District's certificated and classified CBAs found the provisions are generally comparable to the peers with the follow exceptions:

Severance Payouts: WECSO's maximum severance payout for retiring employees is significantly higher than the peers. The District's classified and certificated CBAs stipulate that when an employee retires, they shall be paid severance pay for the sick leave days they have accumulated but not used at 30 percent up to a maximum of 260 days. By comparison, Milford EVSD employees receive 25 percent for a maximum of 55.5 days and West Clermont LSD employees receive 25 percent up to 61 days. ORC §124.39 states that public employees are entitled to receive 1/4 of accumulated sick days up to 120 days at the ending rate of pay, if the employee retires with at least 10 years of service, which translates to a maximum pay out of 30 sick days. The District offers a sick leave severance payout that is 230 days more generous than the amount required by the ORC. By allowing a higher severance payout at retirement, the District is incurring additional costs. While it is impossible to accurately predict how much the current provision will cost the District in each future year, reducing the payout to ORC minimums will result in a significant cost avoidance compared to past years.

Sick Leave Accrual: WECSO's classified bargaining agreements stipulate an accrual rate of 1.25 days per month for a maximum of 15 days per year. This is consistent with the peers; however, WECSO's maximum sick leave accumulation is higher than the peers. The District's CBAs stipulate that an employee can accumulate an unlimited number of sick leave days. The maximum accumulation at Milford EVSD is 260 days. By comparison, ORC§3319.141 states school employees can accrue up to 120 days. WECSO's sick leave accumulation provision is more generous than the peers and the requirements of ORC§3319.141.

Holidays: According to ORC§3319.087, 11 and 12 month employees are entitled to a minimum of seven holidays while 9 and 10 month employees are entitled to six holidays. WECSO's 12-month classified employees receive 14 holidays. By comparison, the peers average 10.6 holidays per year. In addition, WECSO provides its 11-month (non-food service) classified employees with 11 paid holidays while ORC requires only seven.

R5 Renegotiate collective bargaining health insurance language

The District should negotiate language which would require employees to contribute a percentage of the premium costs instead of requiring a dollar amount. Also, the District should increase the hour threshold for receiving full health benefits (e.g. to 30 hours per week). Prior to making any changes, the District should review the Patient Protection and Affordable Care Act (PPACA) to ensure that intended results will be achievable under the new legislation.

WECSO uses requests for proposal (RFP) and consultants to procure medical, prescription, dental and vision benefits for its employees. For healthcare, WECSO offers a Preferred Provider Organization (PPO) plan. The PPO plan covers 90 percent of healthcare costs (100 percent after out-of-pocket maximum is achieved), but requires employees to use in-network hospitals and physicians. The District offers healthcare plans that provide single coverage, single plus one coverage and family coverage. The plans require employees to contribute a fixed dollar amount equal to 15.3 percent of current premiums. Of the 667 employees enrolled in WECSO's healthcare program in FY 2012-13, 223 were single plans, 147 were the single plus one plan and 297 were family plans. During the course of the audit, the District reached a tentative agreement

with its food service employees which will require them to work 30 hours per week to be eligible for health insurance.

The District can improve the cost effectiveness of the health insurance program by addressing the following:

Participation Threshold: WECSO's classified CBA stipulates that an employee needs to work only 25 hours per week to receive single healthcare benefits with a 15 percent payment and 30 hours per week to qualify for single, single plus one and family coverage. Collectively, these provisions increase WECSO's total insurance costs by requiring the District to insure more employees at full coverage. In contrast, Mentor EVSD and West Clermont LSD require that classified staff work a minimum of 30 hours per week to receive full healthcare benefits.

Plan Design: WECSO's PPO plan requires a \$500 deductible for single coverage and \$1,000 deductible for a family plan. The State Employment Relations Board (SERB) produces an annual report on the cost of health insurance in Ohio's public sector that provides data on various aspects of health insurance plan design as well as the costs associated with each plan for government entities. According to the 2012 SERB report, 34 percent of school district and ESC employers required a deductible of more than \$500 for single coverage and 35 percent required deductibles of more than \$1,000 for family coverage.

R6 Develop formal Educational Management Information System procedures

WECSO should adopt formal policies and procedures for preparing EMIS reports that are consistent with ODE guidelines. It should also consider requiring that select employees receive training and certification through the Ohio Association of EMIS Professionals (OAEP). Taking these measures would ensure accurate reporting of EMIS data.

The District's Payroll Clerk has been responsible for entering and maintaining the District's EMIS information for several years. However, WECSO does not have formal policies and procedures for preparing, reviewing, and reconciling EMIS information prior to submission to ODE. Furthermore, no one at the District has achieved Certified EMIS Professional status through the Ohio Association of EMIS Professionals. However, the EMIS Coordinator has attended ODE sponsored trainings regarding EMIS reporting and has indicated additional employees will attend this year.

To determine the reliability of WECSO's FY 2011-12 EMIS staffing information, AOS conducted a sample review of EMIS data compared to payroll reports and other supporting documentation. AOS found that the District's EMIS reports are generally reliable for decision-making purposes. The inconsistencies regarding employee position coding for the 505 teaching aide classification were noted; however, this inconsistency did not impact the AOS staffing and salary conclusions and would not likely impact the District's decision-making.

To help districts submit accurate EMIS data, the OAEP offers Certified EMIS Professional and Master Certified EMIS Professional designations, which are earned after completing a regimented program of professional development and work experience. According to ODE, Certified EMIS Professionals and Master Certified EMIS Professionals are committed to maintaining the highest standards possible regarding the collection and reporting of student, staff and district data. In addition, ODE publishes detailed guidelines that include recommended procedures for ensuring the accuracy of EMIS data.

Facilities

Background

The District owns and operates 13 instructional facilities comprising six elementary schools, three middle schools, two high schools, one technical center and Kennedy Academy. The District also operates an administration building, transportation building and a central warehouse.

Since 2011, the District has been in the process of implementing changes to the configuration of its facilities, as well as continuing to plan for future reconfigurations. In response to budgetary cuts in 2011, the District opted to close McKinley Elementary and reallocate funds from a Permanent Improvement Levy that was passed in 2010 to build additions to other existing facilities. Specifically, the District is planning to replace both High School buildings and the Longfellow Elementary building, as well as renovate two Middle School buildings and four Elementary buildings with estimated completion dates during the 2016-17 school year for new construction and 2014 for renovation projects.

There are currently 9.1 FTE maintenance employees, 31.4 FTE custodial employees, and 4.0 FTE grounds employees in the Building and Grounds Department (B&G). All B&G personnel are full-time, eight hour per day employees, and report directly to the Building and Grounds Superintendent. The B&G Superintendent is responsible for all maintenance and grounds functions, including all requested work orders, maintenance related purchases, and administrative duties.

The following section of the performance audit focuses on Willoughby-Eastlake City School District's (WECSO or the District) facilities operations. Throughout this section, WECSO's operations are evaluated against selected peer school districts and recommended practices and operational standards from applicable sources, including the American School and University (AS&U) Magazine and the National Center for Education Statistics (NCES).

Table 6 compares the District's custodial, maintenance and grounds expenditures per square foot to the average expenditures per square foot of its peers.

Table 6: Facilities Expenditures per Square Foot Comparison

	WECS D	Peer Average	Difference	Percent Difference
Salaries and Wages	\$2.24	\$2.17	\$0.07	3.4%
Employee Benefits	\$0.88	\$0.95	(\$0.06)	(6.4%)
Utilities	\$0.96	\$1.33	(\$0.36)	(27.4%)
Electric	\$0.62	\$0.92	(\$0.29)	(31.9%)
Gas	\$0.27	\$0.23	\$0.04	16.4%
Other Energy Sources	\$0.00	\$0.04	(\$0.04)	(100.0%)
Sub-Total Energy	\$0.89	\$1.18	(\$0.29)	(24.7%)
Water & Sewer	\$0.07	\$0.14	(\$0.07)	(49.6%)
Purchased Services (Excluding Utilities)	\$1.81	\$1.01	\$0.80	79.7%
Supplies and Materials	\$0.47	\$0.36	\$0.11	31.7%
Capital Outlay	\$0.03	\$0.36	(\$0.33)	(91.7%)
Other Objects	\$0.00	\$0.01	(\$0.01)	(100.0%)
Total Expenditures per Square Foot	\$6.40	\$6.18	\$0.22	3.6%
Square Feet Maintained	1,345,369	1,028,517	316,852	30.8%

Source: Ohio Department of Education

As shown in **Table 6**, the District's total costs per square foot are 3.6 percent higher than the peer average. The areas that significantly exceed the peer average are gas, purchased services, and supplies and materials. However, it should be noted that the District is significantly below the peer average in the areas of combined utilities, water/sewer, capital outlay and employee benefits.

Table 7 shows an assessment of B&G staffing using key data and operating ratios.

Table 7: B&G Department Staffing

District Staffing	
Total FTE Maintenance Staffing	9.13
Total FTE Custodian Staffing	31.38
Total FTE Grounds keeping Staffing	4.00
Total FY 2012-2013 Building and Grounds Staffing (FTEs)	44.50
District Statistics	
Square Footage Maintained	1,345,369
Acreage Maintained	280.2
Square Footage Cleaned	1,345,369
Maintenance, Grounds, and Custodial Staffing Benchmarks	
<i>Current Sq. Ft. per Maintenance FTE</i>	<i>147,357</i>
<i>AS&U Five Year Avg. Sq. Ft. per Maintenance FTE</i>	<i>94,872</i>
Calculated FTE Maintenance Need	14.18
<i>Current Acres per Groundskeeper FTE</i>	<i>70.1</i>
<i>AS&U Five Year Avg. Acres per Groundskeeper FTE</i>	<i>40.2</i>
Calculated FTE Groundskeeping Need	6.97
<i>Current Sq. Ft. per Custodial FTE</i>	<i>42,873</i>
<i>NCES Level 3 Cleaning Median Square Footage per Custodial FTE</i>	<i>29,500</i>
Calculated FTE Custodian Need	45.61
Total B&G Staffing Need	66.76
Current Staffing Compared to Calculated Need	
Maintenance Staffing Difference	(5.06)
Groundskeeping Staffing Difference	(2.97)
Custodial Staffing Difference	(14.23)
Total B&G Department Staffing Difference	(22.26)

Source: NCES, AS&U, District staffing and square footage data.

As shown in **Table 7**, WECS D has fewer staff than recommended by the benchmarks to maintain and clean the buildings and grounds

Assessments not yielding a recommendation:

The assessments of the District's use of classified overtime, staffing levels, building capacity and student enrollment projections did not yield a recommendation.

Recommendations

R7 Develop a formal maintenance priority schedule

The District should develop a formal maintenance priority schedule. Doing so may reduce the District’s susceptibility to unnecessary maintenance expenditures by enabling early recognition of severe repair needs.

According to the Building and Grounds Supervisor, the work order process begins with requests that are submitted by building personnel who categorize them as either urgent or non-urgent. Once work order requests are received, the Building and Grounds Supervisor further prioritizes them according to an informal ten-point system and assigns the jobs accordingly. While priority is ultimately determined at the discretion of the Building and Grounds Supervisor, specific variables are considered when making the determination, such as time of year and whether the work order in question constitutes a safety hazard.

In comparison to the recommendations set forth by NCES in *Planning Guide for Maintaining School Facilities* (NCES, 2003) regarding elements to be included in a work order form, WECS D meets ten out of ten. The recommended elements include:

- The date the request was received;
- A job tracking number;
- The job status (received, assigned, ongoing, or completed);
- The job location (where, specifically, is the work to be performed);
- The entry user (the person requesting the work);
- The supervisor and craftsperson assigned to the job;
- The job date the request was approved;
- The supply and labor costs for the job;
- The job completion date/time; and
- The job priority (emergency, routine, or preventative).

Although the District’s work order system allows job priorities to be specified, its current use has limited utility. Specifically, the Building and Grounds Supervisor has a numbered priority system, but it is informal and undocumented. In other words, specific numbers are not formally designated as “emergency”, “routine”, or “preventative” identifiers. As such, work orders of significant severity may be left unresolved for longer than necessary, making the District more susceptible to significant maintenance expenditures.

R8 Develop a comprehensive preventative maintenance plan

The District should develop a comprehensive preventative maintenance plan that meets the best practice standards as set forth by NCES. Doing so will decrease the risk of unforeseen, significant equipment replacement expenditures.

WECSD does not have a formal preventative maintenance plan. According to the Building and Grounds Supervisor, the District performs only limited preventative maintenance activities on a regular basis, such as tending to the chemistry labs, grease traps, hood exhausts in the kitchens, replacing projector filters, and general equipment maintenance. Instead, preventative maintenance is generally conducted at the discretion of the Building and Grounds Supervisor.

The Planning Guide for Maintaining School Facilities (NCES, 2003) indicates that "...a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Moreover, preventative maintenance is the cornerstone of any effective maintenance initiative." NCES goes on to say that a good maintenance program is built on a foundation of preventative maintenance. After identifying items that should receive preventative maintenance, a district then decides on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventative services, as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventative maintenance activities.

Transportation

Background

In FY 2011-2012, the District faced significant financial problems. It was required to submit a Financial Recovery Plan (FRP) to ODE that detailed cost-reduction measures to be implemented.

In the FRP, the District planned to achieve \$1,200,000 in savings by outsourcing its transportation services to a private contractor. The plan was approved January 25, 2012.

According to the Superintendent, the District outsourced transportation services to save money. The District issued a Request for Proposal (RFP) to seek competitive bids from private companies to provide transportation services. The District received competitive bids from three vendors. Although the winning contractor offered the lowest potential savings, it was the only proposal that met the District's standards and qualifications.

During contract negotiations, the District and contractor worked together to estimate the District's projected costs for continuing to provide its own transportation services. For the FY 2012-2013 school year, it was estimated the District would incur \$6,555,979 in costs for providing transportation. The contractor estimated that it would charge the District \$5,287,424 for the year, resulting in savings of \$1,268,555. Over the five-year contract period, it was mutually agreed that the District would achieve \$7,270,480 in savings by outsourcing transportation services. Furthermore, it was agreed that the District would continue to directly employ six bus mechanics to provide maintenance and repairs. The contractor pays for equipment, repair parts, and provides direction to the mechanics.

The District determined that another vendor, overseen by the transportation contractor, would continue to provide van service for special needs students that could not be transported on regular buses. In 2011, the District spent \$1,222,545 providing van service to special needs students. This is an entirely additional expenditure from the costs for providing regular transportation services. The regular student transportation contractor will charge the District flat rates for its services.

Assessments not yielding a recommendation:

The assessments of the Districts use of T-form reporting, its transportation contract and fuel procurement did not yield a recommendation.

Food Service

Background

The Food Service Department at WECSO consists of one food service director, 64 employees and 5 base kitchen managers, working a total of 283 labor hours per day. All of the District's food service employees assist in the preparation and serving of the District's meals.

The Food Service Department staff prepares and serves breakfast and lunch in its five instructional facilities with kitchens and transports food to its other buildings. The District utilizes cooperatives and consortiums to ensure that it is receiving the best price for its food.

Financial Data

The Food Service Fund is an enterprise fund, meaning it is intended to be financially self-sufficient by relying on charges and reimbursements to cover the costs of operation. **Table 8** presents WECSO's Food Service Fund revenue and expenditures for FY 2009-10 through FY 2011-12.

Table 8: Food Service Fund

	FY 2009-10	FY 2010-11	FY 2011-12	¹ FY 2012-13
Total Revenue	\$2,364,893	\$2,414,801	\$2,539,576	\$1,000,263
Total Expenditures	\$2,328,028	\$2,393,303	\$2,658,963	\$979,326
Revenues Over (Under) Expenses	\$36,865	\$21,498	(\$119,388)	\$20,937
Revenues Over (Under) Expenses %	1.6%	0.9%	(4.7%)	2.1%

Source: District Financial reports for FY 2009-10, FY 2010-11, and FY 2011-12

¹ FY 2012-13 is financial data through December 2012.

Table 8 shows that the Food Service Fund has incurred an operating deficit in FY 2011-12. However, in order to reduce overhead for FY 2012-13 the District eliminated 61.5 labor hours per day and increased lunch prices.

WECSO achieved a 50 percent participation rate, compared to participation rates ranging from 50 percent to 63 percent by its peers. The District could potentially increase its participation rate with further marketing and promotion of its food service program (See **Rec 9**).

Assessments not yielding a recommendation:

The assessment of the District's food service staffing level did not yield a recommendation.

Recommendations

R9 Actively promote and advertise the food service program

The District should actively promote and advertise its food service program by using strategies such as meal theme days and prizes for participation. Doing so will increase interest and participation by students and staff. Further, utilizing appropriate marketing and promotional techniques such as distributing newsletters, menus, and nutritional information will also encourage good nutritional habits. The District should also solicit student, parent, and stakeholder feedback in order to assist in meal planning. Implementing these techniques could aid in increasing the District's participation rate, in turn increasing revenue to the food service fund.

According to the Food Service Manager, the District does not currently have a way of soliciting feedback from students, parents, and other stakeholders concerning its food service. Further, the District does not actively market its food service operation by offering incentives such as prizes for participation or specialty theme days. During FY 2011-12, the District had a 50 percent participation rate, which was lower than four of the five peer Districts.

According to *Best Practices Could Help School Districts Reduce Their Food Service Program Costs* (Office of Program Policy Analysis and Government Accountability, 2009), school districts can implement a number of different programs to improve quality and participation, while decreasing costs. For example, districts should actively promote their food service program by organizing promotional campaigns. These campaigns can employ strategies such as distributing newsletters, menus, and nutritional information. Some districts have also used special events whereby participating students win small prizes while learning about the importance of good nutrition, and theme days such as Fajita Cookouts, pasta bars, and Grandparents Day.

Recipes for Practical Research in Child Nutrition Programs (National Food Service Management Institute, 1998) recommends schools routinely solicit customer feedback from students in order to improve the quality of food and improve participation. Specifically, surveys should be designed for the population targeted and the objective to be accomplished.

Properly marketing and developing its food service program through activities and campaigns will provide the District with the opportunity to increase participation, reduce costs per meal, and gather feedback regarding its operations from key stakeholders. Further, the District will be able to stabilize or increase revenues from student charges, which will allow the food service program to remain profitable while absorbing all costs related to its operations.

In addition, an increase in participation would improve the meals per labor hour (MPLH) ratio, which measures productivity and efficiency.

Appendix

The following descriptions are for the position classifications used in **Tables 4** and **5**.

Staff Classification	Description of Staff Included in Classification
Administrative	Central office and building level administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District.
Office/Clerical	All 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).
Teachers	General Education teaching assignment. It does not include ESP Teachers.
All Other Teachers	Career-Technical Programs/Pathways, Gifted and Talented, Limited English Proficiency teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.
Education Service Personnel	K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).
Educational Support	Remedial Specialists and Tutors/Small Group Instructors.
Other Certificated	Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.
Non-Certificated Classroom Support	Teaching Aides, Paraprofessional Instructors, and Attendants.
All Other Staff	Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc. Library Aides, Computer Support Staff, and all other professional and technical staff.

All Other Teachers: **Table 4** uses the general education student population to calculate the 1,000 students per FTE ratio. However, teachers in the All Other Teachers category do not serve general education students; they serve the special needs and gifted and talented students. In FY 2012-13, the District had 122.4 FTE teachers in the All Other Teachers category who educated 1,208 students for a student to teacher ratio of 9.9. When compared to the peer average (85.7 FTEs educating 959 students) the peers have a teacher ratio of 10.9 which is higher than WECS D. Although the peers educate one additional student per teacher, WECS D is spending \$6,840 per student while the peers are spending \$8,802. Though WECS D has one less student per teacher, they can educate these students at a rate of \$1,962 less per pupil than its peers. Because of this, All Other Teacher staffing will not have a recommendation.

Client Response

The letter that follows is the District's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

Clarification of response to R3 (page 30):

At the onset of the performance audit, Willoughby-Eastlake and AOS agreed to use five peer Districts meeting equal or higher performance standards than Willoughby-Eastlake. Four of the five districts were lower per pupil cost districts than Willoughby-Eastlake. Mentor Exempted Village School district was included in the peer group representing regional economic conditions.

Willoughby-Eastlake Board of Education

**Stephen L. Thompson, Superintendent
William Parkinson, Treasurer**

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Connie Newyear
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September 20, 2013

Dave Yost, Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Mr. Yost,

In November 2011, the district requested a Performance Audit by the Auditor of the State of Ohio in order to ensure strong financial oversight and transparency with the community. I would like to thank the Auditor of the State of Ohio for conducting a thorough audit of the Willoughby-Eastlake City School District. The audit recommends roughly \$1.7 million or 1 percent in budget reductions along with seven other non-expenditure related items. Although some of the recommendations from the audit stand in contradiction to our recently conducted Ohio Department of Education Staffing Audit, we are taking the audit seriously. We will consider these recommendations as well as continue to research other solutions to help us maintain fiscal responsibility, while preserving the high quality educational programs our community has come to expect.

We are committed to providing the students of our district the best education possible while maintaining sound fiscal management. Since the 2011-2012 school year, the district has reduced staffing by 138 positions (14 percent of our staff), significantly increased employee share of health care, out-sourced transportation, implemented pay freezes along with two non-paid employee furlough days and closed an elementary school. These efforts have saved the district roughly \$13 million per year. While these changes were very difficult and impacted the lives of students, staff and community members, they were necessary to keep the district fiscally sound. We take our responsibility to the tax payers that support our district seriously.

Even with this new one percent reduction in expenditures, the November levy **renewal** remains critical to the operation of the district. The renewal levy generates \$7.5 million annually and is crucial to keeping Willoughby-Eastlake City Schools ranked as one of Ohio's top performing public schools.

Sincerely,

Stephen L. Thompson

Stephen L. Thompson
Superintendent

R1 Provide more financial information to stakeholders

Currently Willoughby-Eastlake School's website has links to the Five-Year Forecast, the district's Financial Recovery Plan and Strategic Plan. A link to the Treasurer's Office is being developed that will provide more financial information to include the assumptions that are used to develop the Five-Year Forecast. This additional information will be posted by November 1, 2013.

R2 Include additional details in future annual budget documents

Additional information will be posted on the Treasurer's Office Webpage by November 1, 2013.

R3 Reevaluate the staffing plan, consider reduction of ESP and clerical staffing

The Performance Audit Report savings of \$1,430,000 is predicated on reducing ESP staffing levels (Music Teachers, Physical Education Teachers, Art Teachers, Nurses, Guidance Counselors, Social Workers, Media Specialists) to the **LOWEST LEVELS PERMITTED BY STATE LAW!** We believe that by further reducing our staff in this area to state minimums, jeopardizes the safety of students and significantly impacts our ability to provide students with a well-rounded education.

On September 4, 2013, the Ohio Department of Education conducted a staffing analysis using *EMIS* data in accordance with the Ohio Revised Code.

**OHIO DEPARTMENT OF EDUCATION
STAFFING ANALYSIS**

(Based on the District's FY 13 staffing levels and enrollment)

Regular Classroom Teachers:

Total regular teachers employed by the district (FY <u>13</u>):	317.80
Total regular teachers employed by comparable districts (FY <u>13</u>):	<u>342.42</u>
Regular Teachers employed below comparable districts:	24.62

Educational Service Personnel (ESP):

Total ESP employed by this district (FY <u>13</u>):	57.80
Total ESP employed by comparable districts (FY <u>13</u>):	<u>57.80</u>
Total ESP employed is the same as comparable districts:	-0-

The conclusions of the Ohio Department of Education differs from that of the State Auditor's Office due to the fact that the State Auditor's Office used different comparison school districts.

Since 2011, the district has aggressively reduced staffing levels across all job classifications. The following illustrates the Reduction in Force taken since 2012 and the resulting impact on District expenditures:

The following data compares FY 2012 & FY 2013 staffing levels, FY 2012-2013 benefits costs.

Staffing Comparison of FY 12 to FY 13

CLASSIFICATION	FY 12 Staffing Levels	FY 13 Staffing Levels	Total Reductions	% of Change
Classified FTE	385.6	311.6	-74	-19%
Certified FTE	618	552.06	-65.94	-11%
Combined	1003.29	864.66	-138.63	-14%

Month by month comparison of actual payrolls:

FY 12

FY 13

Jul 11	\$4,365,065	Jul 12	\$4,396,977
Aug 11	\$4,458,383	Aug 12	\$4,293,264
Sep 11	\$4,744,202	Sep 12	\$4,241,152
Oct 11	\$4,524,719	Oct 12	\$3,982,685
Nov 11	\$4,687,924	Nov 12	\$4,294,075
Dec 11	\$4,762,513	Dec 12	\$4,088,661
Jan 12	\$4,486,601	Jan 13	\$4,174,468
Feb 12	\$4,615,927	Feb 13	\$4,084,039
Mar 12	\$4,732,250	Mar 13	\$4,221,598
Apr 12	\$4,712,064	Apr 13	\$4,215,174
May 12	\$4,894,645	May 13	\$4,508,596
June 12	\$4,899,267	June 13	\$4,291,678
Less Grants	\$4,542,555	Less Grants	\$3,365,706
Total GF	\$51,340,945	Total GF	\$47,426,661

Financial Results of Staffing Reductions – Comparison of FY 12 to FY 13

ACTUALS FY 12	ACTUALS FY 13	TOTAL SAVINGS FY 13
\$51,340,945	\$47,426,661	\$3,914,284

Financial results of Health Care changes – Comparison of FY 12 to FY 13

- FY 12 - \$11,528,840 + \$660,000 Admin & Stop Loss = \$12,188,840
- FY 13 - \$5,515,725 + \$1,838,574 (April, May, June est.) = \$7,354,299
- \$7,354,299 + \$660,000 Admin & Stop Loss = \$8,014,299 cost of benefits for FY 13

**FY 13 Sept, Oct, Nov, reflect three months of run-off from former employees still on the books:
Estimated additional savings per year - \$400,000*

ACTUALS FY 12	ACTUALS FY 13	ACTUAL SAVINGS FY 13
\$12,188,840	\$8,014,299	\$4,174,541 + \$400,000 = \$4,574,541

Financial results of reduced worker’s compensation claims, unemployment claims, Medicare payments and retirement payouts:

Workers Compensation	Unemployment	Medicare
FY 12 - \$540,497	FY 12 - \$16,057	FY 12 - \$704,607
FY 13 - \$94,604	FY 13 - \$170,320	FY 13 - \$650,684
Savings - \$445,893	Increase - \$154,263	Savings - \$53,923

Retirement Benefits paid by the District

FY 12 - \$6,071,976 (STRS)	FY 12 - \$2,129,735 (SERS)	TOTAL - \$8,201,711
FY 13 - \$5,697,350 (STRS)	FY 13 - \$1,741,039 (SERS)	TOTAL - \$7,438,389
Savings - \$374,626	Savings - \$388,696	TOTAL SAVINGS - \$763,322

TOTAL SAVINGS PER YEAR: \$9,597,700

In conclusion, we feel the recommendation of the Auditor of State to consider cutting an additional 28 music teachers, physical education teachers, art teachers, nurses, guidance counselors, social workers, media specialist and clerical staff is not consistent with the quality of

education the District should provide. Further, we believe that additional reductions will jeopardize the safety of students and significantly impact our ability to develop well-rounded students.

R4 Reduce severance payouts, sick leave accrual and holiday

In May of 2013, the district reached an agreement with the OAPSE Local 159 (Food Service Workers) that reduces sick leave accrual rate from 16 days to nine days per year, personal days from three days to two days per year and requires employees to work a minimum of six hours per day to become eligible for health care benefits.

It is the intent of the Board of Education and Administration to reduce severance payouts and sick leave accrual along with other long-term costs from current union negotiated agreements as they expire.

R5 Renegotiate collective bargaining health insurance language

In 2011, the district renegotiated all four union contracts. Prior to 2011, employees paid approximately 2.5% towards the total health care costs. Currently, all employees pay approximately 22%, saving the district approximately \$4,574,541 per year.

As union contracts expire, health care will be reviewed and negotiations will take place at that point.

R6 Develop a formal Education Management Information System

The district is currently researching software options. A new system will be in place by June 30, 2014.

R7 Develop a formal maintenance priority schedule

In 2012, the district developed and implemented a comprehensive building renovation and construction plan. Currently the plan is under review and adjustments are being made (*contained in the district's Five-Year Strategic Plan*).

R8 Develop a comprehensive preventative maintenance plan

Currently a plan is under development and will be in place by March 1, 2014.

R9 Actively promote and advertise the food service program

A comprehensive plan is currently under development and will be in place by November 1, 2013.



Dave Yost • Auditor of State

WILLOUGHBY- EASTLAKE CITY SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2013**