



Dave Yost • Auditor of State





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To the Residents and elected officials of the Cuyahoga Heights Local School District:

At the request of Cuyahoga Heights Local School District (CHLSD) and in consultation with the Ohio Department of Education, a performance audit of CHLSD was initiated in April 2012. The 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 the District's operations that support its mission of educating students. Improvements in these areas can assist in ensuring a stable financial future.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements, while providing an independent assessment of the operations. While the recommendations contained in the audit report are potentially important resources, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a 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 the Cuyahoga Heights Local School District and its contents discussed with the appropriate officials and management. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

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

Sincerely,

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

Dave Yost  
Auditor of State

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# Performance Audit Report - Summary

The Auditor of State (AOS) initiated this performance audit of Cuyahoga Heights Local School District (CHLSD) at the request of the District and in consultation with the Ohio Department of Education (ODE). After discussions with the District and ODE, the Auditor of State's Ohio Performance Team focused on Finance, Human Resources, Facilities, and Transportation.

## 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

| Recommendation                                   | Impact                |
|--|-----------------------|
| R2.5 Reduce Supplemental Expenditures            | \$287,367             |
| R4.2 Eliminate Five Active Buses                 | \$225,041             |
| R2.4 Reduce Staffing Levels                      | \$80,000              |
| R2.1 Modify Dental and Vision Benefits           | \$60,475              |
| R3.2 Replace Maintenance Employees               | \$36,000              |
| R1.4 Raise Meal Prices                           | \$23,000 <sup>1</sup> |
| R2.2 Reduce Severance Days                       | \$12,000              |
| R4.2 Reduce Five Active Buses                    | \$8,785 <sup>2</sup>  |
| R4.6 Eliminate Spare Buses                       | \$3,514 <sup>2</sup>  |
| <b>Total Cost Savings from Performance Audit</b> | <b>\$736,182</b>      |

<sup>1</sup>This reflects a potential increase of revenue.

<sup>2</sup>This reflects a one-time impact, while the other recommendations reflect annual impacts.

# **Executive Summary**

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## **Background**

In April 2012, the Auditor of State (AOS) initiated a performance audit of the Cuyahoga Heights Local School District (CHLSD) based on consultation with the Ohio Department of Education (ODE). The audit recommendations are designed to be used by the Board and administration for planning of future programs, staffing levels, policies, and procedures to increase operational effectiveness. The analysis, assessments, and comparisons will provide the District and the community with information that can be used to make decisions on operations in light of potential deficits. Based on a review of relevant information and discussions with the District, the following functional areas were included in the performance audit:

- Financial Planning and Management
- Human Resources
- Facilities
- Transportation

## **District Overview**

Founded in 1938 by the Cuyahoga Heights Manufacturer's Association, the Cuyahoga Heights School District is located in a metropolitan suburb five miles south of the center of downtown Cleveland, Ohio. The district is comprised of three local communities: Brooklyn Heights, Cuyahoga Heights, and Valley View.

## **Audit Methodology and Scope**

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.

AOS conducted the performance audit of Cuyahoga Heights Local School District (CHLSD) 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. Audit work was conducted between July 2012 and September 2012, and data was drawn primarily from fiscal years 2009-10 and 2010-11. To complete this report, the auditors gathered data, conducted interviews with District personnel,

and reviewed and assessed information from CHLSD, peer school districts, and other relevant sources. Peer school district data and other information used for comparison purposes were not tested for reliability.

AOS primarily used ten districts as peers for benchmarks purposes: Benton Carroll Salem Local (Ottawa County), Chagrin Falls Exempted Village (Cuyahoga County), Clark-Shawnee Local (Clark County), Fairview Park City (Cuyahoga County), Independence Local (Cuyahoga County), Lordstown Local (Trumbull County), Northeastern Local (Defiance County), Ontario Local (Richland County), Perry Local (Lake County), and Wolf Creek Local (Washington County). These districts were selected based upon demographic and operational data, and input from the District. The peer average used in the audit report comprises these ten school districts unless noted otherwise.

Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), State Employment Relations Board (SERB), Ohio Department of Education (ODE), Ohio Department of Administrative Services (DAS), National Center for Education Statistics (NCES), and National Food Service Management Institute (NFSMI).

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

## **Conclusions and 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 key recommendations from the performance audit report.

### **Financial Planning and Management**

- Develop and implement a strategic multi-year capital plan.
- Reduce food service deficits by increasing meal prices to match cost per meal.
- Actively compare prices for fuel and other materials throughout the year to ensure that they are receiving the best available price for goods and services.



- Create and distribute a purchasing manual to all employees explaining the District's purchasing policy and process.

### **Human Resources**

- Competitively shop for dental and vision coverage to bring premiums in line with industry benchmarks.
- CHLSD's health care plan has generous provisions that lead it to pay more for single coverage than industry benchmarks. Switching plans can save the District approximately \$18,000 a year.
- Reduce the number of unused sick days bought out at retirement.
- Renegotiate salary schedules to be more in line with surrounding districts.
- Reduce two office/clerical FTEs to bring the District more in line with peer averages and save approximately \$80,000 in salaries and benefits.
- Reduce extracurricular expenditures.

### **Facilities**

- Develop a system for isolating and monitoring all costs associated with operating District facilities including the pool, fitness center and football stadium.
- Hire lower-cost custodians to replace higher-cost maintenance employees who leave through normal attrition.

### **Transportation**

- Report insurance coverage for only the bus fleet, rather than all vehicles owned on T-2 reports.
- Eliminate five regular buses.
- Include Transportation Department personnel in the IEP process when determining the most appropriate mode of special needs student transportation.
- Develop and implement written procedures for completing, reconciling, and submitting transportation reports.
- Establish a formal bus preventive maintenance plan, and track maintenance costs by bus.
- Reduce the spare bus fleet by one bus.

- Revise and update the transportation policy. Then establish an administrative guideline to outline how policies will be implemented.

## **Noteworthy Accomplishments**

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes Cuyahoga Heights Local School District noteworthy accomplishments identified during the course of the audit.

### **Financial Planning and Management**

#### **Curtailment Plan**

In FY 2012 Cuyahoga Heights LSD developed a curtailment plan to address the fiscal issues it was facing. The plan proposed a schedule of cuts that would take effect either in FY 2012 or FY 2013. Following the passage of a levy in March 2012, some of the cuts have been removed or revised to reflect the new financial situation at the District. Cuyahoga Heights LSD has implemented the entire plan for FY 2012. The plan includes staff reductions; employee extended time reductions; elimination of activity bus runs; athletic supplemental contract and stipend reductions; reduced benefits for administrators, elimination of the indoor track program; and a freeze on professional development funding. For FY 2013 the District negotiated contract concessions, further staff reductions, modifications to elementary, middle, and high school schedules, and a further reduction in supplemental contracts among other steps. The District is implementing this plan and it is to be commended for taking proactive steps to remain fiscally sound.

#### **Strategic Plan**

The District is in the process of developing a strategic plan, known as the Building on Excellence and Success Together (BEST) Initiative, with a committee made up of administrators, board members, staff, and residents. The purpose of the initiative is to review the District's mission and vision while putting in place a plan to ensure that all graduates enter college or are ready to enter the 21st century workforce. All planning documents, drafts, and meeting minutes are on the District website. The committee also conducted a survey of stakeholders, including staff and residents, in order to tailor its efforts to meet the needs of stakeholders. This process falls within best practices as outlined by the Government Finance Officers Association (GFOA) and as such, constitutes a noteworthy accomplishment.

### **Human Resources**

#### **Staffing Levels**

In FY 2012 Cuyahoga Heights LSD took proactive steps to bring its staffing in line with current needs. They engaged the Ohio Department of Education and developed a staffing plan that was implemented during the year. During that year, the District reduced staff in the following areas: 1.38 FTEs cleaners, 1 counseling FTE, 3.5 general education FTEs, and 1 clerical FTE. They

also replaced the full-time athletic trainer with an intern, saving the District approximately \$62,000. However, despite these cuts, the District still appears to be over-staffed in several areas.

### **Salary Freeze**

Cuyahoga Heights LSD and the collective bargaining units representing District employees agreed in February 2012 to a full salary, cost of living, and step freeze for all employees. This freeze will last until 2014. As a result, the District stands to save significantly on employee costs. Also during the freeze, the District and the collective bargaining units agreed to the formation of a committee to implement merit pay starting in the 2014-2015 school year. These are significant concessions that can help the District moving forward. However, compared to their regional peers the salary schedules offered at Cuyahoga Heights LSD are as much as 18 percent higher.

In addition to the salary freeze the District and its unions also negotiated for a lower base salary to be used in calculating supplemental pay. As a result, supplemental wages should be more in line with the peers. However, the District still has to restructure its extracurricular activities to bring total expenditures more in line with the peers and to avoid future deficits in this area.

### **Renegotiated Health Care Benefits**

In FY 2012 Cuyahoga Heights LSD and the unions representing employees agreed to a new health plan through its health care consortium that greatly reduced the cost of family health insurance coverage. Compared to the rates paid in FY 2011, the District is saving \$241 a month per enrolled employee for hospitalization and prescription coverage. This translates into overall savings of \$66,513 per year based on FY 2012 enrollment. The District is also saving \$26 a month per enrolled employee on single prescription coverage, which translates to annual savings of \$24,336 based on FY 2012 enrollment. However, the District is still paying significantly more for single hospitalization coverage as well as single and family dental and vision coverage.

The District also negotiated an employee share provision under which employees will contribute 12 percent toward the cost of coverage in 2012-2013 and 15 percent in 2013-2014. 15 percent is the standard benchmark used by AOS in determining employee share of health insurance costs. There will also be a spousal coordination of benefits which will help offset costs. As a result of this new cost-sharing measure the District is following established best practices.

### **Retirement Pickup**

Cuyahoga Heights LSD and its unions agreed to elimination of the Board paid "pick-up on the pick-up" for all employees. The District was once paying 3 percent of the employee's required 10 percent contribution to the State Teachers Retirement System (STRS). By eliminating this benefit, the District will save \$235,310 based on FY 2011 figures.

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# Audit Objectives

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The following detailed audit objectives were used to conduct the performance audit of the Cuyahoga Heights Local School District. The 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. In some instances, objectives were modified based on actions taken by the District to address its deficit or high risk environments identified by the auditors during the course of their work.

## Financial Planning and Management

Five-Year Forecast - Line Item Verification – Do the actual budget figures reconcile with the forecast figures?

Purchase Orders – Are the District's purchasing policies effective in preventing unauthorized purchases? Does the purchase order process deviate from purchase order policies?

Maintenance and Operations – Are maintenance and operation purchasing policies effective in preventing unauthorized purchases?

Food Service – Is food service purchasing in line with industry standards? Are the commodities being maximized? Does the District price its meals competitively when compared to peer districts and benchmarks? Are meals per labor hour in line with peer averages? Is the District's participation rate in line with peer averages and industry benchmarks? What could be done to increase participation if it is low? Is the District spending more per meal than the peers?

Transportation – Are transportation purchasing policies in place and effective? Is the bus insurance payment higher than the peers?

Technology – Has the District improved internal controls and implemented stronger purchasing policies concerning technology purchases? What are the results of the special audit? What has been learned from the special audit? Are there new internal controls? Are there oversight mechanisms in place?

IT Purchasing process – Has the District created a single, district wide purchasing policy that is followed by all employees?

Previous Financial Audits - Are there any findings from previous audits that have not been corrected?

Budgeting - Is there a sound budget process in place?

Strategic Plan - Is there a strategic plan in place and is it used?

Capital Plan - Is there a capital plan in place?

Financial Policies and Procedures - Are there effective financial policies and procedures in place in the District?

### **Human Resources**

Staffing Levels - Are staffing levels appropriate for a District of their size? What are the Administration, clerical, maintenance, and teaching ratios? Is there a staffing plan in place? What adjustments are needed to bring the District in line with peer districts?

Salary Schedules - Are salary schedules in line with regional peers?

Curtailment Plan - Has the District implemented the curtailment plan? Do current staffing levels match the curtailment plan?

Health Care Benefits - Are benefits in line with statewide industry averages? Do employees contribute at least 15 percent to the cost of premiums? Are there any superfluous items in the plan design?

Retirement Benefits - Does the District offer an incentive for early retirement? How much leave is bought out at retirement and at what cost? Does the District provide a "pick-up on the pick-up" benefit? To whom? How much does it cost?

Supplemental - What percentage of base salary does the District offer per average compared to the peers? Does the District offer more extracurricular programs than the peers? How much is the District spending on these programs compared to the peers?

Collective Bargaining - How do key provisions in the collective bargaining agreements compare to peers?

### **Facilities**

Staffing Benchmarks - Are the District's custodial and maintenance staffing levels in line with best practices and benchmarks?

Utilities Benchmarks - How does the District's energy use compare to peer and national benchmarks?

M&O Cost Benchmarks - Are the District's maintenance and operations (M&O) costs in line with best practices and peer districts?

P/I Spending - Is P/I money being spent on items that should be paid for out of the general fund?

Capital and Purchased Services Spending - Are District costs for purchased services and capital improvement in line with peer benchmarks? What services is the District purchasing?

Cost Recovery - Are the District fees for pool usage covering the cost of pool M&O? Does the District have a system of measuring and recouping the cost of the football stadium?

Building Security - Does the District have sufficient security procedures in place to control who walks in and out the school building throughout the day?

### **Transportation**

Accuracy and Reliability of Data - How can the District improve the accuracy and reliability of its transportation data?

Ridership and Cost Overview - How have ridership levels changed over the past three years? How have transportation expenditures changed over the past three years?

Regular Bus Efficiency: - How does the District's "yellow bus" (Type I & II) transportation service compare with peer districts and/or industry standards?

Routing Efficiency - How can the District improve its operating efficiency?

Special Needs Transportation - Is the District providing specialized transportation service in an effective and efficient manner?

Personnel Management Consideration / Operating Model - How can the District improve the cost effectiveness of transportation operations through improved human resource management?

Policies and Procedures - How do the District's transportation policies and procedures compare with leading practices and how do they impact operations?

Fleet Maintenance - Is the District effectively and efficiently maintaining and managing its fleet?

State Fuel Tax Refund - Does the District routinely request and receive the State fuel tax credit?

Insurance - How do the District's bus insurance costs compare to the peer districts?

# Financial Planning and Management

## Background

Since FY 2011, Cuyahoga Heights LSD has seen turnover in its administration with a new superintendent and treasurer. Part of this turnover is due to the discovery of fraud in the area of technology purchasing that has been referred to appropriate authorities. Despite the losses associated with the fraud, the District has not been in a deficit situation and is forecasted to remain fiscally sound in the future. Table 1-1 shows the District's historical expenditures.

**Table 1-1: Historical Expenditures**

|                                  | 2008                | 2009                | Percent Change | 2010                | Percent Change | 2011                | Percent Change | Average % Change |
|----------------------------------|---------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|------------------|
| <b>Administrative</b>            | \$2,505,019         | \$2,931,777         | 17.0%          | \$4,501,561         | 53.5%          | \$3,781,379         | (16.0%)        | 18.2%            |
| <b>Building Operations</b>       | \$3,659,060         | \$3,302,296         | (9.8%)         | \$3,115,280         | (5.7%)         | \$3,297,818         | 5.9%           | (3.2%)           |
| <b>Staff Support</b>             | \$300,862           | \$402,796           | 33.9%          | \$404,598           | 0.4%           | \$317,460           | (21.5%)        | 4.3%             |
| <b>Pupil Support</b>             | \$2,561,727         | \$3,001,014         | 17.1%          | \$2,170,039         | (27.7%)        | \$2,255,232         | 3.9%           | (2.2%)           |
| <b>Instructional</b>             | \$6,755,831         | \$6,997,437         | 3.6%           | \$7,193,183         | 2.8%           | \$6,641,949         | (7.7%)         | (0.4%)           |
| <b>Total Expenditures</b>        | <b>\$15,782,499</b> | <b>\$16,635,320</b> | <b>5.4%</b>    | <b>\$17,384,661</b> | <b>4.5%</b>    | <b>\$16,293,838</b> | <b>(6.3%)</b>  | <b>1.2%</b>      |
| <b>FTE Students</b> <sup>1</sup> | 854                 | 870                 | 1.9%           | 907                 | 4.3%           | 906                 | (0.1%)         | 2.0%             |

Source: Ohio Department of Education

<sup>1</sup> FTE students reflects the number of students used by ODE to calculate expenditures per pupil.

As can be seen above, part of the reason why the District has managed to stay deficit free is by limiting their expenditure growth to only 1.2% over the last three fiscal years. This is a manageable rate of growth that allows the District to make adjustments and changes as needed to ensure that they remain fiscally sound.

However, compared to the peers, the District spends significantly more per pupil in every area. Table 1-2 shows this comparison. (Data and calculations in Table 1-2 are derived from ODE Expenditure Flow Model reports.)

**Table 1-2: 2011 Expenditure per Pupil (EPP) - Peer Comparison**

|  | Client EPP      | Peer Average EPP | EPP Difference | Percent Difference |
|--|-----------------|------------------|----------------|--------------------|
| <b>Administrative</b>                    | \$4,175         | \$1,360          | \$2,815        | 206.9%             |
| <b>Building Operations</b>               | \$3,641         | \$2,204          | \$1,437        | 65.2%              |
| <b>Staff Support</b>                     | \$350           | \$333            | \$17           | 5.0%               |
| <b>Pupil Support</b>                     | \$2,490         | \$1,323          | \$1,167        | 88.2%              |
| <b>Instructional</b>                     | \$7,333         | \$5,954          | \$1,379        | 23.2%              |
| <b>Total Expenditure per Pupil (EPP)</b> | <b>\$17,989</b> | <b>\$11,174</b>  | <b>\$6,815</b> | <b>61.0%</b>       |
| <b>FTE Students<sup>1</sup></b>          | 906             | 1,471            | (565)          | (38.4%)            |

Source: Ohio Department of Education

<sup>1</sup> FTE students reflects the number of students used by ODE to calculate expenditures per pupil.

As can be seen above, despite having 38.4 percent fewer FTE students, total per pupil expenditures in Cuyahoga Heights LSD are 61 percent higher than the peer average. The largest difference is in administrative, which has a 206.9 percent variance from the peers. Because expenditures are so much higher than the peers, AOS looked at several areas of the District's operations in an effort to identify opportunities to reduce costs while delivering a quality educational program to the students of the District. The areas analyzed are financial systems, human resources, facilities, and transportation.

## Recommendations

### **R1.1 The District should develop and implement a multi-year strategic capital plan.**

**Cuyahoga Heights LSD should develop and implement a multi-year strategic capital plan that meets industry best practices. A capital plan helps ensure proper management of capital assets and allows the District to properly prepare and budget for repair or replacement of capital assets. The plan should cover at least three years and incorporate elements of the District's strategic and master plans.**

Cuyahoga Heights LSD does not have a capital plan. As a result, they cannot effectively plan for large scale repairs or replacement of capital assets.

The Government Finance Officers Association (GFOA 2006) advocates for the creation and adoption of a multi-year capital plan as a way for organizations to effectively manage their capital assets. GFOA describes a prudent capital plan as one that "identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs." They also recommend a plan that forecasts at least three years.

In addition to developing a capital plan, GFOA (2007) also recommends the development of a capital project budget in the budget process. This is the next step following the development of a capital plan and ensures the "proper planning, funding, and implementation of major projects." The capital budget should be a part of the organization's annual budget process and be tied to the capital plan. Doing so will help to ensure the implementation of the capital plan.



Developing and implementing a multi-year strategic capital plan and the corresponding capital budget will ensure the District is prepared for any future large scale capital projects, and can be done at no cost. It will help ensure that the funding is available for such projects in an efficient and effective manner, and that capital assets are properly managed.

*Financial Implication:* No financial implication can be calculated for the implementation of this management strategy without first determining the District's capital needs. However, with proper planning, the lifespan of capital assets will be improved and future capital projects will be conducted in a more efficient and effective manner, saving the District both time and resources.

**R1.2 The District should seek competitive bids from multiple vendors for the procurement of fuel and actively compare prices.**

**Comparative fuel price data can be used to determine whether the District should become a member of a fuel purchasing consortium. Upon supplier selection, the District should formalize its agreement via a written contract to minimize risk and better ensure mutual adherence to established expectations for service.**

Cuyahoga Heights Local School District maintains a fleet of five vans and eight buses that are used daily, and two trucks that require the use of unleaded gasoline. They currently receive their fuel from Great Lakes Petroleum as a member of the Educational School Council (ESC) Cooperative/Consortium. The bus mechanic, who is responsible for purchasing in the District's transportation department, receives a daily price quote from the ESC and orders fuel if the inventory is running low. The fuel is then delivered and their tanks are filled.

However, Requests for Proposals or competitive bids are not issued each year by the District. They also do not actively compare prices throughout the year to ensure vendor accountability for giving the District the best possible price for their services. This has led to the District overpaying for fuel in some instances.

Fuel invoices for three separate orders were compared to the Ohio Department of Transportation (ODOT) prices for the days the fuel was ordered to determine if CHLSD received the best possible price for fuel that day. The District received a lower price for fuel on two of the days fuel was ordered, but paid a higher price for the third day. As a result, the District paid more for fuel than if they been a member of a different consortium or bought fuel on their own. By not actively comparing prices, the District could end paying more than necessary for fuel.

The District does not actively solicit competitive price quotes for the materials they need, including fuel. As a result, they may not always be getting the best price for goods and services. The lack of comparative pricing also leads to the District not knowing whether it is using the best vendor for its needs.

By actively comparing prices and soliciting bids, the District can ensure it is receiving the best price for fuel. The District can also use the comparison to determine which consortium, if any, to join based on whether it can receive a better price as a member as opposed to buying fuel independently.

**R1.3 The District should formalize its purchasing policies into a purchasing manual that is easily accessible to all employees.**

**To enhance its existing purchasing policies and procedures and bring them in line with recommended practices, the District should develop a comprehensive purchasing manual, which incorporates all of its existing purchasing policies and procedures, and the internal controls it uses during the purchasing process. This manual should be made available to every employee and preferably placed on the District's website for easy access. In addition, the District should conduct a periodic review of policies and procedures to ensure that they are relevant and follow best practices.**

The District has many of its policies available on its website, including policies that govern purchasing. Following the discovery of fraud in technology purchasing, the District underwent a complete review of its purchasing policies and procedures and revised or added new internal controls as necessary. However, these policies and procedures are not collected into one uniform manual which could then be made available to each employee to ensure compliance. Currently, there are separate policies with different guidelines and similar names on the District website (both generally with regard to all policies, and in purchasing policies specifically), which can cause confusion. Also, the teacher's manual does not list the requisition policy even though teachers are authorized to make requisitions.

According to the National Institute of Governmental Purchasing (NGIP, 2011) all public organizations that engage in procurement should "develop a comprehensive policy manual that clearly defines authority and responsibility, and establish guidelines for the organization and the procurement professional to follow when carrying out their responsibilities." The manual can serve to simplify and clarify the rules governing procurement and provide for a uniform process throughout the organization.

In addition to creating a purchasing manual, NGIP (2010) also recommends the use of technology to increase transparency in the purchasing process. An electronic system for requisitions and purchase orders would allow for a more efficient system of document management. Also, the purchasing manual can be available on the system to ensure compliance with all purchasing policies and procedures by all employees requesting purchases.

The District has never formalized its purchasing policies. This lack of formalization has prevented policy dissemination to the employees. As a result, internal controls were compromised in technology purchasing.

The District is now in the process of revising its purchasing policy and internal controls to ensure future incidents of fraud do not occur. Once they are finalized, these policies need to be collected into a single purchasing manual that is easily accessible to employees. Having a formalized purchasing manual that is readily available to all employees will increase accountability and help ensure internal control compliance in all purchasing aspects of the District.

**R1.4 The District should raise meal prices to match the actual cost per meal and help to reduce financial deficits.**

**Cuyahoga Heights LSD should consider raising meal prices to match actual meal costs in order to offset the current deficit. The prices would need to be raised by 4 percent a year for five years to match surrounding peers or 10 percent a year for five years to match actual meal costs. The District should discuss any potential changes with stakeholders, notably parents and students, to ensure they do not significantly lower their participation rate due to an increase in meal prices. The District should also competitively shop for supplies and materials to lower their meal costs by comparing prices to the consortium to ensure they are the lowest and best.**

Cuyahoga Heights LSD food service program has experienced deficits for the past several fiscal years. It finished FY 2011 with a \$10,683 deficit according to the District's audited financial statements and in FY 2012 required a general fund transfer of \$70,000 at the end of the fiscal year. Even though the food service program is efficient in terms of meals per labor hour, maximize the use of government commodities, and has a high participation rate compared to surrounding districts (61 percent compared to 37 percent), actual meal costs are \$1 higher than the average lunch price, which contributes to the on-going deficits.

Compared to surrounding districts, Cuyahoga Heights LSD charges \$.34 less per meal than the peers. While not enough to address the disparity between meal costs and pricing, increasing the price to peer level will help offset the deficits that occur each year for the food service program. In order to match the peers after five years, assuming the peers continue to raise their prices by their five year average increase of 2 percent, Cuyahoga Heights LSD needs to raise its prices by 4 percent a year. In order to have prices match actual meal costs after five years, however, the District would need to raise prices by 10 percent a year, assuming food prices continue to rise at the pace of inflation.

The meal costs at Cuyahoga Heights LSD rose faster than their meal prices, which resulted in a deficit. State and federal regulators issued mandates to include fresh ingredients in meals, which are often costlier than processed ingredients and likely contributed to the rise in meal costs at the District.

By adjusting meal prices to reflect actual meal costs, the District could start reducing its food service deficit. However, it should be a gradual increase so as not to significantly lower participation rates. Stakeholders, such as parents and students, should be consulted before any rise in prices to determine an appropriate amount. Likewise, the District should also shop around and competitively bid all their food service supplies and materials to ensure it is receiving the best possible price. The District is currently a member of a consortium, but it needs to ensure that the consortium is meeting its needs by comparing prices and finding the best and lowest cost vendor. Food service staffing should also be reviewed annually to ensure it is meeting industry benchmarks for meals per labor hour.

*Financial Implication:* The District would need to raise average meal prices by a \$1 in order to match its actual cost per meal. To be conservative, if the District raised its prices to match the

peers it could potentially realize up to \$23,000 in additional revenue, based on FY 2012 lunch sales. The actual financial implication depends on how much prices are raised, a steady participation rate, and changes in meal costs.

# Human Resources

## Recommendations

**R2.1 The District should competitively shop for dental and vision coverage in order to bring premiums in line with industry benchmarks.**

**By soliciting requests for proposals with private providers as well as consortiums the District can decide if it is more fiscally responsible to remain self-insured or join a consortium. Bringing premiums in line with industry benchmarks the District could save approximately \$60,475 annually.**

Even though it is part of a health care consortium, the District is self-insured for dental and vision benefits. According to the treasurer's office, it has been at least 3-5 years since it last submitted a Request for Proposal for this coverage. As a result, the District is paying significantly more for dental and vision coverage compared to the industry benchmark.

According to the 2011 SERB employee benefit survey, the District pays significantly more in dental and vision coverage compared to the Cleveland regional average. Table 2-1 below shows the difference.

**Table 2-1: Dental and Vision Premiums**

| <b>Dental</b>     | <b>Single</b> | <b>Family</b> |
|-------------------|---------------|---------------|
| CHLSD             | \$ 59.07      | \$ 130.57     |
| SERB <sup>1</sup> | \$ 28.64      | \$ 82.15      |
| Difference        | \$ 30.43      | \$ 48.42      |
| % Difference      | 106%          | 59%           |
| # of Employees    | 23            | 80            |
| Total Savings     | \$ 8,398.68   | \$ 46,483.20  |
| <b>Vision</b>     | <b>Single</b> | <b>Family</b> |
| CHLSD             | \$ 13.71      | \$ 21.21      |
| SERB <sup>1</sup> | \$ 7.06       | \$ 17.13      |
| Difference        | \$ 6.65       | \$ 4.08       |
| % Difference      | 94%           | 24%           |
| # of Employees    | 21            | 80            |
| Total Savings     | \$ 1,675.80   | \$ 3,916.80   |

Source: CHLSD and SERB

Note: Number of employees as of FY 2012

Note: Total cost of premium without employee share.

<sup>1</sup>Cleveland regional average FY 2011

As illustrated above, the District pays significantly more to provide its employees with dental and vision coverage than their peers in the SERB Cleveland regional average. CHLSD could

realize substantial savings if it found another provider for dental and vision coverage. When searching for a new provider the District should competitively shop for coverage to ensure they are receiving the best possible price for the coverage.

The District has not solicited bids for its dental and vision coverage for several years. As a result, it may be paying more than necessary to provide the benefit. The lack of annual competitive pricing also leads to an inability to hold providers accountable for the cost of coverage.

By soliciting competitive bids or requests for proposals, the District could find the best possible price for its dental and vision coverage. It could achieve this by actively comparing prices and monitoring costs relative to industry benchmarks and peers. Also, by comparing prices the District could better make financial decisions about remaining self-insured or joining a consortium for dental and vision coverage.

*Financial Implication:* Bringing dental and vision premiums in line with industry benchmarks could save the District approximately \$54,882 for dental coverage and \$5,593 for vision coverage, for a total savings of approximately \$60,475 a year.

## **R2.2 Reduce retirement severance payments by lowering the maximum amount of unused sick days allowed in order to lower future liabilities.**

**The District should reduce the maximum number of unused sick leave they buy out at retirement to lower future liabilities. If the District had paid out severance at peer levels in FY 2012, they would have saved approximately \$12,000. Future liabilities are dependent on the number of unused sick days an employee has, but can be reduced by lowering the maximum number of sick days the District will buy out at retirement.**

The District offers retirement benefits for employees once they meet retirement eligibility requirements established by the respective retirement systems. Certificated staff must meet eligibility requirements as prescribed by the State Teachers Retirement System and have at least five years of consecutive teaching experience at the District. Classified staff must meet requirements set forth by the School Employees Retirement System and have at least eight years of consecutive service at the District. Employees who retire from the District are paid for 30 percent of their unused sick leave, capped at a maximum of 76 days. They are paid at their daily rate of pay for the last year they are employed. A review of peer retirement provisions and those required by the Ohio Revised Code shows that the benefit offered by the District is generous. Table 2-4 shows a comparison of retirement benefits between the District and neighboring peer districts.

**Table 2-2: Retirement Benefit Comparison FY 2012**

|                        | CHLSD | Chagrin Falls | Fairview Park | Independence | Lordstown | Perry <sup>1</sup> | Peer Average | % Difference    |
|------------------------|-------|---------------|---------------|--------------|-----------|--------------------|--------------|-----------------|
| Maximum Number of Days | 76    | 67.50         | 40            | 75           | 70        | 135                | 77.5         | -2%             |
| Percentage             | 30%   | 25%           | 25%           | 35%          | 33%       | 25%                | 29%          | 5% <sup>2</sup> |

Source: CHLSD and Peer CBAs

<sup>1</sup>Until 2014

<sup>2</sup>Compared to ORC 124.39

As shown above, the District pays out a higher percentage of unused sick days than the peers but has a lower maximum number of days. This is due to Perry Local Schools (Lake County) offering a much higher maximum than both the District and the other peers. However, that school district has taken pro-active steps to lower its liabilities when it comes to retirement benefits. Starting in 2014 Perry Local will buy out a maximum of only 67.5 days compared to the 135 they currently buy out. A table showing an updated comparison is below.

**Table 2-3: Retirement Benefit Comparison FY 2014**

|                        | CHLSD | Chagrin Falls | Fairview Park | Independence | Lordstown | Perry <sup>1</sup> | Peer Average | % Difference    |
|------------------------|-------|---------------|---------------|--------------|-----------|--------------------|--------------|-----------------|
| Maximum Number of Days | 76    | 67.50         | 40            | 75           | 70        | 67.5               | 64           | 19%             |
| Percentage             | 30%   | 25%           | 25%           | 35%          | 33%       | 25%                | 29%          | 5% <sup>2</sup> |

Source: CHLSD and Peer CBAs

<sup>1</sup>Until 2014

<sup>2</sup>Compared to ORC 124.39

The District also offers more generous benefits when compared to the requirements under the Ohio Revised Code. ORC 124.39 allows for a minimum buy out of 25 percent of unused sick leave not to exceed 30 days following ten years of service. School districts are allowed to offer more generous benefits than those prescribed by Ohio law. However, the District could use the ORC as a guide when negotiating future retirement benefits.

Retirement benefits have been negotiated as part of the collective bargaining agreements between the District and its employees. Accordingly, any change must be handled through negotiations between the District and the respective collective bargaining units.

Reducing retirement benefits will save the District varying amounts of money depending on the sick leave balance of the retiring employee. In FY 2012 seven employees retired. If those retiring had received payment for the peer average maximum number of unused sick leave days (64) when they retired, the District would have saved a total of \$12,307.

*Financial Implication:* Reducing the Maximum Number of Days portion of the retirement benefit to peer average levels would have saved the District approximately \$12,000 in FY 2012. Future benefits are dependent on the unused balance of the retiring employees.

**R2.3 Renegotiate salary schedules and implement a tiered pay schedule for new employees.**

**The District should review its salary schedules and negotiate to reduce its step schedules to levels similar to the surrounding districts' for both certificated and classified staff. The District should continue the pay freeze negotiated to begin in 2012-2013 for current employees. New employees should be under a separate pay schedule that spreads out employee pay increases over a longer period of time. Reducing the salary schedules to the peer averages will help the District ensure it is providing adequate compensation to remain competitive when attracting new employees without placing unnecessary strain on its finances.**

The District has negotiated a salary schedule that allows step increases for the first fifteen years of employment for classified and certificated staff. The structure of step increases throughout the schedules results in a higher than average salary over a 30-year period of employment. The salary schedule for teachers with master's degrees is approximately 18 percent higher than the surrounding district average. Likewise, custodians are on a salary schedule that pays 10 percent more than the peers. The bus drivers' schedule is 9 percent higher. Teachers and most other employees at the District reach the top of their pay scale after 15 years of employment, which means they are receiving the highest salary on the schedule for roughly half of their careers at the District. Once a teacher reaches the 16th year of employment, they receive a "career increment" of \$500. After 21 years that increment increases to \$600. After 26 years it is \$650 and finally \$900 after 30 years of service. Custodians and secretaries receive \$450 in their 16th, 21st, and 26th year of service; and \$750 for their 30th. Teacher assistants receive \$367 in their 16th, 21st, and 26th year of service; and \$604 for their 30th. Bus drivers receive \$355 in their 16th, 21st, and 26th year of service; and \$585 for their 30th.

The collective bargaining agreements with the teachers and classified staff expire in 2014. Both unions and the District negotiated concessions that include a full salary and step freeze for 2012-2013 and 2013-2014. As a result, there will be no increase to base pay, no step increases, and no career increment increases. Teachers may increase their placement on the salary schedule by completing graduate work as stipulated in the contract. A joint committee will be formed by 2013-2014 to develop a new compensation schedule that will be aligned with HB 153 requirements regarding the use of merit pay for employees.

Salary schedules for District employees were compared with the salary schedules of five regional peer districts (Chagrin Falls EV, Fairview Park CSD, Independence LSD, Lordstown LSD, and Perry LSD). Starting wages and step increases throughout the salary schedule were analyzed by comparing rates at each year of employment through 30 years to the average of the regional peer districts. The following positions were included in the comparison:

- Teachers (Master's Degree)
- Custodians
- Bus Drivers
- Teacher's Assistants
- Secretaries



The impact of the variance in salary schedules is most notable when viewed over an employee's career at the District. For example, a master's degree teacher employed at Cuyahoga Heights LSD under the District's current salary schedule would earn an additional \$357,859 over 30 years when compared to the regional peer average. Likewise, a custodian could earn an additional \$137,843 and a bus driver would earn an additional \$53,344. If the surrounding districts increased pay to teachers on a master's salary schedule by 2 percent a year, it would take more than seven years for their salaries to catch up to Cuyahoga Heights LSD.

Higher salaries throughout the term of the salary schedule result in higher overall costs of employment. These variances are attributable to the District's collective bargaining agreement that includes a salary schedule that allows employees to be paid at the highest salary for much of their careers.

The adjustment of employee salary schedules can be difficult because they are specified in the District's collective bargaining agreements. However, Cuyahoga Heights LSD should consider options to bring their salary schedules in line with surrounding districts. These options include negotiating the implementation of new salary schedules for incoming employees or spreading out step increases over a longer period of time so that employees are not earning the highest possible salary for a great a portion of their careers. Negotiating a continuation of the salary freeze currently in effect could also help the District control the cost of employment while negotiating a new salary schedule for future employees and a new step schedule for current employees.

If successful in renegotiating step schedules or implementing new schedules for all future employees, Cuyahoga Heights LSD can remain competitive while providing compensation at a level more consistent with other school districts in the region.

#### **R2.4 Eliminate two office/clerical FTEs to bring staffing levels in line with the peers.**

**The District should eliminate two office/clerical FTEs. Doing so will bring staffing levels in line with the peers, flatten the structure, and save approximately \$80,000 in salaries and benefits.**

The District educates approximately 900 children and, following the attrition that occurred in FY 2012, employs 111.3 FTEs. The District has been proactive in taking steps to bring staffing levels in line with current needs, which is noted in the **Noteworthy Accomplishments** section of

this report. The staffing breakdown for the District in FTEs, compared to the peer averages per 1000 students, is as follows:

**Table 2-4: Staffing Comparison Summary (in FTEs)**

|   | Client        |                        |                    | Peer Average Staff/1,000 Students | Difference /1,000 Students |
|---|---------------|------------------------|--------------------|-----------------------------------|----------------------------|
|   | FTE Staff     | Percent of Total Staff | FTE/1,000 Students |                                   |                            |
| <b>Administrative</b>                     | 8.25          | 7.41%                  | 9.24               | 7.33                              | 1.91                       |
| <b>Office/Clerical</b>                    | 10.00         | 8.98%                  | 11.19              | 9.01                              | 2.18                       |
| <b>General Education Teachers</b>         | 46.15         | 41.46%                 | 51.63              | 53.81                             | (2.18)                     |
| <b>All Other Teachers</b>                 | 4.25          | 3.82%                  | 4.75               | 10.84                             | (6.09)                     |
| <b>Education Service Personnel (ESP)</b>  | 10.35         | 9.30%                  | 11.58              | 11.07                             | 0.51                       |
| <b>Educational Support</b>                | 0.00          | 0.00%                  | 0.00               | 3.42                              | (3.42)                     |
| <b>Other Certificated</b>                 | 0.00          | 0.00%                  | 0.00               | 1.01                              | (1.01)                     |
| <b>Non-Certificated Classroom Support</b> | 5.00          | 4.49%                  | 5.59               | 6.98                              | (1.39)                     |
| <b>Sub-Total</b>                          | <b>84.00</b>  | <b>75.46%</b>          | <b>93.98</b>       | <b>103.47</b>                     | <b>(9.49)</b>              |
| <b>Operations</b>                         | 23.30         | 20.93%                 | 26.07              | 34.60                             | (8.53)                     |
| <b>All Other Staff</b>                    | 4.00          | 3.59%                  | 4.48               | 3.86                              | 0.62                       |
| <b>Total Staff</b>                        | <b>111.30</b> | <b>100.00%</b>         | <b>124.53</b>      | <b>141.93</b>                     | <b>(17.40)</b>             |

Source: FY 2011 and FY 2012 EMIS data submitted to ODE

The District's current staffing is 17.40 FTEs per 1000 students less than the peer average. This is due in part to the unique size of the District, which has a lower student population than most of the peers selected for this audit. The fact that the District is a high performing district with low staff numbers is also an example of the District's proactive steps to bring staffing more in line with current needs.

The District currently has a staffing structure that has both administrative support and working foremen for its classified operations. The working foremen are classified as administrative staff, even though they are performing the functions of those they oversee, such as food service and transportation. This leaves those classified as administrative support with few responsibilities and adds a layer to the staffing structure that is not needed at the District. Eliminating positions in this classification, which is under office/clerical, will also flatten the structure and increase accountability.

Table 2-5 compares the District's office and clerical staff to the peers on a 1,000 student basis.

**Table 2-5: Office/Clerical Staff Comparison**

|   | Client       |                      | Peer Average Staff/1,000 Students | Difference/1,000 Students |
|---|--------------|----------------------|-----------------------------------|---------------------------|
|   | FTE Staff    | Staff/1,000 Students |                                   |                           |
| Clerical Staff (FTE)  | 7.00         | 7.83                 | 6.23                              | 1.60                      |
| All Other Office Staff  | 3.00         | 3.36                 | 2.78                              | 0.58                      |
| <b>Total Office/Clerical Staff</b>  | <b>10.00</b> | <b>11.19</b>         | <b>9.01</b>                       | <b>2.18</b>               |
| <i>FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students</i> |              |                      |                                   | <i>(1.95)</i>             |

Source: Ohio Department of Education, Education Management Information System

The "all other office staff" line represents administrative support positions while clerical staff consists of secretaries and other similar employees. As can be seen, in order to be consistent with the peer average, the District needs to reduce staffing by 2 FTEs.

*Financial Implication:* By eliminating two FTEs in administrative support, the District can save approximately \$80,000 annually in salaries and benefits.

## **R2.5 The District should take steps to reduce the cost of extracurricular activities.**

**Cuyahoga Heights LSD should take steps to reduce the cost of extracurricular activities. Steps include reducing the percentage of base salary for supplemental pay, raising revenue to offset costs, eliminating vacation pay, or reducing programs offered. Doing so will bring extracurricular expenditures more in line with surrounding districts and free up more money for use in the general fund.**

**Table 2-6: Extracurricular Costs per 100 Students FY 2011**

|              |             |
|--------------|-------------|
| CHLSD        | \$94,340.00 |
| Peer Average | \$40,283.00 |
| Difference   | \$54,057.00 |
| % Difference | 134%        |

Source: Ohio Department of Education

In FY 2011 Cuyahoga Heights LSD spent \$842,460 on extracurricular activities, which include both academic programs and athletics. Athletics represented 85 percent of extracurricular spending. Despite offering fewer programs, the District still spends 134 percent more on a per student basis compared to the regional peers (See table 2-6). Cuyahoga Heights LSD has already taken steps to reduce these costs, as they negotiated concessions with the teachers union to lower the base salary upon which salaries for those who lead the programs are based. However, the District is still spending much more than the peers despite being a smaller district. In addition to spending more than the peers, the revenues gathered from extracurricular activities do not offset the costs of offering the programs. For example, there are no "pay to play" fees associated with participating in these programs that would help offset costs.

The District has taken steps to address its extracurricular spending. In a curtailment plan developed in the fall of 2011 for FY 2012 and FY 2013 several cuts to athletic programs were identified. They include a 20 percent reduction in the athletic budget, a reduction in supplemental contracts, the elimination of the athletic trainer position, elimination of the indoor track program, and a reduction in the base salary on which supplemental salaries are calculated. All of these steps will provide significant savings to the District if fully implemented. Since this audit is reviewing FY 2011 data (the most recent available at the time of analysis), these changes are not included in the figures used in this report. Also, some of the significant changes (including the 20 percent budget reduction) are not due to take place until FY 2013, so their true impact cannot be accurately measured until then.

Salaries for extra-curricular activities are calculated as a percentage of certificated base salary for each activity. CHLSD currently pays an average of 15.2 percent of the certificated base salary while the peers pay an average of 14 percent. Because the District pays 1.2 percent more of the certificated base salary than the peer average, its overall extra-curricular activities expenditures are higher.

One area in which the District stands out from its peers is vacation pay for those on a supplemental contract. The District once offered pay for activities conducted on vacations and the Friday after Thanksgiving on a schedule that allowed a percentage of the base per day up to a maximum that varied by activity. They have since negotiated a change by paying \$30 a day for football and \$20 a day for all other sports. As a result of this change, the District does stand to save significantly on vacation pay costs in FY 2013 compared to FY 2012. However, none of the regional peer districts offer such a benefit and the District will still be paying more for athletic activities due to this provision.

The salary schedule and vacation pay benefit are included in the District's collective bargaining agreements. This, coupled with the rising cost of athletics due to liability, playing field upkeep, the cost of transportation, along with other issues, has caused the District to spend significantly more than it brings in with revenues to help offset the costs of offering the programs.

The District incurs an additional financial burden because of its high extracurricular activity costs, which primarily affects the General Fund. The District could decrease expenditures to peer levels in this area, or increase revenue to offset costs and make funds available to support other long-term educational goals.

|              |               |
|--------------|---------------|
| CHLSD        | \$ 842,460.37 |
| Peer Average | \$ 555,092.96 |
| Difference   | \$ 287,367.41 |
| % Difference | 52%           |

**Source:** Ohio Department of Education

*Financial Implication:* If Cuyahoga Heights LSD reduced extracurricular expenditures to peer levels or offset its costs with enhanced revenues, it would be able to save approximately

\$287,367 annually based on FY 2011 expenditures. Eliminating vacation pay will result in approximately \$3,150 of those savings based on the new vacation pay calculation. These savings will be lower depending on the implementation of the curtailment plan regarding the athletic budget.

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# Facilities

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**R3.1 The District should develop a system for isolating and monitoring all costs associated with operating its facilities, including the pool, fitness center and football stadium.**

**The District should develop a method for isolating and monitoring all costs associated with operating its facilities, including the pool, fitness center and football stadium. It should also inform all stakeholders of the costs associated with running each District facility. This data should be used when making decisions about facilities management and operations.**

The District does not have a system for isolating the costs associated with operating individual facilities. The District allows residents to use the pool and fitness center for no charge, and also rents out the football stadium, but they do not have a way of calculating the costs associated with operating these facilities.

GFOA recommends that governments adopt policies that identify what services should have fees attached and establish what percentage of services the fees should cover. *Local Government User Fees (2003-2004)* from the Wisconsin Joint Legislative Audit Committee Members, has guidance for local governments that includes several recommendations for calculating the cost of service and establishing fees:

- Review what services may be funded through user fees
- Regularly review the fees charged
- Determine both the direct and indirect cost associated with the service

The District has never had a method for measuring the costs associated with operating individual District facilities. The District can track expenditures of individual facilities using the functionality of the Uniform School Accounting System (USAS).

Because it does not know how much it costs to operate individual facilities, the District is unable to conduct a cost-benefit analysis of its facilities management and operations policies.

**R3.2 The District should replace three maintenance employees with seven cleaning employees.**

**The District should accomplish this by hiring cleaning employees to replace maintenance employees who leave through normal attrition.**

There are seven custodians at Cuyahoga Heights LSD who are focused mainly on maintenance but usually spend a few hours a week assisting with cleaning duties. Even though these employees are called custodians, they perform maintenance duties and are considered maintenance employees. There are also six cleaning employees who only clean the buildings. The District has 7.0 FTEs assigned to custodians that perform maintenance duties and 6.0 FTEs to employees assigned to strictly cleaning duties.

The American School and University's annual survey recommends that a District employee 1 FTE maintenance worker for every 96,000 square feet and 1 FTE cleaner for every 29,000 square feet. As of May of 2012, the District employees 1 FTE maintenance workers per 49,000 square feet and 1 FTE cleaner per 57,000 square feet.

**Table 3-1: Adjust Staffing to Match AS&U Benchmarks**

| Position  | Number of FTEs Employed FY2011-12 | Number needed According AS&U | Difference Between AS&U and Current | 3 Highest Paid Custodians                   |
|-----------|-----------------------------------|------------------------------|-------------------------------------|---|
| Custodian | 7                                 | 3.7                          | (3.3)                               | \$175,440.00                                |
|           |                                   |                              |                                     | <b>7 Cleaners Added at \$12.70 per Hour</b> |
| Cleaning  | 6                                 | 13.0                         | 7.0                                 | \$139,243.73                                |
|           |                                   |                              | Savings Opportunity                 | \$36,196.27                                 |

The District employs custodians that, in addition to cleaning the facilities, also perform maintenance duties. The District also employs cleaning employees that only clean the facilities.

*Financial Implication:* If the three highest paid maintenance employees were replaced by seven cleaning employees who make the equivalent of what the lowest paid cleaners make, the District could save approximately \$36,000 per year. In addition to the cost savings, these changes will bring the District in line with AS&U recommended levels.

# Transportation

## R4.1 The District should review its T-2 Report calculation methodology.

**Cuyahoga Heights LSD should review its vehicle insurance coverage, ensure that it is paying for a level of coverage appropriate for the District's needs, and allocate premium costs so that only coverage for vehicles transporting students is reported on its T-2 form.**

Cuyahoga Heights LSD solicits competitive bids for insurance every year in an effort to insure its fleet at the lowest possible cost. The District is a member of the Ohio School Council (OSC) consortium. It uses a local insurance agency who shops among insurance companies to receive the lowest quotes available. This insurance agency helps the District administer its insurance and process claims when it becomes necessary. This insurance agency normally shares its findings of potential vendors with the District and the District makes its decision to select an insurance company. This same agency has served the District in FY 2008-09, FY 2009-10, and FY 2010-11, and has been selected to provide vehicle insurance services for FY 2011-12.

**Table 4-1** shows the District's FY 2010-11 bus insurance costs in comparison to the peer average.

**Table 4-1: FY 2010-11 Bus Insurance Cost Comparison**

| Bus Insurance                 | Cuyahoga Heights LSD | Peer Average | Difference % |
|-------------------------------|----------------------|--------------|--------------|
| <b>Buses - Active</b>         | 8                    | 15.33        | (47.8%)      |
| <b>Routine Miles</b>          | 99,180               | 186,810      | (46.9%)      |
| <b>Insurance Expenditures</b> |                      |              |              |
| • Per Bus Rider               | \$27.47              | \$15.53      | 76.9%        |
| • Per Active Bus              | \$1,610.63           | \$840.8      | 91.6%        |
| • Per Routine Mile            | \$0.13               | \$0.09       | 45.3%        |

Source: Cuyahoga Heights LSD and peer T-1 and T-2 reports

**Table 4-1** illustrates the District's bus insurance expenditures, as reported on its FY 2010-11 T-2 Report, compared to the peer district average. On a per bus rider, per active bus, and per routine mile basis, the District's reported expenditures were significantly higher than the respective peer district averages.

Cuyahoga Heights LSD's reported bus insurance premiums of \$12,885 on its T-2 report, covering a total of 13 (eight active and five spare) buses for FY 2010-11. However, a review of the District's FY 2010-11 bus insurance policies revealed that this premium was for coverage of a total of 22 vehicles, including 13 school buses, five vans, and four other vehicles (pickups, trailer, etc). Based on information obtained from the policy, the actual total insurance premium for the 13 buses and nine other vehicles for FY 2010-11 should be \$10,547, even though the District reported all vehicle insurance premiums on its T-2 report.



ODE's instructions for the T-2 form require that districts report only expenditures for insurance coverage of vehicles used to provide routine transportation to students. However, Cuyahoga Heights LSD reports the total premium cost for its entire fleet on its T-2 reports. Consequently, the District's insurance expenditures may appear artificially high compared to the peers, due in part to the failure to properly report its expenditures for bus insurance only. For example, when the premium cost of \$4,328 for the nine additional non-bus vehicles is excluded from the total, the District should have paid a total of \$6,219 in bus insurance premium for 13 buses and reported that amount on its T-2 report for FY 2010-11. According to the District, another \$2,284 of an item identified as "*Premium for Endorsements*" on the FY 2010-11 insurance policy which was also added as part of the total premium cost on the T-2 resulting in a total of \$12,831. However, the premium amount reported on the T-2 for FY 2010-11 was \$12,885, a difference of \$54 which the District has been unable to explain.

The District has inaccurately reported bus insurance premiums on its T-2 report for all the vehicles it owns, rather than just vehicles transporting students.

To the extent that the District's reported bus insurance expenditures represent excessive coverage, the District may be paying for a level of vehicle insurance that it does not need. Further, if the reported amounts include reporting errors on the District's T-2 forms, that could cause errors in the amount of reimbursement the District receives from the State.

#### **R4.2 The District should eliminate five active buses.**

**The District should increase its operating efficiency by eliminating at least five active buses. With its current multi-tier routing system, if the District operated its public school routes at 80 percent of capacity, it would be able to eliminate five regular active buses. To increase the number of riders per bus, the District may need to revise its bell schedules to allow for more time between runs. To help achieve this level of efficiency, the District should implement the following recommended practices:**

- **Conduct frequent ridership counts (as frequently as one per month) and recalibrate routes to achieve maximum ridership.**
- **Monitor active riders and discontinue service to those who may no longer be using the District's bus service.**
- **Require parents to confirm planned use of District transportation services annually.**

**In addition, the District should take advantage of its participation in the Local Government Innovation shared services program to route its students using the automated routing software which would allow it to develop various routing scenarios and identify the most efficient routing combinations.**

**Finally, due to the District's projected financial deficits, it should consider going to State minimum standards for student transportation.<sup>1</sup>**

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<sup>1</sup> The District must evaluate the local geography and traffic patterns before implementing this recommendation.

In FY 2011-12, the District reported using eight buses to provide transportation services to 494 students each day. The ODE targeted ratio for the District takes into account the population density, square miles and regular buses, and is approximately 64.4 students. The rated capacity in operation is approximately 58.3 students per bus. In FY 2011-12, the District transported an average of approximately 62 students per bus.

Although Cuyahoga Heights LSD has employed a number of routing methods to improve efficiency, such as a multi-tiered manual routing, and staggered bell schedules, it has not significantly altered its bus routes for several years. Furthermore, the District's ratios are based on potentially inaccurate calculations (see **R4.4**).

The District's policy on transporting students indicates an adoption of the State minimum transportation levels. However, in practice, the District provides service above the State minimum requirements, transporting all students who live more than one-half (1/2) mile from their schools. Furthermore, the District offers door-to-door service in most areas due to its rural nature where there are no "blocks" or sidewalks. Buses pick up and drop off students on a house-to-house basis to ensure their safety. The Transportation Supervisor indicated that while some rural routes can take as long as 45 minutes, many of the District's routes are no more than 35 minutes because of the close timing of the bell schedules.

**Table 4-2** compares CHLSD's regular needs ridership with the American Association of School Administrators (AASA) benchmark, which suggests that buses should operate at 80 percent of their capacity.

**Table 4-2: Regular Needs Ridership Comparison with Industry Standards (FY 2011-12)**

|  |       |
|--|-------|
| Total # of Active Regular Buses <sup>1</sup> | 8.0   |
| Benchmark Capacity                           | 2,016 |
| Benchmark Capacity per Bus                   | 252   |
| Benchmark Capacity per Bus @ 80%             | 201.6 |
| Number of Regular Type 1 Riders              | 494   |
| Average Number of Riders per Bus             | 61.8  |
| Number of Buses to Achieve Benchmark         | 2.5   |
| Number of Buses to Reduce                    | 5.5   |

**Source:** ODE, Coventry LSD, and AASA

<sup>1</sup> Includes regular student buses, nonpublic, and community school riders.

As shown in **Table 4-2**, the District could potentially reduce approximately 5.5 buses from its fleet if it could achieve the benchmark utilization rate of 80 percent.

According to *Hidden Savings in Your Bus Budget* (AASA, September 2006), operating buses more efficiently is one of the most effective ways to achieve savings in a school district's transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses along with the costs associated with operating those buses. AASA further states that effective pupil-to-bus ratios should average at least 100 pupils on a double route, two-tier bus system. AASA also recommends buses operate at 80 percent of rated capacity.

*School Bus Seat Capacity* (NASDPTS, October 1999) recognizes that school buses transport students of all sizes, and calculates capacity based on three elementary students per seat and two middle or high school students per seat.

The lack of accurate records and manual routing sheets has caused the District to use more buses than it needs to operate at optimal efficiency. Although some recommended routing practices are used, the District has not significantly changed its routes in recent years. The District also does not reroute throughout the year to accommodate changes in its ridership based on extracurricular activities. In addition, the District encounters pressure from parents to keep route times short.

The ability to run multiple tiers allows a district to maximize bus capacity and reduce the number of buses needed in its fleet. Cluster stops, in contrast to door-to-door pickups, allow buses to improve efficiency by making fewer stops and minimizing travel time. In addition, computer routing software enhances the efficiency of bus routing by identifying optimal routes and allowing rerouting without significant additional labor.

*Financial Implication:* CHLSD could achieve immediate cost savings by improving the utilization rate of its bus fleet. If CHLSD eliminates five buses to meet industry benchmark efficiency in its transportation operation, the District could save approximately \$225,041 per year. The cost savings include salaries, benefits, fuel, and maintenance costs.

Assuming the District decides to sell five of its old used buses, and could receive the same level of revenue for future sales of its used buses as the Ohio Schools Council (OSC) did through bus auction sales, (an average of \$1,757 per bus), it could generate \$8,785 in one-time revenue from the sale of its five buses.

If the District decides to auction or sell the five buses, its total cost savings could be as high as \$233,826 (\$225,041+\$8,785).

#### **R4.3 The District should involve transportation personnel in the development of Individualized Education Programs (IEP) for special needs students.**

**The District should create a formal policy that requires the involvement of transportation personnel in the development of IEPs for students with transportation as a related service. At a minimum, transportation staff should be consulted once the IEP is developed to help determine how to transport the student. Involving the transportation staff will help ensure the District is complying with Ohio law and that each special needs student is being transported in the most appropriate and cost-effective manner possible. OAC 3301-51-10(C)(2) requires consultation with such personnel when transportation is required.**

According to the Transportation Coordinator, the District has historically mainstreamed most of its special needs riders by transporting them together with regular needs students on regular bus routes whenever possible. During FY 2010-11, the District used one special needs bus and six vans for the transportation of special needs riders and most special needs student riders were mainstreamed. The District determines a student's need for specialized transportation based on the child's disability level, a decision that is normally made by the Special Education Coordinator/Supervisor, in conjunction with the school principal and the Superintendent. Prior to

this decision, there are typically no meetings between the transportation staff and the Special Education Coordinator to discuss the Individualized Education Program (IEP) students or how these students should best be transported. According to the Transportation Coordinator, the Special Needs Coordinator simply informs her that a special needs student requires transportation to an assigned school.

OAC 3301-51-10 (C)(2) stipulates that “school district transportation personnel shall be consulted in the preparation of IEPs when transportation is required as a related service and when the child’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation.” It also states that when required by the IEP, specialized service and door-to-door transportation will be provided based upon the unique needs of an individual child. Special needs transportation is governed by State law and is dependent on each child’s IEP. Special transportation refers to vehicle transportation service directly related to the child’s disability as required by the IEP. Because the type of special needs transportation service is identified in the IEP, the Transportation Supervisor should have input regarding the feasibility of the proposed transportation type.

One goal of the IEP process is to provide transportation services that meet the needs of the student as safely and efficiently as possible. By failing to involve the transportation staff in this process, CHLSD risks not providing the most appropriate transportation service for special needs students and may decrease the efficiency of its transportation function.

#### **R4.4 Cuyahoga Heights LSD should comply with State laws and ODE instructions for reporting pupil transportation data.**

**The Transportation Supervisor, the Treasurer, and the Superintendent should attend available training sessions and review instructional materials so that they have a thorough working knowledge of the State’s transportation reporting requirements and expectations. The District should also develop a formal process, with documented methodologies, written procedures, and standard forms, to ensure it is submitting accurate transportation data to ODE.**

**In addition, the Transportation Office should maintain appropriate documentation to support the number of students transported and miles traveled for each active bus. Documentation of how the District tracks and allocates transportation expenses should also be maintained. Specifically, the District should develop and document its methodology for allocating expenses for the routine and non-routine use of buses, and between regular and specialized transportation service. Finally, the Superintendent should develop and implement a means to help ensure that the Treasurer and Transportation Coordinator(s) are following procedures and meeting expectations for accurate and well-documented transportation data.**

Pursuant to OAC 3301-83-01, each school district in Ohio is required to annually report detailed information to ODE about its transportation operations, in order to determine the per pupil transportation payment from the State. The T-1 form is used to report the actual number of students transported, the number of buses, and the total daily miles traveled. The T-2 form is used to report the actual expenses incurred in the transportation of eligible students. Although

Cuyahoga Heights LSD (the District) does go through some review and approval processes that include the Transportation Coordinator, the Treasurer, and the Superintendent, the District has not developed formal operating procedures for collecting, submitting, and verifying T-form data reported to ODE. For example, there is no formal collaboration (meeting held) between transportation personnel and the Treasurer to ensure the accuracy and validity of data. Moreover, the District has no documentation identifying which officials are responsible for which aspects of transportation reporting or how various data is obtained and costs are allocated.

While the count sheets recorded the number of actual riders each day, they did not calculate the average number of students that rode the bus during the count week, and the District picked one day of the count week that had the highest number of riders and entered that number of students on its T-1 report. OAC 3301-83-01(E)(1) requires districts to report the average daily number of eligible pupils actually transported and miles traveled during the first full week of October that school is in session, with actual cost to be reported by vehicle on or before the first day of August following the close of the fiscal year.

The following errors were found on Cuyahoga Heights LSD T- reports from FY 2008-09 through FY 2010-11:

- A review of the detailed student count forms revealed that instead of reporting the average number of students on its T-1, the District may be reporting student counts on its T-1 by selecting the day with the highest ridership count during the count week.
- The District listed eight (8) regular school buses on its T-1 in FY 2010-11, instead of seven (7) regular buses since one of the buses (bus number 1) was used as a replacement for another bus (bus number 12) later during the year. The District reported four spare buses on its T-1 for FY 2010-11 instead of five spare buses;
- The District reported \$2,646 on its T-2 for FY 2009-10 as the cost of transporting special education students on Privately Owned, Other vehicles (Type VI) using outside vendors, but no corresponding students counts was reported on the T-1 for the same year;
- The District reported the total premium cost of vehicle insurance on the T-2 reports for FY 2010-11, FY 2009-10, and FY 2008-09, rather than the premium cost for only the buses.

School Districts are required to submit transportation data pursuant to OAC 3301-83-01(E) which states that:

“Each school district shall file annual reports of all pupils transported, miles traveled, actual costs, and other necessary information for the purposes of calculation and adjustments in amount due. Pupils transported and miles traveled shall be reported by vehicle as the average daily number of eligible pupils actually transported and miles traveled during the first full week of October that school is in session. Actual cost shall be reported by vehicle on or before the first day of August following the close of the fiscal year.

According to Documentation of Accounting Policies and Procedures (GFOA, 2002 and 2007) government agencies should develop formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. The documentation of accounting policies and procedures should be readily available to all employees. It 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, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Finally, documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

ODE's Office of Pupil Transportation, in conjunction with the Ohio Association of School Business Officials (OASBO) and the Ohio Association of Pupil Transportation (OAPT), has developed a series of trainings that school district administrators and employees can attend at a low cost. The trainings are held several times each year, and include a "Back to the Basics" training session. Information about the transportation trainings can be found on OASBO's website; [www.oasbo-ohio.org](http://www.oasbo-ohio.org). In addition, ODE's Office of Pupil Transportation posts statewide emails on its webpage which contain important pupil transportation information.

Cuyahoga Heights LSD attempts to follow the ODE instructions to complete the T-1 and T-2 reports. At the time of the audit, the District's AM Transportation Coordinator who is responsible for preparing the T-1 report had occupied this position for over 10 years. However, the District does not have a formal policy for completing the T-reports. In addition, the lack of training likely contributed to some of the errors noted.

The lack of formalized standard operating procedures weakens internal controls, especially in the event of employee turnover or absence, and also leads to questions about the reliability of the District's data, since there is no documentation of how data is collected or how costs are allocated. This increases risks associated with misreporting and may result in a loss of State reimbursement revenue for which Cuyahoga Heights LSD is eligible.

**Note:** The District has indicated that it is conducting the pupil counts in accordance with OAC 3301-83-01(E) as of October of 2012.

**R4.5 Cuyahoga Heights LSD should consider establishing and implementing a formal preventive maintenance plan to ensure that its buses are properly maintained and remain safe for students.**

**As the plan is implemented, the District should document fleet maintenance and repair activities and their associated costs. A formal plan will improve efficiency, accountability, and productivity through prioritized scheduling of routine maintenance and non-routine (i.e., emergency) repairs. Furthermore, a formal plan and scheduled routine services will reduce the need for emergency services which may lower the overall cost of bus maintenance. Finally, the District should solicit competitive quotes for vehicle parts in an effort to purchase parts at the best available prices.**

Cuyahoga Heights LSD does not have a formal written preventive maintenance plan. The District's vehicle maintenance and repairs are mostly performed internally by its mechanic. According to the District, the mechanic conducts routine preventive maintenance by performing some basic services such as changing oil, replacing air filters, and performing brake services, at every 3,500 miles on vehicles that use gasoline fuel. Similar services are performed on diesel vehicles, including the school buses, at every 6,000 miles. The mechanic also indicated that during the routine service, oil fuel filter changes are performed to maintain high fuel efficiency. In addition, transmission service is performed on each bus at every 50,000 miles on average, except for newer buses, (2007 and later) which use synthetic oil, and can run for average of 70,000 miles before transmission service becomes necessary. According to the mechanic, for significant repairs such as engine and transmission work, the District contracts with one of its local outside vendors because it does not have the equipments to facilitate such repairs in-house. The District also stated that the bus drivers are responsible for performing daily, pre-trip bus inspections (e.g., checking lights, hoses, and fluid levels).

**Table 4-3** compares the maintenance and repair expenditure ratios for Cuyahoga Heights LSD with the peer average for FY 2010-11.<sup>2</sup>

**Table 4-3: Maintenance and Repairs Analysis FY 2010-11**

|                        | Cuyahoga Heights LSD | Peer Average | Difference | % Difference |
|------------------------|----------------------|--------------|------------|--------------|
| · Per Yellow Bus Rider | \$241.93             | \$147.63     | \$94.3     | 63.9%        |
| · Per Active Bus       | \$14,183             | \$7,678      | \$6,505    | 84.7%        |
| · Per Routine Mile     | \$1.14               | \$0.77       | \$0.37     | 48.1%        |

Source: ODE T-2 Reports

<sup>1</sup> Includes mechanic and mechanic helper salaries.

As shown in **Table 4-3**, the District's costs for maintenance and repairs were 63.9 percent higher than the peer average on a per rider basis, 84.7 percent higher on a per active bus basis, and over 48 percent higher on a per routine mile basis. It appears that the overall maintenance and repair costs for Cuyahoga Heights LSD are significantly higher than the peer district averages and this may indicate some inefficiency in the District's maintenance and repair operation.

Cuyahoga Heights LSD employs 1 FTE mechanic staff and attributes all or most of its higher bus maintenance expenditures to the high cost of vehicle parts, and high cost of repairs performed by outside vendors. According to the District, it does not solicit competitive quotes from different vendors to obtain the best available prices. Rather, it uses local vendors for parts purchases without comparing prices.

According to the *North Carolina School Transportation Fleet Manual (Adopted May, 2006)*, effective documentation and planning for preventive maintenance are essential components of an effective, safe and cost-effective maintenance program. Moreover, this documentation serves as the basis for an organization to justify its budget needs and allocations.

<sup>2</sup> Based upon observations and consultations with management, auditors concluded it was unnecessary to evaluate the relative ages of individual vehicles in the fleet.

Cuyahoga Heights LSD does not have a formal preventive maintenance plan, and does not solicit competitive price quotes. Its maintenance costs are high compared to the peer average.

Formal documentation of repairs allows a district to effectively plan future maintenance needs. Without recording formal record of repairs, information may not be easily accessible, analysis becomes less reliable, and costly future problems are more difficult to avoid.

**R4.6 Cuyahoga Heights LSD should consider reducing its spare bus fleet by one bus based on FY 2011-12 data.**

**The elimination of one bus would result in a spare bus ratio that is more consistent with ODE guidelines. Cuyahoga Heights LSD should annually review the ratio of spare buses to total fleet to ensure that it is making appropriate adjustments based on the changing conditions within its operations.**

Table 4-4 compares Cuyahoga Heights LSD's spare bus fleet to the peer average for FY 2010-11.

**Table 4-4: Spare Bus Fleet Comparison for CHLSD vs. Peer Average –  
FY 2010-11**

|                              | Cuyahoga Heights LSD | Peer Average | Difference v. Peers | % Difference v. Peers |
|------------------------------|----------------------|--------------|---------------------|-----------------------|
| <b>Number of Spare Buses</b> | 5                    | 5.5          | (0.5)               | (9.1%)                |
| <b>Total Number of Buses</b> | 13                   | 20.83        | (7.83)              | (37.6%)               |
| <b>Spare Bus Ratio</b>       | 38.5%                | 26.4%        | 12.1%               | 45.8%                 |

Source: CHLSD and peer districts' T-1 reports.

As **Table 4-4** shows, the District had nearly eight (7.83) fewer buses overall and one-half (0.5) less spare buses than the peer average in FY 2010-11. The District's ratio of spare buses to total buses was approximately 45.8 percent higher than the peer average for FY 2010-11. Although both Cuyahoga Heights LSD and the peers appear to maintain higher spare bus ratios than the ODE benchmark of 20 percent, the peer average spare bus ratio is approximately 12.1 percent lower than that of the District. Based on current data, both the District and peer average spare bus ratio are higher than the Ohio Department of Education (ODE's) suggestion for spare busses by approximately 18.5 percent 6.4 percent respectively.

In FY 2011-12 the District reduced the number of spare buses by one, with four spare buses remaining. This made the ratio of spare buses to total buses 30.8 percent.

ODE's Office of Pupil Transportation recommends that Districts maintain a spare bus ratio of approximately 1 to 5 (20 percent). Based on this recommended ratio, the District needed only 2.6 spare buses in FY 2010-11.

The AM Transportation Coordinator indicated that Cuyahoga Heights LSD does not have a goal for the number of spare buses it needs to maintain in its fleet. Instead, the District keeps enough spares primarily because they are sometimes helpful during emergencies.



By maintaining a spare bus fleet in excess of ODE's recommendation, Cuyahoga Heights LSD incurs additional costs for insurance and other routine maintenance that the spare buses require.

*Financial Implication:* Assuming Cuyahoga Heights LSD could receive the same level of revenue for future sales of its used buses as the Ohio Schools Council (OSC) did through bus auction sales, (an average of \$1,757 per bus), it could generate additional \$3,514 in one-time revenue from the sale of two spares based on the FY 2010-11 data. However, based on FY 2011-12 data, the District could reduce only one spare bus, and generate \$1,757 in one-time revenue for the sale of one spare bus.

**R4.7 The District should update its transportation policies to adopt state minimum requirements for bus service levels.**

**While the transportation policy should commit the District only to State minimums levels of transportation, it should give the Superintendent the flexibility to provide service above minimums on a yearly basis based on availability of resources. Furthermore, Cuyahoga Heights LSD should establish administrative guidelines to outline how policies will be implemented and how any exceptions to the levels of transportation service established in the policy will be determined.**

**Additionally, although the option exists to discontinue services to all high school students and students living less than two miles from their assigned schools, these extensive cuts should only be considered if the District's financial condition continues to erode or if a cost-benefit-analysis favors that decision. Because high school and middle school students are transported on the same bus routes, eliminating transportation for high school students could possibly decrease State reimbursement monies without significantly reducing costs.**

**Finally, Cuyahoga Heights LSD should consider establishing cluster stops in the neighborhoods where it can be done safely. This would minimize door-to-door pickups, reduce frequent stops and the time it takes to complete routes, and reduce wear and tear on the buses, which could reduce the overall cost of transportation in the District.**

Cuyahoga Heights Local School District (CHLSD) transports every student in kindergarten through grade 12 (K through 12) who requests transportation provided he/she lives more than one-half mile from school. CHLSD's transportation policy, as approved by the Board, requires the District to provide transportation for resident elementary students, kindergarten through grade eight, who live more than two miles from their school of attendance and for those students with disabilities that make walking impossible or unsafe. The Board policy also states that the transportation of high school students is optional. Furthermore, the policy states that in addition to service required by State law, the Board provides school bus transportation to all elementary and secondary school students to the extent determined by the administration and approved by the Board. Nonpublic school students are also entitled to transportation on the same basis as public school students under the Board policy.

According to the transportation personnel, all students in grades Kindergarten through 12 who live more than one-half (1/2) mile from school are transported. This appears to contradict the Board policy, and is certainly above the State minimum standard as defined in Ohio Revised

Code (ORC) § 3327.01. Transportation exceeds the required State minimum standard in two specific areas including:

- Transportation of students in grades K through 12 instead of K through eighth grade as required by the ORC, and as stipulated in its transportation policy; and
- Transportation of all students who request transportation and who live beyond one-half (1/2) mile from school instead of only those living two or more miles as required by the ORC and stipulated in its transportation policy and procedures.

According to school officials, the District can safely establish cluster stops in some of the neighborhoods to minimize door-to-door pickups, but because of opposition from some parents, it has not implemented this program.

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

According to the Association of School Business Officials International (*Key Legal Issues for Schools*, 2006), school board policies provide visible statements about the board's beliefs and actions regarding educational and managerial practices, and are the means through which boards plan their strategic directions. Policies should be adopted with a clear vision and strategies for achieving that vision and as a result, should be the basis for the actual practices as well as resource decisions of a district.

Because the transportation policies are not regularly reviewed and updated, they may not reflect the actual practices of the District. Policies that do not reflect the actual intent and practices of the District do not provide sufficient direction to administrators and may be subject to misinterpretation or misunderstanding by staff as well as members of the community.

## **District Response**

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



**CUYAHOGA HEIGHTS SCHOOLS**

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*Dr. Edwin S. Holland*  
Superintendent

November 27, 2012

Matthew Pettella  
Performance Project Manager  
Auditor of State Dave Yost  
88 E. Broad Street, 5th Floor  
Columbus, Ohio 43215

Dear Mr. Pettella,

On behalf of the Cuyahoga Heights Board of Education we want to thank the Auditor of State's Ohio Performance Team for their work on our performance audit. We appreciate your attention to detail and the recommendations outlined. While the audit report highlights several accomplishments or exemplary practices the District has recently implemented to contain costs, the District recognizes the need for continuous review of current practice and the need to keep expenses under control and reduce wherever possible. It is important to note that several of the Audit recommendations have already been implemented; for example, changing dental and vision insurance carriers at the end of this contract, isolating the operating costs and monitoring the rental fees of the facilities, and reducing extra-curricular activity expenses.

The Performance Audit's recommendations will be carefully analyzed and considered while the District works to make further adjustments to our operations. Audit recommendations with Food Services will be implemented, and we will study the Transportation recommendations carefully before making any adjustments, keeping student safety a priority.

Some Audit recommendations will involve union contract negotiations and will take time to implement appropriately. The District will continue to work on its strategic planning initiative, the B.E.S.T. Plan, which will include a multi-year capital improvement plan.

Again, Cuyahoga Heights Schools appreciates the work of the Ohio Performance Team and will strongly consider the recommendations outlined in the audit.

Respectfully,



Dr. Edwin S. Holland  
Superintendent



Debbie Herrmann  
Treasurer



# Dave Yost • Auditor of State

CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT

CUYAHOGA 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  
DECEMBER 11, 2012