## Budget

**Cloverleaf Local (048488) - Medina County - 2014 - Straight A Fund - Rev 0 - Straight A Fund - Application Number (360)**

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**Adjusted Allocation**

| Remaining | -177,437.00 |
Applicants shall respond to the prompts or questions in the areas listed below in a narrative form.

A) APPLICANT INFORMATION - General Information, Experience and Capacity

1. Project Title: Shared Service Internal Audit Function

2. Executive summary: Provide an executive summary of your project proposal and which goal(s) in question 9 you seek to achieve. Please limit your responses to no more than three sentences.

Cloverleaf Local Schools is a partner with the Medina City School District to contract with an independent internal auditor who will identify inefficiencies, improve processes, implement best practices and recommend additional opportunities to enhance our existing shared services agreement resulting in spending reductions for both districts. We are seeking $177,437.00 for this project.

9689 3. Total Students Impacted:

4. Lead applicant primary contact: - Provide the following information:

First Name, last Name of contact for lead applicant: James Hudson
Organizational name of lead applicant: Cloverleaf Local School District
Unique Identifier (RN/Fed Tax ID): 048488
Address of lead applicant: 8525 Friendsville Rd., Lod OH 44254
Phone Number of lead applicant: 330-721-3510
Email Address of lead applicant: hudson.james@cloverleaflocal.org

5. Secondary applicant contact: - Provide the following information, if applicable:

First Name, last Name of contact for secondary applicant: James Hudson
Organizational name of secondary applicant: Medina City Schools
Unique Identifier (RN/Fed Tax ID): 044388
Address of secondary applicant: 140 W. Washington St. Medina, OH 44256
Phone number of secondary applicant: 330-636-3052
Email address of secondary applicant: hudsonj@mcsoh.org

6. List all other participating entities by name: Provide the following information for each additional participating entity, if applicable: Mention First Name, Last Name, Organizational Name, Unique Identifier (RN/Fed Tax ID), Address, Phone Number, Email Address of Contact for All Secondary Applicants in the box below.

EVA

7. Partnership and consortia agreements and letters of support: - (Click on the link below to upload necessary documents).

* Letters of support are for districts in academic or fiscal distress only. If school or district is in academic or fiscal distress and has a commission assigned, please include a resolution from the commission in support of the project.

8. Please provide a brief description of the team or individuals responsible for the implementation of this project including relevant experience in other innovative projects. You should also include descriptions and experiences of partnering entities.

James Hudson, Treasurer for Cloverleaf Local Schools and Medina City Schools, will be responsible for overseeing the implementation of this grant, in addition to treasurer's office staff from both districts. Mr. Hudson was instrumental in implementing the initial shared services agreement between the districts in August of 2012. This initial contract allowed for the sharing of his business acumen and expertise as a school treasurer for both districts. With a combined ADM of approximately 10,000 students, it was the first collaboration of its kind in Medina county and the largest such agreement in the state of Ohio.

E) PROJECT DESCRIPTION - Overall description of project and alignment with Outcomes

9. Which of the stated Straight A Fund goals does the proposal aim to achieve? - (Check all that apply)

- Student achievement
- Spending reductions in the five year fiscal forecast
- Utilization of a greater share of resources in the classroom

10. Which of the following best describes the proposed project? - (Select one)

- New - never before implemented
- Existing and researched-based - never implemented in your district or community school but proven successful in other educational environments
- Mixed Concept - incorporates new and existing elements
- Enhancing/Scale Up - elevating or expanding an effective program that is already implemented in your district, school, or consortium partnership

11. Describe the innovative project.

In August 2012, the districts entered into a successful shared service agreement that has saved Cloverleaf Local Schools $45,000 and generated $72,000 in revenue for Medina City during the first year of implementation. For the shared services of a treasurer. In order to expand on this success, both districts realize the need to identify inefficiencies in day-to-day business operations, improve business processes by reducing redundancies, align these processes between both districts, and identify additional areas in which shared services and cooperative purchasing would beneficial. Due to financial constraints, neither district has adequate staff to evaluate these issues, limiting the expansion of the agreement. We propose to contract with an internal auditor to identify and assist with implementation of expanded opportunities for cost reductions. By definition, "internal auditing is an independent, objective activity to add value and improve organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness...The scope of internal auditing within an organization is broad and may involve topics such as an organization’s governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting assurance and compliance with laws and regulations."

12. Describe how it will meet the goal(s) selected above. - If school/district receives school improvement funds/support, include a brief explanation of how this project will advance the improvement plan.

The internal audit process will allow expansion of our shared services agreement through identification of additional cost reductions and maximize the educational purchasing power of the districts. The internal auditor will develop a comprehensive audit plan to meet these objectives and make recommendations to include the following: 1. Through benchmarking and workload ratios, the internal auditor will make recommendations for co-departmentalization between the district's treasurer offices and technology departments to further expand our shared services agreement. 2. Review and evaluate our business operations processes for inefficiencies or redundancies, evaluate purchasing processes, make recommendations for cooperative purchasing opportunities, coordinate existing purchasing to reduce duplication, and streamline the coordinated bidding process to ensure "best price". 3. Review transportation processes and expenditures to assess the utilization of buses, fuel purchasing, maintenance of equipment and vehicle purchases, and make recommendations for areas of cost containment and expense reduction. 4. The food services departments will be evaluated for areas of improved collaboration and methods to expand meals served. 5. Expenditures for educational materials/supplies and purchased services in the education services/curriculum departments will be evaluated for cooperative purchasing opportunities for textbooks, educational software and staff professional development. 6. Evaluate the inventory control processes in each district and make recommendations for cost reductions and areas in which resources may be shared between the districts with the goal of eliminating unnecessary expenditures and duplicative purchasing. The current
C) SUSTAINABILITY - Planning for ongoing funding of the project, cost breakdown

14. What is the total cost for implementing the innovative project?

177,437.00 * Total project cost

* Provide a brief explanation of the overall budget. The narrative should include the source and amount of other funds that may be used to support this concept (e.g., Title I funding, RIT money, local funding, foundation support, etc.), and provide details on the cost of items included in the budget (i.e. staff counts and salaries/benefits, equipment to be purchased and cost, etc.).

Our intent is to hire an internal auditor for an initial 18 month period from January 2014 to June 30, 2015. Our budget includes: Salary: $105,000, Health Insurance: $17,688, SEERS contributions: $14,700.00, Worker's Compensation: $945.00 and Medicare Tax: $1,022.50. Purchased Services to include software and travel: $220,000.00 and Equipment: $150,000 for a total budget of $177,437.00.

15. What new/recurring costs of your innovative project will continue once the grant has expired? If there are no new/recurring costs, please explain why.

0.00 * Specific amount of new/recurring cost (annual cost after project is implemented)

* Narrative explanation/rationale: Provide details on the anticipated savings (i.e. staff counts and salary/benefits, equipment to be purchased and cost, etc.).

We do not expect any new or recurring costs. The continuation of the internal auditor position will be dependent upon the auditor's ability to identify long term savings that exceed the anticipated cost of the internal auditor contract and associated expenses over the same period of time. While the scope of this project cannot include a new revenue stream, the district will encourage the internal auditor to identify this potential in hopes of expanding our shared service program to involve other local school districts.

16. Are there expected savings that may result from the implementation of the innovative project?

2,858,888.00 * Specific amount of expected savings (annual)

* Narrative explanation/rationale: Provide details on the cost of items included in the budget (i.e. staff counts and salary/benefits, equipment to be purchased and cost, etc.).

Through increased efficiencies and cooperative purchasing, we are projecting that, at a minimum, the districts could save upwards of $3.5 million dollars (or $450,000 to $750,00, within the first full year of implementation. During the forecasted period, we anticipate spending reductions of $1,992,426,00 for Medina City Schools and $896,262.00 for Cloverleaf Local Schools. We expect to see these spending reductions primarily in material/supplies, purchased services and capital outlay. These dollars would help the districts to reduce future operating levies, allow the districts to sustain existing educational programs, and allocate resources to implement additional educational programs.

17. Provide a brief explanation of how the project is self-sustaining. If there are ongoing costs associated with the project after the term of the grant, this explanation should provide details on the cost reductions that will be made that are at least equal to the amount of new/recurring costs detailed above. If there are no new/recurring costs, explain in detail how this project will sustain itself beyond the life of the grant.

The sustainability of the project is inherent in its concept, by promoting increased efficiency and cost containment through continuation of successfully implemented strategies and recommendations made by the auditor. The objective of the internal audit function is to identify long-term, sustainable changes to processes, purchasing and bidding which will result in spending reductions for both districts, and expand on existing, successful shared services program model.

D) IMPLEMENTATION - Timeline, communication and contingency planning

18. Fill in the appropriate dates and an explanation of the timeline for the successful implementation of this project. In each explanation, be sure to briefly describe the largest barriers that could derail your concept or timeline for implementation and your plan to proactively mitigate such barriers. In addition, the narrative should list the stakeholders that will be engaged during that stage of the project and describe the communication that occurred as the application was developed.

Describe the ongoing communication plan with the stakeholders as the project is implemented. (Stakeholders can include parents, community leaders, foundation support and businesses, as well as educational personnel in the affected entity.)

* Proposal Timeline Dates

Plan (MM/DD/YYYY): 01/15/2014

* Narrative explanation

The Treasurer and stakeholders will interview and make a recommendation to the boards of education at Cloverleaf Local Schools and Medina City Schools for hire an internal auditor. Once hired the internal auditor will develop a comprehensive audit plan that focuses on spending reduction, cost containment strategies, and maximizing purchasing power.

Implement (MM/DD/YYYY): 02/01/2014

* Narrative explanation

The internal auditor having developed a comprehensive audit plan that focuses on spending reduction, cost containment strategies, and maximizing purchasing power, will begin the audit to include the following: 1. Through benchmarking and workload ratios, the internal auditor will make recommendations for co-departmentalization between the districts. 2. Review transportation processes and expenditures. 3. Evaluate food service processes for areas of improved collaboration and methods to expand meal services. 4. Review expenditures for educational materials/supplies and purchased services. 5. Review and evaluate business operations processes for inefficiencies or redundancies. 6. Evaluate purchasing processes and make recommendations for cooperative purchasing opportunities. 7. Make recommendations for streamlining a coordinated bid process and recommend strategies for securing the "best price" for both districts. 8. Evaluate the inventory process and make recommendations to enhance economies of scale and improve efficiency and control. 9. Identify available resources which may be shared between the districts with the goal of eliminating unnecessary expenditures and duplicative purchasing 10. Recommend an inventory tracking system for both small equipment and capital assets. The goal of the evaluation will be to reduce duplicative purchasing and establish a single inventory tracking system that can be implemented in each district. Each district will review progress towards spending reductions on a quarterly basis commencing in June 2014 and each quarter thereafter. The internal auditor will provide progress updates at these intervals.

Summative evaluation (MM/DD/YYYY): 06/30/2015

* Narrative explanation

The internal auditor will provide the Cloverleaf Local Schools and Medina City Schools with a written summary of recommendations based on the comprehensive audit plan. The report will include actual cost savings and projected cost savings during the scope of the project and anticipated cost savings over the five year forecasted period. The auditor and the Treasurer will document the overall success of the project by comparing fiscal year 2013 expenditures to actual expenditures in fiscal year 2014 and anticipated expenditures for 2015 and over the remainder forecasted period.

E) SUBSTANTIAL IMPACT AND LASTING VALUE - Impact, evaluation and replication

19. Describe the expected changes to the instructional and/or organizational practices in your institution.

Throughout the audit process the internal auditor will involve stakeholders from Cloverleaf Local Schools and Medina City School district. The auditor will seek input from department heads, support staff, and teachers to determine areas for process improvement. Implementing change in any organization is difficult, more so when many employees have been using the same processes for years or in many cases decades. Often employees feel that improving or streamlining processes is an attempt to eliminate their position. The internal auditor will be a "change agent" for the district and will seek buy-in from the employees by communicating the benefits of change on the organization and how positive change is important to the stability of the districts and as well as increasing job security over the long-term. We anticipate that in addition to identifying significant areas of spending reduction, that the auditor will recommend changes to processes that will improve the overall efficiency of staff at all levels and improve morale.
20. Describe the rationale, research or past success that supports the innovative project and its impact on student achievement, spending reduction in the five-year fiscal forecast or utilization of a greater share of resources in the classroom.

Cloverleaf Local Schools has realized a $45,000 savings in the first year of the existing shared services agreement with Medina City Schools. Over five years, this will result in a quarter of a million dollars in operational expenses that directly and positively impact the educational experiences of Cloverleaf students. The Medina City School district will realize $360,000 revenue over this same five year period. This revenue will help to sustain existing educational programs. The addition of the internal auditor position could result in additional savings of $2-4 million dollars during the forecasted period. Again, these dollars will be directed back to the classroom to enhance educational opportunities to students in both districts.

21. Is this project able to be replicated in other districts in Ohio?

Yes
No

22. If so, how?

Most districts in Ohio use the same state issued software programs and have similar operational processes. For this reason, operational process changes that are identified by the internal auditor can be easily replicated throughout the state of Ohio. Our existing shared services agreement could be readily implemented by any districts having a common need and limited financial resources. The internal auditor will document the successes and failures of our project for use by other districts. Additionally, it is our intention to present the results of this project to our communities, and to professional organizations to such as the Government Finance Officers Association, Ohio Association of School Business Officials and the Ohio School Boards Association.

23. Describe the substantial value and lasting impact that the project hopes to achieve.

The districts fully anticipate that the auditor will identify, and continue to identify long term quantifiable changes that will result in long term savings for both districts. The measure of the success will be identified by reduction in operation costs through redefining our zero-based budgeting process. The districts will benchmark spending based on the current five year forecasts. These benchmarks will be reviewed quarterly to insure that the changes to expenditures meet the recommendations of the internal auditor.

24. What are the specific benchmarks related to the fund goals identified in question 9 that the project aims to achieve in five years? Include any other anticipated outcomes of the project that you hope to achieve that may not be easily benchmarked.

The goals for the internal audit will be reviewed quarterly using FY2013 as the benchmark for expenditures. The districts will compare current expenditure levels at each quarterly interval to ensure that the anticipated spending reductions are being realized. The anticipated savings are 3-5% in the areas of materials/supplies and purchased services. We also anticipate increased morale and greater job satisfaction through improved processes and stakeholder input.

25. Describe the plan to evaluate the impact of the concept, strategy or approaches used.

* Include the method by which progress toward short- and long-term objectives will be measured. (This section should include the types of data to be collected, the formative outputs and outcomes and the systems in place to track the program's progress).
* Include the method, process and/or procedure by which the program will modify or change the program plan if measured progress is insufficient to meet program objectives.

The objective of this project is a reduction in spending. By June 2014, the districts should be able to implement some of the recommendations made through the audit process. Using the comprehensive audit plan and subsequent recommendations developed by the internal auditor as a template, the districts will create a spreadsheet to track the reductions in expenditures. Progress towards this goal will be measured through actual savings and will be reviewed quarterly, starting in June 2014. The savings will be measured by comparing current spending levels in each identified area to the fiscal year 2013 benchmark. The success of this on-going project will be documented and shared with the community and with professional organizations. Cloverleaf Local Schools and Medina City Schools will continue to collaborate and identify additional areas of savings that will be beneficial.

By virtue of applying for the Straight A Fund, all applicants agree to participate in the overall evaluation of the Straight A Fund for the duration of the evaluation timeframe. The Governing Board of the Straight A Fund reserves the right to conduct evaluation of the plan and request additional information in the form of data, surveys, interviews, focus groups, and any other related data to the legislature, governor, and other interested parties for an overall evaluation of the Straight A Fund.

PROGRAM ASSURANCES: I agree, on behalf of this applicant agency and/or all identified partners to abide by all assurances outlined in the Assurance section of the CCIF. In the box below, enter “I Accept” and indicate your name, title, agency/organization and today’s date.

I Accept James Hudson, Treasurer, Cloverleaf Local Schools and Medina City Schools 10/24/2013