JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HANCOCK COUNTY BOARD OF MRDD PERFORMANCE AUDIT

OCTOBER 15, 2002

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

To the Hancock County Commissioners, Hancock County Board of Mental Retardation and Developmental Disabilities, and the citizens of Hancock County:

The State Auditor's Office is pleased to provide the completed performance audit of Hancock County Board of Mental Retardation and Developmental Disabilities (HCMRDD). HCMRDD requested a performance audit to assist in improving the quality and efficiency of its operations and service delivery in the areas of budgeting and finance, payroll, and human resources. The State Auditor's Office conducted this independent review of HCMRDD's operations with the objective of evaluating the efficiency of the Board's operations, planning and policies in relation to peer and best practice agencies.

The performance audit focused on aspects including the financial condition of HCMRDD, the impact of changes in local, state and pass-thru funding, changes in the Medicaid funding process, budgeting practices, payroll transaction reporting, time and attendance reporting, organizational structure, training and staff development, recruitment and hiring practices, and staff retention. The performance audit contains recommendations based on best practices and industry standards for financial practices, improved payroll processing and enhanced, centralized human resources functions.

An executive summary has been prepared which includes the project history, purpose and objective of the performance audit, and summary of each of the three areas. The executive summary also includes a summary of findings and recommendations. This report has been provided to HCMRDD and its contents discussed with appropriate Board officials and management. The Board has been encouraged to utilize the results of the performance audit as a resource in improving its overall operations, service delivery and financial stability.

Additional copies of this performance audit can be requested by calling the clerk of the bureau at (614) 466-2310 or the toll free number in Columbus, (800) 282-0370. In addition, this performance audit can be accessed online through the State Auditor Office's Web site at http://www.auditor.state.oh.us by choosing the *on-line audit search* option.

Sincerely,

JIM PETRO
Auditor of State

October 15, 2002

Executive Summary

Agency Overview

County Boards of Mental Retardation and Developmental Disabilities in Ohio (county MRDD boards), including the Hancock County Board of Mental Retardation and Developmental Disabilities (HCMRDD), were statutorily created in 1967. The primary mission of the county MRDD boards is to ensure the availability of programs, services and supports that assist eligible individuals with mental retardation and other developmental disabilities in choosing and achieving a life of increasing capability such that they can live and work in the community, and to assist and support the families of these individuals in achieving this objective. MRDD operations are subject to various rules, procedures and guidelines mandated by the Ohio Revised Code, the Ohio Administrative Code, the Ohio Department of MRDD (ODMRDD) and the federal Medicaid program. The following lists key mandated MRDD responsibilities pursuant to state guidelines:

- Administer and operate facilities, programs, and services pursuant to state guidelines;
- Determine eligibility for MRDD services in accordance with state guidelines;
- Coordinate, monitor and evaluate existing services and facilities available to individuals with MRDD;
- Provide early childhood services, supportive home services and adult services;
- Provide or contract for special education services in accordance with state guidelines;
- Provide case management services in accordance with state guidelines; and
- Establish a waiting list for services when resources are not available to meet the needs of all individuals requesting services.

In addition its mandated responsibilities, HCMRDD provides residential and supported living services, sheltered employment and job training activities as allowed under ORC § 5126.05. The Board also provides educational services to mentally retarded, developmentally disabled and medically fragile children.

The HCMRDD operates Blanchard Valley Center and is governed by an unpaid seven member Board, five of whom are appointed by the Hancock County Board of County

Commissioners, and two of whom are appointed by the probate Judge of the county. The Board's role in running the agency is threefold: 1) select the superintendent and monitor superintendent performance, 2) review and establish agency policies and 3) oversee the finances of the agency.

Introduction

HCMRDD is working to improve the quality and efficiency of its operations and service delivery. In June 2001, HCMRDD contacted the Auditor of State requesting a performance audit to assist the agency in achieving its performance improvement goals. Meetings between the Auditor of State and HCMRDD management were held to discuss the scope and objectives of the performance audit. A letter of arrangement to perform the audit was signed between HCMRDD and the Auditor of State in January 2002.

As a result of these discussions, it was determined that the performance audit would focus on the following areas:

- Budgeting and Finance;
- Payroll; and
- Human Resources.

The performance audit was conducted during the months of February through mid-July 2002. Planning was initially undertaken in June of 2001. Between June 2001 and January 2002, HCMRDD has improved some of its program operations and upgraded its technology. HCMRDD implemented an intranet, has revised several sets of job descriptions, centralized some of the payroll functions and, most recently, voted to establish its risk fund per OAC §5123:1.5.02

Key Findings and Recommendations

The key findings and recommendations of the performance audit are contained on pages 1-2 through 1-8. The key findings and recommendations are followed by overall performance audit information including a definition of performance audits, the objective and methodology of performance audits, and peer county MRDD board comparisons of key information.

Budgeting and Finance

<u>H.B. 94 redesigns the waiver system in Ohio to increase federal Medicaid revenues received by increasing the number of waiver slots availed to individuals throughout the State.</u> The State determined how many additional waivers could be funded by county

MRDD boards. As of June 1, 2002, the State has received approval for 2,000 new waiver slots. If the Secretary approves at least 500 more waiver slots, each county MRDD board must provide to ODMRDD an assurance that the county MRDD board will have available the revenues necessary to pay the nonfederal share of the services that the board is required to pay to fund these waivers.

HCMRDD should attempt to maximize the level of local funds that the Board generates. HCMRDD will be unable to fully benefit from the waiver redesign without maximizing local revenues. A majority of HCMRDD's local revenues are generated from a tax levy that expires in FY 2004. Also, HCMRDD should petition the Ohio Department of Mental Retardation and Developmental Disabilities (ODMRDD) for the allocation of the twenty additional waiver slots that the Board could fund. Finally, HCRMDD should develop a policy that governs the reallocation of additional federal funds that will be available to the Board as a result of an increase in individuals placed on waivers. The policy will help ensure that HCMRDD can cover additional expenditures that will arise as a result of an expansion in services provided.

HCMRDD will be required to contribute to a Risk Fund as part of the Medicaid redesign. The purpose of the establishment and funding of the Risk Fund is to ensure that HCMRDD can continue to pay the nonfederal portion of Medicaid expenditures in the event that the Board fails to renew its levy or encounters extraordinary costs that prevent it from paying these obligations. HCMRDD will be required to establish the Risk Fund with an initial contribution of a percentage of the Board's FY 2000 nonfederal share of Medicaid expenditures. The set-aside practice will continue until FY 2007, when the Board will be required to contribute a total 10.0 percent of the yearly increase in the total nonfederal share of the Board's Medicaid expenditures.

HCMRDD should begin funding the Risk Fund as soon as ODMRDD has notified the Board of the initial funding requirement, regardless of when the Medicaid redesign has been fully implemented. HCMRDD should fund the Risk Fund on a monthly basis. Making monthly contributions will lessen the financial impact on HCMRDD's cash flow, although the initial amounts are immaterial to HCMRDD's overall expenditures. Projected future contributions made by the Board will have an impact on HCMRDD's operations and the ability to contribute funds on a monthly basis is especially important to HCMRDD due to the inconsistent revenue stream that the Board receives.

In addition to the Risk Fund, HCMRDD should consider creating a Budget Stabilization (Rainy Day) Fund. The creation of a Rainy Day Fund will better position HCMRDD to stabilize the budget against cyclical changes in revenues and expenditures. HCMRDD should attempt to maintain a balance in the Rainy Day

Fund of a reasonable reserve of the Board's General Fund Revenue for the preceding fiscal year.

The Medicaid Waiver redesign outlined in H.B. 94 has placed increased importance on HCMRDD's ability to generate local revenues. Although increased local revenues could provide additional federal funding, HCMRDD must, at a minimum, maintain the Board's present level of local funding. HCMRDD cannot operate without the local revenues that are currently provided through a tax levy.

When submitting a levy to the voters, HCMRDD and the Commissioners should seek a replacement levy. The passage of a replacement levy will enable HCMRDD to maximize local revenues in a period of increased importance on the ability to generate these revenues. A replacement levy will allow HCMRDD to take advantage of inflationary increases on existing property.

HCMRDD does not prepare a formal annual departmental budget. A formal budget allows an entity to closely monitor departmental spending levels, enabling management to be held accountable for their portion of the total budget. Without a formal budget document produced by the business manager and approved by the Board, HCMRDD is less able to communicate its financial plan or goals to the Board and the community.

HCMRDD should create a formal budget document which presents revenue-raising and spending decisions made by administrators and management of the Board. HCMRDD's formal budget document should include an executive summary which would highlight the key issues as well as the proposed budget and historical comparisons.

HCMRDD's year end cash balances are projected to decline by 18.9 percent in FY 2002 and 29.1 percent in FY 2003. The declines are primarily due to expenditures for capital improvements which are expected to be completed in FY 2003. As a result, cash balances for FY 2004 are projected to increase to $210,000. For FY 2005 and FY 2006, the passage of 2.5 mill replacement levy has been projected which would significantly increase HCMRDD's cash balances.

HCMRDD should create and maintain a five-year forecast regardless of when the Board's local tax levy expires in order to identify future changes in revenue or expenditures that may impact the Board's operating ability. HCMRDD should incorporate the county plan into the Board's yearly forecast. The county plan will enable the HMCRDD business manager to accurately forecast future revenue reallocation the Board could achieve through the placement of individuals on additional waivers, will provide the business manager with a list of individuals

projected to be enrolled on waivers, as well as revenues required for the county match and will project HCMRDD's Risk Fund requirement.

Also, HCMRDD should ensure that the Board maintains a year end General Fund cash balance. The Hancock County Auditor recommended HCMRDD maintain a cash balance of at least 90 days' operating costs. Because HCMRDD receives disbursements from the County on a semi-annual basis, maintaining a cash balance of least 90 days' operating costs will ensure that HCMRDD has sufficient liquidity to cover operating expenditures.

Payroll

HCMRDD's current payroll processing method is labor intensive and therefore has an increased probability of data entry error. The payroll clerks spend a significant amount of time checking and rechecking the data before and after it is entered into the payroll system. Despite the performance of multiple manual data checks, payroll processing errors still occur, and payroll adjustments must be completed. HCMRDD did not receive instructional or technical manuals for FoxPro, nor has the staff received any formal training for operating the system or understanding its abilities. As a result, the system is not being used to its fullest capacity.

HCMRDD should consider purchasing a fully automated time and attendance system. One full-time payroll clerk could then process payroll, and the other payroll clerk could be dedicated full-time to performing human resource-related functions. Furthermore, the Board should work with the County Auditor to integrate FoxPro and Reflections. Finally, the administrative staff members who work with FoxPro on a regular basis should receive formal FoxPro training so the system can be used to its full capacity.

HCMRDD currently does not have formal written procedures detailing the process for employees to complete, and supervisors to approve, timesheets. HCMRDD provided formal training on the use of timesheets to select departments; however, follow-up training and direct monitoring has been limited, reducing the effectiveness of the training. As a result, there is a lack of uniformity in the completion and approval of time sheets. Also, not all employees provide an explanation for the additional time worked, and some provide inadequate explanations. In most cases when there was a question as to why or how the hours were charged, supervisors still signed off and approved the employee's timesheet, and the payroll clerks processed the data.

HCMRDD employees are permitted to reschedule in (R/I) and reschedule out (R/O). If an employee is unable to work his predetermined schedule time, he may R/I at another time, work his required number of hours, and then R/O at a time which also varies from his predetermined schedule. R/I and R/O was found to be used often during lunch hours and on holidays, which may indicate that it is being used to supplement paid leave.

If HCMRDD opts to continue using timesheets, formal written procedures for completing and approving the timesheets should be developed. After the procedure is developed and adopted, training should be provided to all employees and management on how to complete the timesheets. Management should also receive training on how to properly review and approve the timesheets.

The Board should phase out the use of R/I and R/O. The use of R/I and R/O limits management's ability to monitor staff and can negatively impact HCMRDD's operations and efficiency.

As of the first four months of calendar year 2002 (pay period 10), HCMRDD incurred over 5,150 hours of overtime at a cost of $80,500. Sixty-one percent ($49,500) of the overtime was used by the 29 full-time and 6 part-time Therapeutic Program Workers (TPW). The full-time TPWs earned 90 percent of this overtime. One full-time TPW has earned more than $12,000, or approximately 28 percent of the overtime, by working approximately 40 hours of overtime each week. There do not appear to be controls in place to track individual overtime accruals. Often, overtime is earned and approved by a supervisor with no justification.

Several individuals receive overtime pay on a daily basis for coming in 30 minutes to 1 hour early and staying up to 1 to 2 hours after their scheduled hours. HCMRDD policies specify that employees are not to sign-in more than 15 minutes prior to their scheduled start time or sign out more than 15 minutes after their scheduled end time.

All non-exempt employees should be required to make a notation on their timesheet as to the reason for working substitute or extra hours. The supervisors and payroll clerks should not approve an employee's extra or substitute hours if this explanation is not provided. Department supervisors should sign the employee's timesheet on the day the overtime hours were worked. Also, HCMRDD could further reduce its overtime costs by ensuring that Board policies and procedures and the union contract stipulations are followed when employees sign-in and out for the work day. Finally, HCMRDD should develop a formal procedure for requesting and approving overtime in advance to aid the Board in ensuring accountability and to make certain overtime is not being incurred unnecessarily.

HCMRDD should develop a formal written policy outlining when and how many substitute and extra hours an employee can work both in and outside of his classification and department. HCMRDD should attempt to encourage part-time

employees to fill vacant time slots. Lastly, HCMRDD should attempt to fully staff its TPW positions to reduce overtime in this area.

Currently, the Board does not have formal policies and procedure in place regarding comp time accrual or usage. There are a small number of HCMRDD employees earning and using compensatory (comp) time. Comp time balances are not tracked in FoxPro or Reflections, nor is the information provided to the payroll clerks. The business manager in Adult Services tracks comp time accrual and use on an Excel spreadsheet. When an employee accrues or uses comp time, it is recorded as “Other Leave with Pay” in FoxPro and Reflections.

If HCMRDD is going to continue to allow employees to earn comp time in lieu of receiving payment for overtime worked, formal policies and procedures should be developed regarding its accrual and use. The policies and procedures should also address management controls that need to be implemented to ensure comp time balances are correct and to prevent comp time abuse.

Human Resources

HCMRDD has a decentralized process for human resources functions. The majority of the findings in this section can be attributed to the lack of oversight and direction in the area of human resources that has occurred as a result of this decentralized process. The HCMRDD employment specialist, who is supervised by the business manager and is not a member of the Board’s executive management team, is not currently responsible for key human resources functions.

In order to ensure that the organizational chart is consistent and accurate, the employment supervisor, or her designee, should periodically review the organizational chart and update it as needed. All changes to the organizational chart should require prior approval by the Superintendent and should be coordinated through the employment supervisor

Also, the Board should change the employment supervisor position to a director of human resources. This position should report directly to the superintendent and should be a member of HCMRDD’s management team. The qualifications for the position should be increased to ensure that the person filling the position has the adequate skills and knowledge to complete all of the job duties.

Because HCMRDD is not routinely reviewing and updating job descriptions, several positions descriptions are inaccurate. In 1994, HCMRDD hired Clemens Nelson and Associates to develop new job descriptions. The process was begun but not completely finished and, as a result, HCMRDD does not have a consistent format for all of its

position descriptions. Job descriptions should contain job identification, job summary or purpose, essential functions and additional responsibilities, accountabilities, and job specifications.
All position descriptions should be electronically stored and should be marked with their effective dates. Changes to position descriptions should only be processed by human resources and approved by the superintendent. Position descriptions should be reviewed and updated on annual basis. They should also be put into a consistent format that presents the information with brevity, accuracy and objectivity. During the course of the audit, HCMRDD began the process of updating its position descriptions.

The Board has not updated a salary schedule in seven years. In addition, the schedule has been inconsistently applied to new hires. While HCMRDD's labor union agreements include current starting salaries, the HCMRDD salary schedule for non-bargaining unit employees was developed in 1995 and has not been kept current. When filling a non-union position, it is HCMRDD policy to not recognize seniority greater than 10 years when hiring experienced individuals. There is also an absence of clear guidelines as to what previous experience qualifies an employee start in a higher pay range. These practices are deterrents to experienced individuals who are considering joining the HCMRDD staff.

The Board should develop a compensation program that addresses the pay issues for those positions excluded by the bargaining unit agreements. The compensation program should include policies that will guide management in setting salary ranges and should address how salaries should be established for new employees. Also, positions should be grouped into pay grades where appropriate

The Board has no uniform method for documenting and tracking staff training. Different departments have developed their own processes to track required staff training and there is little coordination between the different departments to offer this training. The trainings are repeatedly offered in each department with only minimal coordination with staff from other areas. The result is an inefficient use of staff training resources. During the course of the audit, HCMRDD has begun centralizing its training activities.

The employment supervisor should be responsible for monitoring and tracking training for all employees and departments. Also, the Board should develop an internal training committee to examine alternative methods to provide training required by multiple departments. This committee should also review the current board policy on all-staff training, would be an addition to the adult services training committee and should be given a charge to review training issues across all departments and make recommendations as to how the organization should plan and implement staff training. The internal training committee can also serve as a

review body to examine current training practices against direct service professionals' training recommendations. Staff should receive a certificate after completing training provided by HCMRDD and copies of those certificates should be forwarded to employment supervisor and placed in the personnel files.

HCMRDD currently does not have a formal, structured training program nor does the Board have a succession plan. Succession planning involved identifying key positions in the organization and potentially qualified candidates for these positions before vacancies occur. The process aids in preparing for employee turnover and provides a means to increase internal mobility. Staff work with their supervisors to develop a training plan to acquire the skills, credentials and experience needed to fill potential positions.

HCMRDD should develop a succession policy and procedures plan. The succession policy and procedure would compliment the HCMRDD's efforts to develop career paths for staff. Completing the plan would also support HCMRDD's policy which encourages staff development activities, provides a solution to addressing some of the needs created by turnover, as well as provides an incentive for staff retention.

HCMRDD employs no centralized tracking of position applications or hiring system. HCMRDD has used a variety of approaches to coordinate the hiring of new employees. The decentralized process resulted in inconsistencies and in an absence of uniformity in hiring methods. A hiring manual provide time lines for the duration of postings, but no clear time frames for interviews, selection, verifying references, etc.

HCMRDD should to take steps to completely centralize the hiring process in the human resources department. All applications and related forms should be received by human resources for initial review and to ensure they are appropriately screened and routed to the appropriate department.

The hiring manual should be revised to reflect the changes made in the hiring process and also to provide detailed criteria and guidelines for completing all the steps in the hiring process. The manual should contain a section on job postings and bidding procedures. A section describing how to screen applications to determine if an individual meets the minimum job qualifications should also be included. Interviews should be arranged through human resources and all correspondence to applicants up to and including the job offer should be completed by human resources.

HRMRDD should revise its pre-employment application form to capture essential information, such as an individual's work history, necessary to determine if an applicant is qualified for the position. If the appropriate information is provided to

human resources, the screening process could be completed in a more efficient manner and the possibility of interviewing unqualified candidates should be minimized. The pre-employment form should assist HCMRDD in selecting the most appropriate candidates for interviews.

The Board currently does not track applications to determine the effectiveness of recruitments efforts and has a vacancy rate that is slightly higher than the peer average. Organizations can deal with vacancy and staff turnover issues by revising their recruitment strategies and encouraging new types of workers to enter the field. This may require a greater investment in targeted recruitment of non-traditional populations and groups, which research has suggested show promise of success in human service work.

HCMRDD should develop a staff recruitment plan that includes outreach to nontraditional populations and groups. The plan should outline how the Board would work with educational and vocational programs along with school-to-work and welfare-to-work initiatives.

HCMRDD should provide job applicants with a realistic job preview. Doing so will help ensure applicants have a clear understanding of all aspects of the job, including both its desirable and undesirable facets. Each applicant should be given a tour of the working area combined with a discussion of any negative health or safety considerations. Providing applicants with a realistic understanding of the job prior to employment could help reduce the number of individuals who accept a position and then leave shortly thereafter.

HCMRDD's overall turnover is higher than the peer average and HCMRDD experiences a higher turnover in new employees. HCMRDD experiences a more frequent loss of new employees than its peers which may indicate that the employees selected did not possess the qualities necessary for success in the positions or that the information provided to them was inadequate to fully explain the work and prepare the employee for the expectations of the positions. The estimated cost to HCMRDD for the vacancies that occurred in one twelve-month period is $94,000.

The Board should measure and track staff tenure, retention, and vacancy data to monitor the condition of its workforce. The Board should also measure the impact of any workforce development interventions taken. HCMRDD should also consider the development of a floating direct service position, where the employee is cross-trained in multiple areas, similar to the position Erie County MRDD is using to help reduce employee turnover. The use of a part-time direct services position could also help HCMRDD reduce its overtime expenditures.

Summary of Financial Implications

Table 1-1 summarizes the performance audit recommendations which contain quantifiable financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 1-1: Financial Implications

Ref. No.	Recommendations	One-Time Cost Implication	Annual Implementation Cost	Annual Cost Saving
R13	Purchase of Timesoft 2000 PRO eClocks, software, training and support for automated payroll.	$7,500	$200	$100,000
R16	FoxPro training for four employees	$398		
R23	Hire 2 TPW FTEs		$50,000	
R23	Reduce TPW overtime			$100,000
R25	Use part-time TPWs		$25,000	
R34	Upgrade employment supervisor position to human resources director		$5,000	
Total		**$7,898**	**$80,200**	**$200,000**

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings and recommendations.

The Auditor of State designed this performance audit with the objective of reviewing three areas: budgeting and finance, payroll, and human resources. Specific objectives of this operational review include the following:

Budgeting and Finance

- Assess current financial condition;
- Assess the local, state and pass-thru funding levels and future changes, particularly the Medicaid funding process and the potential impact of changes at the federal level on county operations; and
- Analyze the budgeting practices and expenditure reporting process.

Payroll

- Evaluate the effectiveness and efficiency of payroll transaction processing and the payroll system;
- Analyze the accuracy and efficiency of attendance, overtime and compensatory time reporting; and
- Assess the methods used to track and compensate leave balances and leave pay-outs.

Human Resources

- Evaluate the agency organizational structure;
- Evaluate the adequacy of the training and staff development program for all employees; and
- Analyze the efficiency and effectiveness of recruitment efforts and hiring practices.

Methodology

To complete the performance audit, the auditors gathered and evaluated a significant amount of data pertaining to HCMRDD, conducted interviews with various individuals associated with HCMRDD and analyzed information for peer county MRDD boards.

Interviews and Discussions

Numerous interviews and discussions were held at many levels and with several individuals entities involved with HCMRDD. Examples of the organizations and individuals interviewed include the following:

- HCMRDD superintendent, supervisors and employees;
- Hancock County Auditor's Office;
- Ohio Department of Mental Retardation and Developmental Disabilities; and the Ohio Department of Administrative Services; and
- Clark, Erie, Jefferson, Licking, Marion, Richland, and Seneca county MRDDs.

Use of Studies, Reports and Other Data

The auditors spent a significant amount of time gathering and reviewing other pertinent documents and information. Examples of the studies, reports and other data sources reviewed include the following:

- Financial statements and annual reports;
- Manuals, procedural policies, and forms;
- Organizational charts and position descriptions;
- House Bill 94; and
- Ohio Association of County Boards of Mental Retardation and Developmental Disabilities publications and documents.

Comparisons with Other County MRDD Boards

Eight county MRDD boards, Clark, Delaware, Erie, Jefferson, Licking, Marion, Richland, and Seneca, were selected to provide benchmark comparisons with HCMRDD. These county MRDD boards were selected based on a number of factors including county demographics, geographic size and location, services provided, and numbers served. Each county MRDD board has its own approach to service delivery and varies in program offerings.

Table 1-2: Comparison of Peer MRDD Boards

County	Hancock	Clark	Delaware	Erie	Jefferson	Licking	Marion	Richland	Seneca
Population (2000 Census)	71,295	144,742	109,989	79,551	73,894	145,491	66,217	128,852	58,683
Per Capita Income (1999)	$28,091	$24,791	$35,042	$28,210	$20,720	$26,891	$22,136	$22,721	$21,695
Size – Square Miles	531.4	400.5	442.5	254.5	409.6	686.5	403.9	497	550.6
Unemployment Rate (June 2002)	3.7	7.8	3.9	4.4	5.7	5.0	5.7	6.5	7.4
Demographic Profile	95% white	88.1% white 8.9% AA	94.2% white 2.5% AA	88.6% white 8.6% AA	92.5% white 5.7% AA	95.6% white 2.1% AA	92.1% white 5.7% AA	88.2% white 9.4% AA	95% white
MR/DD Expenditures (in millions)	$7.3	$17.2	$10.2	$5.0	$8.4	$4.6	$5.2	$17.1	$6.4
Persons Served	318	790	795	370	360	818	306	671	402
Residential Program	Yes	Yes	No	No	Yes	Yes	No	Yes	No
Operates School Program(s)	Yes	EI	Yes	EI/Pre	Yes	EI/Pre/ Sup	Yes	Yes	Yes

The selected peer MRDD boards are similar to HCMRDD in size and population, ranging from a low of 58,683 residents in Seneca County to a high of 145,491 residents in Licking County. Hancock County has the lowest unemployment rate, with 3.7 percent. Three peers operate an Intermediate Care Facility for the Mentally Retarded (ICF/MR), and a subset offer three levels of school based services (early intervention, preschool and school-age). Due to these differences, some peer comparisons only contain select county MRDD boards.

Budgeting and Finance

Background

Hancock County Board of Mental Retardation and Developmental Disabilities (HCMRDD or the Board) receives funding from federal, state and local sources. In FY 2001, HCMRDD received the majority (46.7 percent) of its revenues from the collection of local real estate taxes. Local real estate taxes are assessed by the Hancock County Auditor (County Auditor) based on a five-year, 2.5 mill replacement levy that will expire after FY 2004. The funds are collected by the County Auditor and disbursed to HCMRDD on a semi-annual basis. In addition to local tax receipts, HCMRDD also receives local revenues from its lunch program and the room and board services it provides.

HCMRDD receives federal funding from Medicaid for residential services provided. The Community Alternative Funding System (CAFS) provides funding for targeted case management. In addition, HCMRDD receives federal funds for adult services from Title IV and Title XX. CAFS funding is provided to county boards for services provided to Medicaid-eligible individuals that have not been placed on waivers. Waivers provide county boards the opportunity to receive a federal Medicaid reimbursement for habilitation services provided to Medicaid eligible individuals. In FY 2001, federal Medicaid funding for residential services comprised 30.7 percent of HCMRDD's total revenues. HCMRDD receives funding from the State for education, case management services provided and from the State MRDD Subsidy. In FY 2001, State Foundation Funding for the operation of the Blanchard Valley School (BVS) accounted for 7.1 percent of HCMRDD's total revenues.

Beginning in FY 1999, HCMRDD began work on a major capital renovation plan for the Blanchard Valley Center. Under this plan, HCMRDD replaced the roofs of the campus buildings in FY 1999 and FY 2000. In FY 2001 and FY 2002, a complete overhaul of all three residential facilities was performed. Also in FY 2002, the renovation of BVS was completed. When concluded, total cost of all the renovations will be approximately $1.3 million. Because of HCMRDD's levy structure, the Board is prohibited from borrowing funds for capital improvements on its own, although it could borrow in conjunction with the County. As a result, all funds used for capital improvements have been allocated from the General Fund.

HCMRDD operates on a calendar fiscal year. The HCMRDD business manager is responsible for revenue and expenditure reporting for all HCMRDD departments. Revenues and expenditures are tracked and reported for all HCMRDD departments using an internal Fox Pro system designed for HCMRDD and Excel spreadsheets. In addition, the business manager is responsible for cash disbursements for the payment of invoices and payroll checks. The business manager is assisted by a business clerk who is responsible for accounts payable functions and petty cash disbursements. The business manager also oversees the employment supervisor and two payroll clerks.

The Ohio Waiver System and H.B. 94

Changes in Medicaid law have created an opportunity for MRDDs to serve additional individuals without spending additional local dollars. Ohio H.B. 94 extends these opportunities to local boards. Waivers are granted by the Secretary of Health and Human Services (HHS) and provide federal dollars for activities that were previously funded at the local level. When a county MRDD board fills a waiver slot with an eligible individual that is already receiving services paid for with local and state funds, the county board can receive a federal Medicaid match of approximately 58 percent of the cost of services. Under the waiver system, the individual receives the same level of services; however, the county MRDD board now receives a cost offset of approximately 58 percent of the local funds that were previously used to provide these services.

Although waivers provide a county MRDD board with the ability to generate a significant amount of new federal funding, there are a limited number of waiver slots available. Prior to the passage of H.B. 94, county MRDD boards within Ohio were not provided the opportunity to take advantage of all the available federal funding due to the small number of available waiver slots within the State. In FY 2000, Ohio had approximately 7,300 waivers that were filled and drawing a federal Medicaid match. In contrast, New York, a state with roughly the same state population, had more than 45,000 waivers.

While H.B. 94 will increase the number of waivers available within Ohio, total waiver slots will still be limited by the following factors:

- The number of waivers that HHS has approved for the State;
- The number of approved waivers allotted to a county by the State; and
- The amount of local funding a county board can generate to pledge as a local match for additional waivers.

Legislation contained in H.B. 94 addresses the need to increase federal Medicaid funding to supplement the state and local dollars spent on MRDD services. By redesigning the State's waiver system, H.B. 94 will enable county MRDD boards within Ohio to receive a federal Medicaid match for any program currently being funded solely with state and local dollars. As of June 1, 2002, the redesign of the waiver system had created 2,000 additional Individual Options (I/O) waiver slots. Full implementation of H.B. 94 could produce an additional 4,000 I/O waiver slots within 3 years. These waivers will be used by county MRDD boards to draw additional federal funding, freeing local funding for new services and clients of limited Medicaid eligibility.

Many individuals receive services from local MRDD boards while residing at home. It is expected that as the overall population of the parents and guardians of these individuals advance in age, an increase in the number of individuals requiring residential care from MRDD boards will increase nationwide. In addition, changes made to eligibility requirements by H.B. 94 will further increase MRDD eligible individuals within Ohio. The redesign of the waiver system will provide county MRDD boards with an increased amount of federal funding to offset the rising costs associated with a larger MRDD population.

Historical Financial Data

Table 2-1 displays HCMRDD's actual revenues and annual percentage change in revenues for FY 1998 through FY 2001.

Table 2-1: FY 1998 through FY 2001 Percentage Change in Revenues

	FY 1998	FY 1999	% Change	FY 2000	% Change	FY 2001	% Change
Taxes	$3,000,000	$3,009,000	0.3%	$3,343,000	11.1%	$3,574,000	6.9%
Room and Board	$124,000	$132,000	6.5%	$136,000	3.0%	$143,000	5.1%
Lunch Program	$7,000	$7,000	0.0%	$8,000	14.3%	$8,000	0.0%
Miscellaneous	$146,000	$121,000	(17.1%)	$25,000	(79.3%)	$107,000	328.0%
MR/DD Subsidy	$272,000	$261,000	(4.0%)	$264,000	1.1%	$274,000	3.8%
Case Management	$44,000	$44,000	0.0%	$44,000	0.0%	$58,000	31.8%
Targeted Case Management	$46,000	$83,000	80.4%	$100,000	20.5%	$64,000	(36.0%)
Medicaid (Residential)	$2,156,000	$2,045,000	(5.1%)	$2,219,000	8.5%	$2,380,000	7.3%
Title VI	$11,000	$11,000	0.0%	$16,000	45.5%	$13,000	(18.8%)
Family Resources	$38,000	$41,000	7.9%	$0	(100.0%)	$0	N/A
Waiver Administration	$0	$0	N/A	$0	N/A	$15,000	N/A
Title VI	$26,000	$30,000	15.4%	$31,000	3.3%	$9,000	(71.0%)
Title XX	$82,000	$39,000	(52.4%)	$42,000	7.7%	$45,000	7.1%
CAFS	$274,000	$319,000	16.4%	$280,000	(12.2%)	$421,000	50.4%
Department of Education	$927,000	$608,000	(34.4%)	$596,000	(2.0%)	$544,000	(8.7%)
Non-Revenue Receipts	$0	$0	N/A	$10,000	N/A	$0	(100.0%)
Total Revenues	**$7,153,000**	**$6,750,000**	**(5.6%)**	**$7,114,000**	**5.40%**	**$7,655,000**	**7.6%**

Source: HCMRDD FY 2001 Expense Projection Report

HCMRDD experienced a decline in total revenues from FY 1998 to FY 1999 primarily due to a sharp decline in State education funding. In FY 1999, State Foundation revenues decreased 34.4 percent from the previous year. According to HCMRDD, in FY 1999, at least 10 individuals were not reported to ODE in HCMRDD's average daily membership (ADM) count. One factor that may have led to the erroneous ADM count by HCMRDD was a change in enrollment reporting by county MRDD boards that took effect in FY 1999.

The ADM reporting error in FY 1999 was not discovered in time to correct the reported ADM count. Because State Foundation revenues are paid on a per-pupil basis, this negatively impacted

HCMRDD's total State education funding for FY 1999. In addition, HCMRDD received an overpayment from ODE for FY 1998 Foundation payments. Overpayments totaling $198,000 were received for HCMRDD's preschool unit funding and for transportation services. This overpayment, coupled with the erroneous ADM report, decreased HCMRDD's FY 1999 Foundation payments by $319,000.

State Foundation revenues continued to decline in FY 2000 (2 percent) and FY 2001 (8.7 percent) due to a shift in the demographic make-up of BVS. Beginning in FY 2000, HCMRDD experienced an increase in special education students that reside in the Findlay City School District (FCSD) and a decrease in the number of students from other surrounding districts. Because State Foundation Funding is primarily based on the amount of local funding a school district generates, districts that generate a significant level of local tax revenues receive a lower amount of per pupil funding from the State than districts that have a smaller tax revenue base. As a result, HCMRDD receives less State funding for pupils that reside in FCSD and attend BVS, than students in the surrounding, rural districts that also attend BVS. In FY 2000 and FY 2001, an increase in students from FCSD coupled with a decease in students from other districts caused HCMRDD State Foundation revenues to decrease.

In FY 2000, HCMRDD was able to offset the continued decline in State Foundation revenues with an increase in property taxes. FY 2000 tax revenues increased 11.1 percent due to the assessment of a new 2.5 mill tax levy. In addition, Medicaid revenues for residential services increased 8.5 percent in FY 2000.

In FY 2001, State Foundation revenues decreased an additional 8.7 percent though total revenues increased 7.6 percent. FY 2001 revenues increased primarily due to a $231,000 increase in local tax revenues. Also in FY 2001, revenues from CAFS increased 50.4 percent ($141,000) and miscellaneous revenues, primarily reimbursements from CAFS, increased $82,000.

Table 2-2 displays HCMRDD's annual expenditures and the corresponding percentage changes for FY 1998 through FY 2001.

Table 2-2: FY 1998 through FY 2001 Percentage Change in Expenditures

	FY 1998	FY 1999	% Change	FY 2000	% Change	FY 2001	% Change
Salaries	$3,945,000	$4,108,000	4.1%	$4,251,000	3.5%	$4,569,000	7.5%
Supplies	$169,000	$164,000	(3.0%)	$158,000	(3.7%)	$172,000	8.9%
Materials	$47,000	$52,000	10.6%	$70,000	34.6%	$70,000	0.0%
Equipment	$55,000	$162,000	194.5%	$35,000	(78.4%)	$40,000	14.3%
Repairs	$50,000	$23,000	(54.0%)	$45,000	95.7%	$44,000	(2.2%)
Services	$1,139,000	$1,175,000	3.2%	$1,075,000	(8.5%)	$1,187,000	10.4%
Grants	$102,000	$105,000	2.9%	$68,000	(35.2)%	$65,000	(4.4%)
Advertising/Printing	$2,000	$2,000	0.0%	$3,000	50.0%	$4,000	33.3%
Travel	$34,000	$41,000	20.6%	$34,000	(17.1%)	$36,000	5.9%
PERS/STRS	$555,000	$593,000	6.8%	$568,000	(4.2%)	$582,000	2.5%
Worker's Compensation	$26,000	$105,000	303.8%	$23,000	(78.1%)	$81,000	252.2%
Unemployment	$1,000	$0	(100.0%)	$0	N/A	$2,000	N/A
Medicare	$48,000	$50,000	4.2%	$54,000	8.0%	$59,000	9.3%
Contingency/Transfers	$15,000	$213,000	1320.0%	$539,000	153.1%	$838,000	55.5%
Operating Expenses	**$6,188,000**	**$6,793,000**	**9.8%**	**$6,923,000**	**1.9%**	**$7,747,000**	**11.9%**

Source: HCMRDD FY 2001 Expense Projection Report

As shown in **Table 2-2** HCMRDD's expenditures increased significantly (9.8 percent) in FY 1999. A substantial capital improvements plan, which began in FY 1999, has been the primary factor in HCMRDD's rising expenditures. All funds used for capital improvements must be transferred out of the General Fund into the Capital Improvements Fund at the beginning of the fiscal year. Transferred funds that are not used on capital improvements cannot be transferred back into the General Fund. All expenditures for capital improvements are represented in **Table 2-2** in the contingency/transfers line item. Contingency/transfers have increased over $800,000 from FY 1998 to FY 2001. In addition, capital expenditures for equipment increased 194.5 percent in FY 1999 because of the purchase of a new bus. Expenditures for workers' compensation also increased approximately 300 percent, in FY 1999.

HCMRDD expenditures did not increase significantly in FY 2000. HCMRDD experienced a significant decline in most expenditure line items. However, capital improvement expenditures (contingency/transfers) increased 153.1 percent. In addition, expenditures for salaries increased $143,000 (3.5 percent).

HCMRDD's total expenditures significantly increased (11.9 percent) in FY 2001 due to an increase in capital expenditures and an additional increase in salary expenditures. Capital improvements expenditures increased $299,000 (55.5 percent) from FY 2000 to FY 2001. From FY 1998 to FY 2001, expenditures for capital improvements increased, on average, approximately 280 percent, or $275,000, per year. In addition, expenditures for salaries continued to rise steadily, increasing an additional 7.5 percent in FY 2001 with the filling of several vacant positions.

Table 2-3 displays HCMRDD's annual General Fund cash balance for FY 1998 through FY 2001.

Table 2-3: General Fund Ending Cash Balance FY 1998 through FY 2001

	FY 1998	FY 1999	% Change	FY 2000	% Change	FY 2001	% Change
Beginning Cash Balance	$1,360,000	$2,325,000	71.0%	$2,282,000	(2.0%)	$2,473,000	8.0%
Total Revenue	$7,153,000	$6,750,000	(6.0%)	$7,114,000	5.0%	$7,655,000	8.0%
Operating Expenses	$6,188,000	$6,793,000	10.0%	$6,923,000	2.0%	$7,747,000	12.0%
Operating Income	$965,000	($43,000)	(104.0%)	$191,000	544.0%	($92,000)	(148.0%)
Ending Cash Balance	**$2,325,000**	**$2,282,000**	**(2.0%)**	**$2,473,000**	**8.0%**	**$2,381,000**	**(4.0%)**
Ending Cash Balance/Operating Expenses	**37.6%**	**33.6%**	**N/A**	**35.7%**	**N/A**	**30.7%**	**N/A**

Source: HCMRDD FY 2001 Expense Projection Report

HCMRDD must maintain a substantial General Fund cash balance to operate without borrowing funds to cover operating expenditures. HCMRDD's revenue flow is not constant and the Board receives the bulk of its revenue disbursements from the County Auditor on a semi-annual basis. Although HCMRDD's revenue stream is not constant, the Board incurs expenses that are due on an on-going basis. As a result, HCMRDD must maintain a positive cash balance to pay all expenditures that arise between revenue disbursements. It should be noted that the cash balances displayed in **Table 2-3** are presented as the cash balance at a single point-in-time and should not be used to formulate an accurate portrayal of HCMRDD's financial health.

As displayed in **Table 2-3**, HCMRDD's ending cash balances have remained constant from FY 1998 to FY 2001. However, expenditures have increased significantly in this same time period. As a result, HCMRDD's cash balances as a percentage of total expenditures have declined from FY 1998 to FY 2001. Furthermore, operating income has declined from $965,000 in FY 1998, to a net operating loss of $92,000 in FY 2001. HCMRDD experienced net operating losses in two of the four years displayed in **Table 2-3**.

Table 2-4 displays HCMRDD revenues as a percentage of total revenues for FY 1998 through FY 2001.

Table 2-4: HCMRDD Revenues Line-Items Displayed as a Percentage of Total

	FY 1998		FY 1999		FY 2000		FY 2001	
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
Taxes	$3,000,000	42.0%	$3,009,000	44.6%	$3,343,000	47.0%	$3,574,000	46.7%
Room and Board	$124,000	1.7%	$132,000	2.0%	$136,000	1.9%	$143,000	1.9%
Lunch Program	$7,000	0.1%	$7,000	0.1%	$8,000	0.1%	$8,000	0.1%
Miscellaneous	$146,000	2.0%	$121,000	1.8%	$25,000	0.4%	$107,000	1.4%
MR/DD Subsidy	$272,000	3.8%	$261,000	3.9%	$264,000	3.7%	$274,000	3.6%
Case Management	$44,000	0.6%	$44,000	0.7%	$44,000	0.6%	$58,000	0.8%
Targeted Case Management	$46,000	0.6%	$83,000	1.2%	$100,000	1.4%	$64,000	0.8%
Medicaid	$2,156,000	30.1%	$2,045,000	30.3%	$2,219,000	31.2%	$2,380,000	31.1%
Title VI	$11,000	0.2%	$11,000	0.2%	$16,000	0.2%	$13,000	0.1%
Family Resources	$38,000	0.5%	$41,000	0.6%	$0	0.0%	$0	0.0%
Waiver Administration	$0	0.0%	$0	0.0%	$0	0.0%	$15,000	0.2%
Title VI	$26,000	0.4%	$30,000	0.4%	$31,000	0.4%	$9,000	0.1%
Title XX	$82,000	1.1%	$39,000	0.6%	$42,000	0.6%	$45,000	0.6%
CAFS	$274,000	3.8%	$319,000	4.7%	$280,000	3.9%	$421,000	5.5%
Department of Education	$927,000	13.1%	$608,000	9.0%	$596,000	8.4%	$544,000	7.1%
Non-Revenue Receipts	$0	0.0%	$0	0.0%	$10,000	0.1%	$0	0.0%
Total Revenue	**$7,153,000**	**100.0%**	**$6,750,000**	**100.0%**	**$7,114,000**	**100.0%**	**$7,655,000**	**100.0%**

Source: HCMRDD FY 2001 Expense Projection Report

Table 2-4, displays the effect of declining State Foundation payments on HCMRDD's total revenues. In FY 1998, State Foundation funding accounted for 13.2 percent of HCMRDD's total revenues. After the significant decline in education funding, State Foundation revenues accounted for only 7.1 percent of total revenues in FY 2001. The decline in State education funding has placed more emphasis on HCMRDD's ability to generate revenue from local property taxes. In FY 2001, local tax revenues accounted for 46.7 percent of total revenues, compared to 42.7 percent of total revenues in FY 1998. **Table 2-4** also shows the importance of local tax revenues on the operating ability of HCMRDD. Without local tax revenues, HCMRDD would be unable to cover operating expenses. Furthermore, H.B. 94 will place added importance on HCMRDD's ability to generate local tax revenues. Without local tax revenues, the Board will not be able to pursue the opportunity to draw additional federal funding, which requires a local match of 42 percent.

Table 2-5 displays HCMRDD's expenditure line-items displayed as a percentage of total expenditures.

Table 2-5: HCMRDD Expenditure Line-Items as a Percentage of Total Expenditures

	FY 1998		FY 1999		FY 2000		FY 2001	
	Expenditures	% of Total	Expenditures	% of Total	Expenditures	% of Total	Expenditures	% of Total
Salaries	$3,945,000	63.8%	$4,108,000	60.5%	$4,251,000	61.4%	$4,569,000	59.0%
Supplies	$169,000	2.7%	$164,000	2.4%	$158,000	2.3%	$172,000	2.2%
Materials	$47,000	0.8%	$52,000	0.8%	$70,000	1.0%	$70,000	0.9%
Equipment	$55,000	0.9%	$162,000	2.4%	$35,000	0.5%	$40,000	0.5%
Repairs	$50,000	0.8%	$23,000	0.3%	$45,000	0.7%	$44,000	0.6%
Services	$1,139,000	18.4%	$1,175,000	17.3%	$1,075,000	15.5%	$1,187,000	15.3%
Grants	$102,000	1.6%	$105,000	1.5%	$68,000	1.0%	$65,000	0.8%
Advertising/ Printing	$2,000	0.1%	$2,000	0.1%	$3,000	0.1%	$4,000	0.1%
Travel	$34,000	0.5%	$41,000	0.6%	$34,000	0.5%	$36,000	0.5%
PERS/STRS	$555,000	9.0%	$593,000	8.7%	$568,000	8.2%	$582,000	7.4%
Worker's Comp.	$26,000	0.4%	$105,000	1.5%	$23,000	0.3%	$81,000	1.0%
Unemployment	$1,000	0.1%	$0	0.0%	$0	0.0%	$2,000	0.1%
Medicare	$48,000	0.8%	$50,000	0.7%	$54,000	0.8%	$59,000	0.8%
Contingency/ Transfers	$15,000	0.2%	$213,000	3.1%	$539,000	7.8%	$838,000	10.8%
Total Expenses	**$6,188,000**	**100.0%**	**$6,793,000**	**100.0%**	**$6,923,000**	**100.0%**	**$7,747,000**	**100.0%**

Source: HCMRDD FY 2001 Expense Projection Report

Table 2-5 shows the impact of HCMRDD's capital improvement plan on its total expenditures. Capital improvements, contained in the contingency/transfers line item, have accounted for a significant portion of HCMRDD's total expenses. Primary capital improvements were completed in FY 1999 and accounted for 3.1 percent of total expenditures. Renovations on the residential housing facilities began in FY 2001 and represent 10.8 percent of total expenditures. The increased expenditures on capital improvements create the appearance that total salary expenses have declined. However, from FY 1998 to FY 2001, salary expenditures have increased steadily. In FY 1998, salaries represented 63.8 percent of total expenditures. If the capital expenditures for FY 1999 through FY 2001 are excluded from the analysis, salary expenditures would account for approximately 65 percent of total expenditures.

Peer Comparison

Table 2-6 displays HCMRDD's total revenues and expenditures in comparison to selected peer county MRDD boards. Revenue and expenditure data is displayed as a percentage of that board's total revenues and expenditures.

Table 2-6: FY 2000 Revenue by Source and Expenditure by Object

	Hancock	Erie	Jefferson	Seneca	Peer Avg.
Total Individuals Served	331.6	358.0	369.0	399.6	375.5
Revenues					
Local	49.0%	84.4%	49.2%	48.7%	60.8%
State	14.1%	7.0%	16.9%	32.9%	18.9%
Federal	36.4%	6.9%	33.0%	18.4%	19.4%
Other	0.5%	1.7%	0.9%	0.0%	0.9%
Total Revenues	**$7,114,727**	**$4,412,016**	**$7,604,750**	**$4,704,874**	**$5,573,880**
Expenses					
Salaries	61.4%	51.1%	53.7%	58.8%	54.5%
Supplies	2.3%	2.3%	3.6%	2.5%	2.8%
Materials	1.0%	0.0%	0.0%	0.0%	0.0%
Equipment	0.5%	2.1%	0.5%	2.0%	1.5%
Repairs	0.7%	0.4%	2.4%	1.4%	1.4%
Services	15.5%	35.1%	20.7%	19.4%	25.1%
Grants	1.0%	0.0%	0.0%	0.0%	0.0%
Advertising/Printing	0.1%	0.1%	0.1%	0.0%	0.1%
Travel	0.5%	0.7%	0.6%	0.5%	0.6%
PERS/STRS	8.2%	6.1%	11.6%	7.3%	8.3%
Worker's Compensation	0.3%	0.2%	1.3%	0.2%	0.6%
Unemployment	0.0%	0.0%	0.0%	0.0%	0.0%
Medicare	0.8%	0.5%	0.0%	0.5%	0.3%
Contingency/Transfers	7.8%	0.0%	3.4%	6.0%	3.1%
Other	0.0%	1.4%	2.1%	1.4%	1.6%
Total Operating Expenses	**$6,923,488**	**$4,621,468**	**$7,605,862**	**$5,592,878**	**$5,940,069**

Source: HCMRDD and peer board business managers and ODMRDD FY 2000 Report 4602

As displayed in **Table 2-6**, HCMRDD and Jefferson County, the only county MRDD boards in the table that operate Intermediate Care Facilities for the Mentally Retarded (ICFMRs), have similar revenue structures. In addition, **Table 2-6** displays the importance of local revenues, as HCMRDD and the peer MRDD boards generate the majority of their revenues from local sources. Although it appears HCMRDD receives a lower percentage of its revenue from local sources when compared to the peer average, it should be noted that Erie County had disproportionate percentage of local revenues. The higher percentage of revenues received by Erie County was the result of Erie County reporting no CAFS funding in FY 2000. However, HCMRDD's percentage of revenue from federal sources was almost double the peer average and significantly higher than any other peer board. Fluctuations in State Foundation revenues for education have caused HCMRDD to rely more on local and federal funding sources as displayed by HCMRDD's percentage of state revenues being below the peer average. This is a result of the current state funding formula which provides a smaller state foundation subsidy for special education for the wealthier districts in Hancock County. In some years, HCMRDD serves a larger number of children from high wealth Hancock County districts.

Table 2-6 also displays that HCMRDD's percentage of salary expenditures was 12.6 percent higher than the peer average and the highest among the peer boards; however, as presented in the **Human Resources** section of this report, HCMRDD's staffing levels and salary structure compare favorably to the peer boards. Thus, the high percentage of salary expenditures presented in **Table 2-6** is not caused by high salaries or overstaffing. Rather, it is caused by a portion of HCMRDD's employee benefits being reported in the salaries line item, in addition to a high level of overtime payments. As presented in the **Payroll** section of this report, payments for employee overtime composed a large portion of HCMRDD's total salary expenditures. In contrast, HCMRDD's percentage of expenditures for services such as employee medical, dental and life insurance, as well as expenditures for contracted services and therapy services, were the lowest among the peer boards and 38 percent lower than the peer average. In addition, the contingency/transfers line item was the highest among the peer boards, reflecting HCMRDD's on-going capital improvement plan.

Tables 2-7, 2-8 and **2-9** compare HCMRDD's costs for selected programs to the program costs of the peer county boards. Information cited is from the Ohio Association of County Boards of Mental Retardation and Developmental Disabilities (OACBMRDD) FY 2000 Expense Report. Each county MRDD board independently submitted its expenditure data to OACMRDD. As a result, reporting practices may not be uniform for all county MRDD boards. **Table 2-7** displays expenditures per individual enrolled in HCMRDD and the peer county MRDD boards' children's programs.

Table 2-7: HCMRDD and Peer Board School Expenditures per Individual

	Early Intervention		Pre-School		School-Age	
	ADM	**Cost per Individual**	**ADM**	**Cost per Individual**	**ADM**	**Cost per Individual**
Hancock	94.0	$5,621	24.0	$18,279	31.0	$22,808
Clark	105.0	$5,118	17.0	$46,084	23.0	$21,616
Erie	41.0	$8,544	37.0	$21,195	N/A	N/A
Jefferson	17.0	$9,792	13.0	$30,558	56.0	$27,053
Licking	105.4	$9,751	49.0	$13,789	23.6	$14,881
Marion	42.4	$5,947	30.0	$17,606	19.0	$36,690
Richland	77.0	$13,968	96.0	$15,669	50.0	$17,356
Seneca	73.0	$6,786	6.0	$22,932	52.6	$27,091
Peer Average	**65.8**	**$8,558**	**35.4**	**$23,976**	**37.4**	**$24,115**

Source: FY 2000 ODMRDD Report 4602 and OACBMRDD FY 2000 Expense Report

Table 2-7 shows that in FY 2000, HCMRDD's early intervention (E/I) and school program expenditures per individual served were lower than the peer average. HCMRDD's E/I expenditures per individual were approximately 34.3 percent lower than the peer average, though E/I costs are largely determined by the needs of the individuals served. In addition, there is no minimum standard for staffing levels in this program. It is the responsibility of each individual county MRDD board to determine the level of E/I staffing.

Pre-school and school-age costs are largely dependent on the level of enrollment. Pre-school and school-age programs have a maximum student-teacher staffing ratio of 8-to-1. In FY 2000, HCMRDD's pre-school ADM was 24 students, which required a minimum of three teachers. **Table 2-8** displays HCMRDD and peer MRDD board expenditures per individual served in the adult program and waiver administration.

Table 2-8: HCMRDD and Peer Board Program Expenditures per Individual Served

	Adult Program		Case Management		Waiver Administration	
	ADM	Cost per Individual	ADM	Cost per Individual	ADM	Cost per Individual
Hancock	175.0	$12,324	196.0	$1,933	13.0	$1,960
Jefferson	223.0	$14,174	60.0	$5,995	55.0	N/A
Licking	481.0	$8,243	139.6	$7,816	82.0	$982
Richland	335.0	$12,828	146.0	$2,313	82.0	$1,353
Peer Avg.	**346.3**	**$11,748**	**115.2**	**$5,375**	**73.0**	**$1,181**

Source: FY 2000 ODMRDD Report 4602, OACBMRDD FY 2000 Expense Report and information obtained from ODMRDD
Note: Data provided by ODMRDD is unaudited

As presented in **Table 2-8**, HCMRDD's adult program costs were 4.9 percent higher than the peer average. Adult services costs are largely dependent on what services the county MRDD board provides. Historically, HCMRDD's adult program has been limited to providing facility-based services to individuals in Hancock County. Facility-based services are services provided at the Blanchard Valley Center. HCMRDD will attempt to shift future services provided by the adult service program to a community-based service program. Under a community-based service program, HCMRDD will increase the amount of adult services provided to an individual in their home. HCMRDD's cost per enrollee represents the total costs for the adult services programs as well as the associated transportation costs.

Case management program costs are largely determined by the level of funding a county MRDD board receives. For FY 2000, HCMRDD's case management expenditures per individual served were significantly lower than the peer average. All county MRDD board case management departments have requirements as to what services must be provided, however, previous to H.B. 94 there were no guidelines as to the number of case managers that must be employed and no limit on the size of case loads. As a result, caseloads for HCMRDD historically averaged from 30 to 63 individuals per case manager. H.B. 94 now limits the case load to 25 individuals.

Waiver administration costs represent costs incurred by county MRDD boards to process and maintain waivers. In FY 2000, HCMRDD's waiver administration costs were 66.0 percent higher than the peer average, however, only two peer boards reported expenditures for waiver administration. In FY 2000, HCMRDD had one full-time staff member devoted to waiver administration. As a result, the total costs associated with the employment of this individual are included in HCMRDD's waiver administration costs. Although devoting one full-time employee to waiver administration may appear to drive up HCMRDD's waiver administration costs, the Board was able to receive a higher level of reimbursement, which is not shown in **Table 2-8.**

Table 2-9 displays expenditures per licensed bed for HCMRDD and county MRDD board peers that operate ICFMR. An ICFMR is a Medicaid funded residential facility that provides health related care to people who do not require hospital care, but do need help because of their mental or physical condition.

Table 2-9: HCMRDD and Peer Board ICFMR Expenditures per Bed

County	Available Beds	Cost per Bed
Hancock	32	$71,067
Clark	96	$86,550
Jefferson	33	$60,325
Richland	48	$122,427
Peer Average	**59**	**$89,767**

Source: HCMRDD and peer board administrators and OACBMRDD FY 2000 Report

As displayed in **Table 2-9**, HCMRDD's cost per licensed bed is 20.8 percent lower than the peer average. As described in the **Human Resources section** of this report, county ICFMR's have traditionally experienced a disproportionate level of employee turnover when compared to other departments within county MRDD boards. Having a high level of employee turnover within a department will significantly increase the operating costs, as a result of increased hiring and training expenditures, coupled with a decrease in productivity due to a lack of experience. A county MRDD board with a higher number of licensed beds will subsequently need to employ more direct service providers for the ICFMR, which will create greater opportunity for employee turnover within this department.

Of the three peer boards, Richland County MRDD had the highest level of employee turnover. Richland County's cost per bed was significantly higher than any peer board represented in **Table 2-9.** Richland County recently increased pay and offered performance bonuses in an effort to retain employees. As displayed in the table, Hancock and Jefferson, the county MRDD boards with the lowest number of licensed beds, also have the lowest cost per bed. Although Clark County had a low level of employee turnover, it had the highest level of employee experience. As a result, Clark County's cost per bed was higher due to higher salaries paid to its experienced ICFMR direct service providers. Clark County was able to avoid a high level of employee turnover by providing full medical benefits at no cost to ICFMR employees. In addition, Clark County provides potential employees the opportunity to observe the tasks the position requires before acceptance.

Findings and Recommendations

A. Effect of H.B. 94 on HCMRDD

Prior to the passage of H.B. 94 in 2001, Ohio had a low number of waiver slots compared to those available in other states. Legislation contained in H.B. 94 redesigns the waiver system in Ohio to increase federal Medicaid revenues received by increasing the number of waiver slots available to individuals throughout the State. One focal point of the planned redesign is to maximize local funding to draw additional federal Medicaid dollars. In an attempt to increase the total available waiver slots within Ohio, the State's waiver system will be redesigned into a three-level system of waivers with each level providing additional funding. **Table 2-10** provides a summary of the planned waiver system redesign.

Table 2-10: Waiver Summary

Level One	**Basic Support Waiver** – Statewide, 6,000 new individuals will be enrolled over 3 years based on the information contained in the county MRDD plans. To be eligible for a Level One waiver, the individual must require an ICFMR level of care and must live in his own home or a facility other than an ICFMR.	Waiver reimbursement cannot exceed $5,000 annually.
Level Two	**Moderate Needs Waiver** – Statewide, 20,000 new individuals will be enrolled over a 5 year period based on information contained in the county MRDD plans. To be eligible for a Level Two waiver, the individual must require an ICFMR level of care and must live in his own home or in a facility other than an ICFMR and have moderate needs.	Waiver will provide $5,000-$72,000 per individual.
Level Three	**Extended Support Waiver** – Statewide, 900 new individuals will be enrolled, over a 3 year period based on the information contained in the county MRDD plans. To be eligible, the individual must require an ICFMR level of care, must live in his own home or a facility other than an ICFMR and must have intensive needs that create higher costs.	Waiver will provide $72,000-$125,000 per individual. The amount is based on the average cost of State institutional care ($107,000 annually).

Source: Ohio Department of MRDD

County Plans

In an effort to determine how many additional waiver slots can be funded by county MRDD boards, ORC § 5126.054 requires that each county MRDD board submit an annual 3 year county plan. The plan should include:

- An assessment of the individuals who are currently unserved through Medicaid waivers, and a projection of service needs and cost as well as the funding source to be used to pay for the nonfederal share of Medicaid expenses.

- A plan for the recruitment, training and retention of existing and direct care staff necessary to implement services.

- A plan for the implementation of a habilitation center, case management and home and community based waiver services.

- An explanation of how the local infrastructure capacity contained in the third part of the plan will be addressed with monies received through the refinancing of adult services and supported living.

From the initial submission of the county MRDD plans, the State determined how many additional waivers could be funded by county MRDD boards. However, any additional waivers created by the State must be approved by the United States Secretary of Health and Human Services (Secretary). As of June 1, 2002, the State has received approval for 2,000 new waiver slots. Pursuant to ORC §5126.054, if the Secretary approves at least 500 more waiver slots for home and community based services than the previous year, each county MRDD board must provide to ODMRDD an assurance that the county MRDD board will have available the revenues necessary to pay the nonfederal share of the services that the board is required to pay to fund these waivers. **Table 2-11** illustrates the required county MRDD board local match as outlined in ORC §5126.054.

Table 2-11: Required County Board Funding

Year	Required Local Match
FY 2002	If, by December 31, 2001, the Secretary approves at least 500 more waiver slots than were available for 2001, each county MRDD board shall provide to ODMRDD an assurance that the county MRDD board will have for 2002 at least one-third of the value of one-half effective millage levied on the preceding year's local property valuations.
FY 2003	If, by December 31, 2002, the Secretary approves at least 500 more waiver slots than were available for 2002, each county MRDD board shall provide to ODMRDD an assurance that the county MRDD board will have for 2003 at least two-thirds of the value of one-half effective millage levied on the preceding year's local property valuations.
FY 2004	If, by December 31, 2003, the Secretary approves at least 500 more waiver slots than were available for 2003, each county MRDD board shall provide to ODMRDD an assurance that the county MRDD board will have for 2004 the value of one-half effective millage levied on the preceding year's local property valuations.

Source: ORC § 5126.054

As of July 2002, ODMRDD has not implemented ORC §5126.054 and currently has no plans for its implementation. ODMRDD stated that each potential implementation plan has contained substantial drawbacks, and was unable to estimate when ORC §5126.054 would be implemented.

Although not yet implemented, **Table 2-12** displays a projection of HCMRDD's required funding based on the requirements outlined in ORC §5126.054.

Table 2-12: HCMRDD Required Funding Projections

Year	Valuation Year	Projected Valuation	Required Millage	Required Local Match[1]
FY 2002	2001	$1,387,881,000	0.1665	$231,000
FY 2003	2002	$1,489,523,000	0.3333	$497,000
FY 2004	2003	$1,523,783,000	0.5000	$762,000

Source: ORC § 5126.054
1 Required revenues based on HCMRDD using maximum number of waivers allotted

Table 2-12 illustrates the funding that HCMRDD would have been required to pledge as a local match in FY 2002 had ORC §5126.054 been implemented, as well as HCMRDD's required local match for FY 2003 and FY 2004. In FY 2002, HCMRDD would have been required to provide ODMRDD with an assurance that the Board had at least $231,000 in local revenues to pledge as its local match in order to receive any additional waivers. Assuming that ORC §5126.054 is implemented prior to FY 2003, and, based on projected property valuations for Hancock County, HCMRDD will have to have at least $497,000 in local revenues available to pay the nonfederal share of the Board's expenses in FY 2003 in order to receive any additional waivers. For FY 2004, this amount is projected to be at least $762,000 in local revenues. However, the revenue requirements contained in **Table 2-12** are contingent upon ODMRDD implementing ORC §5126.054 and are based on current interpretations of the statute.

In addition to outlining the total revenues a county MRDD board must have to receive any additional waivers, ORC §5126.054 also requires that each county MRDD board adopt a resolution specifying the amount of funds it will use in the next year to pay for the nonfederal share of the services that the county MRDD board is required to provide as a local match. This resolution must contain an amount of funding that will be adequate to assure that the services will be available in the county in a manner that conforms to all applicable laws. The resolution must also state that the payment of the nonfederal share represents an ongoing financial commitment by the county MRDD board. The adopted resolution must be submitted to the county auditor, at which time the county auditor will determine whether the amount of funds the county MRDD board has specified will be available in the following year. ODMRDD was unable to indicate what would happen if an MRDD does not have funds available. Resolution of this issue is the principal cause of ODMRDD's delay in implementing the measure.

Refinancing

Initially, H.B. 94 will enable county MRDD boards to receive additional federal funding through the process of refinancing individual clients. Refinancing will be possible due to significant changes made to ORC §5126.042 which governs waiting lists. Prior to H.B. 94, individuals placed on waiting lists were served on a first come, first served basis. Using this method, individuals who were waiver eligible could not be placed on a waiver, due to their position on the waiting list. The practice of first come, first served has been suspended to enable county MRDD boards to maximize the number of individuals who are placed on waivers. Through a targeted waiver process, a county MRDD board will be able to place any eligible individual on a waiver, regardless of their position on the waiting list, provided that county has an open waiver slot. The revised process will increase the amount of federal Medicaid revenues received by county MRDD boards. By moving as many individuals onto waivers as possible, the county MRDD board can maximize the amount of federal Medicaid revenue received; however, a county MRDD board can only use the number of waiver slots allotted to it by the State.

MRDD boards provide habilitation services to clients for training in life skills that allow the individuals to live in the least restrictive environment possible. County MRDD boards cannot receive a federal Medicaid match for habilitation services unless the individual is on a waiver. After a person is enrolled onto a waiver, the State bills for Medicaid reimbursement for the habilitation services currently being provided to the individual using state and local funds. The federal revenue received reduces the amount of local and state funds necessary to provide habilitation services to the individual on the waiver, and those funds can be used as a match for waiver services for an additional individual or to fund non-waiver habilitation services.

In FY 2002, the State received 2,000 new waiver slots from the Federal government, which were allotted to county MRDD boards based on the demographic make-up of the county and information contained in the county plans. From this information, HCMRDD was allotted five new waiver slots from the State. **Table 2-13** provides an example of the actual waiver cost avoidance that was achieved by HCMRDD using a targeted waiver process. The costs were determined based on HCMRDD's FY 2002 average adult service costs.

Table 2-13: HCMRDD Cost Avoidance from Refinancing for FY 2002

Average Local Costs for an Individual Not on Waiver		**Average Local Costs After Placing an Individual on an I/O Waiver**	
Adult Services	$21,500	Adult Services	$21,500
Total Local Costs	$21,500	Total Local Costs	$9,000
Total Federal Match	$0	Total Federal Match	$12,500
Total Cost Avoidance	**$0**	**Total Cost Avoidance**	**$12,500**

Source: HCMRDD Case Management Director and Ohio Association of County Boards of MRDD

As presented in **Table 2-13**, HCMRDD received an average cost avoidance of $12,500 per individual placed on one of the additional I/O waivers provided by the State. In total, refinancing provided HCMRDD with approximately $60,000 that the Board was able to reallocate through the utilization of the five additional waivers. Based on FY 2002 expenditures, HCMRDD's cost to place an additional individual on a waiver was approximately $40,000. Therefore, the $60,000 cost avoidance produced by placing 5 individuals on new waivers can be used to fund an additional 1.5 waivers in 2003. As stated above, however, HCMRDD can only place individuals in waiver slots allotted to the Board by the State.

In FY 2002, HCMRDD estimated that if unlimited waiver slots were available, local revenues would have enabled the Board to fund a total of 25 additional waiver slots. Five of the estimated 25 waivers were allotted to and filled by HCMRDD in FY 2001. If 20 additional waivers were made available to HCMRDD, the Board could potentially generate a $240,000 Federal Medicaid match, based on FY 2002 expenditure levels provided by the HCMRDD case management director. Additional Medicaid funds received would free local funding which would allow HCMRDD to expand habilitation services. However, delays in the implementation of the waiver redesign and the limited number of waiver slots approved to date have prevented HCMRDD from generating this amount of additional Medicaid revenues. For FY 2003, HCMRDD estimates that five additional I/O Waiver slots may be allocated to the Board by the State.

Recommendation 1-3:

1. **HCMRDD should attempt to maximize the level of local funds that the Board generates. The redesign of the waiver system within the State has created the opportunity for county MRDD boards to expand the level of services provided to individuals through an increase in available federal funding. However, increased federal revenues will only be available to those county MRDD boards that can generate sufficient local revenues. HCMRDD will be unable to fully benefit from the waiver redesign without maximizing local revenues. A majority of HCMRDD's local revenues are generated from a tax levy that expires in FY 2004. See Recommendation 7 for information on which levy structure would maximize local revenues should HCMRDD seek the approval of a levy.**

2. **HCMRDD should petition the Ohio Department of Mental Retardation and Developmental Disabilities (ODMRDD) for the allocation of the twenty additional waiver slots that the Board could fund. However, there has historically been delays in the approval by HHS of any new waivers for the State. Therefore, it may be necessary for ODMRDD to identify the total number of waivers needed by county boards within the State and petition HHS for the approval of these waivers.**

3. **HCRMDD should develop a policy that governs the reallocation of additional federal funds that will be available to the Board as a result of an increase in individuals placed on waivers. HCMRDD has stated that these funds will be pledged as a local match for additional waivers, however, this will generate additional expenses. A policy should be developed which provides guidelines on how additional funds will be reallocated to ensure that HCMRDD can cover additional expenditures that will arise as a result of an expansion in services provided.**

B. Medicaid Reserve Fund

While H.B. 94 will increase the level of habilitation services that county MRDD boards can provide through the expansion of waiver slots, it will also place greater responsibility on the county MRDD boards to ensure these services are continually funded. As a result of this increased responsibility, the need for county MRDD boards to set aside revenues to guarantee the local funding match for these waivers became apparent. OAC §5123.1.5.02 creates a process to establish a county MRDD board Medicaid Reserve Fund (Risk Fund). The establishment of the Risk Fund was necessary to ensure that a county MRDD board is able to pay the nonfederal share of Medicaid expenditures for home and community based services in the event that short-term extraordinary costs arise that prevent payment of the local match. All county MRDD boards that receive federal Medicaid revenues through the waiver system will be required to establish a Risk Fund regardless of how it receives its local revenues. HCMRDD has established a Medicaid Risk Fund, however, the Board will not contribute to the fund until required.

According to the OAC, the Risk Fund shall contain an amount equal to no less than 2 percent of the total non-federal share of Medicaid expenditures for home and community based services for residents of the county for the most recently completed fiscal accounting period. Therefore, HCMRDD will be required to establish a Risk Fund with an initial contribution of 2 percent of the Board's FY 2000 nonfederal share of Medicaid expenditures. This initial contribution will roll over into the next fiscal year, when the Board will be required to contribute an additional 2 percent of the Board's FY 2001 nonfederal share of Medicaid expenditures for a total of 4 percent. The set-aside practice will continue until FY 2007, when the Board will be required to contribute 10 percent of the yearly increase in the total nonfederal share of the Board's Medicaid expenditures. **Table 2-14** displays how the Risk Fund is required to be funded.

Table 2-14: Medicaid Risk Fund Contributions

Year	Required Contribution
2002	2 percent of the FY 2000 nonfederal share of Medicaid expenses
2003	4 percent of the FY 2001 nonfederal share of Medicaid expenses
2004	6 percent of the FY 2002 nonfederal share of Medicaid expenses
2005	8 percent of the FY 2003 nonfederal share of Medicaid expenses
2006	10 percent of the FY 2004 nonfederal share of Medicaid expenses
2007 +	10 percent of the yearly increase in the boards nonfederal share of Medicaid expenses

Source: Ohio Department of MRDD and OAC §5123:1.5.02

ODMRDD has not established a target date for implementation of the Risk Fund requirement, however, upon implementation, HCMRDD will be required to establish and fund a Risk Fund. **Table 2-15** displays HCMRDD's projected contributions to this fund as required by OAC §5123:1.5.02.

Table 2-15: HCMRDD's Projected Medicaid Risk Fund Contributions

Year	Corresponding Year	Base Year Expenses	Contribution Percentage	Projected Contribution
2002	FY 2000	$126,000	2%	$3,000
2003	FY 2001	$153,000	4%	$6,000
2004	FY 2002	$210,000	6%	$13,000
2005	FY 2003	$477,000	8%	$38,000
2006	FY 2004	$477,000	10%	$48,000
2007 +	FY 2005	N/A	10% of FY 2005 increase	N/A

Source: HCMRDD Case Management Director

ODMRDD will notify county MRDD boards at the beginning of each fiscal year of the amount that must be placed in the Risk Fund. Each county MRDD board can elect to place the required funds in the Risk Fund in one lump sum or on a monthly basis.

The purpose of the establishment and funding of the Risk Fund is to ensure that HCMRDD can continue to pay the nonfederal portion of Medicaid expenditures in the event that the Board encounters extraordinary costs that prevent it from paying these expenditures. The rule defines extraordinary costs as:

- Increased service costs for an individual currently receiving home and community based services funded by a county MRDD board as a direct consequence of a change in the individual's medical or behavioral condition, environment or other unanticipated, short-term emergency circumstance.

- If, as a consequence of levy failure and at the request of the county MRDD board, the department's division of audits certifies that the county MRDD board can no longer pay the nonfederal share of Medicaid expenditures for home and community based services necessary to assure the health and welfare of individuals receiving home and community based services.

Recommendations 4-6:

4. **HCMRDD should begin to fund the Risk Fund when notified of the initial funding amount, regardless of when the Medicaid redesign has been fully implemented. HCMRDD's projected first-year contribution (2 percent of HCMRDD's share of the FY 2000 nonfederal expenditures) is immaterial to HCMRDD's expenditures and will not have a negative impact on the Board's operating ability. Furthermore, the funds placed in the Risk Fund by HCMRDD are not sunk costs. If HCMRDD elects to create and fund a Risk Fund and, at a later date, it is determined that the Board is not required to set-aside these funds, HCMRDD will receive the full amount deposited in the Fund.**

5. **HCMRDD should elect to fund the Risk Fund on a monthly basis. Making monthly contributions will lessen the financial impact on HCMRDD's cash flow. Although HCMRDD's initial contributions are immaterial, projected future contributions made by the Board will have an impact on HCMRDD's operations. The ability to contribute funds into the Risk Fund on a monthly basis is especially important to HCMRDD due to the inconsistent revenue stream that the Board receives.**

6. **In addition to the Risk Fund, HCMRDD should consider creating a Budget Stabilization (Rainy Day) Fund. The creation of a Rainy Day Fund will better position HCMRDD to stabilize its budget against cyclical changes in revenues and expenditures. HCMRDD should attempt to maintain a balance in the Rainy Day Fund of a reasonable reserve of the Board's General Fund Revenue for the preceding fiscal year. Although HCMRDD could elect to fund the Medicaid Risk Fund beyond what is required by OAC §5123:1.5.02, the accessibility of these funds may be hampered by the restrictions placed on these funds as outlined in the statute. Creating and funding a separate Rainy Day Fund will provide HCMRDD with latitude to use the funds set-aside at the discretion of the Board.**

C. Local Revenues

The redesign of the waiver system contained in H.B. 94 will place added importance on the local revenues that a county MRDD board generates. Available local revenues will dictate how many additional waiver slots a county MRDD board can receive. Any additional local revenues that can be generated can be used to draw additional federal Medicaid revenues. An increase in federal Medicaid revenues will then free up local dollars which can be used to create additional waiver slots. A county MRDD board that cannot generate local revenues will bypass the potential to draw additional federal revenues and reallocate local dollars to provide greater service levels.

HCMRDD is presently generating local tax revenues through a 2.5 mill replacement levy that expires in FY 2004. When determining what type of levy to propose to the voters, HCMRDD and the Hancock County Commissioners (Commissioners) should consider a levy structure that provides the Board with the ability to maximize both federal Medicaid funding and the resulting service to clients. When proposing a local tax levy, HCMRDD is limited to the following levy structures:

- The Commissioners could submit to the voters a replacement of the current five year, 2.5 mil levy. A replacement levy is the continuance of an existing levy that allows for the collection of the same millage, but should render a larger amount of revenue every time it is passed. The higher revenues are generated by assessing taxes on a new base for the first year of the levy period. The purpose of the replacement levy is limited to the purpose for which it was originally passed and must be designated as such. Although a replacement levy would likely produce a larger revenue stream for HCMRDD, after expiration, the levy must be approved by the voters to continue the revenue generation.

- The Commissioners could submit to the voters a continuing operating levy. The passage of a continuing levy would generate tax revenues indefinitely. The major advantage of a continuing operating levy is its steady revenue stream and the fact that it does not require periodic renewal. A continuing operating levy, however, would permit HCMRDD to borrow funds against this revenue, a practice which the Board is currently prohibited from doing. A continuing operating levy is passed to generate a specific revenue amount and only generates additional revenues when new construction within the county is assessed. A continuing levy does not generate increased revenues resulting from inflationary increases in property valuations.

- HCMRDD could submit to the voters both a continuing levy a replacement levy, sized to generate the desired revenue stream. Passing both types would provide HCMRDD with the benefits inherent to each as described above. However, there is a risk that only one would pass and that HCMRDD would fail to generate the necessary level of revenue.

As previously stated, the Medicaid Waiver redesign outlined in H.B. 94 has placed increased importance on HCMRDD's ability to generate local revenues. Although increased local revenues could provide additional federal funding, HCMRDD must, at a minimum, maintain the Board's present level of local funding. HCMRDD cannot operate without the local revenues that are currently provided through its tax levy. OAC §5123:1.5.02 requires the State to establish a bridge fund that will provide some level of funding to county MRDD boards that experience a levy failure. In addition, HCMRDD could access the Medicaid Risk fund in the event of a levy failure; however, the amount of revenues available from these funds will only provide a fraction of the revenues that a levy would provide and would not allow HCMRDD to operate in its present manner.

Recommendation 7:

7. **When submitting a levy to the voters, HCMRDD and the Commissioners should consider the replacement levy option. While the passage of either a continuing or replacement levy is vital to the operations of HCMRDD, the passage of a replacement levy will enable HCMRDD to maximize local revenues in a period when the ability to maximize revenue is increasingly important. A replacement levy will allow HCMRDD to take advantage of inflationary increases on existing property with the additional revenues being used to fund a greater number of waivers.**

D. Budgeting and Expenditure Reporting

Starting in FY 2001, HCMRDD contracted with Health Care Billing Services (HCBS) to audit the Board's CAFS billing procedures. HCBS determined that HCMRDD was not maximizing reimbursements for services delivered by third party providers. Prior to the completion of this audit, all HCMRDD departments independently billed for reimbursement for services rendered. As a result of the decentralized billing system, HCMRDD did not maximize reimbursements received. After implementing recommendations contained in the HCBS audit, HCMRDD required that all departmental billings be coordinated through the HCMRDD business manager. After receipt, the bills are forwarded to HCBS which reviews them and determines which should be forwarded for reimbursement. In addition, HCBS provides a review to ensure all documents have been properly completed and signed. Any documents that have been incorrectly completed are returned to the HCMRDD business manger who forwards them to the proper department director for correction. In exchange for this service, HCBS collects 4 percent of all reimbursed funds.

HCMRDD continues to contract with HCBS on a yearly basis. In addition to the invoice review service, HCBS also provides HCMRDD with Medicaid consulting services, on-going peer reviews of reimbursement levels, quality assurance assessments, productivity reviews and employee registration requirement verifications.

The HCMRDD business manager creates an annual financial forecast projecting revenues and expenses based on historical increases and knowledge of any future changes. However, HCMRDD has not historically forecasted operating income past the expiration date of the current levy. Previous forecasts have included three years historical data and projected future revenues and expenditures up to the levy expiration year. In addition, the previous forecasts may have been too conservative and may not have presented an accurate picture of the financial state of HCMRDD. For example, the ending General Fund cash balance in HCMRDD's FY 2001 forecast was underestimated by approximately 35 percent when compared to the actual year end cash balance.

All financial reports are provided to the HCMRDD superintendent on a monthly basis. In addition, the superintendent is also provided a report from the business manager outlining HCMRDD's monthly CAFS reimbursements for services delivered by third party providers as a result of the HCBS contract. In addition to reporting to the superintendent, all financial reports are provided to the Board of Director's on a monthly basis. The Board of Directors requires reports detailing monthly revenues and expenses, in addition to budgeting and salary reports. Reports provided to the Board of Directors are generated by the business manager primarily using HCMRDD's Fox Pro system. The financial reports provided to the Board of Directors are analyzed by the finance committee. This committee is composed of the business manger, the superintendent and selected board members.

HCMRDD does not prepare a formal annual budget document. A formal budget allows an entity to closely monitor departmental spending levels, enabling management to be held accountable for their portion of the total budget. This document should quantify anticipated expenditures and include explanations or justifications for spending levels. In addition, a formal budget document should link planned expenditures to the accomplishment of HCMRDD's goals or objectives. The document should include an executive summary of the budget that highlights key issues as well as the proposed budget and historical comparisons. Without a formal budget document—produced by the business manager and approved by the Board, HCMRDD is less able to communicate its financial plan or goals to the Board and community.

Commendation 1:

1. **HCMRDD's contract with HCBS ensures that HCMRDD receives an on-going review of the Board's CAFS billing process. This review includes regular peer reviews comparing HCMRDD's revenue levels to other MRDD boards. In addition, HCMRDD receives Medicaid consulting services, quality assurance services, productivity reviews and employee registration requirement verifications. The services received from HCBS should enable HCMRDD to operate in a more cost efficient manner.**

Recommendation 8-9:

8. **HCMRDD should create a formal budget document which presents revenue-raising and spending decisions made by administrators and management of the Board. To be effective, it should communicate how and why these decisions were made. The formal budget should serve, not only as a policy document, but also as a financial plan, an operations guide and a communications device. HCMRDD's formal budget document should include an executive summary which would highlight the key issues as well as the proposed budget and historical comparisons. Descriptions of recent accomplishments and the status of projects should also be included to provide a progress report on the implementation of HCMRDD's capital improvement plan.**

9. **HCMRDD's formal budget document should be made available to the public. Charts and graphs should be included to increase the document's readability. Fiscal priorities should be clearly articulated and any changes in priorities should be presented. Specifically, financial trends and factors affecting the budget should be included. Factors contributing to significant use of, or increase in, HCMRDD's General Fund cash carryover should be detailed in this document, along with a description of the need to maintain a cash balance.**

E. Projected Revenues and Expenses

The financial projections presented in **Tables 2-16** and **2-17** present the expected revenues, expenditures and fund balance of the General Fund of HCMRDD for each of the fiscal years ending December 31, 2002, 2003, 2004, 2005 and 2006. The assumptions disclosed herein are based on information obtained from HCMRDD, ODMRDD and the County Auditor.

Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results. These projections include the effects of legislation concerning the Medicaid Waiver redesign and the establishment of the Risk Fund as outlined in H.B. 94. In addition, the risk exists that potential waivers applied for by the State will be declined by HHS, as well as the risk that further decreases in State funding for MRDD programs may occur.

Since the development of this forecast, revenue reductions at the State level may decrease state funding by as much as 15 percent in the next fiscal year. Furthermore, delayed implementation of H.B. 94 may substantially reduce federal pass through funding to MRDDs. Until the impact of State funding decisions and implementation of H.B. 94 are finalized, HCMRDD may experience a substantial impact on ending fund balances over the life of the forecast.

Table 2-16 contains HCMRDD's actual revenues for fiscal year 2001 and projected revenues for FY 2002 through FY 2006.

Table 2-16: HCMRDD Five Year Forecast

	Actual FY 2001	Projected FY 2002	Projected FY 2003	Projected FY 2004	Projected FY 2005	Projected FY 2006
Beginning Cash Balance	**$2,473,000**	**$2,381,000**	**$1,987,000**	**$1,466,000**	**$1,676,000**	**$2,125,000**
Real Estate Taxes	$3,574,000	$3,658,000	$3,753,000	$3,850,000	$4,282,000	$4,389,000
Room and Board	$143,000	$149,000	$155,000	$161,000	$167,000	$174,000
Lunch Program	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
Miscellaneous	$107,000	$20,000	$20,000	$20,000	$20,000	$20,000
MR/DD Subsidy	$274,000	$236,000	$203,000	$203,000	$203,000	$203,000
Case Management	$58,000	$60,000	$63,000	$65,000	$68,000	$71,000
Targeted Case Management	$64,000	$67,000	$70,000	$72,000	$75,000	$78,000
Medicaid	$2,380,000	$2,567,000	$2,819,000	$3,016,000	$3,227,000	$3,453,000
Waiver Cost Offset[1]	$0	$60,000	$78,000	$84,000	$84,000	$90,000
Title VI	$13,000	$12,000	$12,000	$12,000	$13,000	$13,000
Waiver Administration	$15,000	$18,000	$19,000	$20,000	$20,000	$20,000
Title VI	$9,000	$30,000	$30,000	$30,000	$30,000	$30,000
Title XX	$45,000	$39,000	$34,000	$29,000	$25,000	$21,000
CAFS	$421,000	$406,000	$392,000	$378,000	$365,000	$352,000
Department of Education	$544,000	$520,000	$530,000	$541,000	$552,000	$563,000
Medicaid Risk Fund[2]	$0	($1,000)	($4,000)	($9,000)	($23,000)	($40,000)
Total Revenue	**$7,655,000**	**$7,849,000**	**$8,182,000**	**$8,480,000**	**$9,116,000**	**$9,445,000**
Salaries	$4,569,000	$4,817,000	$5,067,000	$5,320,000	$5,586,000	$5,866,000
Supplies	$172,000	$175,000	$182,000	$189,000	$198,000	$208,000
Materials	$70,000	$90,000	$94,000	$97,000	$101,000	$105,000
Equipment	$40,000	$40,000	$65,000	$68,000	$71,000	$74,000
Repairs	$44,000	$45,000	$47,000	$49,000	$52,000	$54,000
Services	$1,187,000	$1,306,000	$1,358,000	$1,413,000	$1,470,000	$1,528,000
Grants	$65,000	$70,000	$73,000	$76,000	$79,000	$82,000
Advertising/Printing	$4,000	$8,000	$8,000	$8,000	$9,000	$9,000
Staff Development/Travel	$36,000	$44,000	$46,000	$48,000	$50,000	$53,000
PERS/STRS	$582,000	$676,000	$710,000	$746,000	$791,000	$838,000
Workers' Compensation	$81,000	$100,000	$100,000	$100,000	$100,000	$100,000
Unemployment	$0	$4,000	$4,000	$4,000	$4,000	$4,000
Medicare	$59,000	$60,000	$74,000	$77,000	$81,000	$85,000
Contingency/Transfers	$838,000	$808,000	$875,000	$75,000	$75,000	$75,000
Operating Expenses	**$7,747,000**	**$8,243,000**	**$8,703,000**	**$8,270,000**	**$8,667,000**	**$9,081,000**
Ending Cash Balance	**$2,381,000**	**$1,987,000**	**$1,466,000**	**$1,676,000**	**$2,125,000**	**$2,489,000**

Source: HCMRDD Expense Projections Report and HCMRDD Fiscal Projections FY 2002 – FY 2004

[1] Waiver Cost Offset amounts represent additional Medicaid revenues and are projected using HCMRDD's FY 2002 average adult service cost.

[2] Contributions to the Medicaid Risk Fund are projected based on monthly payments beginning in August of the corresponding fiscal year. Therefore, the total annual contribution includes a seven month carryover from the prior fiscal year.

General Assumptions

FY 2002 through FY 2006 revenues were forecasted primarily using assumptions developed by AOS. Line items that have been forecasted using HCMRDD assumptions are noted below. The following is a list of major assumptions contained in the revenue section of **Table 2-16**:

- **Real Estate Taxes** – Real estate taxes have been projected by applying historical increases in property valuations to project future property values. The most recent property valuation update, which occurred in the 2001 tax year, and the next property revaluation, which will take place in the 2004 tax year, have been factored into the forecast. For FY 2005 and FY 2006, the passage of a 2.5 mill replacement levy has been assumed which is projected to generate $4,282,000 dollars in FY 2005 and $4,389,000 in FY 2006.
- **Room and Board** – Room and board has been projected to increase at the historical rate of 4 percent per year.
- **Miscellaneous Revenues** – Miscellaneous revenues have historically consisted of reimbursements for CAFS expenditures. Past reimbursement amounts have fluctuated significantly. As a result, miscellaneous revenues have been forecasted to remain constant.
- **MRDD Subsidy** – HCMRDD receives a subsidy from the State for every individual that the Board serves. In FY 2001, HCMRDD received subsidies ranging from $950 for any infant served to $1,200 for any adult served. For FY 2002 and FY 2003, the MRDD subsidy is projected to decrease 14 percent per year due to State funding cuts. For FY 2004 through FY 2006, the MRDD Subsidy revenues have been held constant.
- **Case Management** – Revenues generated from the Case Management subsidy have been projected to conservatively increase based on an inflationary rate of 4 percent annually from FY 2001 levels.
- **Targeted Case Management** – Targeted Case Management has been projected to increase 4 percent annually for the length of the forecast. Increases in this line item will occur as additional waiver slots are filled by HCMRDD.
- **Medicaid and the Waiver Cost Offset** – Medicaid funding has been projected to increase 9.8 percent in FY 2003 based on a private study conducted for HCMRDD. For FY 2004 through FY 2006, Medicaid revenues have been projected to increase at the historical rate of 7 percent per year. Additional Medicaid revenues have been projected based on the annual addition of five waiver slots that HCMRDD estimated it could fund after full implementation of H.B. 94. Additional Medicaid revenues have been projected using HCMRDD's FY 2002 average per person expenditures for adult services.
- **CAFS** – Projected CAFS revenues for FY 2002 are based on HCMRDD's budgeted amount. Because individuals placed on waivers will no longer receive CAFS funding, this line item will be directly affected by the number of individuals placed on waivers by HCMRDD. For FY 2003 through FY 2006, CAFS funding has been projected to

decrease 3.6 percent based on the assumption that five additional waiver slots per year will be filled by HCMRDD.

- **Department of Education Reimbursement** – HCMRDD has experienced a significant decline in State education funding since FY 1998. Although State education funding has significantly decreased, E/I levels are expected to double in FY 2003. However, it is difficult to project the effect this will have on future school enrollment. As a result, the State funding for education has been projected to increase at a rate of 2 percent per year.
- **Medicaid Risk Fund –** Contributions to the Medicaid Risk Fund are illustrated in **Table 2-15**, and have been calculated based on monthly payments beginning in August 2002.

FY 2002 through FY 2006 expenditures were forecasted primarily using assumptions developed by AOS. Line items that have been forecasted using HCMRDD assumptions are noted below. The following is a list of major assumptions contained in the expenditure section of **Table 2-16**:

- **Salaries** – For FY 2002, a 5.4 percent increase in salary expenditures has been forecasted due to the expected conclusion of negotiations. A further increase of approximately $250,000 has been forecasted for FY 2003 due to H.B. 94 staffing requirements. In FY 2003, HCMRDD will hire an investigative agent, as well as additional service and support and community habilitation personnel. For FY 2004 through FY 2006, salaries are projected to increase at the historical rate of 5 percent per year.
- **Supplies** – Supplies have been forecasted to increase 5 percent for FY 2002 based on HCMRDD projections. A 4 percent annual inflationary increase has been applied for FY 2003 through FY 2006.
- **Materials** – Materials have been projected by HCMRDD to increase approximately 29 percent in FY 2002 due to an increase in gas prices. For FY 2003 through FY 2006, a 4 percent annual inflationary increase has been projected.
- **Equipment** – Expenditures for equipment have been forecasted by HCMRDD to remain constant in FY 2002. Expenditures for FY 2003 are forecasted to increase 62.5 percent due to the purchase of a new bus. Equipment expenditures have been projected to increase 4 percent for FY 2004 through FY 2006.
- **Repairs** – Repairs are forecasted to increase based on a 4 percent annual inflationary increase. Renovations completed by HCMRDD should enable the Board to keep repair expenditure increases to a minimum.
- **Services** – The services line item is primarily comprised of expenditures for employee medical, dental and life insurance, as well as expenditures for contracted services, therapy services provided, and the county's bed tax. For FY 2002, the HCMRDD budgeted number was used. HCMRDD has projected contracted services to increase at the historical rate of 4 percent per year after FY 2002.
- **Staff Development/Travel** – H.B. 94 will increase certification requirements for some HCMRDD staff. As a result, HCMRDD has projected this line item to increase approximately 22.2 percent in FY 2002. For FY 2003 through FY 2006, the staff development/travel line item has been projected to increase 4 per year.

- **PERS/STRS** – PERS/STRS has been forecasted at the historical rate of HCMRDD's 14 percent of salaries for the corresponding year.
- **Workers' Compensation** - Expenditures for workers' compensation have fluctuated in previous years. Due to the unpredictable nature of worker's compensation, this line item has been projected to remain constant.
- **Medicare** – Medicare expenditures have been projected using the Medicare factor (.0145) provided by HCMRDD multiplied by the projected salaries for the corresponding year.
- **Contingencies/Transfers** – On-going capital improvements have been budgeted by HCMRDD and should be complete by FY 2004. Funds for capital improvements must be transferred out of the General Fund. Contingency/transfer projections beyond FY 2004 represent expenditures for renovations.

Table 2-17 presents a summary of HCMRDD's projected year end General Fund cash balances for FY 2001 through FY 2006.

Table 2-17: Projected General Fund Cash Carryover FY 2001 through FY 2006

	Actual FY 2001	Projected FY 2002	Projected FY 2003	Projected FY 2004	Projected FY 2005	Projected FY 2006
Beginning Cash Balance	**$2,473,000**	**$2,381,000**	**$1,932,000**	**$1,371,000**	**$1,581,000**	**$2,030,000**
Total Revenue	$7,655,000	$7,849,000	$8,182,000	$8,480,000	$9,116,000	$9,445,000
Operating Expenses	$7,747,000	$8,243,000	$8,703,000	$8,270,000	$8,667,000	$9,081,000
Operating Income	($92,000)	($394,000)	($521,000)	$210,000	$449,000	$364,000
Fixed Assets Expenses	$0	($55,000)	($40,000)	$0	$0	$0
Ending Cash Balance	**$2,381,000**	**$1,932,000**	**$1,371,000**	**$1,581,000**	**$2,030,000**	**$2,394,000**
90 Days' Operating Costs	**$1,910,000**	**$2,033,000**	**$2,146,000**	**$2,039,000**	**$2,137,000**	**$2,239,000**

Source: HCMRDD Expense Projections Report

Table 2-17 illustrates the effect that increased expenditures, primarily due to capital improvements, will have on HCMRDD's year end cash balances. HCMRDD's year end cash balances are projected to decline by 18.9 percent in FY 2002, and 29.1 percent in FY 2003, primarily due to expenditures for capital improvements. Planned capital improvements are expected to be completed in FY 2003. As a result, cash balances for FY 2004 are projected to increase $210,000. For FY 2005 and FY 2006, the passage of 2.5 mill replacement levy has been projected which would significantly increase HCMRDD's cash balances.

Due to the semi-annual distribution of local property tax revenues, the County Auditor recommends that all county agencies maintain, at a minimum, a year end cash balance of 90 days' operating costs. As displayed in **Table 2-17**, HCMRDD's ending cash balances for FY 2002 through FY 2005 are projected to fall below the County Auditor's recommendation. For FY 2002, the year end cash balance is projected to be $101,000 lower than the 90 days' operating costs estimate. Due to significant increases in FY 2003 expenditures, the difference between the year end cash balance and the 90 days' operating costs estimate is projected to increase to $775,000. Because of HCMRDD's irregular revenue stream, the Board could encounter operating deficits if its year end cash balances do not constitute at least 90 days' operating costs. Cash balances are expected to increase in FY 2004 through FY 2006 due to the completion of planned capital improvements and the renewal of the local tax levy. This increase in cash balances should enable HCMRDD to meet the 90 days' operating cost estimate by FY 2006.

Recommendations 10-12:

10. **HCMRDD should create and maintain a five-year forecast regardless of when the Board's local tax levy expires. By creating a five-year forecast, HCMRDD will be more likely to identify future changes in revenue or expenditures that may impact the Board's operating ability. In addition, by forecasting HCMRDD's expenditures beyond the present levy, the Board and the Commissioners could more easily identify the need future local tax revenues.**

11. **HCMRDD should incorporate the county plan into the Board's yearly forecast. The county plan will enable the HMCRDD business manager to accurately forecast future revenue reallocation the Board could achieve through the placement of individuals on additional waivers. The county plan will provide the business manager with a list of individuals projected to be enrolled on waivers, as well as revenues required for the county match. In addition, the county plan will project HCMRDD's Risk Fund requirement.**

12. **HCMRDD should ensure that the Board maintains a year end General Fund cash balance. The Hancock County Auditor recommended HCMRDD maintain a cash balance of at least 90 days' operating costs. Because HCMRDD receives disbursements from the County on a semi-annual basis, maintaining a cash balance of least 90 days' operating costs will ensure that HCMRDD has sufficient liquidity to cover operating expenditures.**

This page intentionally left blank.

Payroll

Introduction

This section focuses on the payroll process at the Hancock County Board of Mental Retardation and Developmental Disabilities (HCMRDD or the Board). The objective of this section is to review the current payroll processing method and system used at HCMRDD to identify opportunities to increase efficiency and effectiveness.

Background

HCMRDD has two full-time employment specialists (payroll clerks) who are responsible for payroll processing. The payroll clerks process payroll for approximately 165 employees and 15 substitutes. HCMRDD's pay period is based on a two-week cycle, and employee time sheets are turned in each week to the payroll clerks for processing.

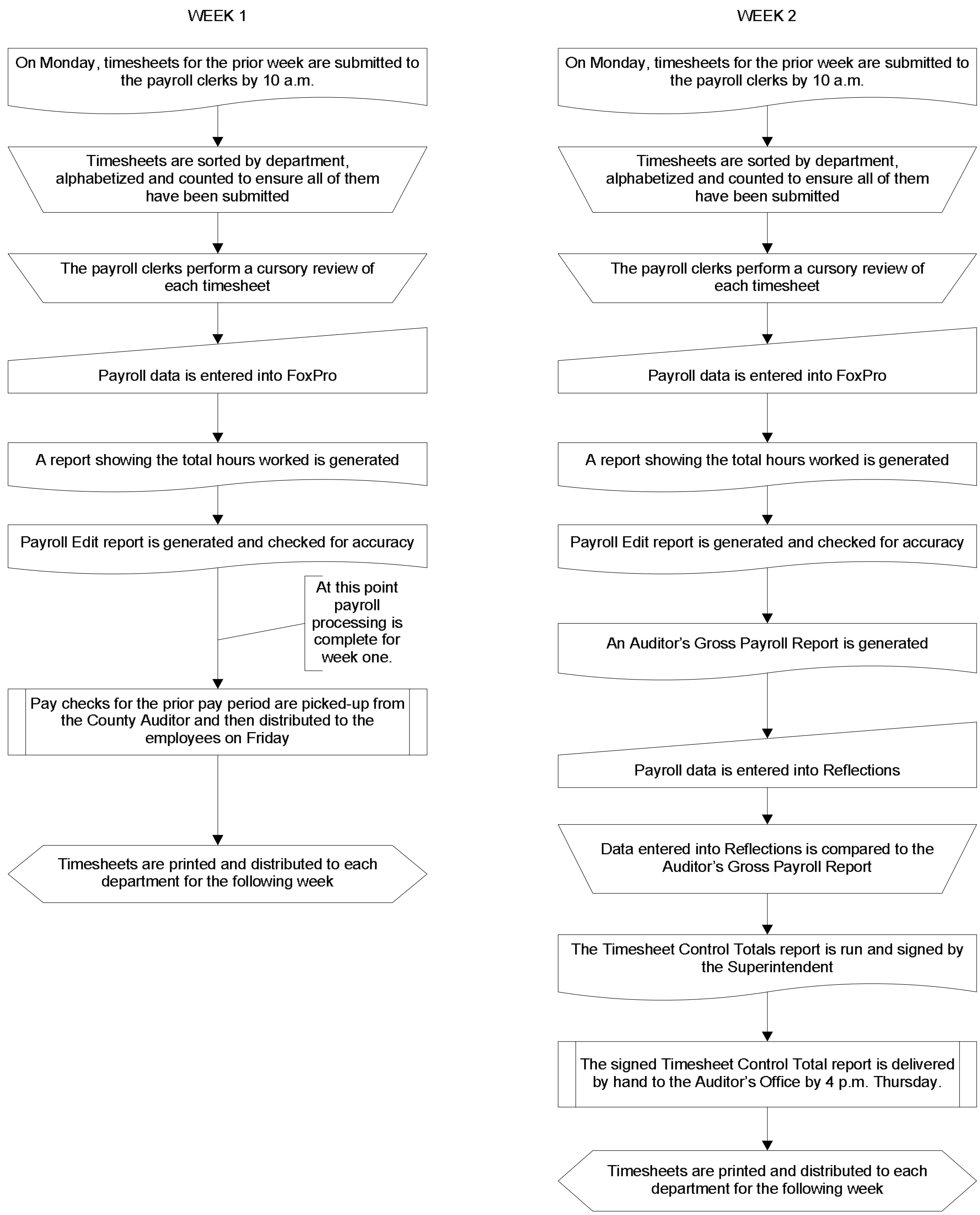
The entire payroll process was completed manually until October 2001, when HCMRDD started using Microsoft FoxPro, Version 6, a windows-based system. The Board uses FoxPro to manage human resource-related functions, process payroll, monitor its finances, and to develop operating budgets and financial forecasts. At the time of installation, FoxPro was programmed and tailored to meet the needs of HCMRDD. The Board keeps a FoxPro consultant on contract who modifies and updates the system as necessary. The payroll clerks are responsible for manually entering each employee's time into FoxPro and verifying the accuracy of the information.

In addition to processing payroll, the payroll clerks provide limited assistance to the employment supervisor who is responsible for the Board's human resource functions.

Findings and Recommendations

A. Payroll Processing

The following process map illustrates HCMRDD's payroll process:



As the process map illustrates, HCMRDD's current payroll processing method is labor intensive and is subject to human error. The payroll clerks spend an excessive amount of time checking and rechecking the data before and after it is entered into FoxPro and Reflections, the County payroll system. Despite the performance of multiple manual data checks, payroll processing errors still occur, and payroll adjustments need to be completed.

According to the payroll clerks, reviewing and correcting timesheets is often a cumbersome and time consuming procedure that can take up to two full working days. The timesheets usually contain errors, such as incorrectly recording extra or substitute hours worked, which need correcting before the information can be entered into FoxPro.

According to the payroll clerks, it takes each of them approximately four to six hours each week to enter all the payroll data from the timesheets into FoxPro, and approximately two hours to enter the data from the Auditor's Gross Payroll Report into Reflections. When the payroll data is entered into FoxPro, multiple screens are accessed and used to record the information. Some of the same information must be entered on more than one screen. In addition, due to system limitations, when a change is made on one screen, the change is not automatically made to all the related fields. As a result, there is a need to thoroughly cross-check all the information entered into the system to prevent over- and under-payments. HCMRDD did not receive instructional or technical manuals for FoxPro, nor has the staff received any formal training for operating the system or understanding its capabilities. As a result, the system is not being used to its fullest capacity, and it is possible that the system could be used more effectively and efficiently.

During this performance audit, HCMRDD established an interface with Reflections, its payroll system. HCMRDD has been interfaced with the county since July and has eliminated the double entry of payroll data from FoxPro into Reflections.

The costs associated with manually processing payroll are high and go beyond the labor costs of preparing and distributing timesheets, calculating hours worked and manually entering data into two different systems. Costs also result from calculation errors and lost time. **Table 3-1** illustrates the current cost of HCMRDD's manual payroll system based on data obtained from the American Payroll Association. The calculations in **Table 3-1** are based on processing payroll for 165 employees and an average labor cost of $11.50 per hour.

Table 3-1: Estimated Annual Cost of Manual Payroll System

Cost of Preparing and Distributing Timesheets	
Average Time Spent Preparing and Distributing Each Timesheet:	2 minutes
Annual Time Spent Preparing and Distributing Timesheets:	286 hours
Labor Cost of Preparing and Distributing Timesheets:	**$3,289**
Cost of Calculating Timesheets	
Estimated Time it Takes to Calculate and Approve a Timesheet[1]	5 minutes
Annual Time Spent Calculating and Approving All Timesheets	715 hours
Annual Cost to Calculate and Approve All Timesheets	**$8,223**
Cost of Keying Timesheet Information into Payroll System	
Time to Key Each Timesheet into Payroll System	3 minutes
Annual Time Spent Keying Timesheets into Payroll System	429 hours
Annual Cost to Key Timesheets into Payroll System	**$4,934**
Cost Resulting for Calculation Errors	
Annual Gross Estimated Error Percentage[2]	1%
Annual Gross Human Error Rate Calculation Cost Based of FY 2001 Salary Expenditures	**$45,690**
Cost Due to Lost Time	
Estimate of The Number of Minutes of Lost Per Employee Per Day[3]	5 minutes
Number of Hours Lost Annually	3,575 hours
Annual Cost of Lost Time	**$41,113**
Total Annual Cost of Present System	**$103,249**

Source: American Payroll Association (APA), HCMRDD Payroll Clerks
[1] APA estimates it takes between 5 to 7 minutes to calculate and approve a timesheet.
[2] APA estimates companies have a 2 to 4 percent error factor in calculation timesheets. Errors are due mainly to the difficulty of accurately applying rounding, overtime, premium pay, and holiday pay.
[3] It is estimated by APA that 30 minutes of time is lost per day per employee due to long lunches and breaks, tardiness, and early departures. However, for the analysis five minutes was used.

At a minimum, HCMRDD's manual payroll system costs the Board $103,249 annually. The figures in **Table 3-1** are based on efficient processing of the timesheets and conservative calculation errors and lost time estimates. The cost savings for calculation errors and cost due to lost time is not an expenditure; rather it is a calculation of time that could be redirected to client focused functions. The physical cost in the first three items of **Table 3-1** is based on the average hourly rate of the two payroll clerks. The savings calculations are actual expenditures the Board would be able to recoup. By reducing the reliance on manual payroll processes and the associated lost time costs, HCMRDD would be able to redirect the equivalent service time of two additional employees. HCMRDD could reduce the cost of its payroll processing if it opted to purchase time clocks and an automated time and attendance program.

Recommendations 13-16:

13. **HCMRDD should consider purchasing time clocks and Timesoft 2000 PRO or a similar product that fully automates every aspect of the payroll preparation process from automatic data collection to hour exports. Timesoft 2000 PRO is a flexible Windows application written with FoxPro. It is completely compatible with the software and systems the Board is currently using. Timesoft 2000 PRO contains 17 different modules including allocation of hours by department and earning code,**

overtime calculation, employee scheduling, assignment of up to five shifts per employee, time and shift differentials, and benefits accrual. In addition, an unlimited number of Timesoft 2000 PRO eClocks can be connected to and managed by the software program.

With the HCMRDD current manual payroll process and time and attendance procedures the probability of employee fraud is increased. The use of time clocks will reduce significantly the opportunity for fraud to occur.

The use of time clocks will allow for the automatic collection of payroll data and eliminate errors resulting from manual data collection and processing. At the end of each week, a report for each department showing, by employee, the number and type of hours worked as well as the areas worked in can be generated for the supervisors to review and approve. After the departments approve the hours charged, the reports would be turned into the payroll clerks and any necessary adjustments could be made. The need for manual entry of all data into FoxPro would be eliminated. The payroll data could then be processed electronically and used to generate the Auditor's Gross Payroll report. If recommendation 15 is implemented, the data could be transmitted electronically to Reflections, and no manual data entry would be necessary. If recommendation 15 is not implemented, the data will have to be manually entered into Reflections. However, manual entry will occur once every two weeks instead of three times.

The benefits of using an automated time and attendance system include: cutting payroll preparation time by up to 80 percent, reducing paycheck errors, making sound labor decisions based on accurate and timely data, and reducing the staff needed to process payroll.

Financial Implication: **If HCMRDD opted to purchase five Timesoft PRO eClocks, the Timesoft 2000 PRO software, and the optional training and ongoing support, it would cost the Board approximately $7,500. After the first year, the annual Timesoft 2000 PRO eClock Maintenance Plan would cost approximately $200. If HCMRDD purchases the time clocks and software, it would receive an immediate return on its investment since the cost of preparing, distributing, and calculating the timesheets and the manual entry of the timesheet information into FoxPro would be immediately eliminated. In addition, calculation errors should be minimized and the opportunity for fraud would be reduced. Based on the estimated annual cost in Table 3-1 the first year cost savings would be approximately $95,000 and then the annual savings would be approximately $100,000.**

14. If HCMRDD elects to implement recommendation 13, one full-time payroll clerk could process payroll, and the other payroll clerk could be dedicated full-time to

performing human resource-related functions. Currently, the employment supervisor is the only employee dedicated to managing and performing human resource functions on a full-time basis. Based on the analysis in the Human Resources section of this report, it appears that there is a need for additional staff if HCMRDD is going to execute its human resources functions in an efficient and effective manner. (See the human resources section of the report for further details.)

15. The Board should work with the County Auditor to integrate FoxPro and Reflections. When the two systems are interfaced, manual entry of the payroll data into Reflections would no longer be necessary. In addition, the payroll clerks would not have to complete a manual review of the data entered. The payroll clerks could use the time gained to perform other functions and to take on additional duties.

16. The administrative staff members who work with FoxPro on a regular basis should receive formal FoxPro training so the system can be used to its full capacity. One resource for training, FindTutorials.com, offers FoxPro training in addition to 364 other online training courses in 97 categories. An annual membership costs $99 and grants an individual full access to each training course within the year of subscription. Members can study when they choose and at a pace that suits their needs.

Financial Implication: **If HCMRDD purchased four annual memberships to FindTutorials.com (one for the business manager, the supervisor and the two payroll clerks) the annual cost would be $396.**

B. Time and Attendance Reporting

HCMRDD does not have formal written procedures detailing the process for employees to complete, and supervisors to approve, time sheets. HCMRDD provided formal training on the use of timesheets to select departments; however, follow-up training and supervision was limited, detracting from the effectiveness of the training. As a result, the completion and approval of time sheets is not uniform. If HCMRDD opts to implement **recommendation 13**, the use of timesheets could be eliminated.

Employees record their time in one of three columns on the timesheet: scheduled hours, extra hours, or substitute hours. **Table 3-2** defines each of these three categories.

Table 3-2: Types of Hours Worked By HCMRDD Employees

Type of Hours	Definition
Scheduled Hours	The predetermined hours the employee is scheduled to work.
Extra Hours	The hours an employee works when he is not scheduled to do so. Extra hours are incurred when an employee works through his scheduled, unpaid lunch or when an employee works time in addition to his normally scheduled hours, such as before or after his scheduled shift.
Substitute Hours	Hours worked to fill a vacant position or shift due to an employee's absence.

Source: HCMRDD bargaining unit agreements

In reviewing a sample of employee timesheets for FY 2002 pay periods 03, 05, 07, 08 and 09, it was noted that employees are inconsistently charging time worked to extra and substitute hours. Space is provided on the timesheets for an explanation as to why the extra or substitute hours were worked. However, not all employees provided an explanation and some provided inadequate explanations such as "work." Some of the timesheets reviewed contained notes written by the payroll clerks questioning why or who the hours were worked for, but there was no indication of the answer on the timesheet, and payroll reports showed the employees were paid for the time in question. In most cases, even when there was a question as to why or how the hours were being charged, supervisors still signed off and approved the employee's timesheet, and the payroll clerks processed the data.

Employees may also reschedule in (R/I) and reschedule out (R/O) which adds another level of complexity to correctly completing the timesheets. If an employee is unable to work his predetermined schedule time, he may R/I at another time, work his required number of hours, and then R/O at a time which also varies from his predetermined schedule. The time R/I and R/O should balance and cancel each other out. Oftentimes, the R/I and R/O time do not balance on the approved timesheet. When the payroll clerks receive timesheets with R/I and R/O errors, they have to recalculate the hours worked and alter the timesheet prior to entering the data into FoxPro. While reviewing the Adult Services' employee timesheets, a pattern of R/I during lunch and R/O at the end of the work day was found. Several Adult Services' employees also R/I and R/O on Fridays. The majority of the timesheets reviewed did not include explanations as to why the R/I and R/O were necessary. If HCMRDD opted to implement **recommendation 13**, it could monitor and identify any employees who are abusing the usage of R/I and R/O. The use of the time clocks could help to limit the use of R/I and R/O.

Recommendations 17-18:

17. If HCMRDD opts to continue using timesheets, formal written procedures for completing and approving the timesheets should be developed. The procedures should describe in detail when it is appropriate to charge time to extra hours and when it is appropriate to charge time to substitute hours. After the procedure is developed and adopted, training should be provided to all employees and

management on how to complete the timesheets. Management should also receive training on how to properly review and approve the timesheets.

18. Over the next year, the Board should phase out the use of R/I and R/O. According to management, the use of R/I and R/O was not designed to allow employees to flex their schedules. Because R/I and R/O are not approved prior to execution, the use of R/I and R/O limits management's ability to monitor staff and can negatively impact HCMRDD's operations and efficiency. Instead of using R/I and R/O for lunch schedule changes, the Board should consider allowing for flexible lunch periods. If recommendation 13 is implemented, the employees could clock in and out for lunch and management could be aware of who is working when. If it is necessary for an employee to come in late, leave should be used. If recommendation 50 is implemented, the Board could use the direct service floaters to work during lunch periods so R/I and R/O would not be necessary and overtime costs could be avoided.

C. Overtime

For the first four months of calendar year 2002 (pay period 10), HCMRDD incurred over 5,150 hours of overtime at a cost of $80,500. Sixty-one percent ($49,500) of the overtime was used by the 29 full-time and 6 part-time Therapeutic Program Workers (TPW). The full-time TPWs earned 90 percent of this overtime. One full-time TPW has earned more than $12,000 since the beginning of the year, or approximately 28 percent of the overtime, by working approximately 40 hours of overtime each week. The other full-time TPWs each earned an average of $1,100 in overtime. This variance indicates that overtime is not distributed equally among the employees, nor are there controls in place to track individual overtime accruals. Other large overtime expenditures are attributed to some individuals at HCMRDD who, as of pay period 10, have earned approximately $2,000 in overtime compensation. If the Board elects to implement **recommendation 13,** overtime accruals could be monitored and tracked with greater ease. HCMRDD could use the software to ensure overtime is distributed equally among the employees. Implementation of **recommendation 50**, the creation of a generic direct service position could also help reduce overtime expenditures. See the **human resources** section of the report for details.

The current Residential union contract and Board policy specify that employees working beyond their scheduled 40 hours a week are entitled to time and one-half for those hours, with the following exceptions: (1) sick leave hours used by residential employees and (2) any paid leave hours used.

Upon reviewing a sample of approximately 25 percent, or 39, of the employees' timesheets for pay periods 03, 05, 07, 08 and 09, it became evident that certain individuals consistently receive overtime, and patterns of overtime usage are present. Often, overtime is earned and approved by a supervisor with no justification as to why the employee needed to work overtime. In some cases, overtime was paid to an employee working substitute hours. On the timesheets, it is unclear if the supervisor approving the overtime for substitute hours can attest to whether or not the employee actually worked the hours. The majority of overtime and substitute hours occur in the residential homes, primarily because the homes must be staffed 24 hours a day, and are currently understaffed. While the union contract provides a procedure for assigning substitute hours and overtime, HCMRDD does not have a formal policy or procedure to address the approval and verification of hours worked.

Several individuals receive overtime pay on a daily basis for coming in 30 minutes to 1 hour early and staying up to 1 or 2 hours after their scheduled work day. The only explanation provided on the timesheet is "work." These individuals have earned approximately $2,000 each in overtime compensation for the first four months of calendar year 2002. It is unclear by reviewing the timesheets why these individuals are consistently receiving overtime. HCMRDD policies specify that employees are not to sign-in more than fifteen minutes prior to the start of their shift or sign-out more fifteen minutes later than the end of their shift. In addition, the Residential union contract, Article 23, Section 2, states that residential employees are not to sign-in more than five minutes prior to their shift unless prior approval is obtained. The Residential union contract also discourages bargaining unit members from working an adjoining shift to their regularly scheduled shift. Based on the timesheets reviewed, it is evident that the staff is not in compliance with HCMRDD's policy or the Residential union contract stipulations. Individuals are consistently working before and after their scheduled hours and no written explanations are provided on the timesheets. Despite the lack of explanation, both the supervisors and payroll clerks approve the additional hours worked.

If HCMRDD implements **recommendation 13**, it could use Timesoft 2000 Pro's lockout module, which prevents employees from accumulating unauthorized work time. The Timesoft 2000 Pro's lockout module would ensure compliance with HCMRDD's policy and would reduce unapproved overtime incurred as a result of employees coming in early and staying beyond their scheduled end time. If an employee does not obtain prior approval, he should not be paid for time worked beyond his scheduled shift.

If an employee works his regularly scheduled 40 hours and then works additional substitute hours in the same classification, he receives overtime pay at a rate of 1.5 times his hourly rate for those additional hours worked. Substitute hours worked are recorded on the employee's regular timesheet and approved by that employee's supervisor, whether or not that supervisor can verify that the employee actually worked the additional time. If an employee is working substitute hours outside of his normal classification, he receives overtime based on the average of his hourly overtime rate and the hourly overtime rate for the position being filled. If an employee works substitute hours outside his normal classification, the time worked is supposed to be recorded on a separate timesheet and approved by a supervisor managing that classification or department. Some of the employees that work substitute or extra hours are consistent in making a notation on their timesheets regarding whom they filled in for, while others are not. There is no consistent usage of the "Extra Hours, Substitute Hours and Comments" columns on the timesheets. (See the **time and attendance section** for more details regarding timesheet completion.) In addition, supervisors approve, and the payroll clerks input, these hours with or without explanations as to why the substitute and extra hours worked.

Recommendations 19-26:

19. If HCMRDD elects to continue its use of timesheets, all non-exempt employees should be instructed to make a notation on their timesheet as to the reason for working substitute or extra hours. The supervisors and payroll clerks should not approve an employee's extra or substitute hours if this explanation is not provided. In addition, supervisors should ensure the substitute hours are necessary and verify that the hours were actually worked and that the person for whom the substitute hours are being worked is not working his scheduled shift. Implementing this procedure will help strengthen internal controls and should help prevent employee overpayment. Requiring a written explanation for the additional hours worked will provide management with the information necessary to track where overtime is being incurred and why. The information gathered can be used to take measures to reduce overtime costs.

20. If HCMRDD elects to continue its use of timesheets, the department supervisor for whom the employee is working the extra or substitute hours should sign the employee's timesheet on the day the hours were worked. Implementing this practice will help strengthen HCMRDD's internal controls. Under the current practice, the employee's primary supervisor approves all hours worked, including time spent working in other departments and classifications. The primary supervisor may not be on duty or may be unaware of the hours an employee works beyond his scheduled shift. As a result, the possibility exists that the primary supervisor may approve pay for time not worked. Having the appropriate supervisor on duty sign off on the timesheet and approve the additional time worked, will help ensure the accuracy of the data provided on the timesheet and reduce the risk of over or under payment of an employee.

21. HCMRDD should ensure that union and Board policies and procedures are being followed when employees sign in and out for the work day. If an employee begins work prior to his scheduled start time or stays beyond the scheduled end time, the change in schedule should be noted and approved by the supervisor on duty in acknowledgement that the overtime incurred was necessary. In addition, a notation on the timesheet should be made stating why the change and overtime was necessary (see recommendation 19). Employees should not be paid if they work hours outside the parameters of their contract or for time worked without prior approval.

22. HCMRDD should develop a formal procedure for requesting and approving overtime in advance to aid the Board in ensuring accountability and to make certain overtime is not being incurred unnecessarily. The procedure could be modeled after HCMRDD's leave request and approval process.

23. HCMRDD could reduce the amount of overtime incurred in the residential houses by hiring additional TPWs or by creating and filling generic direct service positions as described in recommendation 50 in the human resources section of the report. If after advertising the position, the response rate is low, HCMRDD could explore the possibility of offering new hire incentives, such as providing a sign-on bonus paid after six months of continuous employment. As an alternative, HCMRDD could consider increasing the starting hourly pay rate to encourage individuals to apply for TPW positions.

Financial Implication: **Based on the overtime expenditures incurred during the first four months of the year, HCMRDD will pay approximately $198,000 in FY 2002 for TPW overtime. If HCMRDD elects to hire two additional full-time TPWs the annual cost would be approximately $50,000 for salary and benefits. With the cost offset by a reduction in TPW overtime assuming an overtime usage of approximately $48,000 annually, HCMRDD could realize a savings of approximately $100,000 annually.**

24. HCMRDD should develop a formal written policy outlining when and how many substitute and extra hours an employee can work both in and outside of his classification and department. Based on the pay period testing, it appears that full-time employees are able to work as many overtime hours as they choose. HCMRDD should discourage employees from working back to back shifts and for more than 12 consecutive hours to help prevent employee burn out and exhaustion. Employees working an excessive amount of time generally become less productive, and they may involuntarily compromise the quality of care residents receive.

25. HCMRDD should also attempt to encourage part-time employees to fill vacant time slots. If more part-time employees worked additional hours, overtime expenditures could be reduced. The policy developed should also include how the assignment of substitute hours should be completed to help ensure the hours are fairly distributed to all interested employees.

Financial Implication: **Assuming overtime is consistent throughout the year, the average annual cost of overtime would be approximately $240,000. If part-time employees were to fill half of the overtime hours, HCMRDD would save approximately $40,000 annually. Likewise, the average annual cost of TPW**

overtime would be approximately $150,000. If part-time employees were to fill half of the TPW overtime hours, HCMRDD would save approximately $25,000 annually.

26. **An overtime usage report should be created and distributed to each member of the management team and department supervisors. The report should be organized by department and employee and state how many overtime hours were incurred each pay period. The reports should be generated at the conclusion of each pay period and provided to the appropriate administrators in a timely manner so management is aware of the amount of overtime being used. The report could also aid HCMRDD in identifying areas where overtime usage is excessive and patterns in its occurrence. If HCMRDD elects to purchase Timesoft 2000 PRO or a similar product, overtime information could be quickly accessed and a variety of management reports could be created.**

D. Compensatory Time

Currently, there are a small number of HCMRDD employees earning and using compensatory (comp) time. Most of these employees work in Adult Services. Comp time balances are not tracked in FoxPro or Reflections, nor is the information provided to the payroll clerks. The business manager in Adult Services tracks comp time accrual and use on an Excel spreadsheet. When an employee accrues or uses comp time, it is recorded as "Other Leave with Pay" in FoxPro and Reflections. The Board does not have formal policies and procedure in place regarding comp time accrual or usage.

Recommendation 27:

27. **If HCMRDD is going to continue to allow employees to earn comp time in lieu of receiving payment for overtime worked, formal policies and procedures should be developed regarding its accrual and use. The policies and procedures should also address management controls that need to be implemented to ensure comp time balances are correct and to prevent comp time abuse. The payroll clerks should be responsible for comp time management. FoxPro should be programmed to manage comp time accrual and usage, and HCMRDD should consult with the County Auditor's Office to determine what measures would need to be taken to allow comp time to be entered into Reflections.**

E. Leave Accruals, Balances and Payouts

At the end of each pay period, the Auditor's Office generates a vacation and sick leave balance report using Reflections, and HCMRDD generates its Biweekly Accumulation report using FoxPro. These two reports contain the same information and are generated using the same data. However, there are discrepancies between the two reports due to different rounding methods used by the Auditor and HCMRDD. The Auditor rounds to three decimal places, while

HCMRDD leave balances are rounded to four decimal places. Due to administrative employee turnover, it has been approximately three years since the leave balances have been reconciled and adjusted accordingly. As a result, there are larger than normal discrepancies. In some instances, the Auditor's leave balances are higher, and in others, HCMRDD's leave balances are higher. Unless HCMRDD can prove that the information in Reflections is incorrect, the Auditor's balances supercede HCMRDD's balances.

The Reflections leave balance report and HCMRDD's Biweekly Accumulation report for pay period 10 were reviewed and compared to determine how significant the discrepancies are, and to assess the financial impact on HCMRDD. The initial review of the reports showed several employees whose leave balances differed by more than 100 hours. Some of these differences could be attributed to the way instructors' leave balances are entered into Reflections and updated in FoxPro each month. The manner in which an employee's hours are coded in both systems can also cause variances in vacation leave accrual. Vacation leave is earned based on an employee's scheduled hours. If the Board changes an employee's regular work schedule and does not inform the County Auditor of the change, the employee will not receive the correct vacation accrual rate. As of June 2002, HCMRDD sent all the necessary coding changes to the County Auditor to ensure employees are accruing vacation at the proper rates. Other balances were divergent for the following reasons:

- Employees separating employment receive a lump sum payment for unused vacation and sick leave, and the transaction may clear one system but not the other.

- In some cases, FoxPro did not accurately accrue an employee's leave. This problem was resolved during the summer of 2002.

Employees meeting any of the aforementioned conditions were excluded from the leave balance report analysis. One hundred seventy employees' sick leave records were reviewed and 132 employees' vacation leave records were reviewed and did not reconcile. When the HCMRDD sick leave balances are adjusted to match the Auditor's sick leave balances, 52 employees will lose 0.08 to 148.07 hours of sick leave, and 118 employees will gain 0.09 to 117.60 hours of sick leave. The result is a net increase in HCMRDD's sick leave balance of 360 hours. When the HCMRDD vacation leave balances are adjusted to match the Auditor's vacation leave balances, 71 employees will lose 0.07 to 65.57 hours of vacation leave, and 61 employees will gain 0.01 to 82.5 hours of vacation leave. The result is a net decrease in HCMRDD's vacation leave balance of 110 hours. **Table 3-3** illustrates the sick and vacation leave balance discrepancies as of pay period 10 and the financial impact on HCMRDD.

Table 3-3: Leave Balance Discrepancies and Financial Implications

	Number of Employees Affected	Range of Leave Difference	Total Change in Leave Balance Hours	Average Direct Cost to HCMRDD
Sick Leave Lost	52	(0.08 – 148.07)	(859)	($9,861)
Sick Leave Gained	118	0.09 – 117.60	1,219	$15,237
Net Cost of Sick Leave Adjustments to MRDD			**360**	**$5,376**
Vacation Leave Lost	71	(0.07 – 65.57)	(1,222)	($12,813)
Vacation Leave Gained	61	0.01 – 82.5	1,112	$14,952
Net Cost of Vacation Leave Adjustments			**(110)**	**$2,139**
Total Net Cost of Leave Adjustments to MRDD			**250**	**$7,515**

Source: Reflections leave balance report for pay period 10 and HCMRDD's Biweekly Accumulation Report for pay period 10.

In total, 250 hours of leave will be added to HCMRDD's leave balances and will result in a total net direct cost increase of $7,515. With the addition of more hours to some employee's leave balances, there is the potential that overtime or extra hours may be needed to cover for an employee who decides to take advantage of this new leave. In addition, the reconciliation could potentially increase the severance cost of some employees. While there is a cost when increasing the leave balances, there is also a savings to HCMRDD by decreasing some leave balances to match the Auditor's balances. This is a reduction in HCMRDD costs because these are hours that HCMRDD would have paid out at the time of an employee's severance from the agency.

During pay period 11 of 2002, HCMRDD made the necessary adjustments to the FoxPro leave balances to reconcile its system with Reflections. As a result of taking this action, the Biweekly Accumulation reports should more closely reflect the totals found in Reflections and should more closely match the leave balance information on the employees' pay stubs. However, the balances will not match exactly until both HCMRDD and the Auditor use the same number of decimal places when rounding.

After the initial reconciliation in pay period 11, HCMRDD began verifying its leave balances against the Reflections leave report. Conducting this review enables HCMRDD to identify coding errors and leave balance mistakes. Using this information, HCMRDD can then track and correct the problem. HCMRDD managers are now receiving FoxPro generated Biweekly Accumulation reports that they can use to approve and deny leave requests.

If vacation accrual rates are not updated by the Auditor and HCMRDD during the same pay period, vacation accrual will not be calculated correctly in both systems. Vacation accrual rates are adjusted by the Auditor on an employee's public service date. After Reflections is updated, the Auditor sends a notice to HCMRDD to advise the Board of the change. When the notice is received, the payroll clerks manually make the adjustment in FoxPro. Due to staff turnover in the payroll and personnel areas, it is unclear if all of the necessary changes had been made in FoxPro prior to the leave balance reconciliation.

Recommendations 28-32:

28. HCMRDD must accurately track employee leave balances and minimize the need for leave balance adjustments. HCMRDD should collaborate with Hancock County to determine and ensure that the proper coding is being used in calculating leave accruals; that lunches are being calculated based on the contract; and that rounding is performed consistently on leave balances and accrual rates. The coding and rounding issues are all solvable and a collaborative effort between the two systems will help to ensure the accuracy of time and attendance. If HCMRDD and Hancock County are not able to mutually make the appropriate changes then bi-weekly adjustments will continue to be necessary.

29. FoxPro should be programmed to alert HCMRDD payroll and human resource staff of employee public service anniversary dates. Setting up the alert will allow HCMRDD to be proactive in updating accrual rates. The alert will also help ensure that the updates are made during the appropriate pay period so the potential of leave balance variances will further be reduced. In addition, the alert will provide a way for HCMRDD to identify any employees that the county may overlook when increasing accrual rates due to the occurrence of a public service anniversary. The Board should not incur any additional costs to have the FoxPro adjustments made since HCMRDD has a FoxPro consultant on contract.

30. At the conclusion of each pay period, HCMRDD should review employees' regularly scheduled work hours to ensure the correct amount of vacation time is being accrued. The verification could be done using the completed timesheets. Each non-exempt employee timesheet has the individual's scheduled hours pre-printed on the form. Notations could be made on the timesheet by the supervisor if an employee's schedule changes, or the supervisor could send a memo to the payroll department detailing the employee's schedule changes. Once notification is received by payroll and the information is entered into FoxPro, the County could be notified immediately and Reflections could be updated as well. If HCMRDD chooses to implement this recommendation, a formal policy and procedure should developed regarding non-exempt employee schedule changes.

31. HCMRDD should continue to compare its sick and vacation leave balances to the County report and make adjustments as needed. HCMRDD should keep a written record of any changes it makes to the balances in FoxPro. HCMRDD should also try to determine why the variance occurred so the problem can be resolved and future adjustments for the same situation can be avoided. While checking leave balances, HCMRDD should also verify the accrual rates used in both systems are the same.

32. HCMRDD should continue to explore the possibility of integrating its system with the County system. Integrating the two systems would eliminate the need for double entry of the same data and would minimize the need for system reconciliations. If the two systems are fully integrated, HCMRDD could reduce the frequency of system leave balance verifications and data comparisons.

This page intentionally left blank.

Human Resources Management

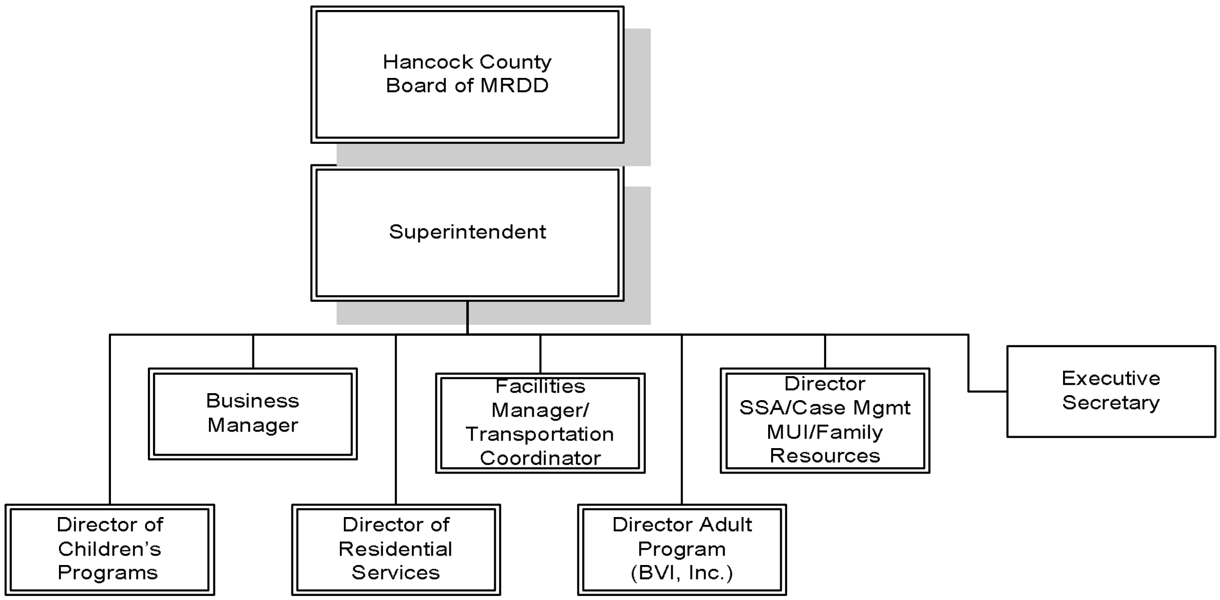
Introduction

This section focuses on the human resources management functions within the Hancock County Board of Mental Retardation and Developmental Disabilities (HCMRDD or the Board). The objectives for this section are to analyze the Board's organizational structure, position descriptions, staffing, employee compensation, training, hiring process and staff recruitment, and retention. From this analysis, recommendations for improvements in efficiency and effectiveness have been developed.

Background

The line of responsibility for the management of HCMRDD employees begins with the seven member governing board, five of whom are appointed by the Hancock County Board of Commissioners and two of whom are appointed by the Hancock County Probate Court Judge. The Superintendent reports to the governing board, and the directors of the five service areas report directly to the superintendent. The governing board has a personnel committee that provides oversight regarding human resource issues, approves positions and salaries, and determines personnel-related policies.

Chart 4-1: HCMRDD Organizational Structure



As of March 1, 2002, HCMRDD had 171 employees. These employees are organized into six departments or operational areas: children's programs, administration, residential, facilities and transportation, adult program, and service and support administration (SSA).

HCMRDD currently has two bargaining unit agreements and is in the process of negotiating two additional agreements. Multiple bargaining unit agreements add a level of complexity to human resource management that is not found in the peer boards. There are some county boards of mental retardation and developmental disabilities that have two bargaining agreements; however, no other county MRDD board has more than two agreements. After the two new agreements are finalized, HCMRDD will be unique in having to implement and monitor four separate agreements.

HCMRDD has decentralized the majority of the human resources functions. The decentralized process has contributed to the majority of the findings in this section. Although the Board has taken steps to centralize some functions, much of the work that is related to personnel issues is still performed by each respective department. Prior to February 2002, personnel issues related to hiring, disciplining, monitoring of staff training, and implementing policies and procedures regarding compensation and benefits were the responsibility of the directors and managers in each of the departments. In February 2002, the Board hired an employment supervisor, who supervises two employment specialists (payroll clerks), and has begun to centralize the human resource functions under this unit. The employment supervisor is supervised by the business manager and is not a member of the executive management team.

HCMRDD does not monitor any indicators such as vacancy rates, staff turnover, tenure, reasons for resignations, length of time to complete hiring process, or response rates to recruitment efforts. As a result, the Board is not able to assess the health of its workforce or the efficiency of its human resources functions. This absence of monitoring is due primarily to the decentralized human resources process. In addition, the decentralized process makes it difficult for data to be gathered in an efficient manner. For example, after the AOS requested a list of current staff members, HCMRDD went through a time consuming process to generate an accurate current staff listing. HCMRDD recently implemented a new staffing data base but relies on its outside programmer to generate reports.

In addition to the analyses presented in this report, assessments were conducted on areas which did not warrant changes or did not yield any recommendations. These areas include the following: staffing levels, bargaining unit agreements, and compensation value of benefit packages.

Findings and Recommendations

A. Organizational Structure and Staffing

The organizational charts originally created by management highlight the fragmented ways in which HCMRDD operates in the area of human resources. Each department completed its own organizational chart, and they were not completed in a consistent manner. Some of the charts reflected the superintendent's oversight of the department while others began the organizational chart with the director of the department.

Organizational charts are an effective method for understanding how a business functions and illustrates reporting relationships. One reason for maintaining a current and up-to-date organizational chart is to communicate organizational structure and lines of authority to stakeholders, employees, and customers. In addition, an organizational chart can assist with human resource planning and career succession by indicating where staffing gaps may occur, identifying potential internal employees to fill those gaps, and can help in illustrating where the organization needs to change to accommodate future growth or reductions.

During the performance audit, a new organizational chart was developed by the Board. The most recent chart presents each department in a consistent manner and shows a consistent and clear line of authority and chain of command. The reporting hierarchy, as demonstrated in the current organizational chart, appears to be appropriate, and there are no conflicting reporting relationships.

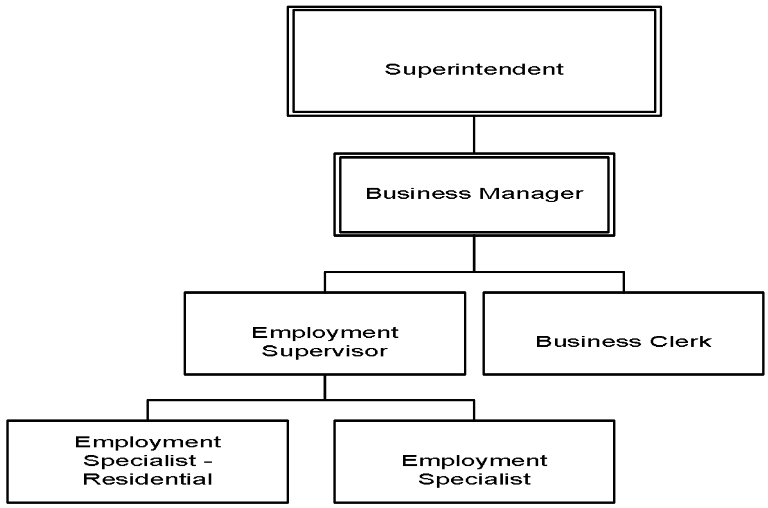
Recommendation 33:

33. In order to ensure that the organizational chart is consistent and accurate, the employment supervisor, or her designee, should periodically review the organizational chart and update it as needed. All changes to the organizational chart should require prior approval by the Superintendent and should be coordinated through the employment supervisor. Revised organizational charts should be reviewed with the governing board's personnel committee.

Human Resources Staffing

The employment supervisor and the two employment specialists are responsible for addressing HCMRDD's personnel issues. The employment supervisor reports to the business manager who, in turn, reports to the superintendent. The following chart illustrates the staffing and organizational structure for human resources at HCMRDD.

Chart 4-2: Human Resources Staffing and Organizational Structure



A comparison of the structure of human resources management between HCMRDD and five of its peer boards found that all of the peers have a director of human resources or director of personnel position and that these positions report directly to the superintendent. The organizational charts for the peer boards show the HR director as a member of the management team.

Table 4-1 compares the position descriptions of the staff responsible for the human resource management functions within each of the listed county boards of mental retardation and developmental disabilities.

Table 4-1: Comparison of Human Resource Management Positions

Board	Human Resource Management Position	Immediate Supervisor	Minimum Qualifications	Key Responsibilities
Hancock	Employment Supervisor	Business Manager	High School Diploma/GED and 2 years experience in payroll, HR, accounting or related field or associate's degree in related field.	Provide technical advice on personnel, coordinate centralized hiring, ensure certifications are current, review discipline agency wide, conduct exit interviews, develop policies and procedures, provide in-services, and complete salary surveys.
Clark	Personnel Director	Superintendent	Bachelor's or Master's Degree in Public Adm. or Education Leadership or a JD; 3-5 years experience; and union environment experience.	Direct personnel functions, labor negotiations, compensation planning, hiring process, workers comp administration, Family Medical Leave Act, policy and procedure development, and insurance and disability.
Licking	Director of Personnel	Superintendent	Bachelor's degree in related field and 2 years experience in personnel, Public Administration or related area.	Supervise procedures for recruiting, screening, interviewing, and selection, compensation and benefits, complete accurate job descriptions, track and notify staff regarding certification renewal, and update Table of organization.
Marion	Director of Human Resources	Superintendent	Bachelor's degree in Personnel Adm. or management or human resources and 2 years experience with 6 months supervision experience.	Manage all HR operations, provide technical assistance on personnel matters, participate in development of salary scales, manage and develop employee benefits, participate in labor negotiations and hearings, supervise support staff, coordinate staff development and training, ensure training meets requirements, monitor staff compliance with certification, function as public relations officer, and coordinate volunteer program.
Richland	Director of Human Resources	Superintendent	Bachelor's degree and 8-10 years of supervisory experience.	Provide technical assistance on personnel matters, represent board in investigation, arbitration and/or hearings; oversee employment practices and procedures, wage/salary administration and benefits; track certification requirements, implement staff training, and serve as active member of management team.
Seneca	Director of Human Resources	Superintendent	Bachelor's degree in HR management, Public Adm. or management. 3 years experience in administration, personnel or providing work direction and training.	Oversee personnel operations, coordinate pre-service training, ensure training meets requirements for staff certifications, conduct pre-disciplinary hearing investigations and grievance hearings, manage benefits program, provide advice on personnel matters, and assist in development of policies/procedures.

Source: Hancock County and selected peer boards

Table 4-1 shows that all of the county MRDD boards, with the exception of HCMRDD, have a director of human resources or director of personnel position. Minimum requirements for the director positions in the peer county MRDD boards include a bachelor's degree and experience in human resources. The key responsibilities for these positions are similar to those of the HCMRDD's employment supervisor; however, the roles differ in the level of responsibility and leadership for human resource planning, involvement in bargaining unit contracts and in the monitoring of human resource-related processes to ensure consistency throughout the organization. The position description of the HCMRDD employment supervisor reflects more of a support position and, with the line of authority going to the business manager, the employment supervisor does not have the independence or authority to develop a program to meet the human resource needs of HCMRDD.

Recommendation 34:

34. The employment supervisor position should be converted to a director of human resources position. HCMRDD is one of the few MRDD boards that do not have a director of human resources. Instead, the business manager is responsible for managing HCMRDD's human resources. Due to the current workload and responsibilities of the business manager, it is not possible for her to effectively perform the major activities of a human resource manager. Duties for this type of position typically include: formulating and implementing policy decisions, developing staff recruitment and retention plans, planning training programs, contract negotiations and administration, and hearing employee concerns and complaints. These responsibilities currently fall to the employment supervisor; however, she has neither the independence nor authority to develop a program that will help HCMRDD meet its human resource management objectives. Changing the employment supervisor position to a director of human resources will further empower the individual functioning in that role to act with the necessary authority and to assume a greater role in top management planning and decision making.

The director of human resources should report directly to the Superintendent and should be a member of HCMRDD's management team. When converting the employment supervisor job description to a director of human resources, it should be revised to reflect a leadership role in the following areas: staff training; labor negotiations; compensation planning; worker's compensation administration; policy and procedure development; recruitment, screening, interviewing, and selection procedures; position description development; staff certification monitoring; and organizational charts completion. The qualifications for the position should be increased to insure that the person filling the position has the necessary skills and knowledge to complete all of the job duties.

Financial implication: **Should HCMRDD decide to increase the responsibilities of the employment supervisor, the Board may want to review the salary for this position. As a guideline for HCMRDD's use, the average 2002 salary for a personnel manager in three Boards with geographic proximity to HCMRDD (Henry, Seneca and Wood Counties) is $33,753. The cost to HCMRDD to be competitive with salaries of surrounding Board areas would be approximately $5,000.**

Job Descriptions

In 1994, HCMRDD hired Clemens Nelson and Associates (CNA) to develop new job descriptions. The process was begun but was not completely finished and, as a result, HCMRDD does not have a consistent format for all of its position descriptions. Because HCMRDD is not routinely reviewing and updating job descriptions, several position descriptions are inaccurate.

The position description format that was developed by CNA has been approved for use by the Department of Administrative Services. The form has a space for recording date of development, approval and revision; however, these data elements are usually excluded on the HCMRDD forms.

The position descriptions reviewed contained specific duties, reporting authorities, and required standards of performance. They did not contain a general description or overview of the position. Some elements, such as the title of the supervisor, are inconsistently documented and information has not been kept up-to-date.

Since the hiring of the employment supervisor, HCMRDD has begun to electronically store the job descriptions in the HR office, and the descriptions are backed up on the Board's server. The goal is to create a central depository for all of the position descriptions that is accessible to members of the management staff.

According to HRNext, position descriptions should contain: (l) job identification, (2) job summary or purpose, (3) essential functions and additional responsibilities, (4) accountabilities, and (5) job specifications. Descriptions clarify who is responsible for what within the organization. Because they help define relationships among individuals and among departments, they can be used to settle grievances, minimize conflicts, and improve communications. Complete and accurate job descriptions can also help determine which positions to eliminate when workforce reductions become necessary as well as identify which positions are suitable for outsourcing, telecommuting, or part-time or temporary hiring.

Position descriptions provide other benefits to the organization. They help employees understand the responsibilities of their positions and give them a sense of where their jobs fit into the agency as a whole. In the area of compensation, position descriptions provide a reliable and defensible foundation for job evaluations, as well as a basis for comparison with published wage and salary data and the framework for an equitable wage and salary structure. All job descriptions within an organization should follow the same format. Those individuals responsible for writing them should receive similar instructions and follow the same guidelines so that valid comparisons can be made among jobs.

A crucial factor in the success of any job or position description program is the procedure for keeping descriptions up-to-date. Next to inaccurately phrased job descriptions, failure to maintain descriptions is the most frequent reason job description programs fail. An obsolete job description is not only worthless but also may be harmful to the Board and the employee.

The importance of updating position descriptions is also highlighted in the book *The #1 Guide to Performance Appraisals*. The book states job descriptions should include the key factors that will be used in evaluating performance. Every employee should be given a copy of the job description and it should be continuously updated. Responsibilities in today's workplace can change quickly. The job descriptions should be monitored closely to ensure ongoing accuracy. Preparing an evaluation based on an out-of-date job description can demoralize an employee and undermine the evaluation process.

The inconsistencies and inaccuracies in the HCMRDD position descriptions are a result of the Board's prior decentralized approach to human resources. The Board's efforts at filling vacant positions are hindered when time has to be taken to revise and update the position description so that the job duties and responsibilities can be accurately posted. Because HCMRDD does not have up-to-date position descriptions, it is also hindered in making market comparisons to determine salary schedules. The Board has recently centralized responsibility for updating and maintaining position descriptions.

Recommendations 35-37:

35. All position descriptions should be electronically stored and should be marked with their effective dates. Changes to position descriptions should only be processed by human resources and approved by the superintendent. Centrally locating all the position descriptions will allow for the creation of the desired master file and should speed up the process of updating position descriptions.

36. Position descriptions should be reviewed and updated on annual basis. This review can be built into the annual performance evaluation process. This will allow both the manager and employee to review the position description for accuracy.

37. Position descriptions should be put into a consistent format that presents the information with brevity, accuracy and objectivity. The position descriptions should include: job title; salary information; job summary; specific responsibilities; primary interactions; equipment operation requirements; level of decision making; knowledge, skills and ability requirements; and qualifying education, training, and experience. The job summary should also contain a brief narrative of the job that highlights its general characteristics. The job summary should provide enough information to differentiate the major functions and activities of the job from those of other jobs.

B. Salaries and Compensation

The HCMRDD comprehensive salary schedule was developed in 1995 and has not been kept current. The scale was designed to be a tool in determining the starting salaries for new non-union employees. When the Board is in the process of hiring new non-union staff, the annual salary survey conducted by the Ohio Association of County Boards of Mental Retardation and Developmental Disabilities (OACBMRDD) is referenced as one measure of the current market. The use of HCMRDD's comprehensive salary schedule has been inconsistent and problematic. When filling a non-union position, it is HCMRDD policy to not recognize seniority greater than 10 years when hiring experienced individuals. Also, there are no clear guidelines as to what previous experience qualifies a non-union employee start in a higher pay range. These practices are deterrents to experienced individuals who are considering joining the HCMRDD staff.

HCMRDD does not have an advancement or step increase system for its current non-union staff. Salaries for the positions covered by the two bargaining units are specified in those respective agreements. Salaries in the adult services and facilities and transportation departments have been frozen pending the resolution of the agreements with these two new bargaining units.

A comparison of HCMRDD's salaries to the salaries reported by 13 peer boards was conducted. Data for this comparison was extracted from the 2002 OACBMRDD salary survey. The minimum and maximum salaries for a sample of 23 positions were analyzed; however, data on each position was not always available from all 13 peer boards. One of the limitations to this analysis is that salary is impacted by the tenure of the person in the position. For example, if the person has been with the board for several years, the minimum and/or maximum salary will reflect this and be higher. There are also differences in the educational achievement of individuals in the same position and this may account for some of the pay difference.

Table 4-2 displays the range of HCMRDD's salaries for the 23 positions, the minimum and maximum salary for each position from the 13 Boards and the average minimum and maximum salary for the boards that surround HCMRDD.

Table 4-2 Comparison of FY 2002 Salaries

Position	Range of HCMRDD Salaries	Range of Peer Board Salaries	Range of Avg. Salaries of Surrounding County Boards
Business Manager	$47,999	$21,980 - $68,271	$41,394 - $49,338
Superintendent	$81,370	$54,551 - $90,000	$76,050
Personnel Manager	$28,537	$20,316 - $62,277	$33,753 - $38,208
Director of Education	$61,000	$43,026 - $67,259	$61,544
Instructor (BA)	$23,655 - $42,786	$20,788 - $51,564	$24,068 - $40,041
Teacher Assistant	$12,312 - $17720	$8,568 - $24,126	$10,717 - $17,827
Early Intervention Specialist (BA + 150)	$36,570	$24,248 - $47,000	$32,685 - $37,195
Support Services Director	$48,431	$41,229 - $66,400	$49,794 - $56,074
Service Support (BA)	$29,233 - $41,446	$24,850 - $49,438	$30,518 - $43,607
Adult Services Director	$69,899	$43,026 - $67,259	$59,771 - $59,771
Production Manager	$43,824	$23,085 - $58,821	$37,009 - $47,222
Habilitation Manager	$40,499	$30,000 - $50,164	$35,714 - $47,197
Community Employment Manager	$38,500	$20,147 - $54,900	$34,449 - $41,563
Habilitation (Professional/BA)	$21,174 - $44,345	$19,572 - $51,213	$25,137 - $45,148
Workshop Specialist	$17,014 - $26,312	$14,600 - $46,724	$17,138 - $26,213
Bus Driver	$12,438 - $18,345	$6,977 - $30,534	$9,918 - $14,206
Bus Aide	$7,363 - $8,756	$4,320 - $21,029	$7,152 - $10,183
Mechanic	$33,092	$20,613 - $35,127	$25,737 - $28,827
School Custodian	$21,486	$11,646 - $30,158	$17,405 - $23,225
Workshop Custodian	$18,200	$16,723 - $29,723	$19,958 - $29,040
Residential Director	$55,000	$50,047 - $67,259	$59,706
Home Manager	$23,400 -$26,540	$19,094 - $39,840	$19,094 - $21,403
Direct Care Worker (Residential)	$16,660 - $26,312	$16,640 - $30,430	$16,640 - $27,102

Source: Ohio Association of County Boards of Mental Retardation and Developmental Disabilities 2002 Salary Survey
Note: A single salary is provided when the minimum and maximum were reported as being the same. The following counties are included in this analysis: Allen, Clark, Delaware, Erie, Hardin, Henry, Licking, Marion, Putnam, Richland, Seneca, Wood, and Wyandot.

Table 4-2 shows that there is no significant variation between HCMRDD salaries and the range found in the peer Boards. There is also no identified trend in comparing HCMRDD salaries to those of surrounding counties. Overall, HCMRDD is competitive with other boards in terms of salary structure. It should be noted that not all of the boards have the same positions so the number of salaries analyzed for each position varied. Another key element is that only a subset of the counties listed has an ICF/MR. While the Boards may have similar positions, such as residential direct service worker or home manager, these positions likely differ in terms of job responsibilities.

Compensation has a significant impact on the workforce and applicant pool. For example, while high pay rates can increase the number of applicants, lower pay rates can limit the supply of applicants that are willing to apply for a position. If HCMRDD was able to generate a larger applicant pool, it could use more discretion throughout the hiring process. The Board could be more selective and opt to offer employment to more qualified individuals which could also reduce the cost of training new staff.

According to the book, *Managing Human Resources*, there are a number of reasons for an organization to develop a formal program to manage employee compensation. Policies should be established to guide management in making salary decisions and they should include statements regarding the following:

- The rate of pay offered within the organization and whether it is to be above, below or at the prevailing community rate;
- The pay level at which employees may be recruited and the pay differential between new and more senior employees;
- The intervals at which pay raises are to be granted and the extent to which merit and seniority will influence raises; and
- The pay levels needed to achieve a sound financial position in relation to the services offered.

As reported in *Managing Human Resources*, more organizations are opting to set compensation objectives based on a pay-for-performance basis. Pay-for-performance helps to raise productivity and lower labor costs. In this system, at least part of any pay increase is tied to job effort and performance.

When developing a salary schedule, HCMRDD should be cognizant of Hancock County's low unemployment rate (3.6 percent) and 87 ranking in unemployment among Ohio's 88 counties (June, 2002). Additionally, Hancock County is in the top bracket of per capita income with a FY 1999 per capita income of $28,091. The counties surrounding Hancock have higher rates of unemployment and lower per capita income.

HCMRDD should also take into consideration the wage index data that is available from a number of sources including the Ohio Department of Jobs and Family Services (ODJFS) and the US Bureau of Labor Statistics. The ODJFS data is broken into metropolitan areas, and data is available for the areas around Toledo and Lima. This data provides the average hourly wage, the median hourly wage, the middle range and the average annual wage for a variety of occupations. Wage data is available for a number of positions found at HCMRDD including mechanics, cooks, and administrative assistants, first-line supervisors of personal service workers, human resource managers and licensed practical nurses.

One challenge HCMRDD faces in developing a salary schedule is that there are currently 61 different position titles in use by the Board. Staff is then further categorized as full-time, part-time or seasonal, and the hours of work also varies for different positions. The bargaining unit agreements contain salary schedules for the positions covered by those contracts; however, HCMRDD does not have a salary schedule for its remaining positions. Although a salary schedule should be developed for each position, HCMRDD should group positions into pay codes and limit the number of schedules which need to be created.

Recommendation 38-39:

38. The Board should develop a compensation program that addresses the pay issues for those positions excluded by the bargaining unit agreements. The compensation program should include policies that will guide management in setting salary ranges and should address how salaries should be established for new employees. The policies should provide clear guidelines for addressing prior experience of new employees and how that experience should be accounted for when setting a starting salary. The program should also provide a methodology for measuring job performance and tying that performance to increases in salaries.

39. For ease of administration, positions should be grouped into pay grades where appropriate. The Board should utilize the 2002 OCBMRDD salary survey as a resource in establishing salary ranges for these pay grades. The Board should select a subset of other county boards and develop a range of minimum and maximum salaries being offered. Additionally, the Board should use the data available from the US Bureau of Labor Statistics and the Ohio Department of Jobs and Family Services to obtain information regarding the wage index in neighboring metropolitan areas.

C. Staff Training and Development

Staff Training

A significant number of HCMRDD employees are required by the Ohio Administrative Code to be either licensed, registered or certified by the Ohio Department of Mental Retardation, the Ohio Department of Education or one of the professional licensing boards. Obtaining and maintaining these credentials is necessary in order for HCMRDD to be reimbursed for services provided.

Training requirements for the credentialed staff are determined by the respective credentialing bodies. Each of the credentialing bodies has educational and/or training requirements for obtaining a credential and additional continuing education requirements for maintaining the credential. The process for renewing the credential involves submission of all training attended to the credentialing body.

The Board offers a number of internal trainings. The topics covered are based on the continuing education requirements for renewal of certification and registration. The adult services department has established a training committee to plan staff in-services for the upcoming year to ensure that required training for staff in that department is provided. In addition, staff attends external trainings to obtain required continuing education hours. The costs of these educational seminars or workshops may be paid for by the Board if requested and approved. The Board also has a tuition reimbursement policy which provides staff members that have been employed by the Board for a minimum of one year to be reimbursed for junior, senior or graduate courses. An employee receiving tuition reimbursement must remain with the Board for one year after completion of the course or refund the reimbursement to the Board. A review of policies from the peer boards found that staff training is equivalent to that provided by Hancock County. In addition, the boards have similar processes for tuition reimbursement programs.

Some training requirements, such as first aid and cardiopulmonary resuscitation (CPR), must be completed by more than one department; however, there is little coordination between the different departments to offer this training. The trainings are repeatedly offered in each department with only minimal coordination of staff from other areas. The result is an inefficient use of staff training resources.

There was no documentation of organization-wide training in which all staff attend together. The areas outlined in HCMRDD's annual staff training policy are addressed in the ongoing training provided by some of the departments; however, not all departments cover the required topic areas.

According to *Opportunities for Excellence: Supporting the Frontline Workforce*, a report issued by the President's Committee on Mental Retardation, many employees report that they feel devalued and humiliated when they are asked to attend the same training year after year. A competency-based approach toward training would allow a direct support worker to demonstrate competency, thus avoiding duplicative training and would help workers feel more valued. This approach would be more cost-effective than traditional training and would allow for the transferability of training across agencies.

Education and training opportunities also provide a way for organizations to create career and educational paths. Research shows that employees stay longer if they see the path before them and are recognized and acknowledged for what they know and do. Organizations can create linkages to other educators that can become pathways for finding new staff.

Recommendation 40:

40. The Board should develop an internal training committee to examine alternative methods to provide training required by multiple departments. This committee should also review the current board policy on all-staff training. This committee would be an addition to the adult services training committee and should be given a charge to review training issues across all departments and make recommendations as to how the organization should plan and implement staff training. The committee should consider additional areas for all-staff training including a review of board policies and procedures, personnel related issues, communication, team work, and multi-cultural awareness.

The internal training committee can also serve as a review body to examine current training practices against direct service professionals' training recommendations. The internal training committee should monitor the work of the Professional Advancement Through Training in Human Services (PATHS) project that is funded by the Ohio Developmental Disabilities Council. As the PATHS program develops, the Board should work to coordinate its training so that direct service staff can pursue this level of professional credential.

Succession Planning

HCMRDD currently does not have a formal, structured training program nor does the Board have a succession plan. The Richland County Board of Mental Retardation and Developmental Disabilities (RCMRDD) has a policy for succession planning which goes beyond staff training and tuition reimbursement and creates a process to proactively work with staff to develop new knowledge and skills so that they are qualified to move into new positions. Succession planning involves identifying key positions in the organization and potentially qualified candidates for these positions before vacancies occur. The process aids RCMRDD in preparing for employee turnover and provides a means to increase internal mobility. Staff work with their supervisors to develop a training plan to acquire the skills, credentials and experience for needed to fill potential positions. This process is discussed as part of each employee's performance appraisal. If interested, staff and supervisors create career development plans which outline credentialing requirements, educational needs, experience, specific assignments, formal training needs, etc. These career development plans are then reviewed regularly by the employee and supervisor. RCMRDD also has a procedure to address funding assistance for staff with career development plans to obtain the education outlined in the plan.

In a related area, Marion County Board of Mental Retardation and Developmental Disabilities (MCMRDD) has developed a procedure to identify positions of critical need and to provide additional resources to an employee wishing to achieve the educational requirements needed for advancement. MCMRDD will reimburse an employee for two years of university tuition and training in exchange for a commitment from the employee to remain with them for a five-year period.

Recommendation 41:

41. HCMRDD should develop a succession policy and procedures modeled after the Richland County Board of Mental Retardation and Developmental Disabilities' plan. The succession policy and procedure would compliment the HCMRDD's efforts to develop career paths for staff. Completing the plan would also support HCMRDD's policy which encourages staff development activities, provides a solution to addressing some of the needs created by turnover, as well as provides an incentive for staff retention.

As the Board tracks indicators of workforce health (see recommendations 49-50 in the Staffing Issues section), the Board can identify positions of critical need and can develop a procedure, similar to that utilized by the Board in Marion County, to develop skills and knowledge of current staff to fulfill any staffing needs.

Documentation of Training

HCMRDD does not employ a uniform method for documenting and tracking staff training. Each department has developed its own process to track required staff training. However, in the summer of 2002, the employment supervisor assumed responsibility for monitoring staff training in the adult services and education departments. The residential, transportation/maintenance, and service administration and support areas continue to track their own staff training. Administrative staff training and credentialing are currently not tracked.

The Ohio Administrative Code outlines the renewal requirements for adult services and case management certification and registration (OAC §5123:2-5-01 and OAC §5123:2-5-02); superintendent certification (OAC §5123:2-5-03); early intervention certification and registration (OAC §5123:2-5-05); and investigative agency certification (OAC §5123-2-5-05). These standards require that the superintendent of the employing county board verify that the applicant has met the orientation and training requirements. The verification is based on the employee's statement on the credentialing application form and attendance documentation on training sign-in sheets that are maintained by the various departments. There are additional training requirements for teachers, bus drivers, bus monitors and staff working in the Board's residential program.

As a result of decentralizing the monitoring of training, each department has developed a unique system for tracking training and ensuring the employees have fulfilled certification and licensing requirements. There is no centralized process for compiling this data, and personnel files do not contain up-to-date information regarding training. Recently, there was an incident where a school employee's credentials had expired and this was discovered by the human resource staff. HCMRDD's would have been ineligible for reimbursement for the services provided by this individual had the lapse not been discovered and the credential not renewed. Currently, HCMRDD is in the process of entering the name of the credentialing bodies and expiration dates for all staff credentials in the personnel data base. Once the data base is complete, it could be used to generate reports for each department detailing which staff need to renew their credentials and could also highlight staff training needs.

Recommendations 42-43:

42. **The employment supervisor should be responsible for monitoring and tracking training for all employees and departments. Centralizing the tracking of training and staff credential documentation provides greater assurance to the Superintendent when verifying that staff have achieved appropriate training and credentials. The process that has been developed for the adult services staff should be replicated for staff in other departments that are certified, registered or licensed. While staff are responsible for maintaining their own credentials, the process for applications and renewals should be routed through human resources.**

43. **Staff should receive a certificate after completing training provided by HCMRDD and copies of those certificates should be forwarded to human resource manager and placed in the personnel files. When staff attend workshops or training sessions not conducted by HCMRDD, they should be required to submit a copy of the attendance certificate to human resources. Submitting the certifications will provide documentation for the Superintendent to refer to before signing the verification statement on credentialing applications.**

D. Recruitment and Retention

The Hiring Process

In the past, HCMRDD has used a variety of approaches to coordinate the hiring of new employees. HCMRDD is in the process of reverting back to a centralized hiring process coordinated by the HR department. The decentralized process resulted in inconsistencies and an absence of uniformity in hiring methods.

To assist hiring managers and supervisors with the hiring process, HCMRDD developed a manual outlining each step in the hiring process. The manual was designed to support a decentralized hiring process so each department could complete the majority of the activities necessary for employee selection and hiring. HCMRDD did not provide any formal training to its managers and directors regarding its hiring policies and procedures, which contributed to the inconsistencies found in the hiring process. The hiring manual has not been kept up-to-date and does not include the new pre-employment application form nor has it been revised to support a centralized hiring process.

There is no centralized tracking of applications. The manual contains time lines for the duration of postings, but no other clear time frames for interviews, selection, verifying references, etc. Contact and correspondence between applicant and HCMRDD is through the hiring manager and not the human resource department.

When a vacancy occurs, the hiring process is initiated by the manager or director of the affected department by submitting a request for position posting form to the HR department. The hiring manager indicates if the position should be advertised, and if so, the duration, locations and timing for the external posting are provided. The position posting forms are routed to the Superintendent for his approval before a posting is completed. Postings are generally created every Monday, unless there is a need to post a new position during the week.

The notice of available positions is posted internally in the various HCMRDD departments. Additionally, a copy of the job posting is sent to each department. Only a subset of the Board's vacancies is posted externally, and these job openings are individually advertised. The deadline for submitting an application is one week after the initial posting; except for school positions which are posted for 14 days. If there is no internal response for the vacancy, the deadline is changed to "open until filled." The posting form includes the minimum qualifications for all applicants and the conditions of employment.

According to *Managing Human Resources*, elements of an effective job posting and bidding procedure should include the following:

- Establish and widely distribute applicant eligibility requirements for employees wishing to use the bidding procedure;
- Develop job notices that are complete, including the job's essential functions and responsibilities and any special tasks that must be performed;
- List the minimum abilities, skills, experience, education, or special knowledge needed by applicants;
- Communicate the availability of jobs to all affected employees;
- Establish posting periods and state any filing constraints if appropriate; and
- Develop an applicant review procedure and feedback system that employees will accept.

A preemployment application form is completed by both internal and external job candidates. The preemployment application form currently being used is a one-page application that does not elicit adequate information to appropriately screen applicants. This is particularly problematic with non-degreed staff who often do not submit a resume with the application. According to Board staff, the absence of adequate information on the preemployment form has resulted in time spent interviewing unqualified candidates. The completed form is to be returned to the human resources department. During the audit period, the Board implemented a procedure requiring all applications to be obtained from and returned to the HR department. The goal is to have all applications reviewed by the employment specialist to ensure the applicants meet the minimum position qualifications before being sent to the hiring supervisor.

Recommendations 44-46:

44. HCMRDD should continue to take the steps necessary to completely centralize the hiring process in the human resources department. All applications and related forms should be received by human resources for initial review and to ensure they are appropriately screened and routed to the appropriate department. HCMRDD should also begin to implement a system to monitor the expediency of the hiring process. The Board could develop a spreadsheet to track each applicant's progress in completing the hiring process from the date the resume or application is received to the date new employee orientation begins.

45. The hiring manual should be revised to reflect the changes made in the hiring process and also to provide detailed criteria and guidelines for completing all the steps in the hiring process. The manual should contain a section on job postings and bidding procedures.

A section describing how to screen applications to determine if an individual meets the minimum job qualifications should also be included. Applicants that do not meet the position's qualifications should receive a letter from human resource, and the application should not be forwarded to the hiring supervisor. Interviews should be arranged through human resources and all correspondence to applicants up to and including the job offer should be completed by human resources.

Other sections that should be revised or incorporated in the manual include: candidate interviewing, the selection process and staff resignation and turnover.

46. HRMRDD should revise its pre-employment application form to capture essential information, such as an individual's work history, necessary to determine if an applicant is qualified for the position. If the appropriate information is provided to human resources, the screening process could be completed in a more efficient manner and the possibility of interviewing unqualified candidates should be minimized. The pre-employment form should assist HCMRDD in selecting the most appropriate candidates for interviews.

Recruitment

The Board uses both internal and external recruiting methods to fill vacancies. HCMRDD does the majority of its external recruitment using local newspapers and posting job openings on the Ohio Association of County Boards of Mental Retardation and Developmental Disabilities web site. Response to postings varies as does the quality of applicants. The Board currently does not track applications to determine the effectiveness of recruitment efforts.

The Bureau of Labor Statistics projects a 136 percent increase in the number of human service workers needed and a 120 percent increase in personal and home care aides needed by the year 2005. Between now and 2005, the human service industry will be in intense competition for scarce personnel at the entry level. Not only do service agencies compete against each other, they compete against other service oriented industries. One consequence is that service agencies can no longer depend on typical recruitment strategies such as newspaper advertising, which is costly and ineffective at yielding employees who are likely to stay in their positions more than a few months.

An indicator of how much trouble an agency is having with recruitment is the vacancy rate. The vacancy rate is determined by taking the number of funded positions currently vacant and dividing by the total number of funded positions. **Table 4-3** contains the vacancy rates for the HCMRDD and peer boards as of March 2002.

Table 4-3 Vacancy Rates

	Hancock	Licking	Clark	Richland	Marion	Peer Average
Number of Staff	171	204	431	355	92	271
Number of Vacancies	14	24	23	16	0	16
Vacancy Rate	8%	12%	5%	5%	0%	6%

Source: HCMRDD and peer boards

Table 4-3 shows that HCMRDD's vacancy rate is slightly higher than the peer average. The vacancy rate, combined with the rate of staff turnover (see the **staff turnover section** of this report for details), demonstrates the need for a more varied recruitment strategy.

Organizations can deal with vacancy and staff turnover issues by revising their recruitment strategies and encouraging new types of workers to enter the field. This may require a greater investment in targeted recruitment of non-traditional populations and groups, which research has suggested show promise of success in human service work. These groups include older adults in life transition, such as those whose children have recently left home, and those who wish to work part-time after retirement.

Agencies can also develop educational and recruitment opportunities by working with community education and training programs such as school-to-work and welfare-to-work initiatives, post-secondary programs, and vocational/technical programs.

Another strategy for increasing the effectiveness of organizations' recruitment efforts is to provide job applicants with a realistic job preview. Studies show realistic job previews generally result in the following:

- Improved employee job satisfaction;
- Reduced voluntary turnover;
- Enhanced communication through honesty and openness; and
- Realistic job expectations.

Recommendations 47-48:

47. HCMRDD should develop a staff recruitment plan that includes outreach to nontraditional populations and groups. The plan should outline how the Board would work with educational and vocational programs along with school-to-work and welfare-to-work initiatives. *New tools for the New Century: Ideas for Building a Quality Workforce* recommends the following for recruitment and retention:

- **Invite workers to participate in key aspects of the organization;**
- **Provide flexibility in schedules and benefits;**
- **Create formal mentoring programs;**
- **Conduct realistic job previews to create better fit with those you hire;**
- **Work with other agencies to market the industry and jobs;**
- **Help workers find housing, good child care and other life necessities;**
- **Provide incentives for employees to use their networks to find new workers; and**
- **Look to alternative pools of workers – retirees, displaced homemakers, welfare to work.**

48. HCMRDD should provide job applicants with a realistic job preview. Doing so will help ensure applicants have a clear understanding of all aspects of the job, including both its desirable and undesirable facets. Each applicant should be given a tour of the working area combined with a discussion of any negative health or safety considerations. Providing applicants with a realistic understanding of the job prior to acceptance could help reduce the number of individuals who accept a position and then leave shortly thereafter because it was not what they were expecting.

As part of the preview, the applicants should be given an opportunity to observe the performance of the tasks associated with the position. A job observation period

provides an extended period of time to survey the working environment and will help ensure that applicants have a thorough understanding of the tasks associated with the job and the work environment prior to accepting the position. Using this process could help HCMRDD avoid costs associated with employee turnover, including loss of productivity.

Staff Turnover

HCMRDD does not collect staff turnover data; however, based on input from Board staff, the residential program, adult services (the workshop), and the school were selected for further staff tenure analysis. **Table 4-4** contains a breakdown of the staff tenure in these program areas as of March 2002.

Table 4-4: Breakdown of Tenure for Residential, Workshop and School Employees

Length of Tenure	Number of Therapeutic Program Workers		Number of Workshop Specialists		Number of School Staff	
Less than 1 year	10	27%	5	23%	2	6%
1 to 2 years	7	19%	2	9%	3	8%
2 to 3 years	5	14%	2	9%	1	3%
3 to 5 years	2	5%	1	5%	4	11%
5 to 7 years	7	19%	2	9%	5	14%
7 to 10 years	2	5%	2	9%	5	14%
More than 10 years	4	11%	8	36%	16	44%
Total	**37**	**100%**	**22**	**100%**	**36**	**100%**

Source: HCMRDD Human Resource Staff

Table 4-5 provides further analysis of the tenure of these three groups of staff as of March 2002 and displays the minimum, maximum and median tenures calculated from the same data as **Table 4-4**. According to the data, school staff are staying longer with HCMRDD and there is more staff turnover in the therapeutic program worker and workshop specialist positions. This is particularly true for the therapeutic program workers who provide direct care to individuals in the residential program. Forty-six percent of these staff members have less than two years experience with HCMRDD.

Table 4-5: Analysis of Tenure Data

Length of Tenure	Therapeutic Program Worker	Workshop Specialist	School Staff
Minimum	0.1 years	0.2 years	0.2 years
Median	2.4 years	6.1 years	9.5 years
Maximum	16.7 years	19.1 years	32.5 years

Source: HCMRDD Human Resource Staff

Table 4-5 demonstrates the differences in the tenure of three categories of staff and highlights that the tenure of therapeutic program workers is significantly less than the other two areas, particularly at the median level.

A further breakdown of the data for therapeutic program workers was conducted. This data was examined in terms of the specific residential home where staff were assigned as of March, 2002. The data shows that there is a significant difference in the average tenure of staff assigned to the Graff House. The Board had not been consistently conducting exit interviews so there is no data as to the reasons for staff turnover in this area. The average tenure of staff in the Angus and Eibling Houses was approximately six years while the average tenure in Graff House was approximately two years.

Further review of the data on staff tenure for school employees showed that the average tenure for instructors is 13 years. Tenure of instructors ranged from a minimum of 4.6 years to a maximum of 32.5 years. The average tenure for instructor assistants is 10.8 years with a range from two months to 22.5 years. The school staff has the most tenure and has experienced few turnovers.

The data in **Table 4-6** illustrates the number of staff that left employment from March 1, 2001 to March 1, 2002. The table includes data for direct service positions in residential programs and adult services workshop programs. A comparison of job descriptions was made between all of the counties listed to ensure that responsibilities for the positions included in the analysis were comparable. The positions included in the analysis correspond to HCMRDD's therapeutic program worker and workshop specialist positions.

Table 4-6: Analysis of Staff Turnover Rates

	Hancock	Licking	Marion[2]	Richland	Clark	Peer Average
Total Staff	171	189	92	355	431	267
Number of Staff Departures	39	18	8	114	69	52
Overall Turnover Rate	22.8%	9.5%	8.7%	32.1%	16%	19.5%
Median Tenure for All Departed Staff (months)	18	31	19	8	105	41
Total Residential Direct Service Staff[1]	44	10	N/A	75	125	70
Number of Residential Staff Departures	16	1	N/A	66	20	29
Turnover Rate for Residential Direct Service Staff	36%	10%	N/A	88%	16%	41.4%
Median Tenure for Residential Staff Departures (months)	4	144	N/A	4.5	62.5	70.3
Total Workshop Direct Service Staff [1]	23	31	24	39	59	38
Number of Workshop Staff Departures	3	1	2	5	4	3
Turnover Rate for Workshop Staff	13%	3.2%	8.3%	12.8%	6.8%	7.9%
Median Tenure for Workshop Departures (months)	9	35	146	3	107	73

Source: Hancock County and peers
[1] Positions included in the analysis: Licking County – residential advisor and registered service staff; Marion County – adult training technician; Richland County – habilitation technician and workshop specialist; and Clark County – unit counselor and registered service worker.
[2] Marion County Board of Mental Retardation and Developmental Disability does not provide a board operated residential program.

The data indicates that HCMRDD's overall turnover is higher than the peer average and that the tenure of staff leaving is less than the peers. The turnover rate for direct service staff in the residential program is less than the peer average, but the tenure is significantly less. This would indicate that HCMRDD experiences a more frequent loss of new employees than its peers.

The Erie County Board of Mental Retardation and Developmental Disabilities has developed a part-time generic direct service position which has helped in reducing turnover experienced by that organization. The staff in this position can be used in any Board program as they are cross trained in multiple areas. Benefits to the employee include union membership and the ability to bid on internal vacancies. These employees also are paid on the union scale. The benefits to management include the ability to have extended time to monitor an individual's performance in varied jobs with various supervisors. The Erie County Board also reduced its costs related to the ongoing process of hiring substitute staff.

According to *Opportunities for Excellence: Supporting the Frontline Workforce*, high turnover rates exist in agencies providing services to disabled individuals, especially in community-based service settings. Average turnover rates in private community residential settings range from 57 to 71 percent (1992).

According to the report, staff turnover can have the following impacts:

- Affects service quality and consumer satisfaction;
- Increases costs;
- Decreases the quality of communication between staff;
- Decreases continuity of supports;
- Increases administrative costs;
- Increases job stress;
- Reduces productivity and satisfaction; and
- Leads to staff shortages.

The report also indicates turnover is lower when workers:

- Hold realistic expectations about the jobs they are entering;
- Have the skills required to perform their jobs;
- Are properly socialized on their jobs;
- Are satisfied with their jobs; and
- Are committed to their organization.

Turnover is also lower when unemployment rates are higher; wages are higher; there is a higher proportion of workers who receive paid leave and health benefits; there is a lower resident to staff member ratio; fewer service recipients have mental retardation at the severe or profound level; and fewer people exhibit challenging behavior. While many of these factors are difficult or impossible to change, others can be addressed through agency policy or supervisory practice.

Direct support workers constitute 80 to 86 percent of the developmental disabilities workforce, yet they have the least amount of power and visibility. They have the most direct contact with service participants but receive the least amount of training. Direct support workers do not have professional status, and direct service work is not typically considered a career.

Because HCMRDD does not consistently conduct exit interviews, it is not possible to determine the reasons for staff leaving the organization. According to staff interviews and the turnover data, many staff leave the positions soon after being hired. This would indicate that the employees selected did not possess the qualities necessary for success in the positions or that the information provided to them was inadequate to fully explain the work and prepare the employee for the expectations of the positions.

The Saratoga Institute Human Capital Report for 2000 estimates that the cost of hiring an exempt employee is $12,032 and $989 for a non-exempt employee. Costs include expenditures related to the termination of an employee, the cost of hiring and training a replacement, the vacancy cost until the job is filled and the loss of productivity incurred with a new hire. Using these estimates, the cost to HCMRDD for the vacancies occurred in a 12 month period is $93,786.

Recommendations 49-50:

49. The Board should measure and track staff tenure, retention, and vacancy data to monitor the condition of its workforce. The Board should also measure the impact of any workforce development interventions taken. This data will assist in the following areas:

- **Aids in identifying the nature of staffing problems in different departments/areas;**
- **Helps in selecting interventions to address identified problems;**
- **Provides a baseline to compare results of any interventions taken; and**
- **Helps to identify and encourage effective interventions and to identify what is not effective so that changes can be made.**

This recommendation, along with others made in this report, will increase the responsibilities of HCMRDD's employment supervisor. The increased responsibilities can not adequately be met by one staff person and additional staff resources will be needed.

50. HCMRDD should also consider the development of a floating direct service position, where the employee is cross-trained in multiple areas, similar to the position Erie County MRDD is using to help reduce employee turnover. The use of a part-time direct services position could also help HCMRDD reduce its overtime expenditures. See the Payroll section of the report for a complete discussion relating to overtime usage, occurrence and cost.