



Mary Taylor, CPA  
Auditor of State

# CITY OF GARFIELD HEIGHTS PERFORMANCE AUDIT

AUGUST 27, 2009



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To the Residents, City Management, City Council, and Financial Planning and Supervision Commission of the City of Garfield Heights:

The City of Garfield Heights was placed in fiscal emergency on October 14, 2008. Ohio Revised Code § 118.023 permits the Auditor of State to provide technical and support services to municipalities in fiscal emergency. In accordance with this authority, a performance audit was initiated. The functional areas assessed in the audit were Administration, Service Department, Divisions of Fire and Police, and Municipal Court. These areas were selected because they are important components of City operations and improvements in these areas can assist the City in addressing its financial condition.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations contained in the audit report are resources intended to assist in improving operational efficiency and effectiveness, the City is encouraged to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes the project history; a city overview; the scope, objectives and methodology for the performance audit; a summary of the recommendations, noteworthy accomplishments, and issues for further study; the City's financial recovery plan; and a summary of financial implications. This report has been provided to the City and its contents have been discussed with the appropriate elected officials and administrators. The City has been encouraged to use the results of the performance audit as a resource for further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. This performance audit is also accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

August 27, 2009





# **Executive Summary**

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## **Project History**

As provided by sections 118.021 and 118.04 (A) of the Ohio Revised Code (ORC), the Mayor requested that a fiscal analysis be performed by the Auditor of State's Office (AOS) for the City of Garfield Heights (the City or CGH). Based on this analysis, the Local Government Services (LGS) Division of AOS certified that the City had deficit balances in the Recreation Fund; the Street Construction, Maintenance and Repair Fund; the Federal Nutrition Fund; and the Revolving City Project Fund that totaled approximately \$3.5 million when adjusted for estimated accounts payable obligations on July 31, 2008. At that time, the total cash balance in the General Fund available for transfer was approximately \$926,000, which left an unfunded deficit in all funds combined of approximately \$2.6 million. As a result, AOS placed CGH in fiscal emergency status on October 14, 2008. ORC § 118.023 permits AOS to provide technical and support services to municipalities in fiscal emergency. In accordance with this authority, a performance audit was initiated on CGH.

Based on a review of CGH's information, and discussions with City officials and the Financial Planning and Supervision Commission, the following functional areas were included in the performance audit:

- Administration;
- Service Department;
- Division of Fire;
- Division of Police; and
- Municipal Court.

## **City Overview**

CGH is located in Cuyahoga County and covers 7.3 square miles (includes water and land area). According to the United States Census Bureau, the City's population was 28,058 in 2007. The City's median family income was \$40,605 in 2000, compared to the national average of \$41,994. In addition, 7.3 percent of citizens lived below the poverty line, compared to the national average of 12.4 percent. Lastly, 80.8 percent of area residents had at least a high school education while 13.2 percent of the residents had a bachelors degree or greater.

The City is governed by the laws of the State of Ohio and its own charter, which was originally adopted in 1956 and provides for a mayor-council form of government. The Mayor, elected by the voters to a four-year term, is the head of the City for administrative and executive purposes

and serves in a full-time capacity. Legislative authority is vested in an eight member council, which consists of seven members elected from wards and a president of Council that is elected at large. Council members are elected to two-year terms and serve in a part-time capacity. The Mayor appoints the law director, finance director and service director with approval from Council. Due to the City's fiscal emergency status, a seven-member Financial Planning and Supervision Commission (the Commission) has been appointed for the purpose of overseeing the City's financial affairs, including the implementation of a financial recovery plan. The Commission members include the Mayor, Council President, three appointments from the Governor, one appointment from the Treasurer of State, and one appointment from the Director of the Ohio Office of Budget and Management.

The City provides various general government services including police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, and street maintenance and repairs. Municipal income and property taxes are the City's primary funding source, representing nearly 62 percent of the total General Fund revenue in 2008. The City levies a two percent income tax on all salaries, wages, commissions, net profits, and other compensation earned within City limits. CGH residents receive 100 percent credit for income taxes paid to other municipalities. Additionally, in 2009, the City levied 1.76 mills of property taxes for the General Fund and another 15.00 mills to pay for police and fire salaries.

## Objectives

A performance audit is defined as an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. A performance audit provides an objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall objective of this performance audit is to assist CGH in identifying strategies to eliminate the conditions that brought about the fiscal emergency declaration. The major assessments conducted in this performance audit include the following:

- **Administration:** includes an evaluation of the City's long-term planning, employee compensation and benefits, job descriptions, hiring process, sick leave management, financial management policies and procedures, overall fee structures, energy management, and a general review of the services provided by the Parks, Recreation and Senior Center Departments;

- **Service Department:** includes a review of staffing levels, overtime use, long-term capital planning, refuse and recycling programs, technology use, and certain collective bargaining agreement provisions;
- **Division of Fire:** includes a review of staffing levels, overtime use, expenditure levels, back-up response strategies, impact of pending retirements, emergency medical service fee collections, technology use, and certain collective bargaining agreement provisions;
- **Division of Police:** includes a review of staffing levels, overtime use, expenditure levels, jail and dispatch operations, technology use, and certain collective bargaining agreement provisions; and
- **Municipal Court:** includes a review of staffing levels, overtime use, revenue and expenditure levels, employee management practices, court fee schedules, fine and fee collection practices, case management, and technology use.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations comprise options that CGH can consider in its efforts to stabilize its financial condition.

## Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. AOS and the Performance Audit Section (PAS) are aware of, and have considered, the potential independence issue regarding undertaking performance audits of fiscal watch and emergency municipalities that are also being monitored by the AOS' Local Government Services Division (LGS) as fiscal supervisor. Because LGS is statutorily required to serve as fiscal supervisor, an independence impairment may exist (GAGAS 3.14). However, under ORC 118.023 and consistent with the intent of the legislature and Auditor of State under this law, performance audits are a component of the activities undertaken by AOS to assist local governments in fiscal distress.

During the course of this performance audit, AOS was aware of an ongoing federal investigation related to potential public corruption in Cuyahoga County, Ohio, and another investigation completed by the Ohio Office of the Inspector General (IG) regarding the Ohio Department of Transportation. The federal investigation has focused, in part, on a number of individuals, firms and companies and the nature of their business relationships with several government entities within the county. The IG investigation was in response to allegations that included collusion, inappropriate relationships with vendors, and improper procurement. While the subjects of these

investigations were beyond the scope of this performance audit, publicly reported items or business transactions related to the investigation were referred to the AOS Cleveland region responsible for the financial audit of the City.

Audit work was conducted between January and May 2009, and data was drawn primarily for 2008 and 2009. To complete this report, the auditors conducted interviews with City personnel, and reviewed and assessed information from CGH, peer cities, and other relevant sources. Peer data and other information used for comparison purposes were not tested for reliability, although the information was reviewed for reasonableness.

To evaluate CGH's staffing and service levels, AOS developed peer averages from cities reviewed in prior performance audits. The selected peers, along with the year the performance audit was released, include the cities of Alliance (2006), Canton (2001), Cleveland Heights (2008), Cuyahoga Falls (1999), Elyria (2004), Euclid (2008), Fairview Park (2009), Galion (2006), Greenville (2006), Hamilton (2004), Kettering (2008), Lakewood (2008), Lima (2001), Lorain (2004), Mansfield (1999), Marietta (2007), Napoleon (2006), North Canton (2009), Norwood (2006), Perrysburg (2009), Portsmouth (2007), Rossford (2006), Shelby (2006), Springfield (2004), Tallmadge (2006), Trotwood (2006), Vermilion (2006), Wadsworth (2009), Wapakoneta (2006), Warren (1999), Wauseon (2006), and Whitehall (2006). However, the number of cities used for each analysis varies throughout the performance audit. This is due to differences among certain peers and CGH in organization structure, general operations, and/or information availability, which made it impractical to compare CGH's practices to all 32 peer cities in every instance. The analyses in each report section indicate the number of cities that comprise the peer average.

In addition to the aforementioned cities, the cities of Barberton, Lakewood, Shaker Heights, Warrensville Heights, and Maple Heights were used for certain contractual, compensation, and fee schedule comparisons throughout the performance audit. Lastly, a variety of external organizations and sources were used to provide comparative information and benchmarks, including the American Public Works Association (APWA), the State Employment Relations Board (SERB), the Society for Human Resource Management (SHRM), the Government Finance Officers Association (GFOA), the Federal Bureau of Investigation (FBI), the International Association of Chiefs of Police (IACP), the National Fire Protection Association (NFPA), the Ohio Supreme Court, the National Center for State Courts (NCSC), and the Ohio Revised Code (ORC).

The performance audit process involved significant information sharing with CGH and the Commission, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the City and Commission of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the City and Commission was solicited and considered when assessing the



selected areas and framing recommendations. Finally, the City and Commission provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on these comments.

The Auditor of State and staff express appreciation to CGH and the Commission for the cooperation and assistance received throughout this audit.

## **Noteworthy Accomplishments**

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

- **Division of Fire:** In 2008, the Garfield Heights Division of Fire's (GHDF) overtime cost approximately \$39,000, which was less than one percent of total salary costs. By comparison, during a 2008 performance audit of the City of Lakewood, it was reported that for the City of Lakewood, the City of Euclid, and the City of Cleveland Heights, fire division overtime costs represented 13.0 percent, 2.0 percent, and 3.9 percent of total salaries in 2007, respectively. The lower overtime costs are due, in part, to the Fire Chief actively monitoring and limiting overtime, the City collaborating with Marymount Hospital to offer on-site EMS certification training programs, and GHDF operating with lower minimum manning requirements.
- **Municipal Court:** The Garfield Heights Municipal Court's (GHMC) 2007 and 2008 clearance rates for civil and criminal cases were higher than the peer averages. Likewise, *Ohio Courts Summary* (Ohio Supreme Court, 2007 & 2008) reported that GHMC did not have any criminal or civil cases pending beyond the Ohio Supreme Court guidelines in 2006 or 2007 (2008 not available during this audit). Lastly, NCSC completed a review of various aspects of GHMC's operations in 2008. During the review of GHMC's case management process, NCSC measured clearance rates, time to dispose of cases, age of pending cases, and trial date certainty, and found that GHMC's overall score in each category either met or exceeded the various benchmarks. Collectively, these ratios and findings indicate that GHMC is effectively managing its caseload, which helps ensure timely and reliable services.

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## Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide CGH with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report. In addition to the recommendations, the sections of the report note assessments conducted in the performance audit that did not warrant recommendations.

*In the area of Administration, the City should:*

- Prepare a budget document that includes pertinent elements and design the budget process to allow for additional stakeholder feedback. Furthermore, if a proposed expenditure will exceed the available appropriation, it should be postponed until the Mayor and/or Finance Department identify reductions in other areas of the budget to cover the shortfall and City Council approves the adjustment. The City should not allow transfers, advances, appropriation adjustments, and other budget modifications to take place without receiving Mayoral and City Council approval beforehand.
- Adopt budgetary policies that define minimum fund balance requirements for the General Fund and other significant funds, and require the preparation of a financial forecast (3 to 5 years) that demonstrates compliance with the minimum fund balance policy prior to adopting the annual appropriation measure.
- Begin recording encumbrances. If this requires the City to purchase new accounting software, it should use requests for proposals (RFP) to define the system capabilities, and maintenance and training requirements. The City should also develop procedures to ensure that vendor invoices are paid in a timely manner. Lastly, CGH should develop a comprehensive purchasing policy that addresses the use of price quotes, competitive bidding, cooperative purchasing, consortiums, and RFPs.
- Review the structure of its audit committee to ensure that members have the appropriate knowledge to provide an independent review and oversight of the City's financial reporting process, the internal accounting controls, and the annual financial audit. If the City determines the current structure of the audit committee is not capable of fulfilling these roles, it should consider expanding membership to include citizens and other stakeholders that have the necessary skills. In the meantime, the current audit committee should work with the Mayor and Finance Director to develop strategies for addressing past financial audit citations, especially those that have occurred in multiple years.

- Revise its healthcare accounting practices to improve management oversight and limit the potential for unfunded liabilities. To accomplish this, CGH should consider creating a separate Self-Insurance Fund and charging monthly premiums to each department. These premiums would subsequently be remitted to the Self-Insurance Fund as revenue (similar to a transfer) and used to pay all healthcare administration and claims costs.
- Negotiate to establish annual deductibles and employee co-insurance requirements, and a multi-tier prescription plan that includes increased employee prescription co-pays according to drug type. CGH should also negotiate to require all employees receiving health benefits to contribute 15 percent towards the monthly premiums.
- Eliminate the additional pension benefit, limit future wage increases, and annually review salary ranges for non-bargaining positions. The City should also consider eliminating or reducing longevity pay for non-bargaining positions. Additionally, CGH should negotiate to reduce longevity payments for police, dispatch, correction and firefighter employees to be more comparable to the peers. Lastly, in order to review all non-bargaining salaries for potential adjustments on an annual basis, limit future wage increases for all non-bargaining positions, and subject all non-bargaining positions to the same policies and procedures, the City should consider proposing a charter amendment that excludes the Police and Fire Chiefs from the average pay fund calculation.
- Assign central management of the employee leave accrual and reporting process to the Finance Department. Subsequently, the Finance Department should generate periodic reports for departmental and administrative use that show pertinent data.
- Develop a comprehensive strategic plan that outlines the City’s long-term vision for all departments and programs. In preparing the plan, CGH should include detailed goals, measurable objectives, timeframes, performance measures, and, where applicable, cost estimates. Once developed, CGH should link the strategic plan to the annual budget and the five-year financial forecast.
- Develop formal energy conservation policies and procedures. The City should also establish specific goals for reducing energy costs, which should be included in its strategic plan. Subsequently, the City should distribute and discuss the goals, policies and procedures with department heads and staff to educate and train them about energy conservation, and explain individual roles in implementing the policies and procedures. In addition, CGH should assign an employee to monitor Citywide and building-level utility consumption on a regular basis (e.g., monthly). Lastly, CGH should review potential equipment upgrades that would reduce energy costs and be more cost-effective as a part of the capital planning process.

- Review its decisions to not charge a cost recovery fee for refuse collection, fire inspection services, and special assessments for infrastructure improvement projects, in consideration of its financial condition. However, prior to implementing these fees and charges, the City should first implement the financial management recommendations identified in past financial audits and this performance audit. This would ensure that the internal controls are in place to properly account for any additional resources. The City should also review its internal operating costs for each of these functions and compare the proposed fees to neighboring municipalities to ensure that the fees are reasonable and well supported. Further, CGH should review its overall tax and fee structure to ensure citizens would not be overly burdened by paying additional fees. Lastly, the City should obtain citizen input on the proposed fees in comparison to other alternatives for addressing the financial difficulties, including reducing staff, programs and services.
- Charge the appropriate portion of the administrative and maintenance employee salaries and benefits, utilities and applicable capital outlay costs to the various recreation and senior center programs. CGH should also track the costs of operating these programs, and adopt a formal policy that is made available to the public and requires an annual review of the recreation and senior center program fees based on the actual cost of the programs. The policy should also require periodic and formal cost/benefit analyses that demonstrate the cost and operational impact of other service delivery options.

*In the Service Department, the City should:*

- Consider reducing staffing levels by 2.0 FTEs in the Street and Storm Sewer Division, and 2.0 FTEs in the Vehicle Maintenance Division.
- Track its overtime use by specific purpose and periodically reconcile its records to the payroll information reported by the Finance Department. The City should also conduct a comprehensive review of all non-weather related overtime to identify strategies that would limit its use.
- Negotiate to reduce the number of combined holidays and personal days, as well as vacation accrual rates. CGH should also negotiate to place a limit on the number of sick days paid at retirement to be more comparable to the peers or ORC minimum requirements, and lower the percentage payout. Additionally, the City should negotiate to permanently reduce the number of uniforms that are provided to employees and limit the safety gear stipend to \$150 annually. Finally, employees should be required to submit documentation that the stipend was used for the intended purpose.
- Develop a five-year capital improvement plan (CIP) that addresses and prioritizes long-term road and infrastructure needs. The City should also develop a preventive maintenance (PM) plan that addresses all routine, cyclical, and planned building and

vehicle maintenance functions. Furthermore, the City should develop a vehicle and equipment replacement plan that defines criteria to ensure vehicles and equipment are replaced at the most appropriate point in their life-cycle. Lastly, the City should review these plans on a periodic basis and update them as needed.

- Actively monitor its recycling and setout rates, and require the contractor to provide a monthly report showing recyclable materials collected and sold. Additionally, the City should review the strategies outlined in the *Recycling Best Practices Manual* and work with the Cuyahoga County Solid Waste Management District (CCSWMD) to identify methods for increasing recycling rates.

*In the Division of Fire, the City should:*

- Investigate the option of outsourcing the EMS billing function. The City should also annually review the EMS fees to ensure they reflect the true cost of providing this service. Furthermore, CGH should determine whether it is the best interest of the community and its citizens to continue automatically writing off all insurance co-payments and self-pays.
- Negotiate to eliminate the minimum manning and fitness program provisions from the collective bargaining agreement, place a limit on the number of sick days paid at retirement, and lower the percentage payout to be more comparable to the peers or ORC minimum requirements. The City should also negotiate to permanently reduce the uniform stipend to \$500 annually, provide funds on a reimbursement basis, and allow employees to carry over unspent funds from one year to the next, with some limitations.
- Develop written mutual aid agreements with the Cities of Cleveland, Warrensville Heights, Brooklyn Heights, Broadview Heights, and Bedford.

*In the Division of Police, the City should:*

- Initially consider reducing staffing by 8.0 police officer FTEs. The City should also implement the recommendations outlined in *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police (IACP), 2007) and accordingly, develop a formal staffing plan.
- Negotiate to reduce the firearm proficiency allowance to \$1,000 annually. Likewise, CGH should negotiate to lower vacation accrual rates, place a limit on the number of sick days paid at retirement, and lower the percentage payout to be more comparable to the peers or ORC minimum requirements. The City should also negotiate to permanently reduce the uniform stipends to \$750 annually for police officers and \$670 annually for

correction officers and dispatchers, provide funds on a reimbursement basis, and allow employees to carry-over unspent funds from one year to the next, with some limitations.

- Maintain a system that tracks overtime use by specific purpose and identify strategies that would limit the need for overtime, including more flexible employee and event scheduling, and a review of work patterns and rules.
- Conduct a comprehensive review of its activity levels over the last two years to determine historical trends (number and types of calls for service) by day of week and time of day. GHDP should subsequently review its current work schedule to determine if adjustments should be made to improve coverage levels at specific times of the day. Furthermore, GHDP should consider programming its reporting system to calculate response times to the nearest second and report an average response time for the year based on all calls for service.
- Obtain training from its mobile data terminal (MDT) vendor to enable use of the full functionality of MDTs, including submission of incident reports electronically from the field and using the electronic review module.

*In the Municipal Court, the Judges should:*

- Consider eliminating 3.0 FTEs<sup>1</sup>. Additionally, the Court should actively monitor future caseloads and other workload measures to ensure that it maintains appropriate staffing levels.
- Work to minimize its reliance on overtime and compensatory time. To facilitate this, the Court should develop formal policies that govern the accrual, use, and approval of overtime and compensatory time. The Court should also actively monitor overtime and compensatory time, and work with employees to address any recurring issues.
- Work with the Clerk to develop a strategic plan for GHMC that includes a defined mission statement, and detailed goals, objectives and performance measures. Subsequently, the Judges and Clerk should develop an employee handbook that contains policies and procedures to guide daily operations and links to the strategic plan.

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<sup>1</sup> **R6.5** indicates that GHMC may need to hire an additional employee to improve the fine and fee collection process. As a result, the net staffing reduction could potentially be reduced to 2.0 FTEs.

- Work with the Mayor and the Finance Director to determine the most appropriate method for allocating healthcare costs. However, to avoid perceptions of bias and potential issues concerning the community charge-back process, the City should apply the chosen cost allocation method consistently for all departments, including the Court.
- Develop formal policies and procedures for collecting court fines and fees, and establishing the annual fee schedule. Additionally, the Court should consider assigning one staff member the responsibility for overseeing the collection process.

## **Issues for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The following summarizes the issues for further study. The applicable section contains additional detail.

- **Administration:** automated time and attendance system;
- **Service Department:** building maintenance staffing levels; and
- **Division of Police:** dispatch center consolidation with other municipalities.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

**Table 1-1: Summary of Financial Implications**

Recommendation	Annual Cost	One-Time Cost	Annual Cost Savings	Annual Cost Avoidance	Annual Revenue Enhancement
<b>R2.3</b> Revise purchasing procedures.			\$120,000		
<b>R2.3</b> Upgrade the accounting software.	\$7,400 <sup>1</sup>	\$12,000			
<b>R2.6</b> Begin funding a reserve in a Self-Insurance Fund.		\$500,000			
<b>R2.7</b> Establish annual health care deductibles.			\$78,800		
<b>R2.7</b> Require all employees to contribute 15 percent of the health insurance premium costs.			\$383,000		
<b>R2.8</b> Eliminate the additional pension benefit and longevity pay for non-bargaining staff.			\$214,000		
<b>R2.8</b> Limit future non-bargaining wage increases.				\$16,100	
<b>R2.9</b> Negotiate to reduce longevity pay for patrolmen, dispatchers, correctional officers, and firefighters.			\$51,500		
<b>R2.15</b> Improve energy management.			\$96,000		
<b>R2.16</b> Consider implementing a conservative fee structure to help offset the cost of providing refuse collection and fire inspection services, and special assessments for infrastructure improvements.					\$1,199,000
<b>R3.1</b> Eliminate 2.0 FTEs from the Street and Sewer Division.			\$112,000		
<b>R3.2</b> Eliminate 2.0 FTEs from the Vehicle Maintenance Division.			\$122,600		
<b>R3.3</b> Reduce Service Department overtime costs by 10 percent.			\$13,300		
<b>R3.4</b> Permanently reduce the uniform stipend for Service Department employees.			\$9,250		
<b>R3.6</b> Purchase an electronic work order system.		\$495 <sup>2</sup>			
<b>R4.1</b> Investigate the option of outsourcing the EMS billing function.	\$32,200			\$20,000 (One-Time)	\$47,600
<b>R4.3</b> Permanently reduce the uniform allowance and eliminate fitness bonus for firefighters.			\$22,500	\$11,250	



Recommendation	Annual Cost	One-Time Cost	Annual Cost Savings	Annual Cost Avoidance	Annual Revenue Enhancement
<b>R5.1</b> Reduce police staffing levels by 8 sworn FTEs.			\$641,200 <sup>3</sup>		
<b>R5.2</b> Permanently reduce uniform allowances for police, dispatch and correction employees.			\$26,400		
<b>R5.2</b> Reduce the firearms proficiency allowance for police officers.			\$25,000		
<b>R5.3</b> Reduce police overtime costs.			\$31,300		
<b>R6.1</b> Reduce staffing levels by 3.0 clerk FTEs in the Municipal Court.			\$124,000		
<b>R6.2</b> Reduce Municipal Court overtime costs.			\$9,000		
<b>R6.5</b> Improve Municipal Court collection procedures.					\$85,000 <sup>4</sup>
<b>Total Estimated Savings</b>	<b>\$39,600</b>	<b>\$512,495</b>	<b>\$2,079,850</b>	<b>\$27,350</b> <sup>5</sup>	<b>\$1,331,600</b>

Source: AOS administration recommendations

<sup>1</sup> This would be the annual cost after the initial cost of \$12,000.

<sup>2</sup> One vendor advertises that the cost of a basic electronic work order system starts at \$495. The actual cost of an electronic system will vary depending on the specific features and technology in place within GHSD.

<sup>3</sup> The City would only experience a net savings in the General Fund of approximately \$164,500.

<sup>4</sup> To be conservative, this estimate accounts for the potential hire of another employee. As a result, the net staffing reductions amount to 2.0 FTEs (see **R6.1**).

<sup>5</sup> This excludes the one-time cost avoidance in **R4.1**.

## Financial Recovery Plan

**Table 1-2** presents a summary of the five-year forecast prepared by the Auditor of State's Local Government Services Division in April 2009. The forecast projects the City's total revenues, expenditures, and ending cash balances (excludes encumbrances and accounts payable) for the General Fund; the Street Construction, Maintenance and Repair Fund; the Federal Nutrition Fund; and the Revolving City Project Fund. Although the Recreation Fund also contributed to the City's fiscal emergency declaration, the deficit is being covered through General Fund transfers and has been accounted for within the General Fund expenditures in **Table 1-2**.

**Table 1-2** also includes the projected impact from the City's initial recovery plan, which was adopted by the Commission on April 23, 2009. Provisions in the recovery plan include offering an early retirement incentive to eligible employees; borrowing against future local government fund revenues to eliminate deficits in 2009; increasing certain building, finance and ambulatory transport fees; installing cameras on traffic lights to enforce motor vehicle laws; reducing overtime costs; negotiating to reduce clothing allowances, bonuses, and certain healthcare provisions; and reducing the administrative wages for future employees. The recovery plan provisions to reduce overtime costs, certain contractual and healthcare benefits, and administrative wages are generally consistent with certain performance audit recommendations shown in **Table 1-1**.

**Table 1-2: CGH Financial History and Forecast (in 000's)**

	Actual 2006	Actual 2007	Actual 2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
<b>Revenues:</b>								
Total General Fund	\$20,317	\$20,739	\$21,982	\$21,995	\$21,306	\$21,195	\$21,384	\$21,713
Total Street Construction, Maintenance and Repair Fund	\$1,686	\$1,792	\$1,745	\$1,696	\$1,699	\$1,702	\$1,706	\$1,710
Total Revolving Fund	\$563	\$1,141	\$881	\$882	\$882	\$882	\$882	\$882
Total Federal Nutrition Fund	\$395	\$340	\$418	\$430	\$430	\$430	\$430	\$430
<b>Total Revenues</b>	<b>\$22,961</b>	<b>\$24,012</b>	<b>\$25,026</b>	<b>\$25,003</b>	<b>\$24,317</b>	<b>\$24,209</b>	<b>\$24,402</b>	<b>\$24,735</b>
<b>Expenditures:</b>								
Total General Fund	\$20,258	\$20,887	\$21,897	\$23,313	\$22,999	\$23,081	\$23,612	\$24,259
Total Street Construction, Maintenance and Repair Fund	\$1,641	\$1,838	\$1,702	\$1,846	\$1,888	\$1,892	\$1,915	\$1,962
Total Revolving Fund	\$1,195	\$1,224	\$1,137	\$1,076	\$1,015	\$1,020	\$1,031	\$1,043
Total Federal Nutrition Fund	\$444	\$459	\$437	\$512	\$487	\$490	\$501	\$514
<b>Total Expenditures</b>	<b>\$23,538</b>	<b>\$24,408</b>	<b>\$25,173</b>	<b>\$26,747</b>	<b>\$26,389</b>	<b>\$26,483</b>	<b>\$27,059</b>	<b>\$27,778</b>
Operating Shortfall	(\$577)	(\$396)	(\$147)	(\$1,744)	(\$2,072)	(\$2,274)	(\$2,657)	(\$3,043)
Beginning Cash Balance	(\$1,911)	(\$2,488)	(\$2,884)	(\$3,031)	(\$4,775)	(\$6,847)	(\$9,121)	(\$11,778)
<b>Ending Cash Balance</b>	<b>(\$2,488)</b>	<b>(\$2,884)</b>	<b>(\$3,031)</b>	<b>(\$4,775)</b>	<b>(\$6,847)</b>	<b>(\$9,121)</b>	<b>(\$11,778)</b>	<b>(\$14,821)</b>
Cumulative Savings from CGH Recovery Plan	\$0	\$0	\$0	\$4,884	\$7,775	\$11,395	\$14,842	\$19,382
<b>Revised Ending Cash Balance</b>	<b>(\$2,488)</b>	<b>(\$2,884)</b>	<b>(\$3,031)</b>	<b>\$109</b>	<b>\$928</b>	<b>\$2,274</b>	<b>\$3,064</b>	<b>\$4,561</b>

Source: LGS and CGH.

Note: Totals may vary from actual due to rounding.

Tables 1-1 and 1-2 show that through the combination of the City's initial recovery plan and the performance audit recommendations, the City can choose from several strategies to achieve financial recovery. Additionally, adopting a strategic plan (R2.13), obtaining citizen feedback through surveys and other mechanisms (R2.1, R2.14, and R2.16), and improving its financial management (R2.1, R2.2, R2.3, and R2.4) would ensure that such strategies are based on defined goals and objectives, community input and desires, accurate information, and sound financial management practices.



# Administration

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## Background

This section of the performance audit focuses on the City of Garfield Heights' (CGH or the City) financial management, health insurance program, employee compensation, long-term planning, energy management, employee management practices, fee analysis, and parks, recreation and senior center operations. The objective is to assess the City's practices in these areas against leading or recommended practices, industry benchmarks and selected peer cities.<sup>1</sup> Sources of leading or recommended practices and industry standards include the 2008 Kaiser Foundation Annual Survey (Kaiser Survey), the 2007 Ohio State Employment Relations Board Survey (SERB survey), the Society for Human Resource Management (SHRM), and the Government Finance Officers Association (GFOA).

### *Organizational Structure*

CGH's primary administrative responsibilities are carried out by the Mayor, the Finance Department, and department heads. The Mayor oversees each of the City departments, negotiates all union contracts with the assistance from the City's attorney, and is responsible for hiring and terminating full-time employees upon the recommendation of department heads. The Finance Department is responsible for processing payroll and vendor invoices, preparing and monitoring the annual budget, and working with the City's third party administrator (TPA) to administer the employee benefit programs. The department heads are responsible for hiring part-time staff, monitoring compliance with minimum employment standards, tracking and maintaining employee leave records, monitoring leave usage, and administering the collective bargaining agreements (CBAs).

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<sup>1</sup> See **executive summary** for a list of the peer cities and an explanation of the selection methodology.

## **Audit Objectives for the Administration Section**

The following is a list of the questions used to evaluate CGH's administrative functions:

- How does the City's budgetary process compare to recommended practices?
- Does the City use an efficient and competitive purchasing process?
- Does the City use an efficient payroll process?
- How does the City's health benefits program compare to recommended practices?
- Are the City's compensation plans comparable to the peers?
- Does the City maintain up-to-date job descriptions?
- Does the City use an effective staffing plan and hiring process?
- Is the City's sick leave in line with benchmarks<sup>2</sup>?
- Does the City have a strategic plan and regularly obtain stakeholder feedback?
- Does the City maintain an effective energy management program?
- Does the City charge fees for applicable services?
- Are the City's Parks and Recreation, and Senior Center programs operating efficiently compared to peers and recommended practices?

Assessments conducted on CGH's use of direct deposit and management of workers' compensation costs were found to be comparable to peers and/or other benchmarks. Likewise, the staffing levels, use of overtime, and vacant property mowing program at the Garfield Heights Parks Department (GHPD) were also reviewed and found to be comparable to the peers and/or other benchmarks.

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<sup>2</sup> The lack of data prevented the full completion of the sick leave assessment. See **R2.12** for more information.

## Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS identified payroll submission as an issue for further study. For payroll purposes, the City's department heads are responsible for manually tracking the time and attendance for each employee and submitting this information to the Finance Department. Subsequently, a payroll clerk inputs this information into the accounting software to generate the bi-weekly paychecks. However, this manual process includes a duplication of effort because the employees, department heads, and the payroll clerk are tracking and re-entering the same information multiple times.

According to article *The Right Technology Can Help Make Payroll Processing Faster, Cheaper, and More Convenient* (SHRM, 2005), employers looking to reduce the labor involved in payroll should focus on system integration and self-service. By linking payroll systems directly into time and attendance software, organizations can eliminate manual entry of data by supervisors and payroll or HR personnel, as well as its attendant errors and the need for double and triple checking. Additionally, one vendor cites that the benefits of an automated time and attendance system include the following:

- Reduces the risk of costly payroll errors and inflated labor costs;
- Provides managers with real-time labor data along with tools to control costs and improve productivity;
- Eliminates paper timesheets and opportunities for human error;
- Delivers pay accurately and on-time with consistent pay practices; and
- Free managers to focus on higher value strategic activities.

In addition to the benefits noted above, an automated time and attendance system would provide the City with an objective mechanism to pay employees for time actually worked and not lose money associated with employee tardiness, long lunches or breaks, or leaving early.

AOS was unable to estimate the cost of implementing an automated time and attendance system at the City due to not having full knowledge of each department's computer technology, network access, and other system requirements. Accordingly, the City should work with its technology staff and department heads to investigate the feasibility of implementing an automated time and attendance system.

## Recommendations

### *Financial Management*

**R2.1 CGH should take steps to address its financial problems by effectively budgeting resources and monitoring its financial performance. Specifically, the City should prepare a budget document that includes pertinent elements, such as charts and graphs to summarize key financial information, and a narrative to explain the City’s goals and objectives for the upcoming year and the impact of the current budget on the long-term financial forecast (see R2.2). The City should also design the budget process to allow for additional stakeholder feedback. Furthermore, if a proposed expenditure will exceed the available appropriation, it should be postponed until the Mayor and/or Finance Department identify reductions in other areas of the budget to cover the shortfall and City Council approves the adjustment. The City should not allow transfers, advances, appropriation adjustments, and other budget modifications to take place without receiving Mayoral and City Council approval beforehand. By operating within the framework and parameters established in the annual budget, and proactively monitoring its finances during the year, the City will be better able to regain financial stability.**

The City’s budgetary timeframes in the Charter are consistent with Ohio Revised Code (ORC) § 5705.38, which states “if a taxing authority desires to postpone the passage of the annual appropriations measure until it has actual year-end balances, it may pass a temporary measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year.” However, the City does not meet certain practices advocated by the Government Finance Officers Association (GFOA). An analysis of the City’s budgetary practices compared to the GFOA’s recommendations<sup>3</sup> includes the following:

- **Stakeholder Involvement:** CGH’s budget process is highly centralized. The budget is primarily developed by the Mayor and Finance Director with limited input from City Council, department heads, and employees. Additionally, although City Council holds public meetings, CGH does not hold public meetings or community forums solely dedicated to discussing the proposed budget and receiving input from interested citizens. GFOA indicates that by definition, stakeholders are affected by a government’s resource allocation plans, and service and program decisions. As such, stakeholders should have clearly defined opportunities to provide input. This helps ensure that stakeholder priorities are identified and enhances stakeholder support for the approved budget. GFOA goes

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<sup>3</sup> These suggested practices are drawn from *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1999).

on to indicate that “a general-purpose public hearing shortly before final decisions are made on the budget is not adequate as the sole means of soliciting stakeholder input, especially on major issues.”

- **Long-Term Focus:** According to several members of City Council, the annual budget is not linked to formal goals, objectives, and performance measures, and is not tied to any type of long-term financial forecast. Rather, the budget is developed primarily on continuing past programs and service levels, meeting current obligations within the collective bargaining agreements, and making short-term adjustments to balance the estimated revenues and expenditures. During the latter stages of the performance audit, the Mayor indicated the annual budget is linked to goals outlined in the annual State of the City Address. The 2008 State of the City Address does include broad goals and objectives. However, without a formal budget document or strategic plan (see **R2.13**), it is unclear how these goals tie to the annual budget, the level of stakeholder involvement in identifying the goals and objectives, or the measurement process in place to determine attainment of the goals. GFOA advocates that a good budget process incorporates a long-term perspective, establishes links to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders. These characteristics make it clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals.
- **Budget Document:** The City does not prepare, publish or circulate a formal budget document. The only document prepared is the appropriations resolution, which quantifies the City’s estimated revenues and expenditures. However, it does not communicate the City’s fiscal status, demographic information, and staffing levels, nor does it include charts and graphs, or written explanations for significant variances in proposed amounts. GFOA indicates that the budget should be presented in a clear, easy to use format, with the use of multiple documents, tailored to the needs of various stakeholders. These may include brief summaries of important information to be used by different audiences to enhance their understanding of important budget issues and tradeoffs. Some items in a budget document that will assist the reader include the following: a table of contents, a consistent format, high-level summary information that describes overall funding sources and the organization as a whole, a description of the overall planning and budgeting process and the interrelationships of those various processes, supplementary information about the government and the area for which it has responsibility, charts and graphs to better illustrate important points, succinct and clearly-written summaries, uncluttered pages, and detailed information placed in



appropriate locations so that it does not overwhelm the reader. For the budget document to be readily understandable, it not only must contain the appropriate information, but must also be prepared in a manner that is clear and comprehensible.

- **Budget Enforcement/Monitoring:** The City does not actively enforce the approved budget during the year. For example, departments are permitted to exceed their appropriations without receiving approval from the Mayor or City Council in advance. Several members of City Council and department heads indicated that the City's past practice has been to pass one appropriation adjustment ordinance at year-end that retroactively corrects all fund and appropriation deficits that accumulated during the year. Additionally, **R2.3** indicates that CGH does not record encumbrances during the year. As a result of these practices, the Mayor, City Council and other department heads are often forced to make decisions throughout the year that are based on inaccurate and/or outdated financial information. GFOA indicates that a government should regularly evaluate its financial performance relative to the adopted budget. Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. GFOA further states it is essential that budgetary reports are prepared on a routine, widely-publicized basis. In addition to monitoring budget-to-actual results, reasons for significant deviations should be evaluated and explained. These factors are important in assessing the significance of variations, including whether they are expected to be temporary or longer-term in duration.

**R2.2 City Council should adopt budgetary policies that define minimum fund balance requirements for the General Fund and other significant funds, and require the preparation of a financial forecast (3 to 5 years) that demonstrates compliance with the minimum fund balance policy prior to adopting the annual appropriation measure. Subsequently, City Council and administration should review the American Institute of Certified Public Accountants (AICPA) guidelines for preparing a forecast to help create formal procedures that ensure consistency in approach and the development of sound assumptions that support the financial projections. Furthermore, the City should regularly update the financial forecast to address changing conditions. Taking these measures will help the City recognize warning indicators of financial stress and, in turn, implement the necessary changes to avoid future declines in its financial condition.**

Although CGH was placed in fiscal emergency by the Auditor of State (AOS) on October 14, 2008, the City's financial condition has been steadily declining since 2002. More specifically, CGH's 2002 audited financial statements indicate that the City's ending

balance within the General Fund declined significantly from the prior year and equaled approximately \$47,000, which was less than one percent of the total revenues (approximately \$17.9 million). While AOS issued an unqualified opinion on CGH's financial statements, it included a separate paragraph in the opinion letter that disclosed the financial difficulties to City Council. However, despite this disclosure, CGH's financial condition continued to decline in subsequent years with the City's ending General Fund balance equaling deficits of approximately \$841,000 in 2003, \$1.4 million in 2004, \$2.4 million in 2005, and \$1.8 million in 2006 (last audit released). Furthermore, in each of these audits, the City attributed the declining financial situation to a variety of factors including the impact of the war in the middle east on the national and local economies, changes in the State's tax structure, and an increase in spending on general government and security of persons and property (safety forces). The City also indicates in each of these audits that it was partially relying on new development to stabilize its financial condition.

Although the City cites the abovementioned factors as contributing to its financial condition, CGH's failure to address the declining financial condition can be partially attributed to a lack of fiscal management policies that address long-term planning and minimum fund balance requirements. *Financial Forecasting in the Budget Preparation Process* (GFOA, 1999) recommends that governments at all levels forecast major revenues and expenditures. The forecast should extend 3 to 5 years beyond the budget period and should be regularly monitored and periodically updated. GFOA also indicates that a financial forecast provides an understanding of available funding, evaluates financial risk, assesses the likelihood that services can be sustained, identifies future commitments and resource demands, and identifies the key variables that cause change in the level of revenue. In addition, the American Institute of Certified Public Accountants has detailed guidelines that could assist CGH in preparing financial forecasts in a consistent and reliable manner. Furthermore, *Appropriate Levels of Unreserved Fund Balances in the General Fund* (GFOA, 2002) indicates that "it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning." Accordingly, GFOA recommends that governments establish a formal policy of unreserved fund balance that should be maintained in the General Fund and that it be no less than 5 to 15 percent of regular General Fund operating revenues, or of no less than 1 to 2 months of regular operating expenditures. GFOA goes on to indicate that the minimum fund balance policy should be applied and monitored within the context of the long-term financial forecast.

The City of Barberton (Barberton) adopted an ordinance in 2000 that is generally consistent with the GFOA recommendations. Specifically, the ordinance states "The purpose of this policy is to take a proactive approach to financial management in the City of Barberton. A minimum fund balance policy assists the City in maintaining the security

of the General Fund, Water Operating Fund, Sewer Operating Fund, and Solid Waste Disposal Fund and contributes to the financial stability of the City by maintaining adequate financial reserves. Also, a minimum fund balance policy allows the Administration and Council to recognize warning indicators of financial stress at an early date.” The ordinance further indicates that at the time of budget preparation, the annual appropriations in the aforementioned funds will be adjusted to ensure that the projected fund balance is equal to at least 10 percent of the total operating and capital budget for each fund before the appropriation is presented to Council for approval. If during appropriation discussions, the Administration and/or Council determine that the City cannot meet the requirements of this policy, a majority vote of seven members of Council will be needed to override the policy. Also, a concise plan detailing the City’s method for returning to the required balance is to be submitted and accepted by Council at the time the policy is overridden.

**R2.3 The City should revise its purchasing and vendor payment procedures. Specifically, CGH should begin recording encumbrances. If this requires the City to purchase new accounting software, it should use requests for proposals (RFP) to define the system capabilities, and maintenance and training requirements. The City should also require that potential vendors demonstrate and guarantee that the software can process encumbrances and will be compatible with other technology in CGH. In addition, the City should develop procedures to ensure that vendor invoices are paid in a timely manner. These procedures could include requiring the Finance Department to track the average amount of time it takes to pay vendor invoices and the number of prompt pay discounts that are lost on a monthly basis. The Finance Department and department heads should subsequently provide written explanations for discounts that are lost or when invoice payments exceed 30 days. Taking such steps will help the administration determine the causes of delays and develop appropriate solutions.**

**Lastly, CGH should develop a comprehensive purchasing policy that addresses the use of price quotes, competitive bidding, cooperative purchasing, consortiums, and RFPs. Accordingly, the City should use these practices along with an expansion of its membership in purchasing cooperatives to help CGH reduce its purchasing costs.**

Deficiencies in CGH’s purchasing and vendor payment processes impede the City’s ability to improve its financial condition. A summary analysis of these deficiencies includes the following:

- **Encumbrances:** The City does not record encumbrances during the year. To meet Generally Accepted Accounting Principle (GAAP) reporting requirements, the City manually compiles estimates of the encumbrances at year-end. Nevertheless, the previous five financial audits cited the City for not recording encumbrances

during the year. Specifically, the financial audits indicated "...the recording of encumbrances serves as a spending control and a measurement tool. Failure to record encumbrances throughout the year could result in the City making expenditures in excess of appropriations as well as inaccurate reporting of encumbrances on the year-end financial statements. We recommend that all purchase commitments be properly and timely encumbered." In response to the 2003 financial audit, the Finance Director stated that the City had no plans to report encumbrances during the year. However, in response to the 2004, 2005, and 2006 financial audits, the Finance Director indicated that the City's accounting software did not have the ability to recognize encumbrances without purchasing an upgrade and the City has no plans to upgrade the software in the near future. Although the 2007 and 2008 financial audits have not been released yet, the City's monthly budgetary reports prepared in October 2008 show that no encumbrances have been recorded, which indicates that this continues to be an issue for the City.

- **Vendor Payments:** The Finance Director indicated that vendor invoices take approximately 45 days to be paid once the Finance Department receives the invoice. However, several City Council members and department heads indicated that the City routinely loses prompt pay discounts offered by vendors due to late payments and that several vendors refuse to work with CGH due to past issues with late payments. As a result, the City is sometimes forced to use alternative vendors that may not be as cost-efficient. The Mayor and Finance Director further indicated that although a vendor may charge a fee for late payments, the City's informal policy is to disregard the fee and only pay the original contracted amount. *Municipal Benchmarks* (Ammons, 2001) reports that 21 cities examined for the publication either paid the majority of their invoices within 30 days of receipt or had goals for payment within 30 or fewer days of receipt. Furthermore, five cities reported paying their invoices within an average of 8 or fewer days of receipt. According to *Extension of Federal Prompt-Pay Requirements to State and Local Governments* (GFOA, 1989), the timely payment of bills is an important financial management tool that can save governments money. By carefully timing payments so there are neither late nor early payments, a government can take advantage of discounts, avoid penalties, and maximize returns on short-term investments. Furthermore, prompt bill payment reduces vendor costs which, in turn, can reduce state and local procurement costs.
- **Purchasing Policies:** The City uses a decentralized purchasing process that relies on department heads to receive price quotations and determine the best price for equipment, supplies and materials. However, CGH does not have formal policies to guide department heads in determining when to use price quotations, requests for proposals (RFP's), competitive bidding, and cooperative purchasing to obtain

price comparisons and make objective vendor selections. In practice, the Finance Director indicated that the City rarely uses competitive bidding/RFPs and that the majority of supplies and materials are purchased through the City's membership in the State purchasing consortium administered by the Ohio Department of Administrative Services (State purchasing consortium). As a result, the City may be foregoing opportunities to reduce its operating costs. For example, the City of Akron uses competitive bidding and RFPs to purchase common items such as liability insurance, custodial and building maintenance services, office paper, police and building equipment, fire supplies, and vehicle and service department supplies and materials.

Additionally, exploring other cooperative purchasing arrangements and/or consortiums would help the City ensure it purchases products at the most economical price and would easily allow for price comparisons from non-local sources. For example, the U.S. Communities: Government Purchasing Alliance (USC) is a nonprofit entity that assists public agencies in reducing the cost of purchased goods by pooling the purchasing power of public agencies nationwide. USC advertises that the advantages of membership include: no user fees or costs to participate, competitively solicited contracts, nationally sponsored by leading associations and purchasing organizations, directed by public purchasing professionals, and aggregation of purchasing power by combining potential purchasing power of up to 90,000 local agencies and including over 35,900 participating public agencies. USC offers technology products such as computer hardware, software, and peripherals, as well as office and janitorial supplies, office furniture, office machines, and auto parts and accessories.

*Financial Implication:* In 2008, the City spent approximately \$4.0 million on vendor payments after excluding utilities and other fixed payments. If CGH could generate a three percent savings by paying invoices in a timely manner; using competitive bidding/RFPs for common supplies, materials and contracted services; and using additional cooperative purchasing arrangements, the savings would be approximately \$120,000 annually. The cost of upgrading the accounting software will depend on a variety of factors including the City's network availability, licenses, specific upgrades needed, and other technology related issues. However, the Finance Director at Barberton indicated that the city paid an initial cost of approximately \$12,000 for its software, and an annual software update and support fee of approximately \$7,400. These costs include the financial management/accounting software, the payroll system, an electronic purchase order/requisitioning system (records encumbrances), a utility and solid waste billing system, and a report generator module.

**R2.4 CGH should review the structure of its audit committee to ensure that members have the appropriate knowledge to provide an independent review and oversight of the City’s financial reporting process, the internal accounting controls, and the annual financial audit. If the City determines the current structure of the audit committee is not capable of fulfilling these roles, it should consider expanding membership to include citizens and other stakeholders that have the necessary skills. In the meantime, the current audit committee should review the results of Table 2-1 with the Mayor and Finance Director and develop strategies to address past financial audit citations, especially those that have occurred in multiple years. This will help the City achieve long-term financial stability.**

The City has established an audit committee to oversee the results of the annual financial audit. Membership on the audit committee includes City Council members and CGH employees, but does not include any citizens or other stakeholders. **Table 2-1** presents a summary of citations included in the financial audits completed on CGH since 2002. The 2007 and 2008 financial audits of CGH were not complete during this performance audit.

**Table 2-1: Historical Financial Audit Results**

Findings Issued	2002	2003	2004	2005	2006
Expenditures in excess of appropriation	X	X	X	X	X
Expenditures plus encumbrances in excess of appropriations	X	X	X	X	X
Deficit fund balances	X	X	X	X	X
Original appropriations in excess of original estimated resources plus available balances	X				X
Management not recording encumbrances during the year.	X	X	X	X	X
Certify availability of funds		X	X		X
Timely Depositing of funds			X		
Inter-Fund Illegal Transfer				X	
Failure to record or budget for bond interest expenditures.				X	

**Source:** AOS 2002-2006 Financial Audits

**Table 2-1** shows that CGH has had nine different citations since 2002, most of which have been issued in multiple years. Based on the results demonstrated in **Table 2-1** and other financial management practices identified in this performance audit (see **R2.1**, **R2.2** and **R2.3**), the City does not place a high level of importance on the financial audit process and sound financial management practices. Expanding the membership and authority of the audit committee may help the City resolve the past financial audit citations and address the other recommendations identified in this performance audit.

*Recommended Budgeting Practices* (GFOA, 2006) indicates that every government should establish an audit committee and that "...ideally, the audit committee should possess or obtain a basic understanding of governmental financial reporting and auditing. The audit committee should also have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. This expert should possess an understanding of generally accepted accounting principles, experience in preparing or auditing financial statements, experience in applying such principles in connection with the accounting for estimates, accruals, and reserves, experience with internal accounting controls, and an understanding of audit committee functions." GFOA goes on to indicate that the audit committee should provide an independent review and oversight of a government's financial reporting process, internal controls and independent auditors.

The City of Centennial (Colorado) has an audit committee with the following characteristics:

- Consists of eight members which include the Mayor, a City Council member appointed by City Council, the City Manager, the Finance Director, a staff member appointed by the Finance Director, the City Attorney, and two City residents with relevant business experience appointed by City Council;
- Meets at least twice annually and on an as needed basis;
- Receives and reviews the findings and reports issued by the Auditor;
- Presents the annual or other audit reports to the City Council in coordination with the Auditor;
- Reviews the City's financial reporting processes and internal controls; and
- Establishes and periodically reviews City financial reporting policies.

**R2.5 The City should consider transitioning all employees to the same payroll cycle, with a two week delay between the pay period ending date and the pay date. Doing so would eliminate the current duplication of effort, which would subsequently allow the payroll clerk to complete additional duties within the Finance Department.**

The Finance Department has one clerk that is responsible for processing payroll for all departments. The City pays all employees on the same bi-weekly schedule (26 pays per year). However, the actual payroll cycle varies by employee classification. For example, there is a one week delay between the pay period ending date and the pay date for Service Department employees, a three-day delay for Police and Fire Department employees, and

no delay for administrative employees. As a result, the payroll clerk is required to process payroll three separate times in order to issue paychecks to all employees on the same date. The payroll clerk does not charge overtime to process payroll because the City classifies the position as overtime exempt. However, completing three separate payroll verifications results in a duplication of effort.

To reduce inefficient payroll practices, the majority of the State of New York employees are subjected to a two week delay in payroll, which means that payment for the work completed is remitted two weeks following the end of the pay period. Furthermore, *Accounting Best Practices* (Steven M. Bragg, 2005) indicates that processing multiple payroll cycles can consume valuable time of payroll staff. As a result, companies should strive to consolidate their payroll cycles into a single companywide cycle. By doing so, the payroll staff no longer have to spend extra time on payroll processing, nor do they have to worry about the different pay rules that apply to each processing period – everyone is treated exactly the same.

### *Health Benefits*

**R2.6 CGH should revise its healthcare accounting practices to improve management oversight and limit the potential for unfunded liabilities. To accomplish this, CGH should consider creating a separate Self-Insurance Fund and charging monthly premiums to each department. These premiums would subsequently be remitted to the Self-Insurance Fund as revenue (similar to a transfer) and used to pay all healthcare administration and claims costs. Under this model, CGH should base the monthly premiums on actuarial analyses of projected claims costs and ensure they provide for a sufficient balance to cover liabilities up to the stop-loss insurance thresholds. Collectively, these actions will improve CGH's ability to centrally monitor and evaluate its healthcare program, provide a reserve balance to cover potential unfunded liabilities, and help department heads more accurately predict their healthcare costs through stable premiums.**

CGH is self-insured for healthcare purposes, which allows the City to independently manage the health insurance program. CGH uses a pay-as-you-go method for managing the health care claims. Under this structure, the City pays only the actual costs of each health care claim on a monthly basis. The City has not established any reserve balances to cover unexpected claims nor does it use a separate fund to account for the health care costs. Rather, with the exception of the municipal court (see **municipal court** section), the City's practice is to allocate the total costs of all monthly claims based on the number of full-time employees within each department. Due to variability in actual claims costs, the amount charged to each department can change significantly from month-to-month.



To protect itself from the cost of catastrophic claims, the City purchases stop-loss insurance coverage from Medical Mutual that is activated when claims costs exceed certain thresholds. Specifically, the City is reimbursed for all claims costs in excess of \$145,000 for a specific employee or when the aggregate claims for all employees exceed 120 percent of Medical Mutual's projected claims. In 2008, Medical Mutual projected that the City's total claims would equal approximately \$2.7 million. As a result, the aggregate stop-loss insurance provision would not take effect until CGH's total health care claims exceeded \$3.2 million, leaving a potential unfunded liability of approximately \$500,000.

Auditor of State Technical Bulletin 2001-005 (AOSTB) addresses requirements for self-insured government entities and indicates the premium amounts charged to pay health care claims is a matter of management judgment, with the minimum requirement being that management have sufficient cash on hand to pay approved claims. However, only meeting the minimum obligation is risky since catastrophic illnesses and other significant self-insured liabilities could cause a material increase in required payments. A more fiscally conservative approach is to fund an additional amount above the amount needed for approved claims, to build a cushion (reserve balance) for large, unforeseen claims.

Although the AOSTB does not recommend a specific reserve balance, a medical consultant that worked with the City of Lorain during a performance audit conducted in 2004 indicated that maintaining a reserve balance of three months worth of medical claims is reasonable to cover unexpected costs. In addition, the City of Barberton manages its self-insurance healthcare program in a manner that is generally consistent with the AOSTB. For example, the City charges each department a monthly premium that is subsequently remitted to a separate Self-Insurance Fund as revenue (similar to a transfer). All health care claims, administrative fees, and stop-loss insurance costs are then paid from the Self-Insurance Fund using the premium receipts. Furthermore, Barberton establishes the annual premiums based on an actuarial analysis that considers projected claims costs and appropriate reserve balances to cover potential liabilities. Barberton ended 2008 with an ending fund balance in the Self-Insurance Fund of approximately \$1.5 million, which equaled 5 months worth of claims. The City of Lakewood also manages their self-insurance healthcare program in a similar manner.

*Financial Implication:* Based on the 2008 projections, the City would need to allocate an additional \$500,000 to eliminate the unfunded liability<sup>4</sup>. However, CGH's ability to allocate this additional funding will depend on its financial condition.

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<sup>4</sup> Based on the 2008 projections, a three and five month reserve level would equate to approximately \$675,000 and \$1.125 million, respectively.

**R2.7 The City should negotiate to establish annual deductibles and employee co-insurance requirements, and a multi-tier prescription plan that includes increased employee prescription co-pays according to drug type. CGH should also negotiate to require all employees receiving health benefits to contribute 15 percent towards the monthly premiums.**

CGH provides its full-time employees with medical (PPO), prescription, dental, vision, and life insurance coverage. However, the City does not require employees to contribute towards the cost of offering these programs. Conversely, the Ohio State Employment Relations Board (SERB) survey for 2007 reported that 75 percent of government employers required some type of employee contribution towards healthcare premium costs, with the average being 12.3 percent for single coverage and 13.3 percent for family coverage. Lastly, the Kaiser Family Foundation's 2008 National Survey (Kaiser Survey) shows that the national average contribution rates were 16 percent for single coverage and 27 percent for family coverage.

In addition to lacking employee contributions, the City's healthcare costs are also impacted by offering generous benefit plan provisions. A summary analysis of the provisions which appear generous include the following:

- **Co-insurance for Medical Coverage:** City employees do not have co-insurance requirements for in-network services and pay 20 percent for non-network services. By comparison, the SERB survey indicates that 60 percent of respondents have co-insurance requirements ranging from 1 to 20 percent for in-network single and family coverage, although 40 percent require no employee co-insurance.
- **Prescription Co-Pays:** The City's prescription plan co-pays are lower than the Kaiser Survey average. For example, CGH employees are only required to pay \$3.00 for generic or brand name prescriptions while the Kaiser Survey average is \$15.00. Additionally, the Kaiser Survey reports that only 4 percent of covered workers pay the same cost regardless of drug type while 93 percent face a tiered cost-sharing formula, with 70 percent facing a three-tier plan.
- **Average Annual Deductibles:** The City's healthcare plan does not have annual deductibles. By comparison, the Kaiser Survey reports that 68 percent of employers in a PPO plan have deductibles, with the average being \$560 for single coverage and \$1,344 family coverage. Likewise, the SERB survey reports that approximately 66 percent of employers have deductibles, with the majority ranging from \$1 to \$499 for single coverage and \$1 to \$999 for family coverage.

*Financial Implication:* It is estimated that the City would save at least \$84,400 by establishing the annual deductibles at \$375, which is the average of the SERB survey results for single (\$250) and family (\$500) midpoints. This assumes that each employee incurs insurance costs of up to \$375 per year. In 2008, the City spent an average of \$12,663 per employee in healthcare costs. It is also estimated that the City would experience an additional savings of approximately \$414,700 by requiring all employees to contribute 15 percent towards the cost of insurance premiums.

Assuming the City implements the staffing reductions identified in this performance audit, this would reduce the deductible savings to \$78,800 and insurance contribution savings to approximately \$383,000. The estimate of \$383,000 is based on the City's historical benefits rate as a percent of salaries, which includes all benefits to provide a conservative estimate. Actual savings for the deductibles and employee contributions will depend upon the specific positions eliminated by the City and their respective insurance status. Furthermore, the City could achieve savings by revising its co-insurance and prescription co-pays. However, the exact savings is difficult to quantify without knowledge of the overall use of each benefit.

### *Compensation*

**R2.8 CGH should eliminate the additional pension benefit and limit future wage increases for non-bargaining positions. The City should also consider eliminating or reducing the longevity pay for non-bargaining positions. Furthermore, CGH should review the salary ranges for non-bargaining employees in relation to industry and regional data, and adjust them as necessary. The City should conduct this type of a review on an annual basis. Lastly, in order to review all non-bargaining salaries for potential adjustments on an annual basis, limit future wage increases for all non-bargaining positions, and subject all non-bargaining positions to the same policies and procedures, the City should consider proposing a charter amendment that excludes the Police and Fire Chiefs from the average pay fund calculation.**

CGH has policies and procedures that were adopted in August, 1998 that help determine the compensation levels for non-bargaining personnel. The policies indicate "... the salary schedule for City employees was developed as a result of a job factor analysis and approval, from time to time, by City Council." Under this approach, the base rate of pay for each non-bargaining position is established through Mayoral and City Council approval based on an assigned job grade, with the exception of the Police and Fire Chiefs whose annual salaries are determined through the City Charter based on the average pay of cities that are contiguous with Cleveland (see **R2.9** for additional discussion). In addition to the base pay, the policies and procedures also stipulate that the City will pay each non-bargaining employee's share of pension costs (additional pension benefit), excluding Police and Fire Chiefs, which effectively increases the salaries by 10 percent. In 2008, 23 employees received the additional pension benefit at an estimated cost of

approximately \$161,000. Moreover, according to the policies and procedures, each of the non-bargaining personnel also receives longevity payments equal to 3 to 6 percent of the base salary, depending on years of service. For the Police and Fire Chiefs, longevity pay equaled 2.5 and 2.6 percent of the base salary in 2008, respectively.

**Table 2-2** compares the salaries for CGH's administrative positions to the 2007 Ohio Municipal League (OML) survey averages for cities with a population between 24,000 and 34,000, and to comparable positions at the cities of Barberton and Lakewood. CGH's salary information has been adjusted to reflect the impact of the additional pension benefit and the longevity payments in order to show the total compensation for these positions.

**Table 2-2: Compensation Levels**

	CGH 2008	OML Survey 2007	Barberton 2008	Lakewood 2007
<b>Building Commissioner</b>	\$114,598	\$75,608	\$58,842	\$70,338
<b>Economic Development Director<sup>1</sup></b>	\$115,700	\$72,125	\$66,854	\$86,569
<b>Finance Director</b>	\$126,236	\$87,172	\$76,558	\$85,182
<b>Fire Chief</b>	\$100,877	\$83,615	\$76,369	\$95,984
<b>Law Director</b>	\$116,801	\$79,634	Not reported	\$80,000
<b>Parks Director</b>	\$115,700	\$67,772	\$55,626	Not reported
<b>Police Chief</b>	\$104,532	\$90,830	\$75,555	\$91,522
<b>Service Director</b>	\$116,801	\$83,995	\$71,034	\$86,569 <sup>2</sup>
<b>Average Administrator Salary</b>	<b>\$113,906</b>	<b>\$80,094</b>	<b>\$68,691</b>	<b>\$85,166</b>

Source: CGH, OML, Barberton and Lakewood

<sup>1</sup> Barberton's official title for this position is Planning Director. Lakewood's official title for this position is Director of Planning and Development.

<sup>2</sup> Lakewood's official title for this position is Director of Public Works.

**Table 2-2** shows that CGH's adjusted salaries are significantly higher than the average salary reported in the OML survey, and the cities of Barberton and Lakewood for every position. As a result, CGH's average adjusted administrator salary is significantly higher than the average in the OML survey, Barberton and Lakewood. For instance, the City's average administrator salary is 33.7 percent higher than Lakewood, which has the next highest average salary. In addition, CGH's minimum base salary for the administrative positions of \$93,808 (excludes pension benefit and longevity) is higher than each of the OML survey averages, all of Barberton's salaries, and all of Lakewood's salaries except the fire chief (\$95,984). Furthermore, the City's minimum base salary of \$93,808 is 10.1 percent higher than Lakewood. Lastly, due to the City Charter, the Mayor and City Council have no ability to adjust the annual base salary (excluding longevity) for the Police and Fire Chiefs, although these employees report to the Mayor and are excluded from the police and fire collective bargaining groups. Conversely, the OML Survey, the City of Barberton, and the City of Lakewood all group the police and fire chiefs as

administrative employees, drawing no distinction with other administrative employees in **Table 2-2**. Furthermore, the Police and Fire Chiefs at Barberton and Lakewood are non-bargaining staff.

*Financial Implication:* Eliminating the additional pension benefit would save the City approximately \$161,000 annually. Additionally, the City could generate a cost avoidance of approximately \$16,100 annually per year for every one percent reduction in future salary increases. Lastly, eliminating longevity pay would save the City approximately \$53,000 annually. This includes the actual longevity pay for the Police and Fire Chiefs in 2008 and is based on the lowest longevity pay of 3 percent for the remaining positions to provide a conservative estimate.

**R2.9 CGH should negotiate to reduce longevity payments for police, dispatch, correction and firefighter employees to be more comparable to the peers.**

According to CGH's Charter, the annual rate of pay for Police and Fire Department employees shall be no less than the average amount paid to members of police and fire divisions in the suburban cities<sup>5</sup> with a population of twenty-five thousand or more whose boundary lines are contiguous to the City of Cleveland. The Charter continues to explain that "rate of compensation" or pay shall apply only to a basic amount of wages and does not include such benefits as might be set up by any city by way of holidays, vacations, other permitted absences, overtime, longevity, night or split shifts, pay for specialized service within a classification or rank, or other premium pay differentials. CGH has been using this process to determine the base pay for Police and Fire Department employees since 1973. As a result of the Charter provisions, which have been approved by the voters, the City levied 15.0 mills of property taxes on homeowners in 2008 to pay for Police and Fire Department wages. Furthermore, under this process, the City does not have direct control over base wages for police and fire staff.

The City's longevity payments to police and fire employees are the only significant forms of compensation that are addressed in the collective bargaining agreements. **Table 2-3** compares CGH's longevity payments for patrolman, dispatchers, correction officers, and firefighters to various peer entities<sup>6</sup>.

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<sup>5</sup> The suburban cities included in the annual survey are the cities of Cleveland Heights, East Cleveland, South Euclid, Euclid, Lakewood, Maple Heights, Parma, and Shaker Heights.

<sup>6</sup> The selected peers used in **Table 2-3** differ in certain classifications due to the availability of current collective bargaining agreements.

**Table 2-3: Longevity Pay Comparison**

<b>Patrolman</b>				
<b>YEARS</b>	<b>CGH</b>	<b>Maple Hts <sup>1</sup></b>	<b>Shaker Hts</b>	<b>Lakewood</b>
5	\$1,925.00	\$1,096.56	\$600.00	\$250.00
10	\$2,125.00	\$1,644.85	\$900.00	\$500.00
15	\$2,325.00	\$1,918.99	\$1,400.00	\$750.00
20	\$2,525.00	\$2,193.13	\$2,000.00	\$1,000.00
25	\$2,525.00	\$2,467.27	\$2,000.00	\$1,250.00
<b>Dispatchers</b>				
<b>YEARS</b>	<b>CGH</b>	<b>Maple Hts</b>	<b>Shaker Hts</b>	<b>Warrensville Hts</b>
5	\$1,925.00	\$840.00	\$350.00	\$493.96
10	\$2,125.00	\$1,200.00	\$500.00	\$987.92
15	\$2,325.00	\$1,380.00	\$750.00	\$1,317.22
20	\$2,525.00	\$1,440.00	\$900.00	\$1,811.18
25	\$2,525.00	\$1,680.00	\$1,050.00	\$2,140.49
<b>Corrections Officers</b>				
<b>YEARS</b>	<b>CGH</b>	<b>Maple Hts</b>	<b>Warrensville Hts</b>	<b>Lakewood</b>
5	\$1,925.00	\$840.00	\$493.96	\$250.00
10	\$2,125.00	\$1,200.00	\$987.92	\$500.00
15	\$2,325.00	\$1,380.00	\$1,317.22	\$750.00
20	\$2,525.00	\$1,440.00	\$1,811.18	\$1,000.00
25	\$2,525.00	\$1,680.00	\$2,140.49	\$1,250.00
<b>Firefighters</b>				
<b>YEARS</b>	<b>CGH</b>	<b>Maple Hts <sup>1</sup></b>	<b>Shaker Hts</b>	<b>Warrensville Hts</b>
5	\$1,925.00	\$1,002.70	\$600.00	\$896.54
10	\$2,125.00	\$1,504.05	\$900.00	\$1,793.07
15	\$2,325.00	\$1,754.73	\$1,400.00	\$2,390.76
20	\$2,525.00	\$2,005.40	\$2,000.00	\$3,586.14
25	\$2,525.00	\$2,256.08	\$2,000.00	\$4,781.52

**Source:** 2008 level of longevity pay stated in City of Garfield Heights police and fire negotiated agreements, and peer negotiated agreements.

<sup>1</sup> The most recent and available agreement for patrolmen and firefighters at Maple Heights ended in 2007. While the longevity pay is calculated as a percentage of base salaries, this does not materially affect the comparisons in **Table 2-3**.

**Table 2-3** shows that CGH provides its patrolman, dispatchers, corrections officers, and firefighters with higher longevity pay at every interval than each peer, with the exception of Warrensville Heights' pay for firefighters at 15, 20 and 25 years of service.

*Financial Implication:* If CGH could negotiate to reduce its longevity pay for patrolman, dispatchers, correctional officers, and firefighters to be more comparable to the peers, the City could realize at least \$56,000 in annual cost savings. This is based on CGH achieving the peer average longevity payment at 25 years of service and assuming all employees will be impacted in a similar manner. Additionally, Warrensville Heights was

excluded from the peer average for the firefighter analysis due to the longevity schedule significantly skewing the analysis. However, the above assumptions are conservative because the variances in longevity pay for years 5 through 20 are greater than in year 25, when compared to the peers. Assuming the City implements the staffing reductions identified in this performance audit, this would reduce the longevity pay savings to \$51,500 per year.

### *Workforce Management*

**R2.10 The City should develop a comprehensive staffing plan that is tied to the goals and objectives identified in the strategic plan (see R2.13). The staffing plan should be developed to cover each of the City’s departments and programs, and incorporate a variety of relevant workload and outcome measures that can be used to assess current and future staffing needs. The City should also consider developing a manual that stipulates all of the City’s policies and procedures for recruiting and hiring employees. All department heads should subsequently be required to sign a form indicating that they received, reviewed and understood the manual. A formal staffing plan will help the City identify and maintain efficient and effective staffing levels while a recruiting and hiring manual will help ensure the department heads are complying with internal policies, CBA provisions, and applicable laws and regulations.**

The City Charter indicates that “the Mayor is responsible for appointing all officers and employees of the City, except members, officers and employees of the Council and Judges. All persons appointed by the Mayor, except those whose term of office is fixed by this Charter or by law, may be promoted, transferred, reduced or removed by the Mayor, subject to the Civil Service provisions of this Charter. The foregoing appointive powers may be delegated by the Mayor to the directors of any department or heads of any division.” In practice, the City’s hiring process is decentralized with the Mayor hiring/approving all full-time employees and department heads hiring part-time employees. However, the City does not have a written document that formally defines the hiring process and would help the department heads understand and follow the policies and CBA requirements that govern the hiring process. Furthermore, the City does not have a staffing plan that uses objective workload and outcome measures to help ensure efficient and effective staffing levels, and to link staffing decisions to long-term goals and objectives.

In the absence of a documented hiring process, the City increases the risk of a department head mistakenly failing to comply with its internal policies and applicable hiring standards and protocols (i.e. civil service, CBA, Equal Employment Opportunity requirements, etc.). Additionally, by not considering objective standards such as workload measures, the City increases the risk of maintaining inefficient staffing levels.

For example, the **service department** report shows that the City's staffing levels for the street maintenance (see **R3.1**) and fleet maintenance functions (see **R3.2**) are higher in comparison to the peer averages. Similarly, the **police department** report shows that the City's staffing levels are higher than the peer average and FBI benchmarks.

According to the article *Workforce Planning: The Strategy Behind "Strategic Staffing"* (SHRM 2004), the annual budgeting process generally requires managers to project personnel requirements for the upcoming fiscal period. Unfortunately, this task offers little value beyond influencing the short-term allocations of funds. The article goes on to state that a staffing plan that is carefully designed and executed transforms the staffing function from a "vacancy-filling" role to one that continually ensures alignment between an organization's human capital and its strategic goals. This will not only improve employee utilization, but the company's overall effectiveness and competitive positioning. Likewise, the article *Staffing, Down to a Science* (Workforce Management Magazine, April 2008) indicates that employers should base their staffing levels on a formal workforce planning process that considers objective information. The article also notes that in conducting workforce planning, "...the risk of overshooting is greater than the risk of undershooting." Although the article was specifically discussing the impact on inventory levels within a manufacturing firm from having too many employees, the concept is applicable to any organization.

To help ensure that managers and department heads are following appropriate laws and are consistently complying with internal hiring procedures, Skidmore College in New York publishes a detailed policies and procedures manual that defines all aspects of the recruitment and hiring process. This includes advertising for job openings, collecting resumes, interviewing and selecting candidates, making offers, and following up with candidates.

**R2.11 CGH should review the responsibilities for its employees and adopt job descriptions that are consistent with the required duties of each position. CGH should also adopt a regular cycle (e.g. every two years) for reviewing and modifying job descriptions to ensure they reflect current responsibilities, as well as the education, experience, and competency requirements for each position. Once the job descriptions have been adopted and communicated to employees, the City should develop performance appraisal forms that reflect the duties in the job descriptions. The City should subsequently begin conducting regular employee evaluations (i.e., at least annually). Taking these actions will help ensure that CGH's employees understand the requirements for each position, and receive appropriate feedback to improve future performance.**

The City lacks a formal process for updating job descriptions. In practice, job descriptions are only updated when a position becomes vacant and it is posted internally



for bidding purposes. As a result, CGH has many job descriptions which have not been updated in 10 years, which increases the likelihood of the job descriptions not accurately reflecting current duties and responsibilities. The City also has job descriptions for positions that no longer exist.

The City has a policy in place for disciplining employees for poor job performance. The policy states that poor job performance is defined as “inefficiency, non-performance, untimely completion of work assignments, or neglecting the job duties and responsibilities.” The policy also indicates that disciplinary action for poor job performance includes the following:

- Verbal warning by immediate supervisor for first infraction;
- Written warning, if problem continues, copy placed in employee’s personnel file;
- If problem continues, conference between Director and employee to resolve matter will be documented and placed in employee’s personnel file; and
- If behavior does not improve, dismissal may occur on the recommendation of the Director.

However, despite the abovementioned policy, the City does not conduct employee evaluations to document performance histories or identify areas for improvement.

The article *Performance Appraisal as an Employee Evaluation Tool* (SHRM, 2002) indicates that “One of the critical human resources issues of the 21<sup>st</sup> century is an organization’s ability to refine and develop mechanisms to provide meaningful job performance feedback to all employees. A positive and coherent understanding between the employee and supervisor as to what is acceptable job performance is essential for all employee and management work relationships to survive.” In addition, the article indicates that an “enhanced understanding of job expectations can be accomplished in two basic ways:

- **Job Descriptions:** All employees must understand what is expected of them in the performance of their jobs. Behavioral research data clearly indicates that many organizations throughout the global economy today continue to persist in assuming the employee knows what is expected without ever discussing the expectations of the job to be performed.
- **Performance Appraisal:** Employee opinion survey data indicates the need for employees to be given continuous performance feedback in a constructive, coaching, mentor relationship. Management creates a high percentage of its problems by totally ignoring the need to inform the employee how he/she is doing, thus creating a high level of uncertainty, anxiety, low productivity and in many cases the loss of a loyal and productive employee.”

**R2.12 CGH should assign central management of the employee leave accrual and reporting process to the Finance Department. Subsequently, the Finance Department should generate periodic reports for departmental and administrative use that show pertinent data, such as employee leave accumulations, leave use by type and date, the cost of leave time, and the reasons for absences. Doing so will help ensure consistent application of the City's leave policies and collective bargaining agreement provisions, and accurate severance payouts, and will help identify potential sick leave misuse and abuse.**

CGH's employment policies and collective bargaining agreements define the amount of sick leave each employee receives, appropriate uses of sick leave, procedures for reporting sick leave usage, accumulation of sick leave, the calculation of severance payouts upon retirement, definitions of excessive absenteeism, and possible disciplinary actions associated with suspected abuse. CGH's employment policies and collective bargaining agreements also address similar issues concerning the accrual and use of vacation and personal time. However, the City uses a decentralized process for tracking and monitoring leave time. Specifically, the Finance Director indicated that each department is responsible for tracking its respective employees' sick, vacation, and personal leave accruals, and monitoring usage through the use of time and attendance cards. The only role the Finance Department plays in reviewing leave time occurs when an employee retires/quits. Under the City's current process, all severance pay is calculated based on leave records maintained by the department heads.

As a result of the aforementioned process, the City's administration is limited in its ability to centrally monitor leave time, and ensure that policy and bargaining agreement provisions are applied in a consistent manner. For example, upon request from AOS, the City could not easily provide a report that showed leave usage by employee for 2008. Maintaining accurate leave records is important due to the impact the information has on severance pay calculations and/or operating costs if substitutes/overtime are necessary to cover an absence.

By comparison, the cities of Barberton and Lakewood both use their respective Finance Departments to centrally manage all aspects of the employee leave accrual and reporting process. In addition, to assist in managing sick leave and to identify potential issues of abuse, the City of Lakewood periodically runs a report that shows sick leave usage by employee and department for the last three years, the date and reason for the absence, and the associated cost.

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*Long Term Planning*

**R2.13** CGH should develop a comprehensive strategic plan that outlines the City’s long-term vision for all departments and programs. In preparing the plan, CGH should include detailed goals, measurable objectives, timeframes, performance measures, and, where applicable, cost estimates. Once developed, CGH should link the strategic plan to the annual budget (see R2.1), the five-year financial forecast (see R2.2), the staffing plan (see R2.10) and other similar planning documents identified in this performance audit. This approach shifts the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs and outcomes, and ultimately to the accomplishment of the goals and objectives stated in the strategic plan. This is particularly important for CGH because the current financial condition requires it to maximize the effectiveness of its limited resources.

CGH does not have a comprehensive City-wide strategic plan to guide long-term operations and spending decisions. As a result, the City develops the annual budget based primarily on meeting immediate needs, existing contractual obligations, and continuing historical programs and spending levels. Likewise, most staffing decisions are made based on subjective opinions of need rather than an objective analysis that is tied to long-term departmental goals and objectives (see R2.10).

*Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005) recommends that all governments develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In developing the strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and the activities funded in the budget.

Without a comprehensive strategic plan that includes detailed objectives and performance measures, CGH increases the risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing City needs.

**R2.14 CGH should use annual surveys to gauge citizen satisfaction with services. Conducting annual surveys will help ensure that the City considers a broad range of input from a variety of sources to help identify operational improvements and prioritize services.**

With the exception of a customer complaint phone line, CGH does not have formal mechanisms in place to obtain stakeholder feedback or to gauge satisfaction with its services. A City Council member indicated that CGH has not used a citizen survey during the last four years, and the last survey addressed a variety of land use issues rather than measuring satisfaction with services. However, during the latter stages of the performance audit, the Mayor provided an example of a survey that was recently issued to obtain citizen input regarding the location of the City's Home Days event. Preparing annual questionnaires (similar in format to the Home Days survey) that gauge satisfaction with police, fire, service, parks and recreation, and other government services would provide the City with an objective mechanism for receiving input and measuring citizen satisfaction.

*Recommended Budget Practices on the Development of Strategic Plans* (GFOA, 2005), indicates that a government should develop mechanisms to identify stakeholder concerns, needs, and priorities. This publication notes that surveys are one mechanism that should be considered in promoting stakeholder participation. Likewise, in *Conducting a Customer Satisfaction Survey* (University of Florida, 2000), it was noted that the Florida Innovation Group, a nonprofit organization that assists county and city governments, recommends using customer satisfaction surveys to assess the performance of departments within a government agency. A customer satisfaction survey can help find ways to improve program quality, information delivery, and overall accountability.

*Energy Management*

**R2.15 CGH should develop formal energy conservation policies and procedures. In doing so, CGH should review information from various industry sources. The City should also establish specific goals for reducing energy costs, which should be included in its strategic plan (see R2.13). Subsequently, the City should distribute and discuss the goals, policies and procedures with department heads and staff to educate and train them about energy conservation, and explain individual roles in implementing the policies and procedures. In addition, CGH should assign an employee to monitor Citywide and building-level utility consumption on a periodic basis (e.g., monthly). This would provide trend comparisons that could be used to identify potential issues of waste and/or inefficient equipment, and help determine which energy conservation practices offer the greatest savings. Lastly, CGH should review potential equipment upgrades that would reduce energy costs and be more cost-**

**effective as a part of the capital planning process (see the service department section for more information).**

CGH spent approximately \$923,000 in 2007 and \$988,000 in 2008 on natural gas, electric and water utilities. To help manage the cost of utilities, the City purchases its natural gas through the State of Ohio Cooperative Purchasing program. However, the City does not have a comprehensive energy management program. For example, the City does not regularly monitor, benchmark, or report energy usage by building, does not have a formal energy conservation policy and related procedures, and does not have specific energy reduction goals.

*Municipal Energy Management* [Massachusetts Department of Energy Resources (DOER), 2008] indicates that “energy management is the practice of using energy more efficiently by eliminating waste. Three fundamental components of effective energy management include:

- **Efficient Purchasing-** purchasing energy at the lowest available unit cost;
- **Efficient Operation-** operating the equipment that consumes energy as efficiently as possible; and
- **Efficient Equipment-** upgrading or replacing existing equipment with more energy efficient versions whenever it is cost-effective.”

DOER also indicates that municipalities should take the following steps to create and implement a successful energy management plan:

- Track energy and water usage and total costs by linking consumption to building information (square feet, building use and occupancy, etc.) and setting up an accounting system;
- Designate or create a lead office, energy manager, or energy committee/commission;
- Link energy programs with community goals;
- Find out what is working in other cities;
- Prioritize actions and develop a draft plan;
- Implement the plan by determining which projects need financing and which are low-cost or no-cost;
- Evaluate success and update the plan every three to five years and track and document savings; and
- Publicize the benefits. Build trust and credibility by letting taxpayers know you are providing services, and saving money and energy.

In addition, *Energy Efficiency Strategies for Schools* [U.S. Green Building Council (USGBC), 2008] indicates that the implementation of no-cost strategies can result in an energy cost savings of up to 10 percent. Some of these strategies include: turning off outside lighting, measuring and benchmarking utility usage, controlling room thermostats, assigning responsibility for common areas, and keeping doors and windows closed. USGBC also offers additional low cost strategies that can be implemented to realize an additional 15 percent cost savings. These strategies include: performing energy audits, providing energy efficiency training, installing programmable thermostats, replacing exit sign lights with LEDs (light emitting diode or energy efficient lighting), completing key maintenance activities, and inspecting outside air systems. Although the USGBC publication was developed for school district managers, the cost saving strategies can be applied to any organization.

Finally, Mendocino County in California developed an energy conservation policy in 2001 with the stated objective of reducing natural gas and electricity consumption by 10 percent. The policy has the following elements:

- Objective and mission of the policy;
- Distribution of responsibilities to the employees and department heads, and assigning measurement and oversight responsibilities; and
- Mandatory and optional energy reduction measures. Mandatory measures include: setting cooling at 76 degrees and heating at 68 degrees minimum, closing exterior doors, closing curtains to block the sun, heating and cooling building only during core hours, turning on only necessary lighting, and switching lights off in unoccupied rooms. A few optional measures include installing tamper-proof thermostats and using low wattage desk lights.

By developing formal energy management policies and procedures for staff, as well as instituting mechanisms to monitor energy usage, CGH would be in a better position to control and potentially reduce utility costs.

*Financial Implication:* If the City were to implement a formal energy management program that used the abovementioned strategies and reduced utility costs by 10 percent, it would realize an annual cost savings of approximately \$96,000. This is based on the average amount the City spent on utilities in 2007 and 2008.

*Fee Analysis*

**R2.16** In consideration of its financial condition, the City should review its decisions to not charge a cost recovery fee for refuse collection and fire inspection services, and special assessments for infrastructure improvement projects. However, prior to implementing these fees and charges, the City should first implement the financial management recommendations identified in past financial audits and this performance audit (see R2.1, R2.2, R2.3 and R2.4). This would ensure that the internal controls are in place to properly account for any additional resources. The City should also review its internal operating costs for each of these functions and compare the proposed fees to neighboring municipalities to ensure that the fees are reasonable and well supported. Further, CGH should review its overall tax and fee structure to ensure citizens would not be overly burdened by paying additional fees. For example, the City levied 15 mills of property tax on homeowners in 2008 to pay for Police and Fire Department wages, rather than using income taxes to fund the wages. Lastly, the City should obtain citizen input on the proposed fees in comparison to other alternatives for addressing the financial difficulties, including reducing staff, programs and services. This can be accomplished via a citizen survey (see R2.14).

The City does not charge cost recovery fees for a variety of services it provides to its citizens. A summary of these services includes the following:

- **Refuse Collections:** The City uses a competitive bidding process to contract with a vendor to provide weekly refuse and recycling collection services. The terms of the contract allow citizens to place unlimited amounts of household refuse, appliances and recyclable materials on the curb each week for collections. In 2009, the City projects that the cost of refuse collection services will equal approximately \$1.6 million<sup>7</sup>, or \$131 per citizen. The City pays all costs of refuse and recycling collections from General Fund tax receipts and does not require a separate fee for these services. By comparison, the City of Barberton also contracts for weekly refuse and recycling services and paid a similar rate per citizen in 2008 (\$127). However, Barberton accounts for the refuse and recycling collections as an enterprise fund, where the intent is to cover the cost of the program through user charges. Barberton charged a monthly fee of \$15.50 per household in 2008. Likewise, the City of Cuyahoga Falls charges a monthly fee of \$17.50. Implementing a monthly fee of \$7.75 for refuse collection services, or half of the rate in place at Barberton, would generate approximately \$1.1 million annually for the City.

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<sup>7</sup> This projection appears reasonable based on the actual costs in 2008, after excluding the extra payments in 2008.

- **Fire Inspection Fees:** The Garfield Heights Fire Division (GHFD) is responsible for conducting a variety of fire safety inspections on high hazard areas, such as schools, foster/day care centers, commercial buildings, and industrial sites. However, the City does not charge fees to cover the cost of the inspections. In February 2009, the Fire Chief proposed a new fee structure based on the City's financial condition and a review of the fees used by neighboring municipalities. However, the City has not yet acted on this proposal. Although there are some slight variations, the Fire Chief's proposal is generally consistent with the fees charged by the cities of Bedford Heights, Maple Heights, Shaker Heights, and Warrensville Heights, and significantly lower than the rates charged by the State Fire Marshall. GHFD conducted an average of 1,081 fire safety inspections from 2006 through 2008. Based on this workload, implementing the Fire Chief's fee proposal would generate approximately \$29,000 annually for the City.
  
- **Special Assessments:** With the exception of mowing overgrown or vacant lots, the City does not use special assessments to help cover the cost of its infrastructure improvements. Ohio Revised Code (ORC) § 727 permits municipalities to levy special assessments upon specially benefited lots or lands in the municipal corporation to help cover the cost connected with the improvement of any street, public road, sidewalk, sewer, park entrance, and easement. The City of Akron (Akron) levies special assessments, by City Council initiative or petition, against properties benefited by a public improvement. Improvements for which Akron levies a special assessment include the following:
  - Streets, public property, and city easements improved by widening, resurfacing, grading, draining, curbing, paving, or planting trees;
  - Constructing or reconstructing sidewalks, driveway approaches, and retaining walls;
  - Installing water service connections and sanitary sewer house laterals;
  - Constructing sanitary, storm, and combined sewers and water mains;
  - Providing lighting and street cleaning services;
  - Locating and relocating wires, cables, and appurtenant equipment underground; and
  - Performing other improvements determined by City Council.

In 2007, Akron reported total revenues from special assessments of \$1,050,502, or \$5.00 per citizen. Additionally, Barberton reported total special assessment revenues of \$128,704 in 2008, or \$4.75 per citizen. If CGH used special assessments to help fund certain infrastructure improvements and generated \$2.50 per citizen, or 50 percent of Akron's rate, the City would receive approximately \$70,000 in additional revenue.



*Financial Implication:* Implementing the refuse collection and fire inspection fees, and the special assessments at the abovementioned levels would generate approximately \$1.2 million in additional revenue for the City.

### *Parks and Recreation Department and Senior Center*

**R2.17** The City should charge the appropriate portion of the administrative and maintenance employee salaries and benefits, utilities and applicable capital outlay costs to the various recreation and senior center programs. This would reflect the true cost of offering these programs. CGH should also track the costs of operating these programs by monitoring the costs of the component units (e.g., meals and transportation). In addition, the City should adopt a formal policy that is made available to the public and requires an annual review of the recreation and senior center program fees based on the actual cost of the programs. The policy should also require periodic and formal cost/benefit analyses that demonstrate the cost and operational impact of other service delivery options, including outsourcing, consolidating services with neighboring municipalities, using non-profit organizations, and modifying the service levels of certain programs and operations to improve efficiency.

CGH operates a variety of parks recreation and senior center programs with a goal of providing services and activities to citizens to promote personal growth, health, entertainment, and a variety of other benefits. However, the City does not have formal policies or procedures for reviewing and establishing its program fees. In 2008, the parks recreation program incurred total expenditures of approximately \$1.1 million. Of this amount, the various recreation programs generated approximately \$287,000 in program fees and charges, with the remaining \$813,000 (74 percent) funded by General Fund resources. In addition, the senior center programs incurred total expenditures of approximately \$439,000. Of this amount, the various programs generated approximately \$81,000 in fees, charges and grant revenues. The remaining \$338,000 (77 percent) was funded through General Fund resources. A summary description of CGH's primary recreation and senior center programs include the following:

- **Outdoor Athletic Programs:** The City offers outdoor softball, t-ball, and soccer programs designed for children. A separate organization administers a little league baseball program for resident children of the City. To provide these programs, the City maintains 11 baseball diamonds and two soccer fields on a daily basis during the growing season. In 2008, the City reported total revenues from the outdoor athletic programs of \$32,051 and total expenditures of \$26,163. However, the total expenditures do not include the time and costs associated with CGH's parks maintenance staff maintaining the athletic fields, or any applicable capital and utility costs. Moreover, the City has not investigated the feasibility of

combining programs or sharing services with neighboring cities to help lessen the operating and administrative costs.

- **Swimming and Ice Rink:** The City has an outdoor swimming pool that is open during the summer months. The City charges fees to customers to use the pool for open swim recreation purposes and through formal swimming lesson programs. The City also operates a full-service ice rink from September to April that includes a variety of hockey and figure skating programs. In 2008, the City reported total ice rink and swimming revenues of \$48,617 and expenditures of \$18,419. However, the costs do not include any portion of the administrative and maintenance employee's salaries and benefits, or any capital equipment and utility costs. The City pays all capital equipment and utility costs for the parks recreation program from the General Fund. Furthermore, CGH has not recently conducted a cost-benefit analysis to determine the feasibility of outsourcing the operation and management of the ice rink and swimming pool programs. Lastly, although the City increased the swimming pool and ice rink fees in 2009 as a response to the current financial difficulties, this represented the first increase since 2003 and was not based on a cost analysis of operating the programs. In contrast to CGH, the City of Lakewood recently outsourced the management and operation of its ice rink.
- **Meal Programs:** The City offers three meal programs that are designed to provide senior citizens with healthy meals at a reasonable cost. The City uses 1.6 FTEs, volunteers, and one vehicle to organize the programs, and prepare, deliver and serve the meals. In 2008, the City received approximately \$53,000 in grants, donations and fees to fund these programs. The City recently increased the fees for the Meals on Wheels service, which was the first increase since the City took over the program in 2005. However, the City does not separately track the costs of operating these programs, which makes it difficult to determine their impact on the City's financial condition.
- **Transportation Services:** CGH uses 3.0 FTEs and three buses to transport senior residents of the City to various locations and appointments. The City also employs one additional FTE to take reservations and dispatch calls for service. To help reduce costs, the City has tried to implement cluster stops for runs to the senior center and shopping. However, this has been difficult due to the varying nature of medical appointments. In 2008, the City provided approximately 12,200 one way trips and received \$3,285 in fares. In response to the current financial difficulties, the City increased the fares in 2009 (the first increase since 2003) and is expecting to receive fares totaling approximately \$12,000. The City does not separately track the costs of the transportation services to determine if the revised fees will be sufficient to cover the operating costs. Nevertheless, the Senior

Center staff indicated that they have reviewed the potential for outsourcing and/or using other options and found these to be cost prohibitive. By comparison, the City of North Olmstead also has a senior transportation program, but uses a contracted vendor to provide the services. Additionally, as part of a formal internal study conducted in 2008, the City of Lakewood reviewed a variety of senior transportation programs and found that many neighboring cities were able to operate their programs at reduced costs by requiring two weeks advance notice for appointments, using public transportation in certain situations, and/or limiting the number of rides per week and the distances traveled for certain types of errands.

According to *Setting of Government Charges and Fees* (Government Finance Officers Association (GFOA) 1996), state and local governments use charges and fees to fund the provision of goods and services. According to economic theory, the most effective use of resources is achieved if the price for a good or service is set at a level that is related to the cost of producing the good or service. In practice, governments set some charges and fees to recover 100 percent of the cost. Other charges and fees are set at levels above or below cost for various reasons, and in some cases, the amount of a charge or fee may be restricted by state or local law.

GFOA recommends the following for the charge and fee setting process:

- A formal policy regarding charges and fees should be adopted. The policy should identify what factors are to be taken into account when pricing goods and services and whether the jurisdiction intends to recover the full cost of providing goods and services. It also should set forth under what circumstances the jurisdiction might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a good or service is not recovered, an explanation of the government's rationale for this deviation should be provided.
- The full cost of providing a service should be calculated in order to provide a basis for setting the charge or fee. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.
- Charges and fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
- Information on charges and fees should be available to the public. This includes the government's policy regarding full cost recovery and information about the amounts of charges and fees current and proposed, both before and after adoption.

Further, *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1998) indicates that programs and services are the means by which a government addresses priorities established through its policies and plans. An evaluation of delivery alternatives for services and programs helps ensure that the best approach is selected for delivering a service. Considerations in evaluating service delivery mechanisms, whether provided by a government or contracted out, include the following:

- **Cost of Service:** including short and long-term direct costs, costs to administer and oversee the service, impact on rates and charges, and impact of costs of other government services;
- **Service Quality and Control:** including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its own performance, ability to change the delivery mechanism in the future, and risk of contractual non-performance and default;
- **Management Issues:** including the quality of monitoring, reporting, and performance evaluation systems, public access to information, and ability to generate or sustain competition in service delivery;
- **Financial Issues:** including impact on outstanding debt and grant eligibility;
- **Impact on Stakeholders:** including government employees, customers, and taxpayers; and
- **Statutory and Regulatory Issues:** including the impact on federal and state, legal and regulatory, and liability requirements.

**R2.18 In conjunction with R2.17, the City should review the job duties and the accounting practices for each employee at the Parks and Recreation Department and Senior Center and ensure employee costs are accounted for in the appropriate cost centers. Doing so will allow the City to more accurately determine the cost of services provided, which subsequently will support future decision-making (e.g., evaluating alternative service delivery options).**

In addition to the accounting issues identified in **R2.17**, the City's accounting practices for certain positions within the Parks and Recreation Department (PRD) do not necessarily reflect the actual duties performed. For example, although the PRD employs 4.0 FTE laborers/drivers and a part-time maintenance supervisor, one of the laborer/drivers is charged to the Traffic Control cost center and the maintenance supervisor is charged to the Lands and Buildings cost center. Additionally, the

Communications Coordinator, who is responsible for producing materials to promote Citywide programs, events, and services, and maintaining the City's website, is charged entirely to the Parks and Recreation cost center.

The Senior Center (SC) has similar inconsistencies. For example, although the City's snow plow program is offered to senior citizens and is managed by the SC, the employees and program costs are charged to a Miscellaneous cost center for accounting purposes.<sup>8</sup> Additionally, the Civic Center receptionist's salary and benefits are charged to the Senior Center cost center even though the majority of her time is devoted to tasks that benefit all departments, including directing visitors and phone calls to the appropriate department, sorting mail for all departments, and answering general questions from residents. The Senior Center Coordinator estimates that the receptionist only spends approximately 20-25 percent of her time on Senior Center related tasks.

According to *Measuring the Cost of Government Service* (GFOA, 2002), measuring the cost of government services is useful for a variety of purposes, including performance measurement and benchmarking, setting user fees and charges, and privatization. The full cost of service encompasses all direct and indirect costs related to that service. Direct costs include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service, as well as the material and supplies, and other associated operating costs such as utilities and rent. Indirect costs include shared administrative expenses within the work unit and in one or more support functions outside the work unit. Furthermore, GFOA recommends that governments calculate the full cost of the different services they provide. Cost data can be extremely useful in identifying situations where a government should explore alternative service delivery options.

Further, *Performance Budgeting: Efforts to Restructure Budgets to Better Align Resources with Performance* (Government Accountability Office (GAO), 2005) addresses the concept of separating salaries among multiple accounts. The report stated that allocating these resources requires establishing a basis on which to spread resources and having the supporting data to support allocation estimates. A variety of bases can be used to allocate resources to programs, ranging from specific projects, full-time equivalents, and workload estimates. To the extent the basis used reflects true resource needs, allocating resources has the potential to provide more complete information on the resources associated with programs and performance.

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<sup>8</sup> Due to the City's financial condition, CGH will no longer offer the snow plow program following the 2008-09 snow season.

## Financial Implications Summary

The following table lists revenue enhancements, cost avoidances, cost savings and implementation costs for recommendations contained in this section of the report.

**Table 2-4: Summary of Financial Implications**

Recommendation	Annual Implementation Cost	One-Time Implementation Cost	Annual Cost Savings	Annual Cost Avoidance	Annual Revenue Enhancement
R2.3 Revise purchasing procedures.			\$120,000		
R2.3 Upgrade the accounting software.	\$7,400 <sup>1</sup>	\$12,000			
R2.6 Begin funding a reserve in a Self-Insurance Fund.		\$500,000			
R2.7 Establish annual health care deductibles.			\$78,800		
R2.7 Require all employees to contribute 15 percent of the health insurance premium costs.			\$383,000		
R2.8 Eliminate the additional pension benefit and longevity pay for non-bargaining staff.			\$214,000		
R2.8 Limit future non-bargaining wage increases.				\$16,100	
R2.9 Negotiate to reduce longevity pay for patrolmen, dispatchers, correctional officers, and firefighters.			\$51,500		
R2.15 Improve energy management.			\$96,000		
R2.16 Consider implementing a conservative fee structure to help offset the cost of providing refuse collection and fire inspection services, and special assessments for infrastructure improvements.					\$1,199,000
<b>Total</b>	<b>\$7,400</b>	<b>\$512,000</b>	<b>\$943,300</b>	<b>\$16,100</b>	<b>\$1,199,000</b>

Source: AOS administration recommendations

<sup>1</sup> This would be the annual cost after the initial cost of \$12,000.

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# Service Department

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## Background

This section of the performance audit focuses on the City of Garfield Heights (CGH or the City) Service Department (GHSD). The objective is to assess GHSD's operations against leading or recommended practices, industry benchmarks, and selected peer cities.<sup>1</sup> Sources of leading or recommended practices and industry standards include the American Public Works Association (APWA), the Government Finance Officers Association (GFOA), and the Ohio Revised Code (ORC).

### *Organization Structure*

GHSD consists of the following divisions:

- **Streets and Storm Sewer:** The Streets and Storm Sewer Division is responsible for the maintenance and upkeep of all streets, traffic signs and storm sewers throughout the City. Typical duties of the Street and Storm Sewer Division include snow and ice control, street sweeping, pothole patching, sign and signal maintenance, leaf removal, road stripping, and tree maintenance. The City outsources major road resurfacing and crack sealing projects. In 2008, there were 21.0 FTEs employed in the Streets and Storm Sewer Division. However, one employee retired at the end of 2008 and was not replaced. For accounting purposes, the Streets and Storm Sewer Division is funded through a combination of the General Fund, the Street Construction and Repair Fund, the State Highway Improvement Fund, and the Storm and Sanitary Improvement Fund.
- **Vehicle Maintenance:** The Vehicle Maintenance Division is responsible for the maintenance and repair of all City-owned vehicles and equipment. The Vehicle Maintenance Division is comprised of 5.0 FTEs. The Vehicle Maintenance Division is accounted for as an internal service fund, where the intent is to provide services to other departments in the City on a cost reimbursement basis. However, the City is limited in its ability to accurately charge departments for these services (see **R3.6**).
- **Building Maintenance:** The Building Maintenance Division is responsible for the maintenance and upkeep of all City-owned buildings and public properties. The Building Maintenance Division is comprised of 5.0 FTEs and is funded by the General Fund.

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<sup>1</sup> See the **executive summary** for a list of the peer cities and an explanation of the selection methodology.

- **Administration:** The Administrative Division is responsible for the administrative control and supervision of the three divisions that comprise GHSD. In 2008, the Garfield Heights Administrative Division consisted of a Service Director, three Foremen and two Administrative Assistants for a total of 6.0 FTEs. However, one Foreman retired at the end of 2008 and was not replaced.
- **Refuse and Recycling:** In addition to the abovementioned divisions, the City uses a competitive bidding process to contract with a vendor to provide weekly refuse and recycling collection services. The terms of the contract allow citizens to place unlimited amounts of household refuse, appliances and recyclable materials on the curb each week for collections. In 2009, the City projects that the cost of refuse collection services will equal approximately \$1.6 million<sup>2</sup>, or \$131 per citizen. By comparison, the City of Barberton also contracts for weekly refuse and collection services and paid a similar rate per citizen in 2008 (\$127). The City pays all costs of refuse and recycling collections from the General Fund and does not require citizens to pay a separate fee for these services (see the **administration** section).

In total, GHSD is comprised of approximately 35.0 FTEs. The majority of GHSD employees are covered under the American Federation of State, County, and Municipal Employees, AFL-CIO (AFSCME) collective bargaining agreement (CBA). The CBA was originally effective April 1, 2005 through March 31, 2008, but was extended to cover 2009 while a new CBA is being negotiated. A review of certain provisions in GHSD's CBA was completed as part of this performance audit (see **R3.4** for further analysis).

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<sup>2</sup> This projection appears reasonable based on the actual costs in 2008, after excluding the extra payments in 2008.

## **Audit Objectives for the Service Department Section**

The following is a list of the questions used to evaluate the GHSD:

- How do GHSD's staffing levels compare to the peers and industry benchmarks?
- Does GHSD have an effective planning process for maintaining buildings, vehicles, and other equipment?
- Does GHSD effectively use technology to provide efficient operations?
- Is GHSD minimizing the use of overtime?
- Are the AFSCME collective bargaining agreement provisions comparable to the peers and/or other leading practices?
- Is the refuse and recycling program efficiently managed?

Assessments conducted on CGH's fleet/equipment size were found to be comparable to peers and/or other benchmarks.

## Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS identified building maintenance staffing as an issue for further study. The City has 5.0 FTEs that are responsible for maintaining its buildings, or approximately 37,700 square feet per FTE.<sup>3</sup> A comparable figure could not be determined for the peers due to limited available information. However, the *Annual Maintenance and Operations Cost Study* (American School & University's Magazine, 2008) indicates that the median amount of square footage maintained per maintenance worker at school districts is 107,439 square feet. Although the AS&U benchmark is based on school district staffing levels, the large variance indicates that the City's maintenance staffing levels warrant additional review.

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<sup>3</sup> This is based on 188,398 total square feet divided by 5.0 FTEs.

## Recommendations

### Staffing

**R3.1 The City should initially consider reducing staffing levels by 2.0 FTEs in the Street and Storm Sewer Division. Although the ensuing analysis shows the potential to eliminate additional FTEs, this will make GHSD’s staffing levels comparable to the peer average on a per 10,000 citizen basis. Prior to eliminating additional positions, the City should implement the performance measurement and citizen survey recommendations identified in the administration section, and determine the actual number of lane miles it is maintaining. Doing so will help ensure the City is maintaining efficient and effective staffing levels.**

GHSD does not regularly track performance measures nor does it conduct citizen surveys to determine the efficiency and effectiveness of the Street and Storm Sewer Division (see **administration** section). Furthermore, GHSD does not have an accurate measure of the lane miles it maintains. For example, the Service Director reported that the City maintains approximately 80 center-lane miles. However, the City Engineer indicated that CGH maintains 98 center-lane miles in a report filed with the Ohio Public Works Commission (OPWC). **Table 3-1** compares GHSD’s staffing levels and miles maintained to the peers. For the purposes of this analysis, AOS doubled the 98 center-lane miles reported to the OPWC in order to conservatively account for lane miles maintained (assumes all roads are two lanes).

**Table 3-1: Street and Storm Sewer Staffing Levels**

Category	Garfield Heights <sup>1</sup>	Peer Average <sup>2</sup>
Total Lane Miles	196.0	289.5
Lane Miles per FTE	9.3	18.8
Number of Citizens	28,058	32,072
FTEs per 10,000 Citizens	7.5	6.3

Source: Garfield Heights, peers, and OPWC

<sup>1</sup> To ensure consistent and reliable comparisons with peers, AOS combined the City’s 18.0 Street and 3.0 Storm Sewer FTEs.

<sup>2</sup> This is comprised of 26 cities which were used in past performance audits, with the exception of number of citizens (27).

**Table 3-1** shows GHSD’s employees maintained approximately half of the number of lane miles per FTE when compared to the peer average. **Table 3-1** also shows that GHSD employs 7.5 FTEs on per 10,000 citizens, which is 19.0 percent higher than the peer average. The City would need to eliminate 10.0 FTEs to achieve the peer average of 18.8 lane miles per FTE. In addition, three cities located in general close proximity to CGH (Lakewood, Cleveland Heights, and Euclid) maintain an average of 280 lane miles and

encompass an average of 8.8 square miles. If CGH, which encompasses 7.3 square miles, maintained 280 lane miles, GHSD would be responsible for 13.3 miles per FTE. In order to achieve the peer average of 18.8, the City would need to eliminate approximately 6.0 FTEs. However, due to the uncertainty associated with the actual lane miles maintained by GHSD, eliminating 3.0 FTEs would allow the City to achieve the peer average of 6.3 FTEs per 10,000 citizens. In 2009, the GHSD reduced one position due to retirement, leaving a potential net reduction of two additional FTEs.

*Financial Implication:* Eliminating 2.0 FTEs would save the City approximately \$112,000 in salaries and benefits. This is based on the current placement of staff on the salary schedule and the City's historical benefits rate as a percent of salaries.

**R3.2 CGH should review its Vehicle Maintenance Division (VMD) staffing levels and consider eliminating 2.0 FTE positions. Moreover, developing and reviewing various performance measures would help ensure that VMD maintains appropriate staffing levels (see the administrative section).**

VMD is responsible for maintaining all City-owned vehicles and equipment and consists of one welder, one body repair employee, and three full-time mechanics, who maintained an average of 24.4 vehicles and equipment items per FTE. By comparison, the peer average (six cities) is 56.0. In addition, *Municipal Benchmarks* (Ammons, 2001) reports that Winston-Salem's (North Carolina) review of fleet performance (1998) revealed that the average number of vehicles per mechanic for ten select cities was 62. Furthermore, based on data presented in *Municipal Benchmarks*, seven selected cities maintain an average of 59 vehicles per mechanic, with the timeframe of the data ranging from 1995 to 1999. It should be noted that the data presented from *Municipal Benchmarks* appears to only include vehicles and not equipment. As a result, this provides a conservative comparison to CGH.

If the City eliminated 2.0 FTEs, it would achieve a vehicle per FTE ratio of 40.7, which would still be lower than the peer average and the *Municipal Benchmarks* averages. VMD does not use performance or workload measures to help determine the appropriate staffing levels, or to evaluate its overall efficiency and effectiveness.

*Financial Implication:* Eliminating 2.0 vehicle maintenance FTEs would save the City approximately \$122,600 in salaries and benefits. This is based on the current placement of staff on the salary schedule and the City's historical benefits rate as a percent of salaries.

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*Overtime Use*

**R3.3 GHSD should track its overtime use by specific purpose and periodically reconcile its records to the payroll information reported by the Finance Department. Doing so will provide the City with reliable trend information to determine historical causes of overtime and facilitate future decision-making. The City should also conduct a comprehensive review of all non-weather related overtime to identify strategies that would limit its use. Potential strategies include more flexible employee and event scheduling, and a review of work patterns and rules.**

Based on data provided by the Finance Department, GHSD incurred approximately \$132,900 in overtime costs in 2008, or \$4.74 per citizen. By comparison, the City of Barberton's (Barberton) overtime cost per citizen for similar functions was \$3.65 in 2008 while the City of Lakewood's (Lakewood) cost was \$4.11 in 2007. GHSD manages overtime through an informal policy that allows Service Department foremen to authorize overtime in response to a weather related event. Otherwise, all other overtime must be approved in advance by the Service Director and the Mayor. However, despite this practice, GHSD does not accurately track the amount of overtime incurred by purpose, which makes it difficult to analyze historical trends and determine the amount of overtime attributable to weather events. For example, overtime reports produced by GHSD showed that there were 1,598 hours of weather related overtime in 2008 and 364 hours for all other purposes, for a total of 1,962 hours. By comparison, the Finance Department reported that the GHSD was paid for 3,895 hours of overtime in 2008. According to a Service Department Foreman, the GHSD does not consistently log all overtime in its internal recordkeeping system.

Although controlling weather related overtime can be difficult, the City has a greater ability to manage the need for overtime in most other situations. According to the Service Director, the City's non-weather overtime is usually related to storm sewer repairs, reception hall rentals, various City festivals and activities, and the installation and removal of Christmas decorations. However, the Service Director also indicated that the City recently took steps to limit the need for future overtime by eliminating 24 hour storm sewer repair services (all repairs now take place during normal work hours) and the reception hall rental program beginning in 2010. Furthermore, the City's level of leave time can increase the potential for overtime (see **R3.4**)

The article *Winning the Game in Overtime* (The Society of Human Resource Management, 2003), indicates that most employers use overtime at the last minute and not as part of a larger business plan. Employers schedule overtime to cover for absenteeism and meet daily demands. Many companies do not take the time to identify which employees should be slotted for overtime and when it is most effective to schedule them. By taking the one-size fits-all approach, employers end up paying too much and

disaffecting all employees. This tactical overtime only lets the employer play catch-up. The article goes on to recommend that entities use a strategic approach to managing overtime that analyzes the cause of overtime, targets it at only certain critical employees, and schedules it strategically to save money and keep employees positive about their work. The article also explains that planning strategic overtime requires an economic analysis of overtime use, a social analysis of employees' work patterns and work rules, and a plan for communicating overtime changes to employees.

*Financial Implication:* If GHSD is able to reduce its overtime costs by 10 percent through eliminating the 24 hour storm sewer repair services, the reception hall rentals, and improved monitoring, the annual savings would \$13,300 based on the 2008 costs (\$132,900). Additionally, the City's revised cost per citizen would be \$4.26, which would still be higher than Barberton and Lakewood.

### *Collective Bargaining*

**R3.4 The City should negotiate to reduce the number of combined holidays and personal days, as well as vacation accrual rates. CGH should also negotiate to place a limit on the number of sick days paid at retirement to be more comparable to the peers or ORC minimum requirements, and lower the percentage payout. Additionally, the City should negotiate to permanently reduce the number of uniforms that are provided to employees and limit the safety gear stipend to \$150 annually. Finally, employees should be required to submit documentation that the stipend was used for the intended purpose.**

The City's CBA with AFSCME was reviewed during this performance audit. The provisions addressing minimum call-in pay, sick leave accrual and abuse, and longevity pay were determined to be comparable to the peers and/or other relevant standards. The following provisions were identified as being more generous:

- **Holiday, Personal Leave and Vacation Time:** GHSD grants its full-time employees 13 paid holidays and 2 days of personal leave annually. In contrast, the City of Shaker Heights (Shaker Heights) grants its full-time employees 7 paid holidays and 3 personal days, the City of Maple Heights (Maple Heights) grants 13 holidays and no personal days, and the City of Warrensville Heights (Warrensville Heights) grants 12 holidays and 2 personal days. Likewise, GHSD's vacation accrual rates are more generous than two of the peers and ORC § 325.19. For example, an employee with 15 years of experience at GHSD receives 25 days of vacation. Conversely, ORC § 325.19 indicates that an employee must have 25 years of experience to receive 25 days of vacation. Similarly, Maple Heights and Shaker Heights require employees to have at least 18 years of experience before they accrue 25 days of vacation. Providing full-time



employees with more holidays, personal days and vacation time can reduce productivity since there are fewer work days devoted to operations. In addition, providing employees with more days off can potentially increase operating costs if overtime is needed to cover the absences (see **R3.3**).

- **Sick Leave Accrual and Severance Payout:** CGH's CBA provides for an unlimited maximum accumulation. The CBA further stipulates that employees shall receive 50 percent of the value of unused accumulated sick leave, multiplied by the employee's per diem rate at the time of retirement. Because of these provisions, CGH does not have a maximum liability for severance payouts. By comparison, ORC § 124.39 states that employees with 10 or more years of service may receive payment of 25 percent of unused sick leave, not to exceed thirty days. In addition, Maple Heights pays 40 percent and limits the sick days paid at retirement to 108 days, Shaker Heights pays 50 percent and uses a limit of 125 days, and Warrensville Heights pays 100 percent and uses a limit of 120 days. CGH's sick leave and severance pay provisions could result in higher operating costs and future long-term liabilities. For example, if a mechanic retires with 275 sick days accrued, the City's severance liability would be approximately \$23,300 while the liability using the ORC minimums (capped at 30 days) would be approximately \$5,090.
- **Work Uniforms:** The CBA stipulates that the City will provide employees with 11 uniforms. In addition, the City provides employees with \$400 annually to purchase boots, gloves, hats and other safety gear. However, the CBA does not require employees to provide documentation that the \$400 was spent for the intended purposes. By comparison, Shaker Heights provides its employees with either five two-piece uniforms (pants and shirts) or three two-piece uniforms and three coveralls, and \$150 annually for safety gear. Likewise, Maple Heights provides its employees with five uniforms and \$300 annually for safety gear. However, Maple Heights requires employees to submit receipts to demonstrate that the stipend was used for the intended purpose. Lastly, Warrensville Heights provides ten clean uniforms on a bi-weekly basis, work gloves, and \$200 per year for work shoes.

During the course of this performance audit, the City reached an agreement with AFSCME to reduce the safety gear stipend to \$150 annually. However, this concession is only effective through 2011 or the City's removal from fiscal emergency, whichever occurs first. At that time, the \$400 stipend will be reinstated.

*Financial Implication:* Permanently reducing the safety gear stipend to \$150 would result in an annual cost savings of \$10,250. Assuming the City implements the staffing reductions identified in this performance audit, this would reduce the safety gear stipend savings to \$9,250 annually. Although not readily quantifiable, the savings associated with a reduction in severance payouts will vary depending on the number of retirees, rate of pay and accumulated sick leave balances. Similarly, while the District would save costs by reducing the number of uniforms and safety gear allowance, the cost savings are not readily quantifiable due to the manner in which the City codes these expenses.

### *Planning*

**R3.5 The City should develop a five-year capital improvement plan (CIP) that addresses and prioritizes long-term road and infrastructure needs. The City should also develop a preventive maintenance (PM) plan that addresses all routine, cyclical, and planned building and vehicle maintenance functions. Furthermore, the City should develop a vehicle and equipment replacement plan that defines criteria to ensure vehicles and equipment are replaced at the most appropriate point in their life-cycle. Lastly, the City should review these plans on a periodic basis and update them as needed.**

In addition to lacking a strategic plan (see **administrative** section), the City lacks a variety of long-term plans that would help manage its capital assets and infrastructure. A summary of these plans include the following:

- **Capital Improvement Plan:** The City does not have a comprehensive CIP that addresses long-term road maintenance and infrastructure needs. Rather, most decisions are made annually based on available funding and perceptions of need. However, due to the current financial situation, the City did not perform any street paving during 2008. Ohio Revised Code §164.06 requires each local sub-division applying to the Ohio Public Works Commission (OPWC) for grant funding to conduct a study of its existing capital assets, which includes an evaluation of overall road conditions. In 2008, CGH had approximately 24 percent of its roads rated as “Poor” or “Critical” while the peer average was only 13 percent. The development of long-term CIP would help the City anticipate and prioritize its infrastructure needs, as well as identify project financing sources beforehand.
- **Vehicle/Equipment Replacement Plan:** The City does not have a formal vehicle/equipment replacement plan. Furthermore, CGH does not use objective criteria to help make decisions regarding when vehicles or equipment should be replaced. Most replacement decisions are based on available funding and perceptions about which vehicles/equipment need replaced. Developing long-term

vehicle replacement plans and using objective data for decision-making purposes would help the City make cost-effective replacement decisions.

- **Preventive Maintenance Plan:** The City does not have a comprehensive preventative maintenance plan that addresses routine building, vehicle and equipment maintenance. In practice, the Service Department Foremen indicated that preventative maintenance is being performed on all City vehicles and equipment based on certain mileage and usage thresholds. However, most building maintenance activities are determined based on an informal report prepared by the Service Director that addresses various projects, but does not address routine issues such as annual HVAC maintenance. Furthermore, the City's maintenance activities were not consistently tracked in the work order system prior to 2008, which makes it difficult to determine the extent that preventive maintenance activities took place (see **R3.6**).

According to the Government Finance Officers Association (GFOA), it is extremely difficult for governments to address the current and long-term needs of their constituents without a sound multi-year capital plan that clearly identifies capital and major equipment needs, maintenance requirements, funding options, and operating budget impacts. Accordingly, the GFOA recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of at least three years, preferably five or more.

The *Vehicle Replacement Guide* (American Public Works Association (APWA), 2001) indicates that a sound vehicle and equipment replacement plan is important to government agencies and public entities of all sizes, and is an important part to maintaining an efficient fleet over the long-term. It goes on to indicate that an effective vehicle and equipment replacement plan should determine specific replacement criteria to help facilitate decision-making, develop budgets and plan appropriate financing, select units to be replaced and determine optimum disposal methods, and specify methods for purchasing replacements.

The *Public Works Practices Management Manual* (American Public Works Association (APWA), September 2002) indicates that effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach that provides for the systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs, which follow the manufacturer's recommendations and schedules, should result in a dependable fleet with extended equipment life and lower operation, maintenance, and repair costs.

Planning and scheduling preventive maintenance activities helps to ensure provision of the right maintenance, at the right time, at the lowest cost. Likewise, the *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that a good maintenance program is built on a foundation of preventive maintenance and that regularly scheduled maintenance prevents sudden and unexpected equipment failure, and reduces the overall building life-cycle cost. Although this publication is addressed to school districts, the concepts are applicable to all publicly owned buildings and facilities.

### *Technology*

**R3.6 The City should consider purchasing an electronic work order system that could be used by all divisions within GHSD. This would help ensure that all divisions consistently track and report information that is helpful for decision-making, estimating costs and timeframes for future projects, and planning and scheduling preventative maintenance activities (see R3.5). This would also help the City in making objective vehicle replacement decisions (see R3.5), evaluating the efficiency and effectiveness of GHSD, and identifying actual repair and maintenances costs by department for charge-back purposes.**

**If the City decides to purchase an electronic work order system, it should solicit requests for proposals that include system capabilities, and maintenance and training requirements. The City should also require potential vendors to demonstrate and guarantee the software will be compatible with other technology in the City. Taking these steps will help ensure the City selects a cost-effective system that best meets its needs, and uses the selected system appropriately and to the fullest extent.**

The City does not use electronic work order software to track information for the various divisions within GHSD. Rather, the Streets and Storm Sewer Division, the Building Maintenance Division and the Vehicle Maintenance Division (VMD) all use hand-written work orders to schedule and prioritize projects. Upon completion, the information contained in the work orders is input into two separate databases for future reference. However, the reporting capabilities under these systems are limited. For example, the manual work order system makes it difficult for the City to consistently and easily track detailed project and vehicle maintenance histories, the length of time to complete a project, and the cost of labor, supplies, and materials for each division. In addition, the current system creates a duplication of effort as an employee must hand-write a work order and then re-enter the same information into the electronic database.

The City accounts for the operations of VMD as an internal service fund, where the intent is to provide services to other departments in the City on a cost reimbursement basis. However, due to the abovementioned limitations in the work order process, the City is

unable to track, report, and charge the departments based on the actual supply, material and labor costs used to maintain each specific vehicle. Rather, at year-end, the Finance Department charges the entire cost of VMD to each department based on the percentage of vehicles and equipment used within that department. For example, if the Police Department represents 25 percent of the City's total vehicles and equipment, 25 percent of the VMD's total costs are charged to the Police Department at year-end. Although this process satisfies the intent of using an internal service fund, vehicle maintenance costs may not directly correspond to the composition of vehicles by department. In addition, the City and departments have a limited ability to make objective replacement decisions due to a lack of specific vehicle maintenance histories and costs. Furthermore, the City has a limited ability to evaluate other service-delivery options such as outsourcing certain types of vehicle repairs and maintenance functions.

According to the article *Selecting Fleet Management Software* (Christopher D. Amos, 2008), a multi-functional fleet information management system (FIMS) is almost essential if a fleet manager hopes to be cost-effective and especially if resource allocations are tracked for charge-back billing purposes. A FIMS is a database application capable of storing and manipulating millions of individual data elements. Commonly used software packages have the ability to track assets, collect detailed labor information, track contracted work, manage parts and inventory, schedule routine and preventative maintenance, track fuel usage, and schedule vehicle use and maintenance to avoid work interruptions. The article goes on to indicate that the first step in selecting software is to conduct a detailed needs assessment that includes a listing of everything expected of the new system. Additionally, entities should take stock of the physical and organizational environment in which the new system will function to prevent introducing incompatible technology or omitting connecting components to interface with existing systems. Lastly, the article suggests using requests for proposals (RFP) for purchasing a software package and ensuring that maintenance agreements, training requirements, and software capabilities are defined in the RFP.

Although the above article is specifically referencing fleet management software, the concepts and practices can be applied to purchasing a work order software package for all divisions within GHSD. For instance, one particular vendor advertises that its software can maintain work orders for all public works and service department functions, including street, building and vehicle maintenance. The vendor also advertises that the software has the capabilities identified in *Selecting Fleet Management Software*.

*Financial Implication:* The cost of an electronic work order system will vary depending on the specific features and technology in place within the GHSD. However, one vendor advertises that the cost of a basic electronic work order system starts at \$495.

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*Recycling*

**R3.7 The City should actively monitor its recycling and setout rates, and require the contractor to provide a monthly report showing recyclable materials collected and sold. Additionally, the City should review the strategies outlined in the *Recycling Best Practices Manual* and work with the Cuyahoga County Solid Waste Management District (CCSWMD) to actively identify methods for increasing recycling rates. As a starting point, CGH should use its website to promote the benefits of recycling. The City should also consult with CCSWMD about strategies to improve the cost-effectiveness of its refuse collection program. These actions will help the City realize environmental benefits, enforce its contract provisions, and potentially increase revenues and/or lower operating costs.**

CGH's bid requirements for the refuse and recycling collection contract indicate "revenues from the sale of recycled materials over and above the processing cost, and reasonable profit shall be negotiated on a semi-annual basis, with payment of such monies returned to the City on a monthly basis." The bid requirements also indicate that the "setout rates (waste disposed) may be observed and tabulated by the City, and on a quarterly basis, the City may negotiate a downward price adjustment depending on the participation rates." However, despite these provisions, the City does not actively monitor its recycling and participation rates, promote the benefits of recycling to its citizens, or require the contractor to provide reports showing the amount of recyclable materials collected and sold each month. This increases the risk of the City not collecting due revenues, overpaying for waste disposal, and/or operating an ineffective recycling program. For instance, the City has not received any revenues from recycling since 2005 and CCSWMD reported that CGH achieved a recycling rate of approximately 21 percent in 2007 while the County-wide average was approximately 27 percent.

In addition to the environmental benefits, actively promoting recycling may allow the City to improve its financial condition through the sale of recyclable materials. Additionally, by diverting the amount of waste the contractor has to collect and dispose, CGH would help the contractor potentially reduce its operating costs, which may allow the City to subsequently negotiate a lower price in future contracts. Furthermore, in contrast to CGH, the City of Bedford uses its website to actively promote recycling, which indicates "...all Bedford residents are encouraged to recycle, for every ton recycled, the City saves \$38.00 in solid waste disposal costs." In 2007, CCSWMD reported that the City of Bedford achieved a recycling rate of approximately 40 percent.

*The Recycling Best Practices Manual* (Environmental Planning Consultants, 2007), indicates that many communities have been creative in finding ways to advertise their recycling programs and educate the public about how to participate, while keeping costs under control. Examples include advertisements through public access television, radio

ads, TV spots, interviews with newspapers, magazines, shopper guides, inserts in customer bills, recycling guide brochures, refrigerator magnets, signs on city vehicles, newsletters, participation in public and school events, and developing a detailed recycling program website. *The Recycling Best Practices Manual* also indicates that it is important for communities to measure the effectiveness of its recycling program in order to evaluate past successes and identify the need for future refinement. Lastly, CCSWMD advertises that it offers free consulting services to local governments to assist with solid waste management and to improve the cost effectiveness of a municipality's waste collection or recycling program.

## Financial Implications Summary

The following table presents a summary of cost savings and implementation costs identified in this section of the report.

**Table 3-2: Performance Audit Recommendations**

<b>Recommendation</b>	<b>Annual Cost Savings</b>	<b>One-Time Costs</b>
<b>R3.1</b> Eliminate 2.0 FTEs from the Street and Sewer Division.	\$112,000	
<b>R3.2</b> Eliminate 2.0 FTEs from the Vehicle Maintenance Division.	\$122,600	
<b>R3.3</b> Reduce overtime costs by 10 percent	\$13,300	
<b>R3.4</b> Permanently reduce uniform stipend to \$150.	\$9,250	
<b>R3.6</b> Purchase an electronic work order system.		\$495 <sup>1</sup>
<b>Total</b>	<b>\$257,150</b>	<b>\$495</b>

<sup>1</sup> One vendor advertises that the cost of a basic electronic work order system starts at \$495. The actual cost of an electronic system will vary depending on the specific features and technology in place within GHSD.





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## Division of Fire

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### Background

This section of the performance audit focuses on the City of Garfield Heights (CGH or the City) Division of Fire (GHDF). The objective is to assess GHDF's practices against leading or recommended practices, industry benchmarks, and selected peer cities.<sup>1</sup> Sources of leading or recommended practices and industry standards include the National Fire Protection Association (NFPA), the Cuyahoga County Fire Chief's Association, and the Ohio Revised Code (ORC).

#### *Staffing*

For 2009, GHDF is comprised of 48.0 full-time equivalent employees (FTEs). GHDF operates two fire stations, with firefighters/EMT employees working a three-shift system. Each shift is scheduled for 24 hours on-duty followed by 48 hours off-duty, with a 50-hour average workweek. The Fire Chief, Executive Captain, Administrative Assistant, Fire Inspectors, and Lieutenant of Fire Safety work five 8-hour shifts, or 40 hrs per week. Staffing levels for GHDF have remained unchanged since 1997. A summary description of GHDF's functions includes the following:

- **Administration:** This classification consists of the Fire Chief, an executive captain, and an administrative assistant, for a total of 3.0 FTEs. The Fire Chief oversees the operations of GHDF, which includes developing the annual budget, approving all purchases and employee leave time, and reviewing and signing all policies and procedures. The Executive Captain is responsible for monitoring and scheduling employee leave time, completing injury reports for the Ohio Bureau of Workers' Compensation (OBWC), monitoring staff certification dates and training records, and purchasing supplies. The Administrative Assistant is responsible for the office duties and the preservation of documents relating to emergency and non-emergency information.
- **Fire Prevention:** This classification consists of a lieutenant and two fire inspectors for a total of 3.0 FTEs. The Lieutenant is responsible for overseeing the operation of the Fire Prevention Bureau, completing fire investigations, and inspecting all hazardous manufacturing processes; storage of gases, chemicals, oils, explosive and flammable materials; and sprinkler systems. The Lieutenant is also responsible for conducting fire safety education, maintaining fire and emergency medical service (EMS) records, and submitting information to the State Fire Marshall. The fire inspectors are responsible for

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<sup>1</sup> See the **executive summary** for a list of the peer cities and an explanation of selection methodology.

educating children about fire safety, teaching fire extinguisher and CPR courses as needed, and assisting in fire investigations. The inspectors are also charged with inspecting all schools three times per year and inspecting all commercial, industrial, and mercantile buildings, apartment buildings, foster care residences, and hood systems annually to assure compliance with applicable codes and standards.

- **Fire Suppression/Emergency Medical Services:** This classification consists of 3.0 captains, 6.0 lieutenants and 33.0 firefighter/EMTs, for a total of 42.0 FTEs. These employees are responsible for conducting fire/rescue and medical response operations, and responding to hazardous conditions such as gas leaks, downed power lines, and chemical emergencies. The City requires all fire suppression personnel to maintain a certification as an emergency medical technician.

In 2008, the GHDF responded to 2,994 EMS calls for service and 699 fire related calls, and completed 1,026 fire inspections. However, GHDF does not charge for any of its inspections. See the **administrative section** for an additional analysis of CGH's fees.

### *Collective Bargaining*

All firefighters, lieutenants, and captains are members of the Local 340 International Association of Fire Fighters (IAFF) bargaining unit. The collective bargaining agreement (CBA) was originally effective January 1, 2006 through December 31, 2008, but was extended to cover 2009 while a new CBA is being negotiated. A review of certain provisions in GHDF's CBA was completed as part of this performance audit (see **R4.3** for further analysis).

In addition to the CBA, the City's Charter includes provisions that stipulate the annual salaries for fire division employees. Specifically, the Charter indicates that "the annual rate of compensation for members of the fire division shall be no less than the average that is paid to members of the fire divisions in suburban cities with a population of 25,000 or more and whose boundary lines are contiguous with the City of Cleveland." Although this ensures that GHDF's base wages are comparable to neighboring municipalities, the **administrative section** shows that GHDF's longevity payments are significantly higher than the cities of Maple Heights, Shaker Heights, and Warrensville Heights.

## Financial Data

**Table 4-1** shows GHDF's actual expenditures from 2006 through 2008, and the budget for 2009.

**Table 4-1: GHDF Expenditures 2006-2009**

Line Items	Actual 2006	Actual 2007	Percent Change	Actual 2008	Percent Change	Proposed 2009	Percent Change
Salaries	\$2,953,804	\$3,158,102	7%	\$3,127,470	(1%)	\$2,660,000	(15%)
Employee Benefits	\$1,140,024	\$1,200,787	5%	\$1,025,215	(15%)	\$1,230,928	20%
Contractual Services	\$46,896	\$52,730	12%	\$48,373	(8%)	\$50,000	3%
Supplies and Materials	\$112,523	\$44,641	(60%)	\$49,866	12%	\$49,500	(1%)
Other	\$61,188	\$1,511	(98%)	\$109,321	7,135%	\$217,130	99%
<b>Total Expenditures</b>	<b>\$4,314,435</b>	<b>\$4,457,771</b>	<b>3%</b>	<b>\$4,360,245</b>	<b>(2%)</b>	<b>\$4,207,558</b>	<b>(4%)</b>

Source: City of Garfield Heights Finance Department

**Table 4-1** shows that GHDF's total salaries declined 1 percent in 2008 and is projected to decline 15 percent in 2009. According to the Finance Director, the decline in 2008 is due to neighboring cities providing lower negotiated wage increases, which subsequently results in lower increases for GHDF. In addition, GHDF reduced its overtime expenditures by 56 percent, which contributed to the decline in total salaries in 2008 (see **noteworthy accomplishments** for further discussion). The projected decline in 2009 is due to proposed staffing reductions and the City anticipating fixed employee salaries due to the impact of the economy on neighboring cities.

**Table 4-1** shows that the City's benefit costs declined 15 percent in 2008, which is due to a reduction in pension costs. Specifically, the City's firefighter pension costs equaled approximately \$693,000 in 2006, \$735,000 in 2007, but only \$555,000 in 2008. The decline in pension costs appears to be due to timing issues as **Table 4-1** shows that the City's wages only declined 1 percent in 2008 and the City's benefits are projected to increase significantly in 2009, despite a projected decline in wages.

For contractual services, and supplies and materials, **Table 4-1** shows that the actual expenditures in 2007 and 2008, and the budgeted amounts for 2009 have been relatively consistent. Furthermore, the combined expenditures for contractual services, and supplies and materials only represented approximately two percent of the total expenditures in 2008. **Table 4-1** also shows that GHDF's other costs have fluctuated significantly since 2006. The City uses this line-item to account for equipment and vehicle costs. GHDF purchased an ambulance in 2006 and a tower apparatus in 2008. No equipment or vehicles were purchased in 2007. No explanation was provided for the projected increase for 2009. However, the budget figures in **Table 4-1** are from the Mayor's estimated budget and the actual budget may change before it is adopted by City Council.

## Operating Statistics

Table 4-2 presents key operational data for GHDF and the peer average.

**Table 4-2: Operating and Demographic Data**

Categories	Garfield Heights 2007	Garfield Heights 2008	Peer Average <sup>1</sup>
Population	28,058	28,058	28,933
Square Miles	7.31	7.31	15.1
Total Calls for Service (Fire & EMS)	4,026	3,693	4,046
Total Fire & EMS Staff	47	47	53.3
ISO Rating	4	4	4
Stations	2	2	3
Minimum Staffing per Shift	8	8	15
Average Fire Response Times <sup>2</sup>	5:00 <sup>3</sup>	5:43	4:11
Average EMS Response Time <sup>2</sup>	4:00 <sup>3</sup>	4:45	3:58
Total Fire/EMS Staff per 1,000 Citizens	1.7	1.7	1.6
Total Calls per Firefighter/EMT	85.7	78.6	78.0

Source: GHDF, peer cities, and the 2006 Census Bureau population estimates

<sup>1</sup> This is comprised of 20 cities which were used in past performance audits, with the exception of ISO rating (11), minimum staffing per shift (15), average fire response time (19), and average EMS response time (9).

<sup>2</sup> Based on dispatch to arrival times.

<sup>3</sup> The performance audit did not confirm the average response times reported by the City for 2007.

Table 4-2 shows that GHDF's number of fire stations, square miles, ISO rating, and minimum staffing requirements are comparable to or below the peer average, while the EMS and Fire response times are higher. However, the City's average response times are partially skewed by several calls for service that took an extended time to respond, which can be partially due to its level of providing mutual aid to other municipalities (see R4.4). In 2008, GHDF responded to approximately 69 percent of its fire calls within five minutes (53 percent within four minutes) and 77 percent of its EMS calls within four minutes. *Municipal Benchmarks* (Ammons, 2001) reports that based on a study conducted by the League of California Cities in 1994, high performing cities should respond to fire emergencies within five minutes. *Municipal Benchmarks* also reports that based on a study conducted by the International City/County Management Association (ICMA) in 1999, the median average response time for the EMS function was 4.7 minutes from dispatch to arrival. GHDF complies with these standards for the majority of its calls for service.

Table 4-2 also shows that GHDF's firefighter/EMT staff per 1,000 residents (1.7) and the total calls per firefighter/EMT (78.6) are comparable to the peer averages (1.6 and 78.0). The *Phoenix Fire Department National Survey* (City of Phoenix, 2000) also reports that the average municipality serving a population between 0 and 99,999 maintains 1.78 firefighter FTEs per 1,000 citizens. Furthermore, GHDF establishes its daily minimum manning requirements at 8.0

FTEs, or 4.0 per station. If GHDF's staffing levels decline below 8 due to vacations, sick leave, and other time off, the City is required to call-in off-duty personnel for an overtime shift. A 2005 Survey (Cuyahoga County Fire Chief's Association) of 17 municipalities in Cuyahoga County showed that the average minimum manning requirement was approximately 6 firefighters/EMT personnel per station. As a result of the lower minimum manning requirements, GHDF has been able to limit its overtime costs (see **noteworthy accomplishments** for further discussion). Collectively, the staffing ratios in **Table 4-2**, the comparable ISO rating, and the limited overtime costs show that GHDF's staffing levels are reasonable.

## **Audit Objectives for the Division of Fire Section**

The following is a list of the questions used to evaluate the GHDF:

- How do GHDF staffing levels compare to peers and other benchmarks?
- Is GHDF's EMS billing and collection process cost-effective?
- Are the IAFF collective bargaining agreement provisions comparable to the peers and other leading practices?
- Does GHDF effectively use technology to provide efficient services?
- Does GHDF effectively use mutual aid as a formal response strategy?

Assessments conducted on GHDF's staffing levels, overall service effectiveness and technology use were found to be comparable to the peers and/or other benchmarks.

## **Noteworthy Accomplishments**

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. In 2008, GHDF's overtime cost approximately \$39,000, which was less than one percent of total salary costs. By comparison, during a 2008 performance audit of the City of Lakewood, it was reported that for the City of Lakewood, the City of Euclid, and the City of Cleveland Heights, fire division overtime costs represented 13.0 percent, 2.0 percent, and 3.9 percent of the total salaries in 2007, respectively. The lower overtime costs are due, in part, to the Fire Chief actively monitoring and limiting overtime, the City collaborating with Marymount Hospital to offer on-site EMS certification training programs, and GHDF operating with lower minimum manning requirements.



## Recommendations

### *EMS Billing*

- R4.1 CGH should investigate the option of outsourcing the EMS billing function. Doing so would eliminate the need for the City to replace the EMS billing software and enable the EMS Billing Clerk to assume additional responsibilities. It could also improve the City's collection rate based on the time availability and expertise of qualified providers. As the City considers this option, it should review the cost-effectiveness of the current in-house operation to ensure it would realize a net gain by outsourcing the billing function. If the GCH decides to outsource this function, it should solicit and review proposals from several providers, include performance measures in the eventual contract (e.g., collection rates), and monitor adherence with these measures to ensure the selected provider performs at an optimal level. The City should also annually review the EMS fees to ensure they reflect the true cost of providing this service. Furthermore, CGH should determine whether it is in the best interest of the community and its citizens to continue automatically writing off all insurance co-payments and self-pays.**

GHDF provides basic life support (BLS) and advanced life support (ALS) EMS services. Residents are charged for both services when they are transported to a medical facility. In February 2009, GHDF increased its EMS fees for the first time since 1997, from \$355 to \$450 for BLS and from \$375 to \$550 for ALS. The Fire Chief indicated that the revised fees are based on a review of the fees charged by neighboring communities.

A clerk in the Finance Department (EMS Billing Clerk) spends approximately 50 percent of her time managing the City's EMS billing functions. According to the EMS Billing Clerk, approximately 65 percent of the patients transported by GHDF have insurance coverage through Medicare (for elderly individuals) or Medicaid (for indigent residents), which have lower reimbursement rates than the rates charged by the City. For example, in 2008, Medicare reimbursed \$310 for BLS and \$368 for ALS services while Medicaid reimbursed \$89 for BLS and \$171 for ALS services. Furthermore, due to stipulations in the Social Security Act §1842 (18B) and Ohio Administrative Code §5101:3-1-60 (A) that govern the Medicare and Medicaid programs, the City can receive no more than the allowable reimbursements, and cannot separately bill patients for the difference between the allowable rate and the billing rate. However, Medicare does require recipients to contribute 20 percent of the allowable fee, but CGH only charges the 20 percent fee in instances where the patient has private co-insurance and would not be required to pay the costs out-of-pocket.

The remaining 35 percent of patients transported by GHDF are either self-pays (uninsured) or covered by private insurance. However, City Ordinance 22-1990 indicates "...whether a resident or nonresident, the City will accept as full payment, the usual and customary rates as allowed by the particular insurance companies for the services provided. The City will not charge or collect any amount of money in excess of the insurance payments received." As a result, the EMS Billing Clerk indicated that CGH does not bill patients with private insurance for applicable co-payments and self-pays are completely written-off.

The City does not actively monitor its EMS collection rates, nor has it established formal performance measures for reviewing its overall effectiveness. However, AOS estimated the City's average collection rate to be approximately 52 percent<sup>2</sup> in 2007 and 2008. By comparison, the *Phoenix Fire Department National Survey* (City of Phoenix, 2000) reports that the average municipality serving a population between 0 and 99,999 has a collection rate of approximately 65 percent. *Municipal Benchmarks* (Ammons, 2001) also reports that collections rates among seven examined cities ranged from 38 percent to 74 percent, with an average of 58 percent. *Municipal Benchmarks* also notes that some cities established formal performance targets for EMS billing services, such as a proposed collection rates for the year. Additionally, the City of Fairview Park outsources its EMS billing function and achieved a collection rate of 58 percent in 2007.

Finally, the Assistant to the Finance Director stated that CGH's current EMS billing system is outdated and will likely need replaced in the near future. The article *Necessary Expense* (The Fire Chief, 2007) reports that EMS software systems that provide adequate billing, accounting, and reporting options start at about \$20,000 for a relatively small number of patient accounts. However, costs can easily exceed \$100,000. The article also indicates that typically, contracted EMS billing services charge between 5 and 8 percent of collections and that some of the advantages of outsourcing this function include eliminating the overhead and personnel costs associated with data input, mailing, accounting, and collections, and insulating the agency from potential issues related to the costs and to the billing process itself. The cities of Maple Heights and Cleveland Heights outsource their EMS billing function at a cost of 7 percent of collections.

*Financial Implication:* Based on the City's average collections in 2007 and 2008 (\$460,569), the cost of outsourcing the EMS billing function would be \$32,200, which is based on the 7 percent rate that is paid by Maple Heights and Cleveland Heights. However, the additional cost could be offset by an increase in collections. For example, if

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<sup>2</sup> The estimated collection rate was calculated by taking the City's average number of transports in 2007 and 2008 (2,391) and multiplying by \$369, which is the average of the EMS fees (\$355 and \$375). The result of this calculation is \$882,279, which represents the average total amount the City could have charged for EMS fees in 2007 and 2008. The City's actual average collections during the same time period (\$460,569) were then divided by \$882,279 to arrive at the 52 percent collection rate.

the City increased its collections to 58 percent, the same as Fairview Park and the *Municipal Benchmarks* average, the increased revenue would equal approximately \$47,600 after excluding a 7 percent fee. This is based on the AOS estimated billing amount. When including this additional revenue and accounting for a 7 percent fee, the City would experience a net gain of approximately \$15,300 by outsourcing the EMIS billing function. In addition, the City would experience a cost avoidance of at least \$20,000 due to not replacing the EMS billing software and be able to reassign the EMS Billing Clerk to complete other functions within the Finance Department that are identified in this performance audit (see the **administrative section**).

### *Succession Planning*

- R4.2 The City should develop a succession plan for GHDF. This would help ensure a smooth transition between future retirees and newly promoted firefighters, particularly in key leadership positions. This would also help CGH plan for the costs associated with severance payouts to future retirees and hiring of new employees.**

The City has not developed a formal succession plan for GHDF. As of March 1, 2009, GHDF has 8 firefighters eligible for retirement and an additional 14 firefighters that will become eligible during the next six years. This includes the Fire Chief, Administrative Captain, all shift captains, and all but one lieutenant. In total, CGH may potentially need to replace 47 percent of the firefighter staff during the next six years.<sup>3</sup> This could have a significant impact on the City's financial condition due to the severance payments that are obligated to future retirees. This could also have a significant impact on GHDF's operations due to the number of potential administrative staff retirements.

According to the article *Career Road Map* (The Fire Chief, March 2008), fire and rescue organizations are not well prepared to fill key positions vacated by retirement, transfer, or permanent medical leave. As a result, employee development is left to chance, which places the organization in a reactionary mode when looking for eligible candidates to fill key positions. Succession planning develops future generations to take on additional or different responsibilities as they move around or up in an organization. Successful succession planning programs employ a systematic approach to developing an employee's talent, guide the employee, and establish a pool of candidates for staffing needs. Further, the article *Succession Planning: An Idea Whose Time Has Come* (Public Management, January/February 2005) indicates that best practice governments use succession planning to develop and maintain strong leadership and to ensure they address

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<sup>3</sup> This figure does not account for additional time that may have been earned with another municipality nor does it account for the age of staff, both of which affect when an employee can retire.

all the competencies required for the current and future work environment. There are eight sequential actions involved in implementing a succession plan:

- Assess future service needs;
- Identify critical positions and high potential employees;
- Identify competencies;
- Do a complete gap analysis;
- Select training and development activities;
- Conduct management training;
- Implement development strategies and tactics; and
- Monitor and evaluate.

According to ORC § 124.45 and ORC § 124.46, vacancies above the rank of regular firefighter shall be filled through competitive promotional examinations administered by the Civil Service Commission and promotions shall be by successive ranks. As such, the City is somewhat limited in its capacity to promote specific employees based on overall potential. However, without succession planning, CGH is foregoing the opportunity to ensure competent and proficient employees are available and prepared to take the civil service exam when positions become vacant. Succession planning also ensures that replacements have been groomed to assume greater responsibility and prepared to increase proficiency in their work.

### *Collective Bargaining Agreement*

**R4.3 The City should negotiate to eliminate the minimum manning and fitness program provisions from the CBA, place a limit on the number of sick days paid at retirement, and lower the percentage payout to be more comparable to the peers or ORC minimum requirements. The City should also negotiate to restructure the uniform allowance provisions. Specifically, the City should strive to permanently reduce the uniform stipend to \$500 annually, provide funds on a reimbursement basis, and allow employees to carry over unspent funds from one year to the next, with some limitations. Doing so will help ensure that monies are being used for the intended purpose and promote efficient spending decisions by eliminating the need for employees to use all funds by year-end.**

The City's CBA with the IAFF was reviewed during this performance audit. The provisions addressing call-in pay, holiday pay, paramedic certification bonus, and sick and vacation leave accruals were determined to be comparable to the peers and other relevant standards. The following provisions were identified as being more generous:

- **Severance Pay:** The CBA provides for an unlimited maximum accumulation. The CBA further stipulates that employees shall receive 50 percent of the value of unused accumulated sick leave, multiplied by the employee's per diem rate at the time of retirement. Because of these provisions, CGH does not have a maximum liability for severance payouts. By comparison, ORC § 124.39 states that employees with 10 or more years of service may receive payment of 25 percent of unused sick leave, not to exceed thirty days (720 hours based on a 24 hour shift). Additionally, the City of Maple Heights (Maple Heights) pays 40 percent of the unused sick leave and limits the severance payment to a maximum of 1,019 hours, and the City of Warrensville Heights (Warrensville Heights) pays 37.5 percent of unused sick leave and limits the severance payment to a maximum of 1,080 hours. The City of Shaker Heights (Shaker Heights) pays 50 percent of the unused sick leave and limits the severance payment to a maximum of 1,300 hours. CGH's sick leave and severance pay provisions could result in higher operating costs and future long-term liabilities. For example, if a firefighter retires with 2,800 sick leave hours accrued, the City's severance liability would be approximately \$31,000 while the liability using the ORC minimums (capped at 720 hours) would be approximately \$16,100 and the average of Maple Heights and Warrensville Heights (1,050 hours) would be approximately \$23,500.
- **Uniform Allowance:** The CBA stipulates that the City will provide employees with \$1,000 annually to purchase and maintain uniforms. However, the CBA does not require employees to provide documentation that the \$1,000 was spent for the intended purpose and does not include provisions to promote efficient use of the stipend. By comparison, Maple Heights, Shaker Heights and Warrensville Heights provide annual uniform allowances of \$1,150, \$500, and \$1,200, respectively. However, both Shaker Heights and Warrensville Heights provide the uniforms on a reimbursement basis and have provisions that help promote efficient uniform decisions. For example, the CBA at Shaker Heights indicates "...any unused portion of the annual uniform allowance can be carried over from year-to-year as long as the employee's balance never exceeds \$1,000." Similarly, the CBA at Warrensville Heights indicates "...any clothing allowance not fully utilized by a firefighter in one year may be carried over as a credit to the next succeeding year, during which it must be used or forfeited."

During the course of this performance audit, the City reached an agreement with the IAFF to reduce the uniform allowance to \$500 annually. However, this concession is only effective through 2011 or the City's removal from fiscal emergency, whichever occurs first. At that time, the \$1,000 stipend will be reinstated.

- **Fitness Program:** The CBA stipulates that the City will establish a voluntary annual physical fitness program that provides employees with \$250 annually for meeting certain fitness requirements. However, according to a Lieutenant within GHDF, no payments have been made under this provision since the City and union leaders have not yet reached an agreement on the structure of the program. By comparison, Maple Heights, Shaker Heights and Warrensville Heights do not include physical fitness bonuses within their respective CBAs.
- **Minimum Manning Clause:** The CBA includes a provision that indicates "...all overtime shall be voluntary except in the case of a manpower shortage (less than 8 Fire Fighters on Duty)." This provision indirectly establishes the City's minimum manning per shift at 8 firefighter/EMTs. Although GHDF's overtime costs are favorable compared to other municipalities, this provision may limit the City's future ability to modify operations and/or staffing levels based on potential changes in service levels, or shifts in population and other demographic trends. By comparison, Maple Heights, Shaker Heights and Warrensville Heights do not have references to manpower shortages or minimum manning clauses within their respective CBAs. Rather, staffing practices are left to the discretion of the Fire Chief.

*Financial Implication:* Permanently reducing the uniform allowance to \$500 would result in an annual cost savings of approximately \$22,500. Although not readily quantifiable, the savings associated with a reduction in severance payouts will vary depending on the number of retirees, rate of pay and accumulated sick leave balances. Lastly, the City could potentially experience an annual maximum cost avoidance of \$11,250 by permanently eliminating the physical fitness bonus.

### *Mutual Aid*

**R4.4 The City should develop written mutual aid agreements with the Cities of Cleveland, Warrensville Heights, Brooklyn Heights, Broadview Heights, and Bedford. In doing so, the City should ensure that all the provisions recommended by the NFPA are included in the agreements. The City should also include disability retirements in the current written agreements, and adopt a regular cycle for reviewing and updating the mutual aid agreements to ensure they reflect current operating conditions. Taking these actions will help ensure that all factors have been resolved in advance and appropriate steps have been established to allow for an integrated response when an emergency event occurs.**

According to the *Best Practices Review: Fire Services* (State of Minnesota, Office of the Legislative Auditor, 1999), mutual aid is a process whereby fire departments rely on nearby departments to help manage large-scale events and disasters for which ordinary

resources are inadequate. The Fire Chief indicated that GHDF uses mutual aid when a major structure fire occurs because National Fire Protection Association (NFPA) standards require firefighters to arrive on scene within 8 minutes with 14 (15 if aerial is used) personnel. Because GHDF's minimum manning is set at 8 firefighters per shift, the City sometimes requires mutual aid to make up for deficiencies in manpower. The Fire Chief also indicated that mutual aid is sometimes needed to cover EMS calls when both squads are responding at the same time and a third call is received. In 2007, GHDF received mutual aid 64 times and provided it 64 times. In 2008, GHDF received mutual aid 52 times and provided it 24 times. Lastly, since 2000, GHDF has received mutual aid an average of 48 times per year and provided it an average of 35 times. Collectively, these statistics show that GHDF regularly uses mutual aid as a formal response strategy, which subsequently contributes to its ability to maintain low minimum manning requirements and staffing levels that are comparable to peers and other benchmarks (see **Table 4-2**).

The City currently has written mutual aid agreements with the Cities of Bedford Heights, Maple Heights, and Independence, and the Villages of Cuyahoga Heights and Valley View. These agreements outline the purpose of the contract, procedures and requirements for calling for assistance, charges for services, liability, designations of incident command, and equipment requirements for all fire services. However, these agreements have not been reviewed or updated since 1984. Furthermore, GHDF also exchanges mutual aid services with the Cities of Cleveland, Warrensville Heights, Brooklyn Heights, Broadview Heights, and Bedford, but does not have written agreements with any of these cities. According to the Fire Chief, CGH does not have written mutual aid agreements with these cities because Ohio Revised Code (ORC) § 9.60 (D)(1) permits a city to provide fire and EMS services without a contract.

Although the ORC permits cities to provide mutual aid services without a contract, developing written agreements would help the City formally clarify a variety of operating issues and would help limit potential liabilities. For example, *Best Practices Review: Fire Services* (State of Minnesota, Office of the Legislative Auditor, 1999) reported that to be effective, mutual aid arrangements should be written prior to the occurrence of major emergencies so it is clear who assumes incident command, which department is liable for injuries that may occur, and what staffing and equipment will be available to respond. Furthermore, the NFPA's *Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Career Fire Departments* (National Fire Protection Association, 2009) states that mutual aid agreements should be in writing and address the following issues:

- Liability for injuries and deaths;
- Disability retirements;
- Cost of service;
- Authorization to respond;

- Staffing and equipment, including the resources to be made available; and
- Designation of the incident commander.

With the exception of disability retirements, CGH's written mutual aid agreements address the areas identified by the NFPA.



## Financial Implications Summary

The following table presents a summary of costs, savings, cost avoidances and revenue enhancements identified in this section of the report.

**Table 4-3: Performance Audit Recommendations**

<b>Recommendation</b>	<b>Estimated Annual Cost</b>	<b>Estimated Annual Cost Savings</b>	<b>Estimated One-Time Cost Avoidance</b>	<b>Estimated Annual Cost Avoidance</b>	<b>Estimated Annual Revenues</b>
<b>R4.1</b> Investigate the option of outsourcing the EMS billing function.	\$32,200	\$0	\$20,000	\$0	\$47,600
<b>R4.3</b> Permanently reduce the uniform allowance and eliminate fitness bonus.	\$0	\$22,500	\$0	\$11,250	\$0
<b>Total</b>	<b>\$32,200</b>	<b>\$22,500</b>	<b>\$20,000</b>	<b>\$11,250</b>	<b>\$47,600</b>

Source: AOS Recommendations



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# Division of Police

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## Background

This section of the performance audit focuses on the City of Garfield Heights (CGH or the City) Division of Police (GHDP). The objective is to assess GHDP's practices against leading or recommended practices, industry benchmarks, and selected peer cities.<sup>1</sup> Sources of leading or recommended best practices and industry standards include the Federal Bureau of Investigation (FBI), the Society for Human Resource Management and the International Association of Chiefs of Police.

### *Staffing*

The Police Chief is the executive head of GHDP and is responsible for formulating departmental policies, engaging in planning (which includes staffing), developing budgets, managing officers and other police personnel, and representing GHDP in all external relations matters. GHDP currently employs 58 full-time equivalent (FTE) sworn police officers and 18.9 civilian FTEs, which includes a Secretary. Excluding the Secretary and Police Chief, the remaining 74.9 FTEs are organized into various bureaus. A summary description of GHDP's bureaus includes the following:

- **Patrol Bureau:** The Patrol Bureau is comprised of 37 patrolmen<sup>2</sup>, 1 captain, 2 lieutenants, and 4 sergeants for a total of 44 FTEs. This Bureau provides 24 hour general patrol services throughout the City, responds to calls for service, and conducts preliminary investigations. This Bureau also includes 11 dispatchers<sup>3</sup> who receive and dispatch calls for police, fire, and EMS services.
- **Investigative Bureau:** The Investigative Bureau is comprised of a Detective Unit and a Juvenile Unit. The Detective Unit employs 7 FTEs (1 captain, 1 sergeant, and 5 detectives) who perform criminal investigations, prepare cases bound over to the Grand Jury, maintain evidence, photographs, and fingerprint files, investigate high-profile crimes, and provide court testimony. The Juvenile Unit consists of 2 detectives who conduct criminal investigations involving juveniles, maintain records, and act as a liaison between the schools, community, and GHDP.

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<sup>1</sup> See the **executive summary** for a list of peer cities and an explanation of peer selection methodology.

<sup>2</sup> This excludes a police officer on unpaid leave since December 2008 and a police officer who spends significant time handling narcotic duties in neighboring communities through a joint partnership with these municipalities.

<sup>3</sup> Excludes one dispatcher listed on GHDP Roster who resigned, but volunteered to work as a part-time dispatcher. However, it has been over a year since the resignation and this individual has yet to work in this capacity.

- **Staff Services Bureau:** The Staff Services Bureau is comprised of 1 captain, 2 lieutenants, 1 sergeant, 6 jailers, and 1 part-time records clerk.<sup>4</sup> This unit provides crime prevention classes and other training for sworn officers, and operates and maintains the City's jail, which is a 12-day facility with a housing capacity of 15 inmates (12 adult males and 3 adult females).

### *Collective Bargaining*

GHDP has three collective bargaining agreements (CBAs) that represent the majority of employees. All sworn officers below the rank of sergeant belong to the Fraternal Order of Police, Lodge 67 Patrol Officers bargaining unit (FOP Patrol), sworn officers with the rank of sergeants or above (excluding the Police Chief) belong to the Fraternal Order of Police, Lodge 67 Sergeants and Above bargaining unit (FOP Sergeants), and full-time jailers, records clerks and dispatchers belong to the Fraternal Order of Police, Ohio Labor Council (FOPOLC) bargaining unit. The FOP Patrol and FOP Sergeants CBAs were originally effective from January 1, 2006 through December 31, 2008, but were extended to cover 2009 while new CBAs are being negotiated. The CBA for FOPOLC members is effective from June 1, 2006 until May 31, 2009. A review of certain provisions in each CBA was completed as part of this performance audit (see **R5.2** for further analysis).

In addition to the CBAs, the City's Charter includes provisions that stipulate the annual salaries for GHDP employees. Specifically, the Charter indicates that "the annual rate of compensation for members of the police division shall be no less than the average that is paid to members of the police divisions in suburban cities with a population of 25,000 or more and whose boundary lines are contiguous with the City of Cleveland." The City's Charter goes on to indicate that "for purposes of this section, the pay ranges for 1971 will serve as a base. Such additional funds as shall be required by the operation of this section in addition to the 1971 base, shall be generated through an increase on the limitation on the rate of taxation." The City Charter has similar provisions that apply to Fire Department employees. As a result of the abovementioned provisions, which have been approved by the voters, the City levied 15.0 mills of property taxes on homeowners in 2008 to pay for police and fire department wages.

### *Financial Data*

**Table 5-1** presents GHDP's actual expenditures for 2006 through 2008, and the budget for 2009.

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<sup>4</sup> This includes a part-time records clerk who works between 36-38 hours per week. For report purposes, this individual is assumed to work 37 hours per week and is classified as 0.9 FTE.

**Table 5-1: GHDP Expenditures 2006-2009**

	Actual 2006	Actual 2007	Percent Change	Actual 2008	Percent Change	Proposed 2009	Percent Change
<b>Salaries</b>	\$5,116,882	\$5,435,054	6.2%	\$5,517,793	1.5%	\$4,685,877	(15.1%)
<b>Benefits</b>	\$1,648,437	\$1,754,931	6.5%	\$1,598,027	(8.9%)	\$1,759,160	10.8%
<b>Contractual Services</b>	\$135,171	\$133,091	(1.5%)	\$111,219	(16.4%)	\$130,100	17.0%
<b>Supplies and Materials</b>	\$65,843	\$66,932	1.7%	\$65,988	(1.4%)	\$69,800	5.8%
<b>Other</b>	\$105,392	\$1,511	(98.5%)	\$174,858	114.7%	\$348,204	99.1%
<b>Total</b>	<b>7,071,725</b>	<b>\$7,391,519</b>	<b>4.5%</b>	<b>\$7,467,885</b>	<b>1.0%</b>	<b>\$6,993,141</b>	<b>(6.4%)</b>

Source: City of Garfield Heights financial expenditures

**Table 5-1** shows that although GHDP's total expenditures increased annually from 2006 through 2008, they are projected to decline 6.4 percent in 2009. A summary analysis of **Table 5-1** includes the following:

- **Salaries:** **Table 5-1** shows that salaries increased in 2007 and 2008, but are projected to decline approximately 15 percent in 2009. The Police Chief indicated that two police officers and one dispatcher have retired/resigned since 2008 and will not be replaced.
- **Employee Benefits:** **Table 5-1** shows that GHDP's benefit cost declined by approximately 9 percent in 2008, which is due to a reduction in pension costs. Specifically, the City's police pension costs equaled approximately \$648,000 in 2006, \$676,000 in 2007, but only \$477,000 in 2008. The decline in pension costs appears to be due to timing issues as **Table 5-1** shows that the City's wages increased 1.5 percent in 2008 and the City's benefits are projected to increase significantly in 2009, despite a projected decline in wages.
- **Contractual Services:** The Police Chief indicated that this line-item represents costs associated with using the Cuyahoga Regional Information System to assist in compiling reports mandated by the State and Federal governments. In addition, GHDP contracts with vendors to provide technical support for the mobile data terminals (MDTs) used in police cruisers and for the City's radio system. See **R5.6** for further information about MDTs. The Police Chief was unsure what caused the decline in contractual spending in 2008, or the reason for the projected increase in 2009.
- **Supplies and Materials:** **Table 5-1** shows that GHDP's actual supplies and materials expenditures have been relatively consistent since 2006. Furthermore, the supplies and materials expenditures represented less than one percent of the total expenditures in 2008.

- **Other:** This line-item represents expenditures for the replacement of equipment and vehicles. **Table 5-1** shows that that the City projects that GHDP will spend approximately \$348,000 for equipment replacement in 2009. However, the Police Chief was unsure why the 2009 budget is projected to increase significantly, or the cause of the significant decline in 2007. The Finance Director indicated that the projected figure for 2009 is from the Mayor's estimated budget and the actual budget may change before it is adopted by City Council. See the **administration** section for further discussion of the City's budgeting process. In addition, the Police Chief indicated that GHDP purchased seven police cruisers in 2006 and five in 2008.

### Operating Statistics

**Table 5-2** presents key operational data for GHDP and the peers.

**Table 5-2: Operating Data**

	GHDP	Peer Average <sup>1</sup>
Square Miles	7.3	10.7
2007 Census Estimated Population	28,058	25,948
Total Sworn Officers	58.0	46.1
Sworn Officers Per 1,000 Citizens	2.1	1.8
Calls For Service	21,713 <sup>2</sup>	31,069
Calls For Service per Officer	374.4	761.7
FBI Violent and Property Crimes	1,037 <sup>3</sup>	1,093
FBI Violent and Property Crimes Per Sworn Officer	17.9	26.5
FBI Violent and Property Crimes Per 1,000 Citizens	37.0	40.9
Response Times (Dispatch to Arrival on Scene)	6:00	5:05

**Source:** CGH and peer data, 2007 Census Bureau population estimates, and the FBI.

<sup>1</sup> This is comprised of 27 cities that were used in past performance audits, with the exception of calls per officer (21), violent and property crimes per officer (19), and violent and property crimes per 1,000 citizens (16).

<sup>2</sup> In 2007, GHDP reported that it responded to 22,521 calls for service.

<sup>3</sup> The FBI statistics are reported for 2007, which was the most recent report available during the course of the audit. The FBI reports that the City had 932 violent and property crimes in 2004, 1,054 in 2005, 1,138 in 2006, and 1,037 in 2007, or an annual average of 1,040.

**Table 5-2** shows that GHDP responds to fewer calls for service per officer (374.4) when compared to the peer average (761.7) and employs more sworn officers per 1,000 citizens. See **R5.1** for an additional discussion of GHDP's staffing levels. Furthermore, **Table 5-2** shows that although GHDP's violent and property crimes per 1,000 citizens and per sworn officer are lower than the respective peer averages, GHDP's response times from dispatch to arrival are higher. However, the response times are partially skewed by GHDP's reporting system. See **R5.4** for an additional discussion of GHDP's response times.

## **Audit Objectives for the Division of Police Section**

The following is a list of the questions used to evaluate GHDP:

- How do GHDP staffing levels compare to peers and other benchmarks?
- Are GHDP's collective bargaining agreement provisions comparable to the peers and other leading practices?
- Does GHPD effectively schedule police staff to minimize overtime and maintain appropriate coverage levels?
- Are GHPD's jail operations in compliance with State minimum standards?
- Are GHPD's dispatch employees using defined protocols when dispatching calls for service?
- Are GHPD's dispatch employees certified as Emergency Medical Dispatchers?
- Has the City investigated the feasibility of establishing a joint dispatch center with neighboring municipalities?
- Does GHPD effectively use technology to provide efficient services?

Assessments conducted on GHPD's jail staffing levels, dispatch staffing levels, and civilian support staffing levels were found to be comparable to the peers and/or other benchmarks. In addition, GHPD's jail operations are compliant with State minimum standards, the City uses video arraignment technology to efficiently arraign prisoners, and the dispatch center has established formal protocols for dispatching calls for service.

## **Issue for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS identified the organizational structure of the dispatch center as an issue for further study.

The City currently employs 11 dispatchers that are responsible for receiving and dispatching calls for police, fire and EMS services. In 2008, the dispatch function cost the City approximately \$779,000. The Police Chief indicated that the City has discussed the possibility of forming a consolidated dispatch center with neighboring communities. However, City did not pursue this strategy due to a perception that there would be significant startup costs associated with purchasing new equipment and that neighboring communities would want to transport patients to different hospitals (CGH transports primarily to Marymount Hospital).

In contrast to CGH, the cities of Westlake, Bay Village, Rocky River, Fairview Park, and North Ridgeville formed the Westshore Central Dispatch Center (WCDC) in 2006 after receiving a \$600,000 federal grant to purchase startup equipment. WCDC's Supervisor indicated that the WCDC is staffed with trained civilian dispatchers, but only handles calls for fire and EMS services in the five communities. The Supervisor also indicated that patients are transported to the hospital that is the closest in proximity to where the incident occurred. Lastly, the Supervisor indicated that each member community pays a yearly fee that is based on the size of the community, real estate values, and the number of yearly fire and EMS runs. The Supervisor estimated that a large member city currently pays approximately \$190,000 to \$200,000 in annual costs.

Based on the cost disparity between the City and WCDC, the City should conduct a formal cost-benefit analysis to review the feasibility of consolidating its dispatch center with other municipalities. This would give the City an objective mechanism for evaluating this option as a long-term strategy for improving efficiency and reducing costs. In conducting the cost-benefit analysis, the City should consider the availability of federal grants to assist with the initial startup costs; the location, composition, service levels, and organizational structure of potential member cities; the consolidation of all public safety calls for service including police; and other technology requirements that may be necessary to ensure consistency between the member cities.



## Recommendations

### Staffing

**R5.1** The City should initially consider reducing staffing by 8.0 police officer FTEs. This will make GHDP's staffing levels comparable to the peer and FBI averages on a per 1,000 citizen basis. Although Table 5-2 suggests the City could reduce additional police officers and still achieve a similar calls for service ratio as the peer average, the City should implement the recommendations outlined in *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police (IACP), 2007) and accordingly, develop a formal staffing plan. Doing so will help ensure the City's long-term staffing decisions are based on a consideration of defined goals and objectives, community input, and objective information (e.g., workload measures). This, in turn, would help CGH identify methods for reducing crime rates and determining whether it can eliminate additional positions.

Table 5-2 shows that GHDP employs 2.1 sworn officers per 1,000 citizens<sup>5</sup>, while the peer average is 1.8. Furthermore, the FBI's *Uniform Crime Report* (FBI, 2007) shows that the average sworn police officer staffing level for Midwestern communities with populations between 25,000 and 49,999 was 1.7 per 1,000 citizens in 2007, while the overall nationwide average for this population group was 1.8. Table 5-2 also shows that GHDP responded to approximately 374 calls for service per sworn FTE in 2008 while the peer average was 762. Lastly, Table 5-2 shows that the City averaged 37.0 violent and property crimes per 1,000 citizens, which is comparable to the peer average of 40.9. Collectively, these ratios indicate that although CGH's crime rate is comparable to the peer average, the City maintains higher staffing levels. The City would need to eliminate 28 police officers to achieve the peer average ratio of 762 calls for service per officer. Conversely, the City would need to eliminate 8.0 police officers to achieve the peer and FBI nationwide average staffing levels on a per 1,000 citizen basis.

The Police Chief indicated that the staffing levels are based on a combination of past precedent and current funding levels. Furthermore, the Police Chief stated that GHDP does not have a written document that formally defines its policing mission or links the staffing levels to defined goals, objectives or workload measures.

The article *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police, 2007) indicates that based on past studies, no meaningful correlation has been found between the number of officers employed in a community and

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<sup>5</sup> GHDP's police staffing ratios presented in this assessment exclude a police officer on unpaid leave since December 2008 and a police officer who spends significant time handling narcotic duties in neighboring communities through a joint partnership with these municipalities.

the crime rate. The article states that if a community wishes to reduce crime, additional officers can only help when added to an effective, mission-focused department, one that has instilled throughout the organization accountability for community livability and for the level of crime. The article indicates that the following steps outline how these concepts can guide staffing choices:

- **Set Community Goals:** Effective organizational management begins with a clear focus on a shared mission and a concrete set of goals. Without a clear set of measurable, community-oriented goals, a sort of “mission drift” sets in. Activities within units and divisions develop around diverse agendas, and coordination among units becomes difficult. Frustration with department management, among both officers and citizens, climbs. Success hinges on developing goals in partnership with the community and the goals must be measurable and define a desired outcome, not an intended process.
- **Review Efficiency:** Managers should regularly review staffing efficiency and effectiveness to determine if resources are being used well. However, because management information is often poorly aligned with goals, assessing effectiveness is best completed in three phases: 1) start by acting on what is already known, 2) make better use of existing information and align the information with the established goals, and 3) begin to measure performance for goals where data is not traditionally tracked.
- **Tie Recommendations to Results:** With clear goals and an organization aligned to them, a department can more easily make recommendations to civilian leaders regarding the outcomes expected, based on the staffing level being considered.
- **Make Decisions, Hold Accountable:** With agreements reached on the results desired and the staff necessary to achieve them, budget realities must be weighed to determine the speed with which change can happen. This final trade-off is up to policymakers, who will compare priorities, expected results, and resource requirements of various agencies; allocate resources; and hold agencies accountable for the expected results.

Finally, the article indicates that by using an accountable, mission-driven approach for making resource decisions, elected and appointed leaders, police administrators, and the communities they serve can work together more effectively to ensure an acceptable level of safety and livability for all.

*Financial Implication:* Eliminating 8.0 police officers would save approximately \$476,700 in base salaries, \$12,800 in longevity pay, and \$151,700 in benefits. These figures are based on the lower-salaried patrol officers and the City’s historical benefits

rate as a percent of salaries. However, it should be noted that the City would only experience a net savings in the General Fund of approximately \$164,500 (longevity pay and benefits). This is due to the City's Charter, which automatically levies property taxes to cover the cost of base wages paid to police employees. As a result, a decline in police wages due to a staffing reduction would result in a subsequent decline in the annual property taxes that are levied against homeowners in the City (currently 15.0 mills). Nevertheless, although not readily quantifiable, reducing 8.0 police officers would also allow the City to reduce its employee support costs (training, supplies and materials, and equipment) which would yield additional savings for the General Fund.<sup>6</sup>

### *Collective Bargaining*

**R5.2 The City should negotiate to reduce the firearm proficiency allowance to \$1,000 annually. Likewise, CGH should negotiate to lower vacation accrual rates, place a limit on the number of sick days paid at retirement, and lower the percentage payout to be more comparable to the peers or ORC minimum requirements. The City should also negotiate to restructure the uniform provisions. Specifically, it should strive to permanently reduce the uniform stipends to \$750 annually for police officers and \$670 annually for correction officers and dispatchers, provide funds on a reimbursement basis, and allow employees to carry-over unspent funds from one year to the next, with some limitations. Doing so will help ensure that monies are being used for the intended purpose and help promote efficient spending decisions by eliminating the need for employees to use all funds by year-end.**

The City's CBAs with the FOP Patrol, FOP Sergeants, and FOPOLC were reviewed during this performance audit. The provisions addressing call-in pay, personal leave, sick leave accrual, holiday pay, and minimum staffing levels were determined to be comparable to the peers and/or other relevant standards. The following provisions were identified as being more generous:

- **Severance Pay:** All three CBAs provide for an unlimited maximum accumulation of sick leave. The CBAs further stipulate that employees shall receive 50 percent of the value of unused accumulated sick leave, multiplied by the employee's per diem rate at the time of retirement. Because of these provisions, CGH does not have a maximum liability for severance payouts. By comparison, ORC § 124.39 states that employees with 10 or more years of service may receive payment of 25 percent of unused sick leave, not to exceed 30 days. Additionally, the City of

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<sup>6</sup> The Finance Director completed a separate analysis showing that a reduction of 8.0 police officers would save approximately \$908,000. However, the Finance Director's projection includes estimated savings from reductions in overtime, perfect attendance bonuses, vacation time, sick time, and personal days. To be conservative and ensure only monetary savings are captured, the projected savings shown in **R5.1** only reflect base wages, longevity pay, and benefits based on the City's historical benefits rate as a percent of salaries.

Maple Heights (Maple Heights) limits the severance payout to 40 percent of unused accumulated sick leave for police officers, corrections officers and dispatchers, and limits the payout to a maximum of 1,030 hours (128.75 days) for dispatchers and corrections officers. In addition, the City of Shaker Heights (Shaker Heights) pays 50 percent of the unused sick leave and limits the maximum severance payout to 1,000 hours (125 days) for police officers and 75 days (600 hours) for dispatchers. Furthermore, the City of Lakewood (Lakewood) pays 25 percent of the unused sick leave and limits its severance payout to 300 hours for police officers and 240 hours for corrections officers. CGH's severance pay provisions could result in higher operating costs and long-term liabilities. For example, if a police officer retires with 275 sick days accrued, the City's severance liability would be approximately \$31,900, while the liability using the ORC minimums (capped at 30 days) would be approximately \$7,000 and the average of Lakewood, Maple Heights, and Shaker Heights would be \$21,100.

- **Vacation Accrual Schedule:** CGH's vacation accrual rates under all three CBA's are more generous than two of the peers and ORC § 325.19. For example, CGH employees receive 20 days of vacation after 10 years of service, 25 days after 15 years of service, and a maximum of 30 days after 25 years of service in all three CBAs. Conversely, ORC § 325.19 indicates that an employee need 15 years of experience to accrue 20 days of vacation and 25 years of experience to receive 25 days of vacation. Lakewood and Shaker Heights limit the maximum vacation accrual rates for police, correction and/or dispatch employees to 25 vacation days after 19 and 17 years of service, respectively. Maple Heights uses a similar vacation accrual schedule as CGH that allows for a maximum accrual of 30 vacation days after 25 years of service for police, correction and dispatch employees. Providing employees with more vacation time can reduce productivity since there are fewer work days devoted to operations. In addition, providing employees with more days off can potentially increase operating costs if overtime is needed to cover the absences (see **R5.3** for information about overtime use).
- **Uniform Allowance:** The CBAs for FOP Patrol and the FOP Sergeants stipulate that the City will provide employees with \$1,200 annually to purchase and maintain uniforms. Additionally, the CBA with the FOPOLC stipulates that employees receive \$900 annually to purchase and maintain uniforms. However, none of the CBAs require employees to submit documentation that the stipends were spent for the intended purposes and do not include provisions to promote the efficient use of the monies. By comparison, Maple Heights provides its police officers, corrections officers, and dispatchers with annual stipends of \$1,700, \$850 and \$850, respectively. Lakewood provides its police officers and corrections officers with annual allowances of \$1,000 and \$600, respectively. Finally, Shaker Heights provides its police officers and dispatch employees with

annual allowances of \$1,100 (\$550 uniform allowance plus \$550 maintenance allowance) and \$250, respectively. However, Shaker Heights provides its uniforms on a reimbursement basis and has provisions that help promote efficient uniform decisions. For example, Shaker Heights' police CBA indicates "...any unused portion of the annual uniform allowance can be carried over from year-to-year as long as the employee's balance never exceeds \$900."

During the course of this performance audit, the City reached an agreement with the FOP Patrol and FOP Sergeants to reduce the uniform stipends to \$750 annually. The City also reached an agreement with the FOPOLC to reduce the uniform stipend to \$670 annually. However, these concessions are only effective through 2011 or the City's removal from fiscal emergency, whichever occurs first. At that time, the original stipends will be reinstated.

- **Firearm Proficiency Allowance:** The FOP Patrol and the FOP Sergeants CBAs stipulate that all employees are required to complete an annual firearms qualification program. Upon satisfactory completion of the program, the employee is entitled to a proficiency allowance, payable during the first pay period in April of each contract year. The proficiency allowances were \$1,450 in 2006, \$1,475 in 2007 and \$1,500 in 2008. In contrast, Maple Heights provided a proficiency allowance of \$1,000 in 2007 (last year of contract) and Lakewood established its proficiency allowance at \$1,000 in 2008. Lastly, Shaker Heights does not provide its employees with a firearms proficiency allowance.

*Financial Implication:* Permanently reducing the uniform allowances to the aforementioned levels would result in an annual cost savings of approximately \$30,000. Although not readily quantifiable, the savings associated with a reduction in severance payouts will vary depending on the number of retirees, rate of pay and accumulated sick leave balances. Lastly, the City would save approximately \$29,000 annually by reducing the firearms proficiency allowance to \$1,000. Assuming the City implements the staffing reductions identified in this performance audit, this would reduce the uniform and firearms proficiency allowance savings to \$26,400 and \$25,000 per year, respectively.

### *Overtime*

**R5.3 GHDP should maintain a system that tracks overtime use by specific purpose. Doing so will provide the City with trend information to determine historical causes of overtime and facilitate future decision-making. The City should also identify strategies that would limit the need for overtime, including more flexible employee and event scheduling, and a review of work patterns and rules.**

In 2008, GHDP spent approximately \$313,000 on overtime for police and dispatch operations, or \$11.14 per citizen. By comparison, the City of Barberton's (Barberton) overtime cost per citizen for similar functions was \$10.57 in 2008 while the City of Lakewood's (Lakewood) cost was \$8.21 in 2007. The Police Chief indicated that GHDP's informal policy is to require employees to receive advance approval from supervisors before working overtime. The Police Chief also indicated that typical causes of overtime include police officers and detectives testifying in court, conducting time consuming investigations, assisting the Building Department with resolving certain housing issues, conducting driving under the influence and speed limit enforcement checkpoints periodically during the year, and maintaining a police presence at City-owned baseball fields, swimming pools, and City sponsored festivals and parades.

Although some of the abovementioned causes of overtime may be difficult to control due to scheduling issues (court appearances and investigations), the City has greater ability to manage the need for overtime in other situations. However, while the Police Chief verbally provided overtime hours incurred by purpose, the Police Chief indicated that it would be very difficult to provide documentation to confirm the reported hours. The lack of maintaining a fully automated and real-time system that tracks overtime by purpose makes it difficult to analyze historical trends and the amount of overtime attributable to court appearances and investigations. The Police Chief indicated that near the end of 2008, GHDP revised the schedules for certain policing activities, which will allow it to reduce future overtime costs. Furthermore, the Police Chief indicated that some of the abovementioned costs for overtime (certain traffic checkpoints, narcotics enforcement activities, and State mandated training) are reimbursed to the City.

The article *Winning the Game in Overtime* (The Society of Human Resource Management, 2003), indicates that most employers use overtime at the last minute and not as part of a larger business plan. Employers schedule overtime to cover for absenteeism and meet daily demands. Many companies do not take the time to identify which employees should be slotted for overtime and when it is most effective to schedule them. By taking the one-size fits-all approach, employers end up paying too much and disaffecting all employees. This tactical overtime only lets the employer play catch-up. The article goes on to recommend that entities use a strategic approach to managing overtime that analyzes the cause of overtime, targets it at only certain critical employees, and schedules it strategically to save money and keep employees positive about their work. The article also explains that planning strategic overtime requires an economic analysis of overtime use, a social analysis of employees' work patterns and work rules, and a plan for communicating overtime changes to employees.

*Financial Implication:* If GHDP is able to reduce overtime costs by 10 percent through its internal strategies and improved monitoring, the annual savings would be \$31,300

based on the 2008 costs (\$313,000). Additionally, the City's revised cost per citizen would be \$10.04, which is lower than Barberton but still higher than Lakewood.

### *Employee Scheduling*

**R5.4 GHDP should conduct a comprehensive review of its activity levels over the last two years to determine historical trends (number and types of calls for service) by day of week and time of day. GHDP should subsequently review its current work schedule to determine if adjustments should be made to improve coverage levels at specific times of the day. Potential options include adding employees to the 10:30 a.m.–10:30 p.m. shift, modifying the beginning and ending times of each shift, and/or adding an alternative swing shift. Conducting this review can help ensure timely response to calls for service. Furthermore, GHDP should consider programming its reporting system to calculate response times to the nearest second and report an average response time for the year based on all calls for service. If the current system is incapable of reporting response times in this manner, the City should review whether the benefits of reporting this data outweigh the potential cost to purchase a new system. GHDP should also review its process for reporting 24 hour parking complaints and any related impacts on its reported response times.**

Table 5-2 shows that GHDP's average response time (6:00 minutes) is higher than the peer average (5:05 minutes). Additionally, *Municipal Benchmarks* (Ammons, 2001) reports that based on a study conducted by the League of California Cities, high performing cities should respond to emergencies within five minutes. *Municipal Benchmarks* also reports that the median response time for 11 cities that responded to a survey was 5 minutes and 37 seconds. While the City's reported average response time appears high, it is partially skewed by GHDP's reporting system. Specifically, GHDP's report shows response times by month, but only shows the response times to the minute. As a result, the average of 6:00 minutes is based on averaging the average response times for each month. If the system reported response times to the second and calculated the average based on all of the annual calls for service regardless of month, the average response time may differ from the average of 6:00 minutes. The Police Chief indicated that GHDP's process for reporting 24 hour parking complaints may also contribute to the higher average response time.

In January 2004, GHDP implemented a 12-hour work schedule for all patrol officers based on positive employee feedback from internal surveys. On a typical day, GHDP schedules 18 patrol officers to work under the following schedule: seven officers work from 6:30 a.m. to 6:30 p.m., one officer works from 7:00 a.m. to 7:00 p.m., one officer works a swing shift from 10:30 a.m. to 10:30 p.m., eight officers work from 6:30 p.m. to 6:30 a.m. and one officer works from 7:00 p.m. to 7:00 a.m. GHDP's overtime costs have remained relatively consistent since 2003, which indicates that the modified schedule has

not had a distinguishable impact on overtime. However, the current schedule indirectly assumes that calls for service will occur evenly throughout the day and does not adjust the staffing levels to match periods of peak and/or slower activity. More specifically, the current work schedule provides 8 officers to work the morning/day shift, 9 officers to work the evening/night shift, and only 1 officer (10:30 a.m. to 10:30 p.m.) to overlap the two shifts and provide additional coverage during the late afternoon and early evening timeframe. GHDP's employee scheduling may partially contribute to the higher response times.

The article *A Look at the 12-Hour Shift: The Lincoln Police Department Study* (Police Chief Magazine, 2008) states that "...one advantage of the 12-hour shift is that it provides excellent coverage during peak times - typically late afternoon and evening and on into the early morning hours on weekends. Under a typical 12-hour schedule, a day shift and a night shift provide basic coverage for 24 hours, while another group of officers is scheduled from early afternoon to early morning hours. Staggered start times allow for constant coverage at the beginning and end of shifts."

### *Dispatch*

**R5.5 GHDP should require all dispatch employees to provide copies of their certificate demonstrating successful completion of the EMD certification program. Subsequently, GHDP should maintain all certificates in a central location for future reference and verification. Doing so will help ensure that all dispatch employees have received appropriate training to efficiently and effectively perform their duties. Additionally, GHDP will have appropriate documentation to demonstrate compliance with its employment standards should any legal liability issues emerge. If employees are unable to provide the certificates, the City should require them to complete the certification program.**

The Police Chief indicated that GHDP requires all dispatch employees to receive certification as Emergency Medical Dispatchers (EMD) as a condition of employment. However, of the 11 dispatch employees, GHDP could only provide certificates demonstrating successful completion of the EMD training program for five employees. GHDP indicated that 5 of the remaining employees have received the appropriate training and certification, but were not required to submit the certificate as evidence of completion. The remaining employee recently transferred into GHDP and is working to obtain the certification.

According to *EMD Program Implementation and Administration Manager's Guide* (United States Department of Health and Human Services, 1995), EMD training and certification provides dispatchers with medically sound and clinically based protocols to consistently identify the level of medical need, identify situations that require pre-arrival



instructions, gather information that should be related to responding personnel, and gather scene safety information. This information, combined with age and history-related factors, enables dispatchers to determine the correct level of assistance required, the urgency required in responding to the scene, and whether the case warrants a solitary or multiple response. Conversely, entities that lack EMD training increase the risk of inconsistent or inappropriate emergency responses.

Furthermore, *National EMD Certification Course* (National Communications Institute, 2001) indicates that the National Standard Curriculum Course is a 24 hour minimum course designed to train emergency coordinators to effectively direct and manage medical resources in an appropriate manner. The course is organized into four modules which cover the following topics: basic emergency medical dispatch concepts; call receiving, response, and pre-arrival instructions; EMD protocols structure and application; and written and practical examinations.

### *Technology*

**R5.6 The City should obtain training from its mobile data terminal (MDT) vendor to enable use of the full functionality of MDTs, including submission of incident reports electronically from the field and use of the electronic review module. This would allow GHDP to eliminate duplication of effort and improve the timeliness of information that is available for investigations.**

GHDP has installed MDTs in all of its police vehicles, which allows the patrol officers to electronically query information from the central police station, such as vehicle license plate data and drivers' license information. However, GHDP does not use the MDTs to complete and submit incident reports electronically from the field. Rather, the Police Chief indicated that for most events, patrol staff complete hand-written incident reports in the field, which are subsequently reviewed by supervisors and then entered into GHDP's computer system. The Police Chief also indicated that GHDP uses this process due to a perception that inputting information through the MDTs would be time consuming and would prevent supervisors from reviewing the reports prior to being uploaded into the central records management system.

According to the vendor that supplies MDTs to GHDP, patrol officers could complete incident reports in the field by inputting them directly into the MDTs. Further, once a patrol officer has finalized a report, an electronic review process could occur before the information is uploaded into the central records management system. The vendor also indicated that GHDP would not need to procure any additional software because the electronic review component is already installed on the MDTs. Lastly, the vendor specified that the company would provide no-cost training to GHDP staff on how to properly use the electronic review functionality of the MDTs.

According to a 2006 press release from the Yorktown Police Department (New York), the Police Chief indicated that the Yorktown Police Department installed 22 MDTs in its vehicles that have full “real-time” field reporting capabilities. The Police Chief specifically indicated that “...this capability allows our officers to complete incident reporting at the point of citizen contact and then immediately transfer all of that information to the central records management system. This allows a wealth of information to be immediately available for our officers to more efficiently complete their investigations.” In addition, the Police Chief indicated that “...all of our officers completed training in October (2005) in the use of the field reporting project software. Over 97 percent of reports completed since October are electronically transmitted from the field, reviewed by supervisors, and then automatically transferred to the central records management system. This provides less duplication of effort and manual handling of paper reports than in the past.”

## Financial Implications Summary

The following table lists cost savings for recommendations contained in this section of the report.

**Table 5-3: Summary of Financial Implications**

<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>
<b>R5.1</b> Reduce staffing levels by 8 sworn FTEs.	\$641,200 <sup>1</sup>
<b>R5.2</b> Reduce uniform allowances.	\$26,400
<b>R5.2</b> Reduce the firearms proficiency allowance.	\$25,000
<b>R5.3</b> Reduce overtime costs.	\$31,300
<b>Total</b>	<b>\$723,900</b>

**Source:** AOS recommendations

<sup>1</sup> The City would only experience a net savings in the General Fund of approximately \$164,500.

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# Municipal Court

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## Background

This section focuses on the operations of the City of Garfield Heights (CGH or the City) Municipal Court (GHMC or the Court). The objective is to assess GHMC's operations against leading or recommended practices, industry benchmarks, and selected peer cities.<sup>1</sup> Sources of leading or recommended best practices and industry standards include the Ohio Supreme Court, the National Center for State Courts (NCSC), and the Society for Human Resource Management.

### *Organization Function*

Although located in Garfield Heights, GHMC has geographic jurisdiction for the municipalities of Brecksville, Cuyahoga Heights, Garfield Heights, Independence, Maple Heights, the Metro Parks, Newburgh Heights, Valley View, and Walton Hills. GHMC has subject matter jurisdiction over certain criminal cases (misdemeanor cases, traffic cases, and limited felony cases), civil cases under \$15,000, and small claims cases under \$3,000. Due to the expanded jurisdiction, the Ohio Supreme Court estimates that the population served by GHMC is approximately 85,000 citizens.

### *Staffing*

GHMC is governed by two elected Judges that serve six-year terms. The Judges are responsible for interpreting the law, ensuring the administration of justice, and overseeing the operations of the Court. The Judges are also responsible for managing the personnel and financial matters of the Court, including hiring, terminating, and promoting employees; establishing compensation and benefit levels; developing budgets; and establishing court costs and fee schedules. In total, the Court employs 24.8 full-time equivalent employees (FTEs). Excluding the Judges, the remaining 22.8 FTEs are organized into the Judicial and Clerk of Court Divisions. A summary of the staffing levels and responsibilities for each division includes the following:

- **Judicial Division:** In addition to the Judges (2.0 FTEs), the Judicial Division is comprised of two part-time magistrates that work less than 8 hours per week (0.2 FTEs), 4 full-time and 5 part-time bailiffs (6.4 FTEs), 2 full-time and 1 part-time probation officer (2.2 FTEs)<sup>2</sup>, and 1 computer network administrator (1.0 FTE) for a total of 11.8

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<sup>1</sup> See the **executive summary** for a list of peer cities and an explanation of peer selection methodology.

<sup>2</sup> GHMC's organizational chart indicates the part-time probation employee (0.2 FTEs) works in the Clerk of Court's office. However, in actual practice, this position reports to a probation officer and is paid from the City's Probation Fund. As a result, this employee was classified as probation officer for purposes of this performance audit.

FTEs. The magistrates assist the Judges by presiding over certain civil cases. The bailiffs are responsible for delivering all evictions, warrants, writs, subpoenas, replevins, and court summons; providing courtroom security; processing general paperwork; scheduling criminal cases; and escorting prisoners to and from jail. The probation officers administer the Court's probation program, which includes monitoring individuals on probation, notifying the Judges when individuals violate their probation, and coordinating work release programs. The network administrator performs daily computer system back-ups, and provides hardware and software support, and technical troubleshooting.

- **Clerk of Court Division:** The Clerk of Court Division is comprised of an appointed Clerk of Court (1.0 FTE), 2 chief deputy clerks (2.0 FTEs) and 10 deputy clerks (10.0 FTEs) for a total of 13.0 FTEs. Collectively, the Clerk of Court Division is responsible for scheduling arraignments, maintaining case files, and handling payments of fines and fees for all criminal, traffic, civil and small claims cases. The Clerk of Court Division also manages the Court's certified mail process, verifies warrants, answers phone inquiries, reconciles Court related bank accounts, distributes court fines and fees to various entities, and prepares a variety of reports for the Judges, the Ohio Supreme Court, and other interested/required parties.

### *Financial Data*

**Table 6-1** presents GHMC's revenues and expenditures within the General Fund and for all funds combined from 2005 through 2009.

**Table 6-1: GHMC Revenues and Expenditures**

	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Proposed 2009
<b>General Fund:</b>					
Operating Revenue	\$849,110	\$970,009	\$1,077,037	\$1,260,854	\$1,260,854
Other Revenue	\$167,192	\$171,472	\$14,200	\$87,591	\$71,000
<b>Total Revenue</b>	<b>\$1,016,302</b>	<b>\$1,141,481</b>	<b>\$1,091,237</b>	<b>\$1,348,445</b>	<b>\$1,331,854</b>
Personal Services	\$708,483	\$685,202	\$791,554	\$752,015	\$752,000
Personnel Benefits	\$300,491	\$477,272	\$562,986	\$741,990	\$704,500
Contractual Services	\$45,175	\$42,813	\$73,338	\$24,030	\$36,000
Supplies & Services	\$46,371	\$69,982	\$75,869	\$78,432	\$80,000
Other	\$100	\$0	\$0	\$100	\$100
<b>Total Expenditures</b>	<b>\$1,100,620</b>	<b>\$1,275,269</b>	<b>\$1,503,747</b>	<b>\$1,596,567</b>	<b>\$1,572,600</b>
Operating Surplus/(Deficit)	(\$84,318)	(\$133,788)	(\$412,510)	(\$248,122)	(\$240,746)
<b>All Funds:</b>					
All Funds Revenues	\$1,447,085	\$1,559,397	\$1,507,961	\$1,798,883	\$1,781,504
All Funds Expenditures	\$1,550,646	\$1,800,638	\$1,917,401	\$2,120,886	\$2,042,700
Operating Surplus/(Deficit) <sup>1</sup>	(\$103,561)	(\$241,241)	(\$409,440)	(\$322,003)	(\$261,196)

Source: City of Garfield Heights

<sup>1</sup> **Table 6-1** was developed based on the City's financial records. The Judges dispute the accuracy of the operating deficit shown in **Table 6-1**, based on the City's methods of accounting for the healthcare program. See **R6.4** for additional explanation.

**Table 6-1** shows that Court generated revenues within the General Fund remained relatively stable from 2005 to 2007, but increased by 23.6 percent in 2008. However, actual expenditures steadily increased each year and exceeded revenues each year. As a result, the Court has generated operating deficits within the General Fund ranging from approximately \$84,000 in 2005 to \$413,000 in 2007. Likewise, **Table 6-1** shows that the Court experienced operating deficits when combining all Court related funds (General Fund, Probation, Capital Improvement, etc.). However, **Table 6-1** was developed using reports generated from the City's accounting system. The Judges dispute the accuracy of the City's financial records and indicated that the Court generated surplus balances for the General Fund during this timeframe (see **R6.4** for additional discussion).

### *Key Operating Statistics*

**Table 6-2** present key operating data for GHMC and the peers.



**Table 6-2: Peer Comparison of Operating Indicators**

	GHMC 2008 <sup>1</sup>	Peer Average <sup>2</sup>
Population Served	84,948	101,274
<b>Caseload</b>		
Total Criminal Cases	12,258	19,724
Total New Criminal Cases	11,556	17,092
Total Civil Cases	6,711	5,288
Total New Civil Cases	5,436	3,951
Total All Cases	18,969	25,012
<b>Clearance Rates<sup>3</sup></b>		
Criminal Case Clearance Rate	95%	85%
Civil Case Clearance Rate	81%	67%
<b>Staffing Ratios</b>		
Judges Division FTEs per 10,000 Citizens	1.4	1.8
Clerk of Court Division FTEs per 10,000 Citizens	1.5	1.5
Total Cases per Judges Division FTE	1,607	1,569
Total Cases per Clerk of Court Division FTE	1,459	1,889
Total New Cases per Judges Division FTE	1,440	1,319
Total New Cases per Clerk of Court Division FTE	1,307	1,583

**Source:** GHMC, Ohio Supreme Court, and AOS peer data

**Note:** New criminal and civil cases include reactivations and transfers.

<sup>1</sup> In 2007, GHMC handled 18,966 total cases and achieved clearance rates of 95 percent for criminal cases and 79 percent for civil cases.

<sup>2</sup> The peer average is comprised of 11 municipal courts used in prior performance audits.

<sup>3</sup> The clearance rate is calculated by dividing the total terminations by the total cases (pending and new filings, reactivations and transfers).

A summary analysis of **Table 6-2** includes the following:

- **Population Served:** **Table 6-2** shows that despite serving 9 municipalities, the population served by the GHMC is lower than the peer average. Additionally, the majority of the peers are multi-jurisdictional, similar to GHMC.
- **Caseload:** **Table 6-2** shows that GHMC handles fewer total cases than the peer average, which is due to the lower criminal caseload. The Judges indicated that the variance in criminal caseload is due to GHMC serving seven municipalities that use mayor's courts to process traffic cases. Consequently, GHMC only processes the more difficult and time consuming criminal cases from these municipalities. The Judges also indicated there has been a general decline in criminal/traffic cases originating from the City of Garfield Heights in recent years.
- **Clearance Rates:** **Table 6-2** shows that GHMC's criminal and civil clearance rates are higher than the peer averages (see **Noteworthy Accomplishments** below).

- **Staffing:** **Table 6-2** shows the Judges Division staff at GHMC are processing 1,607 cases per FTE, which is slightly higher than the peer average of 1,569. However, the difference in staffing levels represents less than 0.3 FTEs. Conversely, **Table 6-2** shows that despite the efficiencies of an electronic court records (ECR) system, the Clerk of Court staff at GHMC are processing significantly fewer cases per FTE than the peer average. The Court uses an ECR system to process all cases electronically. See **R6.1** for an additional discussion of GHMC staffing levels.

Near the conclusion of the audit, the Judges indicated that that one Clerk of Court employee shown in **Table 6-2** spends some time performing clerical duties in support of the probation program. Consequently, they indicated that 0.5 FTEs should be allocated to the Judges Division rather than the Clerk of Court Division. However, this position is paid from the General Fund, contrary to the other probation employees being paid from the Probation Fund. In addition, this employee is classified as a Clerk of Court employee on GHMC's organization chart. Nevertheless, reallocating this position would not have a significant impact on the staffing recommendation shown in **R6.1**. More specifically, when all staff are considered, GHMC processes 765 cases per staff member (includes Clerk of Court and Judges staff) while the peer average is 844. GHMC would need to reduce 2.3 FTEs to achieve the peer average of 844 cases per all FTEs. The net staffing reductions recommended in this performance audit equate to 2.0 FTEs. See **R6.1** and **R6.5** for more information.

## **Audit Objectives for the Municipal Court Section**

The following is a list of the questions used to evaluate GHMC:

- How does GHMC's staffing levels compare to peers?
- Does GHMC have management policies in place to ensure efficient delivery of services?
- Does GHMC use effective collection practices?
- How does GHMC establish its fee schedule and how do its court costs and fees compare to other municipal courts?
- Are GHMC's revenues meeting its expenditures?
- Does GHMC have effective caseload management practices?
- Does GHMC use technology to increase efficiency?

An assessment of GHMC's court costs and fee schedules found them to be comparable to the average of Barberton, Lakewood and Shaker Heights.

## Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. **Table 6-2** shows that GHMC's 2007 and 2008 clearance rates for civil and criminal cases were higher than the peer averages. Likewise, *Ohio Courts Summary* (Ohio Supreme Court, 2007 & 2008) reported that GHMC did not have any criminal or civil cases pending beyond the Ohio Supreme Court guidelines in 2006 or 2007 (2008 not available during this audit). Lastly, NCSC completed a review of various aspects of GHMC's operations in 2008. During the review of GHMC's case management process, NCSC measured clearance rates, time to dispose of cases, age of pending cases, and trial date certainty, and found that GHMC's overall score in each category either met or exceeded the various benchmarks. Collectively, these ratios and findings indicate that GHMC is effectively managing its caseload, which helps ensure timely and reliable services.

## Recommendations

### *Personnel Management*

- R6.1 GHMC should consider eliminating 3.0 FTEs.<sup>3</sup> To help achieve this reduction (e.g., eliminate potential duplicative assignments) and ensure full use of the ECR system, the Court should review each staff member's responsibilities in relation to the capabilities of the ECR system. Additionally, the Court should actively monitor future caseloads and other workload measures to ensure that it maintains appropriate staffing levels.**

GHMC has taken steps in recent years to improve the overall efficiency and effectiveness of its operations. Specifically, in 2006, the Court undertook an extensive program to cross-train each of the Clerk of Court staff members to complete all responsibilities for civil and criminal cases. Furthermore, in 2004, GHMC began using the ECR system, which has allowed the Court to replace all paper documents with electronic files and manage the flow of information through electronic case management technology. According to the Court's website, the benefits experienced through the ECR implementation include fewer delays associated with handling paper documents, reduced need for storage space, enhanced public access to Court records, improved record security, and reduced duplication of effort.

Although GHMC is effectively managing its cases (see **Noteworthy Accomplishments**), the Court's staffing levels appear inefficient. More specifically, GHMC's Clerk of Court Division was responsible for a total of 1,459 cases per FTE in 2007 and 2008. By comparison, the peer average is 1,889. This is despite GHMC indicating that it is the only court in Ohio to use a fully automated system for case management. The higher staffing levels can be partially attributed to not having formal policies for determining and maintaining appropriate staffing levels (see **R6.3**). Based on the 2007 and 2008 caseload (18,966 and 18,969 total cases), the Court would need to reduce approximately three FTEs to achieve a caseload per FTE ratio (1,897 per FTE) that is comparable to the peer average (1,889 per FTE).

Some court-systems in other states also use ECR for case management and have reported improved efficiency. For example, the King County Superior Court in Washington reports that it implemented ECR in 2000 and has been able to reduce 19 positions to date. Additionally, although the Delaware Supreme Court does not report a specific number of staffing reductions, it reports that implementing ECR has allowed for a significant financial savings.

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<sup>3</sup> **R6.5** indicates that GHMC may need to hire an additional employee to improve the fine and fee collection process. As a result, the net staffing reduction could potentially be reduced to 2.0 FTEs.

*Financial Implication:* It is estimated that the Court would save approximately \$124,000 annually by eliminating 3.0 FTEs. This is based on positions with the lowest salaries and historical benefit rates.

**R6.2 GHMC should work to minimize its reliance on overtime (OT) and compensatory time (CT). To facilitate this, the Court should develop formal policies that govern the accrual, use, and approval of OT and CT. The Court should also actively monitor OT and CT, and work with employees to address any recurring issues. Lastly, GHMC should conduct a comprehensive review of the OT and CT to determine the extent that the revised work schedule contributed to the large increase in 2008.**

GHMC does not have documented policies and procedures defining the expectations, availability, earning parameters, and use of overtime (OT) and compensatory time (CT). In practice, the Administrative Judge makes all decisions concerning the accrual and use of OT and CT. **Table 6-3** shows the number of OT hours paid by GHMC since 2004.

**Table 6-3: Court Overtime**

Year	GHMC OT Hours	% Change in OT	Cases Terminated
2004	17	(82.1%)	16,712
2005	61	251.4%	15,567
2006	540	777.7%	16,953
2007	302	(44.1%)	16,989
2008	774	156.5%	16,464

Source: CGH Finance Department

**Table 6-3** shows that GHMC's overtime hours have fluctuated significantly since 2004 despite terminating a relatively similar number of cases. In addition, GHMC employees earned 332 hours of CT in 2008 and accumulated 748 hours (nearly 19 weeks) of unused CT since 2004, which are not reflected in **Table 6-3**. By comparison, the City's total paid overtime for all departments declined from 17,456 hours in 2004 to 15,185 hours in 2008. Likewise, the Barberton Municipal Court, which terminated 17,060 cases in 2007, reported using 454 hours of OT in 2006 and 555 hours in 2007, both well under the 774 hours used by GHMC in 2008. According to the GHMC Judges, the OT and CT has been necessary to facilitate employee training and to cover for job vacancies and employees on medical leave. However, the Court also began allowing employees to work four 10 hour days in 2008. This has the potential to increase OT and/or CT, assuming employees take a similar number of leave days from 2007 to 2008.

The article *Winning the Game in Overtime* (The Society of Human Resource Management, 2003) indicates that most employers use OT at the last minute and not as part of a larger business plan. Employers schedule overtime to cover for absenteeism and

meet daily demands. Many companies do not take the time to identify which employees should be slotted for OT and when it is most effective to schedule them. By taking the one-size fits-all approach, employers end up paying too much and disaffecting all employees. This tactical overtime only lets the employer play catch-up. The article goes on to recommend that entities use a strategic approach to managing overtime that analyzes the cause of overtime, targets it at only certain critical employees, and schedules it strategically to save money and keep employees positive about their work. The article also explains that planning strategic OT requires an economic analysis of OT use, a social analysis of employees' work patterns and work rules, and a plan for communicating OT changes to employees.

*Financial Implication:* The Court spent approximately \$22,000 to pay 774 hours of OT in 2008, or approximately \$28.15 per hour. If the Court reduced OT to 454 hours, which is the level achieved by the Barberton Municipal Court in 2006, the estimated savings would be approximately \$9,000. Considering that GHMC accumulated only 17 and 61 hours of OT in 2004 and 2005, respectively, this provides a conservative estimate.

**R6.3 The Judges should work with the Clerk to develop a strategic plan for GHMC that includes a defined mission statement, and detailed goals, objectives and performance measures. Subsequently, the Judges and Clerk should develop an employee handbook that contains policies and procedures to guide daily operations and links to the strategic plan. GHMC should ensure that the policies and procedures address critical aspects of operation, such as steps for determining future staffing levels and job assignments (see R6.1), minimum qualifications, job descriptions, compensation levels, employee benefits, work hours, overtime procedures (see R6.2), and the process for establishing court fees (R6.5). Once developed, the Judges and Clerk should periodically review the strategic plan and employee handbook to ensure they continue to be appropriate and reflect the direction of the Court. Taking these steps will assist GHMC in improving employee morale and efficiency by helping to ensure consistent operating practices.**

*Rules of Superintendence for the Courts of Ohio* (Ohio Supreme Court, 2009) provides operational guidelines for all municipal courts in Ohio. Rule 4 indicates that in each multi-judge municipal court, the judges shall elect an administrative judge who will have full responsibility and control over the administration, docket, and calendar of the court, annual reporting to the Ohio Supreme Court, and management of all personnel policies adopted by the court. Rule 4 also indicates that if the judges cannot elect an administrative judge, the court shall rotate the position based on seniority. The term of the administrative judge shall be one year beginning on the first day of January. GHMC's practice is to rotate the administrative judge assignment between the two judges on a yearly basis. However, GHMC does not have an agreed upon strategic plan, policy or procedure manual, or employee handbook for the administrative judge to consult when

making decisions. As a result, most decisions concerning staffing levels, compensation, work rules and job assignments are made based on the opinion of the administrative judge and can change significantly from one year to the next.

In 2008, NCSC completed a performance review of GHMC's operating practices. In the study, NCSC indicated that "...with the judges alternating as the administrative judge, internal operating procedures change dramatically each year. In interviews at the Court, NCSC learned that the strained relations between the judges extend to all employees of the Court, so that there are two "opposing camps" of court employees." NCSC also indicated that as a result of these practices, employee morale (measured through employee surveys) is a serious problem at GHMC when compared to other courts reviewed by NCSC. In response to these findings, NCSC made a variety of recommendations that included having the two judges work together when developing policies and making administrative decisions; delegating day-to-day management to the Clerk of Court, subject to the policy oversight of the Judges; developing a procedures manual for all functions of the Court; and developing an employee handbook that addresses relevant personnel issues, including standard job descriptions and pay scales.

According to *Best Practices for Good Management* (Office of the Legislative Auditor General for the State of Utah, 2008), policy development is a component of the management cycle which includes planning, implementation, and evaluation. Organizations successfully implementing management reform have three steps in common:

- Defined clear missions and desired outcomes;
- Measure performance to gauge progress; and
- Use performance information as a basis for decision making.

In the first phase, the planning process begins and evolves into an ongoing activity that includes revising goals and objectives as progress is made. During this process, a strategic plan is developed. It should include a mission statement, goals, and objectives. Planning should also include the development of a performance measurement system.

The second phase includes the daily implementation of written policies to provide guidance and define acceptable program practices to staff. These policies are driven by the strategic plan. Procedures provide functionality to policies by giving guidance while allowing for discretionary decision-making within the confines of the policies already set. Recommended practices include:

- Adapt policies to the needs of the organization;
- Develop policies specific to the program's goals and objectives;
- Ensure that the policies are consistent with statutory provisions;



- Solicit advice throughout the development of policy statements;
- Document and distribute policies to all interested parties;
- Once policies are set, develop procedures to guide your staff in the implementation and day-to-day decision-making relevant to the goals and objectives;
- Keep the procedures updated through regular review; and
- Ensure the adherence to the policies.

The third phase coincides with the evaluation stage and includes measuring performance by using collected data. The data must be relevant, sufficient and reliable. It will provide a gauge to measure how well the program is achieving its goals and objectives. Likewise, the Government Finance Officers Association recommends the development of strategic plans, which should include performance measures (see **R2.13** in the **administration** section for more information).

### *Financial Management*

**R6.4 The Judges should work with the Mayor and the Finance Director to determine the most appropriate method for allocating healthcare costs. However, to avoid perceptions of bias and potential issues concerning the community charge-back process, the City should apply the chosen cost allocation method consistently for all departments, including the Court. The administration section of this performance audit recommends the City restructure its healthcare program to incorporate the use of monthly premiums and reserve balances. Doing so would resolve the current inconsistencies since all departments would be charged the same monthly premiums regardless of funding status. Additionally, using monthly premiums (rather than actual claims costs) would make annual healthcare costs more predictable for each department, which subsequently will assist the Court in determining appropriate court costs and fee schedules (see R6.6).**

**Table 6-1** shows that according to the City’s accounting records, GHMC’s revenues from court costs and filing fees have not covered its operating costs, which resulted in shortfalls of approximately \$413,000 in 2007 and \$248,000 in 2008. In the 2008 State of the City Address, the Mayor indicated “the \$200,000 to \$300,000 the City must pay for Municipal Court deficits every year is money that should be better spent on additional programs, services, equipment or facilities that directly benefit our citizens. Although the Court managed to trim its spending by about \$100,000 in 2007 – by following a management’s study to trim a couple of overpaid and unnecessary staff members – the Court is still running a deficit and continuing efforts are needed to bring these deficits in line.”

In response to the Mayor's statements, the Judges provided AOS with a financial report that showed GHMC being self-sufficient in 2008. The only significant variance between the City's records and GHMC's report is the cost of employee benefits. Specifically, the City reported that the Court's hospital and life insurance costs equaled approximately \$620,000 in 2008, while the Judges reported that this figure should have been approximately \$213,000. The variance is attributed to the City maintaining two different cost allocation methods for healthcare purposes. More specifically, with the exception of the Court, the City's practice is to allocate the total cost of all monthly claims equally to all departments based on the number of full-time employees within each department (average cost per employee). Conversely, the City charges GHMC's healthcare claims directly to the Court budget and does not include the Court's employees in the average claim cost per employee calculation. As a result, the City charged every other department approximately \$825 per employee for health insurance in 2008, which is much lower than the City's charge of approximately \$2,427 per employee for the Court. GHMC's higher costs can be attributed to more medical claims originating from the Court in 2008 than the Citywide average. The financial reports prepared by the Judges are based on the assumption that the Court should have been charged an equal share of the City's total healthcare costs, similar to the other departments.

In response to the above issues, the Mayor indicated that the City uses separate cost allocation methods in order to measure the actual cost of the Court program. This subsequently allows the City to charge-back a more accurate percentage of Court operating costs to the communities served by GHMC. In contrast, the City of Barberton charges the same monthly premiums for healthcare purposes to all departments (including the municipal court) despite the municipal court also serving the communities of Green, Norton, Copley, New Franklin, Coventry and Clinton. Furthermore, *Joint Committee to Study Court Cost and Filing Fees* (Supreme Court of Ohio, 2008) indicates that although court costs should be reasonable, nominal and directly related to operations and maintenance, "court costs and fees should not be considered "income" to a court. Any requirement for a court to fund itself through the levying of fines, fees or costs to operate can only encourage corruption. If a court is forced to be self-reliant, then either heavier penalties will be imposed or courts will be required to increase costs and fees in order to pay for operations. This could lead to a court system that is inaccessible to all but those who can pay." Consequently, requiring GHMC to make annual adjustments in the court costs and fee schedules to cover highly variable healthcare costs that are not applied to any other department can result in an excessive fee schedule (see **R6.6**).

**R6.5 GHMC should develop formal policies and procedures that define the process, timeframes, and procedures for collecting court fines and fees. In developing the policies and procedures, GHMC should review and incorporate the practices and procedures recommended in the article *CourTopics, Collection of Fines and Costs* (NCSC, 2008). Additionally, the Court should consider assigning one staff member**

**the responsibility for overseeing the collection process. To meet the requirements of this position, it may be necessary for the Court to hire an employee with experience in collections. However, prior to hiring any employees, the Court should review the job responsibilities of the current staff members, eliminate any potential duplication of effort (see R6.1), and determine whether a current staff member can oversee the collection process after receiving the necessary training.**

GHMC uses a variety of methods to collect delinquent fines and fees including warrants, block warrants, and license forfeitures. If these methods fail to encourage payment, the delinquent account is eventually sent to a contracted collection agency. Under the terms of the contract, the collection agency adds a 30 percent collection fee to the amount owed.

While a variety of methods are used to collect delinquent fines and fees, the Court does not have written policies or procedures that stipulate the specific timeframes for the collection cycle, the roles and responsibilities of Court staff, or when to use certain collection methods. Furthermore, the Court does not have an employee who is responsible for overseeing the collection process, including reviewing and monitoring the overall collection rates, receiving and processing financial affidavits to determine the defendant's ability to pay, helping the Judges stay informed of outstanding delinquencies, or monitoring the efforts of the collections agency. In actual practice, the majority of these functions are completed separately by the Judges using a variety of different methods and timeframes. However, neither the Judges nor the Clerk's staff currently track the assessed fines and fees to determine the overall collection rates, which would allow the Court to fully ascertain its success in collecting court fines and fees.

The article *CourTopics, Collection of Fines and Costs* (NCSC, 2008) indicates that offenders must be made to pay their fines in order to achieve societal order and court credibility. Therefore, it is necessary to monitor an individual collection rate that measures compliance levels. The most typical form that such a measure would take is the proportion of all offenders fined during a given period who pay in full within a standard time period. NCSC goes on to indicate that on a fundamental level, courts that have failed to resolve issues of collection philosophy, community perception, and resource commitment will not make much progress in collection performance. As a result, NCSC recommends that courts improve their collection process by:

- Practicing consistent sentence enforcement and related policies so that similarly situated defendants are treated alike;
- Showing judicial and administrative commitment to collecting fines and fees;
- Defining staff responsibility for collecting fines;
- Communicating to a defendant the Court's expectations;
- Establishing and adhering to standard collection procedures;

- Setting collection goals and monitoring performance;
- Having a range of effective sanctions for noncompliance and using them consistently in all cases;
- Maintaining strong financial controls; and
- Ensuring procedures are understood by all staff, defendants and the bar.

Finally, NCSC indicates that collection efforts will suffer when courts fail to make a single position accountable for performance. Therefore, NCSC suggests that courts appoint a collection investigator, which is a specific staff position with the responsibility for determining defendants' abilities to pay by interviewing the defendant and completing an affidavit of income, expense and financial disclosure. The duties of the collection investigator would also include interviewing defendants who request stays on their fines and court costs, granting or denying stays based on defendants' financial conditions, and contacting defendants with delinquent cases. The investigator's intended purpose is to impose control over the process and improve overall collection performance. NCSC reports that collection investigator programs commonly pay for themselves through increased revenue collection.

*Financial Implication:* In 2008, the Court collected approximately \$1.3 million in costs and fees originating from CGH. If the Court increased collections by 10 percent through the aforementioned strategies, the annual revenue enhancement would be approximately \$135,000. If the Court needs to hire an employee to monitor the collections process, it is estimated that the salaries and benefits would cost approximately \$50,000, resulting in a net gain of \$85,000.

**R6.6 GHMC should develop policies and related procedures for establishing the annual fee schedule, which should account for relevant factors [e.g., cost (direct and indirect) to process each case by type (civil, criminal, traffic), the fee schedules used by neighboring municipal courts<sup>4</sup>, and local demographics (ability to pay, median income, poverty rates, etc.)]. Doing so will ensure that GHMC is using documented, consistent, and supported methodologies for determining its fees.**

Ohio Revised Code section 1901.26 allows each municipal court to establish a schedule of fees to be taxed as costs in any civil, criminal, or traffic action. GHMC does not have a written policy for determining its fee schedule. In practice, the administrative Judge determines the fee schedule based on a review of neighboring courts and a consideration of operational and demographic factors. However, there is no documented methodology that links the fee schedule to the actual operating costs of the Court. In addition, one Judge indicated that the court fees and the designated fund allocations (General Fund,

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<sup>4</sup> If applicable, the Court should support and explain its decision to deviate significantly from other neighboring court fee schedules.

Court Computer Fund, Probation Fund, etc) can change significantly each year depending on the preferences of the administrative Judge. Nevertheless, a review of GHMC's 2009 fee schedule for certain case types showed that its fees are generally higher than the Barberton and Lakewood Municipal Courts, but lower than the Shaker Heights Municipal Court.

The Ohio General Assembly formed a joint committee in 2008 to review the determination, assessment, collection, and allocation of court costs and filing fees in criminal, civil and traffic cases. In the *Joint Committee to Study Court Cost and Filing Fees* (Supreme Court of Ohio, 2008), the Committee recommends that court costs should be reasonable, nominal and directly related to the operations and maintenance for the court (the publication uses the terms court costs and fee schedule interchangeably). Likewise, *Governmental Budgeting and Fiscal Policy* (Government Finance Officers Association, 1996) includes the following recommendations:

- A formal policy regarding charges and fees should be adopted. The policy should identify what factors are to be taken into account when pricing services and should state whether the intention is to recover the full cost of providing goods and services. If the full cost is not recovered, an explanation of the rationale for this deviation should be provided.
- The full cost of providing a service should be calculated in order to provide a basis for setting the charge or fee. Full cost incorporates direct and indirect costs, including operations and maintenance, and overhead.
- Charges and fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
- Information on charges and fees should be available to the public. This includes the government's policy regarding full cost recovery and information about the amounts of charges and fees, current and proposed, both before and after adoption.

Documented policies that define the methodologies used for setting and reviewing costs and fees help support and communicate the need for increases in costs and fees, if applicable. This will also help ensure that cost and fees are appropriately set to meet the financial needs of the Court.

*Technology*

**R6.7 GHMC should consider making the on-line payment option available for a pre-determined period of time (i.e. one to two years). Doing so would provide the Court with objective information for use in determining whether the benefits (e.g., increased revenues) of this system outweigh potential costs (e.g., support and maintenance). If the current on-line payment system proves to be cost-prohibitive, GHMC should determine the feasibility of implementing another on-line payment system that would be compatible with its current ECR system. However, if GHMC decides not to pursue on-line payments, it should eliminate the option from the website in order to avoid confusion.**

GHMC's management software has the ability to accept on-line payments from citizens. Additionally, GHMC's website advertises that citizens can pay certain fines and fees on-line with a credit card. However, the on-line payment option does not function and indicates that "content is pending." GHMC's Technology Director indicated that the Court does not use on-line payment option due to a perception that it is not cost-beneficial at this time. The on-line payment function is a part of GHMC's ECR system. In a press release dated January 17, 2008, the Nebraska Supreme Court indicated that drivers who receive payable traffic citations are now able to pay their fines on the internet through the Nebraska Judicial Branch's new on-line payment system. The Chief Justice of the Nebraska Supreme Court indicated "the number of drivers who have chosen to use this system has been remarkable. After just one month, the E-Payment system has been a success in every County. Clearly, the on-line payment option has been very useful to motorists." Likewise, a software vendor advertises that the Clark County Superior Court Clerk's Office (Washington) increased its collection rates by making on-line payment options available to its citizens. Further, the software vendor advertises that on-line payment options reduce delays associated with traditional payment methods, improve customer convenience through 24 hour access, and make the process safer by avoiding lost, delayed or stolen mail. Lastly, the City of Lorain's Municipal Court (Ohio) has established an on-line payment option that is able to process certain criminal, traffic and waiver payments 24 hours a day.

## Financial Implications Summary

The following table lists revenue enhancements, cost savings and implementation costs for recommendations contained in this section of the report.

**Table 6-6: Summary of Financial Implications**

<b>Recommendation</b>	<b>Annual Cost Savings</b>	<b>Annual Revenue Enhancements</b>
<b>R6.1</b> Reduce staffing levels by 3.0 Clerk FTEs.	\$124,000	
<b>R6.2</b> Reduce OT hours for GHMC.	\$9,000	
<b>R6.5</b> Improve collection procedures.		\$85,000 <sup>1</sup>
<b>Total</b>	<b>\$133,000</b>	<b>\$85,000</b>

**Source:** AOS recommendations

<sup>1</sup> To be conservative, this estimate accounts for the potential hire of another employee. As a result, the net staffing reductions amount to 2.0 FTEs (see **R6.1**).





## City Response

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The letter that follows is the City of Garfield Heights' official response to the performance audit. Throughout the audit process, staff met with City officials to ensure substantial agreement on the factual information presented in the report. When City officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.

It should be noted that an assessment of technology for the City's budgeting process was outside the scope of the performance audit. However, the recommendations that address improvements to the City's budgeting process (**R2.1** and **R2.2**) are not significantly impacted by technology. In addition, the City maintains two different cost allocation methods for healthcare purposes. Specifically, with the exception of the Court, the City's practice is to allocate the total cost of all monthly claims equally to all departments based on the number of full-time employees within each department. Conversely, the City charges the Municipal Court's healthcare claims directly to the Court budget. See **R6.4** for additional discussion.

# The City of Garfield Heights

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OFFICE OF THE MAYOR  
THOMAS J. LONGO



August 5, 2009

James W. Penning, Chief Auditor  
Performance Audit Section  
Auditor of State  
615 Superior Avenue, N.W., Twelfth Floor  
Cleveland, Ohio 44113-1801

Re: Performance Audit for the City of Garfield Heights

Dear Mr. Penning:

After reviewing the Performance Audit for the City of Garfield Heights, I am providing you with my general observations:

The report was precise in outlining a process to establish a strategic plan for the finances of our community. The required input and dedication from all elected and appointed officials is critical to develop such a plan and to implement it.

A major shortcoming of this Performance Audit is the correlation between today's technology and the methodology used by our City in preparing its annual budget. Our budgeting process dates back to the 1950s. Over the past 10 – 15 years, the technology has evolved to allow a budget process that is cost effective and precise.

Because of this, there are two areas that could have been incorporated to streamline our City's operation:

1) The City should have on staff a highly trained and qualified Personnel Director who can advise the Mayor and City Council of pitfalls in our negotiations process. Such an individual would help us identify equity in benefits and financial payments for all employees. This includes hospitalization, longevity, clothing allowances, certification for paramedics, etc. Such a professional would allow us to implement and maintain consistent application of payroll and personnel financial procedures.

2) With improved technology, along with appropriate expenditures, our City could establish a system which would totally revolutionize our budgeting process. There are two budgetary accounts, Lands and Buildings and the Revolving Equipment Fund, which makes it difficult to identify true operational costs.

Lands and Buildings – We have employees working on heating and air conditioning, electrical services and general repairs who are not charged back to the department utilizing the facilities – they are charged to Lands and Buildings.

The same holds true for repair, maintenance, upkeep and replacement of vehicles and equipment utilized by City personnel. If a mechanic is servicing 10 squad cars for the day, that time is charged to the Revolving Equipment Fund. The examples are endless.

With improved hardware and software, we could easily identify costs and charges associated with each department and its operation. To provide these kinds of services would require an Information Technology expert, who is on our staff on a full-time basis. In this regard, there are three major expenses: hiring of an IT specialist; providing of hardware and computer equipment; and associated software. This would enable us to identify true costs on a real-time basis for each department and service. This will streamline our financial decision making and strategizing.

A side benefit of new technology would be the processing of work orders, Building Department complaints and requests for services from our constituency, along with placing all of Council's activities on line for public viewing, and much more.

Municipal Court – The audit states that we should consider amortizing the hospitalization costs of the Municipal Court with all City employees. If we do this, then we should budget the average payroll costs per employee for each department. This, of course, does not make sense.


From the Court's standpoint, based upon the recommendation of Judge Nicastro, we are able to identify the actual cost of hospitalization, which allows the City to recoup on average \$80,000 a year in our "re-bill" capabilities from other communities. If we had the technology to use the same procedure for each department, then this would again enhance the entire budgetary process.

I wish the Performance Audit would have identified the Human Resources and IT components, and recommended that we revise our budgeting process to truly identify costs and expenses where applicable. This would result in the elimination of the Lands and Buildings account, along with the Revolving Equipment Fund.

Hopefully, these observations will help with the Auditor's future endeavors, in trying to identify how they can be of assistance with other communities. If you have any questions, please do not hesitate to contact me at 216-475-4388.

Sincerely,

THE CITY OF GARFIELD HEIGHTS

  
Thomas J. Longo  
Mayor

TJL:ps



**Auditor of State  
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