



Dave Yost • Auditor of State





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To the Residents and elected officials of the City of Maumee:

Enclosed is the performance audit of the City of Maumee. The audit was requested by the City, with the goal of improving operating efficiency, the effectiveness of service delivery, and projected financial condition.

In consultation with the Auditor of State Ohio Performance Team, the City chose to focus on five functional areas: (1) Financial Management, (2) Governance, (3) Human Resources, (4) Public Safety, and (5) Public Services.

Among the primary conclusions of this audit are:

- (1) The City of Maumee has achieved high performance relative to peer governments in the areas of benefits management and building inspection services.
- (2) City leaders could generate more than \$1.3 million in potential annual savings by enacting certain management decisions. This is approximately 5 percent of the City's governmental activities budget.
- (3) The City and its residents would benefit from improved forecasting and planning, as well as changes in management and staffing levels and pay and employee benefit practices. These items are among 21 recommendations included in the performance audit.
- (4) The City's voluntarily undertaking the expense and risk of an independent review indicates both confidence and competence, and the performance audit substantiated credible evidence supporting the conclusion that, taken as a whole, the City of Maumee is well managed and provides fair value to its residents and taxpayers.

The Auditor of State commends the council, mayor, administrator and staff of the City of Maumee for their dedication to improving government operations.

Sincerely,

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

Dave Yost  
Auditor of State

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# Performance Audit Report—Summary

## Why AOS Conducted This Audit

The City of Maumee initiated this performance audit with the goals of improving its operating efficiency, its effectiveness of service delivery, and its projected financial condition. In consultation with the Auditor of State Ohio Performance Team, the City chose to focus on five functional areas: (1) Financial Management, (2) Governance, (3) Human Resources, (4) Public Safety, and (5) Public Services.

## Financial Implications

The performance audit identifies total cost savings in excess of \$1.3 million, which represents 5 percent of the City's 2010 governmental activities budget. The following table summarizes those performance audit recommendations that contain financial implications.

### Summary of Performance Audit Recommendations

Recommendation	Impact
R1.8 Control contracted service expenditures.	\$150,000
R1.10 Negotiate mandatory direct deposit and eliminate manual payroll for all employees	\$9,700
R2.2 Increase employee health insurance contributions.	\$85,000
R2.3 Competitively bid life insurance coverage for employees.	\$9,000
R2.5 Increase span of control in the Police and Fire Divisions and the Public Service Department.	\$562,000
R2.6 Limit the amount of overtime paid to employees.	\$355,000
R4.1 Eliminate 4.0 FTEs in the Public Service Department	\$154,500
<b>Total Cost Savings from Performance Audit Recommendations:</b>	<b>\$1,325,200</b>

## Additional Management Implications

In addition to financial implications, the performance audit also includes management recommendations in the areas of Financial Management, Human Resources, Public Safety and Public Services that may not have direct financial effect but could improve administration.

*Financial Management:* The City should develop a strategic plan and five-year forecast, and make various changes in practices including internal controls and other administrative policies and procedures.

*Human Resources:* The City should renegotiate certain provisions in collective bargaining agreements that conflict with sound fiscal practice and update human resources policies such as job descriptions, employee evaluation and employee manuals.

*Public Services:* The City should adopt policies regarding fees for inspection, plan review and building services, and seek to improve the efficiency and effectiveness of certain aspects of inspection and enforcement. It should also improve internal controls over service contracts.

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# Performance Audit Report

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## What is Good Performance: Scope, Benchmarks and Objectives

Applicable standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

### Scope of the Audit

The City of Maumee requested the Auditor of State's Office (AOS) conduct a performance audit of all areas of City operations, excluding the municipal court. City officials sought to improve the efficiency and effectiveness of operations and with the goal of alleviating projected financial shortfalls.

In consultation with City officials, AOS selected eight departments for performance assessment:

- Governance and Administration;
- Division of Municipal Prosecution;
- Financial Management;
- Human Resources Management;
- Police Division;
- Fire Division;
- Inspection Division; and
- Public Service Department.

These departments have been evaluated in five functional areas in this report: (1) Financial Management, (2) Human Resources, (3) Public Safety, and (4) Public Services. Because there were no recommendations in the functional area of Governance, this area was excluded from the final report.

### Benchmarks

The cities of Marysville, Perrysburg, and Vandalia<sup>1</sup> were selected for benchmarks for the areas assessed in the performance audit, based upon demographic and operational data. Other benchmark data and standards were chosen from applicable organizations and sources, including the following:

- Ohio Revised Code (ORC)
- Government Finance Officers' Association (GFOA)
- State Employment Relations Board (SERB)
- Society for Human Resource Management (SHRM)

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<sup>1</sup> See City's comments regarding peers in the Official Response Letter.

- National Federation of Independent Business (NFIB)
- Ohio Department of Administrative Services (DAS)

## **Objectives**

Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

Some objectives were modified in response to actions by the City to address its deficit or high risk environments indentified by the auditors during the course of their work.

The following audit objectives were used to conduct the performance audit of the City of Maumee.

### ***Governance/Compliance***

- Does the Mayor's Office and City Council comply with the ORC, City Charter, and City Ordinances?

### ***Financial Management***

- Does the Finance Department operate in an efficient manner and is it appropriately staffed?
- Does the Finance Department comply with ORC, City Charter and City Ordinances?
- Does the Finance Department maintain comprehensive policies and procedures?
- Does the Finance Department maintain efficient internal controls?
- Does the Finance Department have comprehensive financial planning strategies that are updated annually? (i.e. budget, capital, strategic planning, performance measurement)
- Does the Finance Department follow appropriate budget preparation and monitoring practices?
- Does the Finance Department have a financial forecast for all funds? Are assumptions appropriate and detailed?
- Does the Finance Department appropriately collect its income tax and utility payments?

### ***Human Resources***

- Does the City have formal processes to effectively perform human resources functions?
- Are the City's compensation levels appropriate?
- How do the City's bargaining agreements compare to peers?
- Is the medical, dental, vision and life insurance benefit package in line with State averages?
- How does the City manage its workers compensation rating?
- Does the City limit overtime and sick leave usage?

***Police***

- Is the Police Division appropriately staffed?
- Is the Police Division response time comparable to peers?
- Are the Police Division operating costs comparable to peers?

***Fire***

- Is the Fire/EMS Department appropriately staffed?
- Is the Fire Division response time comparable to peers?
- Are the Fire Division operating costs comparable to peers?
- Does the City have a favorable ISO rating compared to peers and industry standards?

***Prosecutors Office and Law Department***

- Are the Division of Municipal Prosecution and Law Department appropriately staffed?
- Are the Division of Municipal Prosecution and Law Department responsive to service demands?
- Are the Division of Municipal Prosecution and Law Department's contracted legal costs appropriate and in line with the peers?

***Inspections***

- Is the Inspection Division appropriately staffed?
- Are the Inspection Division's operating costs comparable to peers?
- Is there redundancy in services provided compared to the County?
- Are the building and zoning fees appropriate to cover all operational costs?

***Public Service Operations***

- Is the Public Service Department (street, utility, parks and recreation) appropriately staffed?
- Are the Public Service Department operating costs comparable to peers?
- Does the Public Service Department have appropriate management controls over its refuse collection contract?
- Are contracted refuse collection costs competitive compared to peers?
- Does the Public Service Department receive the lowest cost for materials?
- Does the Public Service Department have a comprehensive snow and ice control plan?

**Conclusions****Noteworthy Accomplishments**

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarize the City of Maumee's noteworthy accomplishments identified during the course of the audit.



**Benefits Management:** The City of Maumee uses a third party administrator and insurance broker to assist in the management of medical, prescription drug, dental, and vision benefits for city employees. Over the past several years, the City has aggressively pursued the inclusion of well care and preventive care within the structure of the City's medical plan design, in an effort to reduce the overall cost of health care. The City's goal has been that an increased focus on wellness and preventative care will have the long-term effect of decreasing claims and containing future increases in premiums. Specifically, the City incentivizes annual health screenings and wellness fairs, provides chronic care and disease management services, and has implemented a TelaDoc service that serves as a less costly alternative to urgent care or emergency room visits. As a result of these preventive care efforts, the City has seen a decrease in monthly premiums for each of the past two years. In 2011, the decrease in premiums was more than 10 percent and brought premium levels in line with the SERB average premium cost for public employers in the Toledo Region (see **R2.2 and R2.3** for further analysis of benefits)

**Inspection Division:** City's Inspection Division's (the Division) use of technology along with its high workload and low operating costs represent a noteworthy accomplishment. The City's Inspection Division costs are approximately \$31 per capita (including compensation, benefits, and contracted services) compared to the peer costs of \$41. In addition, the Division issued approximately twice as many permits per FTE compared to the peers. Furthermore, the Division performed approximately 64 plan reviews per FTE compared to the peer average of 2 per FTE. The Inspection Division's lower operating costs are due in part to the City's effective use of technology.

## Financial Implications

The performance audit identifies total cost savings in excess of \$1.3 million, which represents 5 percent of the city's General Fund. The following table summarizes those performance audit recommendations that contain financial implications.

### Summary of Performance Audit Recommendations

Recommendation	Impact
R1.8 Control contracted service expenditures.	\$150,000
R1.10 Negotiate mandatory direct deposit and eliminate manual payroll for all employees	\$9,700
R2.2 Increase employee health insurance contributions.	\$85,000
R2.3 Competitively bid life insurance coverage for employees.	\$9,000
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<b>Total Cost Savings from Performance Audit Recommendations:</b>	<b>\$1,325,200</b>

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## Recommendations

### *Financial Systems*

#### **R1.1 Create and maintain a long-range strategic plan.**

**The City should develop a comprehensive multi-year strategic plan that outlines its long-term vision. The plan should include detailed goals, objectives, timeframes, performance measures, and applicable cost estimates. Once developed, the City should link its strategic plan to the budget, five-year financial forecast, and capital plans. Using a strategic planning approach would shift the focus of budgetary decisions from input (e.g., salaries and the cost of purchased goods and services) to outputs and outcomes, and ultimately to the accomplishment of important goals and objectives. The City should link the goals in the strategic plan to its capital plan and financial forecast (see R1.2).**

The City of Maumee has not developed long-term plans to guide multi-year decision-making. The City compiles a capital plan in the form of a spreadsheet that identifies ten years of future capital needs along with costs for vehicles, equipment, and infrastructure improvements but it does not create a five-year forecast that reflects the impact of these future estimated expenses. (see **R1.2**)

As the city develops any strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. *Recommended Practices on the Establishment of Strategic Plans* (GFOA, 2005). Objectives should be expressed as quantities or at least as verifiable statements, and ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and are an important link between the goals in the strategic plan and the activities funded in the budget.

Developing and implementing a strategic plan would provide the City with direction and focus in allocating its resources from year to year. A strategic plan would also help communicate City goals internally and to external stakeholders.

#### *City Response:*

*At the conclusion of this audit the City indicated that it had recently purchased a new online tool which will assist in implementing this recommendation. The CIPFA-GFOA FM Model, an online tool offered through the GFOA, contains self-assessments covering every major area of municipal operations. This includes financial management, transparency, citizen engagement, and use of technology. The City will use this tool to assist with formulating goals and objectives, and to strengthen financial management capacity.*

#### **R1.2 Create and maintain a five-year financial forecast.**

**The City should develop a five-year financial forecast for all major funds consistent with leading practices. Council should require the preparation of the financial forecast prior to adopting the annual appropriation measures. It should ensure the forecast is consistent**

**with the Certificate of Estimated Resources filed with the County and that all forecasts are reviewed and approved by Council. The City should regularly update the financial forecasts to address changing conditions. Likewise, it should establish minimum fund balances for the General Fund and other significant funds to stabilize government operations.**

The City's methods for forecasting are not consistent with GFOA leading practices on forecasting. Most notably, the General Fund forecast did not include a detailed listing of revenue and expenditures. The City could not provide documentation to support the process for creating the forecasted amounts. It has not formalized a policy establishing the process for developing a forecast and has not established a policy to define required minimum fund balances.

Although the City has since revised its General Fund forecast to better align with leading practices, there are several issues it needs to address

- Include encumbrances
- Validate forecast assumptions. For example, the City projected revenue for Tangible Personal Property Tax. Since this is being phased out, the replacement payments from the State should be identified separately. The forecast should clarify to Council and residents what this is and why it is occurring.
- Include interest earnings. These are projected to grow steadily over the 5 year period. Growth of approximately 33 percent annually seems to be aggressive given the current state of the economy. Interest rates should generally be conservative, unless a specific plan for investment has been established.
- Revise income tax forecasts. The forecasts for a JEDZ appear overstated and should be evaluated for downward revision
- Include transfers. The forecast does not include "Transfers from Other Funds." Failing to include this information prevents the City from determining whether its spending is consistent with anticipated revenue.

The City of Maumee had developed a forecasting model but it is not sufficient for internal planning. Because the City has generally raised sufficient revenue to cover its expenses, carefully examining future revenues and expenditures was not considered a critical task.

Consistent and routine reporting and analysis will help the City better understand, plan, and prepare for conditions that could impact the level of service it is able to provide to its residents. Long-term financial management will be essential to the City's ongoing financial management.

*City Response:*

*In response to this recommendation the City indicated that it has recently purchased the Authority Performance Managers software system, which will be installed by the end of April, 2012. This business information system software will provide greater financial reporting and analysis capacity, including the preparation of long-term forecasts for both capital and operations. This will, in turn, assist with decision-making throughout the City.*

**R1.3 Improve financial management internal controls and establish an audit committee.**

**The City should improve the internal control environment in its Finance Department. This includes ensuring financial policies are established and creating sufficient internal controls for monitoring and processing of all City finances to ensure that there is an adequate segregation of duties.**

**To further strengthen and monitor internal controls, the City should establish an audit committee as a means to address financial audit concerns, review internal controls, and develop recommendations for improving the financial reporting process. An audit committee can provide an independent review of financial management practices while promoting accountability. In the meantime, the Mayor and Finance Director should develop strategies for addressing prior financial audit citations, especially those that have occurred in multiple years.**

Auditors identified weaknesses in internal controls in Finance Department processes. For example, utility billing cash handling functions in the City were not completed in a manner consistent with recommended practices. No segregation of duties exists in this area to ensure deposits accurately reflect money taken in during the day.

The City relies on the honesty of tenured employees and customer awareness to detect misdirected funds. No audit trail is created or maintained for utility payments collected by the account clerk. In addition, the Finance Department has no system for verifying data.

AOS financial audit management letters for the years 2005 through 2009 identified 39 citations. These included:

- Not recording unpaid invoices on the financial statements;
- Appropriations exceeding actual resources;
- No Council approved policies governing the authorization and use of credit cards, cell phone usage, or income tax collections.

Contrary to past recommendations the City has failed to develop a disaster recovery plan, a purchasing policy that governs the use of purchase orders and purchase requisitions, and a capital asset policy and procedure manual, or to establish an audit committee. An effective audit committee can help to improve overall financial reporting, address issues or concerns from external and internal audit reviews, and educate key stakeholders about the City's financial activities.

*City Response:*

*In response to this recommendation the City indicated that it is in the process of establishing an outside Audit Committee, which is expected to be fully implemented by the end of 2012. A credit card policy was written and adopted in 2010. Preparation of a disaster recovery plan is currently in process. Disaster recovery planning has been completed for the Finance Department, and an outside consultant has been retained who is conducting a complete review of disaster recovery for the Safety and Service Departments. The full city-wide disaster recovery*

*plan is expected to be completed and adopted by Council by the end of the second quarter of 2012. Software for the processing of purchase requisitions has been purchased and installed, and employees have completed training in the usage of this software. The system for purchase requisitions should be fully operational by the end of the second quarter of 2012.*

#### **R1.4 Adjust payroll to a two-week arrears-based cycle.**

**The City of Maumee should consider changing its payroll processing cycle so all employees are paid two weeks after the end of the pay period. The City should work with the collective bargaining units to determine an agreeable method that would allow for a reasonable transition of the payroll cycles and result in a negligible impact on employees. Changing the payroll cycle will allow the City to establish a mandatory electronic payroll processing system (direct deposit and electronic paystubs) for all employees and will provide Finance Department staff with adequate time to ensure payroll accuracy. (see R1.9)**

Using a limited payroll processing timeframe prevents the City from establishing a mandatory direct deposit system and limits the time payroll personnel can spend reviewing payroll data for accuracy. In addition, the City does not have formal internal control policies or procedures for payroll (see also **R1.3**).

In order for the City to change its payroll schedule, the Finance Department should devise a number of options to present to the bargaining units. The options offered in **Tables 1-13** and **1-14** in the Detailed Report in Support of Performance Audit (Detailed Report) are based on the annual \$30,902 salary of a full-time department secretary at Step A (bargaining unit agreement) working 80 hours per pay period. For simplicity, taxes and other payroll deductions are not included in the analysis. **Table 1-13** illustrates one method of shifting to a two-week lag, arrears-based pay cycle in which the financial impact would be negligible for employees.

Establishing an alternative pay cycle and internal control processes will ensure that payroll is processed accurately and provide additional time for Finance Department employees to review payroll submissions and allow the City to implement full direct deposit.

#### *City Response:*

*In response to this recommendation the City indicated that it negotiated direct deposit of payrolls checks in its 2011 amendments to the collective bargaining agreements and has included direct deposit in the ordinances covering non-union personnel. Direct deposit was achieved by changing the pay day from Friday to the following Monday. This change will be implemented in April, 2012.*

#### **R1.5 Implement a purchase order/requisition policy and approval process.**

**The City of Maumee should develop comprehensive purchase order/requisition policies and procedures that enforce prior or concurrent approval for all purchases to reduce the risk of fraud and abuse. The policy and procedures should include the completion of a “then and now” certificate at the time of commitment in emergency situations. In addition,**

**blanket purchase orders should be established for routine purchasing.**

The City does not have a purchasing policy and typically creates purchase orders after invoices are received, contrary to the City's charter and the Ohio Revised Code. ICMA recommends several strategies for implementing purchasing controls.

Establishing a policy to control purchasing will help the City limit expenditures and better direct its resources. By operating within the framework and parameters established through purchasing policies and proactively monitoring purchases during the year, the City will be able to better ensure financial stability. Implementing this recommendation will also help the Finance Director address prior financial audit management letter recommendations regarding purchase orders and avoid approval of expenditures that exceed appropriations.

**R1.6 Develop policies for military leave payments.**

**The City should establish policies and procedures for calculating differential military pay that are consistent with ORC 5923.05 and are reviewed by the City's Legal Department prior to implementation. The policies and procedures should include a list of all required military documentation from employees seeking military differential pay from the City.**

The Maumee Finance Department does not have policies and procedures to describe the method for handling payroll matters for employees that serve in the military and for compensating employees for differential military pay. Weak internal controls and limited knowledge of ORC 5923.05 has led to inaccurate differential military pay transactions. The City did not properly collect pay stubs, failed to adequately incorporate an opinion provided by its legal advisors, and inadequately responded to information that the City's methodology was inconsistent with ORC 5923.05.

Establishing a formal process for military pay that includes required military documentation will ensure the City is calculating differential pay in accordance with ORC 5923.05 and collective bargaining agreements.

The City's practices regarding differential pay led to improper payments to two employees. Based on an analysis of 2009 and 2010 military differential payments, estimated overpayments to two employees amount to approximately \$40,480. Establishing appropriate policies and procedures, including the collection of appropriate supporting documentation, would substantially reduce the likelihood of such overpayments.

*City Response:*

*In response to this recommendation the City indicated that it is continuing to apply the Ohio Revised Code provisions for military leave payments. These provisions are incorporated in both the City's collective bargaining agreements and in the ordinances governing non-union personnel. The City's processes for military leave payments have been approved in the City's annual Financial Audit.*

**R1.7 Annually evaluate utility rates and revise as necessary to ensure appropriate cost recovery.**

**The City should periodically evaluate its rate schedule for water and sewer services to ensure it maintains positive balances and that all appropriate operating and capital expenditures are billed to these funds. After applying economy and efficiency measures, adjusting the rate structure will help the City recover production costs while maintaining a fair and equitable rate structure for all consumers. The rate schedule should be evaluated annually to ensure the City shows a positive amount for the change in net assets, meets or exceeds any debt covenants, and provides sufficient cash flow to pay all bills in a timely manner.**

The City of Maumee is subsidizing its Water and Sewer funds; water and sewer rates do not include all costs for supplying and maintaining its utilities and it has not consistently charged all capital expenditures to the Water and Sewer funds. GFOA recommends establishing formal policies on calculating the full costs of operations and setting appropriate fees.

If the City accounts for all water and sewer expenditures in the appropriate funds, then a future determination of appropriate rates can be based on these costs. Employing appropriate cost recovery principles will help the City ensure its Water and Sewer funds are adequately supported by user fees. This will minimize the financial risk associated with providing these utilities.

*City Response:*

*In response to this recommendation the City indicated that it is in the process of retaining a consultant to perform water and sewer rate studies, and a recommendation is expected to be made by the Water and Sewer Committee of Council in the coming months. Members of the administration have recently received training in utility rate setting to prepare to work effectively with the consultant.*

**R1.8 Control contracted service expenditures.**

**The City of Maumee should ensure that it monitors and controls contracted service expenditures in the General Fund, particularly costs associated with attorneys contracted by the Law Department.**

The City spends over four times as much as the peers on contracted services within the Law Department, primarily for legal services. Although the audit did not identify evidence of fraud or abuse related to contracted services, the significantly higher expenditures (four times the peer average on a per capita basis) indicates an over-reliance on contracted personnel for common City tasks.

Over the past two years, the City of Maumee has relied heavily on a small group of firms to provide legal services to the City. Three of the firms consistently earn over \$50,000 per year, with one consistently earning over \$100,000 annually from City business. The reliance on outside legal support stems from a deficiency in internal controls and financial oversight.

Establishing controls on the expenditures for these contracted services would contribute to

greater accountability. The City could ensure that costs were for activities that specifically required legal services and not for activities that can be performed by internal staff.

*City Response:*

*In response to this recommendation the City indicated that it maintains financial controls over payment for work performed by outside legal counsel. Outside legal counsel submits detailed billing statements which must be reviewed and approved before payment by both the Law Director and the Finance Director. The Law Director submits detailed billing statements which must be reviewed by the Mayor and the Finance Director prior to payment.*

**R1.9 Negotiate mandatory direct deposit and eliminate manual payroll for all employees.**

**The City of Maumee should negotiate payroll direct deposit for all employees, regardless of hire date. Furthermore, the City should discontinue the practice of issuing paper pay stubs and instead, make the information available on-line. Modifying the payroll lag time to two weeks as addressed in R1.4 would help facilitate the timely submission of accurate payroll information to the financial institution. Taking these steps would benefit the City by reducing costs and improving efficiency in the Finance Department. It would also benefit employees by providing instant access to funds and improved access to historical payroll information.**

The City has not implemented a direct deposit system for all employees and continues to print pay stubs for each employee. The National Federation of Independent Business (NFIB) states that employers and employees can benefit financially from the use of electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The US Treasury Department and Automated Clearing House Association estimate the cost for paper checks, envelopes, and labor to be between \$2.20 and \$3.20 per check.

If the City were to mandate direct deposit for the employees not currently participating and implement electronic pay stubs, it would save approximately \$9,700 annually. This assumes \$1.50 cost per paper check, the midpoint of the range mentioned above excluding the cost of envelopes and labor.

*City Response:*

*See response to R1.4 above.*

**R1.10 Develop and distribute a popular annual financial report.**

**The City of Maumee should develop a popular annual financial report (PAFR). These reports present less technical language that could more easily be used by residents, Council members and staff as a way to increase their understanding of the City's current and historical finances. The City should also ensure that these reports are made available to the public through various forms of communication, such as postings at public libraries, mailings to major businesses, posting on the City's website, and press releases to the local media.**



Though the City produces a comprehensive annual financial report (CAFR), it does not produce a PAFR to appeal to those who need or desire a less detailed overview of government financial activities. GFOA recommends developing used-friendly summary presentations that convey financial information in an easy to understand, engaging manner. Providing enhanced financial and statistical reporting through a PAFR would give stakeholders insight into City operations and a better understanding of its financial condition and outlook.

The Finance Department could develop the tables and graphs associated with the PAFR and publish these documents on the website in electronic form. Using electronic media to publish the PAFR would greatly reduce the cost of production and distribution.

*City Response:*

*In response to this recommendation the City indicated that it will consider this recommendation in the future.*

*Human Resources*

**R2.1 Establish formal human resource management practices to promote a more effective workforce.**

**The City of Maumee should work to establish formal human resource management practices to enhance its ability to effectively communicate personnel-related matters with employees. Specifically, the City should review employee responsibilities and update job descriptions so that they are consistent with the required duties of each position. Similarly, the City should establish a process for the regular review of job descriptions. Once job descriptions have been adopted or updated and shared with employees, the City should develop performance appraisal forms and implement regular evaluation of staff.<sup>2</sup>**

**The City should also consider implementing merit pay to ensure it rewards performance. Finally, it should develop an employee handbook that incorporates key policies and procedures. Taken together, these actions will help ensure that employees understand the parameters for their employment, both general and position specific, and assist supervisors in providing appropriate feedback to employees to reward current performance and improve future performance.**

The Finance Director serves as the City's Commissioner of Human Resources, but this structure is ineffective because of the constraints on the Finance Director's time and limited definition of the responsibilities of the position. Although many public sector entities approach human resources management in a similar manner, the City has not recognized the benefits of using up-to-date position descriptions to communicate job parameters, set expectations, and evaluate performance. Similarly, while the City has a variety of policies and procedures, a single employee handbook does not exist. Generally, Council has not emphasized these types of activities as part of the job duties of the Commissioner of Human Resources.

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<sup>2</sup> The Police Division indicated that it evaluates staff performance during the probationary phase for patrol and sergeants on a daily basis. The process is automated with a software program (ADORE).

The Society for Human Resources Management (SHRM) recommends several strategies to improve human resources management. The adoption of improved practices will help keep staff apprised of workplace guidelines.

*City Response:*

*In response to this recommendation the City indicated that it has retained a consultant, Simplifi ESO Inc., to assist in the preparation of an employee handbook, and updating of all job descriptions. A draft of the employee handbook has been revised by the City and returned to the consultant for final formatting. Job descriptions for all positions have been rewritten and are awaiting final formatting. Certain elected officials have already received training in performance appraisal, and additional training for remaining officials has been planned.*

### **R2.2 Increase employee health insurance contributions.**

**The City of Maumee should seek to renegotiate provisions within the collective bargaining agreement with the goal of increasing employee cost sharing contributions to 15 percent of health care premiums. Increasing employee contributions to 15 percent for all employees will establish more equitable cost-sharing practices and bring employee premium contributions more in line with industry averages.**

City of Maumee employees contribute approximately 10 percent toward monthly health insurance premiums, inclusive of medical, prescription drug, dental, and vision coverage. By requiring employees to contribute only 10 percent toward the cost of health insurance, the City's cost for providing health insurance is higher than it would be using the State Employee Relations Board (SERB) average for premiums and employee contributions on both a regional and State-wide basis. The SERB average employee contributions for the Toledo region were 12.3 percent and 13.5 percent for single and family coverage respectively. Maumee's lower contribution rate creates an increased financial liability to the employer.

Increasing employee contributions to the Toledo Region average would help the City further offset the rising cost of health insurance. This could provide the City with needed financial relief and would bring the benefit plan more in line with amounts public employees in the Toledo region are expected to contribute toward the cost of their health insurance.

*City Response:*

*In response to this recommendation the City indicated that the 2011 amendments to the City's collective bargaining agreements and ordinances governing the terms and conditions of employment for non-union personnel provide that employees shall contribute 15% of the cost of health insurance premiums, up to a monthly cap of \$150.00.*

### **R2.3 Competitively bid life insurance coverage for employees.**

**The City of Maumee should competitively bid life insurance coverage in order to seek a lower premium rate. Doing so could reduce the costs related to purchasing life insurance coverage while maintaining benefits.**

While the \$23,000 annual cost of providing life insurance to employees is small compared to the cost of health insurance, the unit cost of providing this benefit is significantly higher for the City (\$0.25 per \$1,000 in coverage) than that incurred by the State of Ohio (\$0.15 per \$1,000 in coverage). While a number of factors contribute to the determination of life insurance rates, the City may be able to realize savings by seeking additional quotes from life insurance providers.

*City Response:*

*In response to this recommendation the City indicated that in 2011, it solicited proposals for life insurance coverage for employees. The City was able to reduce its premium cost to \$.15 per \$1000 of coverage under a two-year contract in accord with this recommendation.*

**R2.4 Renegotiate certain collective bargaining provisions to remove costly measures from the agreements.**

**The City of Maumee administration and elected officials should seek to renegotiate provisions in collective bargaining agreements that exceed recommended practices and are costly to the City. These include sick leave accrual rates, sick leave bonuses, severance payouts, personal leave, holiday leave, as well as provisions related to overtime, longevity, and health insurance. Reducing or eliminating these provisions would provide greater management flexibility and limit the financial liability to the City for such benefits.**

The City of Maumee has three separate collective bargaining agreements that impose additional costs on the City for sick leave, personal leave, health insurance, longevity pay, holidays, overtime and other similar provisions. The American Federation of State, County and Municipal Employees (AFSCME), Ohio Council 8, Local 649 represents city clerks, secretaries, and Service Department employees in an agreement effective January 12, 2009 to December 31, 2011. Full-time Fire Division employees, including squad leaders, paramedics, and fire prevention inspectors are represented by the Maumee Professional Firefighters/Paramedics International Association of Fire Fighters (IAFF), Local 4563. The agreement is effective January 12, 2009 to December 31, 2011. Finally, the Fraternal Order of Police, Ohio Labor Council, represents patrol officers, sergeants, lieutenants, dispatchers, and animal control officers in the Police Division through an agreement effective September 30, 2009 to December 31, 2011.

The collective bargaining agreements are generally detailed and complex to a level not typical within city government. For example, the grievance process outlined in the agreements was lengthy and may not allow for swift resolution. Additionally, each agreement names a list of arbiters to hear disputes between management and the bargaining unit.

In the future, budgetary and operational constraints may require the City to remove or modify these provisions. The City should begin work to negotiate the removal or phase out these generous benefits to reduce its financial exposure and work to lower future operational costs. In particular, the City's negotiated policies regarding pay status for sick leave and overtime have significantly increased overtime costs.

*City Response:*

*In response to this recommendation the City indicated that the 2011 amendments to the City's collective bargaining agreements reduced the availability of double time for all departments, and significantly modified the right of first refusal for overtime assignments for sergeants in the Division of Police. These amendments are expected to result in a significant overtime cost reduction. Other amendments are discussed in sections above.*

**R2.5 Increase the span of control in the Fire Division and the Public Service Department.**

**The City should increase its span of control by eliminating supervisory level positions through attrition in the Fire Division by 3.0 FTEs and the Public Service Department by 4.5 FTEs and increase span of control at the sergeant level in the Police Division by improving the distribution of staff. In addition, the City of Maumee should maintain its current non-supervisory staffing levels based on the workload measures assessed in this audit. However, it should develop a staffing plan to ensure that its staffing levels are based on optimal workload measures and the supervisory span of control is appropriate.**

The Police and Fire Division and the Public Service Department comprise approximately 86 percent of the City's workforce. A staffing workload analysis included in the **police** and **fire** sections of this report indicated no major differences from the peer averages. However, the Public Service Department analysis indicated an overstaffing based on workload comparisons to the peer averages. Therefore, reductions were recommended at the staff level in **R4.1**. Furthermore, the staffing analysis in these sections shows a higher number of administrators in the Fire Division and Public Service Department compared to the peers.

*City Response:*

*In response to this recommendation the City indicated that a plan for the reorganization of the Department of Public Service was approved by Council in 2010, reducing full-time employees from 53 to 46, including reduction of 4 managerial positions and 3 non-supervisory positions. Additional proposals for restructuring administrative staff in the Department of Public Service are currently under consideration by the Personnel and Finance Committees of Council. In the Division of Fire, a reorganization plan was submitted to Council in December 2011, which would eliminate certain supervisory positions by attrition through projected retirements.*

**R2.6 The City should work to limit the amount of overtime to bring costs in line with peers.**

**The City should work to bring overtime costs to a level more consistent with overtime use reported by the peer cities. While overtime costs are largely driven by language contained in the negotiated agreements regarding the process and the circumstances by which employees are eligible for overtime, the City should work to modify these provisions in order to limit the cost of overtime incurred. Moreover, City Council should take action to remove excessive overtime provisions from the City ordinance covering non-bargaining unit supervisory employees. Finally, the City should ensure overtime is continuously analyzed and monitored and that management controls are in place to identify proper approval methods. It should also ensure work completed on overtime is appropriate.**

In 2010, City of Maumee employees earned overtime at a rate of 8.85 percent of regular pay. The cost for this overtime was more than \$750,000. The high cost of overtime is driven by how hours worked is defined in the collective bargaining agreements, as well as when and at what rate employees earn overtime. The collective bargaining agreements are significantly more generous than federal requirements.

Renegotiating provisions within the collective bargaining agreements as well as changing the City ordinance covering employees outside of the bargaining unit will provide greater control over overtime expenditures. Limiting overtime use will allow the City to redirect its resources to other functions.

*City Response:*

*See City's response this recommendation in R2.4.*

### **R2.7 Bring sick leave use in line with State averages.**

**The City of Maumee should begin to measure the cost of sick leave and work to reduce the amount used by its employees. Setting targets for staff attendance and opening a dialogue with employees about the causes of sick leave and the direct and indirect costs of its use may help the City reduce leave usage.**

Though the City's total rate of sick leave usage is below the State average, certain departments (Police and Fire) significantly exceed these benchmarks. To address this, the City should continue to enforce the sick leave provisions in the negotiated agreement. More importantly, it should better track and measure the cost of sick leave and communicate with employees about the causes for the higher level of sick leave use and ways that sick leave use can be reduced. A reduction in leave usage would reduce overtime costs.

*City Response:*

*In response to this recommendation the City indicated that it will continue to enforce the sick leave provisions in the negotiated agreements and in the ordinances for non-union personnel. Sick leave usage in the study years was heavily impacted by serious illness, surgeries, and maternity leave experienced by a handful of employees, which skewed the overall sick leave rate usage figures for that distinct period.*

*Auditor's Response:*

*Employees who had accumulated significant leave related to long-term illness were omitted from this analysis so that serious injuries and illnesses would not skew the results. Auditors found that, in certain departments, employees used significant leave that was unrelated to serious injuries or illnesses.*

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*Public Safety***R3.1 Establish a formal methodology for determining building fees.**

**The City should develop policies and related procedures for establishing the annual building fee schedule. These should account for the actual cost (direct and indirect) to perform inspections, process plan reviews, and issue permits.\* Subsequently, City Council should be aware of the amount by which the General Fund is subsidizing the Building Department and evaluate the appropriateness of fees and service delivery mechanisms (e.g. contracting for services versus performing services in-house).**

The City's General Fund still subsidizes a significant percentage of the Inspection Division operating cost, although the subsidy is the lowest among the peers and the City has worked to reduce the subsidy. GFOA recommends accurately measuring the cost of services for fee-setting purposes, implementing a policy on fee-setting, and regularly reviewing and updating fee schedules (e.g. annually).

According to the City, City Council establishes the building and zoning permit fee rates in the *Ordinance of Rates and Fees* using input from the Building and Zoning Inspector. Documented policies that define the methodologies used for reviewing service delivery costs and setting user fees help support and communicate the need for increases in costs and fees, when necessary. Once the City establishes a policy on setting fees, it should continue to regularly review its fee schedule to ensure they are in line with the policy. If fees are not set appropriately, the City may not recover its costs. This can result in an increased need for General Fund support.

*City Response:*

*In response to this recommendation the City indicated that its Building and zoning fees are reviewed annually by Council and were increased in 2011. Council will continue to review the fees on an annual basis.*

**R3.2 Improve the effectiveness of code enforcement practices.**

**The City should improve the effectiveness of its property maintenance and building inspections by doing the following:**

- **Require all rental property owners to obtain an annual Certificate of Occupancy.**
- **Establish a fee-based point-of-sale inspection for all home sales to ensure that structures are up to code prior to sale.**
- **Require exterior inspections to be completed. This can be done by selecting different streets each year until all have homes have been inspected within a specific time frame. For example, the City could set a goal that all houses will be inspected every three or every five years. The City should also develop a standardized checklist to be used for completing these inspections to ensure consistency in the process and publicize this checklist so that home owners can proactively address potential code violations.**

**These efforts will help ensure that the housing stock within the City is well maintained.**

The City has not established a code enforcement unit to pursue code violations and, instead, relies on citizen calls to identify violations. The Minnesota Office of the Legislative Auditor found that local governments need a framework for enforcement activities and that a number of leading practices in proactively addressing building and zoning codes can help cities preserve the housing stock. By not proactively enforcing its housing codes it is difficult for the City to ensure prompt resolution to code violations. This can have a negative effect on the neighborhood stability and economic vitality of the City, which can lead to erosion in the tax base.

*City Response:*

*In response to this recommendation the City indicated that it proactively enforces its housing codes and will continue to do so.*

*Public Service***R4.1 Eliminate 4.0 Public Service Department FTEs.**

**The Public Service Department should eliminate a total of 4.0 FTEs to increase workload and efficiency to the peer average. These reductions include 1.0 FTE Street operator, 1.0 FTE Utility (Water /Sewer) maintenance worker, and 2.0 FTEs in Recreation and Natural Resources.**

The cost per capita to provide public service-type activities is \$202.10 in Maumee compared to the peer average of \$84.45. Street Division staff maintains fewer lane miles, water line miles, and sewer line miles than the peers. Eliminating 1.0 FTE operator and 1.0 FTE water/sewer maintenance employee would bring these workloads in line with the peers. Additionally, the parks and recreation, and natural resources staff maintains fewer recreation facilities and acres per FTE when compared to the peers. Eliminating 2.0 FTE positions would bring the workload by component to just below the peer average and would raise the acres maintained per FTE to a level closer to peer workloads.

The lower workloads in Streets, Water and Sewer, and Parks and Recreation indicates an opportunity to increase efficiency through eliminating staffing. Furthermore, the City of Maumee's public services are costly to provide, primarily as a result of high administrative staff and high overtime usage. By eliminating 4.5 Supervisor FTEs (**R2.5**) and 4.0 staff, the Public Service Department can reduce its personnel costs per citizen by \$33 resulting in an annual savings of \$154,500.

*City Response:*

*See City's response to this recommendation R2.5.*

**R4.2 Establish formal internal controls over the refuse collection contract.**

**The City should establish formal internal controls over its refuse collection contract to**

**ensure contractor invoices are accurate prior to payment. As part of these controls, the City should establish amendments to the original contract when levels of service are permanently changed. Also, the City should require the contractor to provide a monthly report on the tons of refuse (including recyclables) collected.**

The City does not have formal management controls over its refuse collection contract. The National Contract Management Association recommends contract managers oversee performance, collect information, and measure actual contract progress to maintain effective control.

Establishing formal internal controls to monitor the refuse collection contract will ensure that the City is not overbilled or underserved. Weak controls leave the City vulnerable to fraud and misuse of public resources.

*City Response:*

*In response to this recommendation the City indicated that it is in the process of negotiating with Lucas County to become part of a regional refuse collection contract which includes monthly reporting as outlined in this recommendation.*

## **Supplemental Discussion**

Auditing standards may require discussion of information that is relevant to client interests but nevertheless outside the scope of the audit, including issues that may require further study.

## **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 presents issues requiring further study:

***Division of Municipal Prosecution:*** Excluding peer outliers, the City of Maumee's Division of Municipal Prosecution handles a higher number of cases per 1,000 residents comparable to the peer average, but handles 5,818 fewer cases per Prosecutor FTE. Because of the high degree of variation in the peer staffing levels, no staffing recommendations were made for the Division of Municipal Prosecution. However, the City of Maumee should monitor staffing levels at the Division of Municipal Prosecution to ensure that workloads ensure efficiency and productivity while still providing a high level of service to the community.



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# Client Response

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The letter that follows is the City of Maumee's official response to the performance audit. AOS Staff met with City officials during the planning stage to identify appropriate peers and benchmarks to evaluate the City's performance, and during the audit process to ensure substantial agreement on the factual information as presented in the report. When the City disagreed with information contained in the report and provided adequate documentation to support revisions, revisions were made to the audit report.

As noted in the response, the City does not agree with every conclusion drawn in the audit report. However, a review of the City's response, the audit report, and supporting documentation revealed no unresolved factual matters. As a result, no additional report revisions were necessitated by the City's comments.

During the planning phase of the performance audit, City officials were presented with several potential peers that would be used in the comparisons made in this audit. AOS and the City mutually selected the peers based on statistical, U.S. Census, and operational data that included the following:

- Population;
- Location near highways;
- Number of employees working in the city;
- Number of employers in the city;
- Daytime population;
- Nigh-time population;
- Unemployment rate;
- Median income;
- Statutory or charter form of government;
- Services provided (fire –volunteer EMS-full-time etc.);
- Tax rates, and
- Income per capita.

Peer data was reviewed for reasonableness and, when data appeared to contain flaws, AOS performed additional analyses to ensure appropriate comparison information. Additionally, both high level analyses (cost per capita, personnel per capita) were used, each area of analyses considered detailed data on service provision and workloads as a component of the evaluation process. Therefore, recommendations in this report are based specifically on the day-to-day work performed by employees of the City.

The City of Maumee was presented with the performance audit data and conclusions on multiple occasions and auditors requested feedback and corrections at those times. When data was provided that supported those changes, updates were made to the report.

Lastly, during the audit, the Police Chief approached AOS and requested an examination of the City's military pay procedures as two of his officers had received payments based on different sets of procedures. AOS requested documentation, including detailed records on the payments made, from the Finance Department in order to evaluate this area. Auditors on this performance audit discussed the findings with AOS financial auditors and determined that the City's Independent Public Accountant would not be asked to pursue the financial component of the matter. However, AOS auditors determined that this internal control failure was required to be fully disclosed in this audit and the information, including the detailed explanation, was incorporated into the report. Though the City's legal council issued a new opinion on the City's practices, the Finance Department was unable to adequately demonstrate that it had resolved the process issues that led to overpayment.

CITY OF MAUMEE



MAUMEE, OHIO

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David Yost  
Auditor of State  
88 East Broad Street, 5th Floor  
Columbus, OH 43215

February 23, 2012

Dear Auditor Yost:

In 2009, the Council of the City of Maumee was experiencing a deficit in its operating fund as a result of the financial downturn, and determined to request an outside agency to review its operations for efficiency and cost effectiveness, in addition to the internal restructuring and policy and program changes which were already being considered. Although we believe that excellent services were and are being delivered at a low cost to Maumee tax payers, there was a desire for an independent opinion to give us a fresh perspective and new ideas in addressing our budget shortfall in operations. Over the past year, the administration of the City and staff from the Performance Audit Section of your office have joined together in carrying out this study. Thanks to Dawn Bendel, Betsy Bashore, and their staff for all of their hard work on this very substantial undertaking.

After receiving and reviewing the final draft of the performance audit, we are pleased to find that many of our ideas for achieving cost savings and a higher level of efficiency, some of which were in the discussion stages and some of which were already in the beginnings of the implementation process during the course of the study, have been validated by the recommendations contained in the Performance Audit. In the majority of areas in which operations were comparable, Maumee performed favorably in comparison with the peer cities. Another useful function of the Performance Audit was to cause the elected officials and the department and division heads of the city to engage in an in-depth self-analysis of their individual management practices and budgetary considerations, sparking additional ideas and dialogue. Practices utilized in the peer cities and in some additional reports which are explored in the Performance Audit will also be a part of the discussion as we continue forward with our internal examination.

During the course of the study, numerous changes were taking place in the structure and operations of the various departments and divisions. Because of the unusual political climate caused by the possibility of Senate Bill 5 becoming law, we were able to make great strides in achieving amendments to the City's collective bargaining agreements, which the City had been attempting to accomplish with little success in previous negotiations due to the binding arbitration process for safety unions. Many of these changes, including reducing award of double time and increasing the employees' contribution for health insurance, were encompassed in the Performance Audit. Also, with new Directors in the Finance and Service Departments, numerous

policy changes were being conceptualized and implemented, and personnel structure and supervision reorganized, again in harmony with recommendations in the report, we are pleased to note. In addition, the new Finance Director's active exploration of more efficient software packages for many types of city data compilations will, as we go forward, reduce personnel time and provide more in-depth reporting of information on a multitude of city functions, including improved long term forecasting of budgets for both operating and capital. Another opportunity that arose during the study period was the City's 2010 Retirement Incentive Plan. Although payouts under the Retirement Incentive Plan impacted 2010 personnel cost figures, the numerous retirements under that plan and other retirements which are currently scheduled have allowed a unique window for reducing and restructuring the City's labor force without the need for layoffs and the accompanying disruption in services, productivity, and morale, providing a long term savings.

Our experience in working with your team and utilizing the data provided from the peer cities has led us to offer some suggestions which we think that your office might wish to consider in future performance audits.

We believe that in evaluating and comparing city performance to the peer cities, it would be extremely valuable for the Study City to receive the full data on the peer city operations and personnel. As you know and as we have discussed, it is difficult to always achieve an "apples to apples" comparison between municipalities, given the many variations in the organization and programs offered by cities, and in the priorities set by different legislative bodies, given their individual financial circumstances and objectives. In the "Audit Methodology and Scope" of the draft (p.4) it states: "The data obtained from the peer cities was not tested for reliability, although it was reviewed for reasonableness." In our review of the staffing of the peer communities (particularly in Fire Department command levels), we found errors in the reporting of command staffing. Problems in this area of concern could be avoided by providing the Study City with a full copy of Peer Cities data. Allowing the Study City access to Peer Cities data can act as a quality control measure by allowing the Study City to test data quality and assumptions to avoid incorrect conclusions well before the end of the process. It also would provide the Study City with a template for adopting peer city practices when the operations and goals of the two municipalities are sufficiently similar, and greater efficiency could be achieved without a reduction in core services.

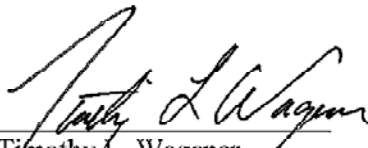
Another suggestion for your office to consider is that daytime population changes due to employment should be used in the comparison of the study city and the peer communities, to better reflect true service demands. As your staff discovered during the study process, Maumee is in the fortunate position of having more employment opportunities than residents, due to Maumee's success in the growth of Arrowhead Business Park. According to the US Census Bureau Report on Daytime Populations for Cities and Counties (October, 2005) Maumee is a community which has a much larger daytime population than the peer cities:

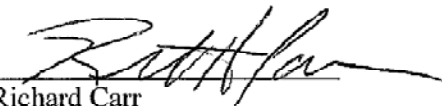
<u>Community</u>	<u>Residents</u>	<u>Daytime Population</u>
Maumee	15,237	25,345 (daytime population, 66.3% increase)
Marysville	15,942	18,279 (daytime population, 14.7% increase)
Perrysburg	16,945	15,137 (daytime population, -10.7% decrease)
Vandalia	14,603	20,930 (daytime population, 43.3% increase)

Maumee's service delivery, therefore, must meet the needs of its large business community, as well as providing customary municipal services to its residents. We believe the Auditor's Office should consider using the US Census Bureau's daytime populations for all "per capita" calculations and findings as they more accurately represent the service and operational responsibilities of the Study City and the peer communities.

Another area of concern is a contradiction between certain findings by the Performance Audit Section and findings on the same issues made by the accountants under contract to the Auditor of State in the course of the City's annual Financial Audit. On the subject of the City's supplemental payments to individuals who are on active duty in the military, the Financial Audit team found that Maumee's procedure was in accordance with Ohio Revised Code requirements and that military leave payments were correctly made, while the Performance Audit indicated a possible overpayment of approximately \$40,000 to employees who were serving in the military. Observations in the Performance Audit regarding the City's lack of internal financial controls were also in conflict with the Financial Audit, which approved the City's internal financial controls. It is our suggestion that, when a Financial Audit is being performed at the same time as a Performance Audit, the different arms of the Auditor's Office should work in harmony to deliver a unified message on overlapping issues.

Again, we thank you and the Performance Audit team for all of the hard work which went into this study. We are proud of the progress that we have made toward resolving our budgetary issues without a reduction in the quality of life for our residents and our business community. We will continue to address these concerns going forward, and the Performance Audit will be a valuable tool in our ongoing efforts.

  
 Timothy L. Wagener  
 Mayor  
 City of Maumee

  
 Richard Carr  
 President of Council  
 City of Maumee

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## Detailed Report in Support of Performance Audit

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The City of Maumee initiated this performance audit with the goal of improving operating efficiency, the effectiveness of service delivery, and projected financial condition. In consultation with the Auditor of State Ohio Performance Team, the city chose to focus on five functional areas: (1) Financial Management, (2) Governance, (3) Human Resources, (4) Public Safety, and (5) Public Services.

Each section of the audit report contains recommendations that are intended to provide the City with options to enhance operational efficiency and improve 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.

### *Methodology*

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

AOS conducted the performance audit of the City of Maumee in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

### Notes:

The data obtained from the peer cities was not tested for reliability, although it was reviewed in detail for reasonableness. Also, external organizations and sources were used to provide comparative information and benchmarks.

This performance audit was conducted between January 2011 and June 2011 and data was drawn from fiscal years 2009 and 2010. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. The performance audit process involved significant information sharing with the City, 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 of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the City was solicited and

considered when assessing the selected areas and framing recommendations. Finally, the City provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the City's comments.

## **Scope of the Audit**

The City of Maumee requested the Auditor of State's Office (AOS) conduct a performance audit of all areas of City operations, excluding the municipal court. City officials sought to improve the efficiency and effectiveness of operations and with the goal of alleviating projected financial shortfalls.

In consultation with City officials, AOS selected eight departments for performance assessment:

- Governance and Administration;
- Division of Municipal Prosecution;
- Financial Management;
- Human Resources Management;
- Police Division;
- Fire Division;
- Inspection Division; and
- Public Service Department.

These departments have been evaluated in five functional areas in this report: (1) Financial Management, (2) Human Resources, (3) Public Safety, and (4) Public Services. Because there were no recommendations in the functional area of Governance, this area was excluded from the final report.

## **Benchmarks**

The cities of Marysville, Perrysburg, and Vandalia were selected for benchmarks for the areas assessed in the performance audit, based upon demographic and operational data. Other benchmark data and standards were chosen from applicable organizations and sources, including the following:

- Ohio Revised Code (ORC);
- Government Finance Officers' Association (GFOA);
- State Employment Relations Board (SERB),
- Society for Human Resource Management (SHRM),
- National Federation of Independent Business (NFIB); and
- Ohio Department of Administrative Services (DAS).

## **Objectives**

Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

Some objectives were modified in response to actions by the City to address its deficit or high risk environments indentified by the auditors during the course of their work.

The following audit objectives were used to conduct the performance audit of the City of Maumee.

### ***Governance/Compliance***

- Does the Mayor's Office and City Council comply with the ORC, City Charter, and City Ordinances?

### ***Financial Management***

- Does the Finance Department operate in an efficient manner and appropriately staffed?
- Does the Finance Department comply with ORC, City Charter and City Ordinances?
- Does the Finance Department maintain comprehensive policies and procedures?
- Does the Finance Department maintain efficient internal controls?
- Does the Finance Department have comprehensive financial planning strategies that are updated annually? (i.e. budget, capital, strategic planning, performance measurement)
- Does the Finance Department follow appropriate budget preparation and monitoring practices?
- Does the Finance Department have a financial forecast for all funds? Are assumptions appropriate and detailed?
- Does the Finance Department appropriately collect its income tax and utility payments?

### ***Human Resources***

- Does the City have formal processes to effectively perform human resources functions?
- Are the City's compensation levels appropriate?
- How do the City's bargaining agreements compare to peers?
- Is the medical, dental, vision and life insurance benefit package in line with State averages?
- How does the City manage its workers compensation rating?
- Does the City limit overtime and sick leave usage?

### ***Police***

- Is the Police Division appropriately staffed?
- Is the Police Division response time comparable to peers?
- Are the Police Division operating costs comparable to peers?



***Fire***

- Is the Fire/EMS Department appropriately staffed?
- Is the Fire Division response time comparable to peers?
- Are the Fire Division operating costs comparable to peers?
- Does the City have a favorable ISO rating compared to peers and industry standards?

***Prosecutors Office and Law Department***

- Are the Division of Municipal Prosecution and Law Department appropriately staffed?
- Are the Division of Municipal Prosecution and Law Department responsive to service demands?
- Are the Division of Municipal Prosecution and Law Department's contracted legal costs appropriate and in line with the peers?

***Inspections***

- Is the Inspection Division appropriately staffed?
- Are the Inspection Division's operating costs comparable to peers?
- Is there redundancy in services provided compared to the County?
- Are the building and zoning fees appropriate to cover all operational costs?

***Public Service Operations***

- Is the Public Service Department (street, utility, parks and recreation) appropriately staffed?
- Are the Public Service Department operating costs comparable to peers?
- Does the Public Service Department have appropriate management controls over its refuse collection contract?
- Are contracted refuse collection costs competitive compared to peers?
- Does the Public Service Department receive the lowest cost for materials?
- Does the Public Service Department have a comprehensive snow and ice control plan?

# Detailed Discussion of Functional Areas

## 1. Financial Management

### Background

This section of the performance audit examines the City of Maumee's (the City) current and future financial condition and its financial management practices. Recommendations were developed to help improve the financial condition and the management of the City's fiscal resources. Sources such as the Government Finance Officers Association (GFOA), the Ohio Department of Taxation, the Ohio Revised Code, and the National Institute of Government Purchasing (NIGP) were used to compare City operations and develop its five-year forecast. In some cases, analyses were completed using peer the cities of Marysville, Perrysburg, and Vandalia Ohio for comparison purposes.

### *Financial Operations*

City operations are funded mainly with receipts from property taxes, income taxes, local government funds (LGF) distributed by the State, and fees and charges for services provided by the City. Expenditures include salaries and benefits, purchased services, supplies and materials, and capital outlay associated with providing police, fire, street maintenance, and utilities. **Table 1-1** represents the total receipts, expenditures, and the percentage of change by year and for the prior five-year period for all funds.

**Table 1-1: Maumee Receipts and Expenditures (All Funds)**

	2006	2007	2008	2009	2010	2011 (Budget)
Total Receipts	\$56,002,436	\$64,550,597	\$68,274,519	\$50,928,153	\$53,526,139	\$47,574,359
Percent Change	n/a	15.3%	5.8%	(25.4%)	5.1%	(11.1%)
Total Expenditures	\$56,784,570	\$63,745,279	\$73,480,597	\$51,734,849	\$52,326,073	\$44,736,959
Percent Change	n/a	12.3%	15.3%	(29.6%)	1.1%	(14.5%)
<b>Receipts Over (Under) Expenditures</b>	<b>(\$782,134)</b>	<b>\$805,318</b>	<b>(\$5,206,078)</b>	<b>(\$806,696)</b>	<b>\$1,200,066</b>	<b>\$2,837,400</b>
Beginning Balance	\$37,532,103	\$36,749,970	\$37,555,288	\$32,349,209	\$31,542,513	\$32,742,579
<b>Ending Balance (Unexpended)</b>	<b>\$36,749,969</b>	<b>\$37,555,288</b>	<b>\$32,349,210</b>	<b>\$31,542,513</b>	<b>\$32,742,579</b>	<b>\$35,579,979</b>
Percent Change	n/a	2.2%	(13.9%)	(2.5%)	3.8%	8.7%
Encumbrances (Outstanding Obligations)	\$5,882,778	\$1,771,336	\$1,001,738	\$934,787	\$836,485	n/a
<b>Ending Balance (Unencumbered)</b>	<b>\$30,867,191</b>	<b>\$35,783,952</b>	<b>\$31,347,472</b>	<b>\$30,607,726</b>	<b>\$31,906,094</b>	<b>n/a</b>
Percent Change	n/a	15.9%	(12.4%)	(2.4%)	4.2%	n/a

Source: Maumee financial reports

N/A = not applicable

**Table 1-1** shows that in 2006, 2008, and 2009, the City was spending more in terms of operations and projects than it was receiving from revenue sources. Although the City reduced spending in 2009, overall receipts declined by nearly the same proportion and it still had an operating deficit of nearly \$807,000 in that year. While receipts exceeded expenditures in 2010, this was primarily due to a rebound in the amount received rather than a reduction in spending. In fact, the City's expenditures increased slightly in 2010. Maumee planned an aggressive 2011 budget, anticipating a sharp decrease in receipts and planning an even greater reduction in expenditures. **Table 1-1** also shows Maumee's encumbrances—debt obligations incurred but not yet paid until the following year. These represent a significant source of additional spending for the City, totaling \$836,500 in 2010.<sup>3</sup>

**Table 1-2** provides a review of General Fund receipts for Maumee in comparison to peer cities on a per capita, or per resident basis. Municipal income tax revenue is represented in two funds (municipal income tax and transfers/advances) within the cities of Maumee and Perrysburg. Conversely, the cities of Marysville and Vandalia use only the municipal income tax fund for this revenue. Therefore, AOS combined only the income tax revenue reflected within the two funds (municipal income tax and transfers/advances) for the cities of Maumee and Perrysburg for comparison purposes in this analysis.

The majority (\$10.8 million) of the City of Maumee's income tax revenue is placed within transfers and advances. **Table 1-2** provides a review of the City's General Fund revenues in comparison to peer cities on a per capita basis.

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<sup>3</sup> According to the City, there were retirement and incentive payouts of \$414,000 in 2010, most of which were from the Public Service Department.

**Table 1-2: General Fund Revenue Comparison**

	Maumee Total Receipts	Maumee Per Capita	Peer Average Per Capita	Difference
Property Tax	\$1,656,627	\$117	\$84	\$33
Municipal Income Tax <sup>1</sup>	\$11,044,952	\$780	\$668	\$112
Other Local Taxes <sup>2</sup>	\$747,367	\$53	\$14	\$39
State Levied Shared Taxes	\$1,030,818	\$73	\$67	\$6
Licenses, Permits, and Fees	\$187,325	\$13	\$8	\$5
Intergovernmental	\$116,168	\$8	\$13	(\$5)
Charges for Services <sup>3</sup>	\$380,429	\$27	\$69	(\$43)
Parks and Recreation/ Pool	\$212,658	\$15	\$31	(\$16)
Fines and Forfeitures	\$737,183	\$52	\$43	\$9
Investment Earnings	\$237,407	\$17	\$15	\$2
Other Revenues <sup>4</sup>	\$11,032	\$1	\$7	(\$6)
Donations/ Endowments	\$118,256	\$8	\$1	\$7
Reimbursements	\$801,610	\$57	\$5	\$52
Sale of Assets	\$67,434	\$5	\$0	\$5
Transfers/ Advances <sup>1</sup>	\$343,912	\$24	\$0	\$24
<b>Total</b>	<b>\$17,693,142</b>	<b>\$1,250</b>	<b>\$1,025</b>	<b>\$225</b>

**Source:** Maumee and peer financial reports, and 2009 U.S. Census data

**Note:** 2010 U.S. Census was not available during the fieldwork portion of this audit. However, the 2010 U.S. Census indicated a slight population increase of 130 (2009 = 14,156 and 2010= 14,286).

<sup>1</sup> Cities of Maumee and Perrysburg use a separate accounting fund outside the General Fund to record income tax receipts. The receipts are then recorded in the Transfers/ Advances line item when it is moved into the General Fund to cover operating or capital expenditures.

<sup>2</sup> Other local taxes include hotel/ motel tax and cable television franchise tax.

<sup>3</sup> Charges for services include ambulance services, cemetery lot sales, grave services, weed cutting, and services between departments.

<sup>4</sup> The majority of other revenues are police false alarm response fees.

As shown in **Table 1-2**, Maumee receives \$225 more revenue per resident than peer cities.<sup>4</sup> The main source of Maumee's operating revenue comes from the City's 1.5 percent income tax. The City's Charter of 1964 imposed a 1.0 percent tax for operating costs and capital projects combined. In 1968, the City electorate passed a levy to add an additional 0.5 percent income tax to be used only "for capital improvements and no other purposes." Income tax receipts are subsequently placed directly in separate funds outside the General Fund, called Income Tax A and Income Tax B, with the latter reserved for capital projects. As anticipated in a given year, funds are transferred to the General Fund from these accounts. Since municipalities have some discretion in funds and coding, differences in some of these areas may be due to how the revenue is defined and labeled in the accounting system. The higher overall receipts per resident in comparison to the peer cities suggests that Maumee may have rebounded more quickly than other cities from the overall economic decline seen in the U.S. in 2008 and 2009.

<sup>4</sup> Based on 2010 census (14,286) the total receipts per capita would be \$1,238.

**Table 1-3** provides a review of the City's General Fund expenditures in comparison to peer cities on a per capita basis.

**Table 1-3: General Fund Expenditure Comparison (2010)**

	Maumee Total Expenditures	Maumee Per Capita	Peer Average Per Capita	Difference
Council <sup>1</sup>	\$403,115	\$28.48	\$12.63	\$15.85
Mayor/Administration/ Civil Service <sup>2</sup>	\$260,278	\$18.39	\$145.48 <sup>11</sup>	(\$127.09)
Finance Dept (Human Resources/ IT/ MIS) <sup>3</sup>	\$696,685	\$49.21	\$31.52	\$17.70
Law Director	\$389,583	\$27.52	\$13.16	\$14.36
Prosecutor <sup>4</sup>	\$322,190	\$22.76	\$20.15	\$2.61
Court	\$1,557,800	\$110.05	\$77.17	\$32.87
Service (Administration/ Streets/ Building Inspection & Zoning/ Water/ Sewer) <sup>5</sup>	\$2,860,925	\$202.10	\$84.45	\$117.65
Police (Safety/ Animal Control/ Dispatch/Detective Bureau/ Crime Prevention/ DEA) <sup>6</sup>	\$6,484,879	\$458.10	\$239.07	\$219.03
Fire (Fire Inspection/ EMS/ Ambulance) <sup>7</sup>	\$2,854,859	\$201.67	\$161.62	\$40.05
Pool/ Recreation/ Natural Resources/ Cemetery <sup>8</sup>	\$1,480,990	\$104.62	\$91.19	\$13.43
Public Health Services <sup>9</sup>	\$133,387	\$9.42	\$2.06	\$7.37
Refuse <sup>10</sup>	\$636,705	\$44.98	\$65.15	(\$20.17)
<b>General Fund Total</b>				
<b>Personnel</b>	<b>\$10,087,256</b>	<b>\$712.58</b>	<b>\$513.09</b>	<b>\$199.49</b>
<b>Benefits</b>	<b>\$2,887,505</b>	<b>\$203.98</b>	<b>\$171.98</b>	<b>\$32.00</b>
<b>Supplies and Materials</b>	<b>\$537,119</b>	<b>\$37.94</b>	<b>\$93.26</b>	<b>(\$55.31)</b>
<b>Contracted Services</b>	<b>\$3,107,623</b>	<b>\$219.53</b>	<b>\$62.54</b>	<b>\$156.99</b>
<b>Capital Outlay</b>	<b>\$758,714</b>	<b>\$53.60</b>	<b>\$20.32</b>	<b>\$33.28</b>
<b>Other</b>	<b>\$703,180</b>	<b>\$49.67</b>	<b>\$130.39</b>	<b>(\$80.72)</b>
<b>Total</b>	<b>\$18,081,396</b>	<b>\$1,277.30</b>	<b>\$991.57</b>	<b>\$285.73</b>

**Source:** Maumee and peer financial reports, and 2009 U.S. Census data

**Note:** 2010 U.S. Census was not available during the fieldwork portion of this audit. However, the 2010 U.S. Census indicated a slight population increase of 130 (2009 = 14,156 and 2010= 14,286).

<sup>1</sup>Marysville includes clerk of council and legal advertising departments.

<sup>2</sup>Perrysburg and Vandalia do not have separate civil Service Departments.

<sup>3</sup>Includes human resources and information technology or management information systems at peer cities to be consistent with Maumee's Finance Department responsibilities.

<sup>4</sup>Comparison is to only one peer city, Perrysburg. Vandalia's Law Director also serves as Prosecutor.

<sup>5</sup>Comparison is to Marysville's Public Service Department, Perrysburg's street division, Vandalia's public service. Comparison is also to planning and engineering departments of peer cities.

<sup>6</sup>Includes Police expenditures in Marysville and Vandalia tracked outside General Fund. Marysville and Perrysburg include investigative services staff; Perrysburg also has a separate animal control officer.

<sup>7</sup>Includes fire expenditures in Marysville and Vandalia tracked outside General Fund.

<sup>8</sup>Comparison is to Marysville's building and grounds, city hall, and cemetery; Perrysburg's general public buildings & lands, pool, pond, recreation, and parks and playgrounds; and Vandalia's building maintenance, general services, pool, parks, and athletics.

<sup>9</sup>Comparison is to only one peer city, Perrysburg, that separately tracks health services.

<sup>10</sup>Comparison is to only Perrysburg and Vandalia. Perrysburg's expenditures are tracked outside the General Fund.

<sup>11</sup>The totals in this table are based on the categories that are consistent with the City of Maumee and based only on General Fund expenditures.

**Table 1-3** shows that the City spends \$286 or 29 percent more per capita on General Fund expenditures compared to the peers.<sup>5</sup> The highest area of spending compared to the peers (39 percent higher) is personnel costs. (see **human resources** for a discussion of personnel costs) The second largest spending category in the City of Maumee is contracted services at 220 percent higher per capita than the peers. (see **Tables 1-10, 1-11 and 1-12** for further analysis)

Further, **Table 1-3** shows that the Police Division spends 92 percent more than the peers on a per capita basis (see **safety service** for further analysis). The next highest spending categories are the Fire and Public Service Departments. Both are also higher than the peer average for per capita spending. (see **safety service** and **public service** ) **Table 1-3** also shows that the City of Maumee's contracted service costs are 251 percent higher on a per capita basis than the peer average. (see **R1.8** for further analysis of contracted services) The Municipal Court operation was not included in the scope of this audit.

*The City noted that, during the course of the audit, 7 employees retired: 1.0 Operator FTE and 1.0 Assistant Supervisor FTE retired on January 31, 2010. In addition, 2.0 Operator FTEs, and 3.0 Supervisor FTEs retired on October 31, 2010. The expenditures data in **Table 1-3** includes these 7.0 FTEs.*

### *Finance Department*

The Finance Director serves as head of the Finance Department and supervises an accountant, a secretary, an accounts payable clerk, a payroll clerk (HR assistant), and oversees the Utility Billing and Income Tax departments. The Finance Director is responsible for creating and passing budgets, maintaining all financial information, processing payroll, managing benefits, and supervising all technology improvements. The Finance Director also serves as the Municipal Clerk, preparing the City Council meeting agenda and recording meeting minutes.

**Table 1-4** presents a comparison of the efficiency of Finance Department activities.<sup>6</sup>

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<sup>5</sup> Based on 2010 census (14,286) the total expenditures per capital would be \$1,266.

<sup>6</sup> According to the City Council appointed the interim Finance Director to a permanent position on August 2, 2011.

**Table 1-4: Finance Department Comparison**

	Maumee	Peer Average	Difference
Residents	14,156	16,769	(2,613)
Finance Department Full-time Equivalent (FTEs)	12.0	14.7	(2.7)
Utility Billing FTEs	2.0	2.3	(0.3)
# of W-2s Processed	301	362	(61)
# of Purchase Order Vouchers Processed	17,236	12,528	4,708
# of Utility Accounts	7,369	7,376	(7)
<b>Finance Department Per Capita Expenditures</b>			
Personnel	\$30.36	\$20.81	\$9.55
Benefits	\$8.31	\$4.76	\$3.55
Supplies & Materials	\$0.24	\$0.64	(\$0.40)
Contracted Services	\$9.98	\$5.02	\$4.95
Capital Outlay	\$0.33	\$0.03	\$0.30
Other	\$0.00	\$0.26	(\$0.26)
<b>Total 2009 per capita Expenditures</b>	<b>\$49.21</b>	<b>\$31.52</b>	<b>\$17.70</b>
<b>Total 2010 Expenditures</b>	<b>\$696,685</b>	<b>\$511,763</b>	<b>\$184,921</b>
<b>W-2s processed per FTE</b>	<b>25.1</b>	<b>24.4</b>	<b>0.7</b>
<b>Purchase Order Vouchers processed per FTE</b>	<b>1,436</b>	<b>852</b>	<b>584</b>
<b>Utility Accounts processed per FTE</b>	<b>3,684</b>	<b>3,207</b>	<b>477</b>

**Source:** Maumee and peer Finance Departments, and 2009 U.S. Census

**Note:** 2010 U.S. Census was not available during the course of this audit. However, the 2010 U.S. Census indicated a slight population increase of 130 (2009 = 14,156 and 2010= 14,286).

As shown in **Table 1-4**, the City of Maumee spends more (36 percent) for its Finance Department on both a per capita<sup>7</sup> and per FTE basis, but workload ratios (W-2's and purchase orders processed) per FTE are almost 70 percent higher than the peers. However, since the Finance Department currently processes all City purchases manually, an online purchasing system (**R1.5**) could assist in improving employee workload in this area. **Table 1-4** shows that the higher expenditures are focused around personnel, benefits and contracted service costs. (see **human resource** for further analysis on personnel and benefits). See **Table 1-10** for further analysis of contracted services.

### *Income Tax Division*

The City employs a full-time Income Tax Commissioner, one tax specialist and three account clerks. The Tax Commissioner reports to the Finance Director. All Income Tax Division expenditures are charged to the Income Tax Fund. The Tax Commissioner has created a policy manual and actively tracks delinquent accounts. **Table 1-5** presents income tax statistical data on collections and costs associated with collections from the City of Maumee and peer cities.

<sup>7</sup> Based on 2010 census (14,286) the total Finance Department expenditures per capital would be \$48.80.

**Table 1-5: Income Tax Collection Comparison (2010)**

	Maumee	Peer Average	Difference
Number of Citizens	14,156	16,769	(2,613)
Tax Rate	1.5%	1.7%	(0.2%)
Income Tax Staffing (FTEs)	5.0	6.1	(1.1)
Total Tax \$ Collected	\$13,483,889	\$11,618,556	\$1,865,333
Total Accounts	9,694	9,561	133
Total Income Tax Accounts per FTE	1939	1567	372
Delinquent Accounts	313	699	(386)
<b>Income Tax Department Per Capita Operating Expenditures</b>			
Personnel	\$14.71	\$15.00	(\$0.29)
Benefits	\$5.68	\$4.57	\$1.11
Supplies & Materials	\$0.16	\$3.29	(\$3.12)
Contracted Services	\$2.95	\$0.29	\$2.66
<b>Tax Processing Cost per Capita<sup>1</sup></b>	<b>\$23.50</b>	<b>\$23.15</b>	<b>\$0.36</b>
<b>Percentage Delinquent</b>	<b>3.2%</b>	<b>7.9%</b>	<b>(4.7%)</b>

**Source:** Maumee and peer city income tax departments

<sup>1</sup> For purposes of this comparison, only operating expenditures were included in the totals. The majority of capital outlays for the City of Maumee represent the direct spending on City projects from income tax receipts, not spending related to tax processing. Further, the total tax expenditures also included transfers between funds, expenditures that also did not reflect on tax processing costs. The current calculation includes only the items that reasonably represent tax processing costs (salaries, benefits, supplies, and contracted services).

As shown in **Table 1-5**, the City of Maumee processes 22 percent more income tax accounts per FTE compared to the peers. The City spends slightly more (1.5 percent) per capita when compared to the peers.

### *Utility Billing Division*

The utility billing function is performed by two full-time employees, a Utility Billing Supervisor and a Utility Billing Clerk. The Billing Supervisor reports to the Finance Director. The City processes utility bills for water and sewer usage. The utility billing staff also collects for other City charges such as false alarm calls and mowing of properties. Until recently (November 1, 2010), the City had billed for ambulance and Emergency Medical Services (EMS) provided on behalf of Lucas County. The City now contracts with a third party service for billing. While the City still sends billing information to the third party service provider, it is not involved directly with the insurance companies and/or individuals.

The Public Service Department (Water Division) meter readers manually collect readings which are then manually entered into the utility billing software by the Utility Billing Supervisor. The City accepts payment for utility bills by mail, credit card, automatic payment, nightly deposit, or in person at the City municipal building. As shown in **Table 1-4**, the City of Maumee's utility billing staff process almost 15 percent (477) more transactions (accounts) per FTE when compared to the peers.(see **R1.7** for further utility billing analysis).



### Financial Forecast

The City of Maumee has not created detailed line-item forecasts for each of its major funds, but during the course of the audit the City did develop a five-year forecast for its General Fund (see **R1.2**). As part of the performance audit, AOS developed a five-year forecast for Income Tax A Fund, Income Tax B Fund and the Water and Sewer Funds. **Table 1-6** presents a five-year forecast developed for the City's Income Tax A,

**Table 1-6: Income Tax A Five-Year Forecast (in 000s)**

	Actual 2008	Actual 2009	Actual 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Income Tax	\$10,342	\$9,320	\$8,989	\$8,182	\$8,191	\$8,191	\$8,191	\$8,191
Joint Economic Development Zone (JEDZ) Service Fees <sup>1</sup>	\$39	\$31	\$30	\$0	\$0	\$0	\$0	\$0
Transfers	\$38	\$3	\$0	\$6,983 <sup>2</sup>	\$0	\$0	\$0	\$0
Advances from Other Funds	\$500	\$637	\$733	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Revenues</b>	<b>\$10,919</b>	<b>\$9,991</b>	<b>\$9,752</b>	<b>\$15,166</b>	<b>\$8,191</b>	<b>\$8,191</b>	<b>\$8,191</b>	<b>\$8,191</b>
Salaries	\$222	\$181	\$203	\$212	\$216	\$219	\$222	\$225
Benefits	\$109	\$90	\$86	\$90	\$91	\$93	\$94	\$96
Supplies & Materials	\$3	\$3	\$2	\$3	\$3	\$3	\$3	\$3
Contracted Services	\$38	\$38	\$42	\$42	\$42	\$42	\$42	\$42
Capital Outlay	\$0	\$0	\$3	\$0	\$0	\$0	\$0	\$0
Other <sup>3</sup>	\$11,496	\$12,275	\$11,228	\$11,000	\$10,000	\$10,000	\$10,000	\$10,000
<b>Total Operating Expenditures</b>	<b>\$11,867</b>	<b>\$12,587</b>	<b>\$11,565</b>	<b>\$11,347</b>	<b>\$10,352</b>	<b>\$10,356</b>	<b>\$10,361</b>	<b>\$10,366</b>
<b>Revenue Over (Under) Expenditures</b>	<b>(\$949)</b>	<b>(\$2,597)</b>	<b>(\$1,812)</b>	<b>\$3,818</b>	<b>(\$2,161)</b>	<b>(\$2,165)</b>	<b>(\$2,170)</b>	<b>(\$2,175)</b>
Beginning Cash Balance	\$10,806	\$9,857	\$7,261	\$5,449	\$9,267	\$7,106	\$4,941	\$2,771
<b>Ending Cash Balance<sup>4</sup></b>	<b>\$9,857</b>	<b>\$7,261</b>	<b>\$5,449</b>	<b>\$9,267</b>	<b>\$7,106</b>	<b>\$4,941</b>	<b>\$2,771</b>	<b>\$597</b>

Source: Maumee financial reports

Note: Totals do not match due to rounding.

<sup>1</sup> JEDZ service fees are fees associated with the City's processing of the Monclova Township/ Maumee/ Toledo JEDZ income tax. The Income Tax Commissioner combined all revenue, so the service fee is not listed separately in 2011-2015.

<sup>2</sup> In 2010, Council approved a transfer of funds to adjust for past accounting errors. This will occur in 2011 and represents approximately \$7 million in a one-time transfer.

<sup>3</sup> Due to the wording of the income tax levy, Maumee is required to place income tax for operating funds into this fund then transfer it to the General Fund. Projections for 2011-2015 are based on an estimate of funding available during this period due to the 2011 adjustment and income tax estimates.

<sup>4</sup> The City carried an encumbrance of \$2,548 in 2009 and \$6,400 in 2010.

As shown in **Table 1-6**, the City's Income Tax A Fund has historically experienced negative results of operations. This is related to capital projects being paid from the Income Tax A Fund, when they should be paid from the Income Tax B Fund. In 2011, a one-time transfer of almost \$7 million from Income Tax B into Income Tax A caused the results of operations to be positive in 2011.

As projected, the Income Tax A Fund will continue to show negative results of operations through 2015. However, because of the large beginning cash balance in this fund, it is projected to continue to show a positive fund balance throughout the forecast period.

**Table 1-7** presents a five-year forecast developed for the City's Income Tax B, the fund that receives the revenues from the additional 0.5 percent income tax that was voter approved in 1967. This forecast is based on current trends and historical accounting practices.

**Table 1-7: Income Tax B Five-Year Forecast (in 000s)**

	Actual 2008	Actual 2009	Actual 2010 <sup>1</sup>	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Income Tax	\$5,171	\$4,660	\$4,495	\$4,495	\$4,495	\$4,495	\$4,495	\$4,495
Grants Federal	\$0	\$0	\$452	\$0	\$0	\$0	\$0	\$0
Grants State	\$0	\$0	\$169	\$0	\$0	\$0	\$0	\$0
Construction Revenues	\$0	\$0	\$238	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$345	\$0	\$0	\$0	\$0	\$0
Transfers	\$1,012	\$0	\$111	\$0	\$0	\$0	\$0	\$0
Advances from Other Funds	\$0	\$626	\$1,721	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues</b>	<b>\$6,183</b>	<b>\$5,286</b>	<b>\$7,529</b>	<b>\$4,495</b>	<b>\$4,495</b>	<b>\$4,495</b>	<b>\$4,495</b>	<b>\$4,495</b>
Capital Outlay	\$0	\$0	\$232	\$12,563	\$2,451	\$1,827	\$7,910	\$2,710
Other	\$6,078	\$4,584	\$3,792	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$6,078</b>	<b>\$4,584</b>	<b>\$4,025</b>	<b>\$12,563</b>	<b>\$2,451</b>	<b>\$1,827</b>	<b>\$7,910</b>	<b>\$2,710</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$105</b>	<b>\$701</b>	<b>\$3,505</b>	<b>(\$8,068)</b>	<b>\$2,043</b>	<b>\$2,668</b>	<b>(\$3,415)</b>	<b>\$1,785</b>
Beginning Cash Balance	\$12,628	\$12,733	\$13,434	\$16,939	\$8,871	\$10,914	\$13,582	\$10,167
<b>Ending Cash Balance<sup>2</sup></b>	<b>\$12,733</b>	<b>\$13,434</b>	<b>\$16,939</b>	<b>\$8,871</b>	<b>\$10,914</b>	<b>\$13,582</b>	<b>\$10,167</b>	<b>\$11,951</b>

**Source:** Maumee financial reports

**Note:** This fund does not have any salaries & wages, benefits, supplies and materials, or contracted services expenditures.

**Note:** Some of the larger capital projects have potential for grant funding or will be paid through bonds.

<sup>1</sup> In 2009, the City started accounting for capital projects directly from this fund. Revenue and expenditures related to project grants, construction receipts, and outlays were all directly charged, thus reducing transfers to and from the General Fund.

<sup>2</sup> In 2010, the City carried an encumbrance of \$63,000.

As shown in **Table 1-7**, Income Tax B has a substantial fund balance that is projected to continue to increase over the five-year period based on the expenditures currently identified in the ten year capital plan. The City also had \$4.2 million identified as "future" projects that had not yet been included in the timeframe of the ten-year capital plan. In addition, **Table 1-7** shows that based on forecasted revenue, the City's expenditures will exceed revenues at the end of 2011 and again in 2014. Since Income Tax B was initially approved by voters specifically for the purpose of capital projects and expenditures, the planned capital spending levels appear consistent with that intention.

**Table 1-8** shows the City's five year forecast for the Water Fund. The salary levels were based on projected staffing and pay increases.

**Table 1-8: Water Fund Five-Year Forecast (in 000s)**

	Actual 2008	Actual 2009	Actual 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Water Service	\$1,919	\$1,868	\$1,927	\$1,946	\$1,965	\$1,984	\$2,004	\$2,023
Misc Service	\$50	\$37	\$45	\$44	\$44	\$44	\$44	\$44
Misc Reimbursement	\$1	\$4	\$10	\$0	\$0	\$0	\$0	\$0
Water On-Account Receipts	\$4	\$0	\$13	\$4	\$4	\$4	\$4	\$4
Transfers from Other Funds	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
<b>Total Operating Revenues</b>	<b>\$1,979</b>	<b>\$1,914</b>	<b>\$2,000</b>	<b>\$1,998</b>	<b>\$2,017</b>	<b>\$2,036</b>	<b>\$2,056</b>	<b>\$2,075</b>
Salaries & Wages	\$601	\$573	\$595	\$546	\$553	\$559	\$563	\$567
Benefits	\$215	\$185	\$228	\$194	\$196	\$198	\$200	\$201
Supplies & Materials	\$918	\$1,040	\$1,016	\$1,036	\$1,057	\$1,078	\$1,100	\$1,122
Contracted Services	\$165	\$151	\$197	\$199	\$201	\$203	\$205	\$207
Capital Outlay <sup>1</sup>	\$11	\$16	\$213	\$7	\$40	\$9,500	\$11	\$54
Other	\$2	\$88	\$89	\$89	\$90	\$91	\$92	\$92
<b>Total Operating Expenditures</b>	<b>\$1,913</b>	<b>\$2,054</b>	<b>\$2,339</b>	<b>\$2,071</b>	<b>\$2,137</b>	<b>\$2,139</b>	<b>\$2,171</b>	<b>\$2,244</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$66</b>	<b>(\$139)</b>	<b>(\$338)</b>	<b>(\$74)</b>	<b>(\$120)</b>	<b>(\$103)</b>	<b>(\$115)</b>	<b>(\$169)</b>
Beginning Cash Balance	\$837	\$902	\$763	\$425	\$351	\$231	\$128	\$13
<b>Ending Cash Balance</b>	<b>\$902</b>	<b>\$763</b>	<b>\$425</b>	<b>\$351</b>	<b>\$231</b>	<b>\$128</b>	<b>\$13</b>	<b>(\$156)</b>

Source: Maumee financial reports and union contract

<sup>1</sup> The City does not include all water capital costs within the Water Fund.

As shown in **Table 1-8**, the Water Fund has experienced operating deficits in the past two years with expenditures exceeding revenue. This will continue in each of the five forecasted years. The fund has a substantial fund balance that will decline as it is used to cover the deficits. In 2015, the balance will not be sufficient to cover the deficit and may have to be subsidized by the General Fund unless expenditures are significantly decreased or revenue increased. (see **R1.7** utility billing rates)

**Table 1-9** shows the City's five-year forecast for the Sewer Fund.

**Table 1-9: Sewer Fund Five-Year Forecast (in 000s)**

	Actual 2008	Actual 2009	Actual 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Sewer Permits	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Sewer Service	\$2,516	\$2,606	\$2,798	\$2,950	\$3,111	\$3,281	\$3,461	\$3,650
Misc	\$30	\$35	\$44	\$36	\$36	\$36	\$36	\$36
Misc Reimbursement	\$6	\$0	\$1	\$0	\$0	\$0	\$0	\$0
Transfers	\$18	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Revenues</b>	<b>\$2,573</b>	<b>\$2,643</b>	<b>\$2,845</b>	<b>\$2,989</b>	<b>\$3,150</b>	<b>\$3,320</b>	<b>\$3,499</b>	<b>\$3,688</b>
Salaries & Wages	\$420	\$385	\$369	\$346	\$370	\$370	\$370	\$371
Benefits	\$171	\$143	\$134	\$134	\$142	\$142	\$142	\$143
Supplies & Materials	\$60	\$56	\$54	\$55	\$56	\$58	\$58	\$60
Contracted Services	\$1,211	\$1,161	\$1,167	\$1,179	\$1,190	\$1,214	\$1,214	\$1,226
Capital Outlay <sup>1</sup>	\$3	\$13	\$58	\$37	\$53	\$26	\$26	\$97
Other	\$537	\$621	\$620	\$592	\$150	\$150	\$150	\$150
<b>Total Operating Expenditures</b>	<b>\$2,402</b>	<b>\$2,379</b>	<b>\$2,402</b>	<b>\$2,343</b>	<b>\$1,961</b>	<b>\$2,027</b>	<b>\$1,960</b>	<b>\$2,048</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$171</b>	<b>\$264</b>	<b>\$443</b>	<b>\$646</b>	<b>\$1,189</b>	<b>\$1,293</b>	<b>\$1,539</b>	<b>\$1,641</b>
Beginning Cash Balance	\$218	\$388	\$652	\$1,095	\$1,741	\$2,930	\$4,223	\$5,762
<b>Ending Cash Balance</b>	<b>\$388</b>	<b>\$652</b>	<b>\$1,095</b>	<b>\$1,741</b>	<b>\$2,930</b>	<b>\$4,223</b>	<b>\$5,762</b>	<b>\$7,402</b>

Source: Maumee financial reports

<sup>1</sup> The City does not include all water capital costs within the Sewer Fund.

As shown in **Table 1-9**, Sewer Fund revenues have exceeded expenditures for the past three years. This trend is anticipated to continue with the City experiencing positive operating balances that contribute to an increasing fund balance over the five-year period of the forecast. According to the interim Finance Director and illustrated in the expenditure reports and capital plans, the City has not always attributed capital water and sewer expenditures to the corresponding funds. The City has often elected to use Income Tax B as the source for these expenditures since it carries a large balance and utility rates do not have to be adjusted. Furthermore, the interim Finance Director indicated that utility rates have not been reviewed regularly to determine if fees reflect all costs to provide services. As enterprise funds, both the Water and Sewer Funds are designed to be self-sufficient. (see **R1.7**)

### *Contracted Services*

Maumee spent \$157 more per capita on General Fund contracted services than the peers on average (as shown in **Table 1-3**). The 2010 expenditures are identified by department in **Table 1-10**.

**Table 1-10: Contracted Services by Department (General Fund)**

Description	Expenditures	Percent of Total
Council	\$105,683	3.4%
Finance	\$141,215	4.6%
Mayor	\$2,912	0.1%
Law	\$313,551	10.1%
Court	\$231,330	7.5%
Admin	\$126,223	4.1%
Safety	\$6,476	0.2%
Fire	\$166,142	5.4%
Fire Prevention	\$6,322	0.2%
Ambulance	\$89,149	2.9%
Lucas Co. Emergency Medical Service	\$7,865	0.3%
Police	\$758,558	24.5%
Animal Control	\$1,207	0.0%
Prosecutor	\$22,380	0.7%
Service Administration	\$39,714	1.3%
Service Construction	\$22,256	0.7%
Service Operations	\$20,419	0.7%
Inspection	\$23,783	0.8%
Pool	\$26,507	0.9%
Recreation	\$16,387	0.5%
Natural Resources	\$174,864	5.6%
Cemetery	\$1,917	0.1%
Health	\$133,387	4.3%
Storm Sewer	\$32,376	1.0%
Refuse	\$630,305	20.3%
<b>Total General Fund</b>	<b>\$3,100,928</b>	<b>100.0%</b>

Source: Maumee financial reports

**Table 1-10** shows that most General Fund expenditures for contracted services occur in three departments: Refuse, Police, and Law. Refuse collection service is contracted with an outside vendor.

**Table 1-11** identifies the Police Division contracted services in 2010.

**Table 1-11: Police Division Contracted Services**

Description	Expenditure	Percent of Total
Prisoner Maintenance	\$365,653	48.2%
Electricity	\$78,312	10.3%
Liability Insurance	\$52,725	7.0%
Building Maintenance Repairs	\$47,029	6.2%
Equipment Maintenance	\$41,081	5.4%
Electronic Doc. Processing (EDP) Consultants	\$40,739	5.4%
Maintenance Licensed Vehicles	\$37,995	5.0%
Equipment Rental	\$24,998	3.3%
Training	\$11,573	1.5%
Natural Gas	\$10,361	1.4%
Other Expenses <sup>1</sup>	\$48,093	6.3%
<b>Police Division Total</b>	<b>\$758,558</b>	<b>100.0%</b>

**Source:** Maumee financial reports

<sup>1</sup> Includes uniform repairs, subscriptions, postage, memberships, travel reimbursement, printing, and telephone.

**Table 1-11** showed that the highest percentage of contracted services in the Police Division was attributable to prisoner maintenance. Other significant charges include building maintenance and utilities, maintenance of vehicles and equipment, equipment rental, liability insurance, and electronic document processing consultants.

**Table 1-12** identifies contracted service spending in the Law Department, Court and the Division of Municipal Prosecution. Although costs were higher in the Law Department in **Table 1-12**, all contracted service costs are listed.

**Table 1-12: Contracted Services**

Description	2010 Expenditure	Percent of Total
Legal Attorneys	\$302,743	53.4%
Law Other Expenses <sup>1</sup>	\$10,809	1.9%
<b>Law Department Total</b>	<b>\$313,551</b>	<b>55.3%</b>
Lucas County Law Library	\$44,800	7.9%
Electricity	\$32,030	5.6%
Intergovernmental	\$27,050	4.8%
Electronic Doc. Processing (EDP) Consultant	\$26,132	4.6%
Postage	\$17,039	3.0%
Building Maintenance	\$16,718	2.9%
Rent/ Office Equipment	\$12,544	2.2%
Natural Gas	\$9,629	1.7%
Court Other Expenses <sup>2</sup>	\$45,388	8.0%
<b>Court Total</b> <sup>4</sup>	<b>\$231,330</b>	<b>40.8%</b>
Electronic Doc. Processing (EDP) Consultant	\$1,944	0.3%
Subscriptions	\$1,731	0.3%
Prosecutor Other Expenses <sup>3</sup>	\$18,705	3.3%
<b>Division of Municipal Prosecution Total</b>	<b>\$22,380</b>	<b>3.9%</b>
<b>Legal Services Total</b>	<b>\$567,262</b>	<b>100.0%</b>

Source: Maumee financial reports

<sup>1</sup> Includes memberships, liability insurance, mileage, printing, registration fees, and travel reimbursement.

<sup>2</sup> Includes printing, telephone, liability insurance, mileage and travel reimbursement, and witness fees.

<sup>3</sup> Includes liability insurance, machine maintenance, memberships, telephone, and postage.

<sup>4</sup> The Municipal Court was not a part of this audit. Information on Court expenses is included to illustrate the total cost of contracted services.

As shown in **Table 1-12**, the City of Maumee spends over \$302,700 in attorney fees. This amount represents over half of the spending in contracted services for all three legal areas (see **R1.8** for further analysis).

# Recommendations

## R1.1 Create and maintain a long-range strategic plan.

**The City should develop a comprehensive multi-year strategic plan that outlines its long-term vision. The plan should include detailed goals, objectives, timeframes, performance measures, and applicable cost estimates. Once developed, the City should link its strategic plan to the budget, five-year financial forecast, and capital plans. Using a strategic planning approach would shift the focus of budgetary decisions from input (e.g., salaries and the cost of purchased goods and services) to outputs and outcomes, and ultimately to the accomplishment of important goals and objectives. The City should link the goals in the strategic plan to its capital plan and financial forecast (see R1.2).**

The City of Maumee has not developed long-term plans to guide multi-year decision-making. The City compiles a capital plan in the form of a spreadsheet that identifies ten years of future capital needs along with costs for vehicles, equipment, and infrastructure improvements. Although the City indicates that this capital plan is considered in its appropriations process, it does not create a five year forecast that reflects the impact of these future estimated expenses. (see **R1.2**) The City includes certain financial and departmental goals in a section of its comprehensive annual financial report (CAFR). Specifically, the report lists income tax revenue and statistics, demographic statistics, and ten years of department operating indicators and capital asset statistics.

*Recommended Practices on the Establishment of Strategic Plans* (GFOA, 2005) indicates that all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan establishes logical links between spending amounts and goals. Steps in the strategic planning process include:

- Initiate the strategic planning process
- Prepare a mission statement
- Identify and assess environmental factors and critical issues
- Agree on a small number of goals and develop strategies and action plans to achieve them
- Develop measurable objectives and incorporate performance measures
- Approve, implement and monitor the plan
- Reassess the strategic plan annually

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 ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and are an important link between the goals in the strategic plan and the activities funded in the budget.

Developing and implementing a strategic plan would provide the City with direction and focus in allocating its resources from year to year. A strategic plan would also help communicate City goals internally and to external stakeholders.



**R1.2 Create and maintain a five-year financial forecast.**

**The City should develop a five-year financial forecast for all major funds consistent with leading practices. Council should require the preparation of the financial forecast prior to adopting the annual appropriation measures. It should ensure the forecast is consistent with the Certificate of Estimated Resources filed with the County and that all forecasts are reviewed and approved by Council. The City should regularly update the financial forecasts to address changing conditions. Likewise, it should establish minimum fund balances for the General Fund and other significant funds to stabilize government operations.**

There are five major funds in the City of Maumee: General Fund, Income Tax A (Operations), Income Tax B (Capital), and the Water and Sewer Funds. Maumee has created a General Fund forecast but it is not consistent with Government Finance Officers Association (GFOA) leading practices on forecasting. Most notably, the General Fund forecast did not include a detailed listing of revenue and expenditures. Also, although assumptions were listed, they were not detailed and when asked, the City could not provide documentation to support the process for creating the forecasted amounts. Finally, the City has not formalized a policy establishing the process for developing a forecast and has not established a policy to define required minimum fund balances.

Based on initial feedback from auditors, the City revised its General Fund forecast to include changes in expenditures to coincide with salary step increases, longevity, and other predictable salary and benefit expectations. The City reviewed line item object categories, gathered capital project cost estimates from department directors and documented all revenue and expenditure assumptions for the five years in the General Fund forecast. When no significant changes were projected, the City estimated average spending with a 1 percent increase that reflects the consumer price index inflation average.

Although the City did revise its General Fund forecast to better align with leading practices, there are several issues to address in developing a proper forecast. First, the expenditure data provided did not include encumbrances (see **R1.3**). Omitting all encumbrances in the year obligated or the year payment was made, underestimates past spending. This not only caused past estimates to be lower than actual expenditures, but also caused all calculations that used past spending as an estimate for future data to be understated. Even after discussions with the City relating to this issue, the City did not recognize the need to add encumbrances to the forecasted spending. Also, there were several issues with the City's forecast assumptions. For instance, the City projected revenue for Tangible Personal Property Tax. Since this is being phased out, the replacement payments from the State should be identified separately. The forecast should clarify to Council and residents what this is and (briefly) why it is occurring.

Interest earnings are projected to grow steadily over the 5 year period. Growth of approximately 33 percent annually seems to be aggressive given the current state of the economy. Interest rates should generally be conservative, unless a specific plan for investment has been established.

While the General Fund does not capture most of the City's income tax, it does include the revenue from the Monclova-Maumee-Toledo Joint Economic Development Zone (MMT-JEDZ).

The forecast estimates a 2 percent annual revenue increase. This steady increase does not reflect the current economic trend and is inconsistent with the forecast developed by the Income Tax Commissioner which projects no growth in revenue for the next 5 years.

Finally, the forecast does not include "Transfers from Other Funds." This should show how Income Tax A is estimated to be transferred from Fund 661 to 001. Failing to include this information prevents the City from determining whether its spending is consistent with anticipated revenue.

*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 goes on to indicate 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. The American Institute of Certified Public Accountants (AICPA)<sup>8</sup> also has detailed guidelines that could assist Maumee in preparing financial forecasts in a consistent and reliable manner.

The City of Sidney, Ohio (Sidney) has developed financial policies that include a budgeting and financial planning policy. Furthermore, Sidney has financial policies for auditing, internal controls, asset management, risk management, capital improvement, debt management, and financial performance targets. The major elements of the budgeting and financial planning process for Sidney are a comprehensive strategic plan, five year financial plan, and annual operating and capital budgets. The comprehensive strategic plan establishes a policy framework to guide the expansion and future development of Sidney over a 10 to 15 year period. The five year financial plan projects operating fund financial performance, estimates funding needs, and identifies funding sources. Sidney updates the financial plan annually and estimates the costs and funding for projects and programs that accomplish the long-term goals of the city. Sidney's budgeting and financial policies state that the following budget-balancing strategies will be used, in order of priority:

1. Reduce expenditures through improved productivity
2. Shift expenses to other parties
3. Create new service fees or increase existing fees
4. Seek tax rate increases
5. Reduce or eliminate services

Likewise, *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 formal policies for the unreserved fund balance that should be maintained in the General Fund, and that the balance should be 5 to 15 percent of regular General Fund operating revenues, or no less than 1 to 2 months of regular operating expenditures. GFOA goes

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<sup>8</sup> <http://www.aicpa.org/>

on to indicate that the minimum fund balance policy should be applied and monitored within the context of the long-term financial forecast. In 2000, the City of Barberton passed an ordinance establishing a Minimum Funds Balance, just one example of an Ohio municipality that has established this type of financial policy.

The City of Maumee had developed a forecasting model but it is not sufficient for internal planning. Because the City has generally raised sufficient revenue to cover its expenses, carefully examining future revenues and expenditures was not considered a critical task.

The financial condition of any local government should be regularly evaluated to identify potential problems and any changes that may be needed to improve performance over both the short and long term. Developing a detailed five-year financial forecast, including assumptions and scenarios based on known and likely events would help Maumee avoid future deficits and be better prepared for revenue shortfalls. Budget performance identifies explicit short-term indicators, primarily revenue and expenditure status for the budget period. An evaluation of financial condition considers a broader array of factors that may have long-term implications for the financial health of the government. These factors may include specific measures of the City's financial performance (e.g., trends in operating position or liquidity) as well as measures of the community's general social, demographic, and economic conditions. Consistent and routine reporting and analysis will help the City better understand, plan, and prepare for conditions that could impact the level of service it is able to provide to its residents. Long-term financial management will be essential to the City's ongoing financial management.

### **R1.3 Improve financial management internal controls and establish an audit committee.**

**The City should improve the internal control environment in its Finance Department. This includes ensuring financial policies are established and creating sufficient internal controls for monitoring and processing of all City finances to ensure that there is an adequate segregation of duties.**

**To further strengthen and monitor internal controls, the City should establish an audit committee as a means to address financial audit concerns, review internal controls, and develop recommendations for improving the financial reporting process. An audit committee can provide an independent review of financial management practices while promoting accountability. In the meantime, the Mayor and Finance Director should develop strategies for addressing prior financial audit citations, especially those that have occurred in multiple years.**

The management of the City of Maumee is responsible for establishing and maintaining internal controls to protect against the loss, theft, or misuse and abuse of its assets, as well as to reduce errors and identify them when they occur. A review and analysis of Finance Department processes indicated weaknesses in internal controls. For example, utility billing cash handling functions in the City were not completed in a manner consistent with recommended practices. Primarily, one account clerk receives all cash and creates the deposit slips. No segregation of duties exists in this area to ensure deposits accurately reflect money taken in during the day. Few controls have been established to prevent fraud or diversion; instead, the City relies on the honesty of tenured employees and customer awareness to detect misdirected funds. No audit trail

is created or maintained for utility payments collected by the account clerk.

In addition, the Finance Department has no system for verifying data. Financial reports received by the Auditor of State's Office from the Finance Department had inconsistent totals. There was no explanation for the variations and no evidence of any cross-checking or verification by the Finance Department staff. Furthermore, much of the Finance Department's data reporting is developed through manual calculations, which creates an opportunity for errors.

AOS financial audit management letters for the years 2005 through 2009 identified 39 citations (the 2010 audit has not yet been released). These included:

- Not recording unpaid invoices on the financial statements
- Appropriations exceeding actual resources
- No Council approved policies governing the authorization and use of credit cards, cell phone usage, or income tax collections

Finally, each financial audit from 2005 through 2009 recommends the City develop a disaster recovery plan, a purchasing policy that governs the use of purchase orders and purchase requisitions, and a capital asset policy and procedure manual. These have not been created. Moreover, these audits noted that the Finance Committee serves as the audit committee. The audits recommend the City formally establish an audit committee to oversee financial reporting process and internal controls. However, the City has not created an audit committee and has only taken action to correct some of the citations.

The City has considered the financial audit citations to be the responsibility of the Finance Director. City Council is informed of the financial audit citations, but conducts no formal follow-up to ensure citations are addressed.

*Recommended Budgeting Practices* (GFOA, 2008) indicates that state and local governments should establish formal audit committees. An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting process, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors objectively assess the government's financial reporting practices. GFOA goes on to indicate that the following elements should be considered when creating an audit committee:

- The audit committee should be formally established by charter, enabling resolution, or other appropriate legal manner
- Audit committee members should possess or obtain a basic understanding of governmental financial reporting and auditing
- To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities within the scope of the audit should serve as a member of the audit committee

- An audit committee should have sufficient members for meaningful discussion and deliberation
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism
- It is the responsibility of the audit committee to provide independent review and oversight of a government's financial reporting processes
- The audit committee should establish procedures for the receipt, retention, and treatment of complaints regarding, internal audit controls, or auditing matters
- The audit committee should present annually to the full governing body a written report of how it has discharged its duties and met its responsibilities

Audit committees should, as a component of their regular work, ensure that citations in financial audits and management letters are adequately addressed.

The City of Centennial, Colorado has established an audit committee with the following duties:

- Receives and reviews the findings and reports issued by the external 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
- Establishes and periodically reviews City financial reporting policies

Finally, the purpose of financial audit management letters is to communicate less than significant, but still important issues identified during the audit process. These recommendations help governments strengthen internal controls, prevent fraud and abuse, and mitigate future problems. Governments that implement management letter recommendations reflect the adoption of recommended practices and generally have better control over their financial operations. The deficiencies communicated in the management letter are often procedural and control weaknesses that result from human error or omission.

The City has not made the establishment of a separate audit committee a priority and instead, has delegated this function to its Finance Committee. Likewise, the recommendations in management letters have not been a priority for the City. Some recommendations are now being addressed, but others remain unfulfilled. In part, the Finance Department has not implemented some of the recommendations because of an antiquated information technology environment and a lack of resources, personnel and on occasion, expertise in certain areas.

The absence of key internal controls has contributed to the lax enforcement of sound financial reporting and accounting practices. This results in errors when managing expenditures and conducting basic financial reporting. Improved controls in key areas, and focused efforts to address prior management letter recommendations, would help the City better manage its financial operations. Additionally, an effective audit committee can help to improve the overall financial reporting process, address issues or concerns from external and internal audit reviews, and educate key stakeholders about the City's financial activities.

**R1.4 Adjust payroll to a two-week arrears-based cycle.**

**The City of Maumee should consider changing its payroll processing cycle so all employees are paid two weeks after the end of the pay period. The City should work with the collective bargaining units to determine an agreeable method that would allow for a reasonable transition of the payroll cycles and result in a negligible impact on employees. Changing the payroll cycle will allow the City to establish a mandatory electronic payroll processing system (direct deposit and electronic paystubs) for all employees and will provide Finance Department staff with adequate time to ensure payroll accuracy. (see R1.9)**

The City pays employees for a two-week pay period on the Friday immediately following the pay period. Payroll timing is part of three collective bargaining agreements:

- American Federation of State, County and Municipal Employees (AFSCME) contract (Section 46.03)
- Professional Firefighters/Paramedics International Fire Fighters (IAFF) contract (Section 45.03)
- Fraternal Order of Police (FOP) contract (Section 58.03)

The limited payroll processing timeframe prevents the City from establishing a mandatory direct deposit system and limits the time payroll personnel can spend reviewing payroll data for accuracy. In addition, the City does not have formal internal control policies or procedures for payroll (see also **R1.3**).

According to the Human Resources Administrative Assistant, departments that work on the weekend, such as the Police Division, provide a finalized set of timesheets on Monday morning. All payroll transactions must be processed and faxed to the local credit unions by Thursday, leaving less than three days of processing time. Furthermore, the Human Resources Administrative Assistant indicated that only the credit unions will permit the City to transmit the information and provide funds available by Friday, before the City actually releases the funds to the credit union and that the local banks would not provide this service, reducing any possibility of using full direct deposit (**see 1.10**). The constricted timeframe for processing payroll means that any additional delay or interference, such as holidays or special events, can reduce the time available for processing.

In order for the City to change its payroll schedule, the Finance Department should devise a number of options to present to the bargaining unit. The options offered in **Tables 1-13** and **1-14** are based on the annual \$30,902 salary of a full-time department secretary at Step A (bargaining unit agreement) working 80 hours per pay period. For simplicity, taxes and other payroll deductions are not included in the analysis. **Table 1-13** illustrates one method of shifting to a two-week lag, arrears-based pay cycle in which the financial impact would be negligible for employees.

**Table 1-13: Three and One-Third Option**

Pay Period	Current Pay Schedule	Re-Distributed Pay Schedule	Difference in Pay
Pay Period 1	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 2	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 3	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 4	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 5	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 6	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 7	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 8	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 9	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 10	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 11	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 12	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 13	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 14	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 15	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 16	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 17	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 18	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 19	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 20	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 21	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 22	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 23	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 24	\$1,188.54	\$1,139.02	(\$49.52)
Pay Period 25	\$1,188.54	\$1,188.54	\$0.00
Pay Period 26	\$1,188.54	\$1,188.54	\$0.00
<b>First Pay Period Following Date of Conversion</b>	<b>\$0.00</b>	<b>\$1,188.54</b>	<b>\$1,188.54</b>
<b>Total Annual Salary</b>	<b>\$30,902.00</b>	<b>\$30,902.00</b>	<b>\$0.00</b>

By exercising this option, three and one-third hours of pay are withheld each pay period for the first 24 pay periods of the year. For these pay periods, approximately \$50 is discounted from each paycheck for redistribution to the employee upon the first pay period following the conversion to a standard two-week arrears-based pay cycle. Therefore, after 24 pay periods, the secretary will receive a normal rate of pay on a two-week arrears-based pay cycle.

**Table 1-14** illustrates another option by which the City of Maumee can migrate to a two-week arrears-based pay cycle.

**Table 1-14: One Day Later Option**

Pay Period	Day of Pay (14-day pay period)	Current Pay Earned	Day of Pay (15-day pay period)	Lagged Pay Earning Schedule
Pay Period 1	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 2	Friday	\$1,188.54	Saturday	\$1,188.54
Pay Period 3	Friday	\$1,188.54	Monday	\$1,188.54
Pay Period 4	Friday	\$1,188.54	Tuesday	\$1,188.54
Pay Period 5	Friday	\$1,188.54	Wednesday	\$1,188.54
Pay Period 6	Friday	\$1,188.54	Thursday	\$1,188.54
Pay Period 7	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 8	Friday	\$1,188.54	Saturday	\$1,188.54
Pay Period 9	Friday	\$1,188.54	Monday	\$1,188.54
Pay Period 10	Friday	\$1,188.54	Tuesday	\$1,188.54
Pay Period 11	Friday	\$1,188.54	Wednesday	\$1,188.54
Pay Period 12	Friday	\$1,188.54	Thursday	\$1,188.54
Pay Period 13	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 14	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 15	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 16	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 17	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 18	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 19	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 20	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 21	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 22	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 23	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 24	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 25	Friday	\$1,188.54	Friday	\$1,188.54
Pay Period 26 <sup>1</sup>	Friday	\$1,188.54	N/A	N/A
<b>First Pay Period Following Date of Conversion</b>	<b>Friday</b>	<b>\$0.00</b>	<b>Friday</b>	<b>\$1,188.54</b>
<b>Total Annual Salary</b>		<b>\$30,902.00</b>		<b>\$30,902.00</b>

**Note:** The employee would have to wait two additional days for each of the pay cycles ending on Sunday.

<sup>1</sup>Pay period 26 is eliminated in the One Day Later Option as two weeks are absorbed into the first twelve pay periods.

By using this option, the secretary receives a normal rate of pay (80 hours) one day later than the previous pay period for the first 12 pay periods. In other words, each pay period shifts forward one day to create a lag in the time each paycheck is received. Although the secretary must wait an additional day each pay period to receive a paycheck, a two-week arrears-based pay cycle is created after 12 pay periods.



The University of California at San Diego (UCSD, 2006) controls a \$70 million monthly payroll by following strict internal control practices that include:

- Separation of duties;
- Accountability, authorization, and approval;
- Security of assets; and
- Review and reconciliation.

Current collective bargaining agreements require the City to pay employees based on a restricted timeframe. The City has not viewed the provision of additional time for payroll processing as a priority and has not raised this issue with its collective bargaining units. Establishing a two-week arrears-based pay cycle and internal control processes will ensure that payroll is processed accurately. It will provide additional time for Finance Department employees to review payroll submissions and allow the City to implement full direct deposit.

### **R1.5 Implement a purchase order/requisition policy and approval process.**

**The City of Maumee should develop comprehensive purchase order/requisition policies and procedures that enforce prior or concurrent approval for all purchases to reduce the risk of fraud and abuse. The policy and procedures should include the completion of a “then and now” certificate at the time of commitment in emergency situations. In addition, blanket purchase orders should be established for routine purchasing.**

The City does not have a purchasing policy and typically creates purchase orders after invoices are received. Although approval is documented on the purchase order, this is approval from the department director to pay the invoice after it has been received. The Accountant approves the order to acknowledge that funds are available. Since this occurs after the purchase has occurred, the City does not ensure that funds are available before the purchase and does not typically encumber these funds at that time. All purchase orders are created manually, using paper forms attached to invoices. The City does not use blanket purchase orders. Although the City has purchased a software module to add to its current financial software package, it has not yet implemented it. The 2009 financial audit cited purchasing as an internal control deficiency. It was also identified as a recurring issue in prior audits (see **R1.3**).

According to Article X of the City's Charter:

*“For all contracts involving the expenditure of municipal funds, the Clerk shall certify in the accounting records of the Municipality that the amount required to meet the obligation, or in the case of a continuing contract to be performed in whole or part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any prior encumbrances. The Clerk shall furnish a copy of such certification to all other parties to the contract, upon request. If no such certification has been made, the contract shall be void and unenforceable against the Municipality.”*

The City's Charter language is similar to ORC 5705.41(D)(1), which requires the City to certify that funds are available before a purchasing contract for goods or services is considered valid. Not only is certification of funds required under the ORC and City Charter, but also purchasing policies are a practice recommended by the International City/County Management Association (ICMA).

*Public Purchasing: A Checklist for the Local Government Manager* (ICMA, 1998), states that an essential document in any local government is a purchasing manual containing the policies governing the "how to" of public procurement. The manual can contain a variety of topics, from basic instructions on how to prepare a purchase order to the procedures used to take telephone quotes, submit a sole source justification, make an emergency purchase, or negotiate a contract. A manual makes it easier to enforce the purchasing policy. ICMA also provides examples of cities with purchasing manuals. Maumee could develop and implement a purchasing manual internally at no additional cost. In order to ensure compliance, the City Finance Director/ Clerk may need to provide training to key personnel and should hold department supervisors and employees accountable for purchases made without prior approval, outside the purchasing process, without supporting documentation, or for questionable purposes.

The City of Maumee relies on department directors to budget their annual appropriations and purchase responsibly. Since the City has a small number of departments and many tenured individuals, this has occurred without significant problems. However, the City has recently experienced turnover and consolidation in some departments. At the same time, it has experienced financial constraints that make oversight of purchasing a more critical function.

Establishing a policy to control purchasing will help the City limit expenditures and better direct its resources. By operating within the framework and parameters established through purchasing policies and proactively monitoring purchases during the year, the City will be able to better ensure financial stability. Implementing this recommendation will also help the Finance Director address prior financial audit management letter recommendations regarding purchase orders and avoid approval of expenditures that exceed appropriations.

#### **R1.6 Develop policies for military leave payments.**

**The City should establish policies and procedures for calculating differential military pay that are consistent with ORC 5923.05 and are reviewed by the City's Legal Department prior to implementation. The policies and procedures should include a list of all required military documentation from employees seeking military differential pay from the City.**

The Maumee Finance Department does not have policies and procedures to describe the method for handling payroll matters for employees that serve in the military. During 2009 and 2010 two police officers were serving in military reserve and active capacities. Both employees received "military leave" from their normal City duties. Both employees were compensated at their full City pay for a certain number of days each year in accordance with Maumee's Fraternal Order of Police (FOP) Contract as well as ORC 5923.05 that describes a City's obligations relating to military leave.

ORC 5923.05 requires at least 22 days of full-paid military leave be provided to City employees.

The FOP contract explicitly states that all employees serving in the military were eligible for fully-paid leave for 31 days in the FOP contract that was in effect through September 2009, and for 22 days of fully paid military leave in the contract that was renegotiated and in effect after September 2009. Both employees were paid consistently in terms of the benefit of fully paid leave.

However, both employees served beyond the number of days required for the City to fully pay for military leave. One employee served 24 days in 2009 and 34 in 2010; the other, who went on active duty in late 2009, served 27 days in 2009 and 200 days in 2010. Under ORC 5923.05, a City employee that exceeds the initial period of fully-paid leave may be eligible for “differential pay.” ORC 5923.05 provides an explanation of the method for calculating the differential pay, but also requires that the employee’s military duties must be designated as executive orders issued by the President, orders by the Governor, or legislative orders by an Act of Congress. ORC 5923.05 establishes that a local government may elect to pay more than the minimum required under this Code. However, the City’s FOP contract states that beyond the 22 days of leave, the City will comply with ORC 5923.05 and will offer additional differential pay only for employees serving under an official order. Based on the ORC 5923.05 and the FOP contract, the employee serving as a reservist for all of 2009 and 2010 was only eligible for the period covered for fully-paid leave, but was not eligible for any differential pay beyond that period (31 days prior to September 2009, and 22 days after September 2009) each year. Thus, differential military pay provided to this employee resulted in overpayments.

The second employee was activated to military service through official orders in late 2009. The City is obligated under ORC 5923.05 and the FOP contract to determine the employee’s eligibility for differential pay. The City used the difference between the military “scale” pay rate and the City rate, but did not consider the full month of military pay which included weekends and bonuses. This method is not consistent with ORC 5923.05. In fact, the City’s contracted legal advisor prepared an opinion in August 2010 that explained the methodology for calculating differential pay detailed in ORC 5923.05 and noted the City had likely made overpayments because it erred in how it calculated differential pay. Despite this information, the City did not alter its method for calculating differential pay. In fact, the City had not even collected the employee’s military paystubs for proof of payment. In August 2010,<sup>9</sup> the City requested two sample paystubs from this employee. Although two pay stubs were available to review, these two examples suggest that this employee's total military pay typically exceeded what the employee would have earned with the City. Under ORC 5923.05(D), this means that the City does not have to pay any differential pay. Based on these two sample paystubs, it is likely the differential pay awarded to this employee by the City in 2009 and 2010 was an error.

According to ORC 5923.05(B) *“Except as otherwise provided in division (D) of this section, any permanent public employee who is employed by a political subdivision, who is entitled to the leave provided under division (A) of this section, and who is called or ordered to the uniformed services for longer than a month, for each calendar year in which the employee performed service in the uniformed services, because of an executive order issued by the president of the*

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<sup>9</sup> In July 2011 the Interim Finance Director solicited another opinion from the same contracted legal advisor (provided legal opinion in August 2010) using the same data from only one military employee which noted that the City was correct in its differential pay calculation. The City was indicated that their processes have changed but were unable to demonstrate that changes had occurred.

*United States, because of an act of congress, or because of an order to perform duty issued by the governor pursuant to section 5919.29 of the Revised Code is entitled, during the period designated in the order or act, to a leave of absence and to be paid, during each monthly pay period of that leave of absence, the lesser of the following:*

*(1) The difference between the permanent public employee's gross monthly wage or salary as a permanent public employee and the sum of the permanent public employee's gross uniformed pay and allowances received that month; (2) Five hundred dollars."*

A lack of internal controls and knowledge of ORC 5923.05 has led to inconsistent and inaccurate differential military pay transactions. The City did not properly collect pay stubs, and contrary to the opinion provided by its own legal advisors, did not react to information that the City's, methodology was inconsistent with ORC 5923.05.

Establishing a formal process for military pay that includes required military documentation will ensure the City is calculating differential pay in accordance with ORC 5923.05 and collective bargaining agreements. According to ORC 5923.05, neither employee would have been eligible to receive the amounts paid to them in differential pay. Since weekend drills are not ordered as part of an executive order (by the president or the governor or by an act of congress) as required in ORC 5923.05(B), the City of Maumee is not required to provide differential pay for reserve duty weekend drills. The City has no supplemental policy to provide differential pay in circumstances not covered by ORC 5923.05.

Furthermore, while official activated duty for military personnel under an executive order is eligible for differential pay under ORC 5923.05(B), the method for calculating the pay must take into consideration the entire monthly pay received by the military including all incentives earned. The City of Maumee used a daily rate and did not consider the full payment that included bonuses and other payments. This could lead to significant overpayments.

The City's incorrect interpretation and application of differential pay led to improper payments to two employees. Based on an analysis of 2009 and 2010 military differential payments, the City may have overpaid two employees approximately \$40,480. Establishing appropriate policies and procedures, including the collection of appropriate supporting documentation, would help ensure the City does not repeat this error in the future.

*See City's comments regarding this recommendation in the Official Response letter.*

#### **R1.7 Annually evaluate utility rates and revise as necessary to ensure appropriate cost recovery.**

**The City should periodically evaluate its rate schedule for water and sewer services to ensure it maintains positive balances and that all appropriate operating and capital expenditures are billed to these funds. After applying economy and efficiency measures, adjusting the rate structure will help the City recover production costs while maintaining a fair and equitable rate structure for all consumers. The rate schedule should be evaluated annually to ensure the City shows a positive amount for the change in net assets, meets or exceeds any debt covenants, and provides sufficient cash flow to pay all bills in a timely**

**manner.**

The City of Maumee is subsidizing its Water and Sewer funds. Its water and sewer rates do not include all costs for supplying and maintaining its utilities and it has not consistently charged all capital expenditures to the Water and Sewer funds. In fact the Sewer Fund has no capital funds budgeted for 2011 even though its capital plan indicates sewer improvements in that year. According to the interim Finance Director, the City moved capital expenditures out of the Water and Sewer funds and into the Income Tax B Fund because the Water and Sewer funds were not generating sufficient revenue from user fees to cover all costs. Sewer rates were adjusted in 2007 to cover past deficits, and, by 2011 these shortfalls had been resolved. The Water Fund has experienced operating deficits in four of the past five years and rates were last increased in 2009. The Water Fund remains solvent because of a large fund balance but the five year forecast for developed by AOS indicates that this fund will continue to run an operating deficit in the next five years with the current rate structure. This will exhaust the fund balance in 2015. Although the Sewer Fund is not anticipated to experience a deficit, the true amount of capital expenditures related to sewer operations are not tracked in the Fund and are likely higher than forecasted.

Based on ORC 743.04, the City may assess a fee for utility services in order to pay for operations and permanent improvements. *Cost Analysis and Activity-Based Costing for Government* (GFOA, 2004) recommends that a formal policy be established for setting fees and that the full cost of providing a service be calculated in order to provide a basis for setting the charge or fee. The full cost incorporates both direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities. Further, the policy should be reviewed and periodically updated to ensure the adequacy of coverage.

According to the interim Finance Director, past rate changes were not based on an assessment of the overall costs. The unpopularity of rate changes and sensitivity to this issue by City Council has led to reluctance to raise rates to cover all operating and capital costs.

If the City accounts for all water and sewer expenditures in the appropriate funds, then a future determination of appropriate rates can be based on these costs. Employing appropriate cost recovery principles will help the City ensure its Water and Sewer funds are adequately supported by user fees. This will minimize the financial risk associated with providing these utilities.

**R1.8 Control contracted service expenditures.**

**The City of Maumee should ensure that it monitors and controls contracted service expenditures in the General Fund, particularly costs associated with attorneys contracted by the Law Department.**

The City spends over four times as much as the peers on contracted services within the Law Department, primarily for legal services. These contracted legal services range from negotiations during the collective bargaining process, evaluating lawsuits, providing input on policies and financial accounting structures, and advising on other legal issues. The City receives detailed billings from all contractors but has used them for many internal policy-setting services that might traditionally be done by the Finance Director and other City administrative personnel. Although the City benefits from the knowledge and experience provided by these contractors,

especially in collective bargaining and advising on ordinances and other legal matters, it must rely on the integrity of these individuals to indicate when their services are required. Additionally, the City underutilizes its administrative personnel by contracting for services that would normally be completed in-house, such as the preparation of comprehensive annual financial reports (CAFR), questions with the financial chart of accounts, development of an operations plan, and development of a policy and procedure manual. Although the audit did not identify evidence of fraud or abuse related to contracted services, the significantly higher expenditures (four times the peer average on a per capita basis) indicates an over-reliance on contracted personnel for common City tasks.

As shown in **Table 1-3**, the City of Maumee exceeded contracted services expenditures by \$157 per capita when compared to peer averages. Contracted services include several areas such as copy machine contracts or EMS billing services included in the Fire Division. However, the largest contracted service costs are in the Law Department and Municipal Court. The majority of the contracted service costs within the Law Department, Division of Municipal Prosecution and Municipal Court are for external legal services. **Table 1-14** provides a detailed listing of the categories of spending and a comparison to the peer averages in each of these departments.

**Table 1-14: Legal Services Expenditure Comparison**

	Maumee Total Expenditures	Maumee Per Capita	Peer Average Per capita	Difference
<b>Law Department</b>				
Personnel	\$64,800	\$4.58	\$5.84	(\$1.26)
Benefits	\$11,232	\$0.79	\$1.10	(\$0.31)
Supplies & Materials	\$0	\$0.00	\$0.31	(\$0.31)
Contracted Services	\$313,551	\$22.15	\$5.35	\$16.80
Other <sup>1</sup>	\$0	\$0.00	\$0.56	(\$0.56)
<b>Total</b>	<b>\$389,583</b>	<b>\$27.52</b>	<b>\$13.16</b>	<b>\$14.36</b>
<b>Division of Municipal Prosecution</b>				
Personnel	\$230,588	\$16.29	\$10.27	\$6.02
Benefits	\$66,941	\$4.73	\$3.99	\$0.74
Supplies & Materials	\$644	\$0.05	\$1.24	(\$1.19)
Contracted Services	\$22,380	\$1.58	\$4.59	(\$3.01)
Capital Outlay	\$1,637	\$0.12	\$0.07	\$0.05
<b>Total</b>	<b>\$322,190</b>	<b>\$22.76</b>	<b>\$20.15</b>	<b>\$2.61</b>
<b>Court<sup>2</sup></b>				
Personnel	\$968,080	\$68.39	\$51.38	\$17.01
Benefits	\$348,078	\$24.59	\$17.32	\$7.27
Supplies & Materials	\$10,311	\$0.73	\$2.80	(\$2.07)
Contracted Services	\$231,330	\$16.34	\$4.11	\$12.23
Capital Outlay	\$0	\$0.00	\$1.20	(\$1.20)
Other <sup>1</sup>	\$0	\$0.00	\$0.37	(\$0.37)
<b>Total</b>	<b>\$1,557,800</b>	<b>\$110.05</b>	<b>\$77.17</b>	<b>\$32.87</b>
<b>Total</b>				
<b>Personnel</b>	<b>\$1,263,468</b>	<b>\$89.25</b>	<b>\$67.49</b>	<b>\$21.77</b>
<b>Benefits</b>	<b>\$426,251</b>	<b>\$30.11</b>	<b>\$22.41</b>	<b>\$7.71</b>
<b>Supplies &amp; Materials</b>	<b>\$10,955</b>	<b>\$0.77</b>	<b>\$4.35</b>	<b>(\$3.57)</b>
<b>Contracted Services</b>	<b>\$567,262</b>	<b>\$40.07</b>	<b>\$14.04</b>	<b>\$26.03</b>
<b>Capital Outlay</b>	<b>\$1,637</b>	<b>\$0.12</b>	<b>\$1.27</b>	<b>(\$1.16)</b>
<b>Other<sup>1</sup></b>	<b>\$0</b>	<b>\$0.00</b>	<b>\$0.93</b>	<b>(\$0.93)</b>
<b>Total</b>	<b>\$2,269,573</b>	<b>\$160.33</b>	<b>\$110.48</b>	<b>\$49.84</b>

Source: Maumee and peer financial reports

<sup>1</sup> Other expenditures include advances and transfers.

<sup>2</sup> The Court was not included as a part of the audit scope. Its expenses are illustrated here as a component of overall contracted services.

**Table 1-14** shows the City's contracted services in the Law Department, Division of Municipal Prosecution and Municipal Court were 185 percent higher than the peer average, with the largest difference being in the Law Department. In the Law Department, contracted services are over 80 percent of total expenditures. Furthermore, these contracted services are four times higher than the peers and yet are based on a relatively small group of legal firms and consultants. **Table 1-15** displays a compilation of the 2009 and 2010 billing receipts for the five vendors the City has used for legal and financial services.

**Table 1-15: Contracted Services**

	Rate	2009	Percent of Total	2010	Percent of Total
Legal Services					
Angelo	\$185/hr	\$144,764	36.1%	\$74,255	22.9%
Benesch	\$225-\$400/hr	\$27,501	6.9%	\$16,595	5.1%
McAdams <sup>1</sup>	\$135/hr	\$71,429	17.8%	\$65,232	20.1%
Reminger <sup>2</sup>	\$135	\$138,090	34.4%	\$133,914	41.4%
Financial Services					
Schonhardt	Minimum of \$11,000	\$19,308	4.8%	\$33,840	10.4%
<b>Total Consultant Costs</b>		<b>\$401,091</b>	100.0%	<b>\$323,836</b>	100.0%

**Source:** City attorney billing statements

**Note:** Billing charges do not correlate with annual contracted services exactly due to differences in the billing cycle.

<sup>1</sup>McAdams is also the City's Law Director and is paid 40 hours per month in salary by the City. All additional hours are considered contracted services.

<sup>2</sup> According to the City, Reminger reimbursed the City for expenses that were advanced totaling \$6,149.42 in 2009 and \$4,785.35 for 2010.

As shown in **Table 1-15**, the City of Maumee relies heavily on a small group of firms to provide legal services to the City. Three of the firms consistently earn over \$50,000 per year, with one consistently earning over \$100,000 annually from City business.

The City has historically relied heavily on its advisory relationship with specific law firms. The contracts with these law firms establish rates and requirements for detailed billing, however, they do not establish limits on the amount that may be billed during a given period. On legal matters, the City often must rely on the attorneys to indicate when their opinions are required and, though it employs a City Law Director, the salary and hours established for the position are inadequate to carry out all City business. Further, the long relationship with these attorneys and the considerable amount of time billed suggests a potential to aggregate the service costs and bid out the work. The reliance on outside legal support stems from a deficiency in internal controls and financial oversight.

Establishing controls on the expenditures for these contracted services would contribute to greater accountability. The City could ensure that costs were for activities that specifically required legal services and not for activities that can be performed by internal staff.

*Financial Implication:* If the City could reduce its contracted legal services by 50 percent (to a level twice that of the peer average), it could save in excess of \$150,000 annually.



**R1.9 Negotiate mandatory direct deposit and eliminate manual payroll for all employees.**

**The City of Maumee should negotiate payroll direct deposit for all employees, regardless of hire date. Furthermore, the City should discontinue the practice of issuing paper pay stubs and instead, make the information available on-line. Modifying the payroll lag time to two weeks as addressed in R1.4 would help facilitate the timely submission of accurate payroll information to the financial institution. Taking these steps would benefit the City by reducing costs and improving efficiency in the Finance Department. It would also benefit employees by providing instant access to funds and improved access to historical payroll information.**

The City has not implemented a direct deposit system for all employees and continues to print pay stubs for each employee. The current collective bargaining agreements require that payroll be processed within a week of submission. Although the City is able to arrange some automatic deposits through two credit unions, its short payroll cycle does not allow sufficient time to have the funds processed through area banks in time to have the funds available to staff. According to the HR Assistant responsible for payroll, the other local financial institutions are not able to arrange for direct deposit within this tight timeframe.

According to *Costs and Benefits of Direct Deposit of Salary Checks* (National Federation of Independent Business (NFIB), 2004), direct deposit of paychecks provides many benefits both to employers and employees. Benefits to employers include:

- Reduced risk of check fraud and lost or stolen checks
- Greater control over payroll and payroll expenses
- Timely payment of salary checks, even when employees are away from the office
- Reduced time spent on bookkeeping because of immediate payments into employee accounts (no lost checks, delayed check cashing, etc.)
- Immediate availability to online transaction reports

Benefits to employees include:

- Reduced time required for checks to clear
- Reduced chance of losing checks or having checks stolen
- No need to spend time visiting a bank or ATM to deposit paychecks
- Payments can be divided automatically among designated employee accounts
- No cost to employees for direct deposit

The Electronic Payment Association states that employers and employees can benefit financially from the use of electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The employer benefits because electronic pay stubs eliminate the need to print, mail, and distribute pay stubs or reproduce lost pay stubs. At the same time, the employee benefits because he or she can easily access pay information from any computer with a browser and internet connection. Also, a more extensive record of the employee's pay history is available, beginning with the first electronic pay stub. Electronic pay stubs also make it easy for employees to provide pay stub information to third parties, such as accountants, mortgage lenders, and other

agencies requiring pay verification.

The City's collective bargaining agreements have restricted the City's timeframe for conducting payroll processing. Only two credit unions have been willing to coordinate with the City to allow employee accounts to be credited with direct deposits.

A 2005 report by the U.S. Treasury Department's Office of the Comptroller of the Currency recognized that the "the typical cost to an employer of a direct deposit transaction is 20 cents" and "the cost of a paper check is estimated at \$1 to \$2." Further, implementing electronic pay stubs would reduce costs for paper, envelopes, and labor necessary to produce hard copy stubs, which the National Automated Clearing House Association estimates to be about \$1.20 per statement.

*Financial Implication:* If the City were to mandate direct deposit for the employees not currently participating and implement electronic pay stubs, it would save approximately \$9,700 annually. This assumes \$1.50 cost per paper check, which is the midpoint of the range mentioned above.

### **R1.10 Develop and distribute a popular annual financial report.**

**The City of Maumee should develop a popular annual financial report (PAFR). These reports present less technical language that could more easily be used by residents, Council members and staff as a way to increase their understanding of the City's current and historical finances. The City should also ensure that these reports are made available to the public through various forms of communication, such as postings at public libraries, mailings to major businesses, posting on the City's website, and press releases to the local media.**

The City of Maumee annually releases a comprehensive annual financial report (CAFR) in conjunction with its annual financial audit. It does not develop a PAFR; however, the Finance Director noted an interest in putting together a shorter and less technical version of its CAFR.

In *Preparing Popular Reports* (GFOA, 2001), GFOA recommends that each government entity issue a PAFR. A PAFR is designed to assist those who need or desire a less detailed overview of government financial activities than the CAFR provides. A PAFR can take the form of consolidated or aggregated presentations, or a variety of other forms. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant.
- The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information.
- The popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format, and be written in a concise and clear style.
- The popular report should avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics. Narratives should be used, as appropriate, to highlight and

explain items of particular importance.

- The popular report should use comparative data constructively to help identify trends useful in the interpretation of financial data.

Most importantly, the popular report should establish credibility with its intended readers by presenting information in a balanced and objective manner.

Providing enhanced financial and statistical reporting through a PAFR would provide all stakeholders with insight into City operations and a better understanding of its financial condition and outlook. Although there are costs associated with the preparation and printing of PAFR documents, some components of this work could be performed in-house. The Finance Department could develop the tables and graphs associated with the PAFR and publish these documents on the website in electronic form. Using electronic media to publish the PAFR would greatly reduce the cost of production and distribution.

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## 2. Human Resources

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### Background

This section of the performance audit focuses on the City of Maumee's human resource functions, including staffing, employee compensation and benefits, negotiated agreements, and human resource management practices. Where appropriate, recommendations identify potential cost savings to improve efficiency and business practices. The City's human resource functions were evaluated and compared to leading practices, industry benchmarks, operational standards, the Ohio Revised Code (ORC), the US Department of Labor's Fair Labor Standards Act (FLSA) and peer cities (see executive summary for list of peer cities). Leading practices and industry standards were drawn from the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the Society of Human Resource Management (SHRM), and the American Society for Public Administration (ASPA).

#### *Staffing*

According to the City of Maumee Charter, adopted July 24, 1951 under Article III, section 8 (last updated November 8, 1994) Council has the power to create offices and departments of the Municipality and such additional offices and departments as the Council by ordinance or resolution finds to be necessary, and the power to fix the duties, bonds and compensation for all department officers and officials. Council also has the power, by motion, to approve and confirm or to disapprove and reject all appointments made by the Mayor to fill such offices and departments created by action of Council. The Council also has power to fix the number of employees in the various departments of the Municipality and to fix the rate of their compensation. In addition, under Article IV, section 4, the Mayor has executive powers to appoint, promote, transfer, reduce or remove any officer or employee of the Municipality except those required by the Charter to be elected, subject to confirmation by a majority of the members of Council.

**Table 2-1** shows staffing levels at the City of Maumee, by department and major job classification or division, compared to the average staffing levels at the peer cities. The City of Maumee and each of the three cities vary in the level of services and the manner in which they were provided. Moreover, the scope of the audit excluded an examination of the City's court operations. **Table 2-1** represents the total full-time equivalent (FTE) of the City's full-time, part-time, and volunteer employees, excluding elected officials and court employees. Similarly, while the peer average includes each City's full-time, part-time, and volunteer employees, specific divisions or departments at the peer cities were excluded, based on how the service was delivered at the City of Maumee. For example, the City of Perrysburg has a refuse collection department, while the City of Maumee contracts for this function. As a result, refuse employees were excluded from the peer staffing. Likewise, water and sewer treatment plant and vehicle maintenance employees at the peers were excluded because the City of Maumee does not employ staff for these functions.

**Table 2-1: City of Maumee Staffing Comparison (FTE), January 2011**

	City of Maumee	Peer Average	Difference
<b>Administration</b>	<b>1.00</b> <sup>1</sup>	<b>3.17</b>	<b>(2.17)</b>
<b>Legal Department</b>	<b>3.23</b>	<b>2.57</b>	<b>0.66</b>
<b>Finance Department</b>	<b>12.00</b> <sup>2</sup>	<b>14.72</b>	<b>(2.72)</b>
Accounting	3.00	4.46	(1.46)
Human Resources	2.00	1.67	0.33
Information Technology	N/A	1.44	(1.44)
Tax	5.00	6.08	(1.08)
Utility Billing	2.00	2.34	(0.34)
<b>Inspection Division</b>	<b>5.00</b>	<b>4.80</b>	<b>0.20</b>
<b>Engineering Department(or function)</b>	<b>1.00</b>	<b>3.96</b>	<b>(2.96)</b>
<b>Fire Division</b>	<b>31.20</b>	<b>29.10</b>	<b>2.10</b>
Administration	6.00	2.80	3.20
EMS	12.00	19.60	(7.60)
Fire/Volunteer	11.20	5.80	5.4
Fire Prevention	2.00	.90	1.01
<b>Police Division</b>	<b>60.18</b>	<b>41.04</b>	<b>19.14</b>
Administration	5.00	3.92	1.08
Command	10.00	6.33	3.67
Patrol	33.00	23.37	9.63
Dispatch	10.00	6.67	3.33
Other	2.18	0.75	1.43
<b>Public Service Department</b>	<b>50.72</b>	<b>54.19</b>	<b>(3.47)</b>
Administration	10.00	6.92	3.08
Operations/Construction/Engineering	15.00	10.54	13.46
Water and Sewer Maintenance	9.00	10.60	(1.60)
Parks and Recreation/Natural Resources	16.72	26.13	(18.41)
<b>Total</b>	<b>164.33</b> <sup>3</sup>	<b>153.55</b>	<b>10.78</b>

**Source:** City of Maumee and peer cities.

**Note:** Does not include elected officials.

<sup>1</sup> Includes Administrator/Safety Director.

<sup>2</sup> The Finance Secretary supports the municipal clerk function. One of the administrative assistant splits time between tasks related to finance and human resources. The Finance Director is also the Municipal Clerk and performs HR functions.

<sup>3</sup> Does not include part-time band director.

As shown in **Table 2-1**, total staffing at the City of Maumee is higher than the peer average. While several City departments operate with staffing levels below the peer average, staffing levels in the Police and Fire Divisions are both higher than the peer average. Moreover, staffing levels in administration (including command), are higher in the Police and Fire Divisions and the Service Department, indicating the City of Maumee needs to evaluate the span of control assigned to directors and supervisors (see **R2.5**). Additional analysis of staffing based on operational measures and more detailed peer comparisons can be found in **financial systems, police, fire, and public service** sections.

### Compensation

The majority of employees at the City of Maumee are paid according to salary schedules established by collective bargaining agreements. **Table 2-2** shows the City's average salary by department and classification in comparison to the peer average. Average salaries are impacted by beginning wage rates, years of service, negotiated salary schedules, education or skill level attained, and other personnel benefits.

**Table 2-2: City of Maumee Average Salary Comparison**

	City of Maumee	Peer Average	\$ Difference	% Difference
<b>Administration</b>	<b>\$100,196</b>	<b>\$74,131</b>	<b>\$26,065</b>	<b>35.16%</b>
Administration	\$100,196	\$90,305	\$9,891	10.95%
Clerical	N/A	\$50,840	N/A	N/A
<b>Legal Department</b>	<b>\$85,262</b>	<b>\$90,355</b>	<b>(\$5,093)</b>	<b>(5.64%)</b>
Law	\$280,800	\$201,925	\$78,875	39.06%
Prosecutor	\$84,691	\$89,054	(\$4,364)	(4.90%)
Clerical	\$41,281	\$46,904	(\$5,623)	(11.99%)
<b>Finance Department</b>	<b>\$50,656</b>	<b>\$52,392</b>	<b>(\$1,736)</b>	<b>(3.31%)</b>
Accounting	\$65,879	\$61,460	\$4,419	7.19%
Human Resources	\$42,485	\$56,533	(\$14,047)	(24.85%)
Tax	\$47,782	\$48,051	(\$269)	(0.56%)
Information Technology	N/A	\$67,262	N/A	N/A
Utility Billing	\$51,123	\$42,445	\$8,678	20.45%
<b>Inspection Division</b>	<b>\$60,832</b>	<b>\$59,652</b>	<b>\$1,180</b>	<b>1.98%</b>
<b>Engineering Department/Functions</b>	<b>\$71,150</b>	<b>\$64,275</b>	<b>\$6,875</b>	<b>10.70%</b>
<b>Fire Division</b>	<b>\$47,381</b>	<b>\$51,058</b>	<b>(\$3,677)</b>	<b>(7.20%)</b>
Administration	\$79,485	\$77,715	\$1,769	2.28%
Clerical	\$41,281	\$45,538	(\$4,257)	(9.35%)
EMS	\$57,348	\$50,794	\$6,554	12.90%
Fire/Volunteer	\$21,620	\$43,456	(\$21,836)	(50.25%)
Fire Prevention	\$54,671	\$71,250	(\$16,580)	(23.27%)
<b>Police Division</b>	<b>\$56,400</b>	<b>\$60,162</b>	<b>(\$3,762)</b>	<b>(6.25%)</b>
Administration	\$96,358	\$88,042	\$8,316	9.45%
Clerical	\$41,281	\$39,818	\$1,463	3.68%
Command	\$68,874	\$74,638	(\$5,764)	(7.72%)
Patrol	\$57,265	\$60,176	(\$2,911)	(4.84%)
Dispatch	\$57,265	\$47,248	\$10,017	21.20%
Other	\$29,350	\$36,906	(\$7,555)	(20.47%)
<b>Public Service Department</b>	<b>\$45,095</b>	<b>\$42,989</b>	<b>\$2,106</b>	<b>4.90%</b>
Administration	\$65,372	\$75,390	(\$10,018)	(13.29%)
Clerical	\$51,123	\$36,661	\$14,462	39.45%
Operations/Construction/Engineering	\$72,336	\$49,799	\$22,537	(45.26%)
Water and Sewer Maintenance	\$46,252	\$50,299	(\$4,047)	(8.05%)
Parks & Recreation/Natural Resources	\$8,754	\$30,710	(\$21,956)	(71.50%)
<b>Total</b>	<b>\$51,837</b>	<b>\$52,311</b>	<b>(\$474)</b>	<b>(0.91%)</b>

Source: City of Maumee and peer cities.

N/A= not applicable

**Table 2-2** indicates the average salary of employees at the City of Maumee is consistent with the peer average. However, there are several areas where the average salary at the City is higher than

the peer average. This may be due to a small number of employees in that division, or to the skill and experience of the employees. Because experience and skill level impact the average salary comparison presented in **Table 2-2**, a separate analysis was completed that compared salary schedules at the City of Maumee to peer salary schedules. The analysis factored in base wages, but also included any bonuses, lump sum payments, employer pick-up of employee retirement contributions, and longevity payments. In each of the comparisons, which included patrol officers, police sergeants, dispatchers, Public Service Department operators, bargaining unit clerical employees, and paramedics, it was determined the City compensates employees at a level consistent with or lower than the peer average. Moreover, the City's implementation of a second salary schedule for employees hired after 2009 further limits employee compensation and step increases, and reduces the City's long-term financial liability with regard to employee compensation.

### *Benefits*

The City of Maumee provides employees with a comprehensive health insurance benefit package. The City offers employees a medical plan that includes prescription drug and dental coverage as well as separate plans for vision and life insurance coverage. **Table 2-3** compares the City's monthly medical insurance premiums and employee contribution rates for 2011 to the State Employment Relations Board (SERB) averages for the Toledo region.

**Table 2-3: Medical Premium and Contribution Comparison**

	Medical Premiums		Employee Contributions	
	Single	Family	Single	Family
City of Maumee	\$491.59	\$1,129.14	9.9%	10.0%
SERB Toledo Region Average	\$448.00	\$1,172.00	12.3%	13.5%
<b>Difference</b>	<b>\$43.59</b>	<b>(\$42.86)</b>	<b>(2.4%)</b>	<b>(3.5%)</b>

**Source:** City of Maumee and the 18th Annual Report on the Cost of Health Insurance in Ohio's Public Sector (SERB, 2010)

As shown in **Table 2-3**, the City's premium for single coverage is higher than the SERB average for the Toledo region, while the monthly premium for family coverage, which is where a majority of City employees have elected coverage, is lower than the SERB average for the Toledo region. However, the percentage contributed by employees toward the cost of medical insurance is less than the average public sector employee contributes in the Toledo region (see **R2.2**).

The City of Maumee also provides vision insurance for staff members. **Table 2-4** compares monthly vision premiums and employee contribution rates to the SERB averages for the Toledo region.

**Table 2-4: Vision Premium and Contribution Comparison**

	Vision Premiums		Employee Contributions	
	Single	Family	Single	Family
City of Maumee	\$8.95	\$20.20	10.0%	10.0%
SERB Toledo Region Average	\$10.69	\$20.70	42.2%	53.6%
<b>Difference</b>	<b>(\$1.74)</b>	<b>(\$0.50)</b>	<b>(32.2%)</b>	<b>(43.6%)</b>

**Source:** City of Maumee and the 18th Annual Report on the Cost of Health Insurance in Ohio's Public Sector (SERB, 2010)

**Note:** SERB average employee contribution excludes those employers who do not require an employee contribution for vision coverage.

As shown in **Table 2-4**, the City's premium for both single and family coverage is in line with the SERB average for the Toledo region. The employee contribution, however, is less than the SERB average (see **R2.2**).

The City also provides bargaining unit employees and support staff with \$30,000 to \$50,000 in life insurance coverage. Supervisors and directors receive additional life insurance coverage, based on their salary. The City of Maumee's monthly cost (\$150) for each \$1,000 of coverage is more than the monthly premium (\$90) for the same level of coverage paid by the State of Ohio for its employees (see **R2.3**).

All Ohio employers are required by law to have an active workers' compensation policy to insure employees against workplace injuries. The Ohio Bureau of Workers' Compensation (BWC) provides this coverage and charges a premium based on several factors, including past claim history and workplace environment. A review of workers' compensation premiums shows that between 2007 and 2010, premium rates decreased an average of 15 percent for city employees and 29 percent for volunteer employees, annually. This decrease can be attributed to successfully management of workers' compensation through a transitional work program, claims management, and the use of legal counsel to review claims.

### *Negotiated Agreements*

The City of Maumee has negotiated agreements with three collective beginning units. The American Federation of State, County and Municipal Employees (AFSCME), Ohio Council 8, Local 649 represents city clerks, secretaries, and Service Department employees in an agreement effective January 12, 2009 to December 31, 2011. Full-time Fire Division employees, including squad leaders, paramedics, and fire prevention inspectors are represented by the Maumee Professional Firefighters/Paramedics International Association of Fire Fighters (IAFF), Local 4563. The agreement is effective January 12, 2009 to December 31, 2011. Finally, the Fraternal Order of Police, Ohio Labor Council, represents patrol officers, sergeants, lieutenants, dispatchers, and animal control officers in the Police Division through an agreement effective September 30, 2009 to December 31, 2011.

During the course of the performance audit, the negotiated agreements were examined to identify areas that may be costly to the City or exceed what is required by law. Areas examined include leave accrual and use provisions, pay status, holidays, guarantees, bonuses, as well as other atypical provisions. Contract provisions that are costly or restrict management's ability to efficiently operate the City are presented in the **recommendation** portion of this section.



## Recommendations

### **R2.1 Establish formal human resource management practices to promote a more effective workforce.**

**The City of Maumee should work to establish formal human resource management practices to enhance its ability to effectively communicate personnel-related matters with employees. Specifically, the City should review employee responsibilities and update job descriptions<sup>10</sup> so that they are consistent with the required duties of each position. Similarly, the City should establish a process for the regular review of job descriptions. Once job descriptions have been adopted or updated and shared with employees, the City should develop performance appraisal forms and implement regular evaluation of staff.<sup>11</sup>**

**The City should also consider implementing merit pay to ensure it rewards performance. Finally, it should develop an employee handbook that incorporates key policies and procedures. Taken together, these actions will help ensure that employees understand the parameters for their employment, both general and position specific, and assist supervisors in providing appropriate feedback to employees to reward current performance and improve future performance.**

The Finance Director serves as the City's Commissioner of Human Resources. While the moderate size of the City has caused some of the processes related to managing employees to be more informal in nature, it lacks key components that allow for effective human resource management. For example, the last major revision of job descriptions at the City took place in 1992. According to the Law Director, job descriptions were created in response to passage of the federal American's with Disabilities Act, as a compliance requirement. Further, the only job descriptions that have been updated since then were those in the Finance Department as the result of an office reorganization in 2005. While this task was taken up as a project by the personnel committee on City Council in the fall of 2010, it has not been completed. Furthermore, the City does not have a process for evaluating staff at any level. Employees are compensated according to salary schedules, and the City does not have any form of merit pay to reward high performing employees. Generally, Council has not emphasized these types of activities as part of the job duties of the Commissioner of Human Resources.

Additionally, the City lacks a formalized employee manual. Rather, it relies on the negotiated agreements, City ordinances, department-specific work orders, and miscellaneous polices. While a formal manual is absent, the City does require new employees to sign off on individual policies, including the general code of personal conduct, sexual harassment, equal employment opportunity, and drug-free workplace policies. All employees are required to sign-off on any updates to policies.

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<sup>10</sup> According to the City, a consultant has been retained to help develop an employee handbook, revised job descriptions, and an evaluation process on an organization-wide basis with a targeted completion date of December 31, 2011.

<sup>11</sup> The Police Division indicated that it evaluates staff performance during the probationary phase for patrol and sergeants on a daily basis. The process is automated with a software program (ADORE).

According to *How to Write Job Descriptions* (Business and Legal Reports, 1993), job descriptions work to clarify who is responsible for what within an organization and work to define various relationships. Job descriptions help ensure employees understand the responsibilities of their positions, and aide job applicants, employees, supervisors, and human resource professionals from recruitment to retirement. Moreover, job descriptions provide a basis for job evaluations and compensation decisions.

A crucial factor in maximizing the benefit of job descriptions is the procedure for keeping them up-to-date. The dynamic nature of state and federal mandates require regular review of job descriptions. An obsolete job description is not only worthless, but also may actually be harmful to the organization. Therefore, every organization should have a formal schedule for reviewing all job descriptions. While a yearly review is optimal, as a general rule, job descriptions should be reviewed and revised (if necessary) when the job content changes, there is an organization structure change, or the incumbent of a unique position leaves that job. Such review should include human resource professionals as well as the supervisor of the position being reviewed.

Upon the creation and communication of job descriptions to employees, the article *Performance Appraisal as an Employee Development Tool* (SHRM, 2002), states that performance appraisals assist organizations in providing meaningful job performance feedback to employees, which is a critical human resource issue. In turn performance appraisals can enhance productivity, identify training and career development needs, and note contributions an employee is making toward meeting organizational objectives. The increased demand for accountability by government agencies make performance evaluations even more important. At their core, appraisals serve to ensure that all employees are periodically interviewed to assess their career development, that they receive a systematic measure of their overall value to the organization, and that essential information regarding strengths and weaknesses is recorded. Employees are more inclined to accept suggestions for improving job performance when feedback is provided on a regular basis. This collaborative process should allow supervisors and employees to develop an agreed upon understanding of job expectations. Further, the article suggests that effective compensation systems must link performance achievements to salary increase considerations. Both the Cities of Marysville and Vandalia have implemented a variation of merit based compensation for employees. Employees in the City of Marysville receive step increases based on annual performance ratings, with outstanding employees receiving additional step increases, and those employees performing at a marginal or unsatisfactory level receiving no step increase. The City of Vandalia has adopted salary ranges in lieu of step schedules and has based pay increases on the outcome of employee performance evaluations for the majority of city positions, giving supervisors greater flexibility in rewarding and incentivizing employee job performance.

Finally, according to *Employee Handbooks: Making Them Worth the Trouble* (HR Manager's Legal Reporter, 2000), the staff handbook is the most effective formal means of communication between employer and employee. A staff handbook can be integral in communicating to employees about what the organization expects for them, and what they may expect from the organization. Specific policies and guidelines, employee expectations, methods of employee evaluation, miscellaneous benefits, and other relevant organizational procedures can all be included in employee handbooks. While there are no federal laws requiring employers to publish employee handbooks, these communication vehicles serve as an important tool for supervisors to provide clarity about policies and procedures and promote consistency within the organization.

Society for Human Resource Management's (SHRM) *Preparation of the Employee Handbook* (2002), indicates that the employee handbook should present general information, such as the philosophy of the organization and strategic plan, as well as specific employee information and working environment. Moreover, because the purpose of the handbook is to communicate relevant and important information to employees in a clear manner, upon completion of an employee handbook, a copy should be provided to each employee and each employee should sign an acknowledgement confirming the receipt and reading of the handbook.

The City of Marysville has developed a policy manual that is inclusive of negotiated agreement provisions, general human resources polices, compensation and benefits, resource management, workplace environment, and safety.

The City of Maumee, like many public sector entities, has not recognized the benefits of using up-to-date position descriptions to communicate job parameters, set expectations, and evaluate performance. Similarly, while the City has a variety of policies and procedures, a single employee handbook does not exist.

Maintaining job descriptions and implementing a performance appraisal system requires a commitment by the City and a belief in the value such documents and processes have in shaping an organization. Developing these processes will aid the City in effectively communicating expectations with job applicants, incumbent employees, supervisors, and other stakeholders. Complementary to that process is an evaluation system that seeks to continuously improve and reward employee performance. At its core, this communication, whether through a position description, evaluation, or a handbook, provides City leaders with tools to relay expectations and provide staff with a heightened awareness of the roles and responsibilities related to their positions. The adoption of these practices will help keep staff apprised of workplace guidelines and can help change the organizational culture. The absence of effective human resource management hampers the City's ability to instill standards and expectations that lead to an effective workforce.

## **R2.2 Increase employee health insurance contributions.**

**The City of Maumee should seek to renegotiate provisions within the collective bargaining agreement with the goal of increasing employee cost sharing contributions to 15 percent of health care premiums. Increasing employee contributions to 15 percent for all employees will establish more equitable cost-sharing practices and bring employee premium contributions more in line with industry averages.**

City of Maumee employees contribute approximately 10 percent toward monthly health insurance premiums, inclusive of medical, prescription drug, dental, and vision coverage. As indicated in **Tables 2-3** and **2-4**, these contribution rates are lower than the amount SERB reports public employees in the Toledo region contribute toward the cost of insurance benefits. This contribution rate is negotiated through the City's three bargaining units. It is also important to note that each agreement caps employee contributions toward the cost of health insurance at \$150.

According to SERB, public employees paid an average of 12.3 percent and 13.5 percent of medical insurance costs for single and family plans in the Toledo region, respectively. Additionally, SERB reported that the average employee contributions for the State of Ohio for single and family plans were 16.9 percent and 17.8 percent respectively. Moreover, when public employers required an employee contribution toward a vision insurance plan, employees paid approximately 50 percent of the premium cost.

By requiring employees to contribute only 10 percent toward the cost of health insurance, the City of Maumee's cost for providing health insurance is higher than it would be using the SERB average for premiums and employee contributions. This creates an increased financial liability to the employer.

Increasing employee contributions would help the City of Maumee further offset the rising cost of health insurance. This could provide the City with needed financial relief and would bring the benefit plan more in line with amounts public employees in the Toledo region are expected to contribute toward the cost of their health insurance.

*Financial Implication:* By requiring an employee contribution for medical and dental insurance of 15 percent, which is between the SERB averages for the Toledo Region and the averages for the State of Ohio, the City of Maumee would save an estimated \$85,000.

### **R2.3 Competitively bid life insurance coverage for employees.**

**The City of Maumee should competitively bid life insurance coverage in order to seek a lower premium rate. Doing so could reduce the costs related to purchasing life insurance coverage while maintaining benefits.**

Life insurance coverage for employees is determined by employee classification as well as by negotiated provisions in each of the three collective bargaining agreements. Life insurance coverage ranges from \$25,000 for elected officials, \$30,000 for Police Division personnel covered under the FOP agreement, \$50,000 for members of the two other collective bargaining units, to between \$50,000 and \$110,000 for supervisors and directors (equal to their base salary). The monthly cost of life insurance to the city is approximately \$1,900, or \$0.25 per \$1,000 of coverage. There is no cost to the employee.

In 2011, the cost of life insurance for State of Ohio employees was \$0.15 per \$1,000 of coverage. To put this in perspective, the annual cost of providing \$50,000 in life insurance coverage to a bargaining unit member of the Service Department would be \$150 in the City of Maumee, compared to \$90 for the same level of coverage at the rate paid by the State of Ohio.

While the \$23,000 annual cost of providing life insurance to employees is small compared to the cost of health insurance, the unit cost of providing this benefit is significantly higher than that incurred by the State of Ohio. While a number of factors contribute to the determination of life insurance rates, the City may be able to realize savings by seeking additional quotes from life insurance providers.

*Financial Implication:* Based on current life insurance expenses, if the City reduced the premium cost for life insurance to a level similar to the State of Ohio, it could attain annual savings of approximately \$9,000.

#### **R2.4 Renegotiate certain collective bargaining provisions to remove costly measures from the agreements.**

**The City of Maumee administration and elected officials should seek to renegotiate provisions in collective bargaining agreements that exceed recommended practices and are costly to the City. These include sick leave accrual rates, sick leave bonuses, severance payouts, personal leave, holiday leave, as well as provisions related to overtime, longevity, and health insurance. Reducing or eliminating these provisions would provide greater management flexibility and limit the financial liability to the City for such benefits.**

The City of Maumee has three separate collective bargaining agreements with AFSCME, FOP, and IAFF, representing the majority of City employees. While each agreement is negotiated separately with the respective bargaining unit, the City has been successful in maintaining agreements that are similar with respect to the level of benefits provided. While the agreements have positive aspects including a management rights provision that allows for the consolidation of work processes, a reasonable vacation accrual schedule, provisions for drug and alcohol testing, the ability to modify health insurance plan design, and a two-tier compensation system that limits step schedule increases for new employees. However, each of the agreements also contains provisions that expose the City to an increased level of financial liability. Those provisions that are specifically identified as being costly to the City are the following:

- **Sick Leave:** Employees accrue sick leave at a rate of 4.0 hours per pay period, or 13 days of sick leave per year. They can accrue up to a maximum of 1,920 hours or 240 days. Moreover, the City has agreed to a sick leave incentive whereby employees receive bonus vacation semi-annually based on the amount of sick leave used. Employees who use less than 36 hours of sick leave over the course of six months are entitled to two hours of vacation. The amount of bonus vacation increases to 20 hours if no sick leave is used. This would allow an employee to accrue an additional 40 hours of vacation leave if no sick leave was used in a given year. This bonus vacation may be converted to a cash payout at one hundred percent, if the employee elects. Moreover, employees can convert any sick leave in excess of 500 hours (62.5 days) at a rate of 50 percent on an annual basis. Finally, when an employee leaves City employment, accrued sick leave is paid out at 100 percent up to 960 hours (120 days), for employees employed before 1986 and 1200 hours at 50 percent (75 days) for those employed after 1986. These provisions represent a significant financial liability to the City. See **R2.7** for further analysis of the City's use of sick leave.
- **Personal Leave:** Employees are provided 40 hours of personal leave (48 hours for EMS employees) annually. This benefit is provided in addition to vacation and sick leave. While the City does not permit employees to accumulate personal leave, the provision represents an additional cost to the city that may result in additional overtime costs and lost productivity.
- **Health Insurance:** Employees are required to pay 10 percent of health insurance premiums with a maximum contribution of \$150. While the City has successfully secured a plan design

with premium contributions of less than \$150, rising health care costs may limit its ability to require a 10 percent contribution, or increase employee contributions toward the cost of health insurance (see **R2.2**). Moreover, the negotiated agreement requires an employee's spouse to elect primary health insurance through his or her employer before enrolling in the City's family plan. However, the City agreed to cover the employee's spouse if the employee contribution at the spouses' employer was in excess of \$25. While a spousal carve-out is recommended practice to help control the cost of health care, a \$25 threshold is not high enough to translate into a significant savings for the City. In future negotiations, the City should consider eliminating the \$150 cap and increasing the \$25 threshold.

- **Longevity Pay:** In both the AFSCME and IAFF negotiated agreements, the provision for longevity pay (an annual payment of \$600 - \$1,800, depending on the employee's length of service with the City) is frozen at current levels and not provided to employees employed after January 2009. However, the FOP agreement does not include such a phase out. The City should seek to negotiate a phase out of this provision in a manner similar to the other two negotiated agreements.
- **Holidays:** Similar to longevity pay, the AFSCME and IAFF agreements include provisions for 9 holidays annually, with the option of an additional 1.5 depending on when Christmas and New Years Day fall during the week. The FOP agreement, however, includes an additional holiday, with the option of an additional 2 depending on the date of Christmas and New Years Day. The City should seek to align Holiday provisions for all three agreements.
- **Overtime:** Provisions for overtime in each negotiated agreement are lengthy. While the City is allowed to modify employee work schedules, this cannot be done for the sole purpose of avoiding overtime. Overtime, moreover, is based on work in excess of a regularly scheduled 8 hour day. Any time worked in excess of 8 hours is paid at a rate of 1.5 times the employees' regular rate of pay. After 12 hours, the overtime increases to 2.0 times the employees' regular rate of pay. When overtime occurs on Saturday and the employee is not regularly scheduled to work during those hours, the rate is 1.5 times the regular rate of pay, and 2.0 times the regular rate of pay for time in excess of 8 hours. Overtime on Sunday is 2.0 times the regular rate of pay when Sunday work is not regularly scheduled. Finally, overtime is earned based on employees' active pay status, which includes holidays, vacation, personal, sick, funeral, civic, military, compensatory, and injury leave (all paid leave to which an employee is entitled). These provisions are significantly more generous than required by the Fair Labor Standards Act. See **R2.6** for further analysis of the City's overtime.
- **Call-In Pay:** Members of the IAFF who respond to volunteer calls, drills, or cleans- up when off duty receive 1.5 times the regular rate of pay for a minimum of one hour. Moreover, employees called in for EMS runs while off duty are paid 1.5 times the regular rate of pay for a minimum of 3 hours. This call-in pay is paid out as overtime, and is analyzed further in **R2.6**.
- **Right of First Refusal:** Command employees covered under the FOP agreement are granted the right of first refusal when filling vacant command posts. Under previous agreements, vacant command posts were offered to patrol officers. This form of overtime is analyzed further in **R2.6**.

Through a review of each negotiated agreement, several other provisions were identified as being outside normal collective bargaining agreement provisions. In general, each agreement was very detailed and complex to a level not typical within City government. The grievance process outlined in the agreements was lengthy and may not allow for swift resolution. Moreover, each agreement names a list of arbiters to hear disputes between management and the bargaining unit.

In the future, budgetary and operational constraints may require the City to remove or modify these provisions. The City should begin work to negotiate the removal or phase out these generous benefits to reduce its financial exposure and work to lower future operational costs. In particular, the City's negotiated policies regarding pay status for sick leave and overtime have significantly increased overtime costs.

## **R2.5 Increase the span of control in the Fire Division and the Public Service Department.**

**The City should increase its span of control by eliminating supervisory level positions through attrition in the Fire Division by 3.0 FTEs and the Public Service Department by 4.5 FTEs and increase span of control at the sergeant level in the Police Division by improving the distribution of staff. In addition, the City of Maumee should maintain its current non-supervisory staffing levels based on the workload measures assessed in this audit. However, it should develop a staffing plan to ensure that its staffing levels are based on optimal workload measures and the supervisory span of control is appropriate.**

As shown in **Table 2-1**, the Police and Fire Division and the Public Service Department comprise approximately 86 percent of the City's workforce. A staffing workload analysis included in the **police** and **fire** sections of this report indicated no major differences from the peer averages. However, the Public Service Department analysis indicated an overstaffing based on workload comparisons to the peer averages. Therefore, staffing reductions were recommended at the staff level in **R4.1**. The staffing analysis in these sections shows a higher number of administrators in the Fire Division and Public Service Department compared to the peers.

*The City of Portland Span of Control Study* (1994) defines span of control as the number of subordinates reporting directly to one manager or supervisor. The City of Maumee span of control analysis indicates the following staff to supervisor ratios in the Police and Fire Division and Public Service Department:

- **Police Division:** MPD maintains a ratio of 4.5 staff per supervisor, which is slightly higher than the peer average of 4.2 (see **Table 3-1**). However, there is one sergeant that supervises two DARE employees, and there is one administrative sergeant that does not supervise anyone, which indicates that there is a span of control issue with these individual sections in the Police Division. The Portland, Oregon Police Bureau has a span of control goal of 7.0 to 8.0 staff per supervisor.
- **Fire Division:** MFD maintains a ratio of 5.2 staff per supervisor, which is significantly lower than the peer average of 13.6. To maintain a ratio comparable to the peer average, MFD would need to reduce the number of administrators by at least 3.0 FTEs (see **Table 3-4**). (includes only 12 full-time EMS).

- **Public Service Department:** MPSD maintains a ratio of 4.7 staff per supervisor, which is significantly lower than the peer average 7.0. To maintain a ratio comparable to the peer average, MPSD would need to reduce the number of supervisors by approximately 4.5 FTEs (see **Table 4-1 and R4.1**).

The State of Texas required its agencies to establish goals for achieving a higher staff-to-management ratio. High span of control has a direct link to:

- Greater employee empowerment
- Faster decision making processes
- Improved communications
- Greater organizational flexibility
- Reduced personnel and overhead costs
- Increased delegation resulting in improved job satisfaction

The *City of Portland Study* identified specific span of control numbers for its Public Safety Departments. These goals help ensure adequate supervision that is also cost-effective.

The lower span of control ratios are due to the City of Maumee's Police and Fire Divisions maintaining a high number of organizational layers or divisions, each with supervisors overseeing a minimal number of staff. By increasing the span of control within its departments, the City can significantly reduce costs while continuing to ensure appropriate guidance and direction for its employees. The following is a summary of the financial implication for the span of control recommendation:

- **Fire:** Based on the lowest paid Squad Leader for 2010, the City would save approximately \$247,300 in salaries and benefits by eliminating 3.0 supervisory FTEs.
- **Public Service:** Based on the lowest paid Assistant Supervisor for 2010, the City would save approximately \$314,568 in salaries and benefits by eliminating 4.5 supervisory FTEs. (includes staffing reductions recommended in **R4.1**)

*Financial Implication:* A total reduction of 7.5 supervisory staff in the Fire Division and the Public Service Department would bring the City in line with the peer averages, and reduce salary and benefits costs of approximately \$562,000. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

## **R2.6 The City should work to limit the amount of overtime to bring costs in line with peers.**

**The City should work to bring overtime costs to a level more consistent with overtime use reported by the peer cities. While overtime costs are largely driven by language contained in the negotiated agreements regarding the process and the circumstances by which employees are eligible for overtime, the City should work to modify these provisions in order to limit the cost of overtime incurred. Moreover, City Council should take action to remove excessive overtime provisions from the City ordinance covering non-bargaining**



**unit supervisory employees. Finally, the City should ensure overtime is continuously analyzed and monitored and that management controls are in place to identify proper approval methods. It should also ensure work completed on overtime is appropriate.**

In 2010, City of Maumee employees earned overtime at a rate of 8.85 percent of regular pay. The cost for this overtime was more than \$750,000. **Table 2-5** illustrates the total overtime cost by department, the percentage of total salary represented by this overtime expense, and how overtime costs compare to the peer average.

**Table 2-5: City of Maumee Overtime Comparison 2010**

	City of Maumee			Peer Average	Difference
	Total Salary Expense	Total Overtime Expense	Overtime as a % of Total Salary		
<b>Administration</b>	<b>\$100,196</b>	<b>\$0</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Administration	\$100,196	\$0	0.00%	0.00%	0.00%
Clerical	N/A	N/A	N/A	0.00%	N/A
<b>Law Department</b>	<b>\$275,462</b>	<b>\$139</b>	<b>0.05%</b>	<b>0.47%</b>	<b>(0.42%)</b>
Law	\$64,800	\$0	0.00%	0.00%	0.00%
Prosecutor	\$169,381	\$0	0.00%	0.00%	0.00%
Clerical	\$41,281	\$139	0.34%	1.63%	(1.29%)
<b>Finance Department</b>	<b>\$607,874</b>	<b>\$142</b>	<b>0.02%</b>	<b>0.78%</b>	<b>(0.76%)</b>
Accounting	\$197,637	\$0	0.00%	0.19%	(0.19%)
Human Resources	\$102,246	\$0	0.00%	0.61%	(0.61%)
Tax	\$212,427	\$0	0.00%	1.40%	(1.40%)
Information Technology	N/A	N/A	N/A	0.00%	N/A
Utility Billing	\$95,564	\$142	0.15%	1.09%	(0.95%)
<b>Inspection Division</b>	<b>\$304,159</b>	<b>\$0</b>	<b>0.00%</b>	<b>0.02%</b>	<b>(0.02%)</b>
<b>Engineering Department</b>	<b>\$71,150</b>	<b>\$1,449</b>	<b>2.04%</b>	<b>0.93%</b>	<b>1.11%</b>
<b>Fire Division</b>	<b>\$1,478,439</b>	<b>\$114,595</b>	<b>7.75%</b>	<b>11.05%</b>	<b>(3.30%)</b>
Administration	\$397,424	\$48,448	12.19%	1.26%	10.93%
Clerical	\$41,281	\$15	0.04%	0.81%	(0.77%)
EMS	\$688,174	\$50,720	7.37%	12.57%	(5.20%)
Fire/Volunteer	\$242,219	\$0	0.00%	12.07%	(12.07%)
Fire Prevention	\$109,341	\$15,412	14.10%	1.39%	12.71%
<b>Police Division</b>	<b>\$3,394,010</b>	<b>\$427,455</b>	<b>12.59%</b>	<b>5.37%</b>	<b>7.22%</b>
Administration	\$96,358	\$0	0.00%	0.00%	0.00%
Clerical	\$165,124	\$156	0.09%	0.04%	0.05%
Command	\$688,736	\$144,997	21.05%	5.55%	15.50%
Patrol	\$1,889,750	\$138,124	7.31%	5.81%	1.50%
Dispatch	\$490,131	\$142,836	29.14%	7.32%	21.82%
Other	\$63,911	\$1,343	2.10%	2.95%	(0.85%)
<b>Service Department</b>	<b>\$2,287,164</b>	<b>\$209,963</b>	<b>9.18%</b>	<b>3.55%</b>	<b>5.63%</b>
Administration	\$588,345	\$79,231	13.47%	1.38%	12.08%
Clerical	\$51,123	\$0	0.00%	0.00%	0.00%
Operations	\$1,085,045	\$71,236	6.57%	6.05%	0.51%
Water and Sewer Maintenance	\$416,269	\$48,983	11.77%	6.43%	5.33%
Parks and Recreation	\$146,045	\$10,513	7.20%	2.70%	4.50%
<b>Total</b>	<b>\$8,518,453</b>	<b>\$753,744</b>	<b>8.85%</b>	<b>4.68%</b>	<b>4.17%</b>

Source: City of Maumee and peer cities.

As **Table 2-5** indicates, overtime at the City of Maumee is centered in the Police, Fire, and Public Service Departments. The largest amount of overtime occurs in the Police Division, representing nearly 57 percent of total overtime expenses, while Public Service Department overtime represents approximately 28 percent. It is important to note that overtime is not limited to staff level employees, and some of the highest levels of overtime occur at the supervisory and management levels. For example, in the Fire Division, overtime earned by administrators (Chief

and Assistant chiefs) is more than 12 percent.<sup>12</sup> Most significant, however, is the overtime for command and dispatch employees within the Police Division, whose overtime equates to 21 and 29 percent of salaries, respectively.

Several factors have contributed to high overtime costs. As discussed in **R2.6**, employees covered by each of the three negotiated agreements earn overtime based on pay status which includes holidays, vacation, personal, sick, funeral, civic, military, compensatory, and injury leave (all paid leave to which an employee is entitled), rather than time actually spent working. Moreover, overtime earned for any time in excess of a regularly scheduled 8 hours is paid at a rate of 1.5 times the employee regular rate of pay. After 12 hours, the overtime increases to 2.0 times the employee's regular rate of pay. When overtime occurs on Saturday and the employee is not regularly scheduled to work during those hours, the rate is 1.5 times the regular rate of pay, and 2.0 times the regular rate of pay for time in excess of 8 hours. Overtime on Sunday is 2.0 times the regular rate of pay when Sunday work is not regularly scheduled. While not covered under collective bargaining agreements, the City ordinance governing supervisory and management personnel mirrors language for overtime found in each of these agreements. This ordinance excludes certain department and division heads, such as the Police Chief, Finance Director, Public Service Director, and City Administrator, but permits the Fire Chief to earn overtime.

The Fair Labor Standards Act (FLSA) sets minimum requirements for overtime compensation. According to the (FLSA), nonexempt employees are required to be paid at a rate of 1.5 times the regular rate of pay after 40 hours of work in workweek. FLSA only requires time actually spent working as part of the calculation of when overtime compensation is due to an employee. It does not require the inclusion of any time not involving actual work. Similarly, FLSA has no requirement for double time pay on weekends, holidays, or evenings. Further, the State of Ohio (ORC 124.18) has prohibited State employees' use of sick leave or any leave used in lieu of sick leave in the calculation of active pay status for the purposes of earning overtime or compensatory time.

A recent study in the State of Wisconsin Department of Corrections estimated that overtime expenses could be reduced by 25 percent by changing language in the negotiated agreement from "pay status" language similar to the City of Maumee, to "work status," which would be more consistent with the Fair Labor Standards Act.

In addition to the method and rate at which overtime is calculated, the negotiated agreements also contain language for call-out pay outside and not abutting an employee's regular work schedule. Fire Division employees who respond to volunteer calls, drills, or clean up when off duty receive 1.5 times the regular rate of pay for a minimum of one hour. Moreover, employees called in for EMS runs while off duty are paid 1.5 times the regular rate of pay for a minimum of 3 hours. Supervisors not covered by the negotiated agreement also qualify for this type of call-out pay. Moreover, it is important to note that while part of this work is responding in a volunteer

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<sup>12</sup>According to the City, the high sick leave use in the Fire Division was due to 3 employees with medical issues and surgeries who used a combined total of 640 hours of sick leave. The same is true of the Police Division (5 employees used 1,115 hours) and Dispatch (5 employees used 437 hours).

capacity, these employees receive overtime at 1.5 times the regular base pay rather than pay according to the volunteer fire pay schedule. Of the total 2010 overtime expense for the Fire Division shown in **Table 2-6**, more than 66 percent was associated with full time employees serving in a volunteer capacity. Bargaining unit members in the Service Department and their supervisors have a similar call-out provision; however, the minimum is two hours, rather than three.

Language in the negotiated agreement covering employees in the Police Division has also led to high overtime expenses for command employees. Added in the most recent agreement, Command officers are given the right of first refusal to fill command positions when a shift is without a command officer for three or more hours. The agreement, which was not finalized until September, 2009, has impacted overtime expenses for the Department. In 2010, command employees earned approximately \$145,000 in overtime, compared to \$77,000 in 2009. While patrol overtime decreased by approximately \$22,000 during the same period because there were fewer opportunities to serve as a shift supervisor, this reduction does not offset the \$46,000 increase in command overtime.

Overtime for dispatch employees, which is also high, is due in part to the fact that these employees also used a significantly higher amount of sick leave (see **R2.7**), which necessitates the need for other dispatchers to work overtime. Moreover, since sick leave is considered pay status, overtime can be earned without 40 hours of actual work during the week. For example, an employee could take 8 hours (1 day) of sick leave (or any other leave time) in a day at approximately \$15.00 per hour rate (\$120 normal pay for one day), and could work 4 hours of overtime at \$22.50 or \$30.00 per hour (pay at 1.5-2.0 times) and receive \$90 to \$120 in that same day.

The City of Maumee has incurred high overtime costs due to provisions in the negotiated agreements that allow employees to more easily earn such compensation. This is most easily illustrated when overtime costs are compared to the City of Marysville. While not reported individually in **Table 2-5**, the City of Marysville has the lowest overtime expense of the three peer cities, equating to 2.0 percent of salaries. The collective bargaining agreement covering the City of Marysville Police Division employees allows them to earn overtime only for time in excess of 40 hours of work performed. Leave time is excluded from this calculation. Moreover, the rate of overtime is 1.5 times the employees' rate of pay, regardless of weekend, holiday, or evening. Finally, the City's policy manual, which also covered Service Department employees (in the absence of a negotiated agreement), allows for supervisors to flex employees' schedules in order to avoid overtime and adjust the workweek when necessary. These provisions, which are more in line with FLSA requirements, contribute to the achievement of the City's overtime policy, which is to make every effort to effectively schedule employees to reduce the need for overtime pay.

Renegotiating provisions within the collective bargaining agreements as well as changing the City ordinance covering employees outside of the bargaining unit will provide greater control over overtime expenditures. Limiting overtime use will allow the City to redirect its resources to other functions.

*Financial Implication:* By renegotiating collective bargaining agreement language and establishing a city-wide overtime policy, the City of Maumee could reduce overtime levels to the peer average, and reduce overtime expenses by approximately \$355,000 annually.

### **R2.7 Bring sick leave use in line with State averages.**

**The City of Maumee should begin to measure the cost of sick leave and work to reduce the amount used by its employees. Setting targets for staff attendance and opening a dialogue with employees about the causes of sick leave and the direct and indirect costs of its use may help the City reduce leave usage.**

Employees accrue sick leave at a rate of 4.0 hours per pay period, or 13 days of sick leave per year, and can accrue up to a maximum of 1,920 hours – or 240 days. Employees may use up to 40 hours of sick leave, and 48 hours for managers and supervisors (not covered under the negotiated agreement) without a certification of sick leave from a doctor. The exception to this provision is that contiguous sick leave in excess of 16 hours requires a certification, as does sick leave used before or after a holiday. Any sick leave in excess of 40 hours, and 48 hours for managers and supervisors (covered under negotiated agreement), must be accompanied by a doctor’s certification.

Supervisors are notified after every payroll which of their employees are near the maximum amount of uncertified sick leave for the year. Employees near this maximum also receive a letter. The City’s Finance Department works to enforce these negotiated provisions and has denied employee sick leave use if certification from a doctor is not provided. Despite strict enforcement of the provisions contained within the negotiated agreement, sick leave use at the City appears to be excessive within some departments and divisions.

The Ohio Department of Administrative Services (DAS) tracks and reports sick leave use by State employees. **Table 2-6** compares the City of Maumee’s sick leave use for 2010 to the DAS State average for FY 2009-10.

**Table 2-6: City of Maumee Average Sick Leave Per Person (hours)**

	City of Maumee Average Sick Leave Used	Variance from DAS State Average (56.1 hours)
Administration	0.00	(56.10)
Legal Department	20.33	(35.77)
Finance Department	17.00	(39.10)
Inspection Division	13.20	(42.90)
Engineering Department	5.00	(51.10)
Fire Division	73.15	17.05
Police Division	66.86	10.76
Service Department	53.19	(2.91)
<b>Total</b>	<b>55.77</b>	<b>(0.33)</b>

**Source:** City of Maumee and State of Ohio DAS

As shown in **Table 2-6**, total average sick leave for the City is in line with the State average. However, sick leave use in the Police and Fire Divisions is higher than the State average.

Dispatch employees in the Police Division used an average of more than 93 hours of sick leave. This equates to each employees missing more than 2 weeks due to sick leave. Similarly, EMS employees within the Fire Division took an average of 91 hours of sick leave in 2010. Finally, while the Public Service Department employees used less sick leave than the state average, employees in the Department's operations division an average of 66 hours of sick leave.

According to *Absenteeism: Measure Costs, Adjust Incentives, Change Behaviors* (SHRM, 2007), without the means to measure and analyze the cost and impact of employee absence, particularly as related to lost productivity and reduced profitability, entities run the risk of under-investing in health interventions, including wellness, prevention, disease management, and other programs. Employers need to see that all lost time is connected. For example, employees who have frequent intermittent absences appear to be three to four times more likely to go out on short-term disability. In addition, employees out on short-term disability are likely to be larger-than-average consumers of group health benefits. As a result, employers should measure the impact of absenteeism. One measure of absenteeism is to express cumulative lost time in terms of FTE positions. For the City of Maumee, the sick leave City wide represents 3.86 FTEs.

Additionally, determining if and why employees exploit leave policies is discussed in the article *Sick Leave Abuse: A Chronic Workplace Ill?* (American Society for Public Administration Times, April 2002). Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues.

According to a survey on absenteeism by SHRM and Mercer, LLC, unplanned absenteeism leads to a 21 percent productivity loss. The study recommended that employers start a dialogue about the direct and indirect costs of sick leave. It is important that employers share with employees the real cost of sick leave and how absenteeism is impacting organizational performance.

High sick leave use can be related to several factors, including low morale, poor employee health, and organizational culture. While the City of Maumee has not identified the cost of lost work associated with sick leave use or communicated that cost to its employees, the City regularly communicates sick leave use to supervisors and enforces provisions within the negotiated agreement that require a doctor's note after a certain level of sick leave use.

High amounts of sick leave use can result in decreased productivity and additional overtime costs. In addition to overtime, costs may include missed deadlines, sinking morale, and lower productivity. The City should continue to enforce the sick leave provisions in the negotiated agreement. More importantly, it should better track and measure the cost of sick leave and communicate with employees about the causes for the higher level of sick leave use and ways that sick leave use can be reduced. Although a financial implication related to the cost of sick leave could not be calculated, a reduction in leave usage would reduce overtime costs.

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## 3. Public Safety

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This section of the report focuses on opportunities to enhance efficiency and effectiveness in the City of Maumee's Police Division (MPD), Fire Division (MFD) and Inspection Division. The analyses contained in this section include selected performance indicator comparisons with peer department operations in the cities of Marysville, Perrysburg, and Vandalia.

### *Police Division*

#### *Summary of Operations*

During 2010, the City of Maumee Police Division was comprised of four sections responsible for serving and protecting citizens of Maumee: administration, patrol, special investigations and specialized units. The following is a description of the units:

**Administration:** This area provides communication and administrative support to the Division. The administrative bureau is responsible for policy and procedures, budgeting, supervision, and purchasing for the Division. The administrative assistant is responsible for clerical and record keeping functions.

**Patrol:** MPD's patrol division consists of sworn officers and dispatchers. Patrol officers respond to citizen requests for police assistance, enforce criminal and traffic laws, take offense reports, and regulate criminal conduct. Dispatch serves as the first link between those in need of assistance and dispatches the police and fire divisions that are able to provide assistance. Dispatch personnel also provide essential emergency and non-emergency call-taking and dispatching services for the Police and Fire Divisions.

**Special Investigations:** The special investigative unit works with the county drug task force to investigate drugs crimes and independently investigates all other crimes in the City.

**Specialized Units:** The MPD offers other programs that are staffed through its specialized units, including:

- Drug abuse resistance education (D.A.R.E.)
- Safety City
- Seat Belt Safety
- Child Safety Seat Checks
- Bike Safety
- Police Academy for students and citizens
- Public Safety Training Center

### *Staffing*

The Police Division is overseen by one full-time (1.0 FTE) Chief of Police who reports to the Safety Service Director/City Administrator. The Division is separated into two functional areas: Support and Line. These areas are broken down as follows:

The support function is overseen by 1.0 FTE lieutenant and includes communications (10.0 FTEs) that provide police, fire and EMS dispatch services for the City of Maumee and fire dispatch services for Monclova Township. It also includes training and crime prevention (D.A.R.E.) (1.0 FTE sergeant 2.0 FTE officers) which comprises youth drug and alcohol prevention services and crossing guards (1.2 FTEs). The City's animal control function falls under support (1.0 FTE civilian animal control officer). Finally, clerical support is provided through this portion of the Division (4.0 FTE civilian employees).

The line function (patrol and investigations) is overseen by 1.0 FTE lieutenant and 1.0 FTE administrative sergeant. Line functions include patrol services consisting (5.0 FTE sergeants who supervise 26.0 FTE patrol officers) and investigative services (1.0 FTE sergeant who supervises 4.0 FTE investigators and 1.0 FTE school resource officer).

**Table 3-1** shows a breakdown of staffing and key workload measures for the City of Maumee Police Division and the peers.



**Table 3-1: Police Division Comparison**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
<b>Number of Residents (2009)<sup>13</sup></b>	14,156	18,483	17,664	14,159	16,769
<b>City Square Miles (2000)</b>	10.5	15.6	9.1	11.9	12.2
<b>Staffing</b>					
Chief	1.0	2.0	2.0	1.0	1.7
Lieutenant	2.0	0.0	1.0	2.0	1.0
Sergeant	8.0 <sup>1</sup>	4.0	6.0	6.0	5.3
Officer	33.0 <sup>2</sup>	24.0	24.1	22.0	23.4
<b>Total Sworn Personnel FTEs</b>	<b>44.0</b>	<b>30.0</b>	<b>33.1</b>	<b>31.0</b>	<b>31.4</b>
Clerical	4.0	1.0	3.0	2.8	2.3
Dispatch	10.0	6.0	7.0	7.0	6.7
Other <sup>3</sup>	2.2	0.0	2.3	0.0	0.8
<b>Total Non-Sworn</b>	<b>16.2</b>	<b>7.0</b>	<b>12.3</b>	<b>9.8</b>	<b>9.7</b>
<b>Total FTEs</b>	<b>60.2</b>	<b>37.0</b>	<b>45.4</b>	<b>40.8</b>	<b>41.0</b>
<b>Ratios<sup>5</sup></b>					
<b>Ratio of Officer to Command<sup>4</sup></b>	<b>3:1</b>	<b>4:1</b>	<b>2.7:1</b>	<b>2.4:1</b>	<b>3:1</b>
<b>Span of Control</b>	<b>4.5:1</b>	<b>5.2:1</b>	<b>4:1</b>	<b>3.5:1</b>	<b>4.2:1</b>
<b>Sworn Officer FTEs Per 1,000 Residents</b>	3.1	1.6	1.9	2.2	1.9
<b>Non-Sworn FTEs per 1,000 Residents</b>	1.1	0.4	0.7	0.7	0.6
<b>Total FTEs per 1,000 Residents</b>	4.3	2.0	2.6	2.9	2.5
<b>Total 2010 Calls for Service</b>	16,711	13,439	16,232	13,496	14,389
<b>Calls for Service per Patrol Officer/Sergeant</b>	539	611	599	482	564
<b>Calls for Service per 1,000 Residents</b>	1,180.5	727.1	918.9	953.2	866
<b>Average Response Times (Dispatch to Arrival)</b>	5:15	5:22	5:42	5:52	5:38

**Source:** City Police Division reports and the U.S. Census.

**Note:** Averages are rounded. Staffing is as of January 2011.

<sup>1</sup> This represents 5 Patrol Services, 1 Investigative Services, 1 Administrative, and 1 D.A.R.E Sergeants. These positions are all full time

<sup>2</sup> This consists of 26 Patrol Services, 4 Investigative Services, 1 School Resource, and 2 D.A.R.E Officers (1 full-time).

<sup>3</sup> Other FTEs includes 1.0 full-time Animal Control Officer and 1.2 part-time School Guards for the City of Maumee. This includes 1.0 full-time Animal Warden, .4 part-time Safety Town Helpers, and .9 part-time School Guards the for City of Perrysburg

<sup>4</sup> Command includes those FTEs ranked as Sergeant and above.

<sup>5</sup> The 2010 U.S. Census was not available during the course of this audit. The impact is 130 additional residents compared to 2009. The peers also recorded an increase in population in 2010.

As shown in **Table 3-1**, the City of Maumee has 16 percent more calls for service compared to the peers. MPD also has a higher staffing ration with 3 sworn police officers for every 1,000 citizens versus 2 for the peers. However, when comparing FTEs based on workload, the MPD's calls for service per patrol officer and sergeant is 4 percent lower than the peer average. As

<sup>13</sup> Daytime population for the City of Maumee is 25,345 (2000 U.S. Census)

shown in **Table 3-1**, the highest staffing level is at the sergeant classification, with 51 percent more sergeant FTEs than the peer average. A span of control analysis was conducted in **R2.5**.

**Table 3-2** shows a comparison of the types of crimes.

**Table 3-2: Crime Statistical Comparison (2009)**

City	Population <sup>1</sup>	Violent Crimes	Property Crimes	Violent Crimes per 1,000 Population	Property Crimes per 1,000 Population
Maumee	13729	11	540	0.80	39.33
Marysville	18447	16	514	0.87	27.86
Perrysburg	17051	11	469	0.65	27.51
Vandalia	14070	15	293	1.07	20.82
Peer Average	16523	14	425	0.86	25.40

City	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
<b>Population</b>	13,729	18,447	17,051	14,070	16,523
<b>Violent Crimes per 1,000 Population</b>	0.80	0.87	0.65	1.07	0.86
<b>Property Crimes per 1,000 Population</b>	39.33	27.86	27.51	20.82	25.40

**Source:** Federal Bureau of Investigation (FBI) uniform crime report (UCR)

**Note:** 2010 crime report was not available during the course of this audit.

<sup>1</sup> Population is taken directly from the 2009 UCR report. The UCR report does not include detail as to the methodology used to estimate or calculate population.

As illustrated in **Table 3-2**, on a per 1,000 population basis, the City of Maumee has 7 percent fewer violent crimes but 55 percent more property crimes than the peer average.

**Table 3-3** shows the 2010 expenditure comparison to the peers.

**Table 3-3: Police Expenditure Comparison (2010)**

	Total Expenditures	Maumee Expenditures per Capita	Peer Average Expenditures per Capita	Difference
Personnel <sup>1</sup>	\$4,117,344	\$290.86	\$155.47	\$135.39
Benefits	\$893,477	\$63.12	\$57.49	\$5.63
Supplies & Materials	\$152,009	\$10.74	\$6.45	\$4.29
Contracted Services	\$766,820	\$54.17	\$9.40	\$44.77
Capital Outlay	\$103,709	\$7.33	\$8.68	(\$1.36)
Other	\$451,520	\$31.90	\$1.59	\$30.31
<b>Total</b>	<b>\$6,484,879</b>	<b>\$458.10<sup>14</sup></b>	<b>\$239.07</b>	<b>\$219.03</b>

**Source:** 2010 City police reports, and 2009 U.S. Census

<sup>1</sup> Includes a Patrolman who worked as a D.A.R.E. Officer (Retired 4/30/10).

<sup>14</sup> The 2010 census was not available during the course of this audit. During the conclusion of this audit the 2010 U.S. census became available and indicated an increase of 130 in population. It should be noted that the population for the peers also increased in 2010.

As shown in **Table 3-3**, MPDs total expenditures per capita are 92 percent higher than the peer average. The largest cost per capita lies in the areas of personnel, contracted services, and other. The personnel line item includes salaries, retirement and overtime costs. Overtime (\$427,455) in 2010 made up 12.6 percent of the total salary cost in the Police Division. A compensation analysis performed by AOS determined that the MPD bargaining unit agreement step schedules were similar to the peers. See **human resources** for further analysis of overtime, span of control, and contracted services.

In conclusion, the Police Division maintains a fast response time but is a higher cost division to operate, compared to its peers. These higher costs are due to the large number of administrative staff and the high use of overtime reflected in total personnel costs. (see **R1.8** contracted services, **R2.5** span of control, and **R2.6** overtime)

## ***Fire Division***

### *Summary of Operations / Staffing*

The City of Maumee Fire Division (MFD or the Division) is charged with safeguarding and preserving life and property through fire suppression activities. MFD participates in mutual aid agreements with the City of Toledo and the City of Perrysburg. MFD is under the direction of a Chief with support from a secretary/clerk. MFD is comprised of 3 Bureaus: paramedic/emergency medical services (EMS), firefighting, and fire prevention.

- **Paramedics/EMS:** Directed by 1.0 FTE Chief and 1.0 FTE Assistant Chief and includes 12.0 FTE paramedic and squad leaders who work 48 hours per week, as opposed to a “traditional” 40 hour work-week. The City receives a subsidy grant (\$643,000) from Lucas County for the paramedics to help operate the County life-squad. Lucas County reimburses the City of Maumee for these paramedics, their vehicle, and the cost of operation. In 2010, the City contracted with an outside billing agency for ambulance billing.
- **Firefighting:** Directed by 1.0 FTE Chief, two Assistant Chiefs (.10 FTEs) and includes one volunteer district chief (.34 FTEs), one volunteer captain engineering (.02 FTE), four volunteer Lieutenants (.88 FTE) and 33 volunteer firefighters. MFD has 55 volunteer firefighters available for emergencies. An average of 24 volunteers showed up to each fire call in 2010. The 9.8 FTE volunteer firefighter calculation is based on the average number of hours worked in 2010.
- **Fire Prevention:** This bureau performs public education for all age groups and includes fire station tours, safety talks, and fire extinguisher inspection classes. This bureau is directed by 1.0 FTE fire prevention chief, and includes 2.0 FTE inspectors.

Other operations of the Division include the school cadet program, public safety training, continuing education for fire safety inspectors, and final occupancy inspections in conjunction with the Inspection Division.

**Table 3-4** shows the 2010 staffing levels along with performance ratio comparisons to the peers.

**Table 3-4: Fire Division Comparison**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
<b>Service</b>	Volunteer Fire <sup>1</sup> / Full-time EMS	Volunteer Fire <sup>2</sup> / Full-time EMS	Volunteer Fire/ Full-time EMS <sup>3</sup>	Volunteer Fire and EMS <sup>4</sup>	N/A
<b>Number of Residents</b>	14,156	18,483	17,664	14,159	16,769
<b>City Square Miles (2000)</b>	10.5	15.6	9.1	11.9	12.0
<b>Stations</b>	2	1	1	3	2
<b>ISO Rating</b>	3	4	4	4	4
<b>2010 Fire Calls</b>	402	855	498	401	585
<b>2010 EMS Calls</b>	2,844 <sup>5</sup>	2,009	1,599	2,125	1,911
<b>Total Calls for Fire/EMS</b>	3,248	2,864	2,097	2,526	2,496
<b>Total 2010 Fire Inspections</b>	2,028	222	486	438	382
<b>Total 2010 Fire Re-Inspections</b>	631	60	139	368	189
<b>Average 2010 Fire Response Time</b>	7:06 <sup>6</sup>	6:19	5:36	5:06	5:40
<b>Average 2010 EMS Response Time</b>	7:06 <sup>6</sup>	5:35	4:07	5:18	5:00
<b>Staffing (as of January 2011)</b>					
<b>Administration</b>	5.0 <sup>8</sup>	2.0	2.0	2.0	2.0
<b>Clerical</b>	1.0	1.0	0.4	1.0	0.8
<b>EMS</b>	12.0	16.0	19.1	23.7	19.6
<b>Fire/Volunteer<sup>7</sup></b>	11.2	12.6	3.7	1.0	5.8
<b>Fire Prevention</b>	2.0	2.0	0.0	0.8	0.9
<b>Total FTEs</b>	<b>31.2</b>	<b>33.6</b>	<b>25.2</b>	<b>28.5</b>	<b>29.1</b>
<b>Ratios</b>					
<b>Span of Control</b>	<b>5.2:1</b>	<b>16.:1</b>	<b>11.6:1</b>	<b>13.3:1</b>	<b>13.6:1</b>
<b>EMS Calls per 1,000 Citizens</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>1.7</b>	<b>1.2</b>
<b>EMS Calls per EMS FTE</b>	<b>103.1</b>	<b>125.6</b>	<b>83.8</b>	<b>89.7</b>	<b>99.7</b>
<b>Fire Calls Per 1,000 Residents</b>	<b>0.8</b>	<b>0.7</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>
<b>Fire Calls per Fire FTE</b>	<b>35.9</b>	<b>67.9</b>	<b>134.2</b>	<b>401.0</b>	<b>201.0</b>

**Source:** Fire Division reports and the U.S. census

<sup>1</sup> Maumee: Includes fire FTEs that receive compensation on a per hour basis to man the fire station.

<sup>2</sup> Marysville: Includes fire FTEs that receive compensation on a per hour basis to man the fire station.

<sup>3</sup> Perrysburg: Includes volunteer fire FTEs that receive compensation only for time spent on runs.

<sup>4</sup> Vandalia: Includes volunteer fire/ EMS FTEs (dual certification) that receive compensation only for time spent on runs.

<sup>5</sup> Consists of 1,237 City of Maumee runs and 1,607 Lucas County Runs.

<sup>6</sup> Includes fire and EMS calls. The City of Maumee was unable to report response times for fire and EMS separately.

<sup>7</sup> Volunteer FTEs were calculated using the average number of hours worked.

<sup>8</sup> Includes Chief, Assistant Chief, District Chief, and Bureau Chiefs.

As shown in **Table 3-4**, MFD has 3.0 FTE more administrative staff compared to the peer average, but has almost 39 percent fewer EMS staff with 49 percent more EMS calls compared to the peers. The City of Maumee receives a greater number of EMS calls because it operates the Lucas County advanced life support unit (Life Squad #7). Although MFD has a lower number of EMS staff (12.0 FTEs) compared to the peer average (19.6 FTEs), the number of EMS calls per EMS FTE is only 3 more (103.1) than the peer average (99.7), indicating that the MFD's EMS support staff number is appropriate for its current level of service. However, although the EMS

staff workload is consistent with the peers, the span of control ratio indicates that there may be too many supervisory staff.

**Table 3-4** also shows that MFD performed 431 percent more fire inspections and 234 percent more re-inspections than the peers. However, the City has an Insurance Services Office (ISO) rating of 3 compared to the peers of 4. The ISO rating of a community has a direct effect on the insurance premiums that individuals pay on their homes and especially on commercial buildings. The lower the ISO rating on a scale of 1-10 the better the insurance rates will be.

**Table 3-5** shows a cost per capita comparison.

**Table 3-5: Fire Expenditure Comparison (2010)**

	Total Expenditures	Maumee Expenditures per Capita	Peer Average Expenditures per Capita	Difference
Personnel	\$1,745,860	\$123.33	\$95.62	\$27.71
Benefits	\$575,868	\$40.68	\$36.42	\$4.26
Supplies & Materials	\$82,132	\$5.80	\$6.78	(\$0.98)
Contracted Services	\$270,383	\$19.10	\$7.23	\$11.87
Capital Outlay	\$174,489	\$12.33	\$5.94	\$6.39
Other	\$6,128	\$0.43	\$9.62	(\$9.19)
<b>Total</b>	<b>\$2,854,859</b>	<b>\$201.67</b>	<b>\$161.62</b>	<b>\$40.05</b>

Source: City financial reports

As shown in **Table 3-5**, MFD's total expenditures per capita are 25 percent higher than the peer average. The largest cost per capita is in the areas of personnel and contracted services. Personnel services include salaries, retirement and overtime. The higher personnel costs are due to the fact MFD firefighters are paid on a per hour basis while, with the exception of the City of Marysville, the peers are paid on a per run basis. A compensation analysis determined that MFD's bargaining unit agreement step schedules were similar to the peers. Higher contracted service costs are due to contracted EMS billing services. **Table 3-4** also illustrates the span of control ratio in MFD is 1 supervisor (includes chiefs, lieutenants, captains, and shift leaders) for every 2.4 employees compared to the peer average of 1 to 4.4. See **human resources** for further analysis of overtime and span of control.

In conclusion, the City of Maumee maintains a high cost volunteer Fire Division when compared to its peers. These higher costs, similar to the Police Division, are due to the large number of administrative staff and the high use of overtime reflected in total personnel costs. (see **R1.8** contracted services, **R2.5** span of control, and **R2.6** overtime)

## ***Inspection Division***

### ***Organizational Function and Summary of Operations***

The Inspection Division (the Division) consists of two sections: Building Inspection and Zoning Inspection. The building and zoning functions are performed by the Inspection Division within the Department of Public Safety. The Inspection Division is primarily responsible for

conducting all residential and commercial plan reviews, issuing permits and contractor registrations, and inspecting work related to projects involving building, mechanical, electrical, plumbing, and heating, ventilation, and air conditioning (HVAC). The Division also is responsible for the enforcement of the City's zoning and property maintenance code and nuisance abatements. In addition, the Inspection Division reviews and inspects the initial installation of fire suppression, residential fire alarm, and all building, mechanical, and protection systems at the hospital. Lastly, the Division performs building and inspection services for the Village of Whitehouse and in October 2010, expanded these services to the Village of Holland. The Inspection Division consists of five full-time employees including a Chief Building/Zoning Official (CBO), a Secretary, two multi-certified building inspectors, and a zoning inspector.

**Table 3-6** shows building and zoning data comparison.

**Table 3-6: Inspection Division Comparison (2010)**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
<b>Total 2010 Division FTEs</b>	<b>5.0</b>	<b>3.9</b>	<b>5.0</b>	<b>5.5</b>	<b>4.8</b>
<b>2010 Permits Issued</b>					
Residential	756	244	98	423	255
Commercial	449	61	9	301	124
Miscellaneous	0	0	650	0	0
<b>Total Permits Issued</b>	<b>1,205</b>	<b>305</b>	<b>757</b>	<b>724</b>	<b>595</b>
<b>Permits Issued per FTE</b>	<b>241</b>	<b>78</b>	<b>151</b>	<b>132</b>	<b>120</b>
<b>2010 Plan Reviews</b>					
Residential	152	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A
Commercial	167	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A
<b>Total Plan Reviews</b>	<b>319</b>	<b>N/A<sup>1</sup></b>	<b>83<sup>2</sup></b>	<b>105<sup>2</sup></b>	<b>94</b>
<b>Plan Reviews per FTE</b>	<b>64</b>	<b>N/A<sup>1</sup></b>	<b>17</b>	<b>19</b>	<b>2</b>
<b>Number of Citizens</b>	14,156	18,483	17,664	14,159	16,769
<b>FTEs per 1,000 Citizens</b>	0.4	0.2	0.3	0.4	0.3
2010 Expenditures	\$451,158	\$499,333	\$643,729	\$899,959	\$307,385
2010 Revenues	\$203,744	\$64,118	\$119,528	\$198,125	\$33,324
<b>Cost per 1,000 Citizens</b>	<b>\$31,870</b>	<b>\$27,016</b>	<b>\$36,443</b>	<b>\$63,561</b>	<b>\$42,340</b>
<b>Revenue per 1,000 Citizens</b>	<b>\$14,393</b>	<b>\$3,469</b>	<b>\$6,767</b>	<b>\$13,993</b>	<b>\$7,589</b>
2010 City Subsidy Rate	55%	87%	81%	78%	92%

**Source:** City financial and building inspection reports, U.S. Census

N/A = Not Applicable

<sup>1</sup> County does plan reviews.

<sup>2</sup> Were unable to differentiate between number of residential and commercial plan reviews.

As shown in **Table 3-6**, the Inspection Division employs slightly more (0.1) FTEs per 1,000 than the peer average. However, the Inspection Division issued twice as many permits per FTE when compared to the peer average. In addition, the Inspection Division performed 64 plan reviews per FTE, which is significantly more than the peer average of 2. This disparity is due to the higher level of services provided by the Division. The Inspection Division provides all zoning and building services, unlike the peers who only perform zoning. The Inspection Division's use of technology in building and zoning functions helps it achieve this workload and level of

efficiency. (see *Noteworthy Accomplishment* on building and zoning operations for the Inspection Division)

## Recommendations

### R3.1 Establish a formal methodology for determining building fees.

**The City should develop policies and related procedures for establishing the annual building fee schedule. These should account for the actual cost (direct and indirect) to perform inspections, process plan reviews, and issue permits.<sup>15</sup> Subsequently, City Council should be aware of the amount by which the General Fund is subsidizing the Building Department and evaluate the appropriateness of fees and service delivery mechanisms (e.g. contracting for services versus performing services in-house).**

In practice, the Chief Building Official (CBO) determines the building permit fee schedule based on an annual review of neighboring municipalities and a consideration of demographic and economic factors. The City manages the building permits for the villages of Whitehouse and Holland on a contractual basis. It takes a percentage of revenue from the sale of building permits for each village and receives 90 percent of all building and zoning inspection fee revenues for the villages. However, there is no documented methodology that links the fees charged to actual operating costs of the Inspection Division.

Although the City of Maumee has been proactive in reducing the Inspection Division's General Fund subsidy by providing building services to other municipalities, the General Fund still subsidizes a significant percentage of its operating cost, although the subsidy is the lowest among the peers.

According to *Best Practice: Measuring the Cost of Government Services* (GFOA, 2002), measuring the cost of government services is useful for a variety of purposes, including setting user fees and charges, and activity-based costing and management. GFOA recommends that governments calculate the full cost (i.e., direct and indirect cost) of the different services they provide. However, costs should not be the sole factor used to determine how a government will provide services. Efficiency, effectiveness, and offsetting revenues are essential components of any service-delivery decision that should also be considered.

Documented policies that define the methodologies used for reviewing service delivery costs and setting user fees help support and communicate the need for increases in costs and fees, when necessary. Once the City establishes a policy on setting fees, it should continue to regularly review its fee schedule to ensure they are in line with the policy. If fees are not set appropriately, the City may not recover its costs. This can result in an increased need for General Fund support.

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<sup>15</sup> According to the City, City Council establishes the building and zoning permit fee rates in the *Ordinance of Rates and Fees* using input from the Building and Zoning Inspector.



**R3.2 Improve the effectiveness of code enforcement practices.**

**The City should improve the effectiveness of its property maintenance and building inspections by doing the following:**

- **Require all rental property owners to obtain an annual Certificate of Occupancy.**
- **Establish a fee-based point-of-sale inspection for all home sales to ensure that structures are up to code prior to sale.**
- **Require exterior inspections to be completed. This can be done by selecting different streets each year until all have homes have been inspected within a specific time frame. For example, the City could set a goal that all houses will be inspected every three or every five years. The City should also develop a standardized checklist to be used for completing these inspections to ensure consistency in the process and publicize this checklist so that home owners can proactively address potential code violations.**

**These efforts will help ensure that the housing stock within the City is well maintained.**

The City has not established a code enforcement unit to pursue code violations. Instead, code enforcement is a reactive process initiated by complaints. However, proactive measures identify violations in early stages or prevent them from happening, while reactive systems only identify problems that have reached a threshold of disrepair and can affect a city's ability to preserve its housing stock. Preservation is an increasingly important issue in the City of Maumee since over 51 percent of its housing stock was built between 1939 and 1959, and another 33 percent was built between 1960 and 1979. An aging housing stock requires aggressive code enforcement by the City and reinvestment by residents to keep it usable and marketable.

In the *Preserving Housing* report (2003), the Minnesota Office of the Legislative Auditor (MOLA) surveyed local governments throughout the State. The report found that for local governments to position themselves for effective housing involvement, they need a framework to guide government activities before undertaking specific housing projects. The framework depends on an informed understanding of local housing needs and strategic planning, which can be achieved by including housing in the strategic planning process.

MOLA also recommends the following mechanisms for communities to preserve their housing:

- **Implement Exterior Inspections:** While the majority of Minnesota cities surveyed by MOLA enforce property maintenance through complaints, a few cities are beginning to inspect 100 percent of their houses through routine exterior inspections. The report indicates that cities may want to target a certain street or neighborhood to inspect if it does not inspect 100 percent of its housing. Maumee has implemented basic property maintenance standards through its City Ordinance and enforces them when violations are identified through complaint inspections, but does not conduct routine exterior inspections of structures. Other cities in Ohio do complete exterior inspections. For example, the City of Shaker Heights requires that all owner-occupied homes receive an exterior inspection every 5 years. The inspection schedule divides the city into five neighborhood-based sections.

- **Complete Rental Inspections:** Rental inspection programs require owners of rental properties to register or license their properties with the city. This process usually requires periodic inspections of rental property in order for the owners to continue renting them. The majority of the cities surveyed by MOLA require inspections of all rental property. Some conduct them annually, while others conduct them once every three to four years. The City currently does not require residents with single family and multi-family homes to obtain a certificate of occupancy that requires that an inspection of the premises. By doing so, the City would be better able to apply permits, charge fees, and require compliance. Currently, the City has 28 percent owner occupied rental properties. The City of Shaker heights has a program in place to inspect its rental properties. All rental properties receive an interior/exterior inspection every 3 years. In addition, rental owners are required to annually obtain a Certificate of Occupancy for \$50.
- **Ensuring Consistent Enforcement:** The MOLA report finds that cities can ensure consistent code enforcement by developing written policies and procedures and using inspection checklists. The survey indicates that common items included in policies and procedures are is the areas to be inspected, strategies to achieve effective enforcement, and when to escalate enforcement action, while still allowing inspectors opportunities to deviate when needed. Also, the policy should include information on when inspectors may need to deviate from procedures.
- **Publicizing City Housing Requirements:** The most common method used to inform the public of building and property maintenance requirements is written pamphlets, brochures, websites or newsletters. The information typically provides a list of the major codes along with common building and code enforcement violations. The City does offer its ordinances online and has a link on its website; however, there is no direct link or information on the City's housing permit requirements.

By not proactively enforcing its housing codes it is difficult for the City to ensure prompt resolution to code violations. This can have a negative effect on the neighborhood stability and economic vitality of the City, which can lead to erosion in the tax base.

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## 4. Public Service

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### Background

This section of the performance audit focuses on the City of Maumee's Public Service Department (PSD or the Department) operations. The objective is to analyze PSD operations and develop recommendations for improvements. Data from sources such as the American Public Works Association (APWA), the Ohio Department of Administrative Services (DAS), and peer cities was used for comparisons throughout this section of the report. The peer cities include the City of Marysville (Marysville), the City of Perrysburg (Perrysburg), and the City of Vandalia (Vandalia). The City of Sylvania (Sylvania) was also used as a local comparison in the solid waste analysis.

#### *Organizational Function and Summary of Operations*

The primary function of the City of Maumee PSD is to maintain the City's infrastructure, including over 240 center lane miles of roadway. PSD is overseen by one full-time (1.0 FTE) Commissioner of Public Service who reports to the Public Service Director (vacant), Mayor and City Council. PSD is separated into many areas of operation that include streets, utilities (water and sewer), and parks and recreation. While each division has specific duties, personnel overlap is prevalent when assisting other divisions in the completion of their duties, when time permits. PSD manages all operations relating to public-rights-of-way and public property, including contracted refuse collection services. The Department determines where to focus its resources through routine visual inspections of City streets, parks, and buildings by the Department's foremen and Commissioner. In addition, the Department is made aware of potential problems by receiving calls from citizens and other City departments. Each division performs other duties not necessarily integral to the maintenance of the City's infrastructure.

The street division is responsible for snow removal and ice control, pothole patching, litter control, leaf removal, fence repairs, street sweeping, christmas tree collection, irrigation maintenance, and set-up and preparation for various events such as parades. The street division contracts for refuse collection services, sidewalk and curb repair, sign-making, traffic signal maintenance, paving, street striping, crack sealing, tree maintenance, and vehicle and building maintenance. The parks and recreation division is responsible for the care and upkeep of 13 parks and cemetery grounds, playgrounds, tennis courts, a pool, baseball/softball diamonds, soccer and football fields, a skateboard park, and landscape beautification. The utilities division is responsible for the maintenance and repair of water and sewer mains, and catch basins.

**Table 4-1** shows the allocation of staffing in the City of Maumee's Public Service Department.

**Table 4-1: Public Service Staffing Comparison, January 2011**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
<b>Administration</b>	10.0	7.6	5.7	7.5	6.9
<b>Operations</b>	15.0	12.5	12.1	7.0	10.5
<b>Water and Sewer Maintenance</b>	9.0	18.8	6.0	7.0	10.6
<b>Parks and Recreation</b>	16.7	8.2	10.7	59.5	26.1
<b>Total FTEs</b>	<b>50.7</b>	<b>47.1</b>	<b>34.4</b>	<b>81.1</b>	<b>54.2</b>
Number of Residents (2009)	14,156	18,483	17,664	14,159	16,769
<b>Total FTEs per 1,000 Residents</b>	<b>3.6</b>	<b>2.5</b>	<b>1.9</b>	<b>5.7</b>	<b>3.4</b>
<b>Span of Control</b>	<b>4.7: 1</b>	<b>5.2: 1</b>	<b>5.0:1</b>	<b>9.8:1</b>	<b>7.0:1</b>
<b>Recommended reductions in R4.1</b>	<b>4.0</b>				
<b>Revised Total Staffing</b>	<b>36.7<sup>1</sup></b>				

Source: City Public Service Departments and U.S. Census

<sup>1</sup> Does not include supervisory staff

As shown in **Table 4-1**, the City of Maumee Public Service Department has a higher number of staff compared to two of the three peers. However, when factoring in number of FTE's per 1,000 residents as an indicator of the level of responsibility, they are similar to the peers. Supervisory staffing in PSD is approximately 45 percent higher than the peer average.<sup>16</sup> If PSD maintained a span of control similar to the peers of one supervisor for every 7.0 FTEs it would need only 6.0 supervisory staff. Taking into consideration staffing reductions recommended in **R4.1** of 4.0 FTEs the Public Service Department would need 5.0 supervisory staff to meet the peer average span of control. (see **R2.5** for span of control and **R4.1** for staffing analysis) **Table 4-2** shows the expenditure per capita comparison.

**Table 4-2: Public Service Expenditure Per Capita Comparison (2010)**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average per Capita
<b>Personnel</b>	\$108.59	\$26.60	\$64.12	\$73.48	\$54.74
<b>Benefits</b>	\$39.77	\$0.84	\$22.51	\$25.79	\$16.38
<b>Supplies &amp; Materials</b>	\$10.04	\$1.39	\$10.58	\$4.27	\$5.41
<b>Contracted Services</b>	\$9.79	\$4.68	\$10.75	\$6.46	\$7.30
<b>Capital Outlay</b>	\$33.16	\$0.00	\$1.31	\$0.00	\$0.44
<b>Other</b>	\$0.74	\$0.48	\$0.00	\$0.08	\$0.18
<b>Total Cost per Capita</b>	<b>\$202.10</b>	<b>\$33.99</b>	<b>\$109.28</b>	<b>\$110.08</b>	<b>\$84.45</b>

Source: City financial reports

As shown in **Table 4-2**, PSD's expenditure cost per capita is 139 percent higher than the peer average. The categories that have led to the higher cost of public services in the City of Maumee are salaries, benefits, and capital outlay. Overtime is included as part of personnel costs. PSD's total overtime costs (\$209,963) represent 28 percent of the City's overall OT costs (\$753,744) and 9 percent of PSD's overall salary cost. PSD's services include emergency

<sup>16</sup> At the conclusion of this audit, the Commissioner of Public Service indicated the City has 1 supervisor in Construction, Operations and Natural Resources who oversees a minimum of 7 divisional employees. Water and Sewer each have an additional Assistant Supervisor that rotates weekly on call assignments to prevent "burn-out."

functions (snow and ice control and storm clean-up), therefore it is not reasonable to eliminate all overtime from this Department. Especially when compared to peers that are geographically located in southern part of the State where there are fewer snow and ice events. Capital outlay costs are primarily taken from the Income Tax B Fund. See **R2.6** for further overtime analysis, **R2.2** for benefit analysis, and **R1.2** for further analysis of financial planning, including capital costs.

## Recommendations

### R4.1 Eliminate 4.0 Public Service Department FTEs.

The Public Service Department should eliminate a total of 4.0 FTEs to increase workload and efficiency to the peer average. These reductions include 1.0 FTE Street operator, 1.0 FTE Utility (Water /Sewer) maintenance worker, and 2.0 FTEs in Recreation and Natural Resources.

Table 4-3 contains a statistical comparison showing the amount of infrastructure maintained by street, water and sewer staff.

**Table 4-3: Statistical Comparison**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
Number of Residents	14,156	18,483	17,664	14,159	16,769
Street ( center lane miles) <sup>3</sup>	129.3	117.4	139.3	107.5	121.4
Total Street (lane miles) per FTE <sup>1</sup>	8.6	9.4	11.5	15.4	12.1
Water Main (miles)	83	115	97	77	96.3
Sanitary Sewer Main (miles)	88	135	91	66	97.3
Storm Sewer Main (miles)	69	70	96	52	72.7
Total Utility (miles)	240	320	284	195	266.3
Total Utility (miles) per FTE <sup>2</sup>	26.7	17.0	47.6	27.9	30.8

Source: City Public Service Departments and 2009 U.S. Census

<sup>1</sup> Includes only street maintenance staff

<sup>2</sup> Includes water main, and sanitary and storm sewer mains compared to only water and sewer maintenance staff.

<sup>3</sup> The total lane miles are based on a 12 foot width. This was halved for reporting purposes to reflect center lane miles.

Table 4-3 shows that the street division staff is responsible for 29 percent fewer street lane miles per FTE than the peers.<sup>17</sup> Furthermore, the City of Maumee's water and sewer maintenance staff is responsible for 13 percent fewer water and sewer main miles per FTE when compared to the peer average. Eliminating 1.0 FTE operator would increase the lane miles maintained per FTE to 9.2, slightly closer to the peer average of 12.1. Additionally, eliminating 1.0 FTE water/sewer maintenance employee would bring the utility miles maintained to just below the peer average at 30.0. Table 4-4 shows the workload indicators for the parks and recreation staff based on acres and the number of recreation facilities maintained.

<sup>17</sup> After review of the audit the City revised its lane miles to 209.5. Auditors could not confirm this calculation.

**Table 4-4: Parks and Recreation/Natural Resources Comparison**

	Maumee	Marysville	Perrysburg	Vandalia	Peer Average
Land (Acres)	126	347	163	200	237
<b>Acres maintained per FTE</b>	<b>7.5</b>	<b>42.4</b>	<b>15.2</b>	<b>3.4</b>	<b>20.3</b>
Parks	13	15	11	12	13
Playgrounds	8	9	6	11	9
Swimming Pools	1	1	2	1	1
Tennis Courts	4	2	4	11	6
Baseball/Softball Diamonds	13	3	10	13	9
Soccer Fields	5	2	7	12	7
Football Fields	2	1	0	0	0
Basketball Courts	0	5	0	0	2
Skate Park	1	1	0	0	0
<b>Total Recreation/Natural Resources Components</b>	<b>47</b>	<b>39</b>	<b>40</b>	<b>60</b>	<b>46</b>
<b>Recreation/Natural Resources Components Maintained per FTE <sup>1</sup></b>	<b>2.8</b>	<b>4.8</b>	<b>3.7</b>	<b>1.0</b>	<b>3.2</b>

Source: Cities

<sup>1</sup> Includes only parks and recreation, and natural resources staff.

As shown in **Table 4-4**, the City of Maumee maintains the second highest number of recreation facilities (47) and has the second highest number of parks and recreation, and natural resources staff (**Table 4-1**). However, the parks and recreation, and natural resources staff maintains fewer recreation facilities and acres per FTE when compared to the peers. Eliminating 2.0 FTE positions would bring the workload (by component) to 3.0, just below the peer average and would raise the acres maintained per FTE to 8.4.

The lower workloads in the streets, water and sewer, and parks and recreation indicates an opportunity to increase efficiency through elimination of staffing. Furthermore, the City of Maumee's public services are costly to operate (**Table 4-2**) primarily as a result of high administrative staff and high overtime usage. By eliminating 4.5 Supervisor FTEs (**R2.5**) and 4.0 staff, the Public Service Department can reduce its personnel costs per citizen by \$33.

*Financial Implication:* A staffing reduction of 1.0 FTE street operator, 1.0 FTE utility maintenance worker, and 2.0 FTEs Recreation/Natural Resources workers will result in a cost savings of \$154,500 annually (including salary and benefits).

#### **R4.2 Establish formal internal controls over the refuse collection contract.**

**The City should establish formal internal controls over its refuse collection contract to ensure contractor invoices are accurate prior to payment. As part of these controls, the City should establish amendments to the original contract when levels of service are permanently changed. Also, the City should require the contractor to provide a monthly report on the tons of refuse (including recyclables) collected.**

The City does not have formal management controls over its refuse collection contract. However, according to the Commissioner of Public Service (CPS), service levels are monitored by management at the individual sites. For instance, an individual site may require the contractor to empty a specific dumpster twice per week in accordance with the contract language. Any changes to the service levels (collection frequency) or container size are communicated to the CPS. The Department of Public Services compares the monthly contractor invoice for collection frequencies and unit prices to the refuse collection contract. During a review of the contract monitoring processes, it was noted the City does not record amendments to the contract when levels of service permanently change. Nor does the Department of Public Services document when levels of service temporarily change.

The City of Sylvania requires its contractor to provide monthly volume reports for refuse and recyclable materials collected to help control and monitor the collection process. The City of Maumee's contract currently states that "the contractor will be required to maintain collection records for the residential refuse, recycling and yard waste collection program and submit annual reports".

The article *Contract Administration, Part 1: People, Processes, and Best Practices* (Garrett 2010) contained in the National Contract Management Association Magazine states that the contract manager must observe performance, collect information, and measure actual contract progress to effectively control. Furthermore, the article states documentation is essential to provide proof of performance, management of changes, justification for claims, and evidence in the unlikely event of litigation. The most important documentation is the official copy of the contract, contract modifications, and conformed working copies of the contract.

In addition, according to the *Contract Management Manual, A Guide to Bidding, Selecting, Contracting and Monitoring Services* (Voinovich Center for Leadership and Public Affairs, June 2001) a contract management and monitoring system should be established to assure that the terms of the contract are being met and to ensure compliance with quality assurance and fiscal standards. The model process for contract monitoring and management includes the following:

- Monitoring performance by requiring monthly performance reports: Were all required fiscal, service delivery, and output data received? Is the required data complete?
- Analysis of monthly report summaries: Are billings comparable to budget amounts at this point in the contract? Are service delivery volumes comparable at this point in the contract? Is the output data supportive of the targeted end results?
- Maintain communications with the vendor: Schedule quarterly meetings with all vendors to review contract performance.
- Intervene when monthly report summaries continue to show performance variances, do not wait for the quarterly meeting.
- Use the vendor performance history for future decision-making.



Establishing formal internal controls to monitor the refuse collection contract will ensure that the City is not overbilled or underserved. Weak controls leave the City vulnerable to fraud and misuse of public resources.

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## Appendix

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### *City Overview*

The City of Maumee, Lucas County, is situated in the Maumee River Valley, approximately nine miles southwest of downtown Toledo. It is 10.6 square miles in area and serves a residential population of 15,074 (revised 2000 Census). However, the total population for the City of Maumee averaged 14,156 from 2005-2009 (U.S. Census Bureau), a decline of 6 percent from 2000.<sup>18</sup> The land use is 51 percent residential, 40 percent commercial or industrial, 8 percent governmental or educational, and 1 percent agricultural.

The City of Maumee, Ohio is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Mayor form of government, was adopted in 1951. Legislative authority is vested in a seven-member Council. All members are elected at-large to serve four-year terms. The Council establishes the compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, the appropriation and borrowing of money, the licensing and regulation of businesses and trades and other municipal purposes. The presiding officer is the Mayor, who has no vote unless there is a tie vote of the members of City Council. The Charter establishes certain administrative departments and the City Council may establish divisions of those departments and/or additional departments.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters specifically to a four-year term. The Mayor appoints, subject to the approval of Council, all the directors of the City's departments. The key appointed officials are the Finance Director, Law Director and the Directors of Public Service and Public Safety. The Director of Public Safety has also been appointed the City Administrator. The Mayor also appoints members to a number of boards and commissions and appoints and removes, in accordance with civil service requirements and various contract provisions, all non-elected City employees. As part of this audit AOS looked at the City governance practices used by elected officials, including meeting minutes, in adherence to the Ohio Sunshine Laws and determined there were no issues.

Maumee provides standard government services to its residents through various departments. These include, but are not limited to the following:

**Police Division:** The Police Division is responsible for patrolling about 93 miles of streets and manages the drug abuse resistance education (DARE) program within the community. The Police Division is entirely self-sufficient and provides 24-hour protection to its citizens. In an unusually demanding situation, the Police Division can call upon other local law enforcement agencies for assistance through a mutual aid contract entered into with other municipalities in Lucas County.

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<sup>18</sup> 2010 census was not available during the planning and fieldwork portions of this audit. The 2010 population (14,286) increased over 2009 estimates by less than 1 percent for the City of Maumee.

**Fire Division:** The City operates a volunteer Fire Division and a full-time Emergency Medical Services unit. The City has mutual aid pacts with all Lucas County fire agencies. The Fire Division is staffed with 55 volunteer fire fighters that are trained from a basic level of 36 hours to the advanced level of 240 hours and operates under the incident command system. These volunteers respond from work or home to fires and heavy rescue incidents. Included within the Fire Division is the fire prevention bureau whose functions include, inspection of structures for enforcement of the applicable fire and building codes, review of structural drawings for fire protection, assistance with preplanning of structures for emergencies, fire and arson investigations, issuance of fire safety permits, fire safety classes, talks and demonstrations and tour of the fire station.

**Public Service Department:** The Public Service Department is responsible for managing refuse collection services and maintaining streets, parks (13), and City buildings. The Public Service Department is organized into the construction, operations, natural resources, and recreation divisions. The operations division, the construction division and the public service administration are all responsible for keeping streets in good shape in the City of Maumee. The operations division coordinates street sweeping, pothole repair, and snow and ice removal while the construction division performs the asphalt and concrete patching repairs to the streets made necessary by age, utility cuts and other factors. The Public Service Department is responsible for selecting streets requiring major resurfacing or reconstruction and planning and coordinating that work.

**Water and Wastewater Division:** Water is treated by the City of Toledo and purchased on a contractual basis for delivery through the distribution system owned and maintained by the City of Maumee. The term of this contract runs through 2025. Wastewater collection is handled through the City's sanitary sewer system, which it owns and maintains. Wastewater treatment is provided by Lucas County on a contractual basis. Sixteen employees of the water and sewer divisions maintain the City's lines and pumping stations. The water department is responsible for the maintenance and repair of all water and sewer mains, and water meters. The property owner is responsible for all water lines from one foot outside the property line.

**Inspection Division:** The Inspection Division is responsible for regulating new construction and property maintenance by enforcing established minimum requirements for premises, structures, mechanical equipment; and facilities for light, ventilation, heating, sanitation; and safety from fire, structural collapse and other hazards to safe and sanitary maintenance. In addition, the Inspection Division is responsible for upholding the zoning code of the City with respect to allowable district uses, bulk regulations for lot sizes and setbacks, off-street parking, signage, and flood plain regulations.

### *Financial Outlook*

In 2009, general revenues related to governmental activities accounted for \$19.1 million in revenue or 75 percent of all governmental activities revenues. Program-specific revenues related to governmental activities in the form of charges for services and grants and contributions accounted for 25 percent of total governmental activities revenues of \$25.5 million. That year, the City's net assets decreased by \$797,299. Net assets of governmental activities decreased by \$1,292,037, from 2008. Net assets of business-type activities increased by \$494,738 or 6

percent from 2008. While the City had \$26.8 million in expenses related to governmental activities, only \$6.4 million of these expenses were offset by program specific charges for services, grants or contributions, leading to an operating deficit. The General Fund collected \$19.3 million in revenues, including other financing sources, and made \$19.1 million in expenditures, including transfers out to other funds. Despite the overall operating deficit, the General Fund balance increased by \$207,402 to \$401,416. However, net assets for the City's enterprise funds (water and sewer, etc.) decreased by \$469,585.

To offset losses of revenue in the past few fiscal years, the City has implemented some cost reduction measures, including a pay freeze for the first two years of the negotiated agreements, and successfully negotiating a second tier pay scale with three bargaining units (Fraternal Order of Police, International Association of Fire Fighters and American Federation of State, County, and Municipal Employees). In addition, the City invested in Chronic Care/Disease Management as well as the TelaDoc service that serves as an alternative to Urgent Care or the ER. In December 2010, the City offered employees a one month holiday from their premium contribution if they participated in health screenings. The cost was less than \$15,000. This has helped to identify employee health issues and recommend case management or chronic care management. The City has invested in these services and structured its plan with the goal that an increased focus on well care and preventative care will have the long-term effect of decreasing claims and containing future increases in premiums.

Although affected by the economic downturn, the City of Maumee has not seen losses as significant as other local governments. Much of Maumee's economic stability is due to diverse businesses, although those tied to the auto industry experienced significant decline in the past few years and are only beginning to recover. Arrowhead Park (the "Park"), a highly successful business development in the City and the adjacent industrial and commercial property have been touted as the leading edge of industrial/commercial development in northwest Ohio. The area includes approximately 900 acres. The Park is presently occupied by over 250 businesses, which collectively employ about 14,000 people.

The City of Maumee reduced expenditures by approximately \$21 million from 2008-2010 following a 22 percent decline in revenues for the same two years. The data gathered in this audit shows that the City of Maumee provides efficient services in most of its departments, delivering a range of services comparable to or exceeding the peers but at a much higher cost. The higher cost for services stems from an absence of financial planning, an absence of financial oversight over internal practices and contracted services, a high number of administrative staff, and a high amount of overtime use. In the future, the City of Maumee should work to gain control over its financial resources and personnel services.