



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF EAST CLEVELAND PERFORMANCE AUDIT

SEPTEMBER 26, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

To the Citizens of the City of East Cleveland, Ohio:

At the request of the East Cleveland Financial Planning and Supervision Commission and the City of East Cleveland (the City), the Auditor of State initiated a performance audit of the City in June 2001. The seven departments selected by the Commission and the City for assessment in the first phase of the performance audit were technology, finance, income tax, community development/building and housing, Helen S. Brown Senior Center, municipal court and the service department. These departments were selected by the Commission and the City to assist the City of East Cleveland in eliminating the conditions that brought about the declaration of fiscal emergency.

The performance audit contains recommendations that provide cost savings, revenue enhancements and/or efficiency improvements. The performance audit also provides an independent assessment of the City of East Cleveland's financial situation and a framework for financial recovery. The recommendations contained within the performance audit are a resource, which may aid the City in developing and refining its financial recovery from the fiscal emergency declaration. In addition, the City is encouraged to assess overall operations and to develop other recommendations independent of the performance audit.

An executive summary has been prepared which includes the project history, a discussion of the fiscal emergency designation, East Cleveland overview, purpose and objective of the performance audit and a summary of findings, commendations, recommendations and financial implications. This report has been provided to the East Cleveland Financial Planning and Supervision Commission, members of the City Council and City representatives, and its contents discussed with appropriate city government officials and management. The City has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery and financial stability. Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or the toll free number in Columbus, (800) 282-0370. In addition, this performance audit can be accessed on-line through the Auditor of State's website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 26, 2002

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) § 118.04(A), the existence of fiscal emergency conditions shall be determined by the Auditor of State upon written request from a mayor of the municipal corporation or initiated by the Auditor State. The Auditor of State initiated a fiscal emergency analysis and the City of East Cleveland was declared to be in a fiscal emergency condition on September 9, 1988.

Once it is determined that a fiscal emergency exists, ORC § 118.05(A) requires that a financial planning and supervision commission for the City of East Cleveland be established. As identified in ORC § 118.05(A), the East Cleveland Financial Planning and Supervision Commission (ECFPSC) consists of the following seven voting members:

- Treasurer of State, or designee;
- Director of Budget and Management, or designee;
- Mayor of East Cleveland;
- President of City Council; and
- Three members appointed by the Governor from a list submitted by the Mayor of East Cleveland

In accordance with ORC § 118.05(G), the Auditor of State serves as the “financial supervisor” to the Commission. Members of the Commission serve without compensation, but are reimbursed for necessary and actual expenses incurred while performing Commission business. In accordance with ORC § 118.27, the Commission continues in existence until the Auditor of State determines that the City has done the following (refer to the ORC for full text):

- Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system.
- Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all of the fiscal emergency conditions and no new fiscal emergency conditions have occurred. The Auditor of State is to monitor the progress of the City.
- Met the objectives of the detailed financial plan described in ORC § 118.06.

- Prepared a five-year financial forecast in accordance with standards issued by the Auditor of State. The Auditor of State must render an opinion on the financial forecast that is considered non-adverse.

At the request of the ECFPSC, the Auditor of State's Office began a performance audit of the City's operations in June, 2001, to identify options for expenditure reductions, revenue enhancements, resource allocations, and operational improvements. The decision for this focus was based upon the City's fiscal emergency status and its potential inability to fund operations and provide services at current levels.

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, recommendations and conclusions. Performance audits are usually classified as either economy and efficiency audits or program audits.

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine if management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences. Program audits, on the other hand, are normally designed to determine if the entity's activities or programs are effective, if they are reaching their goals, and if the goals are proper, suitable or relevant. These audits attempt to determine if the actual outputs match, exceed or fall short of the intended outputs. The performance audit conducted on East Cleveland contains elements of both an economy and efficiency audit and a program performance audit. Based on discussions with the ECFPSC and the City, the following areas of operation were selected for assessment during Phase One of the project:

- Technology Utilization
- Financial Operations
- Income Tax Department
- Community Development, Building and Housing
- Helen S. Brown Senior Center
- Municipal Court
- Service Department

The ECFPSC requested a Phase Two of the City of East Cleveland project. Fieldwork has begun on this phase with the following areas of operation selected for assessment:

- Fire Department
- Police Department
- EMS Services
- Human Resources

Methodology

To complete this report, the auditors gathered and assessed a significant amount of data pertaining to the City, conducted interviews with various individuals associated with the City and the Municipal Court, and assessed available information from selected peer cities. In evaluating the various performance audit areas, the auditors spent a significant amount of time gathering and reviewing pertinent documents and information. Numerous interviews and discussions were held at many levels and with groups of individuals involved internally and externally with the City, such as the U.S. Department of Housing and Urban Development (HUD) and the Ohio Environmental Protection Agency (OEPA). Furthermore, three peer cities, Maple Heights, Trotwood and Warrensville Heights were selected to provide benchmark comparisons. Three courts, Bedford, Euclid and Garfield Heights municipal courts and three senior centers in Lakewood, Euclid and Maple Heights were also used as peers.

Overview of East Cleveland

The City of East Cleveland, situated in the northeastern part of Cuyahoga County, was settled about 1800 and incorporated as a city in 1911. The City has a population of approximately 27,000 and encompasses 3 square miles. East Cleveland's population has decreased 32 percent from the 1950 census of 40,000. Its operations have been impacted by a continuing state of fiscal emergency for the past fourteen years, as well as by the declining population and a high rate of unemployment and poverty. The departments examined in this report primarily rely on general fund revenues and have had their staffing and operations significantly impacted by the condition of the City. In general, City operations suffer from a lack of qualified staff to plan and administer operations and ensure appropriate internal controls as well as from a lack of financial resources. The City's attempts to stay within the \$16.4 million budget for FY 2002, authorized by the ECFPSC, has resulted in recent budget cuts and employee layoffs.

The performance audit report provides many recommendations for the grossly apparent problems and inefficiencies found in the review areas identified by the City and the ECFPSC for this project. While specific recommendations have been made, there are several overarching themes that can be identified.

- The City has done a poor job of planning. Perhaps the most significant issue for the City is the need for a comprehensive fiscal plan that incorporates reasonable assumptions for all revenue and expenditure forecasts. A comprehensive fiscal plan covering at least two years, would help the City's efforts to recover from the fiscal emergency designation. The City should also improve other planning efforts. For example, the electronic data processing department does not adequately plan or manage East Cleveland technology functions. The lack of a strategic technology plan impedes effective long-range technology planning at the City. Community Development Department (CDD) funding decisions are marked by poor

planning, contract management and noncompliance with purchasing procedures. In addition, the East Cleveland Service Department (ECSD) does not have an effective preventive maintenance plan for maintaining streets, buildings, snow and ice control, vehicles or forestry. This prevents the department from planning for expenditures and working toward improving the City's infrastructure.

- Many of the recommendations in this audit report address issues exacerbated by ineffective management and weak internal controls. There is a lack of fiscal oversight, departmental accountability and fiscal responsibility which negatively impacts the City's financial condition. In addition, departments are not held fully accountable for staying within budget guidelines, making the budget ineffective. The East Cleveland Municipal Court (ECMC) has few internal controls and experienced little progress in the implementation of prior audit recommendations and in the development of appropriate internal administrative controls. The Service Department (ECSD) is not effectively maintaining the City's infrastructure. It does not follow standard service department business practices and does not track and analyze crucial departmental performance data or make use of benchmark or performance measures.
- The City does not have coordination between city departments. The Community Development Department (CDD) experiences significant compliance and grant management issues that effect its ability to meet City development goals. Non-compliance with federal, State and City regulations in several areas impacts CDD's ability to effectively administer programs and safeguard taxpayer resources. There appears to be inefficient use of technology at ECMC and the Parking Violations Bureau, which contributed to the Court and the City not issuing block warrants and license forfeitures. This resulted in a high volume of unpaid traffic and parking tickets and therefore a loss in possible revenue.
- Deficits occurring in the water and wastewater funds contribute to the City's inability to emerge from a fiscal emergency condition. Although the City sought to fix the water/wastewater deficit issues by outsourcing the operations of the water and wastewater departments, AOS forecasts show increasing deficits in those funds through 2005.

Key Findings and Recommendations

The performance audit report contains a number of findings and recommendations pertaining to East Cleveland's operations. The following are the key findings and related recommendations:

- East Cleveland does not have an active technology steering committee. Electronic Data Processing (EDP) develops, promotes and executes the policies and guidelines for hardware and software use throughout the City. A technology steering committee can provide active oversight within a city to ensure technology is implemented in a cost efficient manner, consistent with the city's goals and objectives. A technology steering committee can also assess the implementation of new technology, establish and improve technology standards, and resolve organizational issues that may impede progress.

East Cleveland should create a technology steering committee. In developing the committee, East Cleveland should ensure that it consists of individuals from various functional areas so that it represents a wide array of internal interests.

- East Cleveland does not currently have a strategic technology plan. A strategic technology plan should list major internal technology initiatives and projects, provide a time frame for the plan's implementation, identify parties responsible for the implementation, and identify necessary funding sources.

East Cleveland should develop an in-depth strategic technology plan that addresses both short and long-term technology needs. In essence, the plan should describe long-term objectives and how technical staff, funding and resources will help East Cleveland achieve these long-term objectives.

- Informally, purchases related to technology are supposed to be approved by the EDP manager for compatibility purposes. However, a review of purchase orders revealed that some purchases were processed without approval of the EDP manager. Also, there is policy that requires all computers to be shipped to city hall for network configuration and software installation prior to end user or department delivery, but a review of shipping practices shows that this is not the case.

The City should centralize all technology purchase approval procedures. The planning and management capabilities of EDP would be greatly enhanced by having more control over the technology that is used at the City.

The City should centralize all technology purchase approval procedures. The planning and management capabilities of EDP would be greatly enhanced by having more control over the technology that is used at the City.

- EDP does not have a formal disaster recovery plan for technology services as recommended by the Government Finance Officers Association (GFOA). However, EDP does perform data backups daily for all servers. The EDP manager takes the backup tapes home each evening and brings a new tape in the morning. While this rotation system can be a cost-effective way to provide backup services, the process is not documented and poses some significant risk issues.

EDP should store data backups at a secure off-site location rather than storing the data backups at the EDP manager's personal residence. Further, in accordance with the GFOA, EDP should develop a disaster recovery plan outlining the steps to be taken by the City and EDP in the event of some catastrophic occurrence that disables technology operations for the City.

- The City does not have a formal implementation plan that documents how it will address the significant changes and additional information required by GASB 34. GASB 34 will significantly change annual financial reporting.

The City should create an implementation plan that outlines the specific actions the City will take in order to be compliant with GASB 34. The required implementation date for East Cleveland is June 15, 2003. By creating a GASB 34 implementation plan, the City would be better able to provide the highest level of timely financial reporting to citizens and other interested parties and make better use of limited staff resources.

- The East Cleveland Finance Department (ECFD) does not forecast revenues beyond one year. Similarly, ECFD does not calculate any of the financial ratios often used to begin a basic analysis of a municipality's financial strength. The trends in revenues, expenses and key financial ratios can provide the basis for long term forecasting of the City's resources and needs.

ECFD should begin forecasting its revenues and expenses beyond one year. The City should include a five-year financial forecast within the budgeting process to ensure that the budgeting process incorporates the City's future financial needs and goals.

- In current and prior years, East Cleveland has not adequately prepared and monitored departmental budgets, which has worsened the City's fiscal emergency status.

The City should require all department heads to monitor and adhere to their department budgets. ECFD has recently begun to distribute monthly budget to actual reports to all department heads.

- The City does not have a formal capital plan. There is no single comprehensive document that prioritizes needed capital improvements.

The City should begin a capital planning process in order to determine how to develop and maintain the infrastructure within its jurisdiction. A capital plan should include all of the City's capital needs for a minimum of a five-year period. The plan should be updated annually to accommodate changes in the City's goals and needs.

- The purchasing agent does not keep track of fixed assets, and information is not forwarded so that an asset tracking mechanism can be maintained. If the purchased asset is not on site, it does not get tagged or inventoried. In addition, there is no mechanism to account for missing assets.

Purchasing is the entry point for all assets and therefore, should be responsible for developing a perpetual fixed asset system to include tagging and recording all assets including those purchased with grant monies, recording reassignments by location, and recording retirement or disposal of assets. The City's identifiable fixed assets, with the information contained in its database, should be reconciled at least annually.

The purchasing agent should include fixed assets in the purchasing policy and procedures manual. The manual should include a definition of fixed asset and the procedure for buying, receiving, recording, tagging and transferring assets.

- A financial impact analysis of the effects of the CH2M Hill contract for managing the water and wastewater enterprise operations was not included in the City's budget which was approved by City Council. An analysis of the contract was not presented to City Council or ECFPSC when the contract was approved and signed in November 2001 or at implementation in March 2002.

Due to the negative impact the enterprise funds have historically had on the general revenue fund, an analysis by the City is of extreme importance. An accurate analysis of the effects of the contract would allow the City to make plans and budget for the effects of the contract.

- The City is not consistently following defined procedures for dealing with the collection of the water and wastewater fund's accounts receivable. As of March 2002, the enterprise fund's accounts receivable balance was almost \$4.8 million. Sixty-six percent of the accounts receivable are overdue by more than ninety days. By not managing accounts receivable, the City increases the chance of not being able to collect overdue balances.

The City should follow its defined collection procedures and perform an immediate review of the accounts receivable and bad debts accounts. The longer accounts remain in

receivables, the less likely those delinquent amounts will be collected. A collection agency would be of benefit in collecting old accounts.

If the City increased its collection rate to 95 percent, it could potentially increase collections by approximately \$230,000. In addition, a renewed focus on delinquent accounts could increase delinquent collections approximately \$2.7 million over time, based on estimates of uncollectible accounts in AOS financial audits.

- The Income Tax Department's operations do not appear to be organized in a cost-effective manner. In addition, the amount of resources and effort involved in manually transferring information between the Department, Regional Income Tax Agency (RITA) and Javitch, Block, Eisen and Rathbone (JBER) is excessive.

In order to lower its operating costs and increase income tax revenue, the City should transfer all collection activity to RITA. Reducing the Income Tax Department to one FTE would result in a cost savings in salary and benefits of approximately \$68,000 annually. The cost avoidance of not filling the current vacant positions is approximately \$61,000 annually in salaries and benefits.

- The East Cleveland Community Development Department's (CDD) FTE staffing levels are approximately five times larger than the peer average. The greatest discrepancy in staffing levels occurs in the project manager/coordinator area, where CDD maintains staffing levels at four times the peer average. Furthermore, CDD has a custodial position that is responsible for functions that could be provided by the Service Department.

CDD should reduce staffing through the elimination of one CDBG program manager, one custodial position and one receptionist position. The elimination of these positions will result in staffing levels that are better aligned with the peer cities, and will save CDD \$102,700 in salaries and benefits.

- CDD has had significant turnover among directors because of poor selection processes and frequent termination for nonperformance. Stability is needed in the director position to provide oversight for CDD programs and initiatives. Furthermore, planning efforts, development projects, and program creation have not been effectively managed and productivity and efficiency have been reduced.

The City should ensure that the candidate selected to fill the director's position is fully qualified to manage CDD and meet local and federal expectations.

- CDD does not encumber and expend all available grant resources on an annual basis. On average, CDD uses only 27 percent of its available grant funds each year. This results in an average of \$2.7 million in unspent grant funds for CDD annually. Because CDD expends

only a small portion of available CDBG resources, potential programs and resources are not maximized or used.

CDD should allocate available grant dollars to direct service programs. Funds should be encumbered in a timely manner and should be directed toward programs that directly benefit residents of East Cleveland.

- Previous financial audits have identified many internal control weaknesses that have constituted noncompliance conditions. Although CDD was made aware of deficiencies in its procurement, reimbursement and other fiscal management practices, corrective actions were not implemented. Continuing non-compliance and regulatory violations place CDD at risk for fraud and loss of funding and lax controls result in the mis-allocation of scarce resources for economic and community development.

The City should consider whether CDD should continue to perform financial management functions or contract the management functions for grant programs to an outside entity. Continuing to perform these functions in-house would require significant training.

- The City's Helen Brown Senior Center (HBSC) is currently subsidized through the City's General Fund by approximately \$80,000 annually. HBSC is supported primarily through the Western Reserve Area Agency on Aging but is dependent on a City match.

The City can garner its match through donations, income and other outside funding. It should, therefore, engage in strategies to reduce its reliance on the General Fund. Strategic planning, needs assessments and developing relationships with corporate and community foundations are key activities for reducing that reliance.

- The East Cleveland Municipal Court (ECMC) tracks only the amount of fines and court fees received, not the amount assessed. Because ECMC only records the amounts of monies paid and not the amount it is owed, ECMC cannot determine its collection rate. Goals regarding the collection of fines and costs have not been established.

ECMC should record the amounts of fees and fines it assesses on each case and begin to monitor and track collection rates against the assessed fees and fines. Under the direction of the judge and clerk of court, ECMC should ensure that monitoring and tracking mechanisms are developed. Upon the implementation of this recommendation, ECMC should be able to generate reports which show the amounts of fees and fines assessed versus the amounts collected on each case.

- The operations of a court can be measured by the total number of cases processed, the number of dispositions (closing cases), the number of cases pending and the number of cases pending beyond the Supreme Court's guidelines. These measurements indicate the

effectiveness of the case management process of the entire court. It appears that ECMC may not be processing and managing caseloads as effectively as the peers.

Case management system improvements at ECMC could increase the disposition rate to the peer average of 91.3 percent. ECMC would dispose an additional 1,369 cases per year. By applying ECMC's current collections per disposition of \$55.46 to these additional cases, ECMC could collect approximately \$76,000 annually in court costs and fines.

- ECMC does not have a clearly defined collection procedure and has failed to use collection enforcement tools to help collect delinquent amounts.

ECMC should use the computer system to track delinquencies and the amounts of fees and fines assessed on each case. In addition, ECMC should begin to monitor and track its collection rate against the assessed fees and fines. Assuming ECMC implements improvements to its collection process and achieves the peer average collections per disposition, it could collect an additional \$685,000 annually in court costs and fines.

- ECMC did not issue block warrants in 1999, 2000, and 2001. The issuing of block warrants is a new collection process implemented by House Bill 141. A block warrant can be issued on individuals who have an outstanding warrant issued by a municipal or county court. Individuals with block warrants cannot renew a driver's license or license plates until the past-due fines are paid in full.

ECMC should take immediate steps to issue block warrants and license forfeitures. Block warrants and license forfeitures serve as an effective enforcement mechanism that forces individuals to pay their fines in full before renewing their driver's license and license plates, they are therefore a proven method of collecting unpaid fines and fees. For each vehicle immobilized or forfeited, the State reimburses GHMC an immobilization fee of \$100 per Ohio Revised Code (ORC) § 4503.233. ECMC could realize approximately \$24,000 per year in revenue from reimbursements provided by the State of Ohio.

- It appears that ECMC is not using all the functionalities of the CourtMaster system. According to the vendor, the CourtMaster system installed at ECMC is an integrated court management system with traffic, criminal and civil modules. The CourtMaster traffic module allows the user to have complete control over the entries, progress and disposition of traffic cases and waivers. The CourtMaster criminal module affords the user with control over entry, progress, and disposition of criminal cases, felonies, and misdemeanors. In addition, the civil module also allows the user to have control over the entry, progress, and disposition of civil and small claims cases. Menu selections in all the modules provided allow the user to move freely between the functions provided. The inability to use all the functionalities of the court management system hinders ECMC's ability to operate efficiently or attain the levels of effectiveness that it otherwise would.

ECMC should assess the training needs of the Clerk of Court's employees and make training a high priority. In order for the employees to know and use all functions available to them, the judge and clerk of court should contact the vendor and be provided with a detailed list of the functions of the CourtMaster system.

- ECSD does not adequately plan its daily work assignments or organize its crews. In addition, ECSD does not properly document or monitor work assignments or work completed by each crew. While assigning work crews daily is an acceptable practice, it is important to have planned work crews for each function performed.

ECSD should implement a planning process for establishing work crews and daily assignments and initiate procedures for recording and monitoring all work assignments. ECSD should aggregate daily report data by function and by employee. This data should then be analyzed by the director of services to better plan work crews and daily assignments.

- ECSD does not appropriately monitor overtime use or record what overtime hours were used to accomplish the task. While supervisors may verbally direct employees to take overtime, there is no formal preapproval process and no planning for overtime. By analyzing overtime data, ECSD could potentially identify areas that may require a reallocation of staff.

ECSD should implement policies and procedures that ensure overtime is properly supervised, approved and reported. As a result of enhanced oversight, ECSD should attempt to reduce the amount of overtime to a level that is more comparable to the peer average of 5.8 percent of total salaries and wages.

If ECSD is able to reduce the amount of overtime worked to no more than 5.8 percent of total wages, the annual department cost savings will be approximately \$54,000 in salary and related benefits.

- ECSD does not appear to always hire qualified individuals for its staff or to provide necessary training. In addition, ECSD has not prioritized training for its staff. For example, ECSD does not have appropriately trained personnel to perform forestry duties. In addition, not all mechanics are Automotive Service Excellence (ASE) certified. ECSD should hire appropriately qualified individuals. In addition, ECSD should provide necessary training to personnel. The Department should send at least two employees to formal forestry-related training. ECSD should also require the mechanics to obtain ASE certification in as many related work areas as possible.

The cost for forestry training is approximately \$1,400. In addition, the cost for re-certifying two employees in forestry is \$125 annually. The annual cost to ECSD for the ASE certification program would be approximately \$140 for three mechanics.

- ECSD does not create an annual schedule to estimate the workload for the upcoming year. No determination is made regarding the amount of time that should be allocated to a function in order to meet the estimated workload for the year. In addition, ECSD has not developed plans in a number of key areas including pavement management, forestry, building maintenance or snow and ice control.

ECSD should create specific plans for its functional areas. The plans should identify regular preventive maintenance functions as well as provisions for performing emergency repairs. ECSD should then create an annual planning schedule that prioritizes the departmental functions and allocates productive man hours. In the future, ECSD should develop a five-year plan of work to be conducted by the department. ECSD should purchase pavement management software to assist in its road improvement planning and operations. Pavement management software will cost ECSD \$6,000.

- The City is not collecting sufficient refuse revenues to cover the contracted cost of the monthly refuse hauling. Over the previous three year period, user fees collected have lagged behind the annual agreement cost by approximately 74 percent. Based on the City's FY 2001 total costs, in order to break-even on refuse collection, assuming that the homestead rate was not increased, the residential rate would have to increase to \$14.34.

In order to better meet the costs of refuse collection, the City needs to aggressively collect on delinquent accounts. ECSD should also consider raising the monthly user rate to reduce at least part of the annual deficit for refuse collection.

If the City could collect 75 percent of the estimated refuse delinquencies, it would increase its refuse revenue by \$145,500 and reduce its need to subsidize refuse collection with general fund resources.

- ECSD has not effectively monitored the operation of the City transfer station. The City has leased the transfer station to a private operator, R&R Waste Disposal, Inc. (R&R) since FY 1996. R&R has not complied with the terms of the lease agreement. Violations of the agreement include failing to comply with Ohio EPA standards, failing to make timely payments to the City, and failing to maintain the facility.

The City should immediately require R&R to comply with all terms and conditions of the current lease agreement. The City should also require R&R to submit all monies due. If R&R's noncompliance and nonpayment persist, the City should exercise its legal rights as identified in the lease agreement and terminate the contract.

If the station operating license is suspended, the City will not receive the annual royalty payment of \$56,600. Because BFI takes the City's refuse to an outside landfill, refuse service or costs would not be impacted by the suspension.

The remainder of this executive summary is organized by report section in order to highlight additional findings and recommendations from those areas of the audit report.

Technology Utilization

Background: The Electronic Data Processing (EDP) department of East Cleveland comprises an EDP manager, two system administrators and an administrative assistant. The department is responsible for all major technology-related functions, including the support and maintenance of current systems and applications, as well as the integration of new technology. Further EDP is responsible for budgeting, payroll, accounting, utility and central billing.

Findings: A summary of additional findings in the Technology Utilization section includes the following:

- The City's network structure is based through a central switch telephone company. Departments within city hall, including operations, law, tax, finance, water and municipal court, are interconnected through 10/100 Ethernet lines. Departments outside city hall, including community development, Helen S. Brown, civic center, domestic violence and service, must dial in through telephone lines.
- EDP maintains hardware and software standards, but they are difficult to enforce because input from the EDP manager is not always sought when making technology purchases and there is no replacement policy so departments may have old equipment that does not meet hardware and software standards.
- EDP annually performs a City-wide inventory of technology equipment. However, because departments within the City do not always coordinate with EDP computer hardware purchases and not all new equipment is drop-shipped to city hall, EDP may not have an up-to-date listing or inventory of computer equipment. In addition, the inventory cannot always be tied to original purchase orders or purchase requisitions.
- East Cleveland does not currently have formal enforcement procedures in place to prevent the installation of personal hardware and software on internal computer systems. While EDP policies prohibit the installation of any personal hardware or software, there are currently few means in place to ensure compliance with this policy.
- The City does not have formal policy mandating departmental software packages be integrated between departments when applicable. As a result, there is fragmented communication between departments, inconsistent information and duplication of efforts.

- The City purchased help desk software in December of 2001. Formal help desk software provides real-time customer support and acts as a point of contact for staff to call to report problems, request service and obtain information.
- The City is currently installing Internet capabilities and interoffice E-mail throughout its departments. Technology such as Internet and E-mail allow City employees to communicate more efficiently, which can enhance relationships with external parties such as citizens and outside parties. In addition, the City's research abilities will be greatly enhanced. To be fully effective, Internet and E-mail access should only be provided to appropriate personnel.

Recommendations: A summary of additional recommendations in the Technology Utilization section includes the following:

- The City should pursue a means to connect its departments other than relying on telephone lines. Possible plans may include purchasing T1 lines, which operate at 1.54 million bytes per second (Mbps) or wireless network connecting, which may operate around two Mbps, 40 percent faster than T1 lines.
- EDP and City departments should collaborate to ensure hardware and software standards are always met. Departments should identify and request appropriate hardware and software and EDP should verify that the hardware and software will support the department's needs.
- EDP should coordinate with each department to formalize the inventory process, both by department and in the aggregate. For inventory purposes, EDP should use bar coding or serial number system whereby each piece of equipment can be tracked to the original purchase order, voucher and inventory list. This will provide a more appropriate level of internal control for the inventory process and ensure a more accurate inventory.
- The City should develop formal enforcement procedures to prevent the unapproved installation of personal hardware and software on computers and systems. This should include annual physical audits of the technology inventory to ensure that only approved and licensed devices and applications are installed.
- The City should adopt a formal policy requiring departments to take a more integrated approach to software selection. When purchasing new equipment, departments should not only consider their own needs, but also should consider compatibility and consistency with other appropriate departments to allow appropriate shared management information.
- EDP should ensure the benefits of help desk software are maximized for the entire city. By organizing problems by severity and department, EDP will be able to respond to more pressing problems as well as organize a working plan. Organizing problems by computer

would allow EDP to identify the number of problems with every City computer and begin to build a support history for each computer.

- EDP should continue to install Internet and E-mail capabilities throughout the City. However, the City should only give Internet and E-mail privileges to personnel who would benefit from having it. The EDP manager should coordinate with department heads to determine what personnel receive Internet and E-mail capabilities. The City should develop formal policies and procedures for the use of Internet and E-mail.

Financial Operations

Background: The East Cleveland Finance Department (ECFD) is responsible for all fiscal matters of the City including accounts receivable, accounts payable, payroll, grants management, budget, investments, financial analysis and banking. The finance director is responsible for the purchasing activities for all City departments and oversees water department collections and the tax department. ECFD employs a total of six people in the finance department: a finance director, an assistant finance director, an accounts payable clerk, an accounts receivable clerk, a payroll administrator, and a fiscal analyst. The purchasing function has two employees: a purchasing agent and a purchasing assistant. In addition, the purchasing function is separate from ECFD and reports directly to the finance director.

Findings: A summary of additional findings in the finance and purchasing section includes the following:

- The Clerk of Courts does not maintain a record for the collection of overdue accounts or an aging of accounts receivable. Without a report, ECFD cannot determine accounts receivable.
- The fire, police, and emergency medical services departments do not use the automated timekeeping system.
- With the implementation of the automated timekeeping system, some employees are trying to exempt themselves from using the system. Continued employee exemptions increases the need for manual timekeeping and calculations, slows the processing of payroll and increases the possibility of errors.
- The City does not have a formal policy outlining when specific budgeting activities must be completed.
- ECFD does not have instructions or a budget manual for distribution to department heads to assist in the budgeting process. Potential confusion as to the budget process and what it is to accomplish could lead to faulty decision making.

- ECFD's budgeting process does not include an overall strategy or performance measures. The City does not prepare a five-year plan for operating and capital planning. The effect of planning for one year at a time severely limits the City to reacting to events rather than planning for events to happen.
- A lack of a written summary and discussion of the budget prevents readers from understanding the key issues in the budget. Because of the time required to read and understand the entire budget document, a concise summary and a guide to key issues and aspects of the budget is valuable to ensure the education and involvement of City Council, departments and the public.
- The purchasing agent does not keep records necessary to provide adequate management information for an efficient operation.
- The City does not have a comprehensive purchasing manual formally approved by City Council for use by either purchasing staff or the operating departments.
- The water/wastewater department is organized within the municipal government as an enterprise operation. The department is intended to function much like a private sector business, relying on charges for services to support the cost of operations. Through water meter readings, the department is able to determine the amount of water used by each customer and bill that customer accordingly. The City has outsourced water and wastewater management and capital improvements to CH2M Hill Setting of charges for services that includes leakage which has not been repaired and accounts receivable which the City has not made a reasonable attempt to collect is not in the best interests of the citizens of East Cleveland.

Recommendations: A summary of additional recommendations in the Finance and Purchasing section includes the following:

- The City should work with the Clerk of Courts to implement a reporting mechanism for the collection of cash and receivables and the reporting of accounts receivable. The City should ensure that appropriate controls are in place to assure that revenues and accounts receivable amounts are accurate. An accounts receivable listing will be necessary for the implementation of GASB 34.
- Payroll should implement automated timekeeping in police, fire and EMS departments. The benefits of the automated time and attendance system ensure the objective implementation of policies and procedures, increased accuracy and less clerical time to manually calculate the various types of pay and accumulated leave.

- City Council and the mayor should support and enforce the automated timekeeping system. Each override breaks down the efficiency and effectiveness of the system. The automated system is designed to safeguard the City's payroll deadlines and reliability.
- ECFD should consider developing a formal timetable that outlines when specific budgetary activities should take place and allows sufficient time for planning. A budgetary timetable could facilitate better coordination between City officials and departments, and assist the City's financial planning efforts.
- To prepare a budget to meet the City's goals for next year, ECFD should provide a budget package that should include the following: philosophy and methodology, long-term goals, economic trends, funding and revenue projections, timetable, programs, performance measures and forms and instructions.
- The City should develop an overall strategy and develop performance measures to assist with its financial decisions internally and for publication.
- The City should present a concise summary and guide to the key issues and aspects of the operating components of the budget to ensure the education and involvement of City Council and the public. The summary should be as nontechnical as possible and easy to read.
- The purchasing agent should assume the responsibility for providing management with access to appropriate information, such as a tracking mechanism, for purchase requisitions and purchase orders, maintenance of a fixed asset system, minority purchases, grant purchases, and blanket purchase orders.
- Purchasing should develop a comprehensive manual to assist users in following policies and procedures. The manual should be distributed to all departments on an annual basis or upon significant changes.
- East Cleveland should prepare a cost analysis and set rates to ensure appropriate revenue projections to cover expenses in the enterprise funds. The general fund should not continue to support a negative cash flow in the enterprise funds.

Income Tax Department

The Income Tax Department of the City of East Cleveland comprises a deputy tax administrator and two full-time non-supervisory staff. The department is responsible for the collection and enforcement of the two percent municipal income tax established by City law. The City has outsourced its primary tax collection services with the Regional Income Tax Agency (RITA) and its delinquency collections with Javitch, Block, Eisen and Rathbone (JBER).

Findings: A summary of additional findings in the Income Tax section includes the following:

- The Income Tax Department’s pursuit of non-filing individuals during 2000 and 2001 has been nonexistent.
- Delinquent account information is transferred several times from RITA to the Income Tax Department to JBER and back to the Income Tax Department.
- RITA’s delinquency collection fee is 25 percent compared to JBER’s 33 percent.
- The accuracy of the tax information generated by RITA’s software system is questionable due to the fact that all collections that are not performed by RITA are not communicated to RITA by the Income Tax Department.

Recommendations: A summary of additional recommendations in the Income Tax section includes the following:

- The Income Tax Department should contract with RITA to operate the subpoena program. Based upon AOS analysis, the City of East Cleveland could realize approximately \$396,000 in additional income tax collections.
- The Income Tax Department should contract with RITA to fully perform its delinquency collections decreasing the collection fees by 8 percent and eliminating the amount of resources and attention the Income Tax Department currently provides. The City can save approximately \$175,000 annually by using RITA for delinquent collections.
- The City should conduct a feasibility study on converting income tax information from the Income Tax Department’s software system to RITA’s software system. A feasible study conducted by a consultant could cost the City about \$10,000 in one-time expenses.

Community Development , Building and Housing

Background: CDD’s purpose is to eliminate slum and blight in the City of East Cleveland through urban renewal and redevelopment. CDD administers annual federal award allocations for programs and projects. The staff is responsible for coordinating program initiatives, recruiting program volunteers, monitoring program performance, completing financial transactions, developing performance reports and action plans required by HUD, and monitoring compliance with HUD regulations. The East Cleveland Clean program coordinator and laborers complete grass cutting, litter removal and board ups of abandoned buildings.

East Cleveland is unique among other cities in that many functions are divided between the building department and housing department, with both reporting to the Community Development Director. BHD is responsible for plan reviews, building inspections (HVAC, electrical, commercial, plumbing), building permits, property maintenance (for apartment buildings) and zoning code enforcement. All code enforcement functions and property maintenance (single and multi-family homes) inspections are performed by the housing department. During this performance audit CDD and BHD were consolidated into one department.

Findings: A summary of additional findings in the Community Development section includes the following:

- During this performance audit, several violations of the Ohio Ethics Law and City ethics rules were identified at CDD.
- CDD does not have a formal training plan in place to ensure that employees are consistently trained in HUD guidelines, purchasing and contract policies, the Integrated Disbursement and Information System (IDIS) and other essential topics.
- CDD does not evaluate the success of its grant-funded programs.
- CDD does not have a monitoring procedure in place to ensure that adequate program oversight occurs.
- CDD does not exercise appropriate purchasing procedures and controls.
- The account balances of IDIS have not been reconciled to Finance Department records.
- BHD does not currently have a training plan in place to ensure that inspection staff are receiving the required training.
- BHD does not use benchmarks to measure its operational performance.
- BHD issues significantly fewer permits than the peer average.
- BHD has sent inaccurate data to the Ohio Board of Building Standards (OBBS). BHD is required to remit three percent of permit fees to OBBS.
- BHD does not consistently send contractor tax information to the Tax Department.
- BHD does not charge the same level of fees for standard permits as the peer departments.

Recommendations: A summary of additional recommendations in the Community Development section includes the following:

- CDD should immediately realign departmental practices to adhere to federal, state and city regulations.
- CDD should work with its HUD program manager to develop a training plan which encompasses all pertinent training offered by HUD.
- CDD should evaluate the effectiveness of its grant-funded programs on an annual basis.
- CDD should develop and implement a monitoring procedure to ensure that sub-recipients and contractors adhere to grant guidelines.
- CDD should adhere to all HUD, state and City purchasing policies and ensure that projects are bid and monitored effectively and funds are encumbered and allocated in an appropriate manner.
- The CDD director and finance director should immediately implement a process to reconcile IDIS and City accounts on a monthly basis.
- BHD should develop a descriptive training plan, which outlines the department's training objectives for the next fiscal year. The Continuing Education course offered by Cleveland State University will cost the building and housing department \$2,000 to provide training to the building commissioner, building inspectors and three housing inspectors. Additionally, a one time test fee will cost the building department \$1,400 if the three modules are taken at one time.
- BHD should develop a methodology to obtain and analyze the results of internal and external performance.
- BHD should institute adequate monitoring procedures to ensure all construction work within the City has obtained the required permits prior to the start of work.
- BHD should immediately remit all unpaid fees due OBBS to prevent further action from being taken. There is a potential for one-time cost recovery to the OBBS in the amount of \$6,000.
- BHD should comply with the City ordinance and develop an internal, formal policy and procedure to guide the contractor registration process.

- BHD should update the fee schedule to recapture all costs. BHD should develop and implement a process for ensuring that fees accurately reflect the cost incurred for certain inspection functions.

Helen S. Brown Senior Center

Background: The Helen Brown Senior Center is the central outreach facility geared to the elderly in the East Cleveland. Its managers and staff provide seven major services to its elderly population that include meal delivery, transportation, adult day care, congregate meals, escort services to medical appointments and socialization and support. Stretched for funds and faced with increasing numbers of vulnerable senior citizens, HBSC is challenged with meeting the needs of its population without creating redundancies in service that are provided by other area agencies.

Findings: A summary of additional findings in the Helen S. Brown Senior Center section include the following:

- City funding substantially supports the Socialization, Transportation and Escort programs beyond the Western Reserve Area Agency on Aging (WRAAA)'s 15 percent minimum requirements. HBSC relies extensively on City support and has not diversified its funding sources sufficiently.
- HBSC has not engaged in a strategic planning process or developed a needs assessment with community and stakeholder feedback. Strategic planning is an important component of sound management and can help an organization coordinate its budgeting processes with program needs. Strategic planning allows organizations to understand their needs, prioritize them, and make budget expansions and reductions appropriately.
- HBSC evaluates its goals and objectives annually in its proposal to the WRAAA. Goals and objectives are based on the previous year's performance as well as the available funding match through General and Community Development Block Grant (CDBG) funds and the anticipated funding through the WRAAA. Unfortunately, this methodology does not necessarily meet the needs of the target population as it is responsive to the funding capability and not the demands in the community. Because HBSC has not assessed the growing needs of its target population in an objective, comprehensive manner, it is at risk for creating service gaps.

Recommendations: A summary of the additional recommendations for HBSC include the following:

- HBSC needs to investigate its options for additional state and federal funding through the WRAAA in order to reduce the City's contribution and more closely align the match amounts to the minimum requirement. The Office of Minority Health, an office of the U.S.

Department of Health and Human Services, offers a federal clearinghouse for available grants targeted to the elderly and minority population. If requested, the Clearinghouse will seek grant opportunities through the Alzheimer's Disease Education and Referral Center, the National Aging Information Center, The National Institute on Aging Information Center, and the National Resources Center on Minority Aging Populations.

- HBSC should develop a long-term strategic plan to define objectives, desired outcomes, and realistic time lines for their programs. The plan should be used to monitor progress toward specific objectives or goals. The strategic planning process should include a needs assessment to determine the needs of HBSC's target population as well as a skills assessment of its staff and volunteers. In addition, the process should involve a wide variety of stakeholders and allow input by the community. It should also include a plan for communicating the strategic plan to clients and to the general community.
- An effective needs assessment is an essential component of strategic planning and can assist in identifying service gaps and redundancies to the targeted population. HBSC should engage in a strategic planning process to identify the needs of the elderly population, assess its capabilities in addressing those needs, and establish goals and objectives to meeting those needs through increased capabilities.

Municipal Court

Background: The East Cleveland Municipal Court (ECMC) is responsible for hearing cases, delivering court orders, as well as processing information and monies related to a variety of criminal, civil and small claims cases. ECMC accounts for approximately 8.2 percent of the City's total General Fund budget. Currently, ECMC maintains a staff of approximately 25 FTEs, including 9.8 FTEs are in the Clerk of Court's Office, 6.5 FTEs in the Bailiffs Department, 3.0 FTEs in the Probation Department, 2.25 FTEs in the Domestic Violence Department and 0.5 FTE for the Systems Administrator. The remaining 2.8 FTEs comprise the Judge, Acting Judge and Magistrate. For FY 2002, \$906,208 has been appropriated, though it appears that this figure does not factor in the over time anticipated in FY 2002.

Findings: A summary of additional findings in the Municipal Court section includes the following:

- ECMC has no formal or documented organization chart that shows the chain of command nor the span of control.
- ECMC does not have a procedures manual that details and provides employees with instructions on performing Court activities.

- ECMC does not have formal job descriptions for all positions within ECMC. According to the Clerk of Court, the only job description in ECMC is that of the clerk of court, which is outlined in the ORC.
- ECMC does not have formal training and mentoring programs for new employees.
- ECMC has not developed or implemented formal, written policies regarding employee evaluations. ECMC does not conduct annual evaluations of its employees and therefore cannot measure or gauge the efficiency and effectiveness of its employees.
- ECMC did not submit the 1999, 2000 and 2001 reports to the City Council as mandated by ORC §1901.14. According to ORC §1901.14, a “Municipal Court is required to submit an annual report of its activities to the legislative authority of the municipality and to the board of county commissioners on or before the last day of January of each year, for the previous year.”
- ECMC did not prepare a list of unclaimed monies and did not pay the unclaimed monies to the City Treasury in 2000 and 2001. In addition, ECMC did not notify entitled parties or their attorneys of the unclaimed monies. ORC §1901.31 (G) requires that the Clerk of Court prepare a list of unclaimed monies more than one year old by the first Monday in January.
- ECMC has no formal or documented policy that separates the duties performed by the deputy clerks of the ECMC. For example, there is no designated deputy clerk for collecting all receivables. All deputy clerks in the ECMC collect cash, all have access to generate receipts for payments, and all are responsible for case management.
- The City does not have a system in place to collect outstanding parking tickets. There appears to be no linkage and/or coordination between the Clerk of Court, which handles traffic/criminal cases and Parking Violations Bureau (PVB), which handles parking tickets.
- ECMC assesses a “computer fee” of \$8.50. However, ECMC could not delineate how much of the \$8.50 was attributed to ORC §1901.261(A)(1) or §1901.261(B)(1).
- ECMC does not have a comprehensive long-term strategic technology plan.
- ECMC does not have a computer disaster recovery plan.

Recommendations: A summary of additional recommendations in the Municipal Court section includes the following:

- ECMC should develop a written organization chart. The judge should spearhead this effort and work collectively with the clerk of court, magistrate, chief bailiff, and chief probation officer to develop a documented organization chart.
- ECMC should develop and implement a detailed procedures manual for all court activities.
- ECMC should create detailed job descriptions for all positions within ECMC that state the necessary duties and functions of each position.
- ECMC should develop and implement a formal mentoring program into its daily operations for all departments. ECMC should also implement an evaluation tool which it can use to assess the effectiveness of the training and daily mentoring programs.
- ECMC should develop and implement a performance evaluation process. A performance evaluation process can identify ways to maintain and improve efficiency and effectiveness of employees and their activities.
- ECMC should submit the annual report to its legislative authority and to the board of county commissioners before the established deadlines. Submitting the annual reports would ensure compliance with the ORC §1901.14.
- ECMC should track and prepare a list of all unclaimed monies over one year old and give notice of all unclaimed monies to the entitled parties and their attorneys and be in compliance with ORC §1901.31 (G). The clerk of court should remit all unclaimed monies to the City Treasury by April 1.
- ECMC should establish a formal policy that documents the division of duties performed by the deputy clerks. The establishment and implementation of a formal policy would provide an appropriate segregation of duties and a system of internal control that serves as a cross-checking function, which facilitates the detection of errors, accidental or deliberate. In addition, the policy should clearly specify the parties responsible for collecting all cash and receivables.
- ECMC should contact and engage the services of case management specialists from the Supreme Court of Ohio to develop comprehensive approaches to improve its operations, case management and case flow management.
- ECMC should record the amounts of fees and fines it assesses on each case. ECMC should ensure that monitoring and tracking mechanisms are developed. In addition, ECMC should begin to monitor and track its collection rate against the assessed fees and fines.

- ECMC should assess \$3.00 and \$10.00 for “computer fees” in accordance with ORC §1901.261(A)(1) and §1901.261(B)(1) requirements. ECMC should create separate funds and track not only the revenues generated but also the assessed fees. If ECMC were to assess \$13 instead of \$8.50 it would increase its revenue from legalized computer fees by approximately \$58,000 per year.
- ECMC should develop and implement the use of a comprehensive long-term strategic technology plan that incorporates all its divisions and operations.
- ECMC should formally establish and regularly update written policies and procedures for minimizing disruptions resulting from failures in computers or advanced technologies following a disaster.

Service Department

Background: The Service Department comprises the Service Division, Electrical Division, Lands and Buildings and the Motor Pool Division. The primary responsibility of the Service Department is to maintain the City’s infrastructure in a manner which ensures quality service and prevents loss of useful value. The Service Department addresses snow and ice conditions, repairs pot holes and roads, and performs building and vehicle repairs utilizing a reactive approach.

Findings: A summary of additional findings in the Service section includes the following:

- ECSD’s Division of Electric, which is responsible for maintaining street light poles and traffic signals, performs functions that are contracted out by peer departments.
- ECSD’s square footage maintained per custodial staff indicates an overstaffing of 2.5 FTEs. ECSD also does not have a preventive maintenance program for building custodial care or infrastructure maintenance and does not know the number of square feet that it maintains.
- ECSD does not have an effective budgeting process. ECSD’s budget allocates staff to divisions or functions that do not accurately reflect their activities and the division budgets do not contain an explanation for individual line item changes from the previous year.
- ECSD does not maintain written operating policies and procedures. The procedures used by the department are verbally communicated.
- ECSD does not have appropriate purchasing procedures. The department does not comply with the City purchasing procedures and has no internal written purchasing procedures. ECSD has also failed to submit vendor invoices for payment to the Finance Department in a timely manner.

- ECSD relies heavily on the services of an outside consultant civil engineer to perform functions that should be performed in-house by qualified staff. The outside consultant civil engineer was engaged without a cost analysis or evaluation of other firms.
- ECSD does not use established work performance standards to determine if employees are meeting expected performance guidelines.
- ECSD does not have a long term equipment replacement plan which addresses the replacement of its vehicles and equipment. In addition, ECSD does not track the operating and repair costs of its equipment.
- The Motor Pool Division does not have a comprehensive maintenance plan for City vehicles and does not appear to have an effective preventive maintenance plan.
- The Motor Pool mechanic is assigned to the police garage on a full time basis. This mechanic does not receive any supervision from Service Department management. The Service Department does not monitor the work completed by this mechanic.
- ECSD does not have adequate controls for the usage of fuel purchased by the City. The fuel system is controlled by key access, however, the fuel system access keys are not being issued with a different Personal Identification Number (PIN) for each. It is also unclear if other departments are actually charged back for monthly fuel usage.

Recommendations: A summary of additional recommendations in the Service section includes the following:

- ECSD should consider contracting out its street light pole maintenance and traffic signal maintenance functions.
- ECSD should reduce its custodial staff by 2.5 FTEs. A reduction of 2.5 FTEs will result in a cost savings in salaries and benefits of \$65,750.
- The ECSD should prepare and submit annual budgets and supporting schedules that are accurate and identify current department information.
- ECSD should prepare written operating policies and procedures. This should provide managers, supervisors and other service department employees with specific guidelines regarding the basic requirements for each ECSD responsibility.
- ECSD should fully comply with the purchasing policies and procedures adopted by the City. ECSD should also develop internal written purchasing procedures including vendor invoice processing procedures.
- ECSD should re-evaluate engineering functions that could be performed in-house, either currently or with additional training of staff. At a minimum, ECSD should be able to immediately complete its issue II applications for state infrastructure grants. In addition, the City and ECSD should develop a selection process for hiring outside consultants.

- ECSD should develop a formal equipment replacement policy and prioritize its replacements based on inventory that is currently incurring the highest costs or experiencing the greatest number of breakdowns.
- ECSD should use benchmark performance standards for evaluating the efficiency and effectiveness of department employees. This information can be used to assist in establishing standard labor time for completing job assignments, recommended crew size and hourly crew output by job function.
- ECSD should implement a formal preventive maintenance program for the maintenance of City vehicles. ECSD should also consider purchasing a Computerized Fleet Administration (CFA) Fleet Maintenance software program.
- The city should consider transferring the motor pool mechanic that works full time in the police garage to the Police Department.
- ECSD should issue fuel system access keys with a different PIN number for each key. Additionally, ECSD should ensure that fuel usage amounts are charged back to City departments by the Finance Department.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which the City of East Cleveland should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref. No.	Recommendation	Estimated Cost Savings (Annual)	Revenue Enhancement (Annual)	Revenue Enhancement (One Time)	Estimated Implementation Costs (One-time)	Revenue Loss	Estimated Implementation Cost (Annual)
Technology Utilization							
R2.20	A+ training for two staff members				\$4,000		
Financial Operations							
R3.1	Fill the assistant finance director position						\$55,000
R3.5	Train employees to perform GAAP conversion in-house rather than outsourcing	\$9,000			\$1,300		
R3.13	Train employees in financial planning and forecasting				\$1,650		
R3.20	Train employees in format and contents of CAFR and GASB 34				\$1,300		
R3.26	Change safe combination annually						\$350
R3.38	Installation of an updated accounting system				\$275,000		
R3.43	Collection of water and wastewater fees		\$230,000	\$2,700,000			
Income Tax							
R4.1	Reduce 2.0 FTEs	\$68,000					
R4.1	Not filling 2.0 FTE vacancies	\$61,000					
R4.2	Use RITA for delinquent collections	\$175,000					
R4.3	Use RITA to operate the subpoena program		\$378,000				
R4.7	Unreported amount potentially owed to RITA				\$7,300		

Ref. No.	Recommendation	Estimated Cost Savings (Annual)	Revenue Enhancement (Annual)	Revenue Enhancement (One Time)	Estimated Implementation Costs (One-time)	Revenue Loss	Estimated Implementation Cost (Annual)
R4.8	Contract for a technology conversion feasibility study				\$10,000		
Community Development, Building and Housing							
R5.1	Eliminate one project manager, one janitor and one receptionist.	\$102,700					
R5.2	Reduce laborer and project manager positions.	\$272,000					
R5.3	Proposed staffing reductions	\$101,000					
R5.4	Proposed training and testing costs for inspection staff	\$20,000			\$3,400		
R5.29	Potential cost recovery of charges made for an unallowable cost				\$32,800		
R5.35	Cost recovery for three percent OBBC requirement for FY's 1999 & 2000	\$6,000					
R5.42	Collection of reinspection fees.		\$50,300				
R5.43	Adding the periodic inspections module to the current FIS/BDS				\$6,000		
R5.44	Purchase of Palm Pilots				\$1,800		
Municipal Court							
R7.6	Reduce 1.5 FTE bailiff positions	\$53,000					
R7.7	Add 2.0 FTE deputy clerk positions						\$70,000
R7.8	Improve case management to increase number of cases disposed which could increase collections		\$76,000				
R7.17	Improve collection procedures to increase collections of court costs and fines		\$685,000				
R7.19	Implement vehicle immobilization and forfeiture program		\$24,000				

Ref. No.	Recommendation	Estimated Cost Savings (Annual)	Revenue Enhancement (Annual)	Revenue Enhancement (One Time)	Estimated Implementation Costs (One-time)	Revenue Loss	Estimated Implementation Cost (Annual)
R7.20	Establish and enforce collections procedures for parking tickets.		\$76,000				
R7.21	Allocate \$10 per case to a special project fund		\$117,000				
R7.23	Increase legal computer fees from \$8.50 to \$13.00		\$58,000				
Service Department							
R8.2	Reduce ECSD annual overtime	\$54,000					
R8.4	A reduction of 2.5 FTEs in Lands and Buildings Division	\$65,750					
R8.11	Forestry training Forestry and ASE mechanic certifications				\$1,400		\$265
R8.15	Perform consultant work in-house				\$42,000		
R8.17	Purchase pavement management software				\$6,000		
R8.21	Purchase CFA software				\$6,000		
R8.22	Increase the collection rate on delinquent refuse collection accounts		\$145,000				
R8.23	Potential loss of R&R annual royalty payment					\$56,600	
	Total	\$987,450	\$1,839,300	\$2,700,000	\$362,150	\$56,600	\$125,615

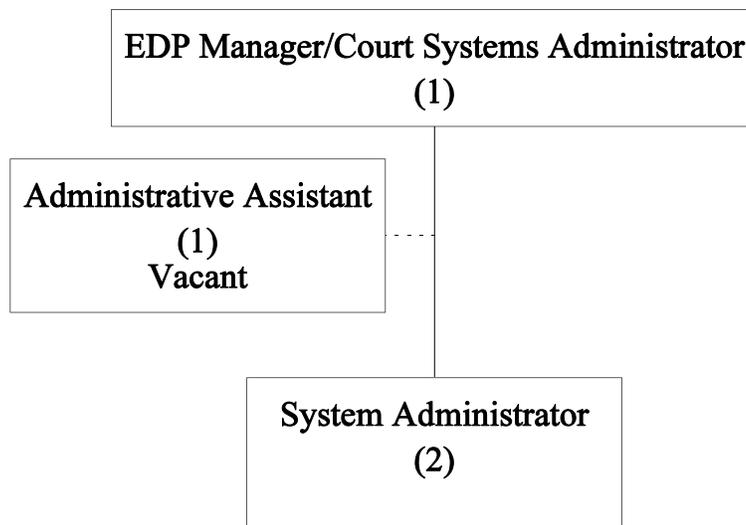
Technology Utilization

Background

Organization Chart

Technology implementation and management at the City of East Cleveland are performed by the Electronic Data Processing (EDP) department. Prior to the creation of EDP in 2001, technology functions were performed through human resources. The EDP organization is represented in **Chart 2-1**. The total number of positions is shown in parentheses as full-time equivalents (FTE).

Chart 2-1: EDP Organizational Structure



The EDP manager is responsible for the technology infrastructure of the City. The administrative assistant primarily assists City employees with any software issues, as well as trains employees on software applications. The assistant system administrators provide support for the overall technology infrastructure of the City.

Summary of Operations

All major technology-related functions at East Cleveland are the responsibility of EDP. This includes the support and maintenance of current systems and applications as well as the integration

of new technology. EDP assists, develops and supports administrative applications at East Cleveland, including budgeting, payroll, accounting, utility and central billing. Further, EDP is responsible for the following:

- Installing new software/hardware;
- Performing daily backups;
- Ensuring system security;
- Giving technical support to City employees; and
- Serving as liaison between the City and software vendors.

Each department within the City is responsible for the acquisition of technology such as mainframes, servers, PC’s, printers, standard software packages and any other personal or city hardware that is used in that department. However, the system administrator may provide assistance in the purchasing process, allowing departments within the City to design their software and hardware needs around their specific function.

Staffing

Table 2-1 presents the current staffing by position for technology personnel at East Cleveland as of September 2001. All employees are full time.

Table 2-1: EDP Staffing

Position/Responsibility	Number of Staff	Number of Vacancies	Total Number of Positions
System Administrator	1.0	0	1.0
Assistant System Administrator	1.0	0	1.0
Assistant System Administrator	1.0	0	1.0
Administrative Assistant	0.0	1.0	1.0
Totals	3.0	1.0	4.0

Source: East Cleveland administration and staff interviews

The system administrator also oversees high-level functions of the vital statistics department.

Technical Architecture

There are approximately 117 computers connected to East Cleveland’s network, including both desktop and laptop models. However, not all City employees have user accounts and network

connectivity capabilities. East Cleveland is currently discussing implementing a disaster recovery program and expanding internet capabilities and inter-office E-mail throughout the City.

Financial Data

Most technology purchases at East Cleveland are made at the departmental level. When departments develop their annual budgets, they must provide for any planned technology purchases, including PC's, printers, copiers and fax machines, as well as software packages and any other technology-related items needed by the particular department. Purchases are the responsibility of the departments with input from EDP.

Table 2-2 shows a summary of submitted budget information for EDP for fiscal year 2002 (FY 2002). When considering the EDP budget, it is important to consider that it includes the vital statistics department and that a percentage of the system administrator's salary is paid through the Municipal Court (50 percent).

Table 2-2: EDP Budget

	FY 2002 Budget
Salaries¹	\$108,400
Travel	16,000
Books and Periodicals	2,000
Professional Services	7,000
Office Supplies	3,000
Operating Supplies	3,000
Repairs and Maintenance	2,000
Equipment	56,000
PERS	15,000
Workers Compensation	4,600
Hospitalization	24,500
Total	\$241,500

Source: EDP

¹ Salaries include only EDP staff and a percentage of the system administrators salary.

Performance Measures

The following is a list of performance measures used to conduct the review of technology at East Cleveland:

- Assessment of EDP organizational structure and staffing issues;
- Effectiveness of EDP planning and management;
- Assessment of major East Cleveland technology initiatives;
- Assessment of EDP financial management and budgeting procedures;
- Adequacy of technical training (East Cleveland staff and EDP personnel);
- Adequacy of the City's backup capabilities and procedures; and
- Adequacy of the disaster recovery plan.

Findings / Recommendations / Commendations

Organization and Staffing

F2.1 The organizational structure at East Cleveland regarding technical positions has changed within the last three years with the addition of the EDP manager and system administrators. These additions have caused the evolution of the organizational structure presented in **Chart 2-1** in the background section. The current structure shares information technology (IT) costs and management between the City and the municipal court. EDP is headed by the EDP manager, while the municipal court is headed by the system administrator. Currently, the EDP manager and the court system administrator are the same person.

The EDP manager reports to the human resources director and system administrator reports to the presiding judge of the municipal court. There are currently three EDP staff and an intern, the administrative assistant position is currently vacant, for a total of four FTEs and an intern. While peers do not have centralized technology departments, the individuals designated to perform EDP functions report directly to their respective mayors and mayors' executive assistants. As a result of reporting directly to the mayor, data information experiences direct lines of communication and decision making for all technology functions.

R2.1 Although staffing is currently adequate, the City should monitor staffing as part of the strategic planning process. If the City initiates some of the ideas from the strategic technology plan (see **F2.4**), for example purchase help desk software, they should reconsider staffing levels at that time.

Moreover, the City should consider realignment of the EDP manager from reporting to the human resources director to the mayor and the mayor's administrative assistants. This realignment will provide the City with a more comprehensive EDP department with better lines of communication for decision making and will allow the EDP manager to function more like a chief information officer for the City. In addition, the system administrator that reports to the Municipal Court Judge should report to the EDP manager. The EDP department should provide services to the Municipal Court without direct reporting responsibilities.

F2.2 According to the EDP manager, the EDP staff are evaluated annually. The EDP manager is evaluated by both the Municipal Court and human resources department. However, it is unclear if evaluations are completed regularly for all EDP staff as there is no written documentation available, such as formal written evaluations, records of previous evaluations and documentation on evaluation outcomes. Evaluations are important for developing employees' skills, establishing communication and shaping performance. Frequent evaluations improve employees' efficiency and effectiveness by providing employees and

supervisors the opportunity to discuss strengths and weaknesses and plan for career enhancements.

R2.2 The technology steering committee (see **F2.3**) should consider periodically evaluating technical staff members and linking the evaluations to predetermined goals and objectives, as defined in the proposed strategic technology plan (see **F2.4** and **R2.4**). By doing so, the committee can assess the degree to which individual staff members have developed or maintained necessary skills and ensure that EDP staff provides the desired level of performance and service.

Planning and Management

F2.3 East Cleveland does not have an active technology steering committee. EDP develops, promotes and executes the policies and guidelines for hardware and software use throughout the City. A technology steering committee can provide active oversight within a city to ensure technology is implemented in a cost efficient manner, consistent with the city's goals and objectives. A technology steering committee can also assess the implementation of new technology, establish and improve technology standards and resolve organizational issues that may impede progress.

R2.3 East Cleveland should create a technology steering committee. In developing the committee, East Cleveland should ensure that it consists of individuals from various functional areas so that it represents a wide array of internal interests. This representation would help to ensure that technology activities are coordinated and consistent with the overall strategic plan, goals and objectives. External interests and inputs would be included by inviting community, business, and technology leaders to provide additional technology knowledge and expertise. This perspective would help to assure that internal technology expenditures and activities are consistent and contribute to the accomplishment of the City's goals and objectives. The functions of the technology steering committee should include the following:

- Develop and revise the strategic technology plan;
- Set technology priorities and rank technology projects accordingly;
- Evaluate the justification for new initiatives to determine if the project is consistent with the strategic technology plan and priorities;
- Provide technical recommendations to senior leadership;
- Review progress of technology projects;
- Help resolve significant technology issues impeding project progress;
- Assess implementation of new technology. For example, determine whether the technology is working as intended or whether adequate staff development and training was provided;
- Establish technology standards and revise them as needed;

- Ensure that the implementation and operation of technology is consistent and compatible with business and administrative goals; and
- Oversee the implementation, progress and effectiveness of significant technology programs.

The technology steering committee should meet on a regular basis, for example, quarterly. The City should make a concerted effort to ensure that this committee remains active and is involved in the development and implementation of the strategic technology plan. The committee members should be valuable resources that the City can use to evaluate proposals. For example, subcommittees could be formed to research possible technology solutions, identify specific hardware and software that would meet internal needs and make recommendations. The technology steering committee needs to take a strong role in the future of the City's technology systems. Active oversight is necessary to ensure that appropriate technology is implemented in an efficient and cost-effective manner.

F2.4 East Cleveland does not currently have a strategic technology plan. A strategic technology plan lists major internal technology initiatives and projects, provides a time frame for the plans implementation, identifies parties responsible for the implementation and identifies necessary funding sources. Other major tenets of a strategic technology plan include the following:

- An introduction that explains current practices, immediate needs, and an overall approach to technology improvements and innovations;
- An executive summary which provides a background and describes the current and future direction of technology initiatives;
- An operational strategy section with a mission statement, goals and objectives, critical success factors, and strategic benefits;
- An operational approach section that describes the processes and methodologies of established technology initiatives;
- A section on opportunity areas and improvement projects that outlines areas of concern and areas of possible improvement;
- A section on quality assurance;
- A section on assessing risk and change; and
- A provision for continuous innovation.

R2.4 East Cleveland should develop an in-depth strategic technology plan that addresses both short and long-term technology needs. In essence, the plan should describe long-term objectives and how technical staff, funding and resources will help East Cleveland achieve these long-term objectives. Objectives in a strategic technology plan would normally be linked to a city's strategic plan, however because East Cleveland does not have a strategic plan, the technology steering committee (see **F2.3** and **R2.3**) will have to develop objectives as they deem appropriate. The plan should also be presented to East Cleveland officials who

must fully support the goals and objectives stated within the plan and ensure that adequate funding is provided. This funding should be based on the initiatives and activities identified in the strategic technology plan. In addition, East Cleveland should establish an annual review and revision process that will allow the strategic technology plan to evolve with changes. Effective strategic planning establishes sound leadership with a staff focus, as well as more effective process management to accomplish the goals outlined in the plan. The following steps should be taken to develop the planning process:

- Identify and analyze the business environment that the strategic technology plan must support;
- Define key goals and objectives of East Cleveland and establish measurable success factors for those areas;
- Evaluate how existing hardware and software applications support the long-term goals and objectives of East Cleveland;
- Research significant industry trends relating to technology organizations or other public sector organizations;
- Determine what technology is needed to help East Cleveland achieve its long-term goals and objectives;
- Identify user requirements for appropriate software applications, as well as E-mail and Internet software;
- Clarify internal training issues, such as basic computer skills development for all staff, and establish an internal process for scheduling more in-depth software training for particular staff members;
- Establish management reporting lines of communication with the EDP manager; and
- Develop an implementation plan.

Effective technology planning can result in a computing environment that allows more efficient use of staff time. The result of this process should be a step-by-step action plan detailing how East Cleveland will meet long-term goals and objectives given the existing technical architecture. The architecture is a blueprint that specifies the technical infrastructure (hardware, network configuration and system software), software application systems and database design. The proposed strategic technology plan should contain the following elements for each East Cleveland initiative:

- A timetable;
- Funding requirements and sources;
- Individuals responsible for implementation;
- An estimate of resource requirements to implement actions, including consultants, contractors or in-house staffing;
- Staff development requirements;
- A statement of expected benefits; and
- Benchmarks to determine progress in meeting stated goals.

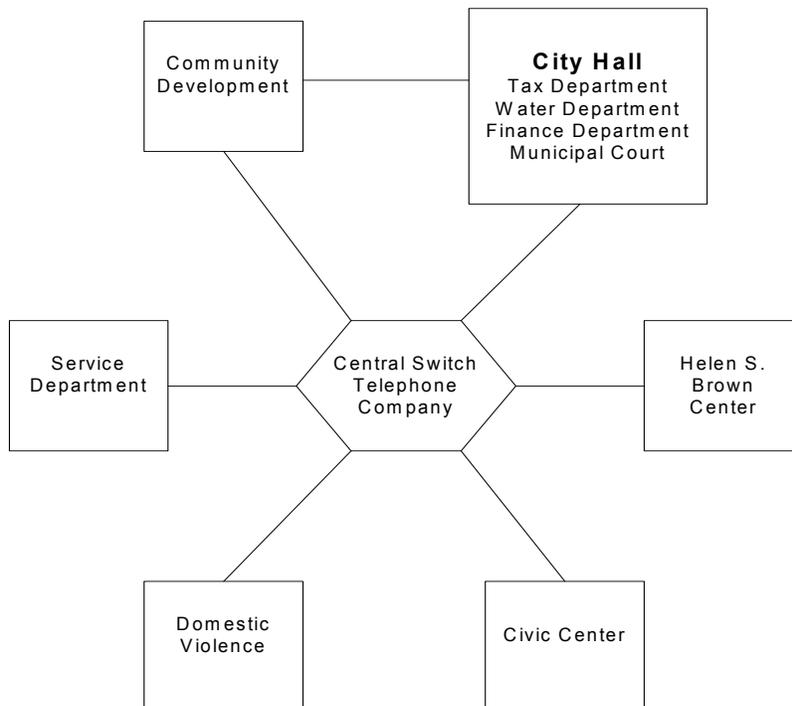
The timetable should be realistic in estimating East Cleveland’s commitment to the implementation of new technologies. A sound methodology will help East Cleveland implement high quality applications with less risk and at a lower cost. The plan, along with the budget, should also address the issue of upgrades and future replacements of computer equipment, as well as software and associated staff development. Upgrades and replacements are important issues that EDP should incorporate into its planning and budgeting processes.

Technical Operation

F2.5 The City’s network structure is based through a central switch telephone company. Departments within city hall, including operations, law, tax, finance, water and municipal court, are interconnected through 10/100 Ethernet lines. Departments outside city hall, including community development, Helen S. Brown Senior Center, civic center, domestic violence and service, must dial in through telephone lines. The system’s connection speed is approximately 50,000 bytes per second (5Kbps). One byte is equivalent to one character (digit, letter, symbol).

Chart 2-2 illustrates the City’s current technical architecture.

Chart 2-2: East Cleveland Technical Architecture



As indicated in **Chart 2-2**, Connections to telephone lines are often slow and unreliable.

R2.5 The City should pursue a means to connect its departments other than relying on telephone lines. This should be included with the plans to provide E-mail and Internet access to appropriate City employees (see **R2.18**). Possible plans may include purchasing T1 lines, which operate at 1.54 million bytes per second (Mbps) or wireless network connecting, which may operate around 2 Mbps, 40 percent faster than T1 lines. Some benefits of T1 or wireless connections include the following:

- On-line requisitions and on-line invoice approval;
- Sharing of data and electronic transfer of files;
- City-wide Internet access; and
- Sharing of network versions of standard software.

F2.6 EDP maintains hardware and software standards, but they are difficult to enforce because input from the EDP manager is not always sought when making technology purchases and there is no replacement policy so departments may have old equipment that does not meet hardware and software standards. Hardware standards should be based on the City's network. Software should be linked to the administrative system, but at the same time, departments need some flexibility to find appropriate software. All hardware and software standards should be approved by the EDP manager. By not maintaining hardware and software standards, EDP is unable to ensure that they are meeting the specific needs of each department.

R2.6 In the future, if the City takes a more coordinated approach to technology, standards should be updated to reflect network requirements so systems may be integrated. EDP and City departments should collaborate to ensure hardware and software standards are always met. Departments should identify and request appropriate hardware and software and EDP should verify that the hardware and software will support the department's needs. This would assist in meeting the needs of each City department as well as ensure continuity with EDP. Maintaining, redeveloping and enforcing these standards as needed should be coordinated in conjunction with the technology steering committee (see **R2.3**) to ensure that departments obtain the most appropriate hardware and software and that acquisitions are compatible with the city's network.

F2.7 EDP annually performs a City-wide inventory of technology equipment. However, because departments within the City do not always coordinate with EDP computer hardware purchases and not all new equipment is drop shipped to city hall, EDP may not have an up-to-date listing or inventory of computer equipment. In addition, the inventory cannot always be tied to original purchase orders or purchase requisitions, since there is no policy governing how to complete an inventory. Further, when new inventory arrives, it is unclear

whether EDP verifies all orders and adds them to inventory. This may be due to City departments not always informing EDP when new technology equipment arrives.

R2.7 If EDP develops a more formal enforcement mechanism for purchasing, as discussed in **F2.12**, inventory may be updated easier. EDP should coordinate with each department to formalize the process, both by department and in the aggregate. For inventory purposes, EDP should use a bar coding or serial number system whereby each piece of equipment can be tracked to the original purchase order, voucher and inventory list. This will provide a more appropriate level of internal control for the inventory process and ensure a more accurate inventory.

Upon delivery of new technology items, EDP should, in collaboration with the department, review purchases to ensure quality and immediately update the departmental inventory. As a result of conducting immediate inventory updates, EDP will ensure an accurate and up-to-date account of all technology equipment.

F2.8 East Cleveland does not currently have formal enforcement procedures in place to prevent the installation of personal hardware and software on internal computer systems. While EDP policies prohibit the installation of any personal hardware or software, there are currently few means in place to ensure compliance with this policy.

The installation of unapproved personal hardware and software can create system configurations that are inconsistent with the City's overall technical configuration, and can cause compatibility problems between internal and external technology. Additionally, the approval of technology purchases at the City should be based on the equipment or software's ability to contribute to the strategic plan and objectives, and maintain a consistent and compatible technical configuration. Unapproved outside technology may not contribute to the accomplishment of these objectives and could be detrimental to the integrity of the City's network.

R2.8 The City should develop formal enforcement procedures to prevent the unapproved installation of personal hardware and software on computers and systems. This should include annual physical audits of the technology inventory to ensure that only approved and licensed devices and applications are installed. Additionally, the establishment of centralized technology procurement (see **F2.12**) and tracking procedures would help EDP enforce this policy. The development of formal procedures to monitor compliance with the policy can ensure that the integrity of the City network configurations and applications is protected.

F2.9 East Cleveland has various software packages in departments throughout the City. For example, the financial department uses CMI, the service department uses PC-1000 and the municipal court uses court master. While each of these software packages serve specific

departmental needs, other appropriate and useful information sharing possibilities are not available. The City does not have formal policy mandating departmental software packages be integrated between departments when applicable. As a result, there is fragmented communication between departments, inconsistent information and duplication of efforts.

R2.9 The City should adopt formal policy requiring departments take a more integrated approach to software selection. When purchasing new equipment, departments should not only consider their own needs, but also should consider compatibility and consistency with other appropriate departments to allow appropriate shared management information. This policy should be tied into the enforcement of hardware and software standards (see **F2.6**).

Budgeting

F2.10 Departments purchase their own technology equipment. Purchases related to technology are supposed to be approved by the EDP manager for compatibility purposes. However, a review of purchasing documents did not show evidence of the EDP manager's signature. EDP purchases all of its replacement equipment through a local vendor. However, EDP does not use a vendor list or a competitive bidding process when purchasing computer equipment.

R2.10 To ensure that the lowest prices are obtained for technology purchases while not compromising the quality of the products, EDP should use competitive bidding and quotes for all new purchases. This objective can be accomplished by establishing a current and comprehensive vendor list. The vendor list should be reviewed by the supervisor and new vendors should be sought annually. Using competitive bidding and quotes encourages broader vendor participation, and often generates lower costs. Moreover, EDP should assist departments by providing comprehensive vendor lists for all departmental technology purchases.

F2.11 The City does not have a hardware replacement schedule. Computer hardware will typically last four years without significant problems. A hardware replacement schedule would assist with strategic planning and budgeting for technology within the City and help to ensure ongoing network capability. Without a hardware replacement schedule, the city cannot ensure all hardware is in line with standards set forth by EDP.

R2.11 The City, in conjunction with the technology steering committee (**F2.3** and **R2.3**) and the EDP manager, should develop a hardware replacement schedule for computers and computer components. Although the City may not currently have the financial stability to fully integrate and support a hardware replacement program, the schedule will assist with future planning and budgeting by identifying needed technology updates and replacements.

F2.12 EDP has requirements that software purchases be approved, but a review of purchase orders revealed that some purchases were made without approval of the EDP manager. Also, there

is a policy that requires all computer to be shipped to city hall for network configuration and software installation prior to end user or department delivery, however a review of shipping practices indicates this is not the case. East Cleveland does not have centralized technology procurement procedures. Departments within the City are responsible for their own technology purchases, subject to EDP approval. However, a review of purchase requisitions showed inconsistencies in the approval process. Departments decide when to buy equipment, what to buy, and when to replace it. This includes hardware items such as computers, printers, and other peripheral devices, as well as most software items. Each department also tracks its own license and warranty information. This decentralized procedure is problematic for the City and EDP in the following areas:

- **Network planning:** The variety of equipment and applications in use at the City, as well as the varying procedures governing their use, make network planning difficult. EDP must attempt to maintain network configurations connecting many different types of equipment that operate a wide array of applications. This can adversely affect the operational efficiency of the City's networks. Additionally, EDP cannot fully assess future technology use at the City because the types of hardware and software that will be purchased by the departments are not known.
- **Internal workflow:** The inability of the City systems to operate in an effective and integrated fashion has required the development of cumbersome, manual procedures for internal workflow. A centralized purchasing approval system would establish a more efficient workflow by allowing procedures to be automated and standardized (see **F2.12**).
- **Enforcement of technology policies:** Because departments purchase their own technology items and track their own license and warranty information, it is difficult for EDP to ensure that the City's technology policies are being properly followed.
- **Disaster recovery procedures:** Effective disaster recovery planning requires the development of procedures for the recovery of all systems down to the user level. The number of factors that must be controlled and the probability of unforeseen factors affecting system recovery are both increased with a decentralized system (see **F2.14**).
- **Support capabilities:** The many systems in use at the City make providing user support services extremely difficult for EDP. Support staff must be knowledgeable in many areas to be capable of supporting all systems (see **F2.9**).

Currently, there is no formal policy to verify if technology equipment is covered under warranty and if so, what it covers. EDP has warranties on servers in case a fatal error occurs. The City has agreements with support vendors for a four- hour response time for essential

servers and a twenty-four hour response time for non-essential servers. However, EDP does not maintain warranties for all City technology.

R2.12 The City should centralize all technology purchase approval procedures. The planning and management capabilities of EDP would be greatly enhanced by having more control over the technology that is used at the City. This would also assist EDP in establishing a standard replacement schedule for technology items (see **F2.6**). The technology steering committee (see **F2.3**) could be responsible for deciding what technology is needed and evaluating purchase proposals. Additionally, EDP could monitor and track purchasing functions on the City's system to enhance the efficiency and effectiveness of the process. Significant benefits could be realized in this area, including the following:

- More efficient and effective networking capabilities based on the ability of the technology steering committee to centrally plan all aspects of the City's networks;
- More efficient and user-friendly internal workflow due to the use of more consistent and compatible equipment and systems;
- Enhanced enforcement of the City technology policies because of the centralized control of technology purchasing;
- More effective and reliable disaster recovery procedures due to increased knowledge of systems in use at the City; and
- Enhanced support and maintenance capabilities based on the use of more consistent and newer systems.

With centralized technology purchase approval procedures, EDP should be able to enhance the quality and speed of the services it provides to users. More effective delivery of services will give EDP an increased standard of accountability within the City while enhancing the overall efficiency and effectiveness of internal operations.

The City should also consider centralizing the tracking of all technology-related licenses and warranties. Although this would be difficult in the current decentralized technology procurement environment, centralizing these procedures could greatly enhance the ability of EDP to track this information for the City. EDP could maintain physical copies of license and warranty agreements, but electronic copies could also be maintained by the City. This could help to ensure that the information is adequately safeguarded, and these procedures could be incorporated into the City's disaster recovery procedures.

Having a central listing of all technology-related licenses and warranties would increase the efficiency and effectiveness of EDP services. The list could serve as an assessment guide for EDP in performing physical audits of City computers and systems (see **R2.15**). Additionally, in supporting City systems, EDP could easily locate license or warranty information outlining any available support services from vendors or contractors, ensuring that the City receives the full value of any software or hardware purchases.

Security

F2.13 EDP has varying levels of security on City systems and equipment. Pursuant to citations in AOS financial and information systems audits, there have been security concerns at the City. All computers now have Windows NT as the operating system, and other software packages, such as the financial package, Creative Micro Information Systems (CMI), have vendor-controlled password access. Most files are maintained on file servers and very few people are granted Internet or dial-up access. A firewall box is already in place for the expansion of Internet availability. The City recently developed a security policy manual which covers aspects of effective computer security.

R2.13 Although the City is working to improve its security for systems and equipment, there are still important steps to take to ensure the adoption of proper security measures. EDP should ensure security policies and procedures are standard throughout the City and are well communicated to all staff. Moreover, EDP should conduct regular on-site security assessments to measure security effectiveness.

F2.14 EDP does not have a formal disaster recovery plan for technology services as recommended by the Government Finance Officers Association (GFOA). Data backups are performed daily for all servers. The EDP manager takes the backup tapes home each evening and brings a new tape in the morning. The City uses tapes on a rotating basis, so that at the end of each month, one tape from each week is saved and the rest are reused. At the end of the six months, one tape is kept for each month and the rest are reused. At the end of each year, one tape is kept for every six month period, and the rest are reused. In the EDP manager's absence, his assistant performs the backups. While this rotation system can be a cost effective way to provide backup services, the process is not documented and poses some significant risk issues.

R2.14 EDP should store data backups at a secure off-site location rather than storing the data backups at the EDP manager's personal residence. Further, in accordance with the GFOA, EDP should develop a disaster recovery plan outlining the steps to be taken by the City and EDP in the event of some catastrophic occurrence that disables technology operations for the City. A disaster recovery plan can establish formal procedures to be taken and could decrease the amount of time necessary to resume operations. The plan should include the following elements:

- A business impact assessment that identifies essential business functions and the applications that support them;
- Information continuity requirements based on the business impact assessment;
- A list of technical recovery procedures and configurations;
- A prioritized application recovery list;
- Necessary procedures for operation recovery;

- A list of personnel responsible for each phase of the recovery;
- A provision for disaster recovery training for essential City staff; and
- A recovery testing plan.

Once implemented, EDP should perform periodic assessments and tests on the plan to ensure that it adequately addresses any issues that may arise in various disasters, and ensure that personnel are sufficiently trained to carry out the procedures outlined in the plan.

Also, the City should maintain records at another off-site location for data security and integrity issues.

F2.15 For inventory purposes, if an employee is hired, terminated or transferred from his or her position or a piece of equipment is rendered obsolete, there are varying accounts as to what happens to the City-owned equipment. Although there is a formal policy, discussions with departments found that equipment is sometimes moved. As there is no formally established procedure for terminated or transferred employees or obsolete equipment, there is no exact or reliable way to know what is done with the equipment.

R2.15 EDP should enforce the procedures for dealing the technology equipment assigned to newly hired, terminated or transferred employees and for obsolete equipment. This should include a direct line of communication with the director of human resources and documented accounts of what is done with every piece of equipment. EDP, in conjunction with human resources, should develop a checklist for all equipment assigned to staff. The checklist should be completed for all newly hired employees, updated when new equipment is received and completed upon employee termination. This will ensure the City maintains an accurate account of all equipment. Equipment rendered obsolete should have documentation including equipment type, purchase date, explanation for obsolete designation and equipment disposition date. One option for equipment disposition is to donate obsolete or outdated technology equipment to local schools or community programs.

Technology Initiatives

F2.16 Currently, when staff have a technical problem they are supposed to fill out a “System Problem Report.” This document includes employee name, department, problem and solution. These reports are typically filed by department, rather than by individual computer users. The City purchased help desk software in December of 2001. However, the City has not implemented its use. Formal help desk software provides real-time customer support and acts as a point of contact for staff to call to report problems, request service and obtain information.

R2.16 EDP should ensure the benefits of help desk software are maximized for the entire city. The benefits EDP could realize by converting to help desk software include the following:

- Organize problems by severity and department;
- Allow EDP to better organize problems by computer and type;
- Introduce more formal policies; and
- Reduce paperwork.

By organizing problems by severity and department, EDP will be able to respond to more pressing problems as well as organize a working plan. Organizing problems by computer would allow EDP to identify the number of problems with every City computer and begin to build a support history for each computer. For instance, EDP should identify and track recurring technical problems. As a result of tracking this information, EDP could potentially develop a “frequently asked questions” document and distribute it to city staff. Further, EDP should be able to fix any ongoing problems which may occur with the network. Formal help desk should decrease technical support response times which can, in turn, decrease the number of open service calls to EDP and vendors and increase staff productivity.

F2.17 Various City departments use telecommunications, including cellular telephones and pagers. The maintenance and use of these are set solely at the discretions of each department; EDP is not involved. This suggests a lack of internal controls and may lead to improper use of City telecommunications equipments. For further explanation of use of telecommunications, see **community development**.

R2.17 In the future, the City should consider centralizing the issuing, tracking and maintaining of telecommunications. EDP should provide a level of internal control over telecommunications by tracking use, billing and maintenance. This information should be included in documentation and inventory for City equipment (see **F2.15**). The City should assess and balance staff requirements included with these added job duties. The City should also develop policies and procedures for the use of telecommunications.

F2.18 The City is currently installing Internet capabilities and inter-office E-mail throughout its departments. Technology such as Internet and E-mail allow City employees to communicate more efficiently, which can enhance relationships with external parties such as citizens and outside parties. In addition, the City’s research abilities will be greatly enhanced. To be fully effective, Internet and E-mail access should only be provided to appropriate personnel.

R2.18 The City should continue to install Internet and E-mail capabilities throughout the City. However, the City should only give Internet and E-mail privileges to personnel who would benefit from having it. The EDP manager should coordinate with department heads to determine what personnel receive Internet and E-mail capabilities. The City should develop formal policies and procedures for the use of Internet and E-mail. See the **finance section** of the draft for further explanation.

Training

F2.19 The City does not have formal technology training procedures in place. Further, the City does not keep records of staff who have attended training. Upon the installation of new applications, training is provided by private contractors, but attendance is not required. A lack of formal training prevents City personnel from making efficient and effective use of internal technology.

R2.19 EDP should develop formal technology training procedures for all personnel and consider requiring an established number of technical training hours be completed on an annual basis. Because private contractors are willing to train employees on new software/hardware as a part of their contract, there should be minimal additional costs. The City should assess the need for technical training and establish a training schedule. This could be done by distributing a survey to users to determine specific technology training needs. Upon providing training to users, EDP should develop a system for obtaining feedback to make future training sessions more effective. Better procedures for the provision of technical training to City staff will ensure more efficient and effective technology use. In addition, inefficient manual procedures can be replaced by more efficient automated procedures. More extensive technical training could lead to fewer technical problems and computer difficulties due to more technologically sophisticated users.

F2.20 EDP employees are not required to attend training or professional development activities or to have technology certifications. In a field such as information technology, it is necessary to remain knowledgeable of developing, innovative concepts and to constantly refine skills to reflect the changing needs of the industry. By not having formal professional development guidelines or procedures, EDP is hindering its own efforts to provide quality technical services to users within the City. Additionally, staff members that do not update and refine their skills contribute to the general lack of technical capabilities of City employees. Currently, EDP offers training on an as-needed basis. According to the EDP manager, this is difficult as departments often lack funds to train staff. Further, the City is not taking full advantage of vendor training which is often provided by vendors at no additional cost.

R2.20 The City should develop formal professional development requirements for in-house technology staff. This should include establishing a mandatory training benchmark based on hours per year or some other reasonable methodology. EDP should also require staff to obtain certain certifications. For example, A+ training and certification require knowledge of PC troubleshooting, printer management, Operating System memory management and optimization, corrective maintenance and repair, preventive maintenance, network infrastructure and Internet basics. Enhancing professional development and certification of staff will allow EDP to operate more efficiently and effectively, while providing a higher level of service to users within the City. Moreover, the City should take full advantage of

vendor training when it is offered. When purchasing new technology, the City should seek vendors who provide training at no extra cost or make training a condition of the purchase agreement (see **F2.19**). City employees would maximize their benefit from the new technology by being trained in the most appropriate manner.

Financial Implication: Based on documentation from various computer training centers, the City would experience a cost of approximately \$2,000 per individual for A+ training. If the City sends two staff to the training, the total one-time cost would be approximately \$4,000.

Financial Implications Summary

The following table summarizes the quantifiable one time costs the City of East Cleveland could incur should the recommendations in this section of the reports be implemented.

EDP Financial Implications Summary

Recommendation	One Time Cost
R2.20 A+ training for two staff members	\$4,000
Total	\$4,000

Conclusion Statement

EDP does not adequately plan or manage East Cleveland technology functions. The lack of a strategic technology plan impedes effective long-range technology planning at EDP. The development of a technology steering committee could enhance technology operations in several capacities, including developing, planning, and assessing major technology projects and initiatives. Additionally, developing and implementing a formal disaster recovery procedure could help to prevent any significant disruption of technology operations in the case of an unforeseen circumstance.

City offices are responsible for purchasing their own hardware and software with the approval of EDP. However, the City does not have a formal policy requiring departments to verify or secure approval for purchases with EDP. While this decentralized procedure allows offices to purchase equipment and applications that meet their particular needs, it makes it difficult for EDP to effectively manage the City's technology operations. Developing formal procedures to centralize the purchase approval function within the City could enhance the abilities of EDP to administer and support technology, while allowing for a more efficient workflow within EDP as a whole. Involvement with technology purchase approval assists in maintaining internal control over tracking inventory, licensing and warranties.

The City should undergo several technology initiatives. EDP does not require technical training for staff. This includes both technical skills training for general City users and career development training for EDP employees. General users and EDP employees have the option of taking training offered by private contractors, but attendance is not required. A lack of formal training prevents City personnel from making efficient and effective use of internal technology. Further, it hinders the development of EDP staff in the constantly changing IT field. Better technical training procedures and requirements for all City employees could enhance general operations, as well as improve the quality of services provided by EDP. A formal help desk should decrease technical support response times which can, in turn, decrease the number of open service calls to EDP and vendors and increase staff productivity. The City should continue to install Internet and E-mail capabilities throughout the City. The City should pursue this while searching for other types of network connections, specifically T1 lines or wireless connections. Adopting these technology initiatives will increase departmental technology capabilities, thus enhancing efficiency and effectiveness of City-wide operations.

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Financial Operations

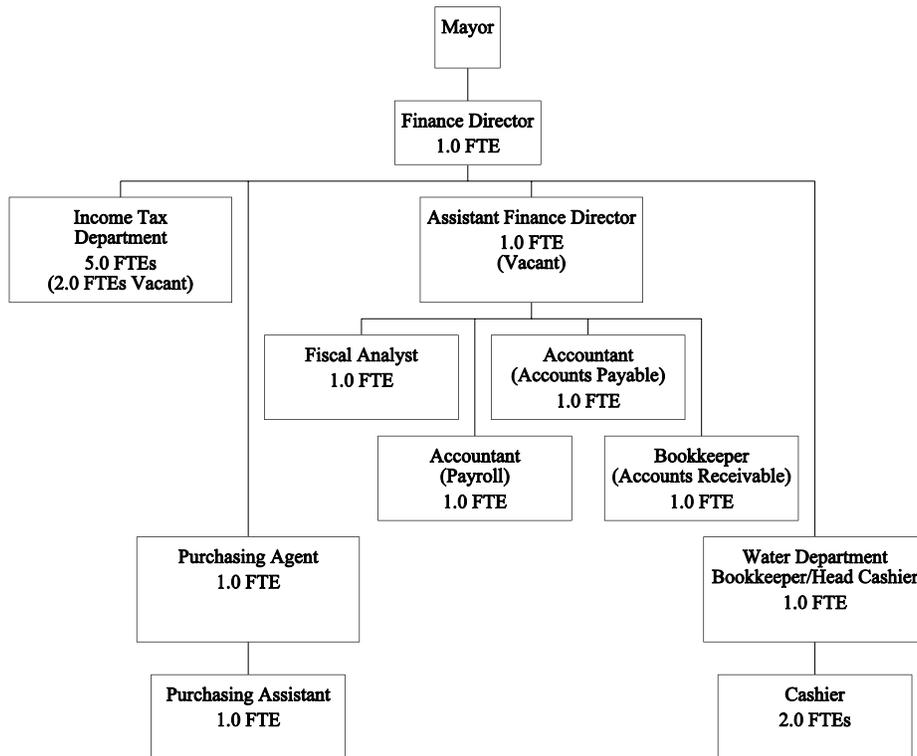
Background

The East Cleveland Finance Department (ECFD) is responsible for all fiscal matters in the City of East Cleveland, including accounts receivable, accounts payable, payroll, grants accounting, budget, investments, financial analysis, and banking. In addition to the finance department, the finance director is responsible for purchasing for all City departments and oversees the tax department and water department collections. The finance department employs a total of six people, purchasing employees two people, water department collections employees three people, and the tax department has a total of five positions, two are vacant. The income tax department is discussed in another section.

Organization Chart

The organizational structure and staffing levels of ECFD, and purchasing, income tax, and water department collections are depicted by the following chart:

Chart 3-1: City of East Cleveland Finance and Purchasing Department Organizational Chart



Organization Function

The City of East Cleveland (City) employs a total of six people in the finance department: a finance director, an assistant finance director (the position is currently vacant), an accounts payable clerk, an accounts receivable clerk, a payroll administrator, and a fiscal analyst. ECFD staff responsibilities are as follows:

- The finance director is primarily responsible for supervision of the finance, purchasing, and tax departments (currently two positions are vacant); preparation of the City's tax, operating and capital budgets; management of treasury and banking functions; and coordination of financial audits.
- The assistant finance director assists the director, supervises and trains finance staff; reports and prepares drawdown of funds for U. S. Housing and Urban Development (HUD) and other federal and state grants; prepares budgetary and statistical information for managerial decision making; maintains operational reports and records; monitors organizational revenues and expenditures; and assists the City departmental heads with budget preparation and monitoring.
- The financial analyst reports to the assistant finance director and is primarily responsible for reconciliation of bank accounts on a monthly basis; preparation of financial reports including financial comparisons and analysis; adjustments for variances; and assistance with monthly and year-end closing procedures.
- The accounts payable accountant reports to the assistant finance director and is primarily responsible for payment of all invoices; maintenance of reports and purchase orders and all other documents relating to accounts payable. In addition, the accounts payable accountant reconciles vendor accounts, files 1099s at year-end, prepares a list of encumbrances by department exceeding 90 days, and closes purchase orders at month-end.
- The payroll administrator reports to the assistant finance director and is primarily responsible for the biweekly payroll for all City employees which includes: inputting accurate data into the accounting payroll system; running batch reports and distributing the reports to department heads for verification; maintaining files of all pertinent payroll records; and assisting with monthly and year-end close outs. The payroll administrator also transmits payroll information to ADP.
- The bookkeeper/accounts receivable clerk reports to the assistant finance director and is responsible for processing all cash and non-cash transactions and balancing pay-ins; recording bad checks and recovery of appropriate fees; and preparing and depositing of daily receipts to the bank within a twenty-four hour period.

The purchasing function is carried out by two people: the purchasing agent, who reports to the director of finance, and a purchasing assistant who reports to the purchasing agent. The two employees have the primary responsibility for processing purchase orders and procuring goods and services. Other employees throughout the City, such as department heads, clerical staff, and accounts payable personnel, are involved in the purchasing process.

- The purchasing agent is primarily responsible for preparing bids for solicitation; reviewing proposals; awarding contracts; maintaining records of product performance and inventories; and reviewing purchase orders as needed.
- The purchasing assistant is responsible for verifying the availability of funds by department and account; routing purchase requisitions to the finance director for further action; routing requisitions to the mayor for approval; entering data into the Creative Microsystems, Inc. (CMI) accounting system; generating purchase orders; distributing purchase orders to the vendors, the originating department, and accounts payable; filing the purchase order; and logging receipt of materials and distributing them to the appropriate department.

Certain aspects of the water department operations, such as water rates and contracting with private vendors is reviewed later in this section (see **F3.39** through **F3.48**). In addition, the income tax department is assessed in a separate section of this performance audit.

Summary of Operations

The finance department is responsible for processing the City's payroll, developing the budget, and monitoring accounts payable and accounts receivable. ECFD collects money for all City departments with the exception of the parks and recreation department, which collects money for activities such as skating. The municipal court collects its own fees and turns in its collections monthly to the finance department.

The finance director functions as the financial advisor for City Council and manages the City's financial investments. The City has a conservative investment policy, based on low-risk investments, and currently uses Soloman Smith Barney to invest in sweep accounts and StarOhio.

ECFD generates the City's financial reports and administers third party contracts. The finance director oversees the month-end closing of the City's accounts and sends a financial report to the City Council every month. This report includes all financial activity for the month and year-to-date, including available funds, total revenues and expenditures. ECFD does a check run every two weeks and produces a log which lists all checks and identifies any voids. Vendor invoices for community development grants are paid weekly. ECFD tries to limit manual and special checks by requiring a written request from the department head and an approval by the finance director or assistant finance director.

The ECFD also handles accounts for all City grants. The community development department has three main grants: Community Development Block Grant (CDBG), Home Investments Partnership (HOME), and Program for Revitalization of Severely Distressed Public Housing (HOPE). ECFD receives grant funds from HUD and makes disbursements.

The finance director prepares the tax budget, which essentially establishes the revenue portion of the City operating budget. The tax budget is based upon data compiled and maintained by the finance director from the previous two years and projected for one year. The tax budget should be approved by City Council by July 15 and submitted to the County Auditor's Office for approval by July 20. The operating budget process starts in mid-September when the finance director provides information to the departments from three quarters of the current year's expenditures. The budget is not tied to measurable outcomes or strategic plans. An operating budget presentation is conducted by the finance director for City Council in November or December.

The City's financial computer system was implemented in 1992-1993 by Creative Microsystems, Inc. (CMI). Various modules include payroll, revenues and expenditures, and fixed assets. In 2001, the City contracted with Automatic Data Processing (ADP) to track and monitor payroll time and attendance information. The City does offer direct deposit to all employees, and approximately 37 percent of all City employees participate in the program.

The purchasing process at the City involves department heads, the purchasing agent, City Council, the finance director, the mayor and the purchasing assistant. Department heads are responsible for preparing bid specifications. The purchasing agent places advertisements for bids, opens returned bids in a public meeting, and names the apparent low bidder. After the bids have been opened and announced, the purchasing agent reviews the lowest bid to make sure specifications are met; reviews insurance, performance bond, and affirmative action compliance documentation; and checks to see if the contractor owes the city any funds. After the review is completed, the purchasing agent sends a letter of recommendation to the department head and City Council. After approval by City Council, a certified letter is sent to the successful vendor/contractor.

Purchase requisitions are reviewed by the purchasing assistant to ensure accuracy, completeness and the availability of funds before they are approved by the finance director and mayor. The finance department recently installed on-line read-only access to budget information so department heads can avoid sending purchasing requests that will be disapproved for lack of funds.

Once a purchase requisition is approved, a purchase order number is generated. The purchasing assistant routes the original purchase order to the vendor and copies are sent to accounts payable and the requesting department, and one copy is retained and filed by purchase order number. When the items are received by the purchasing assistant, they are logged and distributed to the appropriate department. Invoices are not paid until 30 to 45 days after the items have been received, unless a discount is available for early payment.

Financial Data

Table 3-1 presents ECFD's actual expenditures for 1999, 2000 and 2001, and the budgeted expenditures for 2002, as presented in the City's monthly financial reports.

Table 3-1: ECFD's Financial Data For the Calendar Year

	Actual FY 1999	Actual FY 2000	Actual FY 2001	Budgeted 2002
Salaries & Wages	\$183,187	\$232,492	\$272,236	\$252,093
Fringe Benefits	\$52,548	\$47,437	\$67,697	\$82,175
Contractual Services	\$57,636	\$100,845	\$167,302	\$108,237
Materials, Supplies & Other Misc.	\$21,207	\$26,919	\$54,714	\$60,000
Total	\$314,578	\$407,693	\$561,950	\$502,505

Source: Expenditure and Budget Reports

Explanations for the significant variances in expenditures are listed below:

- Salary increases between 1999 and 2000 are a reflection of a complete staff turnover and an increase in salaries to attract more skilled staff. The salary increase between 2000 and 2001 is a reflection of raises and overtime. Salaries for 2002 are projected with no rate increase and no overtime.
- Expenditures for fringe benefits decreased between 1999 and 2000 due to a temporary decrease in the Public Employees Retirement System (PERS) contribution rate during 2000. PERS reduced the contribution rate during 2000 due to an unusually high increase in investment values and rates of return. The 1999 PERS rate was reinstated in 2001. The City was self insured for medical until the second quarter of 2001, when the City started a premium basis insurance with Med Mutual. The change in medical plans caused an increase in benefits between 2000 and 2001. Insurance rates increased in 2002.
- Contractual services increased between 1999 and 2001 due to expenses related to consulting services and training of staff provided by the Auditor of State (AOS). During 2001, AOS reconciled bank statements for the year, trained finance and clerk of court staff to do the bank reconciliations, and prepared statements in accordance with GASB 33. ECFD has also contracted the payroll services to ADP. The planned reduction in contractual services reflects decreased services needed from AOS such as staff training, bank account reconciliations, and preparation of financial statements from cash to accrual.

- Materials, supplies and other miscellaneous expenditures increased during 2001 because all personnel in the finance department attended training courses during the year (\$12,755). Training was not provided in the year 2000. In addition, reporting requirements for the fiscal commission also caused materials, supplies and other expenditures to increase in 2001.

Performance Measures

The following is a list of performance measures that were used to review the ECFD:

- Review the finance department's expenditures to determine significant changes in spending;
- Review staffing levels and composition of staff;
- Review and assess the city's cash management policies and procedures;
- Review policies and procedures for revenues received from other departments;
- Assess the adequacy of the City's budgeting process/system;
- Assess the effectiveness and efficiency of the City's purchasing process;
- Assess the use of technology in the department; and
- Compare the rates of the water and sewer department with surrounding cities; and
- Review the effect of water/sewer contract on the cities finances.

Findings/Commendations/Recommendations

Staffing and Personnel Issues

F3.1 **Table 3-2** compares overall staffing levels at ECFD to the peer cities of Maple Heights and Trotwood.

Table 3-2: Finance Department Statistics for FY 2000

Data	East Cleveland	Maple Heights	Trotwood	Peer Average
Total FTEs ¹	6.0 ²	4.0	6.0	5.0
Population	27,217	26,000	27,420	26,710
Total City Revenue	\$21,369,000	\$20,397,000	\$15,551,000	\$17,974,000
Total City Expenses	\$20,699,000	\$21,521,000	\$16,777,000	\$19,149,000
Population per FTE	4,536	6,500	4,570	5,342
Total Revenue per FTE	\$3,561,500	\$5,099,250	\$2,591,833	\$3,845,541
Total Expenses per FTE	\$3,449,833	\$5,380,250	\$2,796,167	\$4,088,209

Source: ECFD, peer cities information

¹ Does not include water cashiers, purchasing agent, or purchasing assistant because there are not similar positions in the peers.

² Includes 1.0 vacant assistant finance director position

As indicated by **Table 3-2**, the budgeted staffing levels at ECFD are reasonable. Currently, the assistant finance director position at ECFD is vacant. As discussed throughout this report, many improvements need to be made at ECFD and the City. Filling the assistant finance director position with a qualified and professional individual could help ECFD improve operations.

R3.1 ECFD should fill the assistant finance director position. Some of the major functions that the assistant finance director should be partially or wholly responsible for include the following:

- Diversifying investments to maximize returns (see **R3.12**);
- Ensuring HUD drawdowns are completed in a timely manner (see **R3.16**);
- Conducting financial impact analyses prior to authorizing expenditures and entering into contracts (see **R3.17** and **R3.41**);
- Monitoring grants and contracts (see **R3.21** and **R3.42**);
- Improving budgeting activities (see **R3.28** through **R3.33**);
- Reviewing the CH2M Hill contract and helping the City to take appropriate actions to enhance the agreement (see **R3.42**); and
- Helping to enforce collections of water and wastewater fees (see **R3.43**).

After ECFD has implemented the improvements discussed throughout this report, it should fully assess the impact on staffing levels in the department. For example, upgrading the current computer system should enhance the operational efficiency within ECFD. As a result, ECFD could potentially be able to operate with reduced staffing levels in the future.

Financial Implication: By filling the assistant finance director position, ECFD would incur approximately \$55,000 annually in salary and benefit costs.

- F3.2 Job descriptions for ECFD employees are neither complete nor consistent. In late 2001, ECFD employees, except for the finance director, created a list of job responsibilities. However, the list was never used to update the job descriptions. Job descriptions do not follow a consistent format and do not include job title and required qualifications; reporting and supervisory responsibilities; required knowledge and skills; expectations of the positions; and equipment, operating licenses and certifications. There are a number of job descriptions in which duties are listed which do not match current responsibilities for the position. For example, the purchasing agent job description was updated February 2002, but some responsibilities were not included, such as: supervision and performance evaluation responsibilities; review and approval of the appropriate coding of purchase requisitions; and maintenance of fixed asset inventory.

The City's human resource policies require departments to develop job descriptions that are reflective of job requirements, responsibilities and classifications. The lack of complete, up-to-date job descriptions prevents ECFD from conducting meaningful employee performance evaluations.

- R3.2** Job descriptions should follow a consistent format and coincide with the criteria in performance evaluations. Employees should be included in the job description development process to ensure that job duties are reflective of work responsibilities that are performed.

ECFD should review and update job descriptions for its personnel in conjunction with the human resources department. The assistant finance director should be responsible for the revisions. ECFD employees should complete a job analysis to highlight key functions and duties of jobs performed. The job descriptions should be developed and submitted to the human resources department to ensure language and format is consistent. With up-to-date job descriptions, ECFD employees will fully understand their job functions and responsibilities. The job descriptions should also be used to reference and assess employee performance and productivity.

- F3.3 Performance evaluations of ECFD employees have not been completed for two years. The City's Personnel Rules and Regulations Manual requires all employees to be evaluated annually. According to the finance director, the City has not conducted evaluations because there are no incentives for good performance or disincentives for poor performance within

the City's policies and procedures. Performance evaluations are not included in job responsibilities for either the director or assistant director of finance and there are no policies in place to ensure evaluations are completed.

R3.3 ECFD should develop and implement an evaluation process in accordance with the City's Personnel Rules and Regulations. To develop an evaluation process, ECFD should develop employee job descriptions that provide concrete job expectations (see **F3.2** and **R3.2**). Next, ECFD should use the job descriptions to develop the criteria and expectations that will be assessed during the performance evaluation. Once the evaluation form has been developed and reviewed by the human resources department, the assistant director should complete all evaluations in accordance with City policy. Annual performance evaluations could benefit employees and employers in many ways, including the following:

- Providing a specific time for both employer and employee to compare their understanding of the job's requirements;
- Providing a time to exchange ideas about the future direction and goals of the job and its role within the department;
- Providing a time to discuss the employee's individual goals and develop a plan for achieving them; and
- Developing documentation to demonstrate trends in the employee's performance. This type of documentation could provide a basis for salary adjustments or promotions.

F3.4 ECFD does not have an updated or completed departmental policy and procedures manual. The purpose of the manual is to establish a uniform decision making process and routinize daily operations. Also, access to a policy and procedure manual is important to ensure continuity and consistent application of the City's and departmental regulations. Clarity in departmental policies reduces the chance of misunderstandings and also helps to preserve institutional memory when high turnover rates are prevalent. In addition, documented and enforced policies and procedures would increase the level of accountability throughout the City and improve present inefficiencies. The absence of an updated policy manual for ECFD has led to inconsistent management of grant accounts, payment of invoices, management of accounts receivable and payroll reporting.

R3.4 ECFD should review and update the policy and procedures manual for the department, as well as establish a process for regularly reviewing and updating the manual. The policy and procedures manual should document all policies, procedures and processes within the department, by function, so that the manual could be used by all employees. A policy and procedures manual will enable employees unfamiliar with all the department's activities to understand the steps required to complete job functions when other employees are on vacation or leave.

ECFD should ensure the policy and procedures manual is distributed to all employees. Employees should acknowledge receipt and understanding of the policy and procedures manual through a signed statement that should be maintained in the employee's personnel file. The manual should be reviewed on an annual basis to determine if changes, deletions or additions are needed.

F3.5 ECFD has not effectively used its training budget to ensure employees are consistently trained in HUD guidelines, Governmental Accounting Standards Board (GASB) Statements, Generally Accepted Accounting Principles (GAAP), budgeting and planning processes, and comprehensive annual financial reporting (CAFR) methods. During 2001, the former assistant finance director received multiple training seminars on GASB 33. The training was not used to implement GASB 33 and therefore, did not benefit the department. However in 2001, all employees received some form of training in the use of various software programs. Planning for 2002 training seminars would assure that employees receive appropriate training which can be used for the benefit of the department.

R3.5 ECFD should continue to budget money for training opportunities that would assist the department in improving operations. For example, the Governmental Finance Officers Association (GFOA) is a professional organization dedicated to the sound management of government financial resources that provides training seminars to persons interested in government financial management. The GFOA provides a broad range of services and programs in the major functional areas of government financial management, including the following:

- Accounting, auditing and financial reporting;
- Budgeting and financial planning;
- Cash management and investments; and
- Financial management.

Attending these types of training could help ECFD's employees obtain and share skills useful to the City and to themselves. For example, the cost of the annual conversion of the City's cash-basis accounting records to the required modified accrual accounting has exceeded \$9,000 annually since 1998. The additional training to allow ECFD to perform this conversion could replace the need to contract for this service.

Financial Implication: ECFD should send employees to training classes regarding converting the City from the cash-basis of accounting to the required modified accrual basis of accounting. Attending this type of training could be offset by the \$9,000 the City pays for LGS to perform the conversion. GFOA offers a variety of accounting seminars ranging from \$350 - \$650 per class. For example, if ECFD would send two people to a training class which costs \$650 per person for a total of \$1,300, and these two employees were able to

perform the year-end GAAP conversion, there would be a cost savings in the first year of \$7,700.

Payroll Operations

F3.6 In July 2001, the City procedures for collecting payroll information varied from department to department and was a labor-intensive manual process. Each department's secretary was responsible for calculating payroll information for each employee based on the hours worked. Once each secretary calculated each employee's hours worked, the payroll time cards were submitted to the department head for review and approval. After the department head signed off on the payroll cards, the payroll cards were submitted to the payroll administrator. ECFD keeps the signed payroll information as a source document. During the course of this performance audit, the City contracted out the payroll function to Automatic Data Processing (ADP), which appears to have improved the efficiency, accuracy and timeliness of the payroll process.

The City is currently installing and debugging an automated timekeeping system with ADP. The ADP timekeeper is an application that captures employee data and calculates labor costs. The software applies the City's pay rules as they relate to each individual employee, and calculates the gross hours to be paid according to overtime, premium, and other pay rules. The following lists the benefits of the ADP timekeeper software:

- Eliminates manual preparation of paper time sheets or time cards;
- Frees department managers and clerical staff from time-consuming administrative tasks to focus on more value-added activities;
- Improves control of labor resources; and
- Accurately and consistently enforces City pay policies.

For the City, ADP timekeeper delivers a consistent, accurate and precise method to calculate employee pay and manage the attendance records of employees. Attendance tracking provides managers with real time reporting and historical views for employee attendance patterns. However, some departments, including police, fire, and emergency medical services, do not use the timekeeping system.

During the period of the audit, the payroll administrator transferred the police, fire, and emergency medical service (EMS) support staff to the timekeeper system. Police, fire and EMS departmental professional staff have started submitting approved time sheets to the payroll administrator. Time reported is maintained on a manually prepared summary of hours worked and leave taken, but supporting documentation is not provided and the payroll administrator does not have a way to ensure the proper reporting of worked time and leave used. This situation could result in miscalculations of employee pay and/or City obligations to an employee in the form of paid work time, and leave time earned and used. The unions

have objected to the fire, police, and EMS professional staff being placed on the timekeeper system.

C3.1 The ADP system has assumed some routine duties previously performed manually by ECFD, such as automatic transfer of funds, calculation and payment of payroll taxes, and calculation of leave time and associated costs. As a result, the payroll administrator has assumed other duties that are more cost effective and productive, such as:

- Preparing monthly pension reports;
- Assisting with month-end and year-end close outs;
- Maintaining files of various leave time;
- Assisting with internal and external City audits; and
- Providing back up to accounts receivable, accounts payable and the financial analyst for reconciliations.

R3.6 The City should pursue the use of automated time reporting for the police, fire and EMS professional staff. To help guide the process and ensure that the automated system is implemented in a timely manner, the City should establish a time line for important activities and carefully plan the implementation of the automated system. In addition, the City should work with the collective bargaining units within police, fire and EMS in this process and make necessary changes to negotiated agreements impacting the automated system. Because of the complexity of scheduling in these departments, the installation of an automated system will be especially helpful to ECFD. The benefits of the automated time and attendance system ensures the objective implementation of policies and procedures, increased accuracy and less clerical time to manually calculate the various types of pay and accumulated leave.

F3.7 Although the payroll administrator works with other departments to ensure the payroll information submitted is accurate, there is still a risk of inaccuracies in the City's payroll data due to the short, one week lag in payroll processing. Payroll ends bi-weekly on Sunday. By Wednesday of the same week, payroll must be submitted to ADP for processing, and checks are distributed on Friday. In the event of a holiday, the pay day is on Thursday. Often, the department heads do not have time for a comprehensive review of reports from the payroll administrator to ensure payroll records are accurate and many times, the signed review is late.

R3.7 The City should increase the lag time between the payroll period end date and the actual pay date to allow the payroll administrator time to ensure the accuracy of the payroll. The City should increase the lag time to two weeks. The implementation of an additional week of lag time could be phased in by increasing lag time one day each pay period until a full week has been added. A phased implementation will minimize any effects increasing the lag time could have on employees. Modifying the payroll lag time may be dependent upon union

contracts and labor negotiations. The City may need to renegotiate union contracts and change the City Personnel Rules and Regulations to accommodate this recommendation.

F3.8 The community development department does not prepare or submit to the payroll administrator, time allocation sheets used to document time spent on various grants and programs. Therefore, payroll for the community development department may not be properly charged to the grants. Unless time allocation sheets are submitted to payroll each pay period, the payroll administrator cannot allocate time to appropriate accounts.

A good time allocation process would include the ability to:

- Track employee time spent working on specific grants and projects;
- Provide accurate cost information for the preparation of financial reports for specific grants and projects; and
- Ensure that only appropriate direct labor costs are charged to grants.

R3.8 With the new payroll system in place, ADP has the capability of splitting payroll charges to the correct accounts. The community development department should submit time allocation sheets to payroll to ensure correct charges to the various programs. After the hours have been input into ADP, the payroll administrator sends a report to the department head for review. The director of the community development department should review the charges for appropriateness and accuracy prior to signing and returning the report to the payroll administrator. This issue is also discussed in **R5.4** in the **community development** section.

F3.9 In accordance with the City's Personnel Rules and Regulations, department heads keep track of leave time accrued and used for each of the departments' employees. Approved leave requests are to be sent to the human resources department and approved by the mayor. However, the department heads do not submit all leave slips. This policy has not been enforced and as a result, leave balances have not been maintained correctly. The ADP payroll system showed negative balances of vacation, sick, and personal time amounting to \$46,766.08 as of November 5, 2001. The community development-housing department had seven out of eight employees with negative balances. While some of these balances may be due to the implementation of the ADP timekeeper software, other employees have not been with the City long enough to accumulate balances to cover their leaves. A manual system is open to miscalculations, misunderstandings, abuse, and fraud of both accrued and used leave time. In fact, from August 2001 to January 2002, payroll has been unsuccessful in obtaining employee beginning balances from department heads for input into ADP. The ADP timekeeper system has the capability of calculating and accruing sick, vacation, and other leave time and maintaining permanent employee records.

R3.9 The City should centralize all payroll and related leave processing in the finance department to ensure objectivity and accuracy, and strengthen internal control. Employees should use

leave request forms and have them signed in advance by the department head. All approved leave requests should be forward to payroll and maintained as documentation. The City should fully enforce this policy to ensure that leave balances are recorded and maintained accurately, and to place the necessary level of accountability with the department heads and employees. Appropriate measures should be taken if department heads do not comply with this policy. If a copy of the leave slip is needed by the human resources department, the payroll administrator should send a copy to the department.

Furthermore, the City should take immediate action to correct inaccurate leave balances. The mayor should insist that department heads calculate (if necessary) and provide payroll with starting balances for the various leave times for City employees. The leave balances and times should be reconciled with the information contained in the ADP timekeeper system and adjustments should be made when necessary. The City should work with employees in making any adjustments to leave balances and employees should formally verify corrections made to their leave time and balances. The process of correcting employee leave balances and reconciling information with the ADP timekeeper system could be a lengthy process. Therefore, the City should implement improvements discussed in this recommendation to avoid these problems in the future and ensure that leave times and balances are accurately accounted for. Finally, City Council and the mayor should support the internal controls implemented by ECFD to ensure the City funds are paid correctly.

F3.10 Due to the recent changes with the installation of ADP time and attendance system, policies and procedures have not been updated. The lack of a useable payroll policy and procedures manual could lead to difficulties in accomplishing responsibilities in an effective manner when there is a change in payroll personnel or when the payroll administrator is absent or on leave. A manual would enable all employees who have payroll responsibilities to have a resource available to help ensure proper compliance with all policies and procedures related to the payroll process. Copies of sample computer screens and other documentation should be included in the manual.

R3.10 The City should develop a policy and procedures manual related to the payroll process for all City departments. The manual should be reviewed annually and updated when needed. The assistant director of finance should ensure the maintenance of an updated policies and procedures manual for the finance department.

An initial orientation training was provided to new staff assigned to perform departmental payroll duties. However, ECFD should provide periodic training to staff on payroll policies and procedures to ensure the staff are familiar with these responsibilities. The payroll policies and procedures manual should be used as a basis for initial orientation and continued training.

Cash Management

F3.11 The finance director makes investment decisions without the input of the mayor, director of law or City Council. City ordinance, Chapter 171, directs the mayor, finance director and director of law to invest city funds, as deemed advisable, in the interest of the City. The City ordinance names the finance director as the investment officer for the City and assigns that person the responsibility for making deposits, and purchasing and selling securities. The investment policy outlines a formal investment procedure for depositing and investing various funds and monies of the City. The investment policy does not require the finance director to report monthly to City Council.

R3.11 An investment committee, composed of the mayor, director of law, and the finance director, should be established and become involved in the decision making and review of investments. Since the finance director is ultimately responsible for managing the City's activities, the City should ensure the finance director is preparing and sharing the results of all investment activity at City Council meetings. The report should include details of all investments currently held, along with their book value and market value, estimated gain or loss and actual investment income or loss. The assistant finance director should provide assistance to the finance director in reporting the City's investment activities; however, this function should be primarily the finance director's responsibility.

F3.12 The City investment policy contains the investment management objectives in order of priority: safety, liquidity and return on investment. Portfolio risk includes all the risks associated with investments, such as credit risk and market risk. Safety and liquidity risks could be reduced by diversifying the types and maturities of securities purchased.

The finance director, mayor and law director (investment committee) are authorized by the ORC and the City's investment policy to make the investment decisions and use diversification strategies to eliminate the risk of loss resulting from over concentration in a specific maturity, a specific obligor or a specific class or type of security. The following explains different types of investment instruments:

- **Treasury bills** are the shortest term obligation issued by the Federal Government and represent an obligation almost equal to actual cash in terms of the various risk factors. Treasury bills are issued for 91 or 182 days (there is normally a new issue every week) and interest rates vary. Treasury bills are completely liquid, are sold by the government on a discount basis rather than on the basis of face value plus accrued interest, and can be purchased in minimum amounts of \$1,000.
- **Other federal obligations** are Treasury notes (maturity of 1 to 5 years), Treasury bonds (maturity of over 5 years), and Treasury certificates (maturity of 6 to 12

months). While these involve little credit risk or liquidity risk, they do involve a money risk as their prices fluctuate in relation to the movement of interest rates.

- **Certificates of deposit** are offered by commercial banks on deposit of a minimum amount of funds (e.g., \$15,000 to \$100,000) for a minimum period of time (e.g., six months) and carry an interest rate which substantially exceeds the current rate of savings accounts. Although the money deposited must remain for the minimum period in order to earn interest, the certificates themselves are negotiable in the money market so that from a City point of view there is no problem as to liquidity. Because of the short-term nature of the deposit, there is less risk of loss from changes in interest rates.
- **Repurchase agreements** are offers to sell investors a package of government securities at a discount, with an agreement to repurchase the package at some later date, 30 days to 89 days, at a specific price. The risk factor is small if purchased from a solid institution.
- **STAROhio** (State Treasury Asset Reserve of Ohio) is a governmental investment pool to deposit funds offering safety, liquidity and generally higher yields. STAR Ohio invests in U.S. government and agency securities; collateralized repurchase agreements with eligible Ohio financial institutions; and eligible bankers acceptances and commercial paper.
- **Money Market Funds** are portfolios of money-market instruments put together by a manager and made available to investors. Such funds are highly liquid and can be bought and sold daily. Risk can be minimized by buying funds which hold only government securities.

Table 3-3 presents the City's authorized investment activities for 2000 based on the maximum limits, by instrument and obligor, established by the investment policy for the City's investment portfolio.

Table 3-3: Diversification of East Cleveland's 2000 Investment Portfolio

Type of Instrument	Maximum Diversification by Instrument Allowed by Investment Policy	Maximum Diversification by Obligor	Actual Diversification by Instrument
U.S. Obligation:			
Bills	100%	100%	N/A
Notes	100%	100%	N/A
Bonds	100%	100%	N/A
All other U.S. Obligations	100%	100%	N/A
U.S. Agency Obligations	100%	100%	N/A
Certificate of Deposit	100%	100%	N/A
State of Ohio Bonds and other Obligations	100%	100%	N/A
Repurchase Agreements	100%	100%	66%
STAROhio	100%	100%	34%
City Obligations	100%	100%	N/A
No-load Money Market Mutual Funds	100%	100%	N/A

Source: City investment policy and AOS Single Audit for the Year Ended December 31, 2000.

The City Investment Policy does not have requirements for diversification by instrument or obligor as shown in **Table 3-3**, for the City's 2000 investment activities. The City invested the majority of available funds (66 percent) in repurchase agreements. At year-end, the carrying amount of the City's deposits (STAROhio) was \$2,227,514, and the bank balance was \$2,995,454. The balance of the bank account was invested in overnight repurchase agreements. Of the \$2,995,454, \$403,282 was covered by federal depository insurance and \$2,592,172 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money were followed, the City was at risk when investments were not insured and diversified.

Diversification of investments can reduce portfolio risk through such means as:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities;
- Limiting investments in securities that have high security credit risks;
- Investing in securities of varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

In addition, investing the majority of available monies in repurchase agreements alone prevents the City from investing in other instruments that could potentially provide more revenue. According to the finance director, most investments consist of repurchase agreements because the interest rates are better than other authorized investment

instruments. The finance director also stated that repurchase agreements allow the City to make short term investments in order to better match available revenue against meeting financial obligations in a timely manner.

R3.12 Although most repurchase agreements are classified as safe, short term investments, the City should consider diversifying its investment portfolio to include other investment instruments that could potentially increase investment revenue and insure its investments, such as government funds money markets and certificates of deposit. Because safety and liquidity are important, the City should seek to reduce portfolio risk as much as possible in the investment policies through appropriate diversification of investments in the portfolio and restrictions of maturity provisions.

The City should also carefully monitor when securities mature. The finance director, with the assistance of the mayor and director of law, should strive to match investments with anticipated cash flow requirements to ensure the City can meet ongoing financial obligations. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the investment portfolio should be continuously invested in readily available funds such as certificates of deposit, no-load money market funds and overnight repurchase agreements to ensure appropriate liquidity is maintained to meet ongoing obligations. The investment committee should meet on a regular basis and inform the East Cleveland Financial Planning and Supervision Commission (ECFPSC) about the availability of investment revenue. In addition, the investment committee, with the assistance of ECFPSC, should update the investment policies and procedures to ensure more sophisticated investing and enhanced revenue. Diversifying the City's investment portfolio could result in increased revenue. However, information was not readily available to quantify such an increase.

F3.13 While ECFD has tracked annual revenues by major source, revenues are not forecasted beyond one year. Similarly, ECFD does not develop a cash forecast or calculate any of the financial ratios often used to begin the basic analysis of a municipality's financial strength. The trends in revenues, cash flows, expenses and key financial ratios can provide the basis for long term forecasting of the City's resources and needs.

According to the GFOA, a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs and assumptions and develops appropriate strategies to achieve its goals. A key component in determining future options, potential problems and opportunities is the forecast of revenues and expenditures. Revenue and expenditure forecasting does the following:

- Provides an understanding of available funding;
- Evaluates financial risk;
- Assesses the likelihood that services can be sustained;
- Assesses the level at which capital investment can be made;

- Identifies future commitments and resource demands; and
- Identifies key variables that cause change in the level of revenue.

The GFOA recommends that governments at all levels forecast major revenues and expenditures. The forecast should extend at least five years beyond the budget period and should be regularly monitored and periodically updated. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process. It also should be referenced in the final budget document. To improve future forecasting, the variances between previous forecasts and actual amounts should be analyzed. The variance analysis should identify the factors that influence revenue collections, expenditure levels and forecast assumptions. A financial forecast is a significant part of the City's overall strategic plan. The forecast should help the City emerge from the fiscal emergency designation,

R3.13 The City should begin forecasting its revenues and expenses beyond one year. The City should include a five-year financial forecast within the budgeting process to ensure that the process incorporates the City's future financial needs and goals. The five-year forecast should be a dynamic document, constantly being revised as the City's economic environment changes.

By presenting more projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments and the methodology used in deriving the financial estimates, ECFD will provide City management, as well as the general public, a more comprehensive understanding of its anticipated financial condition.

Financial Implication: ECFD should consider sending three employees to GFOA training classes on financial planning and forecasting. Attending the training would be at a cost of \$550 per person for a total of \$1,650.

F3.14 The City has an informal, unwritten policy of only using local banks to complete financial transactions for investments. The finance director prefers to use local bank offices to deposit and invest the City's funds, in part, to encourage the bank to provide services within the community. The finance director also stated that by using local banks, the City establishes personal contacts with people who live in the community and understand the City's financial situation.

According to the City's investment policy, the finance director is required to maintain a list of financial institutions and security broker/dealers with which the City conducts business. Each financial institution and broker/dealer that accepts deposits or executes investment transactions for the City must provide current financial statements, proof of good standing and regulatory qualification and compliance information to the director of finance. In addition, all financial institutions, brokers/dealers or consultants that wish to conduct

investment business with the City are required to sign the City's investment policy, certifying that they have read it, understand it and agree to abide by its contents.

R3.14 The City should require the finance director to explore additional financial institutions that could provide investment opportunities for the City. Conducting investment transactions with only one bank does not maximize the benefits to the City. The recent changes in technology, cash management and the banking-industry structure offer the City opportunities to reevaluate investment services and the costs associated with those services.

The finance director should ensure that the City is maintaining the appropriate documentation from the financial institutions with which the City conducts business. The finance director should evaluate each institution's financial information and the services they provide to guarantee that they can meet the City's investment needs. Furthermore, the finance director should compare the City's existing financial institutions' information to other financial institutions to ensure the City is maximizing its investment opportunities. Exploring additional financial institutions for investment opportunities could result in increased revenue. However, information was not readily available to quantify an increase in revenue.

F3.15 The City does not have any formal agreements with banks for check processing services and has the primary checking accounts in one local branch bank. Because of the City's informal policy of dealing only with local banks, the City cannot determine if it is receiving the best services at the lowest cost. The following list summarizes GFOA best practices used to receive effective banking services at a reasonable cost:

- Initiate periodic competitive-bidding and negotiation processes, in accordance with state and local laws and regulations, for major banking services. The process should include requests for proposals and should cover services, fees, earning credit rates, and availability schedules for deposited funds.
- Develop contracts for banking services that specify services, fees and other components of compensation.
- Evaluate the relative benefits and costs of paying for services through direct fees, compensating balances, or a combination of the two. Compensating-balance arrangements can offer convenience and seemingly low costs.
- Evaluate the City's needs against the costs and benefits of specific banking services, including but not limited to, reconciliation services, lock-box services, electronic-balance and transaction-reporting services, electronic payments, overnight sweep accounts and safekeeping and custody arrangements.

R3.15 The City should solicit competitive bids or requests for proposals for banking services. If the City implements a procurement policy for banking services, it would be able to reevaluate the banking services currently received on a periodic basis. In addition, recent changes in technology, cash management practices and the banking industry structure offer local governments opportunities to reevaluate banking services and related costs.

F3.16 HUD grant drawdowns were not completed by the assistant finance director for at least nine months during 2001. By not using HUD drawdowns to cover related grant expenses, the City was forced to use general funds. There is an opportunity cost related to these funds because they cannot be invested or used for some other purpose. The City could lose access to grant funds by waiting too long to recover related costs. Also, there is a significant level of risk incurred by not reconciling grant accounts in a timely manner.

R3.16 ECFD should ensure that drawdowns are completed in a timely manner. The responsibility for the drawdown account is assigned to the assistant finance director and the position is currently vacant (see **F3.1** and **R3.1**). HUD provides training classes at no cost for cash management and drawdowns and ECFD should take advantage of the classes. In the finance department, the finance director, assistant finance director, accounts payable, and purchasing agent must be knowledgeable about the grant programs in the community development department. It is the responsibility of community development to ensure that grant funds are spent appropriately, but it can not be accomplished unless finance department personnel understand and work with community development department staff. ECFD and the community development department should mutually write policies and procedures and assign responsibility and accountability for the management of grants and reporting. (See **F5.9** and **R5.9**, **F5.26** and **R5.26**, **F5.27** and **R5.27** in the **community development** section.)

Financial Operations

F3.17 The City has moved forward on some operational decisions without adequate analysis. For example, in November 2001, the City signed a contract with CH2M Hill Ohio, Inc. (CH2M Hill) for water and sewage management and operational services which will cost approximately \$3.6 million per year, plus incentives. Rather than the City preparing an analysis, it relied on the analysis prepared by CH2M Hill which did not include such data as the increase of rates in water and sewer direct services purchased by East Cleveland, uncollected and uncollectible accounts, decreases in population and the current rates charged to East Cleveland citizens. (See section on water and wastewater rates analysis.) In December 2001, the City hired 18 new police and police support staff costing approximately \$578,500 in salaries and benefits with additional costs for training, uniforms and supplies, and four new vehicles. Subsequently, the City had to lay off 14 of the 18 new employees to remain within the budget mandated by the ECFPSC. With the City in fiscal emergency and with declining revenues, the General Fund could be placed in jeopardy of not being able

to support the City's operations. It is not prudent to make these decisions without careful analysis.

R3.17 Prior to authorizing or approving significant expenditures, the City should have a financial impact analysis prepared. Decisions with significant financial impact need to be reviewed and incorporated into the budget and presented and discussed with the ECFPSC. Management needs to assess and provide information to decision makers that is detailed, documented, and provides a reasonable understanding of the proposed issue and potential alternatives (see **F3.42** and **R3.41** for additional discussion).

F3.18 As of December 2001, the City did not have a formal implementation plan that documents how the City will address the significant changes and additional information required by GASB 34. GASB issued Statement No. 34 in June 1999. This statement was developed to make financial reports easier to understand and more useful for oversight bodies, investors and citizens. GASB 34 will significantly change annual financial reporting. The most significant changes and additional information requirements will require the City to develop the following:

- *Management discussion and analysis (MD&A)*: MD&A will be an introductory narrative analysis of the financial statements and an analytical review of financial activities. The MD&A's goal is to give readers an objective and easily-readable overview of the government's financial performance.
- *Government-wide financial statements*: These statements will use the full accrual method and include all organization funds and activities. In addition, GASB has decided to continue requiring fund basis accounting. This means fund financial statements and new government-wide statements will be prepared as well as a reconciliation statement between the two. The focus of the fund financial statements will change from fund types (general, enterprise, special revenue, etc.) to major individual funds. Non-major funds will be grouped together.
- *Budgetary Reporting*: Governments currently include a final budget to actual comparison as part of the basic financial statements. The new standard requires this comparison to also include the original budget--before amendments. The intent is to provide analytical information for assessing the organization's ability to estimate and manage its resources. Currently, governments prepare this comparison by fund type. The standard requires budgetary comparisons for the General Fund and individual major Special Revenue Funds.
- *Infrastructure and Depreciation Reporting*: Governments will now need to report all capital and infrastructure assets, such as roads, bridges, storm sewers, etc., in the government-wide financial statements. In most instances, these assets are required

to be depreciated; however, an alternative is to employ an asset management system and document that assets are being preserved at or above a certain level.

R3.18 The City should develop an implementation plan that outlines the specific actions the City needs to take in order to be compliant with GASB 34. The required implementation date for East Cleveland falls in Phase 2 Governments between \$10 million and \$100 million in annual revenues and in periods beginning after June 15, 2002. Proper research and documentation are essential to successfully completing the conversion to the new reporting model. The City should prepare technical research memos and supporting calculations documenting the City's research and decisions. This research should be shared with the City's financial auditors as the City progresses, so the financial auditors have the opportunity to inform the City if they agree with the methods or have major reservations about the City's approach. The City should consider categorizing the work into the following four groups:

- Government-Wide Accrual Basis Statements,
- Fund Statements and Required Supplementary Information,
- MD&A and Transmittal Letter, and
- Capitalize and Depreciate Government Fixed Assets

By creating a GASB 34 implementation plan, the City would be better able to provide the highest level of financial reporting to citizens and other interested parties in a timely manner. In addition, by planning and documenting the City's efforts in implementing GASB 34, the City could make better use of limited staff resources in completing this project in conjunction with the City's normal daily activities.

F3.19 A review of the procedures in the Clerk of Courts has indicated that there are no policies and procedures for collection of overdue and outstanding accounts (See **municipal court** section). The Clerk of Courts does not maintain a record or aging of accounts receivable. In order for the City to comply with GASB 34, which requires government-wide accrual basis statements, the Clerk of Courts will need to prepare an accounts receivable and aging schedule to be submitted to the finance department on a monthly basis. Without the Clerk of Courts' report, ECFD will not be able to determine accounts receivable or be in compliance with GASB 34.

R3.19 The City should work with the Clerk of Courts to implement a reporting mechanism for the collection of cash and other receivables and the reporting of accounts receivable. Because of the potential for lost revenues, the City will have to ensure that appropriate controls are in place to give assurance the revenues and accounts receivable are accurate. This is also discussed in the **municipal court** section.

F3.20 The City does not prepare a CAFR, although it is included in the list of duties for the assistant finance director. The City records its receipts and expenditures on a cash basis of

accounting throughout the year and prepares an annual General Purpose Financial Statement (GPFS). ECFD contracted with AOS for the conversion from cash basis accounting to accrual basis accounting according to GAAP at a cost of approximately \$9,000 per year for the last three years and \$9,600 for 2001. AOS usually completes the GAAP conversion by the end of the first quarter of the following year.

A CAFR is the highest level of GAAP basis financial reporting a government unit may prepare. The CAFR takes GAAP basis reporting, budgetary reporting and socioeconomic reporting that, coupled with financial reporting, creates a financial report issued with complete disclosure. A CAFR contains three major sections:

- *The Introduction Section:* This section has no official requirements. GASB suggests what ought to go into the introductory section, but it is not covered by GAAP. The introductory section can be a letter of transmittal from the elected body to the citizens. GASB recommends that the introductory section include a discussion of past financial performance, future financial direction and financial capacity issues. GASB, in June 1999, created a new model of financial reporting for governments (GASB Statement No. 34) that includes a management discussion and analysis (MD&A) section to simplify the explanations for the analysis from the financial statements.
- *The Financial Section:* This section is the most formal of the sections in the CAFR and is guided by GAAP. It provides the audited financial statements as well as budgetary statements, combining statements and certain other related schedules. The financial statements cover all the performance aspects such as success, conditions and compliance for the past fiscal year.
- *The Statistical Section:* This section usually contains descriptions of characteristics of the government. The statistical section includes data for several previous years to permit comparisons. The information that is often included is outside the accounting system but still provides for more detailed disclosures for the user of the financial report.

Although there are no formal requirements for cities to produce a CAFR, the practice is supported by several professional organizations, such as GFOA. GFOA's CAFR Program is designed to encourage and assist governments to prepare high quality comprehensive annual financial reports. Preparation of CAFR includes more than a simple presentation of financial statements. A CAFR includes the financial statements as well as schedules and statistical tables. Presenting increased information will help the mayor, City Council, and citizens to make more informed decisions. Both the cities of Maple Heights and Trotwood prepare CAFRs.

R3.20 The City should prepare a CAFR. The majority of the information needed for a CAFR could exist within ongoing budget information, the annual financial audits and other reports produced by ECFD. The absence of sufficient consistent data for one element of the CAFR should not interfere with fulfilling the other reporting requirements.

Since preparation of the CAFR is a widely accepted method of financial reporting by other governments, the City should consider preparing a CAFR in future years. The CAFR contains detailed information for citizens to review and builds confidence in government accountability. In addition to citizens, other groups that rely on the CAFR include agencies that rate state and local governments for the purpose of the sale of bonds. Institutions which buy and sell these bonds would also be among the users of the CAFR.

Financial Implication: ECFD should send employees to attend training classes regarding the format and content of the CAFR under the new governmental financial reporting model established by GASB Statement No. 34. ECFD has a training budget of approximately \$9,000 which could support this type of training. GFOA offers an accounting seminar for \$650 per person. ECFD could send two people to this training class for a total of \$1,300.

F3.21 The City does not adequately monitor grants and contracts to ensure compliance with regulations and the terms of the contracts (see **community development department** section **F5.29** and **R5.29**). For example, HUD grant drawdowns were not completed for at least nine months. Contracts such as the income tax collection contract with the Regional Income Tax Authority (RITA) have not been monitored. By not monitoring grants and contracts, the ECFD does not ensure that payments are in compliance with grants, awards, and signed contracts which may cause overpayments and/or underpayments.

R3.21 Grants and contract financial monitoring should be centralized in the finance department. The finance department needs to be involved with grants and contracts at inception and be familiar with reporting requirements. ECFD must review and approve a department's request to pursue grants to assess if there are matching fund requirements for the City.

With the addition of the CH2M Hill contract for approximately \$3.6 million, the ongoing RITA contract, and grants management, a reallocation of job responsibilities should be considered to ensure the City funds are safeguarded. ECFD could potentially charge time spent on grant accounting to the respective grant. Final grants, awards and signed contracts need to be made available to the finance department so that they can be reviewed and referenced when processing accounts receivable, accounts payable, payroll and purchase orders.

F3.22 ECFD does not have a process for the recovery of indirect (overhead) costs in grants and enterprise funds. In the past, indirect costs have not been charged to the grants in accordance with grant guidelines. Therefore, indirect costs have been disallowed by HUD and the City

has had to absorb those costs in the General Fund. Indirect costs have not been charged to the enterprise funds and therefore an accurate accounting of profit or loss has not been maintained. The indirect costs should be passed on to the Federal or State government in the case of grants and to the users of water and wastewater in the case of enterprise funds.

R3.22 The City should consider contracting with a professional organization to prepare a formal study of indirect costs which would allow correct charges to the appropriate funds. The amount of additional revenue is contingent upon the City developing a detailed indirect cost allocation plan. This plan would describe the general services provided to grant and enterprise funds and allocate the cost of these services in an equitable manner. In addition, the City needs to determine if additional accounting services could be reimbursed through the grants. The expense of professional services should be offset by the savings associated with charging indirect costs to the grants and enterprise funds instead of the General Fund.

F3.23 The ECFD accounts payable accountant has been processing payments on a biweekly basis with the exception of payments on behalf of the community development department. The department has insisted on weekly checks because so many of the payments are to local contractors. The community development department picks up and mails its own vendor checks. This procedure reflects poor internal controls and does not prevent common types of theft and fraud.

R3.23 ECFD should continue to process accounts payable on a biweekly basis and discontinue the special weekly payments for the community development department. The community development department can minimize last minute check requests by preplanning for sufficient time to issue checks during the normal accounts payable process. Community development can reduce the frequency of check issuance through appropriate planning, requesting purchase requisitions prior to authorizing contractual performance and prior to receiving invoices for services rendered.

F3.24 The accounts payable accountant has not had training in grant accounting that would allow the position to monitor expenditures of grant payments. For example, in April 2001, the finance director approved \$32,771 of expenses for a ground breaking ceremony charged to CDBG funds. This use of grant funds does not comply with HUD regulations. The City could potentially be required to replace the monies expended for this questionable charge if it is disallowed by HUD.

R3.24 ECFD should send employees to HUD training classes to review grant requirements and regulations. This would better enable the finance department to review expenditures of grant funds for appropriateness. By attending HUD training classes, the accounts payable accountant can make informed decisions while reviewing charges prior to payment of invoices. The accounts payable accountant serves as a final review of expenditures. The finance director, assistant finance director, payroll administrator, purchasing agent, and

accounts payable accountant should also become familiar with the rules and regulations of the various grants the City is responsible for managing. The HUD classes are offered at no cost to the City. (See **community development department F5.25 and R5.25**)

F3.25 The accounts payable accountant reviews every vendor invoice for discounts and records those taken by adjusting the amount of the voucher request or purchase requisition. According to the account payables accountant, many invoices are received too late to allow ECFD to take advantage of vendor discounts. Departments do not forward receiving and invoice documentation in a timely manner. ECFD has implemented a set schedule for payment of invoices and all City departments should be able to identify when potential discounts can be taken. Departments needing exceptions to this schedule can obtain the approval of either the finance director or assistant finance director in order to prepare an off cycle check for an invoice. The accounts payable accountant charges all late fees and interest incurred back to the responsible department.

R3.25 To ensure the timely payment of invoices, departments should prepare a purchase requisition prior to commitment for goods and services. All invoices should be sent directly to ECFD for payment, with copies of the invoices sent to department heads for approval. The receiving department should fill out a receiving report, attach the shipping report and forward to ECFD for timely payment of invoices. Accounts payable should date stamp or log in the receipt of all invoices, date sent to the department heads for action and approval, date approved, and date processed. Accounts payable should keep track of all lost discounts, late fees, and interest charges by department for reporting purposes. Notations should be made for invoices without prior approval and/or purchase orders. In this way, accounts payable can determine the reason for late payments. As discussed in **R3.4**, ECFD should establish a policy and procedures manual for both the accounting and purchasing departments to assist operating departments with appropriate time lines and forms and to ensure timely payment of invoices. In addition, City Council, the mayor and the law director need to take appropriate disciplinary action against department heads who do not follow procedures.

F3.26 The combination to the safe is not routinely changed. According to the finance director, the cost is approximately \$350, making it prohibitive to change the combination too frequently. There has been a complete staff turnover in the last two years. Currently, six accounting staff and the finance director have the combination to the safe. Too many people, both past and present, have the combination. Potentially, the situation provides an opportunity for theft and creates a lack of accountability. A minimum amount of cash (one day's receipts) is kept in the safe overnight. However, to ensure the safety of blank checks, check signing machines, cash and cash equivalents, the combination should be changed on a regular basis, and access should be limited to essential personnel.

R3.26 The combination to the safe should be changed annually and when ever there is a turnover of employees who keep the combination. ECFD should limit the number of staff who have the combination to two or three employees.

Financial Implication: If the safe combination is changed annually, the cost is estimated to be \$350.

F3.27 A review of the Parking Ticket Bureau reveals that deposits with the finance department are completed once a week. Ohio Revised Code (ORC) § 9.8 states “all monies must be deposited with a properly designated depository on the business day next following the day of receipt, if the total amount of such monies exceeds one thousand dollars. If the total amount of the monies received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt. If the public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.”

R3.27 The City should ensure all departmental revenues are deposited in accordance with ORC § 9.8. ECFD should review the cash management procedures in the Parking Ticket Bureau and recommend changes as needed to establish appropriate internal controls. The mayor and City Council should support the recommendations of ECFD. **See municipal court, F7.25 and R7.18**

Budgeting/Planning

F3.28 The City does not have a complete or formal timetable outlining when specific budgeting activities need to be completed. **Table 3-4** compares budgeting activities and time lines at East Cleveland and the peers.

Table 3-4: Budget Manual Process Timetable

Date	East Cleveland	Maple Heights	Trotwood
City Fiscal Year	Calendar	Calendar	Calendar
March	No budgeting activity	City Council passes the current year budget by April 1.	No budgeting activity
May	No budgeting activity	Finance Director begins next year's operating budget and tax budget.	No budgeting activity
June	Forecast revenue for upcoming year	No budgeting activity	Forecast revenue for upcoming year
mid-July	County auditor certifies expected tax revenues	City Council adopts tax revenue forecast; county auditor certifies.	County auditor certifies expected tax revenues
August	No budgeting activity	No budgeting activity	Each City department receives budget request packet
mid-September	Each City department receives budget request packet and due date to finance	No budgeting activity	Budget Team compares revenues with departmental requests.
October	No budgeting activity	No budgeting activity	Budget Team discussion and negotiation of budget requests by department. Finalize the City Manager's recommended budget.
November	No budgeting activity	City Council passes temporary appropriation ordinance.	City Council review of recommended budget.
December	No budgeting activity	Distribute budget packet to departments.	Presentation and adoption of Final Budget by City Council. Public hearing and adoption of Appropriation Ordinance.
January-February	No budgeting activity	City budget submitted to Council by February	No budgeting activity

Source: ECFD and the peer cities

According to **Table 3-4**, the peers have established and defined more time lines to guide budget activities as compared to East Cleveland. For example, the peers have established a time line for submitting the budget to council for approval. In contrast, East Cleveland has not established a time line/deadline for submitting its budget to the fiscal commission or to City Council. The purpose of developing a defined budgetary timetable is to ensure the

city's government is exercising the highest level of fiscal integrity and efficiency. The budgetary timetable facilitates better coordination among city officials and departments and assists the city's financial planning efforts. In addition, the city of Trotwood also uses a timetable that summarizes when specific budgetary activities should be completed.

R3.28 ECFD should develop a formal timetable that outlines when specific budgetary activities should take place and allow sufficient time for planning. The timetable should include the participation of all individuals involved in the budget process including the mayor and City Council. Further, the purpose of a budget process should be to help decision makers make informed choices about allocation of resources.

The mayor and finance director should start the operating budget process in mid-July or early August, prior to the year of budget implementation. Starting the budget process sooner allows the departments more time for budget preparation with a due date at the end of the first week in September. Also, the finance department could stagger the department deadlines to allow more review and analysis time before budget hearings. Budget hearings should be in October, which would allow ECFD, the mayor, and City Council time to analyze the effect of decisions and time to make changes to the budget. Moving the dates to earlier in the year would help ensure budget approval and implementation by the beginning of the budget year.

F3.29 To begin the budget process, ECFD sends a letter to department heads which includes increase assumptions for payroll and non-payroll costs, forms for budget requests, and the due date to complete requests and forms. The request forms are for additional staffing, non-personnel line items, capital items, and a personnel cost worksheet. ECFD does not have instructions or a budget manual for distribution to department heads to assist in the budgeting process. Potential confusion as to the budget process and what it is to accomplish could lead to faulty decision making and budget delays.

R3.29 To prepare a budget to meet the City's goals for next year, ECFD should provide to departments a budget package that includes the following:

- A general discussion of the budget philosophy and methodology;
- Long-term goals of the City and major changes that will affect the budget year;
- City demographic and economic trends (inflation rate and union contracts);
- City finances including funding from outside sources and revenue projections;
- Chart of accounts, including fund descriptions and definition of expenditure lines;
- Budget organization/classification, i.e.: safety services, leisure services, utility services, etc.;
- Timetable for the entire budget process, up to and including approval by Council;
- A summary, by department, of prior years' staffing, expenses and revenues (2 - 3 years);

- Forms to be used with instructions, including departmental program descriptions, goals and objectives, staffing, operating expenses, and capital items;
- New/completed programs and economic benefit to government and the city;
- Performance measures/units of service, changes in service, and factors contributing to the service change (performance measures ensure the budget is based on program goals and objectives and measures results and accomplishments), which should be used as the basis for departments to support budgets and any requested changes.

A new budgeting process for the City will require educating department heads, ECFD staff, the mayor and City Council. There are a number of budgeting seminars available through GFOA which could benefit ECFD for a cost of \$350 - \$750 per person and necessary travel expenses. The seminars are *Best Practices in Budgeting*, *Budgeting for Budget Analysts*, *Advanced Governmental Budgeting*, *Capital Budgeting and Infrastructure Finance*, and *Effective Budget Presentation*. The expense of training seminars could be included in ECFD training budget of \$9,000.

F3.30 The City does not prepare a written summary of the budget to assist readers with understanding key issues. At City Council meetings, the finance director presents the budget broadly, noting significant changes from prior years and answering Council's questions. The finance director then delivers the detailed budget to each Council member. Council members and the public have various backgrounds and training, and do not always understand the financial information presented.

According to GFOA, a summary should do the following:

- Summarize the major changes in priorities or service levels from the current year and the factors leading to those changes;
- Articulate the priorities and key issues for the new budget period;
- Identify and summarize major financial factors and trends affecting the budget, such as economic factors; long term outlook; current and future debt obligations; and significant use of or increase in fund balance or retained earnings;
- Provide financial summary data on revenues, other resources, and expenditures for at least a three-year period, including prior year actual, current year budget and/or estimated current year, and actual and proposed budget; and
- Define a balanced budget and describe state and local requirements for balancing the budget.

Because of the time required to read and understand the entire budget document, a concise summary and guide to key issues and aspects of the budget is valuable to ensure the education and involvement of City Council and the public.

R3.30 GFOA recommends that budget documentation for a government include a concise summary and guide to the key issues and aspects of the operating components of the budget. A summary would ensure that City Council, mayor, department heads, and the public understand the issues and can make informed decisions. The summary should be available and disseminated in an easily accessible manner that is likely to be communicated to the public and generate interest. Preparation of separate documents tailored to different audiences, including citizens, the media, and elected officials should also be considered. In addition, the summary should be as nontechnical and easy to read as possible.

The summary can take many forms, including a transmittal letter, budget message, executive summary or budget-in-brief.

F3.31 In current and prior years, East Cleveland has not adequately prepared and monitored departmental budgets, which has worsened the City's fiscal emergency status. Also, there have been repeated complaints from department heads that they do not know or are not informed of the final budget and do not receive reports during the year of actual performance against budget. A discussion with the finance director indicated steps have been taken to correct the situation by distribution of monthly budget vs. actual statements to various departments. In addition, as of February 2002, department heads can view their budgets on line.

R3.31 ECFD needs to distribute final budgets to all department heads with the expectation that they will adhere to and monitor their department's actual activity to the budget. Preparation is only the first step. Budgetary control is the tool of management for carrying out and controlling operations. It establishes predetermined objectives and provides a basis for measuring performance against these objectives. Organizations that adopt budgetary controls have better control of operations and are better able to modify them to meet changes such as decreases in tax revenue and emergency expenses. Furthermore, providing departments with access to budgets and expenditures should better ensure that all departments are held fully accountable for costs related to their specific operations.

F3.32 The ECFD's budgeting process does not include coordination with an overall strategic plan or performance measures. The City does not prepare a five-year plan for operating and capital planning. Instead of using a strategic plan or performance measures, the City bases its proposed expenditures exclusively on available revenue. The effect of planning for one year at a time forces the City to react to events rather than being proactive and planning for future events.

Potential performance measures for the financial function of the City include the following:

- Standards for key financial ratios that help to determine the City's financial strength;
- Standards for variances between initial budget and actual revenues and expenses;

- Standards for timely reporting of month-end and year-end financial information;
- Standards for timely payment of invoices;
- Standards for percentage of cash invested in interest-earning investments; and
- Standards for investment portfolio returns.

A key responsibility of state and local governments is to develop and manage services, programs and resources as efficiently and effectively as possible, and to communicate the results of these efforts to the taxpaying public.

R3.32 The City, with the involvement of the audit committee, Council, and mayor, should develop appropriate performance measures for its overall financial operations. Meaningful performance measurements assist government officials and citizens in identifying financial and program results, evaluating past resource decisions, facilitating qualitative improvements in future decisions regarding resource allocation and service delivery options, and communicating service and program results to the community. In addition, performance measures related to other City operations, such as income tax and municipal court collection rates and delinquency rates, should be developed and monitored because these activities significantly impact the amount of revenue available to support City-wide operations.

F3.33 The City does not have a formal capital plan. By establishing a capital improvement process, the City could establish an orderly and routine method of planning and financing required capital improvements and make capital expenditures more responsive to community needs. In addition, prioritizing capital improvements according to criteria in the City's goals and objectives creates a more understandable investment decision making process, improves linkages between capital investments and the City's long-term vision and goals, and builds citizen confidence by making more efficient use of available resources.

R3.33 The City should begin a capital planning process in order to determine how to develop and maintain the infrastructure within its jurisdiction. That infrastructure includes roadways, water and sanitation systems, public safety systems, physical facilities and other assets with high replacement costs and long expected useful lives. The capital planning process should include a variety of financing mechanisms, including grants or the issuance of debt and may be used to fund projects designated as the highest priority by the planning process. ECFD should include the following components for a successful capital planning process:

- Involve the public, City employees and elected officials throughout the process;
- Examine the inventory of existing capital assets to determine estimated needs for major repair, replacement, or additions;
- Define appropriate capital projects;
- Identify potential funding sources;
- Gather detailed information about proposed capital projects;
- Prioritize the projects according to the City's goals;

- Publish the results for public comment; and
- Implement the highest priority projects.

A capital plan should include all of the City's capital needs for a minimum of a five-year period. The plan should be updated annually to accommodate changes in the City's goals and needs.

Purchasing

F3.34 Purchasing does not keep records necessary to provide adequate management information for prudent business practices. An efficient purchasing operation should include the following:

- A record of minority enterprise purchase orders and monies;
- A record of purchase requisitions in the enterprise fund;
- A record of purchase requisitions by grant;
- A record of purchase requisitions received after the order for goods or services have been committed;
- A record of purchase requisitions received with the invoice;
- A record of purchase requisitions rejected due to lack of funding or processed after funding has been adjusted;
- A record of like purchase requisitions which could be suitable for blanket purchase orders;
- A record of purchase orders for fixed assets; and
- A retrieval system for purchase orders by vendor name, by date, by amount of monies, by department, by accounting code and by delivery date.

It is the responsibility of the purchasing agent to oversee purchasing records. If purchasing does not know how to locate purchase orders by vendor, it would seem to limit the ability to negotiate volume discounts and best prices for the City. The purchasing agent has stated that one of the City's biggest problems is the number of purchase requisitions processed after the goods and services have been ordered by department heads. However, there is no documentation by the purchasing agent to support this claim. Failure to maintain appropriate records and documentation limits the City's ability to ensure best suppliers and prices for goods and services, limits the ability of purchasing to improve and streamline its operations to enhance services to its customers (operating departments), and does not comply with Office of Management and Budget Circular A-102 "Grants and Cooperative Agreements with State and Local Governments" or the Code of Federal Regulations, Title 24, Volume 3, Part 570 which establishes consistency and uniformity among Federal agencies in the management of grants and cooperative agreements.

R3.34 The purchasing agent should be able to provide management access to appropriate transaction information. An excel spreadsheet could easily be developed to track purchase requisitions and purchase orders by:

- department,
- department number,
- vendor,
- amount,
- purchasing receipt date,
- the mayor's approval date,
- notation to include receipt of purchase requisition before or after commitment of goods and services,
- minority purchases, and
- cancelled and rejected purchase requisitions and a reason for the rejection.

The purchasing assistant has already started a spreadsheet which can be expanded to include the above columns. A spreadsheet has the capability to sort by any column of information and thus produce summaries of needed information. In addition, purchasing should assist department heads with identifying items which can be purchased with blanket purchase orders, such as goods and services that must be paid monthly and consistently. Blanket purchase orders could help alleviate some of the problems of late purchase requisitions and late payment of invoices. Maintaining records of fixed assets will also help with the implementation of GASB 34.

F3.35 The City does not have a comprehensive purchasing manual for use by purchasing staff and operating departments. Therefore, there is no documentation available to serve as a resource to City personnel in understanding basic requirements of requisitions, purchase orders and other procurement functions. Without a comprehensive purchasing manual, the City runs the risk of purchases not in compliance with Federal, State and City policies and procedures.

R3.35 Purchasing should develop a comprehensive purchasing manual to assist users in following adopted policies and procedures. The manual could also provide departments with a better understanding of the procurement cycle as well as more efficient and effective use of the requisition and purchasing cycle, including certification of funds. The manual should formalize dollar thresholds, delineate approval paths, reiterate statutory requirements for competitive bidding and describe emergency purchasing procedures. Definitions and use of blanket purchase orders and definitions of capital and fixed assets would assist the purchasing process. Within the purchasing cycle explanation, the manual should provide users with step by step instructions and examples for filling out requisitions. Each department should be provided with at least one copy, distributed during a meeting in which the contents of the manual are reviewed in detail, to familiarize the attendees with correct purchasing procedures. Support by the mayor, department heads, the director of law, and

City Council is critical because of the large number of staff involved in the purchase requisition process. The manual should be updated and distributed to all departments on an annual basis or when significant changes occur.

F3.36 Some department heads have purchased goods and services without following the procedure to securing a valid purchase order which certifies the availability of funds. For example, the service department director purchased winter road salt during the summer without first securing a purchase order. The director of finance and the purchasing agent took steps, through memorandum and letters, to instruct and standardize the process of purchasing supplies, personal services, and equipment. Encumbering expenditures after the fact increases the risk that departments may overspend their budget allocations and may also result in overspending at the legal appropriation level. Furthermore, this practice hinders those involved in the procurement process from effectively reviewing purchase requisitions for compliance with appropriate policies before a commitment is made.

R3.36 The City should increase its efforts to prevent departments from making purchases in advance of securing valid purchase orders and obtaining the required approvals to assure the availability of funds. Without the active support of City Council, the finance director and purchasing agent will not be able to enforce appropriate internal controls. Department heads will continue to purchase products and services without authorization. Failure to follow established purchasing policies and practices should be documented in the employee's performance evaluation and result in appropriate disciplinary action. In addition, the City should explore just-in-time purchasing agreements to avoid a need for unnecessary storage capacity and reduce emergency purchases.

F3.37 The purchasing agent does not keep track of fixed assets. The current inventory and tagging system the City has in place is an annual walk through by a consultant who tags assets that do not have a tag. The asset and tag number is then entered into the inventory listing. If the purchased asset is not on site, it does not get tagged or inventoried. There is no mechanism to account for missing assets. The GFOA recommends that a physical inventory be performed of the City's tangible capital assets, either simultaneously or on a rotating basis, so that all of the City's capital assets are physically accounted for at least every five years.

R3.37 Purchasing is the entry point for all assets and therefore, should be responsible for developing a perpetual fixed asset system. The responsibility should include tagging and recording all assets including assets purchased with grant monies, recording reassignments by location, and recording retirement or disposal of assets. The City's fixed assets, with the information contained in its database, should be reconciled with purchases at least annually. The reconciliation should be performed by someone other than the person maintaining the fixed asset system.

The purchasing agent should include fixed assets in the purchasing policy and procedures manual. The manual should include a definition of fixed assets and the procedures for buying, receiving, recording, tagging and transferring assets.

Technology

F3.38 The City's financial software package purchased from CMI, Inc. was installed in 1992, and does not have the flexibility of more current programs. Problems with the current system include the following:

- The system does not interface with the tax department or clerk of courts systems.
- Purchase requisitions have to be prepared manually by the departments and entered into the system by the purchasing assistant. Departments do not have the capability to enter purchase requisitions directly into the system.
- In order for ECFD to obtain specialized reports, ECFD must have CMI program the reports. The report preparation expense is covered in the maintenance agreement (costing \$4,000 per year). However, there is a time delay caused by sending the required report format to CMI and having the programing done.
- The CMI system will hold an accounting period open for 30 days after the end of the month, but does not have a period 13 which allows the director of finance to hold the books open at the end of the year for audit adjustments.
- CMI does not allow for prior period adjustments.
- CMI does not allow for accrual or balance sheet accounting.

With changing accounting needs for governmental reporting, such as GASB 34, it is necessary to have a system that has the capability to produce appropriate reports automatically and timely. As the demands for accounting information and reporting increase, the finance department has had to rely on manual procedures. Relying on manual procedures increases the likelihood of errors and increases the length of time to produce reports.

Over the years, in-house and undocumented programing changes were made on CMI. The warranty to the system was voided when the programing was done. Therefore, ECFD decided to do a reinstall of CMI after the 2001 books were closed for a cost of \$3,000. The reinstall was accomplished June 5, 2002. However, the system is still out-dated and continues to be supported by manual processes.

R3.38 ECFD should either upgrade the current system or install a new financial software package. The partial computerized and partial manual system increases the probability of errors and omissions. An updated system should encompass all accounting and management reporting functions, including accrual accounting, balance sheet, budgeting, ad hoc reporting, payroll, accounts receivable and accounts payable processing, water/wastewater billing and

receivables, purchasing, and fixed asset management. In addition, an interface with the tax department and clerk of courts system should be considered to allow the transfer of payments and outstanding accounts receivable information.

Financial Implication: According to the finance director, financial software and hardware systems have been considered from several providers, including CMI. Upgrading the current system could cost approximately \$100,000 in one-time implementation costs and installing a new system could cost approximately \$275,000 in one-time implementation costs.

Water/Wastewater

F3.39 The water and wastewater services provided by the City of East Cleveland are organized within the municipal government as an enterprise operation. The department is intended to function much like a private sector business, relying on charges for services to support the cost of operations. Through water meter readings, the department is able to determine the amount of water used by each customer and bill that customer accordingly. Sewer rates are charged based on water used. The Utility Billing System (UBS) prints monthly customer bills. The bill includes water, wastewater and refuse charges.

There have been a number of studies regarding the water/wastewater department in the past. Each study has listed recommendations to enhance the operations of the department and eventually allow it to operate with a positive fund balance. However, the City has not implemented a majority of the recommendations.

In December, 1996, Vista Consulting Group, Inc. (Vista) prepared *A Feasibility Analysis: Conversion of the City of East Cleveland to Direct Water Service*. The proposal was not implemented. PriceWaterhouseCoopers (PWC) prepared a report in April, 1999 which made 18 recommendations, two of which were implemented. One of the recommendations dealing with leak inspection was completed in June 2000, and a recommendation for increases in rates was implemented in 1999, 2000, and 2001. Michael Benza & Associates, Inc. (Benza) prepared a report in December, 1999, which was updated and revised in February 2000, and included reviews of the water and wastewater system revenue requirements and expenses; operations and maintenance; repair and replacement; capital improvements and debt service; and reserve requirements. As of September 2001, two of the 20 recommendations were implemented. One of the recommendations was for rate increases, similar to the PWC recommendation. The other Benza recommendation was for a change in the definition of homestead rates, and was completed in January 2001.

Pipeline Leak Detection, Inc. prepared a leak detection and pinpointing report in May and June, 2000. The report diagrams each pinpointed leakage site and a gallon per minute estimate of water loss from each site. Total loss was estimated to be approximately 489,600

gallons per day. Two of fifty-one identified leaks on the Pipeline Leak Detection report have been corrected.

Although the City has expended resources for these studies, recommendations have not been thoroughly examined and the City has not been proactive in implementing the recommendations. As a result, water and wastewater operations are inefficient and operating losses have contributed to the City's fiscal emergency status. Not examining recommendations or implementing improvements to water and wastewater operations while expending additional funding to develop these recommendations indicates a poor use of management information and poor planning efforts at the City. This approach has further contributed to the negative balance in the enterprise fund and to the City's fiscal emergency status (see **R3.42**).

F3.40 Although the City has not implemented a majority of recommendations from previous studies, it contracted for another study of its water and wastewater operations in 2000. Ordinance No. 174-00 authorized the mayor to enter into a memorandum of understanding with CH2M Hill relating to the emergency evaluation of the City's water system operations and agreeing to be bound by the terms and conditions of that memorandum of understanding, and declaring an emergency. The memorandum of understanding orders CH2M Hill to review existing operations, studies, reports, and records provided by the City, and focus on increasing the operating efficiency of the water/wastewater department with the goal of improving service and reducing rates for the taxpayers. A report was to be submitted within 45 days of the date of the agreement and was to include recommendations for improving the operation of the system. If the City decided to implement the recommendations, a contract with CH2M Hill would be signed.

The report submitted to the City was prepared by Operations Management International (OMI), a "sister company" of CH2M Hill. OMI provides operations and management services. The findings of the report are as follows:

- The meter reading system is redundant in that meter readers take electronic readings and also record readings manually in books.
- The utility billing system shows evidence of under billing of water and wastewater rates to customers in the range of 4 percent to 15 percent. The current billing system is labor-intensive and provides no management information.
- East Cleveland does not have an in-house leak detection program to reduce the amount of water production costs to the system. An in-house leak detection program is imperative to stop unnecessary purchase of water/wastewater that is leaked from the system.

- Seventy-three percent of the meters in the system have reached or surpassed their manufactured life expectancy; five percent of accounts use 50 percent of the total water/wastewater. It is absolutely necessary to ensure that these larger meters are recording accurately. In addition, it is equally important that the City ensure wholesale meters are recording accurately.
- Current rates should adequately fund the water system. The reason for the imbalance is the extraordinary unaccounted water flow.

Most of the recommendations by OMI are supported by the recommendations from the other studies. Some of the recommendations by other studies that are supportive of OMI include:

- Investigate Utility Billing System (UBS) due to unexplained deviations in billing rates;
- Hire a leak inspector to inspect all water lines immediately and then at least once a year;
- Repair all leaks identified in the leak survey; and
- Verify the accuracy of all meters two inches and larger.

The City has subsequently outsourced water and wastewater management and capital improvements to CH2M Hill. A contract with CH2M Hill was signed on November 11, 2001, and went into effect in March 2002, with a not-to-exceed base fee of \$3,613,865 for the first year, plus incentives. The fee was established at 15 percent of the direct operating and capital expenses, and the wholesale purchase of water and wastewater. The incentives are based on an increase in billings and decrease in wholesale purchase of water and wastewater. Twenty of the current employees of the division have been transferred to the management company and two employees have transferred to ECFD. City Council has approved the CH2M Hill contract for three years.

R3.39 In the future, the City should thoroughly examine recommendations provided by external entities to determine where improvements can be made prior to entering into other contracts that evaluate similar objectives. Results of studies provide important management information to the City. Therefore, the City should use the information as a tool to improve overall operations and services provided to its citizens, and to ensure that the City is effectively managing taxpayer dollars. Since the City has already contracted with CH2M Hill to operate water and wastewater functions, it should carefully monitor the vendor's performance and ensure that improvements are made to those operations. (see **R3.42**).

F3.41 The City of East Cleveland, Cleveland Water Department, Cleveland Heights Water Department and North East Ohio Regional Sewer District (NEORS) current rate structures are presented in **Table 3-5**. The table demonstrates rate increases of water and wastewater

services sold by the City to its citizens have increased at a greater rate than the increase in rates of purchased water and wastewater.

Table 3-5: Billed and Purchased Rate Comparisons For The Years 1998-2003

	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Projected	Increase 1998 - 2003
Water							
Regular-Billed	\$23.95	\$25.59	\$36.86	\$39.26	\$39.26	\$39.26	\$15.31 63.92%
Homestead-Billed ¹	\$19.00	\$20.30	\$29.24	\$31.14	\$31.14	\$31.14	\$12.14 63.89%
Minimum-Billed ²	\$13.10	\$13.10	\$15.15	\$15.68	\$15.68	\$15.68	\$ 2.58 19.69%
Cleveland-Purchased	\$16.09	\$17.19	\$18.34	\$18.98	\$19.63	\$20.32	\$4.23 26.30%
Cleveland Heights-Purchased	\$21.52	\$22.97	\$24.47	\$25.31	\$26.17	\$27.07	\$ 5.55 25.79%
Wastewater							
Regular-Billed	\$25.07	\$25.91	\$38.35	\$39.11	\$39.90	\$39.90	\$14.83 59.15%
Homestead-Billed	\$19.80	\$20.90	\$30.93	\$31.55	\$32.18	\$32.18	\$12.38 62.53%
Minimum-Billed	\$13.60	\$14.10	\$14.80	\$14.80	\$14.80	\$14.80	\$1.20 8.82%
NEORS-D-Purchased	\$18.76	\$19.60	\$21.28	\$21.28	\$21.28	\$22.53	\$3.77 20.10%
Cleveland Heights-Purchased	\$23.45	\$24.96	\$26.60	\$27.51	\$28.45	\$29.43	\$5.98 25.50%

Sources: City of Cleveland, City of Cleveland Heights, NEORS-D, City of East Cleveland, Michael Benza & Associates, Inc

Notes: Rates are \$/1,000 cubic foot.

¹ Comprises three groups of individuals: (1) income less than \$23,700; (2) over 65 years old; (3) blind or disabled.

² Usage rate is less than 500 cubic feet.

During the period 1998-2003, East Cleveland's water service billing rate increased almost 64 percent and in the same time period Cleveland and Cleveland Heights raised the City's purchased water rates approximately 26 percent. In 1998, East Cleveland's regular rate water billed of \$23.95 was approximately 49 percent greater than Cleveland's rate and 11 percent greater than Cleveland Heights' rate. However, the percentages based on projected

rates in 2003 are 93 percent and 45 percent, respectively, higher than Cleveland and Cleveland Heights. East Cleveland’s rate increases were implemented, as recommended by the PWC and Benza studies.

In the period 1998-2003, East Cleveland’s wastewater service billing rate increased approximately 59 percent and during the same period purchased wastewater rates from NEORS and Cleveland Heights increased approximately 20.1 percent and 25.5 percent, respectively. In 1998, East Cleveland’s billing rate of \$25.07 was approximately 34 percent greater than NEORS’s rate and seven percent greater than Cleveland Heights’ rate. However, the percentages based on projected rates in 2003 are 77 percent and 36 percent higher, respectively, than NEORS and Cleveland Heights. The significant increases are again related to the PWC and Benza studies and recommendations.

Table 3-6 compares 2002 water and wastewater rates at East Cleveland to other cities.

Table 3-6 Comparison of Current (2002) Water/Wastewater Rates

City	Water Rate First 1,000 cu. ft.	Water Rate After 1,000 cu. ft.	Wastewater Rate
East Cleveland-Regular ¹	\$39.26	\$39.26	\$39.90
NEORS			
Cleveland	NA	NA	\$21.10
Suburbs	NA	NA	\$26.60
City of Cleveland			
Cleveland	\$7.85	\$16.80	NA
Warrensville Heights	\$18.97	\$40.53	NA
Garfield Heights	\$16.17	\$35.30	NA
Maple Heights	\$16.17	\$35.30	NA
Solon	\$16.17	\$35.30	NA
Cleveland Heights-Regular	\$46.60 ¹	\$46.60	\$26.60

Source: City of East Cleveland, NEORS, City of Cleveland, City of Cleveland Heights

¹ Does not include accounts billed as homestead or minimum.

Table 3-6 indicates that East Cleveland has a significantly higher water rate per first 1,000 cubic feet and higher wastewater rates than surrounding cities. In addition, the water rate after the first 1,000 cubic feet is higher than the other cities, with the exception of Warrensville Heights and Cleveland Heights.

GFOA Best Practices supports the use of charges and fees as a method of financing governmental goods and services. GFOA makes the following recommendations about the charge-and-fee setting process:

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

Even though East Cleveland has significantly raised water and wastewater rates charged to customers (see **Table 3-5**) and has higher rates than surrounding cities (see **Table 3-6**), the Water Enterprise Fund had a negative balance of \$800,180 and Sewer Enterprise Fund had a negative balance of \$1,335,306, for a total of \$2,143,486, as of December 31, 2000. As a result, the General Fund is subsidizing these enterprise funds. Factors that could contribute to the negative fund balances include the following:

- Not implementing recommendations to improve operations, such as correcting leaks, improving the billing system and ensuring that the meters are recording accurate information (see **F3.39**, **F3.40** and **R3.39**).
- Not enforcing collections of water and wastewater fees as illustrated by the large balance in accounts receivable (see **F3.48** and **R3.43**).

In addition, the City has not fully analyzed the contract with CH2M Hill. Consequently, the contract with CH2M Hill could be very costly and projections of revenue enhancements made by CH2M Hill may not be entirely reliable (see **F3.42**, **F3.43**, **F3.47** and **R3.42**).

Failure to correctly set charges gives the appearance of poor management with lack of accountability to City Council, ECFPSC, and the citizens.

R3.40 East Cleveland should prepare a detailed cost analysis and set rates to ensure appropriate revenues to cover expenses in the enterprise funds. A cost analysis of the water and sewer

funds would include revenue and expenses for past, current and proposed. ECFC and CH2M Hill should review of water and sewer usage; past, current and proposed rates for both purchased and sold water and sewer services; a calculation of water and sewer leakage; and a comparison to surrounding communities utility functions. The General Fund should not continue to support a negative cash flow in the enterprise funds.

F3.42 A financial impact analysis of the effects of the CH2M Hill contract privatizing the water and wastewater enterprise funds was not included in the City's budget, which was approved by City Council. In addition, an analysis of the contract was not presented to City Council or ECFD when the contract was signed and approved in November 2001, or at implementation in March 2002. Due to the historically negative impact the enterprise funds have had on the General Fund, an analysis of this contract by the City is of extreme importance. An accurate analysis of the effects of the contract would allow the City to make plans and budget for the effects of the contract. Without an analysis, the City cannot make appropriate plans for the future and may put other General Fund functions of the City in jeopardy, affecting the level of services provided to its citizens.

R3.41 The City should analyze the financial and service impacts before contracting any operations to a private vendor, especially considering the City's historical and current financial difficulties. The financial impact of the CH2M Hill contract is analyzed in this section (see **F3.42**, **F3.43**, **F3.47** and **R3.42**). In addition, another forecast was developed by the Auditor of State (AOS) to further assess the financial impact of the CH2M Hill contract (see **F3.42** and **Table 3-10**). The City should use this information to fully analyze the financial impact of the CH2M Hill contract and develop strategies to ensure that the contract is cost-effective and is not further contributing to its fiscal emergency status (see **R3.42**).

F3.43 CH2M Hill has prepared a projection in which they estimate that the City will start operating at a profit within five months (July, 2002), and show a positive fund balance within seventeen months (July, 2003). In Ordinance No. 174-00, CH2M Hill was to review existing operations, studies, and reports, and records provided by the City and focus on increasing the operating efficiency of the water/wastewater department with the goal of improving the operation of the system. The City has used these projections as a basis for decisions. However, CH2M Hill did not include a number of assumptions pertinent to the City and the analysis of water/wastewater department, such as:

- Expected increases in rates for water and sewage purchased from Cleveland, Cleveland Heights and NEORS.
- The uncollected and uncollectible accounts (there was no analysis of bad debts in the OMI report).
- Effect of cash flow on the Enterprise Fund and the capital improvement fund.
- Adjusting projections to exclude the refuse collection fee, which is billed with water/wastewater invoices. Collections for refuse fees go to the General Fund.

- Other sources of revenue and expenses affecting the enterprise fund.
- Comparison of rates charged by other cities (see **F3.41** and **Table 3-6**).

In addition, CH2M Hill's projections are based on billings as opposed to actual collections, which could have a significant impact on payments provided to the vendor and projected revenue enhancements. The City has not enforced collections of water and wastewater fees as illustrated by the large number of delinquent accounts (see **F3.48** and **Table 3-11**). Therefore, basing projections on billings and not collections does not ensure that the City will improve water and wastewater operations because increased billings does not guarantee that collections will also be increased, especially considering the large number of uncollected and delinquent accounts at the City (see **F3.48**).

F3.44 **Table 3-7** shows a summary of annual projections submitted by CH2M Hill to the City as of March 2002:

Table 3-7: Summary of CH2M Hill Presentation ¹

	1st Year	2nd Year	3rd Year
Pre-contract billings	\$9,705,465	\$9,705,465	\$9,705,465
Increased revenue billings	\$882,617	\$1,445,625	\$1,722,865
Total revenue billings	\$10,588,082	\$11,151,090	\$11,428,330
Total direct operating expenses	\$2,400,335	\$1,970,602	\$2,034,850
Pre-contract purchased water/wastewater	\$7,482,413	\$7,608,589	\$7,725,785
Less: decreased purchased water/wastewater	(\$241,923)	(\$733,858)	(\$1,028,782)
Total purchased water/wastewater	\$7,240,490	\$6,874,731	\$6,697,003
Management fee	\$1,300,000	\$1,300,000	\$1,300,000
Total expenses	\$10,940,825	\$10,145,333	\$10,031,853
Net Impact to City According to CH2M Hill	(\$352,743)	\$1,005,757	\$1,396,477

Source: CH2M Hill. Prepared March 22, 2002

¹ Each year represents twelve months March - March

CH2M Hill has used the same base pre-contract billings and decrease in the purchased water/wastewater for all three years of the contract, even though Cleveland and Cleveland Heights have planned rate increases that will be charged to East Cleveland. In addition, CH2M Hill is basing its projections on increased billings, not collections. Consequently, CH2M Hill is overestimating revenue projections because the City will not collect

everything that is billed (see **Table 3-11, F3.48**). The contract calls for incentives based on increased billings and decreased wholesale costs, which is further analyzed in **Table 3-8**.

Table 3-8: Summary of Incentives for CH2M Hill Contract

	1 st Year	2 nd Year	3 rd Year	TOTAL
Billings Increase	\$882,617	\$882,617	\$882,617	\$2,647,851
		\$563,008	\$563,008	\$1,126,016
			\$277,240	\$277,240
Total Billings Increase	\$882,617	\$1,445,625	\$1,722,865	\$4,051,107
Wholesale Cost Decrease	\$241,923	\$241,923	\$241,923	\$725,769
		\$491,935	\$491,935	\$983,870
			\$294,924	\$294,924
Total Cost Decrease	\$241,923	\$733,858	\$1,028,782	\$2,004,563
Net Increase to City / Total Incentive Basis ¹	\$1,124,540	\$2,179,483	\$2,751,647	\$6,055,670
Percent Incentive	50%	25%	15%	N/A
Incentive Payments	N/A ²	\$544,871	\$412,747	\$957,618

Source: CH2M Hill

¹ Based on Total Billings Increase and Total Cost Decrease

² Enterprise fund remains in a deficit situation. Therefore, no incentive is earned.

As indicated in **Table 3-8**, CH2M Hill projects substantial increases in billings and decreases in wholesale costs. However, CH2M Hill did not provide a rationale for the estimated increase in billings or the decrease in purchased water/wastewater in their worksheet. Additionally, Cleveland and Cleveland Heights have planned rate increases that will be charged to East Cleveland, which do not appear to be included in CH2M Hill's projections. The contract with CH2M Hill is established so that the base remains the same for all three years for water and wastewater, which means the City has to pay an incentive for the first year billing increase of \$882,617 and decrease in wholesale costs of \$241,923 for all three years of the contract at 50 percent, 25 percent, and 15 percent, respectively. As a result, the City is providing additional payments to CH2M Hill in each of the three years for increased billings that not only apply to the current year, but also apply to the first year. Furthermore, the second year increase in billings is also applied to the third year. The contract does state that CH2M Hill does not receive an incentive if the enterprise fund is in a deficit, which occurs in the first year. Over the three year time frame, the City will have to pay approximately \$957,618 to CH2M Hill in incentives, excluding direct expenses and management fees.

F3.45 **Table 3-9** presents a review of the historical pattern of cubic foot volume for billings at the City in 1999, 2000 and 2001.

Table 3-9: Analysis of Cubic Feet for Actual vs Projections by CH2M Hill

	City of East Cleveland Actuals			CH2M Hill Projections		
	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Projected	2004 Projected
Billings ¹	\$7,047,217	\$9,112,547	\$9,408,869	\$10,588,082	\$11,151,090	\$11,428,330
Rate Billed ¹	\$51.50	\$75.21	\$78.37	\$80.00	\$80.00	\$80.00
1,000 Cubic Feet Billed	129,032	122,271	117,266	132,351 ³	139,389 ³	142,854 ³
Percent Increase (Decrease) Over Prior Year		(5.24%)	(4.09%)	12.86%	5.32%	2.49%
Purchases ²	\$7,614,378	\$8,129,957	\$7,189,425	\$7,240,490	\$6,874,731	\$6,697,003
Purchase Rate ²	\$37.79	\$39.62	\$40.26	\$40.00	\$40.00	\$40.00
1000 Cubic Feet Purchased	208,318	198,626	177,676	181,012	171,868	167,425
Percent Increase (Decrease) Over Prior Year		(4.65%)	(10.55%)	1.88%	(5.05%)	(2.59%)

Source: City of East Cleveland and CH2M Hill

¹ Includes water, waste water and refuse

² Includes water and waste water

³ The cubic feet increase was calculated by dividing rate of \$80.00 into the projected billings.

CH2M Hill is projecting the volume billed to increase by 25,588,000 cubic feet (22 percent) over the three year contract period, even though the actual volume billed and actual purchased volume decreased from 1999 to 2001. Also, CH2M Hill reported to the City in its initial study that the utility system was under billing in the range of 4 percent to 15 percent (see **F3.40**), which contradicts the projected billings increase of 22 percent in **Table 3-9**. The estimated purchased volume by CH2M Hill for the first year of the contract shows an increase of almost 1.9 percent and decreases in the following two years. The total decrease for the purchase of water/wastewater for the three year period of the contract is 5.8 percent. CH2M Hill assumes that if the leaks are repaired, the meters are replaced, and the efficiency of the system increases from 50 percent to 90 percent, as stated in the contract,

there would be an appropriate decrease in purchased water and wastewater. However, this decrease is not reflected in the CH2M Hill projection.

F3.46 **Table 3-10** presents an AOS projection of the City's water/wastewater enterprise fund. The projection is based on the year 2001 consumption and usage volumes; projected rate increases; contract expenses; and revenues and billings.

**Table 3-10: AOS Projection of Water/Wastewater Enterprise Fund
(Amounts are expressed in thousands.)**

	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Projected	2004 Projected	2005 Projected
Water Service Receipts	\$3,038	\$3,912	\$3,970	\$4,095	\$4,306	\$4,528	\$4,644
Sewer Service Receipts	\$2,983	\$3,696	\$4,060	\$4,187	\$4,403	\$4,630	\$4,749
Water/Wastewater-Capital Improvements	\$138	\$103	\$234	\$242	\$255	\$268	\$275
Sewer Assessments	\$51	\$42	\$0	\$0	\$0	\$0	\$0
Subtotal Water/Wastewater Receipts	\$6,210	\$7,753	\$8,264	\$8,524	\$8,964	\$9,426	\$9,668
Interest and Misc Income	\$33	\$41	\$26	\$30	\$30	\$30	\$30
Refunds - Operating	\$0		\$2				
Total Receipts Enterprise Fund	\$6,243	\$7,794	\$8,292	\$8,554	\$8,994	\$9,456	\$9,698
Water Services Expenditures	\$862	\$1,140	\$770	\$124			
Sewer Services Expenditures	\$424	\$676	\$368	\$86			
Finance Department Expenditures				\$45	\$46	\$48	\$49
Total Operating Expenditures	\$1,286	\$1,816	\$1,138	\$255	\$46	\$48	\$49
Contract							
CH2M Hill - Direct Expenses				\$1,928	\$2,349	\$2,384	\$2,420
- Management Fee				\$1,083	\$1,300	\$1,300	\$1,431
% Incentive for CH2M Hill				50%	25%	15%	10%
CH2M Hill - Reduction of Wholesale Water				\$0	\$0	\$0	\$0
CH2M Hill - Reduction Sewer Treatment				\$0	\$0	\$0	\$0
CH2M Hill - Increased Billings				\$0	\$0	\$0	\$0
Total CH2M Hill				\$3,011	\$3,649	\$3,684	\$3,851
Purchased Water Cost (Cleveland & Hts)	\$3,645	\$3,852	\$3,478	\$3,345	\$3,149	\$3,215	\$3,315
Purchased Sewer Cost (NEORS & Hts)	\$3,969	\$4,278	\$3,711	\$3,626	\$3,489	\$3,632	\$3,807
Purchased Wholesale Water/Sewer Treatment Cost	\$7,614	\$8,130	\$7,189	\$6,971	\$6,638	\$6,847	\$7,122
Total Expenditures	\$8,900	\$9,946	\$8,327	\$10,237	\$10,333	\$10,579	\$11,022
Excess Receipts Over (Expenditures)	(\$2,657)	(\$2,152)	(\$35)	(\$1,683)	(\$1,339)	(\$1,123)	(\$1,324)
Beginning Funds Balance - January 1	\$798	(\$1,759)	(\$2,135)	(\$1,751)	(\$3,434)	(\$4,773)	(\$5,896)
Transfers In (Out)	\$100	\$1,896	\$419				
Ending Funds Balance - December 31	(\$1,759)	(\$2,015)	(\$1,751)	(\$3,434)	(\$4,773)	(\$5,896)	(\$7,220)

This projection demonstrates that the City will not be able to show a positive fund balance in the water/wastewater fund over the three year period of the CH2M Hill contract. In addition, the three year average cost (1999-2001) of operating water and wastewater services internally is approximately \$1.4 million while the four year average cost of contracting these operations to CH2M Hill is approximately \$3.5 million. Of the \$3.5 million, \$1.3 million is the management fee and \$2.4 million is direct expenses. Consequently, the contract with CH2M Hill is significantly more costly than operating water and wastewater services internally, which further negatively impacts the City's financial condition. This clearly indicates that the City did not adequately review and analyze the proposal prior to contracting for services and may have failed to ensure that the contract with CH2M Hill would be cost-effective and improve its financial situation. If the City continues to operate at a loss in the water/wastewater fund, it must plan to use the General Fund to support operations. The differences in the AOS projection as compared to CH2M Hill's projection include the following:

- Revenue projections are based on actual collections (receipts) as opposed to billings.
- Revenue projections take into account uncollected and uncollectible accounts.
- Purchased water and sewer cost projections include expected increases in rates from Cleveland, Cleveland Heights and NEORS.
- Collections for refuse are not included in the AOS projection because refuse collections go to the General Fund. CH2M Hill projected billing increases which included refuse billings.
- Other sources of revenue and expenses affecting the enterprise fund. For example, expenses for two employees transferred from the Water Department to ECFD that handle collections are included.

Other major assumptions used to develop the forecast presented in **Table 3-10** include the following:

- CH2M Hill's projection of increasing billings by 15 percent is used and is distributed in the following manner: three percent in 2002, five percent in 2003 and 2004, and two percent in 2005. CH2M Hill is planning to install a new computer system in July/August 2002 to resolve the problems with billings, which could result in increased billings. AOS projected receipts based on the collection rate of 92 percent in 2001.
- Improvements in efficiency based upon projections made by CH2M Hill are applied to the purchased water and sewer costs. CH2M Hill is contracted to repair inaccurate meters and pipe leaks, which could result in increased efficiency.
- No rate increases are projected because the City does not plan to increase rates.

While CH2M Hill's projections of increased billings and improvements in efficiency are used to develop the AOS forecast, the water and wastewater enterprise fund still maintains

a negative fund balance in the four projected years. If CH2M Hill is not able to increase billings and is not able to improve efficiency as projected, the impact on the ending fund balance would be worse than forecasted in **Table 3-10**.

F3.47 As discussed throughout this section, the contract with CH2M Hill is significantly more costly than operating these services internally and does not help the water and wastewater enterprise fund operate with a positive ending fund balances in future years. The following summarizes important contract issues the City should address and clarify with CH2M Hill:

- Projections of revenues and costs made by CH2M Hill are questionable. CH2M Hill does not base revenue enhancements on collections and instead, bases revenue projections on billings, which results in inflated revenue estimates. Increased billings do not guarantee increased collections, especially considering the large amount of uncollected and delinquent accounts at the City (see **F3.48** and **R3.43**). Costs projected by CH2M Hill are underestimated because the projections do not include expected rate increases from surrounding cities. In addition, certain assumptions used by CH2M Hill appear not to be fully supported. For example, CH2M Hill did not provide a rationale for the estimated increase in billings or the decrease in purchased wholesale water and wastewater costs (see **F3.42**). Furthermore, CH2M Hill reported to the City in its initial study that the utility system was under billing in the range of 4 percent to 15 percent (see **F3.40**), which contradicts the billings increase of 22 percent in its projections (see **Table 3-9**).
- The contract with CH2M Hill is established so that the base remains the same for all three years for water and wastewater. As a result, the City is providing additional payments to CH2M Hill in the second and third years for increased billings that not only apply to the current year, but also occurred in the preceding years.
- There is not a clear understanding of the contractor's budget for the project. For example, the CH2M Hill budget includes expenses for bank charges for a lock box and telecheck even though the City will still continue to collect receipts. The budget also includes transportation and lodging expenses for OMI start-up personnel, but does not include specifications as to the amount of travel and limits on hotel charges and per diem. The budget includes \$322,600 for outside services with no explanation.
- The City's contract with CH2M Hill is a fixed price agreement. A fixed pricing arrangement is not necessarily inappropriate, but the City must be aware that this type of pricing arrangement carries the highest risk. Under a fixed pricing arrangement, the contractor receives a lump-sum payment or fee for providing a service. The risk is in ensuring that the outcomes, quality, and quantity of services delivered are satisfactory. The contractor gets paid regardless of the quantity and

quality of service. There are incentives to control costs and increase billings, but there is an increased risk of lower quality. This increases the importance of monitoring performance based on well-defined performance and quality measures.

- The contract does not include performance and quality measures. The contract does specify incentives for certain increases and decreases, but does not include the basis from which these incentives are to be calculated.
- The City has not developed a plan to monitor the contract, either from a fiscal or performance standpoint.

Table 3-11 presents a summary comparison of the differences between the projections of CH2M Hill and AOS for the three year contract from March, 2002 to March, 2005.

**Table 3-11: Summary Comparison of CH2M Hill Three Year Contract
(Amounts are expressed in thousands.)**

Account	CH2M Hill	AOS Projections	Difference Over/Under
Billings/Receipts	\$33,168	\$27,104	(\$6,064)
Direct Operating Expenses-City		\$315	\$315
Direct Operating Expenses-CH2M Hill	\$6,406	\$7,064	\$658
Total Purchased Water/Wastewater	\$20,812	\$20,481	(\$331)
Management Fee	\$3,900	\$3,900	\$0
CH2M Hill Incentives	\$958	\$0	(\$958)
Total Expenses	\$32,076	\$31,760	(\$316)
Net Impact to the City	\$1,092	(\$4,656)	(\$5,748)

Source: CH2M Hill. Prepared March 22, 2002 and AOS Projections

This comparison demonstrates the difference between the CH2M Hill projection and AOS projection with a difference of \$5.7 million. AOS does not project the Enterprise Fund will have a positive balance during the three year period and therefore the incentives of \$958 thousand are not added into the expenses. The projected revenues presents a serious problem to the City. A review Table 3-10 of water and sewer revenues from 1999 through 2001 shows \$22,227 receipts. CH2M Hill is projecting a 49 percent increase without rate increases.

R3.42 The City should meet with representatives of CH2M Hill and ECFPSC to review the contract and to assess the impact on the City's operations. Specifically, the City should do the following:

- Fully evaluate the basis and support for the projections made by CH2M Hill.

- Address the issue of including increased billings in future years in the base because the City could incur additional costs in the second and third years for increased billings that occurred in a previous year.
- Ensure that CH2M Hill is including appropriate expenses in subsequent charges to the City. A review of the proposed contractor budget for direct expenses should focus on ensuring that proposed expenses are reasonable and necessary to accomplish program objectives. Program results and contractor efficiency should be considered as part of the budget approval process.
- Review the fixed pricing arrangement.
- Develop a process to provide contractor oversight that is sufficient to ensure consistent quality services (by measuring performance against well-documented expectations) and ensures public funds are spent effectively and efficiently. If the City determines that the contractor is not meeting expectations, it should be able to impose sanctions.
- Develop monitoring procedures designed to ensure compliance with all significant contract provisions, program requirements, and financial-related requirements.
- Clarify roles and responsibilities for the various monitoring functions.
- Ensure that monitoring results are reported to appropriate key individuals such as City Council and ECFPSC.

The above mentioned issues should have been addressed by the City prior to entering into the current contract with CH2M Hill (see **R3.41**). Since the City has already entered into a contract with CH2M Hill, changing key aspects of the contract such as CH2M Hill's projections, the base for incentive payments, and the fixed pricing arrangement could be difficult and would require mutual agreement on any amendments. As discussed throughout this report, the current contract will be very costly to the City and may further contribute to its fiscal emergency status. Therefore, the City should make it a priority to address the current issues in the contract. If the City and CH2M Hill can not agree to make changes to the current contract, East Cleveland should seek to incorporate these changes during the contract renewal process. Alternatively, the City should identify another private vendor to manage its water and wastewater operations, or develop plans to effectively operate these services internally.

F3.48 **Table 3-12** presents the collection rate for water and waste water fees billed; the balance of accounts receivable at the end of 1999, 2000, 2001 and March 2002; and estimates of uncollectible fees indicated in the AOS financial audit reports.

Table 3-12: Water/Wastewater Collection Rate & Accounts Receivable

Year	Total Billings ¹	Total Collections ¹	Collection Rate	Accounts Receivable ²	Estimated Uncollectible
1999	\$6,540,018	\$6,209,786 ³	95.0% ³	\$3,440,516	\$1,703,254
2000	\$8,612,892	\$7,753,270 ³	90.0% ³	\$4,115,062	\$1,801,786
2001	\$8,942,155	\$8,264,393 ³	92.4% ³	\$4,240,957	\$1,857,539 ⁴
March 2002	N/A	N/A	N/A	\$4,786,039	\$2,096,285 ⁴

Source: AOS audit report for 2000 & ECFD.

¹ Does not include refuse billings or collections because refuse is a part of the General Fund.

² At the end of each year and as of March 2002.

³ Includes collection of fees billed in previous years, so the actual collection rate is overestimated.

⁴ Estimates based on the percentage of estimated uncollectible in 2001 of 43.8 percent.

As illustrated in **Table 3-12**, the City has approximately \$4.8 million in accounts receivable. Accounts receivable continue to increase each year, indicating that the City is not effectively enforcing collections of water and wastewater fees. Sixty-six percent of the accounts receivable are overdue by more than 90 days. According to the finance director, a review and write off of uncollectible accounts has not been done recently by either ECFD or the Service Department. In addition, data from Municipal Benchmarks- Assessing Local Performance and Establishing Community Standards shows that other cities collect over 96 percent of water and wastewater fees billed. In contrast, the City's collection rate of approximately 92 percent is less than these benchmarks, indicating that the City could increase collections. Not collecting water and wastewater fees further contributes to the negative fund balance in the enterprise fund by not providing revenue to support operations.

The City's current process of collecting water and wastewater fees includes the following:

- If payment is not received after 30 days, a reminder notice is sent on the first day of the month.
- If payment is not received by the 8th of the month, a second notice is sent informing the individual of potential water shut-off. The payment is due the 15th of the month.
- If payment is not received by the 30th of the month, the water is supposed to be shut-off.
- Tax liens are used once a year to enforce collections.

Although the City has defined procedures for dealing with collections and past-due accounts, the significant amount in accounts receivable and fluctuations in collection rates indicate that East Cleveland is not consistently following its own procedures and is not fully enforcing collections. The City has acknowledged that enforcement by shutting off water has not been consistently followed in a timely manner. In addition, the City does not use other available means, such as municipal court involvement to enforce collections of water and wastewater

fees. Furthermore, the City could issue tax liens more frequently as an additional way to enforce collections.

R3.43 The City should follow its defined procedures and enforce collection of water and wastewater fees. In addition to shutting off water, the City should implement other enforcement tools, such as increasing the frequency of tax liens and working with the municipal court when appropriate. An immediate review of the accounts receivable and bad debts should be performed. The longer accounts remain uncollected, the lower the likelihood of collecting. Consistently following collection procedures and fully enforcing collections should provide additional revenue to fund operations and help the City in its efforts to recover from fiscal emergency status. Efforts to collect the delinquent amounts should be started immediately.

Financial Implication: If the City consistently followed its collection procedures and fully enforced collections, it could increase its collection rate of water and wastewater fees and increase collections of accounts receivable. Assuming that the City increased its collection rate to 95 percent which was the collection rate in 1999, it could increase collections by approximately \$230,000 annually based on 2001 billings. In addition, the City could collect a total of approximately \$2.7 million in accounts receivable based on estimates from AOS financial audits.

Financial Implications Summary

The following table represents a summary of the revenue enhancements and implementation costs discussed in this section. For the purposes of this table, only recommendations with measurable financial impacts are listed.

Summary of Financial Implications of Recommendations

Recommendation	Annual Revenue Enhancement/ Cost Avoidance	One-Time Revenue Enhancement	Annual Implementation Costs	One-Time Implementation Costs
R3.1 Fill the assistant finance director position			\$55,000	
R3.5: Train employees to perform GAAP conversion in-house rather than outsourcing.	\$9,000 (Cost Avoidance)			\$1,300
R3.13: Train employees in financial planning and forecasting.				\$1,650
R3.20: Train employees in format and contents of CAFR and GASB 34.				\$1,300
R3.26: Change safe combination annually			\$350	
R3.38 Installation of and updated accounting system.				\$275,000
R3.43 Collection of Water & Wastewater fees	\$230,000	\$2,700,000		
Total	\$239,000	\$2,700,000	\$55,350	\$279,250

Other recommendations identified in the performance audit that are not listed above could potentially provide additional revenue to the City if the recommendations are implemented. For example, if the City prepares a cost allocation plan and applies indirect expenses to the grants and enterprise funds, there will be a decrease of expenses in the general revenue fund. By reducing accounts receivable in the Parking Ticket Bureau and municipal courts, the City should experience increased revenues. Furthermore, the implementation of several recommendations identified throughout this performance audit will increase efficiencies within ECFD's operations and subsequently impact levels of financial decision making and services provided, which would result in additional cost savings and revenue enhancements to the City.

Conclusion Statement

Since ECFD is primarily responsible for financial reporting in the City and provides essential support services to all City departments, as well as reporting financial information to citizens, the City should develop strategies and take appropriate measures to improve the operations of the finance department. Current practices do not allow the finance and purchasing departments to effectively perform their functions and responsibilities. A significant amount of time is spent accounting for actions of managers that do not follow policies and procedures, while critical financial operations are not being adequately and fully performed, such as planning and budgeting, analyzing impact of significant expenditures and contracts, and developing internal controls, policies, and procedures that would safeguard the City's assets. The department lacks formal written policies and procedures for completing essential functions. As a result, there is a lack of fiscal oversight as well as departmental accountability and fiscal responsibility which negatively impacts the City's financial condition. This performance audit makes several recommendations that, if implemented, could increase efficiency within ECFD's operations.

The current budgeting process does not include coordination with an overall strategic plan or performance measures. The ECFD's budgeting and planning process meets minimum Federal, State, and local requirements, but does not provide the information necessary for the City to make informed decisions. Departments and individuals are not held fully accountable for staying within budget guidelines, making the budget ineffective. The budget process must provide the City with a plan to remove itself from fiscal emergency. The City can no longer function on only a year-to-year basis. A plan should be developed that includes short and long-term goals and objectives, performance measures and priorities. Once the goals and objectives are established, the operating and capital budgets can quantify those goals and objectives, both in the short-and long-term. After the budgets are completed and approved, adherence to the budgets are essential for the City to improve its financial condition.

The City must create a detailed five year forecast and keep it updated. The City should include the five year forecast within the budgeting process to ensure that the process incorporates the City's future financial needs and goals. The City has recently obligated itself to some decisions which appear to have a negative impact on expenses and revenues. First and foremost is the CH2M Hill contract; and secondarily the cumulative effect of hiring 18 police and support staff with additional supplies and cars, the \$400,000 start-up short fall for the emergency medical services, and the up and coming Euclid Avenue project. There are concerns that the general revenue funds cannot support the additional expenses.

Of immediate concern is the City's need to review and analyze the effects of its contract with CH2M Hill to manage water and wastewater operations. Analysis indicates a potential loss to the City of approximately \$5.5 million over a four year period (2002 through 2005). Considering that East Cleveland is paying over two times the costs of operating water and wastewater services internally by contracting out operations to CH2M Hill, the City did not adequately review the proposal prior

to contracting with CH2M Hill. The proposal presented by CH2M Hill does not take into account rate increases from water and wastewater suppliers, uncollected and uncollectible accounts receivable, continuing clerical expenses in the finance department, indirect costs, base measurements, and performance standards. In addition, CH2M Hill revenue projections are based on increasing billings above the increase projected in the proposal and decreases in purchased water and sewage do not reflect the percentage of efficiency of 90 percent stated in the contract proposal. Furthermore, the City has agreed to pay an incentive to CH2M Hill to do what they were hired to do, which is to manage the water and sewage departments efficiently and productively and to eliminate the continuing losses in the enterprise funds. Increased billings do not ensure that collections will also be increased, especially considering the large amount of uncollectible and delinquent accounts at the City. Failure to adequately review the proposal prior to contracting with CH2M Hill and not fully enforcing collections make it very difficult for the City to operate with a positive fund balance in the water and sewer enterprise funds, and may further worsen the City's financial situation.

Because the City is incurring additional expenses the need for additional revenues becomes critical. The City's lack of enforcement of accounts receivable in several departments, which include water and sewer receivables, clerk of courts receivables, parking ticket bureau receivables, and medical emergency services receivables has exacerbated its fiscal emergency status. The City does not appear to have a plan or a unified effort to identify and collect on these accounts. The clerk of courts and the parking ticket bureau do not have a procedure in place to identify the amount of receivables due the City. It is the responsibility of the City to develop policies and procedures to improve accounts receivable reporting and collection of receivables. Improved collections will increase the City's revenue and help improve its financial condition. The immediate collection of \$2,700,000 in water and sewer receivables would assist the City in its deficit position in the enterprise funds.

The purchasing agent who is responsible for the purchasing records needs to implement a plan to maintain records in such a way as to be able to retrieve much needed management information. After repeated requests the purchasing agent said he does not keep records in a way to identify vendors and suppliers, which calls into question the ability to negotiate best prices for City purchases. Purchasing does not comply with Federal guidelines. The City does not have policies in place to define a fixed asset and adequate procedures to purchase, record, and track fixed assets. Purchasing is the responsibility of all departments and the purchasing agent should develop a comprehensive manual and train departmental personnel in purchasing policies and procedures.

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Income Tax Department

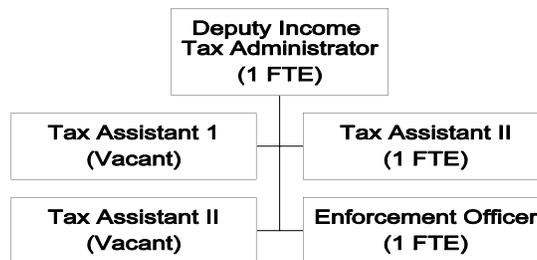
Background

This section of the performance audit focuses on the City of East Cleveland income tax operations. For purposes of illustrating various operational issues, comparisons are made throughout the report with the peer cities of Maple Heights, Trotwood, and Warrensville Heights. In the State of Ohio, the City of East Cleveland is one of over 500 municipalities with an income tax rate in effect. The City of East Cleveland has an effective municipal income tax rate of two percent.

Organizational Chart

The organizational structure and staffing levels of the City of East Cleveland's Income Tax Department, as of December 31, 2001, are depicted by the following chart.

Chart 4-1 Income Tax Department



Organization Function

The Income Tax Department is charged with the collection and enforcement of the two percent municipal income tax rate pursuant to Chapter 191 of the East Cleveland administrative code. The Income Tax Department is ultimately responsible for the following functions:

- Maintaining accurate information on all active individual and business income tax accounts within the City;
- Preparing and distributing income tax forms and documents to the appropriate individuals and businesses;
- Collecting, receipting, depositing and recording income tax, penalty, and interest payments appropriately;
- Reviewing and auditing tax returns for accuracy;
- Processing and issuing refunds;
- Ensuring that all individuals and businesses are filing a return appropriately and timely;
- Ensuring the collection of delinquent income taxes, penalties, and interest;
- Enforcing the income tax ordinances in a fair and equitable manner;
- Providing income tax assistance to individuals and businesses; and
- Storing of tax records and information.

The City's first municipal income tax ordinance was enacted effective July, 1968, at one percent. An income tax has been continuously in effect since 1968. Progressive increases in the income tax rates and adjustments to the resident tax credit for income taxes paid to other municipalities are illustrated in **Table 4-1**.

Table 4-1: Historical Effective Dates and Income Tax Rates

Effective Dates	Effective Tax Rates	Tax Credit	Credit Limit
July 1968 through June 1976	1.0%	50%	1.0%
July 1976 through August 1982	1.5%	50%	1.0%
September 1982 though March 1986	2.0%	50%	1.0%
April 1986 through December 1986	2.0%	0%	1.0%
January 1987 through September 1988	2.0%	50%	1.0%
September 1988 through present	2.0%	0%	1.0%

Source: City ordinance documents

The City's most recent income tax increase of 0.5 percent was passed by the voters on September 3, 1982. The purpose of the increase was to provide funds for general municipal functions of the City. The City rescinded the tax credit allowed to residents on September 6, 1988, after the City was declared to be in fiscal emergency. An East Cleveland resident does not receive credit for paying

municipal income taxes to other communities; thereby owing two percent of their total taxable income to East Cleveland. Since many communities surrounding East Cleveland are incorporating a 2.0 percent income tax rate, residents of East Cleveland working in those communities find themselves ultimately paying 4.0 percent (4.85 percent if working in Euclid) in total municipal income taxes.

Summary of Operations

Since 1974, the City has contracted with the Regional Income Tax Agency (RITA) for primary tax collection services which include:

- Compiling, furnishing, and maintaining a taxpayer list. The list is to be revised, amended, updated, and corrected annually;
- Designing, providing and distributing tax forms;
- Billing of taxpayers for estimated taxes;
- Notifying taxpayers of payments due and delinquencies;
- Examining and auditing income tax returns and records;
- Processing and issuing refunds;
- Distributing income tax collections to the City on or before the tenth business day after the end of each month; and
- Assembling and storing tax information and tax records.

RITA is not under contract with the City to serve subpoenas to non-filing individuals who are legally required to file a tax return and individuals whose taxes are delinquent for more than one year. In addition to contracting with RITA, the City utilizes an outside collection agency, Javitch, Block, Eisen and Rathbone (JBER), for taxpayers who have defaulted on their payment plan arrangements. Delinquent collections received by JBER are forwarded to the City, net of collection charges and costs.

Due to the fact that the City uses two major contractual services with regards to its tax collection process, the Income Tax Department's remaining income tax function is to coordinate both contractual entities and perform the following accounting and tax functions:

- Identifying and forwarding any new individual and business account information to RITA through the use of City resources;
- Recommending amendments to the City's ordinances relating to municipal income tax collection;
- Providing for the availability of RITA tax forms and schedules to the public;
- Assisting residents in completing their income tax returns and forwarding the completed returns to RITA;
- Collecting, receipting and depositing monthly withholding amounts for three employers (including City of East Cleveland);

- Establishing a subpoena program in order to pursue non-filing taxpayers;
- Extracting or requesting from RITA a listing of delinquent taxpayer accounts and pursuing collections of these accounts through a lump sum payment or the establishment of a payment plan;
- Forwarding to JBER for collection any delinquent accounts of taxpayers who have defaulted on their payment plans and whose accounts are deemed uncollectible by the deputy tax administrator;
- Forwarding all income tax collection information received by East Cleveland to RITA in a timely manner;
- Forwarding all monies collected during the day to the Finance Department; and
- Projecting income tax revenues for the upcoming budget year.

Staffing

Table 4-2 represents current Income Tax Department staffing for the City of East Cleveland.

Table 4-2: Income Tax Department Staffing

Position	Budgeted Positions in FTEs	Filled Positions in FTEs
Deputy Tax Administrator	1.00	1.00
Tax Assistant I	1.00	0.00
Tax Assistant II	1.00	1.00
Tax Assistant II	1.00	0.00
Enforcement Officer	1.00	1.00
Total	5.00	3.00

Source: Income Tax Department

Note: An FTE refers to a full-time equivalent employee

The deputy tax administrator is responsible for all the daily operations of the department including direct supervision of personnel. The administrator’s duties include processing tax returns, collecting withholding taxes from three employers, preparing deposits, providing assistance to the public, reviewing adjustments to tax returns, posting adjustments to the City’s computer system, forwarding and monitoring delinquency collections by JBER, providing information and tax returns to RITA, establishing a subpoena program for non-filing individuals, and preparing income tax revenue projections for budgetary purposes.

The tax assistant II audits tax returns, confers with lawyers and accountants representing taxpayers, maintains the court docket case status, works with taxpayers’ complaints, files income tax returns, posts taxpayers payments and collection agency transactions, and performs other clerical duties.

During August, 2001, a tax enforcement officer was hired to investigate rental properties, assure that all businesses are registered and filing an annual return, serve subpoenas, summons and complaints, check warrants, and other duties as deemed necessary by the deputy tax administrator.

The tax assistant I (currently vacant) assists in the completion of income tax returns, maintains account files, researches and audits delinquent accounts for compliance with a primary emphasis on business accounts, and assists taxpayers in the completion of their tax returns.

Financial Data

Table 4-3 illustrates the Income Tax Department's actual expenditures for the years 1998 through 2001 and the 2002 budget. Income tax revenues are fully deposited into the General Fund and therefore the income tax department's expenditures are fully appropriated from the General Fund.

Table 4-3: Income Tax Department Expenditures

Appropriation Account	1998	1999	2000	2001	Budget 2002
Salaries	\$62,178	\$69,976	\$65,760	\$78,803	\$157,414
Fringe Benefits	\$8,743	\$17,264	\$7,755	\$12,120	\$24,857
Hospitalization	\$58,513	\$81,830	\$19,061	\$16,263	\$15,000
Professional Services	\$985	\$192	\$12,867	\$8,339	\$1,500
Supplies and Equipment	\$5,054	\$4,333	\$5,015	\$1,720	\$2,500
Legal Costs ¹	\$86,889	\$87,110	\$62,595	\$52,857	\$50,000
Collection Expense ²	\$396,580	\$397,605	\$440,265	\$388,670	\$250,000
Miscellaneous	\$2,643	\$3,102	\$1,411	\$2,864	\$4,520
TOTAL	\$621,585	\$661,412	\$614,729	\$561,636	\$505,791

Source: Income Tax Department

¹ Legal Costs included lawsuits, garnishments, liens and motions (RITA & JBER)

² Collection Expense for RITA & JBER

An explanation for some of the more significant variances in **Table 4-3** is as follows:

- *Salaries and Benefits:* The salaries and benefits budget for 2002 increased because the Income Tax Department plans on filling the 2.0 FTE vacant positions.
- *Hospitalization:* The City is self-insured and allocates the actual claims back to individual departments for their respective employees. The large hospitalization expense in 1998 and 1999 is primarily due to an illness sustained by an income tax employee's spouse.
- *Professional Services:* The increase from 1999 to 2000 was due to the use of temporary employees and contractual services for the establishment of the new CPS computer system (see **F4.8**).
- *Legal Costs:* The decrease in this category from 1999 to 2001 is mostly due to the recovery of court costs related to JBER's collection of delinquent accounts.

- *Collection Expense:* The decrease from actual expenditures in 2001 to the budget for 2002 is due to the income tax administrator allocating funds from this category to salaries and benefits to fill the 2.0 FTE vacant positions.

Approximately 75 percent of all tax collections are received directly by RITA with the remaining 25 percent received by the City and JBER. The Income Tax Department is responsible for reporting to RITA all tax collections that are received directly by the City.

Table 4-4 illustrates the impact of income tax revenues for the years 1998 through 2001 on the City's General Fund and all governmental funds.

Table 4-4: Income Tax Revenues

	1998	1999	2000	2001
Income Tax Revenue	\$7,057,096	\$7,134,388	\$8,126,105	\$7,912,847
General Fund Revenue	\$14,939,840	\$15,399,879	\$16,958,753	\$17,376,844
Total Governmental Funds Revenue	\$18,391,793	\$19,293,883	\$21,787,565	\$23,502,411
Income Tax Revenue as a Percent of General Fund Revenue	47.24%	46.33%	47.92%	45.54%
Income Tax Revenue as a Percent of Total Governmental Funds Revenue	38.37%	36.98%	37.30%	33.67%

Source: City of East Cleveland Single Audit

Note: Revenues were calculated on a cash basis

As indicated in the table, income tax revenues have accounted for approximately 47 percent of General Fund revenues during this period and have accounted for approximately 37 percent of the City's total government fund revenues. In contrast, AOS performance audits on other cities have indicated that income tax revenue accounts for approximately 55 to 65 percent of General Fund revenues and 40 to 46 percent of governmental fund revenues. Consequently, the City may not be maximizing the amount of income tax revenue collected (see **F4.1** and **R4.1**, and **F4.3** and **R4.3**). Furthermore, the City does not provide any credit for income taxes paid by its residents to other municipalities, which should result in income tax revenue accounting for a higher percentage of General Fund and governmental fund revenues if the City was maximizing income tax collections. **Table 4-5** compares filings of income tax returns with the State of Ohio compared to resident filings of income tax returns for the City of East Cleveland in 1999. In addition, **Table 4-5** compares the number of individual returns processed by the East Cleveland Income Tax Department to the number of individual returns processed by RITA.

Table 4-5: Income Tax Filing Information

	1999	2000	2001
Ohio personal income tax returns filed for East Cleveland School District	8,646	8,638	8,530
Ohio personal income tax returns filed for City of East Cleveland (estimated)¹	7,009	7,003	6,915
Individual returns filed by East Cleveland and forwarded to RITA	1,621	960	794
Individual returns filed by RITA	1,373	1,638	1,578
Total East Cleveland final returns	2,994	2,598	2,372

Source: East Cleveland Income Tax Department, RITA, State of Ohio Department of Taxation

Note: The number of returns processed in the specific year does not reflect the actual tax year of returns. The 8,638 state tax returns filed in 2000 are most likely for tax year 1999.

¹ The percentage utilized to estimate Ohio individual returns filed by City of East Cleveland residents is 81.07% representing the percent of property valuation of the East Cleveland School District within the City of East Cleveland.

Table 4-5 shows that a significantly higher number of individual returns were filed with Ohio as compared to East Cleveland, which could indicate that the City could significantly increase collections of income tax revenue (see **F4.3** and **R4.3**).

Performance Measures

The following performance measures were used to analyze the City of East Cleveland's Income Tax Department:

- Review of Income Tax Department expenditures, three year history;
- Assess income tax operations including delinquent collections and non-filers;
- Review of staffing levels and composition of staff;
- Assess the effective identification of income taxpayers; and
- Assess the adequacy of technology.

Findings/Commendations/Recommendations

Income Tax Operations, Delinquent Collections & Non-Filers

F4.1 The Income Tax Department's operations do not appear to be organized in a cost-effective manner. In addition, the amount of resources and effort involved in manually transferring information between the Department, RITA and JBER is excessive. Municipalities generally choose to either perform all income tax collections in-house or contract all tax collection activity to a single outside agency. **Table 4-6** compares expenses related to collecting income taxes at East Cleveland and the peers.

Table 4-6: Expenses of Income Tax Collection (Comparison)

Year	East Cleveland	Warrensville Heights	Maple Heights	Trotwood	Peer Average
1998	\$621,585	\$94,547	\$106,124	\$113,119	\$104,597
1999	\$661,873	\$69,500	\$147,706	\$110,174	\$109,127
2000	\$614,729	\$101,798	\$147,588	\$97,846	\$115,744
2000 Population	27,217	15,109	26,156	27,420	22,895
2000 Expenses per Capita	\$22.59	\$6.74	\$5.64	\$3.57	\$5.06

Source: City of East Cleveland, City of Trotwood, City of Maple Heights, City of Warrensville Heights

As depicted in **Table 4-6**, the Income Tax Department's operating costs are significantly higher than any of the peers and are more than five times the peer average. In addition, expenses per capita are over four times higher at East Cleveland as compared to the peer average. The current segmentation of income tax collection between the Income Tax Department, RITA and JBER has created operational difficulties and increased tax collection costs.

All three of the peer cities contract out their income tax collections and do not have any full-time staff dedicated to income tax collections. Warrensville Heights has two part-time employees devoted to delinquent collections. Maple Heights contracts with RITA, Warrensville Heights contracts with the City of Cleveland Central Collection Agency and Trotwood contracts with the City of Dayton. Certain municipalities using RITA do maintain one full-time individual to assist in the tax collection process. **Table 4-7** lists the peer cities staffing in comparison to East Cleveland's Income Tax Department.

Table 4-7: FTE Employees and Position Description

Position Description	East Cleveland	Warrensville Heights	Maple Heights	Trotwood	Peer Average
Deputy Income Tax Administrator	1.0	0.0	0.1	0.0	0.0
Tax Assistant II	1.0	1.0	0.0	0.0	0.3
Enforcement Officer	1.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Total FTEs ¹	3.0	1.0	0.1	0.0	0.4

Source: City of East Cleveland, City of Trotwood, City of Maple Heights, City of Warrensville Heights

¹ Currently, East Cleveland Income Tax Department has 2.0 FTE vacant positions (tax assistant I and II).

Table 4-7 illustrates that the peer cities do not dedicate any full-time employees to aid in the tax collection process. As stated earlier, Warrensville Heights does employ two part-time employees whose main area of focus is delinquent collections. As a result of East Cleveland's decision to not fully utilize RITA's services, it has a higher level of staffing and higher operating costs than the peers. Expenses related to JBER comprise the majority of the expenses in **Table 4-6**, which could be further reduced by contracting solely with RITA (see **R4.1**, **R4.2** and **R4.3**).

In addition to the increased costs of not fully using RITA services, having three separate entities operate income tax collection activities has resulted in numerous inefficiencies at the City. Sharing and exchanging information between three entities has been problematic. Consequently, information maintained by RITA, JBER and the City is not fully accurate and reliable (see **F4.8**). The responsibility for collecting income tax revenue has been extended across three organizations, which could result in reducing accountability for income tax collections. Furthermore, income tax collections are potentially not being fully maximized, which is indicated in the following:

- A significantly higher number of individual returns filed with the State as compared to the City (see **F4.3**).
- The subpoena program has not been consistently used to collect on delinquent accounts (see **F4.3**).
- Income tax revenue as a percent of the General Fund is significantly lower in East Cleveland as compared to other cities (see **Table 4-4**).

Transferring all income tax collection activities could lower the City's operating costs and increase income tax revenue, which could then be used to fund needed and appropriate services throughout the City.

R4.1 In order to lower its operating costs and increase income tax revenue, the City should transfer all collection activity to RITA. Once delinquent collections are assumed by RITA (see **R4.2**), the subpoena program is contracted to RITA (see **R4.3**), and RITA's tax master file is fully updated (see **R4.8**), the Income Tax Department should be able to decrease its staff to one full-time employee. Updating RITA's tax master file could be a factor in determining precisely when staffing reductions can occur. During this time, the Income Tax Department may be able to reduce its staff, in part, through attrition or retirement.

Once income tax collection functions have been fully transferred to RITA, the duties of the remaining city employee should be the following:

- Identifying and forwarding any new individual and business account information to RITA through the use of City resources (building permits, occupancy permits, post office address corrections, water utility information, yellow pages, canvassing, property tax information, newspapers, Board of Elections, etc);
- Recommending amendments to the City's ordinances relating to municipal income tax collection;
- Providing for the availability of RITA tax forms and schedules to the public;
- Assisting residents in completing their income tax returns and forwarding the completed returns to RITA;
- Forwarding all income tax collection information received by the Income Tax Department to RITA in a timely manner;
- Representing the City in claims hearings and cases; and
- Projecting income tax revenues for the upcoming budget year.

Financial Implication: Reducing the Income Tax Department to one FTE would result in a cost savings in salary and benefits of approximately \$68,000 annually. The cost avoidance of not filling the current vacant positions is approximately \$61,000 annually in salaries and benefits.

F4.2 The Income Tax Department's process for handling delinquent accounts is extremely cumbersome. A delinquent account is pursued by RITA for no more than one year by contract. If RITA is unsuccessful after one year, the Income Tax Department pursues the delinquent taxpayers. The Income Tax Department attempts to contact the taxpayer and receive full payment or establish a payment plan. Should a payment plan not be established or the taxpayer default on the payment plan established either by the City or RITA, the account will be reviewed by the City's collection agent (JBER).

JBER reviews a "Past Due Balance Report" hard copy document prepared by RITA. A JBER representative works on site at the City three times a week. The report discloses all individuals who have filed a tax return and still have an outstanding balance. JBER reviews

all accounts and searches for new delinquencies that have not been previously pursued or have not made payment recently.

Once an account is selected, an account history is printed from both the City's CPS Tax System and RITA. JBER adjusts the account within the CPS Tax System in order to update penalty and interest. A new report from the CPS Tax System is printed out with the adjusted penalty and interest. This printout will be used as an exhibit if and when the delinquency is presented in court.

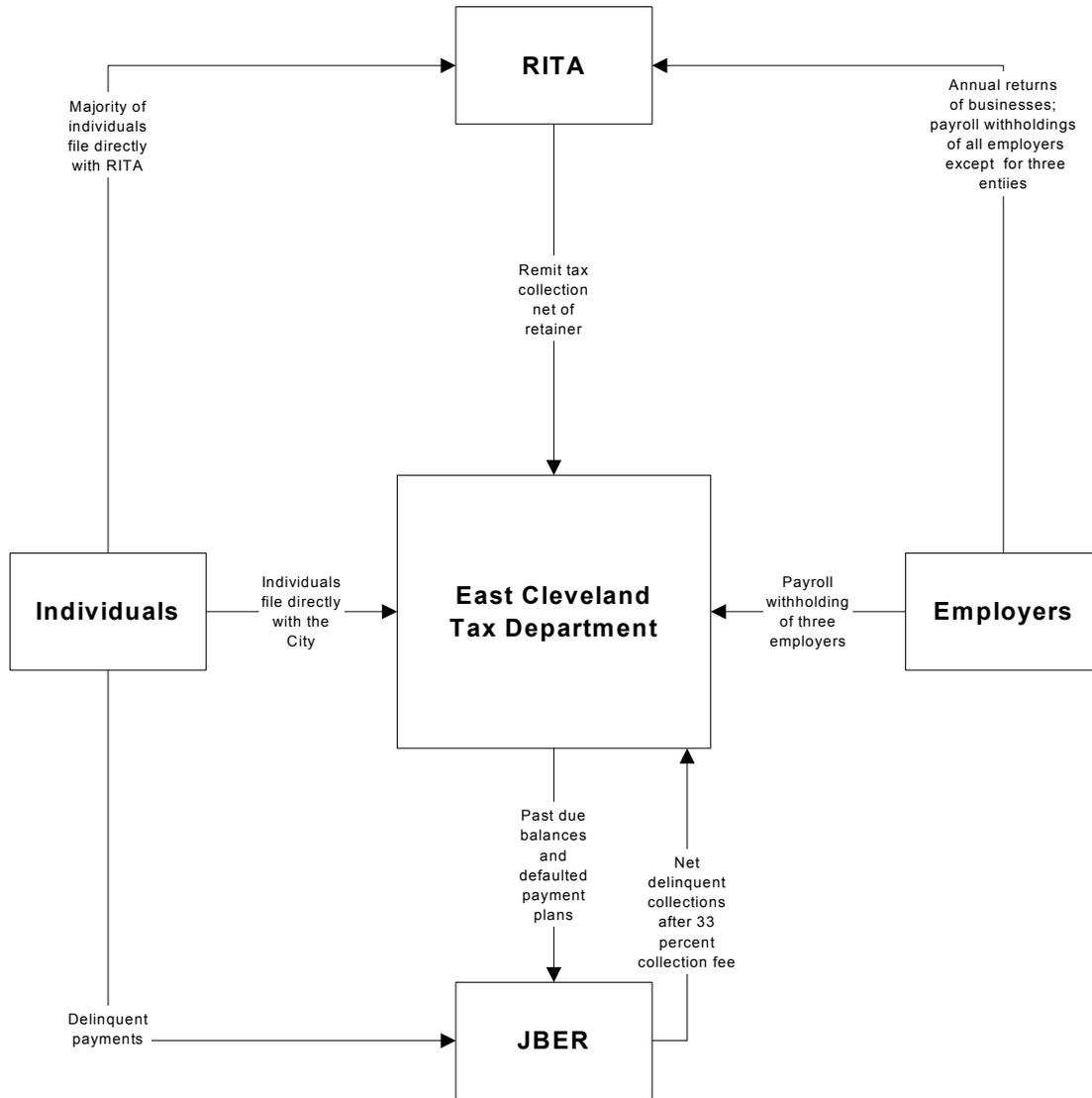
All three printouts are submitted to the Income Tax Department for approval. Once approved by the Income Tax Department, JBER commences communications with the delinquent taxpayer in an attempt to settle the delinquent account prior to establishing a court date. If an agreement is not established, a court date will be established (usually the fourth Friday of the month).

Both the deputy tax administrator and a JBER representative are present at the hearing. In most cases, the City is not challenged and judgement is granted. The judgement allows the City and JBER to utilize bank attachments, garnishments, and liens to collect the outstanding balance owed the City. The amount, which is the total of penalty, interest, and tax, can bear interest at 10 percent (court mandated) per annum plus court costs. In the event that the amount is disputed in court, the differences are most likely to be settled in court and a subsequent judgment is rendered.

The Income Tax Department receives a detailed monthly report of all delinquent collections made by JBER along with a net distribution of collections, less JBER's collection fee. This information is then entered into the Income Tax Department's CPS Tax System.

Chart 4-2 illustrates the Income Tax Department's current process, including the handling of delinquencies.

Chart 4-2: East Cleveland Tax Collection Process



Most member municipalities contract RITA to perform a full range of tax services including delinquent collections. Municipalities benefit from this arrangement in that:

- The delinquent account remains with RITA. A municipality does not expend any additional internal resources involving itself as an intermediary between RITA and a collection agent;
- Municipalities can apply their resources to other areas of revenue enhancement activities;
- Delinquent accounts handled by RITA's collection agent are assessed a 25 percent fee for all collections, compared to JBER's 33 percent fee;
- Information within RITA's master file is timely and correct; and
- Collections received directly by a municipality, including delinquent collections, are deemed as if collected by RITA and are used to calculate the municipality's share of RITA's actual cost of operations.

Table 4-8 illustrates the difference between the 25 percent collection fee of RITA and the 33 percent current collection fee of JBER.

Table 4-8: RITA versus JBER Collection Charges

JBER	1998	1999	2000	Total
Total Delinquent Collections	\$649,784	\$827,147	\$863,408	\$2,340,339
Recovered Court Costs¹	(\$49,992)	(\$69,669)	(\$53,722)	(\$173,384)
Collections less Court Costs	\$599,792	\$757,477	\$809,686	\$2,166,955
Collection Fees 33%	(\$199,929)	(\$252,490)	(\$269,892)	(\$722,311)
Net Distribution to East Cleveland	\$399,864	\$504,987	\$539,793	\$1,444,644
RITA Collection Agent	1998	1999	2000	Total
Total Collections	\$649,784	\$827,147	\$863,408	\$2,340,339
Recovered Court Costs	(\$49,992)	(\$69,669)	(\$53,722)	(\$173,384)
Collections: Less Court Costs	\$599,792	\$757,477	\$809,686	\$2,166,955
Collection Fees 25%	(\$149,948)	(\$189,369)	(\$202,421)	(\$541,739)
Net Distribution to East Cleveland	\$449,844	\$568,108	\$607,264	\$1,625,216
Difference RITA versus JBER	\$49,981	\$63,121	\$67,471	\$180,572
3-Year Average Difference of Using RITA versus JBER				\$60,191

Source: East Cleveland Income Tax Department

¹ JBER advances all court costs except for the following forms of execution which are shared by JBER and the City: wage garnishments, bank attachments, and debtor's exams. JBER assess the court costs on delinquent taxpayers. After payment is received from the delinquent taxpayers, court costs would be recouped by the City.

As illustrated in **Table 4-8**, the City could save approximately \$60,000 annually by contracting with RITA for delinquent collections, assuming that RITA would present all of these accounts to a collection agency.

While the City could save costs through the lower fee charged by RITA to collect on delinquent accounts, it could save additional funds through RITA using routine collection procedures prior to classifying and working an account as delinquent. As discussed previously, if RITA is unsuccessful after one year, the Income Tax Department pursues the delinquent taxpayers. JBER reviews accounts that the Income Tax Department can not collect on. In addition, JBER searches for new accounts that have not been previously pursued as delinquent or have not made payment recently. As a result, JBER could potentially be collecting from accounts that otherwise could be worked by using RITA's routine collection procedures. Furthermore, the reliability and accuracy of information shared between RITA and the City is not fully reliable and accurate (see **F4.7** and **F4.8**), which could impact the accounts handled by JBER. **Table 4-9** compares delinquent collections by using JBER and RITA based upon a three year average (1999, 2000 and 2001) of individual returns filed in East Cleveland, individual accounts forwarded to JBER and income tax revenue collected by JBER. In addition, RITA estimates that about 10 percent of its individual accounts are deemed delinquent, which is the basis used to estimate potential cost savings of using RITA for all income tax collection activities.

Table 4-9: RITA & JBER Collections Expense

	JBER	RITA
Three Year Average Returns Filed (Accounts)	2,655	2,655
Three Year Average Delinquent Accounts	700 ¹	265
% of Accounts Classified as Delinquent	26.4%	10.0%
Three Year Average JBER Collections	\$810,232	\$810,232
JBER Collections per Account	\$1,157	\$1,157
Potential Decrease in Accounts Classified as Delinquent by Using RITA	N/A	435
RITA Collections Through Routine Procedures	N/A	\$503,108 ²
Collection Fee	33.0%	3.0% ³
Total Collection Expenses	\$166,026	\$15,093
Savings using RITA for Routine Procedures	N/A	\$150,933
Adjusted Amount of Delinquent Collections using RITA	N/A	\$307,124
Delinquent Collection Fee	33.0%	25.0%
Total Collection Expenses	\$101,351	\$76,781
Savings Using RITA for Delinquent Accounts	N/A	\$24,570
Total Savings Using RITA	N/A	\$175,503

Source: East Cleveland, JBER and RITA

¹ Accounts worked by JBER.

² Based upon JBER collections per account of \$1,157

³ Standard collection fee, which usually results in being less than 3.0 percent (see **F4.6**).

As presented in **Table 4-9**, the percentage of accounts worked by JBER as delinquent (26.4 percent) is significantly higher than the estimate provided by RITA (10.0 percent), potentially indicating that some of the accounts worked by JBER could be worked by using RITA's routine collection procedures. Assuming that 10.0 percent of the City's individual accounts are truly delinquent, routine collection procedures could be used to collect income taxes from 435 accounts. If RITA was able to collect upon 435 accounts using routine collection procedures that were previously worked by JBER, the City could save approximately \$151,000, which is based upon the difference between JBER's collection fee of 33 percent and RITA's standard collection fee of 3.0 percent. The City could save an additional \$24,000 by contracting with RITA to use delinquent procedures to collect on the remaining accounts because RITA's delinquent collection fee (25 percent) is less than JBER's fee (33 percent).

In addition, **Table 4-9** does not include the high number of individual tax payers who have not filed a return in the City (see **F4.3**), which could result in additional cost savings and increased income tax collections if these accounts were pursued. Furthermore, the Income Tax Department has not fully used the subpoena program in 2000 and 2001 (see **F4.3**). Consequently, individual income tax accounts that could have been collected upon through the subpoena program may have been forwarded to JBER, resulting in higher collection expenses. To further illustrate the potential of JBER working accounts that could otherwise have been collected through routine procedures, **Table 4-10** compares the dollar amount of accounts referred to JBER at East Cleveland and dollar amount of delinquencies at Maple Heights in 2000.

Table 4-10: 2000 Delinquent Income Tax Collections

	East Cleveland	Maple Heights
Amount Owing Income Taxes	\$1,002,697 ¹	\$338,494
2000 Population	27,217	26,156
Delinquent Obligations per Capita	\$36.84	\$12.94

Source: East Cleveland, RITA

¹ Amount forwarded to JBER

As indicated in **Table 4-10**, the total dollar amount of accounts forwarded to JBER and delinquent obligations per capita is significantly higher as compared to the delinquencies at Maple Heights, which further illustrates the potential of JBER working accounts that could otherwise have been collected through routine procedures. Maple Heights uses RITA for all income tax activities, including delinquent collections. Based on the current contract, delinquent accounts currently handled by JBER will remain with the collection agent until the account is settled or written off.

R4.2 The Income Tax Department should not forward any additional accounts to JBER and should engage RITA to pursue its delinquent accounts. Existing payment plans established by the City should be forwarded to RITA for collection. Benefits of using RITA for delinquent collections include the following:

- Enhances accountability because one entity would be responsible for delinquent collections;
- Ensures that standard and uniform collection procedures are used for all accounts;
- Improves the reliability and accuracy of information shared between the City and RITA (see **R4.8**); and
- Saves costs associated with using another collections agent (see **Table 4-9**).

Financial Implication: Based on **Table 4-9**, the City can save approximately \$175,000 annually by using RITA for delinquent collections.

- F4.3 Although the Income Tax Department has a subpoena program to summon non-filer taxpayers to file a tax return, the program has not been consistently administered (see **Table 4-11**). All individuals over the age of 18 are required to file a return with the City whether or not a tax is due. Initially, RITA sends a non-filing individual a letter informing the individual that they have neglected to file a return. The non-filing individual is requested to contact RITA or the Income Tax Department so that arrangements may be made to file a return. Upon written request from the Income Tax Department, RITA forwards all non-filer information to the Department. The Income Tax Department sends a subpoena to non-filers informing them that they must report to City Hall on a specified date with their income tax information.

A consistent annual subpoena program is important in the tax collection process. The Income Tax Department's limited pursuit of non-filers and lack of enforcement during the last several years could create a disincentive to file. In addition, the longer the time lapse of pursuing non-filers, the less chance of locating an individual which leads to fewer returns filed and potentially less income tax collections. **Table 4-11** depicts the Income Tax Department's subpoena activity for the past four years.

Table 4-11: East Cleveland's Subpoenas for Non-Filers

Year	Subpoenas/Summons and Complaints
1998	1,615
1999	2,412
2000	26
2001	28

Source: East Cleveland Income Tax Department

In 2000 and 2001, the department issued an extremely low number of subpoenas. According to the Income Tax Department, the loss of a key information systems staff member limited the Department's ability to download and upload non-filer information from RITA's tax system. However, considering that over 4,000 more individual returns were filed with the State as compared to the City in 1999 (see **Table 4-12**), the Income Tax Department could have issued many more than 2,412 subpoenas in 1999.

Although the Income Tax Department uses RITA in a limited capacity in operating the subpoena program, RITA's operational activities also include the serving of subpoenas to produce tax records for delinquent years. It assesses a fee of \$4.00 per subpoena which

includes all expenses associated with the subpoena process, from serving a subpoena to having a RITA representative on site at the time the non-filer is ordered to appear.

Table 4-12 compares the number of tax returns filed with the State of Ohio within the East Cleveland School District (ECSD) to the number of municipal returns filed for the City. The difference between the two can be used as an indicator of the number of subpoenas that could be issued. In addition, RITA estimates that, on average, about 15.0 percent of individual taxpayers will respond to its subpoena program and either pay the full amount of taxes owed or establish a payment plan, which is also indicated in the table and used to provide two estimates of additional income tax collections by using RITA to fully operate the City's subpoena program.

Table 4-12: Subpoena Collection Analysis

Income Tax Return Statistics	2000
State Returns Filed in ECSD ¹	8,638
State Returns Filed in ECSD by East Cleveland Residents ²	7,003
Municipal Returns Filed for East Cleveland	2,598
Additional Returns Filed with the State	4,405
RITA Estimate of Returns Resulting in Collections	661
Total Income Tax Collections from Individual Accounts	\$2,103,091
Average Collections per City Return	\$702
Additional Tax Revenue Based on Collections per Return	\$464,022
State Average Income per Returns Filed in ECSD	\$24,891
Average Collections Based on State Average Income & 2% Income Tax Rate	\$497
Additional Tax Revenue Based on State Average Income	\$328,517
Average of the Two Estimates of Additional Tax Revenue	\$396,200

Source: Income Tax Department, Ohio Department of Taxation

¹ Based on the 1999 Ohio personal income tax returns filed by school district as indicated by taxpayers.

² Estimated number of returns filed by East Cleveland residents. Based upon property tax valuation, approximately 81 percent of ECSD encompasses the City of East Cleveland, with the remaining portion extending into Cleveland Heights.

As indicated by **Table 4-12**, a significantly higher number of East Cleveland resident returns were filed with the State of Ohio than were filed with the City. If the City increased the number of returns filed, the amount of income tax revenue collected could also be significantly increased.

Table 4-12 provides two different methods of estimating additional income tax revenue by using RITA to aggressively pursue non-filers through its subpoena program. If RITA pursued 4,405 individual taxpayers through its subpoena program, it estimates that about 15 percent (661) will either immediately pay the amount of income taxes owed or establish a payment plan. Using the City's average collections per return of \$702 results in an increase of about \$464,000 in income tax collections. Applying the average income of ECSD residents filing with the State results in an increase of approximately \$328,000 in additional income tax collections.

The two different estimates of additional income tax revenue do not take into account penalties and interest owed on non-filing accounts because penalties and interest vary by account and therefore, would be very difficult to estimate. Collecting penalties and interest would result in additional revenue provided to the City. As a result, the estimated amount of additional income tax revenue could be underestimated in **Table 4-12**. In addition, since the Income Tax Department has not consistently operated the subpoena program the last two years allowing for a significantly high number of returns not filed, the impact on additional income tax collections could be much higher than the estimates provided in **Table 4-12**. Furthermore, the percentage of individual taxpayers that actually owe taxes to the City could be higher than RITA's average estimate of 15 percent because the City does not provide a credit to its residents for income taxes paid to other municipalities. Finally, the number of returns required to be filed with the City could be higher than 4,405 because the number of returns filed in East Cleveland includes returns filed for previous tax years while returns filed with the State are only for 1999; and the returns filed with the City could also include non-resident individual taxpayers while the number of returns filed with the State only includes residents. Consequently, the amount of additional income tax revenue could be higher than estimated in **Table 4-12**.

R4.3 Considering that the Income Tax Department has not fully operated the subpoena program and the significantly high number of returns not filed with East Cleveland, the City should contract with RITA to pursue non-filers and operate the subpoena program. The Income Tax Department would avoid additional costs that are incurred with the processing and mailing of subpoenas, including the downloading and uploading of non-filers from RITA's tax system. In addition, RITA has experience in operating subpoena programs for multiple cities and can use this experience to implement and operate an effective subpoena program in the City of East Cleveland.

Financial Implication: Based upon the analysis conducted in **F4.3** and **Table 4-12**, the City of East Cleveland could realize approximately \$396,000 in additional income tax collections by contracting with RITA to aggressively pursue non-filers and operate the subpoena program. If RITA sends subpoenas for all 4,405 accounts without a return filed in 2000, the City would incur expenses of approximately \$18,000. Therefore, the net financial

implication of this recommendation would be an additional annual revenue enhancement of approximately \$378,000 to the City.

Identification of Income Tax Receipts

F4.4 The Income Tax Department receives directly monthly withholding payments from three of its employers. All other employers doing business within the City remit their monthly payroll withholding directly to RITA. The three tax withholding amounts are receipted directly by the Income Tax Department one month earlier and thereby enhance the cash flow for the City. However, the Income Tax Department has to expend time and staffing resources to process these withholdings. In addition, having the Income Tax Department process the monthly withholdings for certain employers requires the Department to forward this information to RITA, which has been a consistent problem in the past (see **F4.7**).

R4.4 Since the City should contract with RITA for all income tax operations (see **R4.1**), the Income Tax Department should direct all withholdings to be directly deposited to RITA with the exception of its own withholding (City of East Cleveland) to provide some cash flow assistance. The remaining income tax employee should be able to handle the City's own withholdings (see **R4.1**). Depositing all withholdings with RITA should enhance the accuracy and reliability of tax information and increase the accountability placed on RITA to process all income tax collections. In addition, the one time cash flow adjustment is approximately \$233,000. However, the cash flow adjustment is not a loss of revenue, but rather a timing difference (several business days) as to when the City receives the withholding tax.

F4.5 The Income Tax Department does not fully monitor contractors doing business within the City. The income tax administrator has indicated that the Building Department is not consistently forwarding contractor registration information to the Income Tax Department prior to issuing a permit (see **building and housing section**). East Cleveland's ordinance requires that contractors file an application and comply with the Income Tax Department's requirements before receiving a permit from the Building Department. Specifically, the ordinance requires the following:

- Exact name and taxpayer identification number (federal identification number or social security number) under which contractor will perform construction work;
- Address and telephone number for principal place of business;
- Proof that contractor who will perform construction work is current in their obligation to file tax returns and pay taxes to the City; and
- Proof of current coverage under Ohio workers' compensation and unemployment compensation at the time of registration and/or re-registration.

The Building Department should issue a permit to a contractor only if a certificate of tax registration is issued by the Income Tax Department to the contractor. The certificate of tax registration certifies that the contractor has met all the requirements of the Income Tax Department. The Income Tax Department is required to provide quarterly updates to the Building Department of all uncanceled certificate of tax registration holders.

Contractors who perform work in East Cleveland are required to file a tax return with RITA. RITA is capable of monitoring existing contractors who have filed returns in the past; however, RITA cannot identify new contractors, especially when a new contractor does not register with the Income Tax Department or file a return with RITA. The amount of income tax revenue that may have been lost by the City due to contractors not filing a return cannot be determined, since the Income Tax Department does not maintain a complete list of contractors working within the City.

R4.5 The Income Tax Department and the Building Department should work together to ensure that contractors are registered with the Income Tax Department before receiving permits. To further ensure that contractors are reporting income earned in East Cleveland, the Building Department should prepare an annual listing of the dollar values of building permits issued to contractors. The Income Tax Department should note high volume contractors and inform RITA that these contractors have performed substantial work in East Cleveland in order that RITA can ensure that the contractors are correctly reporting the portion of income earned in East Cleveland.

F4.6 The City is overstating its income tax collections by recording RITA's annual retainer refund as income tax revenue. RITA assesses each of its member communities an estimated share of the annual cost of operations for its tax collection activities. The monthly amount received by the Income Tax Department is the net amount of tax collected by RITA for the previous month less a retainer fee of three percent. The Finance Department records the gross amount of tax collected by RITA as income tax revenue and the retainer fee as an expenditure in its accounting system. The difference between the income tax revenue and the retainer fee expenditure is a debit to cash.

Subsequent to year end, RITA determines each members' actual true share for the annual cost of operation by averaging the number of transactions and amount of income tax revenue for each municipality. RITA calculates the difference between the actual cost of collection for each municipality and the three percent monthly retainer fees withheld for each municipality throughout the year. Traditionally, the City and most municipalities are issued a refund. For 2000, the average collection cost percentage for all municipalities was 1.18 percent. The collection cost percentage for East Cleveland was 1.58 percent. The refund is typically issued several months after year end. Once received by the City, the Finance Department records the retainer refund as income tax revenue. **Table 4-13** illustrates the Income Tax Department's overstated tax revenues.

Table 4-13 Overstated Difference of Revenues

	1999	2000	2001
Gross Income Tax Collections	\$7,091,457	\$8,095,806	\$7,857,419
RITA Retainer Refund	\$42,932	\$30,299	\$55,428
Reported Income Tax Revenue	\$7,134,389	\$8,126,105	\$7,912,847
Actual Income Tax Revenue	\$7,091,457	\$8,095,806	\$7,857,419
Overstated Difference	\$42,932	\$30,299	\$55,428

Source: Income Tax Department, RITA

In 2001, income tax revenue was overstated by over \$55,000.

- R4.6** The City should correctly account for the retainer refund from RITA. The refund should be recorded as “miscellaneous revenue” on a cash basis since it is a refund of a prior year expenditure. Had the City received the retainer refund in the same year it was expended, the entry on a cash basis should be recorded as an expenditure reduction. For GAAP basis purposes, the Finance Department should record the refund as a reduction of expense.
- F4.7 The Income Tax Department is not reporting to RITA all income taxes collected directly by the City. Unreported collections are primarily those remitted by the City’s collection agent, JBER. Income tax collections that are received directly by the City and JBER are required to be reported to RITA in order to assure that the income tax master file maintained by RITA is updated. A specific form is required to be prepared and sent to RITA indicating the tax year, name, account number, and payment amount received directly by the City. Over the last three years, tax amounts received directly by the City and JBER materially differ from the amounts reported to RITA as shown in **Table 4-14**, which depicts the total income tax collected by the City and JBER and compares it to the amount reported to RITA.

Table 4-14: Collections not Reported to RITA

	1999	2000	2001
JBER Gross Collections	\$827,147	\$863,408	\$740,142
East Cleveland Gross Collections			
Withholding	\$1,228,190	\$1,337,969	\$1,476,925
Withholding - City of East Cleveland	\$176,909	\$187,341	\$211,781
Other Collections¹	\$271,974	\$253,011	\$258,235
Total Non-RITA Collections	\$2,504,220	\$2,641,729	\$2,687,083
Amount Reported to RITA	\$1,622,123	\$1,589,032	\$1,729,417
Amount Not Reported to RITA	\$882,097	\$1,052,697	\$957,666

Source: Income Tax Department, RITA

¹Collections represent primarily delinquencies (tax, penalty, and interest) received directly by the Income Tax Department.

Table 4-14 depicts the last three years of gross collections received by the Income Tax Department either directly from taxpayers or from JBER and the amounts reported to RITA as collected by the Income Tax Department. According to the income tax administrator, the amount not reported to RITA is mostly attributed to JBER gross collections and withholding for City of East Cleveland employees.

Beginning in 2000, RITA altered its accounting method for assessing fees to each member municipality by including all tax revenues receipted directly and indirectly by RITA as part of its calculation method that determines each municipalities' share of RITA's operating costs. Prior to 2000, RITA utilized only tax collections receipted directly by RITA. Therefore, the Income Tax Department's failure to report all income tax collections in 2000 and 2001 to RITA may have resulted in an underestimation of collection fees owed to RITA.

The Income Tax Department's inability to fully report its tax collections to RITA has affected the reporting accuracy of RITA's tax system. Outstanding delinquencies reported are significantly overstated. RITA's estimate of taxes that are outstanding as of December 31, 2001 is \$4,754,112. The amount includes both filed balances and tax estimates. JBER submits to the City a monthly detailed report for all the gross collections along with a check representing gross collections less collection fees and costs. A staff member enters the JBER monthly collection information into the CPS Tax System. The delinquent tax collection information reported by JBER to the City is not being forwarded to RITA; therefore,

updates to individual's accounts are not entered into RITA's tax system. As a result, RITA's account of East Cleveland's total delinquencies is overstated.

R4.7 The Income Tax Department should report all revenue information received directly by the City and JBER to RITA in a timely fashion. Revenues received directly by the City should be reported to RITA no later than one business day after receipt. Delinquent collections received directly by JBER and subsequently reported to the City at month end should also be reported to RITA no later than one business day after entering the monthly information into the CPS Tax System.

The Income Tax Department should perform a daily reconciliation balancing the amounts received directly by the City and the tax information recorded on the forms (required by RITA to be filled out by the City indicating collections not receipted by RITA) prior to sending the forms to RITA. The Income Tax Department should review the monthly reports prepared by RITA indicating the income tax amounts not directly received by RITA and compare and reconcile to the amounts received directly by the City.

Financial Implication: For the fiscal year 2000, RITA utilized \$6,852,297 instead of \$8,095,806 as its collections base for determining the cost allocation of \$108,194 to the City of East Cleveland. Had the Income Tax Department fully disclosed all in-house collections, RITA's cost allocation charge to the City would have been \$115,450. Therefore, the City of East Cleveland may owe RITA approximately \$7,300 for collection costs.

Technology

F4.8 The master file of all the City's tax accounts resides on a mainframe computer located at RITA's Brecksville office, running on RITA's income tax software. The City maintains a read-only direct link to the master file via one dedicated computer located within the Income Tax Department. This link assists the City in receiving the most current tax information in order for the City to properly address delinquent and non-delinquent taxpayers interacting directly with the Income Tax Department.

During 2001, the Income Tax Department purchased tax software from Computer Planning Systems (CPS) in order to replace the previous in-house system used primarily to handle delinquent account collection activity. The CPS Tax System is utilized by over 80 municipalities in Ohio and provides the Income Tax Department with the capability to categorize delinquent accounts, calculate penalties and interest, match the City's income tax accounts to the State of Ohio's income tax file to identify non-filers (see **F4.3**), and flag accounts when billing and delinquency notices are sent to ensure proper follow-up. Additionally, the CPS Tax System was purchased to provide the capability to bring all income tax collections in-house, when it was deemed possible by City management.

The in-house system lacked overall controls and ease of access to information. At the time of conversion, over 30,000 accounts were transferred to the CPS Tax System. Currently, the Income Tax Department utilizes the in-house system to review and verify historical information on an exception basis. Subsequent to the conversion, certain taxpayer information was not properly converted due to damaged files. Therefore, the in-house system is still being utilized for reference only to verify accuracy with the CPS Tax System.

The current status of all income tax accounts for the City cannot be relied on at any level of reporting. As mentioned earlier, not all tax information (delinquent tax collections) received directly by the City is entered into the RITA master file and therefore the master file cannot be relied upon for complete accuracy. The new CPS Tax System is currently used only for transactions flowing through the Income Tax Department, primarily delinquent transactions.

R4.8 The Income Tax Department should assure that RITA's tax system reflects all the tax information for the City of East Cleveland. One tax system should exist with full and complete tax information for all taxpayers of the City. To accomplish such a task, tax information that is within the City's CPS tax system and not in RITA's tax system should be transferred to RITA's tax system. The conversion of data has to be a selective process due to the fact that certain data is existing within both systems and only data that is not in RITA's tax system needs to be added. In addition, the CPS tax system should contain all of the data from the previous in-house system that was not converted in 2001. Certain data which did not convert from the in-house system into the CPS tax system should be accounted for so that all of the data in the previous in-house system is in the CPS tax system.

Since all income tax activities should be transferred to RITA (see **R4.1**), the Income Tax Department should consult with RITA in determining if RITA is capable of effectively converting the tax data. If RITA is unable to perform this task, the Income Tax Department should consider hiring a technical consultant to perform a feasibility study on the conversion of tax data from the CPS tax system to RITA's tax system. The study should include a documented conversion plan listing the major issues and the recommended course of action to resolve the major issues. The feasibility study (estimated at approximately \$10,000) should also indicate the estimated time and cost of the conversion.

Financial Implication: A feasible study conducted by a consultant could cost the City about \$10,000 in one-time expenses.

Financial Implications Summary

The following table represents a summary of estimated cost savings, revenue enhancements and implementation costs for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications

Recommendations	Estimated Cost Savings (Annual)	Estimated Revenue Enhancement (Annual)	Estimated Implementation Costs (One-time)
R4.1 Reduce 2.0 FTEs	\$68,000		
R4.1 Do not fill 2.0 FTEs vacancies	\$61,000 (Cost Avoidance)		
R4.2 Use RITA for delinquent collections	\$175,000		
R4.3 Use RITA to operate the subpoena program		\$378,000	
R4.7 Unreported amount potentially owed to RITA			\$7,300
R4.8 Contract for a technology conversion feasibility study			\$10,000
Total	\$304,000	\$378,000	\$17,300

Conclusion Statement

The collection of income taxes for the City of East Cleveland does not appear to occur in an efficient manner. This is due primarily to the Income Tax Department's complicated division of labor between itself, RITA and its collection agent, JBER. The Income Tax Department appears to be duplicating work that could be performed by RITA and that, in many cases, is already factored into RITA's charge. The collection of tax delinquencies by both the Income Tax Department and JBER also requires additional resources to be expended. In addition, because JBER charges a higher rate than RITA, the City could realize cost savings by contracting this service to RITA.

East Cleveland should contract with RITA to fully perform its income tax operations, including all collections, delinquent account management, and the establishment of a subpoena program. The Income Tax Department should then focus its resources and attention on identifying new taxpayers and ensuring that RITA effectively performs tax collection activities for the City. As a result of this shift in responsibilities, the Income Tax Department's staff should ultimately be reduced to one full-time employee, ideally the deputy tax administrator. The administrator would then be responsible for recording revenues received by RITA, identifying new taxpayers, and assisting taxpayers with tax preparation.

The Income Tax Department has not conducted a consistent subpoena program which requires non-filers to file an income tax return. Further, the number of East Cleveland resident returns filed with the State is significantly higher than individual taxpayers who file a municipal return with the City. As a result, the Income Tax Department should contract with RITA to operate the subpoena program. The establishment of a full subpoena program by RITA could provide additional income tax revenues for the City.

The Income Tax Department also has tax account accuracy concerns both with its own system, due to an incomplete conversion of files to its new system; and with RITA, due to the Department's failure to report certain collections received directly by the City to RITA. The Income Tax Department should ensure that it sends records of all collections to RITA. In addition, the Department should work with RITA to determine the feasibility of converting tax account data from its own system to RITA's system.

Community Development, Building and Housing

Introduction

East Cleveland's Community Development and Building and Housing Departments are both responsible for ensuring decent standards for living and working throughout the City. Specifically, these departments work to eliminate the slum and blight which is prevalent in the community. The Community Development Department's role is to administer federal awards for development and economic activities, offer direct services, and complete new construction and rehabilitation projects in the City. The Building and Housing Department is responsible for plan reviews, building inspections (HVAC, electrical, mechanical, plumbing), building permits, property maintenance, and zoning and building code enforcement.

As a result of the like responsibilities of these two groups, the Community Development and Building and Housing Department are organized as one department and headed by a Director of Community Development. Each department does have distinct functions and budgets, and these will be the central areas of concentration and review for this section of the performance audit.

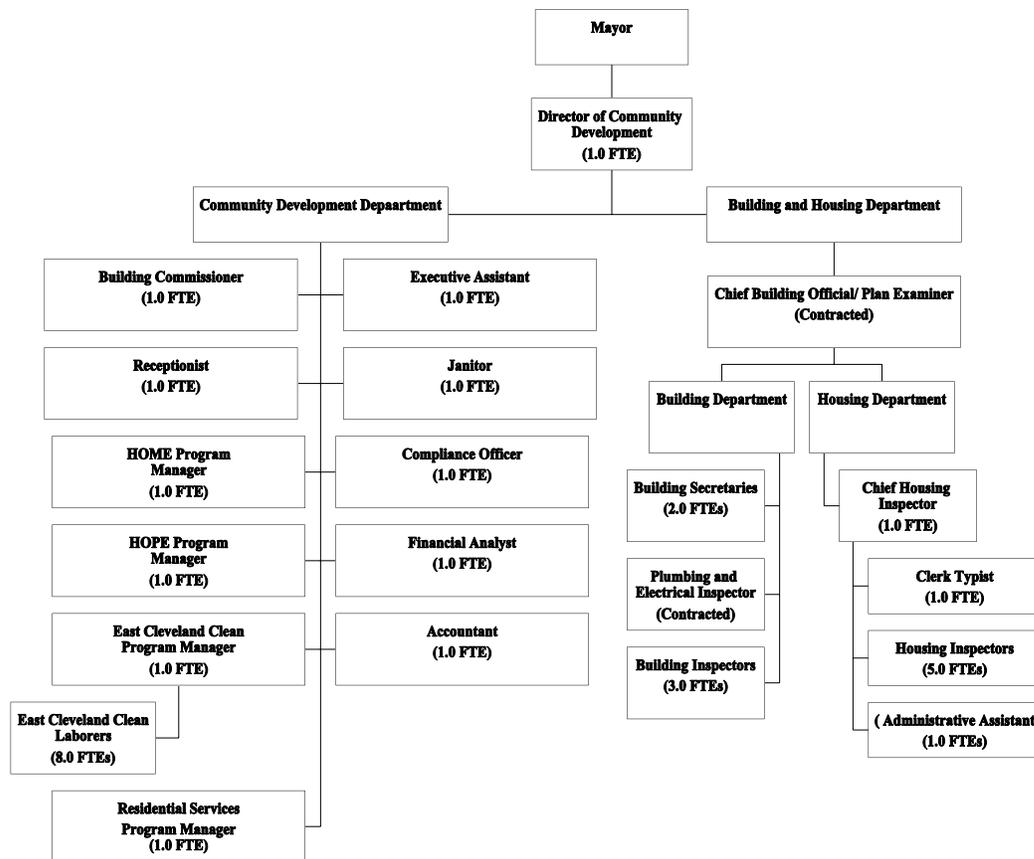
Background

The City of East Cleveland is classified as an entitlement city by the US Department of Housing and Urban Development (HUD). This classification is made based on a formula established by HUD that ranks community needs, poverty and other economic factors. Community Development Department (CDD) comparisons are made to three peer entitlement cities: the City of Warren, the City of Massillon and the City of Alliance. Building and Housing Department (BHD) comparisons are made to the peer cities of Maple Heights and Warrensville Heights.

Organizational Chart

Chart 5-1 illustrates the CDD/BHD organizational structure.

Chart 5-1: CDD/BHD Organizational Structure



Organization Function

CDD's purpose is to undertake urban renewal and redevelopment activities within the City of East Cleveland. The staff are responsible for coordinating program initiatives, recruiting program volunteers, monitoring program performance, completing financial transactions, developing performance reports and action plans required by HUD, and monitoring compliance with HUD regulations. The East Cleveland Clean program coordinator and laborers complete grass cutting, litter removal and board-ups of abandoned buildings.

BHD is responsible for monitoring construction and maintenance of commercial and residential dwellings within the City. BHD staff are responsible for conducting inspections, issuing permits, and addressing zoning issues and code enforcement. BHD also includes a housing inspection function under the supervision of the community development director. The housing inspection function monitors existing buildings to identify code enforcement issues. If issues are identified, the department will work with the owner to correct the deficiency or may, in extreme cases, pursue a legal remedy to the code violation.

Summary of Operations

Community Development Department

CDD administers annual federal award allocations for programs and projects that are used to eliminate slum and blight conditions in the City. CDD uses HUD grant awards, such as the Community Development Block Grant (CDBG), HOME and Special Purpose Grants, to develop programs and services addressing community needs. HUD grant administration is governed under the Code of Federal Regulations (CFR) Chapter 24 and Office of Management and Budget circulars. A city must be classified as an entitlement city in order to receive CDBG, HOME or Special Purpose Grant awards from HUD. To be allocated HUD awards, CDD must complete a consolidated plan every three years. The plan helps CDD identify its present housing issues and prioritize funding to address housing issues.

CDBG is the largest grant received and is used to fund public service subrecipients (15 percent of total award) such as crime prevention organizations, child care services, job training, and housing counseling. The remainder of the CDBG funds are used to fund new construction, rehabilitation, and repair projects. Some of this grant is used to offer direct services to residents, including:

- *Paint Brush Program 2000 (HUD Lead Certification):* Provides assistance to income eligible residents to remove lead-based paint from the exterior of homes and garages.
- *Snow Removal Program:* Provides assistance to senior citizens and handicapped homeowners who meet federal HUD income guidelines. Contracted workers shovel snow once accumulation exceeds three inches.

- *Grass and Flower Seed Program:* Provides free grass and vegetable seeds to low income residents, primarily for landscaping purposes.
- *Land Bank Program:* Returns non-productive lands back to tax producing status.
- *East Cleveland Clean:* Reduces slum and blight through grass cutting and board ups of abandoned buildings.

CDD also uses CDBG funds to contract for new construction, residential rehabilitation and residential repairs in the City. Furthermore, CDD uses CDBG funds for payment of administrative and overhead costs, as outlined in the HUD grant agreement.

The HOME grant is used by CDD to fund various construction activities throughout the City. The following three programs are funded through the HOME program.

- *Home Ownership Program:* Provides funding to first time home buyers in the City of East Cleveland.
- *Residential Rehabilitation Program:* Provides up to \$30,000 to low-moderate income East Cleveland residents to help them bring their residences up to code.
- *Storefront Renovation:* Provides assistance to commercial landlords and business owners in East Cleveland for exterior repairs and renovations on entire commercial strips or single storefronts.

A portion of the HOME award is allocated to LHC to acquire, rehabilitate and sell properties and to conduct home repair activities. CDD also allocates HOME funds to other contractors to complete emergency rehabilitation projects which usually consist of the installation of furnaces during the winter months and emergency roof repairs.

The Special Purpose Grant (SPG) is used to assist single mothers in becoming economically self-sufficient. SPG is used to fund a job training program provided primarily through Cuyahoga Community College.

CDD uses HUD's Integrated Disbursement and Information System (IDIS) to administer CDBG, HOME and SPG funds. IDIS is used to set up the accounts for the programs and services established in CDD's consolidated plan and to disburse funds as needed. Disbursements occur when CDBG/HOME funds are transferred from a non-interest bearing HUD account to the City account. Funds are used to pay for purchases and to make reimbursements to the City or contractors. CDD also uses IDIS to help its financial staff monitor expenditures.

Building and Housing Department

BHD is governed by standards for construction and maintenance of dwellings and commercial buildings outlined in the Ohio Basic Building Code (OBBC), National Electrical Code and the East Cleveland Codified Ordinance, chapters 1301-1340. BHD is responsible for the inspection and

permit issuance of commercial, industrial and residential property, and enforcement of the building code, which includes the following types of activities:

- Issuing structural, electrical, plumbing and heating, ventilation and air conditioning (HVAC) permits for new or remodeling work;
- Issuing licenses for electrical, plumbing and HVAC contractors to work in the City;
- Examining all new and remodeling construction plans;
- Inspecting commercial and residential construction;
- Issuing certificates of occupancy; and
- Performing electrical, plumbing and HVAC inspections, all of which are outsourced.

The City requires a permit for all new residential and commercial construction in the City. BHD issues eight different kinds of permits: building (structural), electrical, plumbing, HVAC, zoning, sanitary sewer, storm sewer and demolition. Residential inspections are performed on new home construction, additions, roof repairs, siding, garages, additions to garages, decks, porches, enclosures, windows and doors, interior remodeling, and dwelling repairs for fire damage. Commercial inspections are performed on additions, remodeling and new construction of businesses that include locations such as gas stations, retail and office buildings, government buildings, schools and hospitals.

Although all permits require inspections, the number and types of inspections required varies based on the project. Inspections are generally performed at three stages of construction: the foundation stage, the rough stage, and the finished stage. The purpose of these inspections is to ensure compliance with uniform minimum standards and requirements for the erection, construction, repair, alteration and maintenance of buildings.

BHD requires registration of contractors at an annual cost of \$100 and checks to ensure that all contractors are licensed by the State. The penalty for unlicensed or unregistered contractors or unpermitted work is triple the fee plus \$100. BHD has a \$10,000 performance bond requirement in case of low quality work or contractor damage.

BHD uses the Franklin Information Systems Building Department Software System (FIS/BDS) to record all permit, inspection and plan review information. The system is used to track all current and old inspection files and to create reports.

The housing inspection function is primarily responsible for code enforcement inspection of one, two and three family dwellings, and completing both point of sale inspections and nuisance abatements. The two standards for code enforcement that affect BHD are:

- Building Officials and Code Administrators (BOCA) National Property Maintenance Code; and
- City of East Cleveland Codified Ordinance, chapters 1341-1377 (based on OBBC and other building standards).

BHD housing inspectors inspect vacant structures for demolition or housing code enforcement, prepare inspection documentation/photos, and inspect the interior and exterior of occupied housing. Inspectors are required to issue a court summons to property owners in violation of the housing code, . In addition, they must also testify in court as needed, answer and resolve landlord/tenant disputes, and monitor demolition/rehabilitation projects.

Financial Data

Table 5-1 presents CDD's actual expenditures for FYs 1998-2000. CDD is funded through CDBG, HOME and special purpose grants and does not receive support from the City's General Fund.

Table 5-1: CDD Expenditures for FY 1998-2001

Categories	1998 Actual	1999 Actual	2000 Actual	2001 Actual
Salaries and Wages ¹	\$168,895	\$191,835	\$150,057	\$238,251
Benefits	\$61,762	\$45,812	\$27,209	\$45,795
Supplies and Equipment	\$1,424	\$1,385	\$8,182	\$6,073
Professional Services	\$7,687	\$22,492	\$25,059	\$37,043
Miscellaneous ²	\$431,858	\$554,834	\$1,037,780	\$331,243
Totals	\$671,626	\$816,358	\$1,248,287	\$658,405

Source: City of East Cleveland Finance Department.

¹Salaries and wages are for community development staff and administrative costs for its Community Housing Development Organization (CHDO)

²Miscellaneous consists of rehabilitation projects, public services and other direct services costs

Table 5-1 illustrates significant variances in the following expenditure categories:

- *Salaries and Wages:* Fluctuations in this category occurred as a result of significant turnover in the management positions over the last three years. The increase in 2001 is a result of the hiring of staff.
- *Supplies and equipment:* This category increased in FY 2000 as a result of purchases of new office equipment and cellular phone services.
- *Professional services:* This category increased as a result of the increase of residential rehabilitation services and repairs made to the community development offices.
- *Miscellaneous:* This category increased as a result of the increase in residential services including: house painting, code enforcement, land bank, emergency repairs and East Cleveland Clean.

The CDD director's explanation for cost increases did not adequately resolve the large annual cost increases or the substantial portion of funds attributed to the miscellaneous category.

Table 5-2 presents fiscal years 1998, 1999, 2000, and 2001 expenditures for the BHD.

Table 5-2: BHD Expenditures for FY 1998-2001

Categories	1998 Actual	1999 Actual	2000 Actual	2001 Actual
Building Inspection Function				
Salaries, Wages and Benefits	\$190,531	\$208,911	\$249,021	\$279,159
Contracted Services	\$49	\$14,771	\$11,188	\$43,443
Supplies	\$4,463	\$9,658	\$35,429	\$11,011
Misc.	\$1,826	\$7,102	\$13,012	\$20,066
Special Assessments	\$11,832	\$10,591	\$11,250	0
Total Building Department	\$208,701	\$251,033	\$319,900	\$353,679
Housing Inspection Function				
Salaries, Wages and Benefits	\$157,254	\$157,804	\$207,829	\$219,744
Contracted Services	\$1,443	\$1,498	\$944	\$4,532
Supplies	\$11,345	\$8,754	\$8,814	\$15,087
Misc.	\$4,243	\$4,440	\$5,124	\$17,526
Total Housing Department	\$174,285	\$172,496	\$222,711	\$256,889
BHD Total	\$382,986	\$423,529	\$542,611	\$610,568

Source: City of East Cleveland Finance Department

Table 5-2 illustrates an increase in expenditures for both sections of BHD. The increases include the following:

- *An increase in salaries, wages and benefits:* The hiring of additional housing inspection staff resulted in an increase in this line item.
- *An increase in supplies and miscellaneous:* These costs increased because of the purchase of new software and computers, other office equipment and training services.

Performance Measures

The following performance measures were used to analyze the combined operations of CDD/BHD:

- Review and evaluate the organizational structure and staffing within the CDD and BHD departments;
- Analyze administrative functions for consistency and appropriateness;
- Assess compliance with local, state and federal statutes and regulations; and
- Assess strategic planning efforts and budgeting capacity.

Several additional performance measures were used to evaluate the performance of the individual performances of CDD and BHD. These measures included:

- Examine CDD economic development program efforts;
- Assess the effectiveness of current CDD economic development practices;
- Analyze CDD grant management practices including;
 - Overall practices;
 - Subrecipient grants;
 - Contract services and service agreement;
- Evaluate BHD licensing and permitting procedures;
- Evaluate the Building and Housing Department service delivery programs to determine effectiveness and efficiency;
- Analyze BHD inspection process and code enforcement procedures; and
- Assess BHD use of technology.

Findings / Commendations / Recommendations

Staffing

F5.1 CDD staffing levels are significantly higher than the peer entitlement cities. **Table 5-3** shows staffing levels, average grant award and employees per 1,000 population.

Table 5-3: CDD Full-time Employees by Position

Positions	East Cleveland	Warren	Massillon	Alliance ²	Peer Average
Administrative Staff					
CDD/BHD Director	1.0	1.0	1.0	0.9	1.0
Economic Development Director	0.0	0.0	1.0	0.0	0.3
Fair Housing Coordinator	0.0	0.0	1.0	0.0	0.3
Grants Coordinator/Asst. Director	0.0	1.0	0.0	0.0	0.3
Program Managers	3.0	0.0	0.0	0.0	0.0
Program Coordinators	1.0	2.0	0.0	0.9	1.0
Total Administrative Staff	5.0	4.0	3.0	1.8	2.9
Financial Staff					
Financial Analyst	1.0	0.0	0.0	0.0	0.0
Accountant	1.0	0.0	0.0	0.0	0.0
Bookkeeper	0.0	1.0	0.0	0.0	0.3
Clerk	0.0	1.0	0.0	0.0	0.3
Total Financial Staff	2.0	2.0	0.0	0.0	0.6
Direct Service					
Compliance Officer	1.0	0.0	0.0	0.0	0.0
Laborers	8.0	0.0	0.0	0.0	0.0
Total Direct Service Staff	9.0	0.0	0.0	0.0	0.0
Support Staff					
Executive Assistant ¹	1.0	1.0	1.0	0.9	1.0
Receptionist	1.0	0.0	0.0	0.0	0.0
Total Support Staff	2.0	1.0	1.0	0.9	0.9
Maintenance Staff					
Janitor	1.0	0.0	0.0	0.0	0.0
Total Maintenance Staff	1.0	0.0	0.0	0.0	0.0
Total FTE Staffing Levels	19.0	7.0	4.0	2.7	4.5
Average Grant Award	\$1,700,000	\$2,220,000	\$1,130,000	\$1,080,000	\$1,400,000
Total Population (2000)	27,217	46,842	31,325	23,253	33,806
Staff per 1,000 Residents	0.70	0.15	0.13	0.12	.13

Source: City of East Cleveland CDD, peer entitlement cities, and 2000 census data.

Note: FTEs are calculated based on a 40 hour week.

¹ Executive assistant and secretary are used interchangeably

² The City of Alliance works a 35 hour week. FTEs were converted to reflect a 40 hour week.

Table 5-3 shows that CDD's FTE staffing levels are approximately four times larger than the peer average. The greatest discrepancy in staffing levels occurs in the program manager/coordinator area, where CDD maintains staffing levels at four times the peer average. Massillon and Alliance have one staff position devoted to administering each of the CDBG and HOME programs while Warren has a one staff member administering both programs. CDD has administrative staffing levels that are 72 percent higher than the peer entitlement cities.

Furthermore, CDD allocates resources for a position that is not found in peer entitlement cities. The janitor provides janitorial services, building maintenance, landscaping and other activities at the CDD building. These services are also offered by the Service Department. Thus, CDD expends \$21,632 of CDBG funds in salaries and benefits for an unnecessary service.

In addition, CDD has a support staff (receptionist) position that is not found in peer CDD departments, which may represent an overstaffing of 1.0 FTE. The department's secretary often answers the phones and greets customers, which represents a duplication of the functions performed by the receptionist. Thus, the secretary could easily take over these functions upon the elimination of the receptionist position. There is also a potential duplication of services associated with the East Cleveland Clean Program (see **F5.2**, **R5.2**) which could indicate an inefficient allocation of resources.

An efficient and well-coordinated allocation of employees across the organization is a particularly important issue for CDD, as personnel costs are the primary operational cost charged to CDBG and HOME grants. These personnel costs draw valuable resources away from the grant's primary purpose of reducing slum and blight in the City and increasing economic growth.

R5.1 CDD should reduce staffing through the elimination of the following positions:

- **Reduce one CDBG program manager.** CDD should employ one program manager to coordinate both the CDBG and HOME programs. The program manager should possess a background in administering grant funded programs, an understanding of HUD guidelines and the ability to manage multiple projects.
- **Eliminate the custodial position.** CDD should use the Service Department to provide janitorial, building maintenance and landscaping services.
- **Eliminate the receptionist position.** CDD should combine the receptionist and executive assistant functions.

The elimination of these positions will result in staffing levels that are better aligned with the peer cities. More importantly, the staffing reductions will result in a reallocation of grant resources to direct services for City residents which would result in increased service levels.

Financial Implication: The elimination of the program manager, janitor and receptionist positions would result in an annual cost savings of approximately \$102,700 in salaries and benefits.

- F5.2 The East Cleveland Clean Program is used to reduce slum and blight within the City limits. The program costs CDD \$248,700 annually in salary and benefits for one manager and eight laborer positions. The services offered by East Cleveland Clean appear to duplicate those offered by the Service Department. The CDD director indicated that the East Cleveland Clean Program is used to supplement the Service Department.

The East Cleveland Clean Program has been funded on an annual basis by HUD, but it has not been included in any of the consolidated plans reported to HUD. When projects are operated that are not included in the consolidated plan, there is a potential that HUD may not allow grant funds to be used. Funds could be misappropriated for projects that do not address low income resident needs. Therefore, the East Cleveland Clean Program could impact the City's General Fund.

Also, the East Cleveland Clean Program staffing levels appear to be significantly higher than required based on the population served (see **Table 5-3**). The staff is paid out of the CDBG grant to cut grass, pick up litter and complete board-ups of abandoned homes, which are tasks that are also performed by the Service Department. The East Cleveland Clean Program also does not have adequate equipment to supply its current staff and may not be able to sufficiently maintain the equipment that has been purchased for the program.

- R5.2** CDD should reorganize the East Cleveland Clean Program to reduce administrative and operating costs and redirect funds toward program objectives. CDD should shift a portion of the funds to the Service Department, since they already provide similar services and potentially have under-utilized human resources that can be allocated to this task (see **service department** section of this report). CDD should permit the Service Department to charge its costs back to the CDBG grant.

By reorganizing this project, CDD could also reduce 8.0 FTE labor positions and a 0.5 FTE program manager. The reduction in program staff will result in a cost savings to the CDBG grant, but will be partially offset by reimbursing the service department for services provided to meet the goals and objectives of the CDBG program.

Financial Implication: The potential elimination of 8.0 laborer positions and 0.5 program manager positions would result in an annual a cost savings to the CDBG grant of approximately \$272,000 in salaries and benefits. The reimbursable cost to the Service Department cannot be quantified at this time.

F5.3 BHD has staffing levels that appear to be disproportionately high when compared to the peer average. **Table 5-4** shows staffing levels in BHD and the peer departments.

Table 5-4: BHD Full-time Employees by Position

Position	East Cleveland	Maple Heights	Warrensville Heights	Peer Average
CBO	N/A ¹	0.0 ²	1.0	0.5
Building Commissioner	1.0	1.0	1.0	1.0
Administrative Secretary	2.0	3.0	2.0	2.5
Chief Housing	1.0	0.0	1.0	0.5
Housing Secretary	1.0	0.0	0.0	0.0
Clerk Typist	1.0	0.0	0.0	0.0
Total Administrative Staff	6.0	4.0	5.0	5.0
Plans Examiner	N/A ¹	0.0 ¹	1.0	0.5
Electrical/ Building Inspector	N/A ¹	1.0	0.5	0.8
Plumbing/Building Inspector	N/A ¹	1.0	0.5	0.8
Building Inspector	3.0	0.0	0.0	0.0
Housing inspectors/Code enforcers	5.0	6.0	1.0 ³	3.5
Total Inspection Staff	8.0	8.0	3.0	5.6
Total Staffing Levels	14.0	12.0	8.0	10.0
Total Parcels (FY 2000)³	6,503	11,013	4,697	7,855
Parcels Per Inspection Staff	813	1,377	1,566	1,252

Source: Cuyahoga County Auditor's Office and organizational charts from the City of East Cleveland and peer building and housing departments

¹The CBO, plan examiner's, electrical/building inspector's, and plumbing inspector's duties are performed by contracted staff.

²In Maple Heights, the CBO and Building Commissioner are combined into one position.

³Warrensville Heights has two budgeted housing inspector positions, but one is currently vacant.

⁴Total parcels consists of residential, commercial, and industrial lots for FY 2000.

Compared to peer building and housing departments, BHD has an excess of FTEs in its:

- Administrative and inspection staff functions. In the administrative function, BHD has an additional position in the contracted CBO since BHD's building commissioner does not have the required state certification to complete CBO functions (see **F5.4**). Maple Heights, however, does not have separate CBO and building commissioner positions.
- Clerk typist position. The clerk typist position is devoted to entering housing inspection data, developing notices of violations and other needed paperwork. However, once the housing inspection staff begins using the inspection software (see **R5.44**), the amount of paperwork associated with the housing inspection process should decrease. As a result, the need for a clerk-typist position should be eliminated.
- Inspection functions. Inspection staffing levels are 40 percent higher than the peer average and several aspects of inspections are contracted out. BHD's parcels per

inspection statistic is only 57 percent of the peer average. Additionally, building inspectors completed 50 percent fewer inspections than the peers (see workload percentages found in **F5.38** and **F5.41**).

Most inspectors within BHD do not have state certification in building, plumbing, or electrical inspection. If BHD employees obtained the appropriate certification and used limited cross training, three housing inspector positions could potentially be eliminated.

R5.3 BHD should reduce staffing to levels commensurate with the peer average. Staffing reductions could be targeted to reduce three housing inspection positions and the clerk typist position. No additional staff should be added to the department.

Financial Implication: The reduction of three housing inspectors and one clerk typist will result in an estimated annual cost savings of \$101,000 in salaries and benefits.

F5.4 BHD employs inspection staff who are not certified to carry out their inspection duties. BHD uses contractors to complete plan review, electrical inspections, plumbing inspections and all other OBBC required activities. Only one building inspector has interim state certification to complete building inspections. The use of both building inspectors and housing inspectors to perform the same tasks is an inefficient use of resources and has resulted in increased administrative costs.

Table 5-5 illustrates that BHD’s contractor costs are nearly three times those of Maple Heights.

Table 5-5: Contractor Usage Comparison for FY 2000

Category	East Cleveland	Maple Heights
Contracted Staff	2	3
Estimated Cost	\$19,600	\$6,200
Projects Reviewed	49	44
Cost Per Review	\$400	\$141

Source: OBBS annual reports and Maple Heights Department

Note: Warrensville Heights is not included in this analysis, since they have an architect on staff to complete all plan reviews.

The high contractor cost coupled with the overstaffing and lack of certification for permanent employees, creates a high degree of inefficiency within BHD.

R5.4 East Cleveland should modify its current job requirements and classifications for the building inspection staff (see **Table 5-6**). The building commissioner, CBO, and plan examiner positions should be combined, which will require the current building commissioner to become state certified. The combination of the CBO, building commissioner and plan examiner functions will eliminate approximately \$20,000 in

contracted services costs. Furthermore, the inspection staff should become cross-certified in various types of inspection. Building inspectors should be cross-certified in both building inspection and electrical inspection. Code enforcement inspectors should become state certified in building inspection.

Table 5-6: Certification Requirements and Recommendations for Inspection Staff

Position	Current Certification	Recommended Position	Required Certification
Building Commissioner	<ul style="list-style-type: none"> No certification required 	Chief Building Official/ Plans Examiner	<ul style="list-style-type: none"> Class I CBO certification as required by ORC § 3781 Valid Ohio driver’s licence Class II state certification Ohio Certificate of Registration as Professional Engineer or Architect Minimum five years experience in design and construction of buildings
Certified Building Inspector	<ul style="list-style-type: none"> Ohio Class III Building Inspector certification State of Ohio drivers’ licence 	Building/Electrical Inspector	<ul style="list-style-type: none"> State Board of Building Standards Certificate of Competency for electrical safety inspector and Building Inspector Class III certification Minimum three years as skilled tradesman for work subject Valid Ohio drivers’ license
Code enforcement Inspectors	<ul style="list-style-type: none"> No certification requirements 	Certified Building Inspectors	<ul style="list-style-type: none"> Ohio Class III Building Inspector certification Valid Ohio drivers’ licence

Source: Ohio Basic Building Code and City of East Cleveland

Inspection staff should be enrolled in OBBC training classes. Cleveland State University’s Continuing Education program offers a twelve-session OBBC regulations interpretation course for a cost of \$329 per person. Additionally, BHD should pay the one time OBBC test fee for staff who have successfully completed the training course. The standard building inspection test consists of three modules, which may be taken separately at a cost of \$96 each or combined (all three modules) for a cost of \$240.

Multiple inspection certifications will ensure that BHD is maximizing the use of existing employees and that costs are not inflated through redundancy, contracting out or overstaffing. Furthermore, multiple certifications will enhance the overall and individual credentials in BHD and provide a higher level of assurance in code compliance. As new inspectors are hired, BHD should seek out individuals that hold multiple certifications to increase the flexibility and cost effectiveness of BHD and reduce the number of trips by various inspectors to job sites to accomplish required inspections.

Financial Implication: The Continuing Education course offered by Cleveland State University will cost the building and housing department \$2,000 to provide training to the building commissioner, building inspectors and three housing inspectors (based on staffing cuts found in **R5.3**). Additionally, a one time test fee will cost the building department

\$1,400 if the three modules are taken at one time. The combination of the CBO, building commissioner and plan examiner functions will eliminate approximately \$20,000 in contracted services costs.

F5.5 BHD is not organized efficiently. Prior to September 2001, BHD operated as two completely separate departments. During the process of this performance audit, the building and housing departments were consolidated into a single organizational unit. The consolidation results in the creation of three subsections:

- *Code Enforcement*: This division is made up of one chief housing inspector and two housing inspectors and is responsible for the housing court and reinspections.
- *OBBC*: This division is made up of three building inspectors and is responsible for completing inspections of construction projects and inspections of OBBC buildings.
- *Housing Inspection*: This division is made up of four housing inspectors and is responsible for completing inspections of 1, 2 and 3 family homes.

The peer cities use a centralized permit and inspection bureau, which issues all permits, and coordinates zoning, permit and inspection processes. In these cities, housing inspectors complete property maintenance, dwelling, exterior nuisance abatement, and code enforcement inspections. Building inspectors complete OBBC required inspections for permits and occupancy applications. Because East Cleveland building inspectors do not possess the proper building, plumbing, mechanical or electrical inspection certification to complete OBBC required inspections, they generally perform the same tasks as East Cleveland housing inspectors.

Although the consolidation represents a more efficient organization of BHD, the consolidation did not result in a reduction in FTE staffing levels. Furthermore, the proposed consolidation was not communicated to staff prior to the change and new job classifications and descriptions were not developed to reflect the changes in each inspector's responsibilities. Lastly, BHD did not develop a training plan to assist staff in meeting new expectations. As a result of the deficiencies in the consolidation process, employees have not supported the consolidation and have expressed confusion concerning their job functions. More importantly, the consolidation did not take into account the union agreement between the City and AFSCME, resulting in violations to the union agreement.

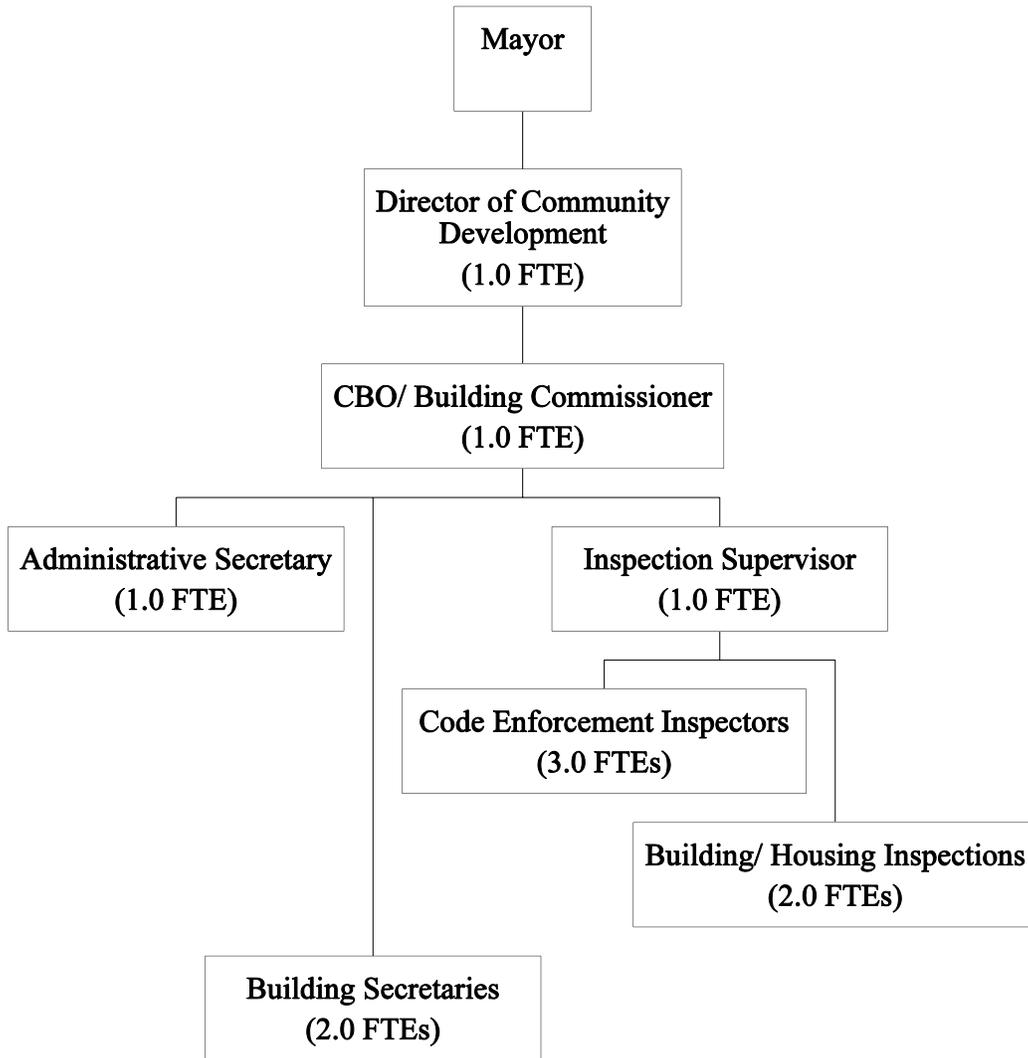
R5.5 To further increase efficiency and decrease costs, BHD should be reorganized as shown in **Chart 5-2**. BHD should reclassify departmental positions to appropriately reflect the requirements of the new organizational structure. An updated consolidation plan and any job classification changes should be provided to the City and the union for approval. Also, BHD should develop a training plan based on the consolidation to assist staff in completing

their new responsibilities in accordance with the reclassification outlined in **R5.4**. BHD should work with the Human Resources Department to ensure that the job analysis and evaluation processes are completed properly.

Examples of how combined staff could be used are also outlined in **R5.3**. The major component of the reorganization includes the elimination of three housing inspection positions, the clerk typist position and the elimination of contracted services. Reducing staffing levels would create a greater level of efficiency within the department and save the City \$101,000 in salaries and benefits. Additional savings would be created through the elimination of contracted services.

Furthermore, fully using building and housing inspectors will allow the City to monitor contractors for registrations, permits, and certificates of occupancy, which may lead to an increase in revenue for the department. One of the building inspectors should be reclassified as the inspection supervisor, whose responsibilities would include ensuring that inspections are completed in a timely manner, data is entered, and notices of violations are issued, as well as conducting building inspections.

Chart 5-2: Proposed Reorganization



F5.6 CDD has had significant turnover among directors because of poor selection procedures, unqualified candidates and frequent termination for nonperformance. Stability is needed in the director position to provide oversight for CDD programs and initiatives. Such stability of leadership and oversight is crucial for the success of the program. Management is responsible for:

- Championing long-term planning, which is needed to provide the vision, mission and goals for the organization;
- Ensuring compliance with regulations;
- Promoting accountability;
- Providing leadership and oversight; and
- Promoting efficiency and effectiveness in the administration of programs and services.

A competent community development director should possess the following qualifications:

- Experience in either community or economic development;
- Effective managerial and interpersonal skills;
- Experience in managing human resources, finances, and policies and procedures; and
- Ability to network with stakeholders to increase funding, job growth and development opportunities.

Inconsistent leadership has led to limited planning and high turnover within other CDD management positions. Furthermore, planning efforts, development projects, and program creation has not been effectively managed and productivity and efficiency have been reduced.

R5.6 The City should ensure that the candidate selected to fill the director's position is fully qualified to manage CDD and meet local and federal expectations. The City should also ensure that there is more stability within management positions by developing a detailed hiring policy. Also, when a qualified candidate is selected, city management should allow the individual to demonstrate an ability to operate the department within in a year. The director and the mayor should outline the goals for the first year, and based upon the achievement of the first year's goals, the director and mayor should plan additional annual goals to direct the department (see **F5.14**).

Stability within CDD would lead to more comprehensive and effective long- and short-term planning. Also, consistent expectations could be established for CDD and program initiatives could be planned, monitored and evaluated to determine whether or not they are successful. Morale among employees may also improve since clear and consistent lines of authority and supervision could be established.

Administration

F5.7 CDD/BHD does not have a departmental policies and procedures manual. The purpose of such a manual is to establish a uniform decision-making process and to routinize daily operations. Also, access to a policies and procedures manual is important to ensure continuity and consistent application of agency regulations. Clarity in departmental policies reduces the chance of misunderstandings. A manual also helps to preserve institutional memory when high turnover rates are prevalent. In addition, documented and enforced policies and procedures increase the level of accountability throughout the department and decrease inefficiencies. The absence of a policy and procedures manual for CDD has led to inconsistent management of grant funds and programs and numerous violations of city, state and federal regulations and requirements. BHD does not have a comprehensive policies and procedure manual on issues such as the inspection process, building inspection activities, paperwork, filing, staffing and the use of office supplies.

The purpose of a policies and procedures manual is to ensure that the decision-making process is uniform within a department and that daily operations are routinized. A manual provides staff members with a handy reference tool. Formalized policies and procedures are important in increasing consistency in the application of agency regulations. The absence of a policy manual can result in inconsistencies in the decision making process for staff and leadership.

R5.7 CDD/BHD should develop a departmental policies and procedures manual, as well as a process for regularly reviewing and updating the manual. Key policy and procedural areas which should be included are:

- Staff training and orientation (see **F5.11**);
- Functional area policies and procedures;
- Quality assurance;
- Public relations;
- Relationships with stakeholders
- Time allocation policies (see **F5.12**);
- Performance evaluations (see **F5.10**);
- Employment and pay procedures: This section should refer directly to the city policy and include any departmental nuances, as well as policies for hiring, employee benefits, salaries and wages, types of employment, working hours and conditions (office hours, overtime/compensatory pay), termination and grievance procedures, and sexual harassment policies;
- Conflict of interest (see **F5.8**); and
- General office practices
 - ▶ This section should address major areas of CDD operations that are funded through CDBG funds and should include:

- ✓ Guidelines governing travel. These must be based on both HUD regulations and city ordinances;
 - ✓ Controls on the personal use of office phones or procedures limiting long distance calls;
 - ✓ Guidelines for the use and care of office equipment;
 - ✓ Guidelines for the use of cell phones and vehicles; and
 - ✓ Penalties and procedures detailing what will happen if employee abuse occurs.
- ▶ This section should also address major areas of BHD operations including:
- ✓ Permitting;
 - ✓ Contractor registration;
 - ✓ Plan review and zoning review processes;
 - ✓ Code enforcement; and
 - ✓ OBBC updates.

CDD/BHD should ensure that the policies and procedures manual is distributed to all employees. Employees should acknowledge receipt and understanding of the policies and procedures manual through a signed statement that should be maintained in the employee's personnel file. The policies and procedures manual should be developed in electronic format to reduce reliance on paper manuals and facilitate frequent updates. A single hard copy should be retained for reference. Lastly, the manual should be reviewed on an annual basis and updated as needed.

F5.8 During this performance audit, several violations of the Ohio Ethics Law and City ethics rules were identified within CDD. These issues include:

- **Nepotism:** The director hired and managed five relatives. Neither the City nor department have a clearly defined conflict of interest policy to prevent instances of nepotism.
- **Competitive bidding violations:** CDD does not comply with competitive bidding procedures. Bidding documentation was not found in several files. (See **F5.29**)
- **Conflict of interest in contracting for services:** CDD has established several contracts with organizations managed by individuals who have a familial relation to the director.
- **Undocumented use of city equipment:** From May to September 2001, CDD paid a total of \$3,400 for cellular service for three inspection employees. A review of the cellular bills found that calls had been placed during non-work hours and several calls were out-of-state. Additionally, CDD has paid \$415 for gas charges made in August 2001. A review of the gas charges found that charges were made several times a week in some cases. The frequency and amount of charges made suggest that employee abuse of City vehicles may be occurring. Potential misuse of City equipment occurs because CDD has not monitored the use of its City equipment.

These violations are identified as unallowed activities under federal, state, and local law:

- **City of East Cleveland - personnel manual (conflict of interest):** Employees are prohibited by City charter from having direct or indirect interest in any contract, job, work or service with or for the City; in the profits or benefits of such; or in the expenditure of any City money.
- **OMB Circular A - 110.42: Codes of Conduct. (Conflict of interest and contracting):** The recipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by federal funds if a real or apparent conflict of interest would be involved.
- **City of East Cleveland - purchasing policy (Competitive Bidding) (see F5.29)**
- **City of East Cleveland -** No employee shall use City Equipment without the written approval of the mayor.
- **HUD Guidelines and OMB Circular 87 (equipment utilization):** Equipment should be used in the program which acquired it. A physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records. An appropriate control system shall be used to safeguard equipment.

In cases where a conflict of interest occurs, accountability is significantly reduced. Also, non-related staff members perceive that performance issues are handled inconsistently or based on favoritism, and as a result, employee morale is very low. This reduction in employee morale can lead to decreases in productivity and efficiency, increased absenteeism, and higher turnover within a department.

Bidding violations and undocumented uses of city equipment have resulted in inappropriate uses of grant funds which could have been used to fund direct services to residents. These instances of misuse of government funds waste scarce resources and squander funding earmarked for critical programs.

R5.8 CDD should immediately realign departmental practices to adhere to federal, state and city regulations. The following policies should be implemented:

Conflict of Interest Policy: The policy should be based on both HUD regulations and city policies and contain specific criteria that outline what constitutes a conflict of interest, the disciplinary actions to be applied for violations of such standards by officers, employees or

agents of the recipient, the process for reporting and addressing the issue in departments, and who is responsible for enforcing the policy.

Use of Equipment: This policy should be written in accordance with existing city equipment policies and include an explanation of the purpose of office equipment, the daily storage location for the equipment and the consequences for misuse.

Competitive Bidding: CDD should adhere to all HUD, state and city purchasing policies, ensure that projects are appropriately bid and monitored, and ensure that funds are encumbered and allocated in an appropriate manner. (See **F5.29**)

These policies should be given to staff, who should be instructed to read and sign a statement acknowledging receipt and understanding of the policies. The signed copies should be forwarded to the Human Resources Department to be placed in the employees' personnel files. CDD should work with the Human Resources Department to ensure that all city, state and federal policies are enforced.

F5.9 CDD/BHD does not have up-to-date job descriptions. The job descriptions were last updated in 1994. A job description is a written statement which describes the main objectives of a job, its essential and non-essential functions, job qualifications and other information. Thomas Wolf in his book, *Managing Nonprofit Organizations*, suggests that the creation of job descriptions for all positions is an immediate and important task that should be completed by a director. Further, job descriptions should be up-to-date and communicate management's expectations and performance requirements to staff. Effective job descriptions contain the following:

- Job title and required qualifications;
- Reporting and supervisory responsibilities;
- Required knowledge and skills;
- Expectations of the position; and
- Required equipment operating licences and certifications.

The City's human resource policies and union agreements require departments to develop job descriptions that are reflective of new job requirements, responsibilities and classifications. The lack of clear and updated job descriptions has resulted in uncertainty of job functions and an inability to develop an evaluation tool for CDD and BHD.

R5.9 CDD/BHD should immediately review and update all job descriptions in conjunction with Human Resources. In the future, job description should be reviewed annually and updated as job functions change. The job descriptions should follow a consistent format and coincide with the criteria in performance evaluations (see **R5.10**).

Employees should be included in the job description development process to ensure that job duties are reflective of work responsibilities. CDD/BHD employees should complete a job analysis to highlight key functions and duties of jobs performed. The job descriptions should be developed and submitted to the Human Resource Department to ensure that the language is consistent with union contract provisions. Up-to-date job descriptions would lead to a greater understanding of job functions and responsibilities and could be used to assess employee performance and productivity.

- F5.10 CDD/BHD has not completed performance evaluations for any of its employees since FY 1998. Several new employees have not undergone probationary evaluations. The City's Personnel Rules and Regulations Manual requires all probationary employees to be evaluated during the fifth month of the probation period and all regular employees to be evaluated annually. The absence of a regular evaluation process has made it difficult for managers and employees to assess their level of performance and identify future training needs. Furthermore, without regularly assessing performance, routine tasks may be performed in an inefficient or substandard manner.

R5.10 CDD/BHD should develop and implement an evaluation process in accordance with the City's Personnel Rules and Regulations. To develop the evaluation process, CDD/BHD should develop employee job descriptions that provide all staff with concrete job expectations (see **F5.9**). Next, CDD/BHD should use the job descriptions to develop the criteria and expectations that will be assessed during the performance evaluation. Once the evaluation form has been developed and reviewed by the City's Human Resources Department, the CDD director should complete all evaluations in accordance with City policy.

CDD/BHD should structure its evaluation process to reflect the department's mission, goals and objectives. Through the evaluation process, employees should be informed of strengths, weaknesses and progress in improving performance. Evaluations can also be used to strengthen work relationships and improve communication between supervisors and staff, develop employee skills and recognize accomplishments and good work. Evaluation tools should be used to help supervisors determine whether staff are meeting the expectations outlined in the department. Furthermore, these tools can be used for decisions related to bonuses, termination, and continued training emphasis. CDD/BHD can also use the performance evaluation process to identify and address its training and certification needs.

Probationary evaluations should occur at the 90 day mark in addition to the required 150 day mark to ensure that new employees understand and are meeting the responsibilities outlined in the job description. Permanent employees should be evaluated at least annually. The information that is gained through the evaluation process should be used to guide career development, organizational planning and retention efforts.

F5.11 CDD does not have a formal training plan in place to ensure that employees are consistently trained in HUD guidelines, purchasing and contract policies, IDIS and other essential topics. HUD requires that grantees ensure that staff understand and comply with HUD regulations. The absence of a formal training program within CDD has contributed to poor adherence to purchasing and contracting policies (see F5.29) improper use of IDIS (see F5.32), the allocation of grant funds for ineligible activities (see F5.29) and other management problems. The creation of a training plan has been further delayed because of high turnover in staff and management positions.

Likewise, BHD does not currently have a training plan in place to ensure that inspection staff are receiving the required training. BHD allocated and spent \$9,000 for training expenses for housing inspection certification and lead abatement in 2001, which illustrated a commitment toward providing training to its staff. However, a formal plan has not been developed which outlines future training requirements for each employee.

Training provides an opportunity for professionals to share common problems, new solutions to education, new issues facing their industry and general methods of conducting business. A training plan assists departments in determining their future training needs and helps to ensure that the financial resources are allocated in an appropriate manner.

As highlighted in R5.4, several certification requirements exist, which should be incorporated into a training plan. Without a training plan, wise allocation of training resources may not occur.

R5.11 CDD/BHD should develop descriptive training plans which outline the department's training objectives for the next fiscal year. CDD should work with its HUD program manager to develop a training plan which encompasses all pertinent training offered by HUD. Further, CDD should work with the City Finance Department to develop training courses in the areas of purchasing, contracting and financial operations. BHD's training plan should include an emphasis on OBBC, lead abatement, software usage, housing code and property maintenance.

Training courses are also available through the Cleveland State University's Urban Center and other private training firms which offer training in the areas of economic development, organizational capacity, public and nonprofit organization strategic planning, staff development, goal setting, policies and procedures, conducting performance evaluations, computer training and finance and accounting skills for non-financial staff. Similarly, building and housing inspection courses are widely available.

The CDD/BHD plan should include all the required certifications to satisfy the new reorganization goals and objectives. The plan should be communicated to the staff and updated along with the budget on an annual basis. The formulation of this plan should be

included in the long-range strategic planning process to ensure that it is in-line with the goals and objectives established for the department.

F5.12 CDD does not adequately document time spent on federal award programs and non-federal award activities to ensure that employees are allocating their time in an appropriate manner. CDD is required by HUD to maintain time allocation sheets that document the time spent on grant-funded and non grant-funded activities. HUD regulations require employees who work on multiple activities or cost objectives to submit personnel activity reports or equivalent documentation to support time cards. The lack of proper documentation of employee time can result in the following:

- Opportunity for fraud and questions of the validity of administrative costs that were charged to various grants;
- Mis-allocation of federal awards for non-grant activities;
- Overuse of the General Fund to subsidize for grant activities; and
- Reduction in the percentage of funds available to meet community needs.

Financial audits completed by the Auditor of State, dating from FY 1998 to FY 2000, revealed that time allocations were not being properly monitored or recorded. The audits contain recommendations to implement time allocation monitoring within CDD. Since time allocation sheets have not been completed on a consistent basis, several instances of commingling of funds may have occurred as employees work on both CDBG and HOME activities while being paid from the City's General Fund.

R5.12 Time allocations sheets should be completed each pay period and be readily accessible by management and staff. These sheets should be submitted with each payment request to the payroll department and a spreadsheet should be maintained with an ongoing record of time allocation for CDD staff. To further ensure that salaries are properly charged to the CDBG/HOME grants, time allocation sheets should be sufficiently detailed and offer the following information:

- Descriptions of tasks performed during the day;
- Hours spent on each activity; and
- Summation of activities and hours for each grant.

F5.13 CDD/BHD has not developed benchmarks or performance measures to assess its operational performance. Performance measurement is a management tool that the measures work performed and the results achieved, while helping management to plan, budget, and structure the programs to effectively control results. Performance measurement helps to ensure a continuous provision of efficient and effective services and offers the following benefits for local government:

- Strengthens accountability;
- Enhances decision-making;
- Improves customer services;
- Enables governments to determine effective resource use; and
- Supports strategic planning and goal-setting.

According to Government Financial Officers Association (GFOA), a successful performance measurement system possesses three important characteristics. First, performance measures should be based on program goals and objectives that tie to a statement of program mission and purpose. Second, they should measure program results or accomplishments and provide for comparisons over time. When attempting to measure both efficiency and effectiveness, performance measures should be reliable, verifiable, and understandable. Finally, they require monitoring and should be used in decision-making processes.

The types of performance measures most commonly used in government include:

- **Inputs:** Resources used (what is needed);
- **Outputs:** Activities completed (what is produced);
- **Outcomes:** Results achieved;
- **Efficiency:** How well resources were used; and
- **Quality:** Effectiveness (how much has CDD improved).

Each measure is designed to answer a different question. It is not always necessary to use all the measures to determine if an objective is being achieved. However, without a performance measurement system, CDD/BHD is unable to identify its performance level or improve service delivery.

R5.13 CDD/BHD should develop a methodology to obtain and analyze the results of internal and external performance. The performance measures should be aligned with the department's strategic objectives to effectively evaluate performance. The implementation of a performance measurement system is an evolutionary process in which measures will likely improve with experience. Initially, the department should focus on common indicators. The use and reporting of performance measures will increase efficiency and should better inform key stakeholders of departmental performance.

Examples of issues that should be measured include:

- Staff time used per program (Input);
- Number of CDBG and HOME applications processed by program managers (Input);
- Number of rehabilitations and repairs completed (Output);
- Population served (Output);
- Number of subrecipient grants awarded (Output);

- Number of paint jobs completed (Output);
- Number students graduating from training programs (Output);
- Wait time for rehabilitation or repair (Outcome);
- Increase in the number of services available through subrecipient awards (Outcome); and
- Percentage increase in customer satisfaction levels (Quality).

Examples of issues that BHD should consider measuring include:

- Staff time used by type of inspection (Input);
- Permit applications processed by permit specialist (Input);
- Time required to complete inspections (Efficiency);
- Number of multiple inspections completed in one visit (Efficiency);
- Number of violations investigated (Output);
- Number of conditional certificates of occupancy issued (Output);
- Wait time for permits and inspections (Outcome);
- Increase in the number of services available through one location (Outcome); and
- Percentage increase in customer satisfaction levels (Quality).

Measurement results should be publicized within the CDD's CDBG services packet. In measuring and reporting progress towards identifiable outcomes, CDD/BHD will become more accountable to taxpayers by providing a high level of service in an efficient and effective manner.

Strategic Planning and Budgeting

F5.14 CDD/BHD has not engaged in long-range strategic planning. Strategic planning is an important component of sound management practices and is necessary to coordinate agency funds with proposed programs. Generally, a five-year strategic plan is recognized as a standard time horizon for long-term planning. A five-year plan has a sufficiently long outlook to show the general direction of an agency and the outcomes of its initiatives while maintaining sufficient flexibility to address unforeseen circumstances. A strategic plan should:

- Establish the overall mission, vision, goals, objectives and strategies of the organization;
- Provide an ongoing framework for action upon which decisions can be made about what is being preformed;
- Create an understanding regarding the intent of the program and how its actions are moving the program toward its desired outcomes;
- Provide a basis for the allocation of tasks, which includes the roles and responsibilities of each party;

- Assess current and past programming successes in order to inform the necessary parties;
- Identify resources required to achieve the desired outcomes;
- Improve performance through monitoring and eliminating activities that are not contributing to the desired outcomes; and
- Increase accountability for stakeholders and management.

By creating a strategic plan, an organization can develop a coordinated and systematic process that charts the direction of its future efforts, while ensuring that the public is aware of these efforts. The purpose of this process is to ensure that the direction of the organization is well thought out, appropriate, and that federal awards are properly used. Because CDD/BHD does not have a strategic plan, program efforts are less coordinated and may take place on an ad hoc or emergency basis.

CDD and City management are currently developing a Master Plan with the assistance of the Cuyahoga County Planning Commission to address economic development issues. The purpose of the Master Plan is to document changes occurring within the city and to devise an overall plan for addressing identified housing and land related issues. Upon the completion of the Master Plan, the CDD director has the responsibility for developing a five-year strategic plan that will outline the goals and objectives for addressing the development issues highlighted in the Master Plan. Although this may address most CDD planning issues, additional goals and objectives will need to be included to adequately plan future activities for BHD.

R5.14 CDD/BHD should place a high priority on completing a strategic plan that incorporates appropriate portions of the Master Plan. A successful strategic plan should encompass several years of planning and be updated annually to reflect accomplishments and changes in priorities. The plan should also include objectives, definitions of desired outcomes and realistic time lines for implementation.

To ensure that the planning process is completed within the first year after the release of this audit, CDD/BHD should hire an expert in the field of strategic planning. This expert should ensure that the strategic planning process is moving forward and that all relevant parties are involved in this effort. However, if CDD/BHD decides to develop its own plan, best practices in strategic planning as outlined in **F5.14**, should be reflected. Stakeholders should be included in all aspects of plan development and the plan should be updated annually to reflect accomplishments and changes in priorities.

F5.15 BHD does not effectively estimate its annual budget. **Table 5-7** shows annual appropriations and estimated revenue compared to the actual expenditures.

Table 5-7: Budgeted and Actual Expenditures, FY 1998 to 2000

Year	Expenditures				Revenues			
	Budget	Actual	Variance	Percent	Estimated	Actual	Variance	Percent
FY 1998	\$411,117	\$382,986	\$28,100	7.3%	\$384,000	\$301,574	(\$82,426)	(27.3%)
FY 1999	\$422,672	\$423,529	(\$857)	(0.2%)	\$403,200	\$278,234	(\$124,966)	(44.9%)
FY 2000	\$508,859	\$542,611	(\$33,752)	6.2%	\$423,360	\$370,879	(\$52,481)	(14.2%)
Average	\$447,549	\$449,709	(2159)	(0.4%)	\$403,520	\$316,896	(\$86,624)	(27.3%)

Source: City of East Cleveland Budget Report

As illustrated in **Table 5-7**, BHD has an average 0.4 percent negative variance for expenditures and average 27 percent negative variance for revenues. *Municipal Benchmarks Assessing Local Performance and Establishing Community Standards* suggest that budget projections fall within an accuracy range of 3.0 to 5.0 percent. High variances often indicate that BHD may not have an effective forecasting process in place. Effective budgets should always relate to the overall planning process for the organization. Planning expenditures for the future is difficult without knowing the major objectives of the department and can result in a mis-allocation of funds. When departments do not effectively plan their budget requests, they often absorb general fund dollars that could have been used to support expenditures for other departments. **Table 5-8** shows the relationship between revenues and expenditures for BHD.

Table 5-8: Revenues versus Expenditures, FY 1998 to 2000

Year	Revenues	Expenditures	Variance	Percent
FY 1998	\$301,574	\$382,986	(\$81,412)	(21.2)%
FY 1999	\$278,234	\$423,529	(\$145,295)	(34.3)%
FY 2000	\$370,879	\$542,611	(\$171,732)	(31.6)%
Average	\$316,896	\$449,709	(\$132,813)	(29.5)%

Source: City of East Cleveland Budget Report

Table 5-8 indicates that the BHD has expenditures that, on average, are 30 percent greater than revenues. A review of the expenditures shows that the building department is supported through the permit and registration fees it receives. However, the housing department currently generates no revenues since it does not charge for reinspections (see **F5.40**) and does not have a line item to recover the revenues generated through point of sales inspections and housing court.

R5.15 To ensure that proper allocations are made in the future, BHD should more effectively plan budgets at the beginning of the year. To accomplish this task, BHD should better estimate its annual revenues by consistently reviewing the actual revenues from the prior year. BHD should base its budget on specifically defined needs and projected operations. If BHD has a variance that exceeds five percent, it should be required to submit explanations for the

variance to the Finance Department and the Finance Department should then provide assistance to BHD in preparing the next annual appropriation request.

Additionally, to ensure that BHD is self supporting, the department should begin charging reinspection fees for code enforcement reinspections (see **R5.41**), collect its point of sale fees, and retrieve revenues from the housing court (fines). These changes along with the proposed staffing reductions mentioned in **R5.3** will help the department become self supporting and reduce its use of general fund dollars.

Economic Development

F5.16 CDD has not prepared its own economic development plan or economic development program. As a result, several programs have languished and have not been effectively managed. For example, the City applied for HUD Special Purpose Grants in FY 1993 to fund training programs for single mothers and fathers. However, the training program for single fathers was never developed as a result of several management problems that occurred with the administration of the training program for single mothers. The management problems included the following:

- Low participation by residents;
- Failure to meet objectives outlined in the grant agreement;
- Improper payment for training services that were not rendered;
- Conflict of interest in contracting;
- Turnover in the project management position; and
- Failure to encumber grant funds.

As a result of these management issues, HUD has suggested that CDD use the Special Purpose Grant to fund other community or economic development programs instead.

An economic development plan provides a blueprint for achieving community objectives by translating a community's broader vision and goals into economic initiatives. Economic development plans provide cities with a tool to determine how economic development needs can be addressed. Typical economic development plans include the following:

- A strategy that targets compatible businesses and employment opportunities;
- A marketing program that emphasizes community assets;
- Financing tools to aid development, including tax abatement and waivers, grants, low-cost loans, and special taxing districts;
- An inventory of potential sites for development, including appropriate zoning, inventorying hazardous materials and other environmental problems and providing infrastructure improvements;

- An inventory of available public lands, including lease commitments in developments, and providing support facilities such as parking, port facilities, and job training; and
- A method to expedite the development approval process and reduce the complexities of existing zoning and building codes.

Economic development programs are essential to sustaining a city. The types of economic development programs and incentives East Cleveland offers have a direct impact on its economic status. The lack of economic programming in the City may lead to the following:

- Reduced growth in the commercial and residential tax base;
- Reduced job growth as a result of the City's inability to retain and expand existing business; and
- Inability to attract private investment.

Although East Cleveland is working on developing an economic development plan with the Cuyahoga County Planning Commission, the lateness of these efforts continues to impact East Cleveland's standard of living.

R5.16 CDD should redirect a portion of the \$1,750,000 Special Purpose Grant to economic development programming with HUD approval. CDD should prepare an economic development plan for the City and implement the economic development programs outlined in the plan. The economic development plan should include the following:

- *A statement of purpose:* The statement should explain the purpose of the plan, what the City hopes to accomplish, and how the activities listed in the plan support and maintain the values of the community. It should also describe the organization established to formulate and carry out the plan for the community.
- *Goals for economic change:* This section of the plan should outline the goals of the proposed plan and how each will be evaluated and monitored for effectiveness.
- *Community analysis:* The analysis should be the basis for determining strategies for change based on current conditions in the community. This portion of the plan should include the history of the community, as well as an assessment of the physical resources, community facilities, institutional resources and social and economic resources.
- *Strategies and tactics for achieving goals:* CDD should develop strategies for community and economic change that correspond to the goals established in the earlier sections. Typical strategies for influencing and directing economic change include capturing existing income, retaining and expanding existing economic

businesses, capturing outside investment, creating new export enterprises and recruiting of compatible enterprises.

- *Action Timetable:* This section of the plan should explain how CDD will reach its specified goals.

The economic development plan should be used to establish economic development programs that meet community needs.

F5.17 CDD does not evaluate the success of its grant-funded programs. CDD outlines the goals and objectives of each funded project in its annual action plan and consolidated plan, but it does not assess whether programs have achieved these goals through a program evaluation process. GFOA defines program evaluation as an examination of current programs to assess performance. Program evaluation is a useful tool to help assess program performance because it can help document that a program is accomplishing its goals and/or can help identify areas of programs that need revision or strengthening. Program evaluation can also help in the following areas:

- Understanding, verifying or increasing the impact of products or services on customers or clients;
- Improving delivery mechanisms to be more efficient and less costly;
- Producing data or verifying results that can be used for public relations and promoting services in the community;
- Producing valid comparisons between programs to decide which should be retained, in the face of pending budget cuts; and
- Examining and describing effective programs for duplication elsewhere.

Without a program evaluation process, CDD is unable to assess the effectiveness of programs and services or make effective future funding decisions

R5.17 CDD should evaluate the effectiveness of its grant-funded programs on an annual basis. Program evaluation should be an integral component of CDD's internal monitoring mechanisms. The following is a list of the most common types of program evaluation methods used by organizations:

- **Goal-based Evaluation:** Determines if programs achieve their overall, predetermined objectives.
- **Process-based Evaluation:** Determines if the program really works, based on how it is carried out.
- **Outcome-Based Evaluation:** Determines the benefits of the program to the client.

The goal-based evaluation method would be most appropriate for CDD to use to assess its programs since it has already outlined goals and objectives in the annual plan and consolidated plan. CDD could use goal based evaluation to assess items such as lead paint abatement by establishing specific measures on how many homes should be painted each year and the associated time line. CDD could then track of the number of homes painted in a year, the time it took to paint the homes and the associated costs. By comparing actual output to the proposed level of service, CDD can determine whether it is achieving its annual goals and determine whether the program should be continued, expanded or terminated.

F5.18 CDD has not operated its land bank program on a consistent basis. The land bank reutilization program was established to help return non-productive lands to tax producing status. The program, however, has not been offered on a consistent basis for the following reasons:

- The Metro Scan System, used by CDD to track its land bank properties, has been shutdown because CDD did not pay the monthly fee. CDD cited untimely purchase order processing by the Finance Department as the reason the Metro Scan bills are not paid on time. The Metro Scan System is essential to operating the land bank program
- The policies and procedures for the land bank program have not been approved by Council. Policies and procedures were revised in FYs 1999, 2000, and 2001. It is unclear why land bank policies and procedures were changed so frequently, especially since the guidelines are determined by the ORC.

CDD's inappropriate administration of the land bank program impacts potential developers, residents and the City. Potential revenues, gained through increasing the number of tax producing parcels in the City, may have been lost because of the low service level associated with the program. Furthermore, community development and economic development activities may have been negatively impacted as potential employers and new businesses were not approached by CDD to use the land bank resources.

R5.18 CDD should immediately implement steps to ensure effective, continued operation of the City's land bank program. First, CDD must ensure that the Metro Scan bill is paid every month. CDD should request a blanket purchase order to pay Metro Scan charges on an annual basis. CDD should also establish land bank policies and procedures that will ensure effective program operation and adherence to ORC requirements. The procedures should be reviewed and approved by the Law Department, Mayor and City Council. Like other CDD policies, the land bank program operating policies and procedures should be placed in the CDD policies and procedures manual, reviewed on an annual basis and updated as needed.

F5.19 CDD currently does not have a land use plan that identifies resources and establishes time lines for the development, implementation and completion of projects. Land use plans are essential to commercial and residential development of the City. Land use plans identify problem areas and contain action plans to develop identified areas. East Cleveland has a significant number of vacant lots, especially on main streets, but CDD has not established a means for developing these areas. CDD's inability to develop a land use plan results, in part, from the unstable administration of the land bank program and inconsistent leadership.

R5.19 CDD should develop a land use plan which targets specific parcels of land for redevelopment. CDD should seek outside assistance from strategic planning professionals to conduct the planning process, the results of which should be used to help CDD develop its next consolidated plan. The land use plan should use the land inventory developed during formulation of the master plan and should determine the desired use of available land, set goals for development and assign responsibility and time frames for implementation.

Economic Development Grant Management and Financial Administration

F5.20 CDD does not maximize its grant awards to fund direct services to residents. **Table 5-9** compares the programs offered by CDD to the peer entitlement cities.

Table 5-9: Development Program Comparison for FY 2001

Program Area	East Cleveland	Massillon	Alliance	Warren
Public Services	-Youth Services -Crime Prevention	-Varies	-Varies	-Crime Prevention -Youth Services
Infrastructure Programs	-Street Paving	-None	-Street Revitalization, Paving, Repair, etc.	-Street Paving -Sidewalk Repair -Water Sewer Repair -Street Light Repair -Traffic Control
Parks and Recreation	-None	-None	-None	-Park Improvements -Land Requisition
Housing	-Housing Rehabilitation -Home Buyer Program -New Construction -Paint Programs -Home Repair	-Housing Rehabilitation -Home Buyer Program -New Construction	-Housing Rehabilitation -New Construction	-Planning -Home Ownership -Rental House Rehabilitation -Home Ownership -Transitional Housing -Rental Assistance -New Construction -Exterior Paint Program -Acquisition and Rehabilitation for Sale and Rent
Physical Improvements	-Maintenance of City Recreation Facilities	-Public Improvements	-Public Facilities Improvements	-City Building Improvement -Construction of Community Center/ Senior Center
Economic Development	-Store Front Renovation	-Revolving Loan -Redevelopment Program -Enterprise Zone -Store Front Renovation	-Revolving Loans -Tax Abatement -Enterprise Zone	-Loan Program for Projects Under \$100,000 -Revolving Loan Fund -Tax Abatement
Other	-Seed Program -Snow Removal -East Cleveland Clean	-None	-None	-None

Source: City of East Cleveland, Massillon, Alliance, and Warren HUD Action Plans

As **Table 5-9** illustrates, CDD has not offered all the potential services available in the areas of economic development, infrastructure improvements, and housing. The City of East

Cleveland has infrastructure, physical improvement and economic development needs that are not being met through its current programming. Included within CDD's consolidated plan is a community development needs assessment which ranks East Cleveland's development needs in the area of facilities, infrastructure, youth programs, economic development and planning. The results of the assessment indicate that CDD has high to moderate needs in the areas of water/sewer improvement, street/sidewalk improvement, parks and recreation/health/ parking facilities, senior services, planning, micro-enterprise assistance, and employment training. Despite the result of the assessment, CDD has directed little or no funding to the areas that had a moderate to high need. As a result, the development needs of the City have not been met and available grant dollars have not been applied for the programs (see **F5.26**).

In contrast, the peer cities have developed several programs beyond the limited range offered by CDD. The greater range of programs offered is facilitated by the higher degree of efficiency in peer city departments. These programs include:

- **Infrastructure Programs:** Sidewalk repair, water/sewer repair, street light repair and traffic control.
- **Parks and Recreation Programs:** Park development, improvement and land requisition.
- **Housing:** Planning, rental house rehabilitation, transitional housing, rental assistance, and acquisition and rehabilitation for sale and rent.
- **Physical Improvements:** Building improvement for all City buildings, and construction of community center/senior center.
- **Economic Development:** Enterprise zones, loan program for projects under \$100,000, revolving loan fund, and tax abatement.

The limited range of programs offered by CDD restricts the level of services offered to residents of East Cleveland and reduces the effectiveness of community development programs.

R5.20 CDD should use its federal award to fund programs and services that address community needs. If CDD can reduce administrative costs and increase efficiency, it could add several programs similar to those used in the peer cities. The planning process (**F5.14**) should be used as a means for determining which programs can be expanded using federal awards. On an annual basis, CDD should evaluate current programs (**F5.17**) to determine the service delivery level and appropriateness of programs. Failing programs should be terminated and replaced with programs that have successful track records in other cities. CDD should also carefully monitor all expenditures not related to direct service delivery, such as administrative costs, to ensure that scarce resources are allocated in the most effective manner.

F5.21 CDD has not diversified its funding streams to ensure program survival. **Table 5-10** show the funding sources received by CDD in comparison to other peer entitlement cities.

Table 5-10: Funding Sources for CCD

Categories	East Cleveland	Massillon	Alliance	Warren
Federal Grants	CDBG/ Home	CDBG/HOME Enterprise Zone Funds	CDBG/Home Enterprise Zone funds	CDBG/HOME
State Grants	None	None	None	Road Utility Funds Ohio Clean Funds(brown fields)
Other	None	None	Urban Development Grant (UDAG)	None

Source: City of East Cleveland and peer entitlement cities

Table 5-10 illustrates that CDD has not sought funding from the State or other funding sources to support projects in the City. The Ewing Marion Kauffman Foundation suggests that an organization’s ability to identify and access new revenues, efficiently use scarce resources and diversify the organization’s funding base are all key in providing ongoing support to accomplish the mission. Further, the foundation finds that a sustainable organization has the following characteristics:

- The organization has diverse funding sources so it is not overly dependent on a single funding source;
- There is mutual respect, knowledge and integrity between the organization and funders;
- The organization attracts, creates and sustains sufficient new resources by continuously seeking potential funding sources;
- Appropriate financial controls are established and followed within the organization;
- Independent auditors conduct financial audits and reviews at regular intervals; and
- Financial crises are managed appropriately.

By pursuing additional funding from state or local sources, CDD will be able to offer a greater range of services to residents. Over-reliance on a single funding stream could potentially lead to financial hardship for CDD if funds are not approved by HUD.

R5.21 CDD should aggressively seek alternative funding in order to diversify its funding stream. A variety of funding opportunities are available to the City because of its economic challenges. Some examples of funds that are available to CDD include, federal Empowerment Zone funding, federal and state Enterprise Zone funding and various state program funding. CDD should also pursue private grant funds to enhance current program funding.

F5.22 CDD has not encumbered federal awards in accordance with established HUD timeliness ratios. **Table 5-11** is a comparison of timeliness ratios for FY 1999 and 2000 between CDD and the peer entitlement cities’.

Table 5-11: Timeliness Ratios

Fiscal Year	East Cleveland	Warren	Massillon	Alliance	Peer Average
1999	1.7	1.5	0.9	1.2	1.2
2000	1.7	1.4	0.8	0.9	1.0
Average Timeliness Ratio	1.7	1.4	0.9	1.0	1.0

Source: HUD - Columbus Regional Office

Note: The timeliness ratio is a HUD measurement used to determine how long funds are retained by a grant recipient before being expended.

As **Table 5-11** illustrates, CDD’s timeliness ratio has been above the 1.5 standard since 1998 indicating that funds have not been encumbered in a sufficiently timely manner. CDD has an average timeliness ratio of 1.7, which is 52 percent higher than the peer average. HUD developed a timeliness ratio with a performance standard of no higher than 1.5, to track the rate at which grantees commit grant awards to those programs and projects outlined in their consolidated and action plans. The HUD ratio demonstrates that CDD is not committing funds in a timely manner.

In HUD’s Timeliness Bulletin, seven issues were identified as reasons for untimely performance. These issues are relevant to East Cleveland’s current condition and include a variety of both grantee management and capacity issues. The issues noted in the Timeliness Bulletin are:

- Staff turnover, vacancies in key positions (see **F5.6**);
- Inexperienced operating agencies;
- Failure to disburse funds on a regular basis;
- Complicated review and approval processes that may delay both activity implementation and disbursement of funds;
- Poor oversight of programs (see **F5.23**);
- Inconsistent reviews of expenditures (see **F5.32**); and
- Lack of regular training of staff (see **F5.11**).

If dollars are not committed within the established time frames, a grantee has an increased chance of having federal grant funds withdrawn. As of November 20, 2001, HUD can impose the following corrective actions that could result in reduced future grants for grantees who do not meet performance standards:

- HUD will partially reduce the next grant of any grantee that fails to reach the timeliness standard of 1.5 at the next 60 day test. The grantee’s funds will be

reduced on a graduated basis, ranging from 15 to 30 percent of the amount in excess of the 1.5 performance measure multiplied by the annual grant amount.

- If, at the next 60 day test, a grantee still does not meet the 1.5 standard, the next grant will be reduced by 100 percent of the amount in excess of the 1.5 performance measure multiplied by the annual grant amount.

R5.22 CDD should immediately address outstanding management and capacity issues, many of which are identified in this report, to rectify its poor HUD performance ratio. CDD should implement the following effective grant administration practices highlighted in this performance audit and HUD's Timeliness Bulletin:

- Complete disbursements on a regular basis;
- Develop a schedule for each CDBG funded activity that includes a timeline for disbursements;
- Review expenditures of funds on a quarterly basis;
- Require all operating agencies to submit progress reports (see **R5.23**);
- Establish responsibility for regular staff review and oversight of programs (see **R5.23**);
- Input data in IDIS more frequently; and
- Train staff on a regular basis (see **R5.11**).

If CDD implements the recommendations for more effective grant administration, the Department may avoid a loss of funds resulting from the untimely use of grant awards.

F5.23 CDD does not have a formal process to evaluate subrecipient applications and enter into legal agreements with the subrecipient. CDD's subrecipient application does not contain information on the proposed outcome of the program, evaluation plan or recommendations for the agencies. Such information is requested by most grant administration agencies. Also after receipt of the application, CDD does not document its application evaluation process in accordance with HUD regulations. CDD does not document the reasons for selecting or rejecting applications, or justifications for the amounts recommended for funding selected subrecipient programs.

HUD regulations require all grantees to document the selection criteria used to determine the adequacy of a subrecipient's performance and establish written agreements that outline HUD guidelines with all subrecipients. The absence of more specific criteria as a basis for proposal decisions and legal agreements has resulted in the following grant management problems within CDD:

- Funds are provided for unallowable expenses;
- Funding for services that do not meet development needs;

- Subrecipients are unaware of changes in award information or federal guidelines as they relate to compensation, program income and performance reporting;
- Subrecipients do not provide performance information;
- Subrecipients do not appropriately expend program income;
- Subrecipients do not comply with federal rules and regulations; and
- CDD cannot measure program outcomes.

Furthermore, in FY 1999 several subrecipients were awarded grants without signing a legal agreement with CDD. Legal agreements are essential to solidify and clarify CDD's and HUD's expectations and requirements of subrecipients. Without a binding legal agreement, CDD is not able to enforce HUD and CDD regulations and requirements.

R5.23 CDD should implement a grant review process that adequately documents the reasons for grant decisions. Grant review is an important aspect of effective grant management within an organization, and begins with a proposal process that requests and reviews meaningful information from an applicant. CDD should develop a new application that promotes both accountability and efficiency within the process by requesting more detailed information from potential subrecipients. At a minimum, the new application form should request the following information:

- Letters of recommendation;
- Proposed budgets for the project;
- Time lines;
- Goals and objectives;
- Evaluation plans;
- Future funding plans; and
- Outcome assessments and performance measures.

CDD should also establish and implement a formal selection process for awarding federal grants to subrecipients. This selection process should include the following:

- A rating system, such as an evaluation form or check list, that explains what criteria CDD uses to assess each applicant, and how the applicant was rated;
- Background checks and site visits to ensure that information provided in the application is truthful; and
- Fully documented reasons for recommending or rejecting funding for each applicant.

Upon selecting its subrecipients, CDD should require all contractors and subrecipients to enter into legal grant agreements. These agreements should be developed by the CDD director with guidance from the Law Department and HUD program managers to ensure that all HUD and CDD requirements are met. The agreements should outline the management of program income, purchase of equipment, and subrecipient compensation. In addition,

CDD should require grantees to meet reporting requirements each time an expense report is submitted and provide information on expected outcomes on at least a quarterly basis.

F5.24 CDD does not have a monitoring procedure in place to ensure that adequate program oversight occurs. Procedures are also not in place to guide City action if performance is deemed unacceptable. CDD has not been able to provide records of reports, evaluations, outcome assessments, or site visits for FY's 1998, 1999, or 2000 for subrecipients or contractors. Although CDD requires subrecipients to submit performance reports with each invoice for reimbursements, CDD has not required sufficient performance information to make informed management decisions.

In FY 2000, HUD officials recommended that CDD hire a compliance officer to ensure that monitoring, reporting and record keeping responsibilities were handled in accordance with HUD regulations. A compliance officer was hired in April 2001 to oversee development projects, conduct site visits and maintain performance reports, but was only used to oversee development projects. CDD continues to be in violation of HUD's monitoring and record keeping requirements. HUD requires all recipients and subrecipients to maintain an up-to-date file on spending activities, performance reviews, and other accountability measures. According to HUD, these records should do the following:

- Provide a full description of each activity funded with CDBG dollars;
- Demonstrate that each activity met HUD requirements;
- Document the population served (composition, income levels etc.); and
- Document all activities undertaken for the benefit of low and moderate income persons.

If consistent and effective monitoring procedures are not in place, subrecipients use federal awards in a manner inconsistent with the intent of the grant. Abuses identified in a FY 1995 Auditor of State special audit of the Special Purpose grant received by the City demonstrate the results of ineffective monitoring. These abuses included the following:

- Contracted vendors did not render any appropriate services;
- Programs did not achieve the outcomes proposed in the grant application;
- Conflicts of interest occurred; and
- Funds were used to purchase goods without prior knowledge and authorization of the City.

R5.24 CDD should develop and implement a monitoring procedure to ensure that subrecipients and contractors adhere to grant guidelines. In FY1996, CDD had a moderately complete subrecipient monitoring procedure in place. This procedure and related subrecipient interview records could be revised to meet current guidelines, including procedures for monitoring contractors. CDD should:

- Clearly articulate grant expectations to subrecipients at the time of the award;
- Perform quarterly on-site reviews with each subrecipient for compliance with the subrecipient agreement and HUD guidelines. Upon completion of the visit, potential findings, issues or commendations must be provided in a timely manner to the program director by CDD. If inconsistencies are found at the time of a site visit, the subrecipient should submit a corrective action plan which outlines how the subrecipient will address the issue and the time needed to correct the problem.
- Maintain high levels of communication between the subrecipient and CDD throughout the award period so that potential issues can be addressed through training; and
- Keep updated files on program and project performance.

CDD should also fully use the compliance officer to complete site visits and environmental reviews and to review performance reports. The compliance officer should immediately begin to fulfill the critical components of the job and provide required HUD reviews to ensure CDD's compliance with HUD guidelines.

F5.25 CDD has not amended its FY 1993 Special Purpose Grant Agreement with HUD or developed policies and procedures for the program. The Special Purpose Grant was first awarded to the City in FY 1993 to fund the SMART program, a training program for single mothers. Initially, the program offered employment training by contracting with outside entities to provide training courses. However, due to problems within the administration of this program, HUD no longer allowed CDD to offer the training and the program was cancelled by the City. The program is now being offered by CDD with the following modifications:

- CDD must contract with accredited training institutions in Cuyahoga County;
- CDD places participants in GED programs;
- Training categories outlined in the original grant have been eliminated or altered; and
- CDD places participants in jobs.

CDD has made these changes without developing a policy and procedures manual for the program or amending the grant agreement. The grant agreement states, "grant funds will only be used for activities described in the application. and amended agreement of changes in the scope or the location of approved activities must be submitted to HUD." This amended agreement is also to be used as a basis for policies and procedures for administering the program. Because CDD is not adhering to the parameters of the Special Purpose Grant requirements, HUD could make a preliminary determination of default and remove the grant award.

R5.25 CDD should develop policies and procedures for the Special Purpose Grant program and submit them to HUD in an amended grant agreement. The policies and procedures should provide at least the following:

- Purpose of the program;
- How it is to be administered;
- Training categories to be funded;
- Applicant eligibility (income, residency, and other requirements);
- Selection criteria;
- Contracting processes; and
- Description of grant requirements.

These policies and procedures should be approved by the Law Director, Mayor, and City Council to ensure that they meet the relevant guidelines prior to submission to HUD.

F5.26 CDD does not encumber and expend all available grant resources on an annual basis. Grant award allocation is untimely (see **F5.12**) and CDD maintains a large carry-over of CDBG resources. **Tables 5-12** shows CDBG grant funds awarded, used and retained by CDD in FY 1998, 1999 and 2000. On average, CDD uses only 28 percent of its available grant funds each year.

Table 5-12: Unspent CDBG Grant Balances

Categories	1998	1999	2000	Average
Unspent Funds From the Previous Year	\$2,091,966	\$2,510,283	\$3,018,102	\$2,540,117
Current Years Award	\$1,203,474	\$1,299,000	\$1,319,000	\$1,273,825
Funds Available for Use	\$3,295,440	\$3,809,283	\$4,337,102	\$3,813,942
Total Amount Used During the Fiscal Year	\$785,157	\$791,181	\$1,624,740	\$1,067,026
Percentage of Funds Spent During the Fiscal Year	24%	21%	37%	28%
Total Unspent Amounts	\$2,510,283	\$3,018,102	\$2,712,362	\$2,746,916

Source: The US Department of Housing and Urban Development, Ohio State Office

Because CDD expends only a small portion of available CDBG resources, potential programs and resources are not maximized or used effectively. The untimely and ineffective use of resources has two impacts on the City:

- CDD is not committing grant dollars for direct services to City residents in identified high need areas (see **F5.20**).
- CDD has retained CDBG funds in excess of amounts allowed by HUD.

Permitting subrecipients to retain CDBG grant funds in excess of HUD allowances has resulted in HUD action against CDD. During the course of this audit, HUD proposed

rescinding \$247,000 in HOME funds from FY 1999 and \$738,000 in CDBG funds from FY 2000, because the grant dollars were not committed by CDD.

R5.26 CDD should allocate available grant dollars to direct service programs. Funds should be encumbered in a timely manner (see **R5.12**) and should be directed toward programs that directly benefit residents of East Cleveland. As discussed in **F5.20**, CDD does not provide the same level of services as other entitlement cities. If available resources were fully used in direct service delivery, a much wider range of programs could be provided. CDD should allocate grant awards to programs and services that address community needs as outlined in **R5.20**.

F5.27 CDD does not have a record keeping system to track program income. The following activities funded by CDD have the potential for generating program income:

- Proceeds from the sale or long-term lease of real property purchased or improved with CDBG funds (home rehabilitation and new construction projects);
- Gross income from the use or rental of property acquired by the grantee or subrecipient with CDBG funds, less the costs incidental to the generation of such income; and
- Proceeds from the disposition of equipment purchased with CDBG/HOME funds.

During FY 2000, CDD generated \$10,780 in program income for CDBG activities and \$19,960 in program income for HOME activities; however, it was difficult to determine how the program income was used by subrecipients since CDD does not maintain revenue statements on file. The absence of revenue statements results in noncompliance with HUD record keeping requirements. Without an adequate record keeping systems, CDD cannot account for program income and it is difficult to ensure that program income is being used to meet community needs.

R5.27 CDD should require all subrecipients to submit revenue statements each time payment is requested. Furthermore, CDD should review and monitor all revenue statements and file them appropriately so that each file is accessible to CDD staff. Additionally, CDD should rewrite the program income section of its contracts to be more specific. The section should state whether the grantee may retain income or must transfer the income to CDD. If CDD allows the grantee to retain the program income, CDD should also require a report from the grantee stating how the funds will be used and the time frame in which funds will be expended.

F5.28 A physical inventory of equipment purchased with CDBG funds has not been performed in the last four years. Also, CDD has not implemented adequate safeguards against loss or theft. The City had an appraisal of all equipment performed in FY 1995, but the appraisal has not been updated. HUD guidelines require grantees to maintain records of all equipment

purchased with grant funds. As regular inventories have not been completed, CDD can not identify equipment purchased with HUD grant funds. Items that may be lost or stolen can not be detected or recovered without an up-to-date inventory.

R5.28 CDD should perform an inventory of all equipment purchased with HUD and City funds within 60 days of the release of this performance audit. Each piece of equipment should be recorded in the following manner:

- Type of equipment;
- Serial number;
- Inventory control number (assigned by CDD);
- Location condition and disposition;
- Owner of property (title holder)
- Employee responsible for equipment;
- Dollar value;
- Acquisition date; and
- Original funding source for purchase.

Accurate records should be maintained on all acquisitions and dispositions of property acquired with governmental funds. The physical inventory of equipment should be updated annually by CDD and compared to property records maintained by the Finance Department.

F5.29 CDD does not exercise appropriate purchasing procedures and controls. Several instances of improper purchasing procedures and contract controls were identified during the course of this performance audit.

- CDD does not comply with competitive bidding procedures. A test of purchases made since the FY 2000 audit found that only 9 of the 32 purchases selected for testing had the proper bidding documentation. Legal agreements were not developed in accordance with HUD regulations and bids were not solicited prior to the purchase of goods.
- CDD split purchases to avoid entering into the formal bidding process. The splitting of purchase requisitions to meet less stringent requirements is a violation of HUD guidelines as well as state and city competitive bidding procedures.
- CDD has made several purchases prior to the issuance of a purchase order. This problem was noted in FY1998, 1999, and 2000 financial audits. This practice violates HUD guidelines, City ordinances and ORC § 5705.41, and severely weakens the City's internal control over the purchasing process.
- CDD used CDBG funds for unallowable expenses. CDD spent \$32,800 in CDBG funds for expenses related to a ground breaking ceremony held on April 6, 2001. This use of grant funds does not comply with HUD regulations.

- Finally, CDD does not exercise appropriate contract development, approval and monitoring processes. The CDD director did not have documentation to show price comparisons were performed. CDD has developed performance and reporting guidelines but, during FY 1999, all contractors worked without a subrecipient contract. Contract payment documentation is not appropriately maintained and vouchers are not processed in a timely manner. Lastly, CDD program managers do not conduct contract oversight, such as on-site reviews and performance reporting.

Each of these instances underscores the limited knowledge and understanding within CDD about appropriate purchasing practices and controls. CDD staff members do not have a thorough understanding of HUD, state and city purchasing procedures. Furthermore, CDD does not have a purchasing policies and procedures manual to inform staff of proper procedures to complete the purchasing process. The absence of a purchasing manual exacerbates purchasing control problems within CDD.

CDD's limited understanding of purchasing controls results in misallocation of grant awards and a reduction in resources available for direct services to City residents. Improper application of purchasing policies may also have resulted in increased costs to CDD and the City for standard services and may impact the City's General Fund if grant resources are not available to cover unencumbered expenditures.

R5.29 CDD should adhere to all HUD, state and City purchasing policies and ensure that projects are appropriately bid and monitored and funds are encumbered and allocated in an appropriate manner. The Mayor, City Council and Legal Department should ensure that the CDD director uses existing internal control policies and procedures to reduce unauthorized purchases within CDD.

The Finance Department, with the assistance of the CDD director, should develop a purchasing manual. The CDD director should ensure that all employees are trained in the appropriate purchasing procedures and that the manual is used in all purchasing circumstances. The purchasing policy should reiterate ORC and City charter requirements for competitive bidding, blanket purchase orders, certification of funds and emergency purchases. The manual should also provide users with step-by-step instructions for all procedures and examples of purchasing forms.

The Finance Department should ensure that the CDD uses grant funds for allowable purposes. The finance director and CDD director should ensure that they are familiar with all HUD guidelines regarding allowable expenses, that they work within the guidelines when making purchasing decisions, and that they use the guidelines to review purchase requisitions prior to the issuance of a purchase order. The \$32,800 expense incurred for the groundbreaking ceremony represents an unallowable expense, and should be reimbursed to HUD.

Finally, CDD should put a consistent system of contract administration in place. The components of an effective system of contract administration can be summarized as follows:

- *Contractor Selection* - Contractors should be chosen based on fair and objective criteria. Formal procedures to assess prospective contractors' strengths, weaknesses and past performance should be established. Where possible, competition among contractors should exist for CDBG/HOME contracts. This competition should be generated through establishing a contractor list by the type of work required, which includes at least five different contractors for each type of work.
- *Contract provisions* - The provisions of CDD's contracts should be sufficient to hold contractors accountable for the delivery of quality services and to prevent inappropriate and inefficient use of grant dollars.
- *Contract Payment Methodology* - Before entering into contracts, CDD should establish contractor payment methodologies sufficient to ensure that a fair and reasonable price is paid for contract services. CDD should ensure that a purchase requisition is completed and sent to purchasing in a timely manner with all required documentation. The required documentation should include three bids, specifications of the work to be performed, a description of how the work meets HUD's guidelines, and the amount of the contract payment. CDD should make limited use of blanket purchase orders to reduce purchasing processing time.
- *Contractor Oversight* - Throughout the contract time period, CDD should diligently and regularly monitor the quality of services provided by the contractor and the appropriateness of contractor expenditures. Also, when contractors have an inability to meet the expectations of their contracts, they should be denied future CDD contracts.

Financial Implication: HUD may require repayment in the amount of \$32,800 for the cost of the groundbreaking ceremony.

F5.30 CDD's payment request procedures create a minimum of a two week delay between the IDIS disbursement and vendor payment. The time lag occurs because CDD officials do not submit completed payment requests to the Finance Department. HUD regulations require funds to be disbursed within 72 hours of an IDIS disbursement. The lag in the payment time and CDD's inability to provide completed documentation to the Finance Department results in untimely disbursements and opportunities for fraud, and impacts the City's credit rating with vendors and creditors.

R5.30 CDD should decrease the lag time between IDIS disbursement and vendor payment. CDD must submit complete purchasing forms to the Finance Department prior to executing IDIS disbursements. Forms must be signed by the appropriate employees and submitted in a timely manner. The executive assistant should be responsible for checking all payment requests for accuracy and completeness before they are submitted to the Finance

Department. Finally, CDD should coordinate with the Finance Department to ensure that all IDIS payments are processed and remitted to the appropriate vendor within 72 hours of the disbursement.

F5.31 The account balances of IDIS have not been reconciled to Finance Department records. Both the Finance Department and CDD are responsible for the financial management of the CDBG and HOME awards. CDD is responsible for initiating all financial transactions and charging the proper accounts in IDIS, while the Finance Department is responsible for paying all invoices and monitoring the CDBG and HOME accounts. Best practices indicate that the use of computer technology for financial record keeping purposes requires additional control procedures including control of access to records and data entry through use of passwords (see F5.32), regular review of output and reconciliation of financial records. When financial records are reconciled, agencies can ensure that grant awards are appropriately expended and that reimbursements to other governmental funds are made in a timely manner. Without a reconciliation process, CDD and the City are at risk of noncompliance with federal, state and City regulations, inappropriate use of grant funds and an increased risk of expenditures being charged back to the General Fund.

R5.31 The CDD director and finance director should immediately implement a process to reconcile IDIS and City accounts on a monthly basis. CDD and the Finance Department should begin by reconciling IDIS charges and disbursements with vendor payments and reimbursements to the City's General Fund. Reconciliations are further discussed in the **Finance Section**.

F5.32 CDD does not fully use the functions of HUD's Integrated Disbursement Information System (IDIS). CDD uses IDIS to manage some portions of its grant administration process. The system is used to complete the following:

- **Activity set-up:** The financial analyst establishes an activity in the system by providing information about the activity undertaken.
- **Committing Funds:** The financial analyst commits funds from each grant or obligates funds to a specific activity. Once committed, funds are not interchangeable between activities.
- **Disbursements (Drawdowns):** Disbursements can be made only after an account has been set up in IDIS. Funds are disbursed from the recipient's account to the activity accounts that are set up in IDIS.
- **Reporting and Tracking Funding and Drawdowns by Activity and Grant:** The reporting component of IDIS allows CDD to manage and monitor various programs and activities by tracking disbursements.

CDD does not use the IDIS module that matches the recorded financial transaction with the information in the IDIS set-up. The inability to reconcile transactions with set-ups is a result of poor record keeping within CDD. The unreconciled account information severely weakens CDD's internal controls and accountability, and creates opportunities for fraud.

CDD also does not have the proper internal controls in place within IDIS to reduce the possibility of fraud. Two internal control issues concerning the IDIS system were found at CDD:

- IDIS has been set up with a password mechanism to ensure that only a few employees can access the system. However, a review of a password report provided by HUD revealed that past employees still had access to the system because their passwords had not been revoked.
- HUD also established a system whereby one staff member establishes accounts in IDIS while the other completes the disbursements. However, at the time of this audit the CDD accountant was completing both the set-up and disbursements in IDIS.

HUD established both of these control systems as a means of reducing opportunities for mistakes and fraud. These examples of non-compliance with HUD required controls severely weaken the internal controls and accountability in the financial management process. They also increase the potential for fraud, redundant transactions and miscommunication.

R5.32 CDD should use the internal control system established by HUD to ensure accountability and security in the financial management process. Set-ups and disbursements should be completed by separate employees and CDD should ensure that back-ups exist for each function. CDD should also ensure that employees receive training in the proper use of the system. Finally, CDD should purge the IDIS of past employee passwords and establish a process to periodically change employee passwords to heighten system security.

F5.33 Several financial noncompliance issues have persisted at CDD. Financial audits conducted in FYs 1998, 1999, and 2000 by the Auditor of State identified many of the noncompliance conditions characterized as internal control weaknesses during this performance audit. Although CDD was made aware of deficiencies in its procurement, reimbursement and other fiscal management practices, corrective actions were not implemented. Noncompliance conditions and internal control weaknesses identified during the last three financial audits remain uncorrected. Financial audit findings are summarized below:

- Expenditures exceed appropriations (ORC § 5705.41);
- Significant CDD fund deficits for all three years which were paid from the General Fund;
- Inconsistent preparation of time allocation sheets (see **F5.12** and **R5.12**);
- Certification of availability of funds not completed by Finance Director;
- CDBG HOME bank accounts not reconciled (see **F5.32** and **R5.32**);
- Cost allocation plan or indirect cost rate proposal not prepared for indirect costs charged to grant funds;
- Federal purchasing procedures not consistently employed (see **F5.29** and **R5.29**);

- Procurement procedures do not comply with federal law; and
- Competitive bidding requirements not met (see **F5.29** and **R5.29**).

CDD has not addressed financial audit findings or attempted to rectify a host of noncompliance and regulatory violations. Continuing non-compliance and regulatory violations place CDD at risk for fraud and loss of funding. Furthermore, lax controls result in the misallocation of scarce resources for economic and community development.

R5.33 CDD and the City should significantly improve financial management activities. Noncompliance issues and internal control weaknesses identified in this audit must be rectified and financial audit recommendations must be implemented. Additionally, the City should determine if CDD has the capacity and expertise to continue administering financial components of the CDBG, HOME and Special Purpose grants. Without resolving current financial management difficulties, CDD cannot effectively achieve its programmatic goals.

In order to correct non-compliance and internal control weaknesses, and appropriately perform financial management functions, CDD should implement one of the following options:

Option 1: CDD continues to perform financial management functions.

All financial audit findings and recommendations should be implemented prior to the City's next regularly scheduled financial audit. The City should recruit a CDD director who has sufficient management experience to supervise and train staff and to oversee the financial management of grants. Additionally, CDD should identify best practices and software recommendations and use these practices to improve the efficiency of CDD's financial management system.

Option 2: Hire an outside party to perform the financial management aspects of the grants.

At a minimum, an outside party could be contracted to ensure that:

- Funds are transferred to the appropriate accounts;
- Reconciliations are completed on a frequent basis; and
- Funds are allocated to appropriate subrecipients.

CDD should have only limited management impact on the contractor. Continued CDD involvement could slow or thwart improvements in the following areas:

- Management practices being brought into compliance with both HUD regulations and City policies;
- Federal awards being administered properly;

- Reconciliations occurring on a timely and consistent basis; and
- Set-ups and disbursements being performed in a timely manner.

Additional management activities recommended for transfer to a third party contractor include:

- Set-up activities;
- Funding activities in IDIS; and
- Disbursement of funds in IDIS.

The third party also could review purchase requests and reimbursement documents to ensure that the activities are included in the consolidated plan, that the work is done, and that proper competitive bidding procedures have been met.

CDD would continue to exercise program oversight by conducting the following activities:

- Completing all plans;
- Submitting all performance reports;
- Signing all grant agreements;
- Deciding which projects will be funded;
- Completing the subrecipient application review process; and
- Performing monitoring.

CDD would not be responsible for the financial management of federal awards and could instead focus more attention on grant seeking, performance monitoring and program development.

Privatization should result in the reduction of the financial staff and, potentially, program managers at CDD. Program management activities could also be redirected to pursuing additional grant funds and diversifying CDD's funding stream.

Licenses and Permit Issuance

F5.34 BHD issues significantly fewer permits than the peer average. **Table 5-13** compares the number of permits processed in FY 2000 for each of the peer cities.

Table 5-13: Peer City Permit Comparison (FY 2000)

Type of Permit	East Cleveland ¹	Maple Heights	Warrensville Heights	Peer Average
General/Building Permit	N/A	3,009	327	1,668
Electrical	N/A	308	38	173
Plumbing	N/A	256	56	156
Heating	N/A	0	102	51
Cement	N/A	0	22	11
Other ²	N/A	191	N/A	96
Totals	1,319	3,764	545	2,155

Source: City of East Cleveland and peer city building departments' BHD could not provide a breakdown of permits issued by type prior to 2001.

² Other is made up of mechanical permits and projects.

As reflected in **Table 5-13**, BHD issues 39 percent fewer permits compared to the peer average. The City of East Cleveland does not have adequate monitoring procedures in place to ensure that all ongoing projects obtain the proper permits or that the necessary inspections related to each type of permit occurs. Furthermore, BHD software has not been used to track permits by type. The effect of poor monitoring is that projects may be started and completed without the necessary permits, inspections and tax information. This results in a reduction in the quality of work and increased potential liability.

R5.34 BHD should institute adequate monitoring procedures to ensure all construction work within the City has obtained the required permits prior to the start of work. There should be regular inspections and spot checks throughout the City to identify construction projects that have not obtained the necessary permits. In addition, BHD should use the FIS/BDS to track the permit issued by type.

F5.35 BHD has sent inaccurate data to the Ohio Board of Building Standards (OBBS). BHD is required to remit three percent of permit fees to OBBS. **Table 5-14** illustrates the receipts for permits issued for FY's 1999 and 2000.

Table 5-14: Permits Issued and reported by BHD, FY 1999 and 2000

Year	Permits Issued	Revenues Generated from Permits ¹	Receipts Reported to OBBS	Total Department Receipts ²	Receipts Remitted to OBBS	Actual OBBS Remittance Based on Revenues from Permits ³
FY 1999	1,246	\$152,959	\$60,814	\$278,235	\$2,772	\$4,589
FY 2000	1,319	\$257,265	\$370,879	\$370,879	\$3,391	\$7,717
Totals	2,565	\$410,224	\$431,693	\$649,114	\$6,163	\$12,306

Source: OBBS annual report, City of East Cleveland Finance Department

¹Revenues generated consists of fees from building permits permit, plumbing and electrical permits, and conditional use permits.

²Actual receipts consists building trade licenses, building permits, certificate of business occupation, certificate occupancy, game machine pre sale, plumbing and electrical permits and conditional use permits

³ These amounts are based on a State requirement that 3 percent of total permit fees are remitted to OBBS on an annual basis.

Table 5-14 shows a 33 percent variance in the revenue amounts reported to the OBBS and the actual revenues generated by BHD for FYs 1999 and 2000. BHD did not remit the required three percent portion of the permit receipts to the OBBS during FYs 1999 and 2000. As a result, BHD owes approximately \$6,000 to the OBBS for permit fees. ORC § 3781.102 requires all certified building departments to submit an annual report showing the number of permits issued, number of inspections completed per permit, the annual receipts for the department and three percent of its annual permit fees to the OBBS. Inaccurate reporting of revenues and expenditures by the department can negatively impact planning and budgeting efforts. Additionally, lack of compliance with the 3.0 percent requirement may result in the OBBS requiring BHD to submit fees within a specified time frame, turning the matter over to the attorney general to collect, or decertifying BHD.

R5.35 BHD should immediately remit all unpaid fees due OBBS to prevent further action from being taken. BHD should ensure that the FIS/BDS is used to report accurate revenue, inspection and permit totals to the OBBS.

Financial Implication: There is a potential for one-time cost recovery to the OBBS in the amount of \$6,000.

F5.36 BHD does not consistently send contractor tax information to the Tax Department. Prior to receiving a permit, a contractor must complete a contractor registration application, which also includes a tax registration form. After the contractor has paid the registration fee to BHD, the tax form should be sent by BHD to the Tax Department for processing. The Tax Department issues the contractor a certificate of tax registration, which is then required by BHD to issue a permit or certificate of occupancy (see the **Tax Department Section**).

BHD has followed neither internal procedures nor City ordinance. City ordinance requires all contractors to register with the Tax Department before beginning construction projects. However, BHD has not forwarded tax forms to the Tax Department and has not requested

copies of the certificate of tax registration prior to the issuance of a permit or certificate of occupancy. The CCD director and building commissioner stated that they were not clear on the policy and thus had not enforced the ordinance. Additionally, the current certificate of tax registration does not have a tracking mechanism that will allow both departments to adequately file and track information.

In order to ensure that tax registrations appropriately reach the Tax Department, BHD has placed a building secretary at the Finance Department cash window to accept both permit payments for BHD and registration payments for the Tax Department. However, BHD has not designated a back-up to work in the employee's absence, nor has there been any training of the Finance Department staff. BHD has potentially reduced revenue to the City through noncompliance with the City ordinance.

R5.36 BHD should comply with the City ordinance and develop an internal, formal policy and procedure to guide the contractor registration process. If BHD continues to have a staff member collect permits and registrations at the Finance department, a backup should be designated and staff in the Finance Department should be trained in the event of emergencies. However, if BHD does not continue to have staff in the Finance department, it could develop a batch reporting system, whereby BHD could send registration information to the Tax Department on a weekly basis. The Tax Department could then enter the information into their system.

BHD should also use the FIS/BDS to track the certificate of tax registration number and use the system to verify that a certificate of tax registration was presented prior to each contractor transaction. Also, BHD should work with the Tax Department to redesign the current certificate of tax registration form so that a tracking number can be assigned. This will help both departments file and match certificates to contractor registrations. Finally, a monitoring system should be instituted by BHD. Contractor sweeps should be performed on a monthly or quarterly basis to verify that all contractors working within East Cleveland have a certificate of tax registration and permit in accordance with City Ordinances.

Inspections

F5.37 BHD has implemented timely response time targets for scheduling inspections. Most inspections are performed within 24 hours of the initial request. On the day of the inspection, the secretary informs the client that the inspections will occur during a specific time frame. The 24-hour turnaround and scheduling window are both established best practices in inspection scheduling which have enhanced customer service.

C5.1 BHD consistently provides inspections to customers within 24 hours of the initial request. Additionally, by providing permit-holders a time frame in which the inspection will occur, the amount of time they spend waiting for inspectors is reduced.

R5.37 BHD should assess whether it meets its response targets on a monthly basis and whether the established response time is sufficient in addressing resident's needs. To accomplish this, BHD should keep a spreadsheet record of response time to each inspection and review them annually for effectiveness. Additionally, BHD should develop a survey form for residents to determine whether the current system is sufficient. The information obtained through the survey could be used to make changes as needed.

F5.38 BHD completes fewer inspections than the peer departments. **Table 5-15** provides a comparison of BHD's inspections to the peer cities.

Table 5-15: Building Inspections per Inspector for FY 2000

City	East Cleveland	Maple Heights	Warrensville Heights	Peer Average
Total Inspections	1,561	3,359	1,859	2,609
Number of inspectors	3.0	2.0	1.0	1.5
Annual Inspections per Inspector	520	1,679	1,859	1,769
Daily Inspections per Inspector ¹	2.0	6.5	7.2	6.9
Total parcels ² (2000)	6,503	11,013	4,697	7,855
Total parcels per Inspector	2,168	5,507	4,697	5,102

Source: OBBS, Warrensville Heights Building Department, Cuyahoga County Auditor's Office, City of East Cleveland

¹Daily inspections per inspector were calculated by dividing the number of workdays into the annual inspections per inspector total.

²Total parcels consists of residential parcels, commercial parcels and vacant parcel for FY 2000.

BHD performs 71 percent fewer daily inspections per inspector. According to average workload figures reported in *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards*, building inspectors should complete 7 to 19 inspections each day.

The low number of inspections completed by BHD also may indicate that required inspections (foundation, rough, mechanical and finish) are not being performed. BHD issued 1,319 permits in FY 2000 but only conducted 1,561 inspections. According to the OBBS, there are no specific standards detailing the minimum number of inspections that must be performed for each type of permit issued, but the OBBS strongly recommends that cities inspect the footer, the rough in (framing) and complete final inspections. The OBBS further recommends that three to five random inspections be completed on all new constructions to ensure that contractors and home-owners are adhering to approved standards. Based on these OBBS standards, if East Cleveland had performed the minimum of three inspections per permit, they should have completed 4,683 inspections for FY 2000.

The low number of building inspections completed by BHD may partially result from the limited number of certified inspectors and the lower number of permits issued. Maple Heights's inspectors are cross-trained and have dual certification in both electrical and

building inspections which helps Maple Heights achieve higher workload ratios. Dual certification and training allow inspectors to perform simultaneous building and electrical inspections that can increase inspection totals. Additionally, the number of inspections completed by BHD is effected by the time spent conducting inspections, which may influence daily workload. Without the required inspections, BHD cannot ensure the safety of buildings constructed within the City.

R5.38 BHD should ensure that all required inspections are performed for each permit issued. The FIS/BDS should be used to track the required permits and inspections for each project. The system should be used to generate reports on a biweekly basis to show those with outstanding inspections to be performed.

BHD should also take steps to ensure maximum productivity is derived from its building inspectors by requiring state certification and dual training (**see F5.4**). Staffing should be reduced as recommended in **R5.3**. Additionally, BHD should establish a target number for daily inspections and assess whether inspectors are meeting that goal each week. Performance goals should be established so that inspectors maintain an average daily workload of 7 to 19 inspections or 1,820 to 4,940 annually.

F5.39 BHD does not charge the same level of fees for standard permits as the peer departments. As shown in **Table 5-16**, BHD does not generate sufficient revenue to cover its expenditures. **Table 5-16** reviews the cost of permits between BHD and the peer departments.

Table 5-17: Permit Fee Comparison

Categories	East Cleveland	Maple Heights	Warrensville Heights	Peer Average
Building Residential (New Construction)	\$20 per \$1,000 construction cost. ¹	\$30 flat fee plus the greater of \$0.66 per square foot or \$1.00 per \$100 value	\$20-\$600 based on construction costs ²	N/A
Building Commercial (New Construction)	\$20 per \$1,000 construction cost. ¹	\$30 minimum or \$1.00 per square foot	\$200 plus \$1.00 per square foot of usable floor area.	N/A
Electrical Residential (New Construction)	\$30 minimum plus add-ons ³	\$20 minimum plus add-ons ⁴	\$50 minimum plus add-ons ⁵	\$35 minimum plus add-ons
Electrical Commercial (New Construction)	\$50 minimum plus add-ons ³	\$30 minimum plus add-ons ⁴	\$50 minimum plus add-ons ⁵	\$40 minimum plus add-ons
Plumbing Residential (New Construction)	\$15 minimum plus \$4.00 for add-ons ⁶	\$20 minimum plus add-ons ⁴	\$40 minimum plus add-ons ⁶	\$30 minimum plus add-ons
Plumbing Commercial (New Construction)	\$50 minimum plus add-ons ⁶	\$30 minimum plus add-ons ⁴	\$40.00 minimum plus add-ons ⁶	\$35 minimum plus add-ons
Reinspection Fees Residential	\$10 fee for all permits \$25 for mechanical inspections	\$20 for the first \$30 for each subsequent inspection	\$30 for all electrical inspections	N/A
Reinspection Fees Commercial	\$10 fee for all permits ⁷	\$30 for first inspections, \$40 for each subsequent inspection	\$30 for all electrical inspections only	N/A
Most recent fee schedule update	FY 1999	FY 2001	FY 2001	N/A

Source: City of East Cleveland and peer cities

¹The amount charged by East Cleveland for a building permit may increase with the addition of fees for fencing, driveway repair, demolitions and elevators.

²A range is given in Warrensville Heights for the building permits since the fee varies based on construction costs. For example, a building permit for a construction project that costs between \$500 to \$1,500 costs \$25.

³Add-ons for East Cleveland include switches, fixtures, panels, various electrical appliances, heaters, smoke detectors, electrical lines transformers and outlets.

⁴Add-on descriptions for Maple Heights were not provided.

⁵Add-ons descriptions for Warrensville Heights were not provided.

⁶Add-ons for East Cleveland include additional restrooms, drains, water filters hot water tanks, piping, sinks, bathtubs and water closets.

⁷East Cleveland charges \$25 for mechanical inspections.

The fee structure illustrated in **Table 5-16** for East Cleveland and the peers highlights the following performance issues:

- BHD's commercial electrical and plumbing permit fees are higher than peers. However, the commercial building, residential electrical and residential plumbing permit fees are lower than the peers.

- BHD charges \$25 for mechanical reinspections and \$10 for other reinspections per visit to the job site. The permit fees assessed by BHD are designed to recover the costs incurred in conducting an additional permit inspection. The peers currently charge an average reinspection fee of \$30, three times the rate of BHD's fee.
- BHD has not updated its fee schedule since FY 1999.

The Government Finance Officers Association notes that the most efficient use of resources is achieved when the price for a good or service is set at a level that is related to the cost of producing the good or service. Once charges and fees have been established, they should be reviewed and updated periodically (annually) based on the impact of inflation, other cost increases, the adequacy of the coverage of costs and current competitive rates. When fee schedules are not updated on a consistent basis, cities may not be recovering the appropriate amounts, which can result in an increased need for General Fund support.

R5.39 BHD should update the fee schedule to recapture all related costs. BHD should develop and implement a process for ensuring that fees accurately reflect the cost incurred for certain inspection functions. The City should include code enforcement fees in its permit fee schedule and should continually review the permit fee structure to make sure they are not over or under charging City residents.

Code Enforcement

F5.40 The City's complaint hotline is not used effectively. The City has developed a complaint hotline for residents, which is operated between 9 a.m. and 5 p.m., Monday through Friday. Housing violations are forwarded upon receipt to BHD for inspection scheduling if there is a health or safety risk and inspections are scheduled within 24 hours. All other complaints are forwarded to BHD after a certain number of calls has accumulated; thus, an inspection may not occur until several days later. Most city complaint hotlines are available 24 hours a day to address the resident's needs and complaints are forwarded on a consistent basis. These hotlines provide residents with an opportunity to make complaints and share other concerns.

By holding complaints until a certain threshold is reached, BHD prevents inspections from being scheduled in a timely manner. Thus, residents often make repeated complaints before a response is made, which negatively impacts both customer service and the overall effectiveness of the inspection and code enforcement system.

R5.40 The City should upgrade its present hotline system to a 24-hour system which is staffed between 9 a.m and 5 p.m weekdays and converted into a voice mail system during the evening and night hours. Complaints should be forwarded to the building and housing department on a daily basis. The implementation of a 24-hour complaint line has the

potential to increase customer service at BHD by giving the department greater accessibility to the residents, increase residents safety, and lead to improvements in the City’s housing stock.

F5.41 BHD is not fully utilizing its code enforcement inspectors to complete code enforcement inspections in the City. **Table 5-17** shows housing inspection ratios for FY 2000.

Table 5-17: Housing Inspector Ratios (FY 2000)

Categories	East Cleveland	Maple Heights	Warrensville Heights	Peer Average
Number of Housing Inspectors	5.0	6.0	1.0 ¹	3.5
Residential Parcels (2000)	5,733	10,463	4,244	7,354
Ratio of Parcels to Inspectors	1,147	1,743	4,244	2,994
Point of Sale Inspections	383	777	631	704
Point of Sale Inspections per Inspector	76	130	631	381
Routine Housing Inspections	4,169 ²	4,141	N/A ³	4,141
Routine Housing Inspections per Inspector	834	690	N/A ³	690
Total Inspections	4,552	4,918	N/A ³	4,918
Annual Inspections Per Inspector	910	820	N/A ³	820
Daily Inspections Per Inspector	3.5	3.2	N/A ³	3.2

Source: City of East Cleveland, peer cities, and Cuyahoga County Auditor’s Office.

¹Warrensville Heights currently has two budgeted housing inspection positions, but one is currently vacant.

²Routine housing inspection figures in East Cleveland are made up of routine 815 inspections and 3354 reinspections.

³Warrensville Heights did not provide information on the number of routine inspections completed.

Table 5-17 illustrates the following:

- BHD has the lowest ratio of residential lots per housing inspector.
- BHD completes 46 percent fewer point of sale inspections than the peer average.
- BHD’s total daily inspection are 7.0 percent lower than the minimum performance standard of 4.5; however, they are higher than the peers.

According to the average inspector workload figures reported in *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards*, a workload of 4.5 to 19 code enforcement inspections should be completed daily. These workload figures are often influenced by the time it takes to complete various inspections and the time spent completing paperwork. Currently, housing inspectors spend an average of three hours per day completing paper work, which has a negative impact on the inspection staff’s productivity. Low daily inspection rates coupled with increased paperwork entry hours indicate that inspector productivity levels could be substantially increased. Low productivity increases code enforcement costs to BHD and the City.

R5.41 BHD should establish performance goals for its code enforcement inspectors so that inspectors maintain an average daily workload of 4.5 to 19 inspections. BHD should also reduce the amount of time its inspectors spend on completing paperwork by making the FIS/BDS and Personal Digital Assistants (PDAs) available to the code enforcement inspectors to improve efficiency (see **R5.44**). The use of these systems will reduce the amount of time spent in completing paperwork and increase inspector's productivity.

F5.42 BHD does not charge housing code violators a reinspection fee for each trip to the job location. When an inspector conducts a code enforcement or property maintenance inspection, the resident may either be in compliance or in violation of the City Housing Code. If a resident is found to be in violation of the Housing Code, they are issued a notice of violation and a time frame to remedy the violation. The resident then receives a reinspection to ensure that the violation has been addressed by the established compliance date. If the violation has not been remedied, subsequent reinspection may occur. BHD does not charge a reinspection fee despite the fact that the City's Codified Ordinance states that a \$5 reinspection fee should be charged when a prior inspection has been completed and the work is incomplete, not ready for inspection, or in need of correction and a reinspection is necessary. BHD has lost nearly \$17,000 in revenue for FY 2000 as a result of not enforcing the \$5 fee. Inspection, permit and other fees are designed to cover the costs of inspections and the associated administrative functions. Inspection costs may have been charged to the General Fund because BHD does not offset reinspection costs through fees.

R5.42 BHD should begin charging a reinspection fee for code violations. By assessing fees for reinspection, BHD shifts the cost burden of inspections to the offending parties. BHD should assess the cost associated with reinspections to determine the appropriate fee needed to recover the cost of inspections. The City of Warren charges a \$20 reinspection fee for code violations. In FY 2000, BHD completed 3,354 reinspections.

Financial Implication: Assuming a \$20 reinspection fee is instituted with a 75 percent collection rate, BHD has the potential to generate more than \$50,300 annually, based on prior year reinspection levels.

Technology Utilization

F5.43 BHD does not fully use the FIS/BDS permitting system which was implemented in FY 2001. Remote technology, like PDAs, has been used only on a limited basis and has not been implemented to the degree found in high performing building departments. Historically, much of the permit and inspection documentation was maintained manually, due to the limitations of the prior information system. To address its software limitations, the City purchased the FIS/BDS in August 2001. The FIS/BDS is currently used in BHD to enter permitting, inspection, and scheduling data. **Table 5-18** illustrates the major functions of the FIS/BDS software package used by BHD as well as the use of these functions by BHD.

Table 5-18: FIS/BDS Functions

FIS/BDS Functions	Features in use at East Cleveland
Reduces repetitive data entry pertaining to each permit as it flows from the application, plan review, fees, inspections through certificate of occupancy.	Yes
Allows the user to customize the package's tables to work the way the department does business.	No - BHD has not created fields that allow for tracking of permits by type or contractor registrations (see F5.33, F5.35).
Produces reports for census, accounting, application, permit generation, certificate of occupancy and more.	Yes
Tracks contractors.	No - this function is not used to its fullest extent to track contractors working in the city without the proper permits, contributing to a lack of monitoring (see F5.33).
Tracks uncollected fees and fines.	No - the system is being used to generate reports of uncollected fees. However, it is not used as a proactive means of collecting delinquent fees for the city. A report printed for the purposes of this audit shows that BHD had \$27,250 in uncollected outstanding fees, dating back to 1996. This information was not used by the city to retrieve these funds.
Produces inspector schedule forms.	Yes
Allows for inspector comments and file reviews.	Yes
Maintains and updates property files within the City.	Yes
Flags properties that may require special attention.	Partially-the City has recently begun using this feature to reschedule its housing inspections. However, it is not used for monitoring purposes (see F5.33)
Accesses records via multiple fields.	No- BHD has not used the system to create the required fields to track information (see F5.33, and F5.35)
Has compatibility with other utilities for database and report generation.	Yes

Source: Franklin Information Systems and City of East Cleveland

The FIS/BDS has not been made accessible to code enforcement inspectors, who currently maintain all enforcement documentation in a paper filing system. The FIS/BDS has the capability of being upgraded with additional modules for code enforcement activities. The addition of the periodic inspection module would allow the FIS/BDS to function as both a building and housing inspection system. This module can be used to manage any inspection requiring reinspection on a preset schedule. Also, the FIS/BDS is not fully utilized within BHD to monitor contractor registration, permitting or uncollected fees, or track the number of permits issued by type or other necessary fields to track performance.

BHD may not be able to fully use all the functions of the FIS/BDS due to insufficient training. Several staff indicated that little or no training was given on the FIS/BDS before and after it was implemented. Training is needed to help staff understand how to operate and

enter data into the permitting system. The vendor offers onsite training with the purchase of software. The vendor also provides additional onsite training at a minimal cost.

The vendor conducted training on the FIS/BDS in November 2001. However, staff indicated that the past training sessions did not adequately prepare them to use the FIS/BDS.

C5.2 BHD's new computer software has increased the efficiency of the permitting and inspection process by reducing the amount of repetitive work performed. The system also has the ability to generate several types of reports based on the information requested by the user which allows BHD to efficiently create the OBBS annual report. The following are advantages of moving from a manual process to a computerized process:

- Increased accuracy;
- Better management reporting and productivity tracking;
- Improved tracking of permits and inspections;
- Standardized fees; and
- Easier exchange of information between BHD and other departments.

R5.43 BHD should immediately begin using the FIS/BDS to its fullest potential in the permit and inspection process. The FIS/BDS should be used to ensure that contractors are adhering to OBBS reporting requirements, fees are collected and standards of performance can be measured. Also, BHD should purchase the periodic inspection module and immediately begin training its code enforcement inspectors to use the system. The new module has the following benefits:

- Prints inspection reports and letters;
- Sets up the types of devices/properties that need inspections and tracks them on a repeat basis; and
- Links all inspection data to BHD's FIS/BDS.

The full use of the FIS/BDS will reduce the amount of repetitive work performed and allow BHD to maintain an accurate record of permits issued and inspections scheduled to be completed. It will also aid in the collection of past due fees. The system will also help to ensure the proper fee is assessed, provide a record of inspections performed and enable BHD to complete the OBBS annual report. The FIS/BDS is capable of adding additional information about the types and numbers of permits issued or inspections performed, which would aid BHD in accurately measuring outputs over any given period of time (see **R5.33**).

To ensure that staff can fully use the systems features, BHD should work with its FIS/BDS vendor to provide more hands on and detailed training sessions and materials for the staff. This training should also be included in the department's annual training plan (see **R5.11**).

Financial Implication: The periodic inspection module and the associated training will cost BHD approximately \$6,000.

F5.44 The manual entry of data by inspectors in the field creates redundant data entry and reduces BHD productivity. In the Summer of 2001, BHD equipped its building inspectors with PDAs to record inspection data in the field. The use of this technology has streamlined the inspection process by allowing inspectors to enter data directly into a form that can be transferred into the FIS/BDS and eliminates the data entry performed by BHD secretaries. The benefits of remote technology use in the field include:

- Organizing inspection data in database format;
- Providing a simple, electronic form for inspectors to use at job sites;
- Assisting in time-tracking and activity-based costing;
- Tracking inspection status; and
- Allowing instant field communication by connecting to the FIS/BDS.

R5.44 BHD should also equip its code enforcement inspectors with remote technology tools, such as PDAs, to reduce redundant data entry and manual processes. Code enforcement inspectors should also be trained in the use of remote technology to ensure maximum productivity.

Financial Implication: The cost for five additional PDAs to equip the code enforcement inspectors would be approximately \$1,800.

F5.45 BHD does not have computer access to City records and files. BHD needs to work with the Finance Department, Municipal Court, and other City departments to effectively manage the permitting and inspections process. BHD could benefit from having read-only access to Finance Department systems for permitting and finance tracking. Access to Municipal Court records is important to complete housing court document preparation. However, the City's file server is currently not set up in a manner that will allow BHD to access other departments' files. Limited access to critical information has resulted in inaccurate reporting of revenues (see **F5.35**) and repetitive data entry on housing court dockets.

R5.45 BHD should be linked via a T-1 line to the City server and should receive software to access financial and court records in read-only format. For further discussion, see the **technology** section.

F5.46 The City has purchased cell phones for housing inspectors, building inspectors, and the CDD staff. However, a formal cell phone use policy was not developed prior to the issuance of the phones. The phones were purchased in an effort to improve customer service by making it possible to place calls to staff in the field. Of the eight cellular phone bills reviewed, three had charges for calls being placed after 8:00 p.m., and two had charges for a total of 46 out-of

state calls. These charges, along with the normal charges, cost the department \$2,715 for the month of September. The building commissioner indicated that the high bills were partially a result of the lack of a phone usage plan. Without adequate monitoring and policies to ensure that City cellular phones are used for the intended purpose, customer services and departmental efficiency may be reduced.

R5.46 BHD should require all staff to adhere to the City equipment usage policy. Furthermore, BHD should develop an in-house policy that details the following:

- Explanation of the purpose of office equipment;
- Explanation of where the equipment is to be placed at the end of the day; and
- Explanation of the consequences of non-compliance.

The City and BHD policies should be given to every staff person who uses a vehicle, cell phone or other piece of office equipment. Each staff person should read and sign the policy and a copy of the signed policy should be placed in the employee's permanent file. The policy concerning the use of computers, cell phones, vehicles and other office equipment should also be included in the departmental procedures manual (see **F5.7**).

Financial Implications Summary

The following chart presents a summary of the annual cost recovery, one-time implementation costs and annual potential revenue enhancements discussed in this section. For purposes of this table, only recommendations with quantifiable financial impacts are included.

Recommendations	Annual Cost Recovery	One-time Implementation Costs	Revenue Enhancements
R5.1 To eliminate one project manager position, one janitor position, and the receptionist positions in CDD.	\$102,700		
R5.2 To reduce the number of laborer and project manager positions for East Cleveland Clean.	\$272,000		
R5.3 Proposed staffing reductions for BHD.	\$101,000		
R5.4 Proposed training and testing costs for the inspection staff.	\$20,000	\$3,400	
R5.29 The potential for cost recovery of charges made for an unallowable cost by CDD.		\$32,800	
R5.35 Cost recovery for three percent OBBC requirement for FY's 1999 & 2000.	\$6,000		
R5.42 Revenue generation through collect reinspection fees.			\$50,300 (annual)
R5.43 Proposed cost of adding the periodic inspections module to the current FIS/BDS.		\$6,000	
R5.44 Purchase of additional Palm Pilot technology for the inspection staff		\$1,800	
Total	\$501,700	\$44,000	\$50,300

Conclusion Statement

East Cleveland's Community Development and Building and Housing Departments are responsible for ensuring decent standards for living and working throughout the City. Specifically, these departments work to eliminate the slum and blight which plagues the community. CDD's primary purpose is to allocate its federal awards to programs and services that will satisfy the City's public service, infrastructure, park and recreation, housing, and economic development needs. However, CDD experiences significant compliance and grant management issues that affect its ability to meet City development goals.

Non-compliance with federal, state and city regulations in several areas impacts CDD's ability to effectively administer programs and safeguard taxpayer resources. Although CDD has the responsibility for administering the grant awards to various contractors and subrecipients, it has not adequately provided direct services. CDD maintains an inordinately high balance of unexpended grant funds that are not used to expand direct client services. Furthermore, funding decisions are marked by poor planning and contract management and noncompliance with federal, state and city purchasing procedures. Grant funds are not committed in a timely manner which has led to reductions in future grant awards. CDD cannot evaluate the performance of its programs because program and site reviews are not conducted and records of expenditures by subrecipients are not maintained. Also, an inventory of CDD equipment purchased with federal and City funds has not been conducted to date. Finally, CDD has not been able to effectively implement the financial management component of the grant administration process. CDD has used grant awards for unallowable expenditures, which may result in a finding for cost recovery.

The department capacity to address financial and grant management issues highlighted throughout this audit call into question CDD's ability to effectively administer grant awards. CDD must improve performance across the board to effectively meet City economic and community development needs. Substantial modifications to CDD's organization, policies and procedures, and program monitoring must be implemented to ensure that government funds are appropriately allocated to services for the residents of East Cleveland. Further, CDD should contract with outside entities to manage the financial activities associated with the grant administration process to safeguard tax payer resources.

BHD is responsible for ensuring the safety and habitability of the City's commercial, industrial, and residential structures. BHD has established several departmental goals which are service focused and only loosely tied to BHD's primary purpose. The major goals are:

- Supporting inspectors in obtaining a minimum of two certifications; and
- Fully training all employees on the use of FIS/BDS, and fully using it to increase productivity, accountability and the level of customer service.

Each of these are important goals for the department, but they have not been achieved by BHD.

BHD does not have appropriately certified staff to perform inspection duties. As a result, contractors are used for common departmental inspection functions, resulting in increased operating costs. Further, staffing levels for BHD were significantly higher than the peer average. However, BHD's productivity levels were lower than the peers, indicating inefficiency within the department. Reorganization of BHD and consolidations undertaken in FY 2001 have resulted in streamlining some processes. Nevertheless, redundant staffing still exists and BHD has not fully integrated all operations.

In order to improve efficiency, BHD must obtain certification for its employees and discontinue its current heavy reliance on contracted services. OBBC training and State certification for building and housing inspectors should be required. The reorganized BHD structure and staffing should be scrutinized for possible staffing reductions and increased resource pooling to heighten efficiency and reduce costs to the City. BHD should continue to move towards a more consolidated permitting and inspection department which should include zoning, building permit and inspection, housing code enforcement and demolition.

Additionally, to provide residents of the City with better customer services and to better measure performance, BHD should extend hotline hours and improve management of complaint calls. BHD should fully utilize the technology available through the FIS/BDS to decrease manual processes in code enforcement. Remote technology use should be extended to code enforcement personnel as well.

During the course of this audit, BHD acted in a proactive manner by consolidating its functions into a single department and purchasing the FIS/BDS software. However, room for continued improvement and further cost reductions exists. By reducing redundant and unskilled positions, increasing training and balancing departmental costs with revenues, BHD has the potential to achieve its mission.

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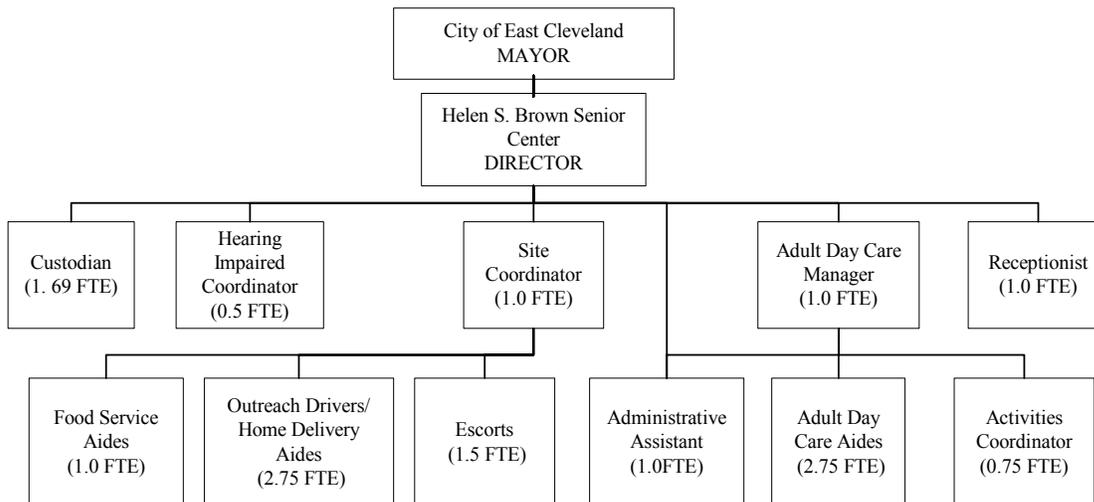
Helen S. Brown Senior Center

Background

This section focuses on the Helen S. Brown Senior Center (HBSC), which is the central outreach facility for social services offered to senior residents within East Cleveland. Comparisons are made throughout the report with peer centers in the cities of Euclid, Lakewood and Maple Heights. HBSC receives federal funding to provide seven central services to the senior citizens of East Cleveland. As shown in **Chart 6-1**, staff for these areas are managed by the Director, Site Coordinator, Adult Day Care Manager, and the Hearing Impaired Coordinator.

Organizational Chart and Staffing

Chart 6-1: Helen S. Brown Senior Center



Source: Helen S. Brown Senior Center

Organization Function

HBSC delivers seven major services that support an overall mission to provide social services and activities intended to enable senior citizens to function independently. HBSC receives Title III funding through the Western Reserve Area Agency on Aging (WRAAA), Community Development Block Grants (CDBG), support from the City's General Fund and additional county programmatic grants to fund activities. HBSC's functions include:

- Adult Day Care – a socialization and needs assessment program geared to any senior citizen in the City who is afflicted with early to mid-stage Alzheimer's disease or any other dementia. Its purpose is to offer to its clients meaningful and appropriate social activities to help delay the social and behavioral declines associated with the disease, as well as to offer respite care to the care-providing family members. Clients are offered the service from 7:00 a.m. until 5:00 p.m., Monday through Friday.
- Congregate Meals – a program that provides a hot, nutritious meal to any senior citizen who makes a reservation by Thursday of the prior week. The meal program is administered by the Site Coordinator with meals planned by the WRAAA dietitian and prepared by a WRAAA contracted caterer.
- Home Delivered Meals – a program that provides meals to eligible senior citizens who are home-bound and in need of a nutritious meal on a daily basis. The meal program is administered by the Site Coordinator with the same food that is prepared for the congregate meal.
- Transportation Services – a program that offers transportation services to any senior citizen in the City of East Cleveland for pre-routed trips to the Senior Citizen Center, shopping centers and medical facilities. As part of the daily route, meals are delivered through Home Delivered Meals. Transportation services are administered by the Site Coordinator. In 2001, HBSC contracted with the WRAAA to provide 20,188 units (miles) of service to these seniors.
- Escort Services – a program that addresses the needs of older seniors (usually 75 years or older) who are in need of individualized transportation due to frailty or handicap. Clients are referred by the transportation outreach worker or other outreach workers who assess that a client's needs are not met through the transportation department. Escorts assist clients with shopping, medical and other necessary errands.
- Supportive Services – Supportive Services encompasses all HBSC activities that provide counsel and direction regarding assistance programs for seniors. These assistance programs include participation in Homestead exemptions, the Golden Buckeye Card discount program, Americans with Disabilities Act passes and the HEAP and Ohio Energy programs. HBSC

staff process all requests for seniors to receive these services. In addition, the staff also registers seniors to vote and offers all the services available at HBSC to clients. These services are available to seniors on business days from 8 a.m. until 5 p.m.

- Socialization Services – Socialization addresses the important need of the deaf, visually impaired, frail, handicapped and low income seniors for social activities and interaction. The scheduled activities are designed to reduce the isolation and loneliness experienced by this population.

Summary of Operations

HBSC is open from 7:00 a.m. until 5:00 p.m., Monday through Friday with most services and activities offered between the hours of 10 a.m. and 2 p.m.

The HBSC director reports to the Mayor. The Adult Day Care program is managed by a licensed social worker; the Congregate and Home Delivered Meals programs, Transportation, and Escort services are managed by the Site Coordinator; and the Supportive Services and Socialization Services are administered by the Director. The Hearing Impaired Coordinator (HIC) works with approximately 100 deaf individuals who participate in all of the HBSC programs to some extent. The HIC provides interpretive services to the deaf population in bureaucratic offices, hospitals, and other areas as needed. In addition, the HIC assists with other daily activities as needed.

According to the job descriptions, the following are representative of the duties and responsibilities of each staff member:

Director: Supervises staff; creates and implements budgets; plans, develops and reinforces programming. In addition, the director is responsible for completing the annual WRAAA proposal. The Director must have a four year degree; there are no specific certification or licensure requirements.

Site Coordinator: Responsible for overall implementation of congregate meal programs and coordination of transportation for the congregate meal and home-delivered meal programs; fulfilling weekly, monthly and quarterly reporting requirements to the WRAAA; scheduling shopping trips and field trips; and assuming the director's responsibilities in case of absence. There are no educational or licensure requirements.

Hearing Impaired Coordinator: Responsibilities are to coordinate information and referral services for hearing impaired adults; arrange interpreting services within the guidelines of the Cuyahoga County Interpreting Services contract. Competent sign language skills in both ASL and signed English are required.

Adult Day Care Manager (ADM): Responsibilities are to administer needs assessments for clients in the adult day care program upon entry and throughout their participation; establish individual service goals for each client; develop activities for clients; monitor staff in their performance with those clients; and monitor clients in their progress of the individualized goals. A four year degree as well as a license to practice social work in the State of Ohio is required.

Adult Day Care Program Coordinator: Responsibilities are to participate in the activities planning; engage in individual and small group client contact; monitor behavior changes in clients and take notes on those changes and report them to the ADM. This employee must be willing to take courses to become certified activities aides within two years of hire.

Outreach/Driver: This position is responsible for doing assessments of clients receiving home delivered meals; driving vans for pick-up of clients; delivery of meals; maintaining vehicles; and keeping current with defensive driving and passenger assistance training. In addition, within six months, the driver must receive certification in emergency first-aid and, when available, complete the Transportation Management Associates Passenger Assistance Training.

Driver/Home Delivery Aide: Duties are to assist with home delivery and substitute for drivers in home delivery when needed; pack meals; drive for special field trips; and assist frail participants on and off vans. Driver/Home Delivery Aide must have a valid driver's license, a safe driving record, and have passenger assistance training within six months of hire.

Escort: Responsibilities are to escort clients in personal cars for medical appointments, shopping and other needed community resources; keep records of all escort service units and client data for reports; make assessments on clients to determine other needs; and record and report daily odometer readings. Escort must have a valid Ohio Driver's License.

Food Service Aide: Reports to the Site Coordinator. Duties are to prepare congregate and home delivered meals, keep utensils sanitary, and count food to ensure correct number of servings.

Custodian: Custodian works under the direction of the Director and the Site Coordinator. Responsibilities are to maintain a clean and safe center for the clients and staff - specifically sweep, mop and vacuum floors, wash windows, dust, clean bathrooms and fixtures, shovel, clear premises of debris, replace light bulbs, toilet paper, etc; remove/set up tables, etc.

Registration Clerk/Receptionist: This position reports to the Director and/or the Site Coordinator. Duties are to answer the telephone; take meal reservations throughout the day; record the daily meal reservation count; review and modify routing for deliveries; confirm meal delivery reservations, prepare the change-box for delivery; assist with the counting of donation money; complete the daily and weekly meal delivery reports; develop the bus routing for following day; and be informed of all program activities.

Financial Data

The annual budget for 2001 is \$375,202, which does not include \$12,143 of in-kind donation which is included in the WRAAA budget. Without considering in-kind services, sixty-four percent of the budget (\$240,205) is funded through WRAAA Title III federal funding.

Table 6-1: HBSC Funding Breakdown FY 2001

Program	East Cleveland Support ¹	Title III Support	Program Income (Donations)	In-Kind (Volunteer Hours)	Total (not including In-kind)	Percent of Total Budget
Home Delivered Meal	\$12,009	\$22,513	\$5,500	\$3,000	\$40,022	10.7%
Congregate Meal	\$8,000	\$18,014	\$5,000	\$5,593	\$31,014	8.3%
Adult Day Care	\$12,500	\$74,709	\$1,500	\$2,300	\$88,709	23.6%
Socialization	\$29,816	\$37,226	\$400	\$1,250	\$67,442	18.0%
Supportive	\$15,060	\$29,545	\$200	\$0	\$44,805	11.9%
Transportation	\$35,346	\$47,644	\$300	\$0	\$83,290	22.2%
Escort	\$9,166	\$10,554	\$200	\$0	\$19,920	5.3%
Totals	\$121,897	\$240,205	\$13,100	\$12,143	\$375,202	100.0%
Percentage of Total Budget	32.5%	64.0%	3.5%	N/A	100%	

Source: Western Reserve Area Agency on Aging - Contract with City of East Cleveland 2001

¹Includes Community Development Block Grant Funding; General Fund support totals \$80,000 (21.3 percent); CDBG support totals \$41,897; Does not include Cuyahoga County grants which supports supplemental programs not included in this budget.

The City of East Cleveland provides 32.5 percent of the HBSC's total budget, split between the General Fund (21.3 percent) and the Federal CDBG fund (11.2 percent). **Table 6-1** shows how General Fund dollars are spent by program area. The Adult Day Care program (23.6 percent) and the Transportation Program (22.2 percent) account for 45.8 percent of the HBSC budget.

As shown in **Table 6-2**, East Cleveland provides \$121,897 in funding. The transportation program receives the bulk of city funding at \$35,346 which represents 42.4 percent of the program's total funding. The Socialization program receives \$29,816 in city funds which represents 44.2 percent of that program's funding.

Table 6-2: City's General Fund and CDBG Support

Program	Total Program cost ¹	City's Total Expenditures	General Fund Expenditures of total program cost	General Fund Percent of total program cost	CDBG Expenditures of total program cost	CDBG Percent of total program cost
Home Delivered Meals	\$43,022	\$12,009	\$7,862	18.3%	\$4,146	9.6%
Congregate Meals	\$36,607	\$8,000	\$5,237	14.3%	\$2,762	7.5%
Adult Day Care	\$91,009	\$12,500	\$8,184	9.0%	\$4,316	4.7%
Socialization	\$68,692	\$29,816	\$19,520	28.5%	\$10,296	14.9%
Supportive	\$44,805	\$15,060	\$9,859	22.1%	\$5,202	11.6%
Transportation	\$35,346	\$35,346	\$23,337	27.9%	\$12,309	14.6%
Escort	\$9,166	\$9,166	\$6,001	30.2%	\$3,165	15.8%
Total	\$121,897	\$121,897	\$80,000	20.7%	\$42,197	10.8%

Source: Western Reserve Area Agency on Aging - Contract with City of East Cleveland 2001

¹ Includes in-kind donation income (donated time at \$6.00 per hour) which is included in the WRAAA required match.

The WRAAA requires all of its agencies to provide a 40 percent match for Congregate and Home Delivered Meals as well as a minimum of 15 percent for the remainder of the programs. While East Cleveland does not provide a 40 percent match through its General Fund, through its in-kind and donation funding it meets the 40 percent requirement for both the Home Delivered Meals (47.7 percent) and the Congregate Meal (50.8 percent) programs. A minimum of 15 percent funding is provided for each of the other five programs as well, with in-kind and donation income supplementing the adult day care program to reach the minimum requirements.

City funding supports the Socialization program (43.4 percent), the Transportation program (42.6 percent) and the Escort Program (46 percent) at a level substantially beyond the minimum requirement of 15 percent. A reduction in the city's contribution would adversely impact the delivery of these services.

Performance Measures

The following objectives were used to analyze the performance of the City of East Cleveland's Helen S. Brown Senior Center:

- Adequacy and appropriateness of organizational structure and staffing levels;
- Strategic planning process and its linkages with activities for HBSC;
- Goals and objectives for the contracted services, including meal preparation/delivery, adult day care, and senior transport/escort services;
- Cost effectiveness and efficiency of HBSC programs, including meal preparation/delivery, adult day care, and senior transport/escort services, and the general building operation;
- Appropriateness of financial operations, budgeting procedures and funding sources; and
- Adequacy and appropriateness of certification and training opportunities for Senior Center staff.

Findings / Commendations / Recommendations

Organizational Structure and Staffing Levels

- F6.1 HBSC is managed by the director and the site coordinator. All seven of the senior program functions are overseen by the director and the site coordinator supervises the daily functions within the transportation, escort and nutrition programs. The Adult Day Care manager supervises those staff in charge of leading daily recreational activities for the Adult Day Care clients. The structure is currently designed so that all staff have a particular supervisor that monitors their work as well as the progress of those clients within their charge. Given the current functions and duties of staff, this structure appears reasonable.
- F6.2 In FY 2001, HBSC operated its seven central functions with a staff of 21 individuals, comprising 15.9 FTEs. As shown in **Table 6-3**, the major program areas were staffed by 13.21 FTE employees. The difference accounts for the director (1. FTE) and the custodial staff (1.69).

Table 6-3: Service Comparison

	City of East Cleveland ¹	FTE ¹	City of Euclid	FTE ¹	City of Maple Heights ¹	FTE ¹	City of Lakewood	FTE ¹
Congregate Meals	20,584 meals	1.03 ²	34,086 meals	5.50	19,578 meals	N/A	35,109 meals	2.25
Home Delivered Meals	23,950 meals	2.4 ²	15,872 meals	5.50	15,060 meals	N/A	22,000 meals	2.75
Home Care/chores, health aide, housekeeping, respite	Service not provided	—	2,913 hours of service	3.58	N/A	N/A	1,130 hours of service	12.00
Supportive Services	1,641 half hour units	0.53	N/A ³	3.08	1,952 half hour units	N/A	5,000 half hour units	1.90
Transportation	20,188 miles	1.91	98,908 miles	5.75	48,482 miles	N/A	70,500 miles	6.25
Escort Services	3,652 miles	2.03	Service not provided	—	Service not provided	—	46,212 miles	2.00
Socialization	1,500 scheduled activities	0.53	NA ²	2.50	N/A	N/A	N/A	3.00
Adult Day Care	2,702 days	4.78	Service not provided	—	Service Not provided	—	through the Lakewood Foundation	—
OOA Protective /Domestic Violence Advocacy	Service not provided	—	elderly break-out not available	3	N/A	—	2,000	2.19
Total FTEs		13.21		29				32.34

Source: Western Reserve Area Agency on Aging - Contracts 2001

¹None of the FTE's include the directors as their time is split among the sites' total programs which are not consistent; all between 0.5 and .15 per program.

²Does not include volunteer staff which includes an additional 0.25 FTE for home delivered meals and 0.44 FTE for the congregare meals program. Neither Lakewood or Euclid provide in-kind donations in the form of volunteer hours for the congregare meals program. Lakewood provides an additional 0.32 FTE in volunteer hours for its home delivered meal program.

³Not able to calculate as this program is not funded by the WRAAA and thus the methodologies for calculated units of service are inconsistent.

F6.3 HBSC has been able to keep its staffing levels low in comparison to its peers in part because of its in-kind volunteer contribution, especially in the Congregate Meal program (0.44 FTE) and the Home Delivered Meals program (0.25 FTE). The FTEs are based on 2024 volunteer hours divided by an estimated \$6.00 per hour salary, not including benefits. An estimated 39 additional employee hours are provided each week for the HBSC programs, thereby saving HBSC the salary and benefits cost of an additional employee. Volunteer hours are an important part of HBSC's contribution to the running of the senior programs and the cost savings in the operations. Without volunteers, BHSC would need to increase its paid staff by at least an additional full time employee to meet the demands as reflected in the minimum staffing levels of its peers. Based on the ratio of staff per home delivered meal recipient in the cities of Lakewood, which has the lowest staffing levels of the peers, and East Cleveland, East Cleveland would have to increase its staff by 1.16 FTEs to reach the lowest peer level. Because of the volunteer contribution, the staffing levels are more closely aligned.

C6.1 HBSC effectively uses volunteer assistance to support the operations of its programs and to provide back-up resources. In addition, volunteer support helps HBSC to avoid the salary and benefit costs of additional employees. Based on a \$6.00 per hour pay scale, HBSC avoids a salary payment, without benefits, of \$12,480.

F6.4 HBSC does not currently offer enhanced supportive services such as housekeeping, home health assistance, or domestic violence outreach. All the peer cities provide some form of home care, housekeeping and respite services. These services are large program areas in their respective communities and can provide additional services beyond those currently offered at HBSC. While HBSC refers clients to other agencies that offer expanded services, offering appropriate home-based aide at an affordable cost may be valuable to the targeted population in East Cleveland and should be investigated.

In addition, the other peer cities offer domestic violence outreach services to the seniors, thereby enhancing their health and welfare. While the municipal court offers domestic violence services to victims with cases processed through the court system, there is not a process for dealing with domestic issues outside the legal system (see **Municipal Court** section). The elderly are a particularly vulnerable population in terms of neglect and abuse and the outreach workers at HBSC are already dealing with the symptoms of such ills. Further assistance by trained professionals devoted to the specific social and emotional effects of domestic violence could reduce the occurrence of abuse. In addition, the professional presence may mitigate the effects of abuse through rapid and effective responses.

R6.1 HBSC should investigate the possibility of offering other services, such as housekeeping (periodic house cleaning), home health assistance (nurses aides under the supervision of a registered nurse visiting clients on a periodic basis), and domestic violence outreach (social work and intervention within the home). Such services are consistent with increasing the

overall health and well-being of the senior population. As stated in **R6.3**, HBSC should engage in a strategic planning process that would assist HBSC to identify service needs as well as the capabilities of its staff and volunteers. In addition, by widening its volunteer base through the strategic planning process, and identifying needs that can be filled by a target volunteer population, HBSC can appropriately broaden its range of services.

F6.5 HBSC currently has partnerships with Huron Hospital Clinic in Cleveland, a podiatrist and the Legal Aide Society. By offering space to these professionals, HBSC is able to provide health and legal services through its operation at no additional cost. Through an arrangement with Huron Clinic, a nurse and physician are available for medical examinations and follow-up care on a weekly basis.

C6.2 The weekly presence of a nurse and physician reduces the demand on the transportation and escort programs. In addition, by bringing these services to the seniors, HBSC increases the likelihood that they will seek necessary services before the situation is acute, and reduces the costs of transporting seniors to legal and medical appointments at other sites. These arrangements are a low-cost means of increasing the availability of service to the senior population and should be continued.

Strategic Planning Processes

F6.6 The HBSC has not engaged in a strategic planning process beyond defining goals and objectives in its annual WRAAA proposal development process. Needs assessments, to determine what services are necessary to best serve the senior population, have not been developed with community or stakeholder feedback. Strategic planning is an important component of sound management and can help an organization coordinate its budgeting processes with program needs. Strategic planning allows organizations to understand their needs, prioritize them, and make budget expansions and reductions appropriately. Generally, a five-year strategic plan is recognized as a standard time horizon for long-term planning. A strategic plan should:

- Establish the overall mission, vision, goals, and objectives of the organization;
- Establish mechanisms for coordinating and monitoring projects among different departments;
- Address issues that are common to all projects;
- Prioritize projects;
- Identify resources required to achieve desired outcomes;
- Assess programs' current and past successes in order to inform necessary parties;
- Improve performance through monitoring; and
- Increase accountability for stake holders and management.

R6.2 HBSC should develop a long-term strategic plan to define objectives, desired outcomes, and realistic time lines for their programs. The plan should be used to monitor progress toward specific objectives or goals. The strategic planning process should include a needs assessment to determine the needs of HBSC’s target population as well as a skills assessment of its staff and volunteers. In addition, the process should involve a wide variety of stakeholders and allow input by the community. It should also include a plan for communicating the strategic plan to clients and to the general community.

HBSC should use its proposal process for the WRAAA application as a base for strategic planning. In addition, it may be necessary for HBSC to secure the services of an outside consultant to facilitate the community-wide process. Options for funding the process may be found among the corporate residents in East Cleveland, community foundations, and the WRAAA.

Goals and Objectives

F6.7 HBSC evaluates its goals and objectives annually in its proposal to the WRAAA. Goals and objectives are based on the previous year’s performance as well as the available funding match through General and CDBG funds and the anticipated funding through the WRAAA. Unfortunately, this methodology does not necessarily meet the needs of the target population as it is responsive to the funding capability and not the demands in the community. Because HBSC has not assessed the growing needs of its target population in an objective, comprehensive manner, it is at risk for creating service gaps.

R6.3 An effective needs assessment is an essential component of strategic planning and can assist in identifying service gaps and redundancies to the targeted population. As stated in **R6.2** HBSC should engage in a strategic planning process to identify the needs of the elderly population, assess its capabilities in addressing those needs, and establish goals and objectives to meeting those needs through increased capabilities.

Cost Effectiveness and Efficiency of Center Programs

Table 6-4 shows the cost per each unit of service for the HBSC and the peer centers.

Table 6-4: Cost per Unit of Service

	East Cleveland	Euclid	Lakewood	Maple Heights	Peer Average	Difference between Peer Average
Adult Day Care (per day)	\$33.77	service not provided	N/A	service not provided	N/A	N/A
Congregate Meal (per meal)	\$1.78	\$2.55	\$1.58	\$2.72	\$2.28	(\$0.50)
Home Delivered Meals (per meal)	\$1.80	\$2.39	\$1.39	\$4.44	\$2.74	(\$0.94)
Transportation Services (per mile)	\$2.46	N/A	\$2.62	\$1.92	\$1.51	\$0.95
Escort Services (per mile)	\$5.45	service not provided	\$1.02	service not provided	N/A	NA
Supportive Services ² (per half hour)	\$27.30	N/A	\$12.42	\$26.78	\$19.60	\$7.70
Socialization Services ² (per half hour)	\$45.79	N/A	N/A	N/A	N/A	N/A

Source: Western Reserve Area Agency on Aging - Contracts 2001

¹ N/A designates that the program is not provided funding through the WRAAA and, therefore, the information regarding costs per unit was not available.

² Calculations for the supportive services units and the socialization units do not appear consistent among the peers or within each peer city, so might not reflect the true cost per unit.

F6.8 Projected from 2000 actual numbers, a total of 2,702 units of service will be provided in 2001 for the Adult Day Care program. Units of service are defined as one day of service. The Senior Center is contracted by the WRAAA to provide services to 50 people in 2001. As of September, 2001, there were 31 clients on the roster and, on average, 13 clients attend on any given day. The average number of days a client attends in one year is 54, reflecting the typical client who attends the program two or three days each week. All of the adult day care recipients are low-income and 60 percent live alone.

The cost per unit (one client per day) is \$33.77. The suggested fee for the Adult Day Care service is \$2.00 per day. A congregate meal lunch is provided to the clients for a suggested \$1.00 donation and transportation services are also available to those who need it for a suggested donation of \$0.25 per ride.

The WRAAA funds its agencies by reimbursement. As of September 2001, the Adult Day Care program was at risk of losing its anticipated reimbursement funding because of declining units of service. Although reimbursement is based on units of service, and not actual clients served, the program's declining enrollment has contributed to it falling behind in providing the contracted units of services. At the time of this audit it was not clear whether the Adult Day Care would be able to recover its lost units of service to meet the contracted number of units and thus receive its anticipated funding. If it is not able to meet its goals, WRAAA will not fund the Adult Day Care program to the level anticipated, and funding will have to be drawn from the City's General Fund to cover the program's costs, thus increasing its financial dependency on city funds.

R6.4 Marketing, education and referral efforts should be stepped up to increase the numbers of those served in order to meet or exceed the number of units of services contracted with the WRAAA as well as increase the amount of donated income. These efforts should be incorporated into the overall strategic planning process discussed in **R6.2**.

F6.9 Adult Day Care currently receives \$74,709 in Title III Federal funds and \$12,500 through the City's funding match. An additional \$2,300 of in-kind funding is provided through 383 volunteer hours based on a \$6.00 per hour pay scale. The total service budget was \$91,009 for 2001. Based on the service contract with the WRAAA for 2001, the City of East Cleveland supports each unit of service with \$4.63 in CDBG and General Fund monies which makes it the fourth largest city expenditure of the HBSC programs.

The city supports the Adult Day Care program at a higher rate than many of its other programs due to its high per unit cost. Furthermore, because the served population is small and funding from the WRAAA is commensurate with provided units of service, the program must rely on operational funding through the General Fund. It is necessary that HBSC rely on a more diverse pool of resources to operate all programs, especially the more expensive ones. A diversified source of funding will reduce HBSC reliance on city funding as well as provide more assurance that the program service will continue despite potential losses in funding.

R6.5 The Adult Day Care program is an area where HBSC can reduce its financial dependency with the City. HBSC should take steps to increase its population served as well as diversify its sources of funding by approaching private foundations and corporations for support. By investigating grant funds through assistance from the Foundation Library and other resources such as the AARP and the WRAAA, HBSC can locate willing contributors to enhance its services, increase its recipient pool, and lower its costs of operation.

F6.10 The staff that support the Adult Day Care program include a licensed social worker who works as the full-time manager, an activities coordinator (0.75 FTE), four half-time (2.0 FTE) aides and an administrative assistant who prepares the weekly reports to the WRAAA.

Currently there is one direct care worker (not including the manager) to work with approximately 18 clients. Based on the number of contracted units provided and needs of the clients served, staffing levels appear appropriate. With changes in demographics and a possible reduction in units provided, continued analysis of staffing is necessary.

- F6.11 Based on service in 2000, the City of East Cleveland contracted with the WRAAA to provide 20,584 units (meals) in 2001 for the Congregate Meal program. The number of unduplicated clients is 525, and, on average, these clients receive approximately 39 meals annually. Seventy-five percent of the clients are minorities, while 70 percent are low-income. Eighty percent of the served population live alone. Based on peer comparisons depicted in **Table 6:3** and City of East Cleveland demographics, the number of meals provided appears reasonable.

The staff that support the Congregate Meal program are shared with the Home Delivered Meals program. There is a full-time site coordinator who manages both meal programs as well as the transportation and escort programs and two half-time (1.0 FTE) kitchen aides devoted to both meal programs. Based on the number of meals provided and compared to the peer staffing levels depicted in **Table 6:3**, the staffing for this program appears to meet the needs of the target population.

- F6.12 Based on service in 2000, HBSC is contracted by the WRAAA to provide 23,950 home delivered meals for 248 days out of the year in 2001. On average, each of the 150 unduplicated clients receives 160 meals annually. The number of meals provided appear reasonable based on peer comparisons depicted in **Table 6:3** and City of East Cleveland demographics.

- F6.13 The Home-Delivered Meal program received \$22,513 in Title III funding for 2001. An additional \$12,009 of city funding was provided as well as \$3,000 of in-kind services for the 500 hours in volunteer hours. The total service budget was \$43,022 for 2001. For every meal delivered at a cost of \$1.80 in 2001, \$0.50 was paid through City of East Cleveland General and CDBG funds. Based on the peer comparisons as depicted in **Table 6:4** and the General Fund expenditures as compared to other programs depicted in **Table 6:1**, reliance on city funds for this program appears appropriate.

The staff that support the Home-Delivered Meals program are shared with the Congregate Meals program and the Transportation Program. They include the full-time site coordinator who manages both meals program as well as the transportation and escort services, two half-time (0.5FTE) kitchen aides, an outreach worker/driver (0.5 FTE), and two drivers. In addition, there is a substitute pool of volunteers who assist the driver with deliveries and passenger assistance when staffing is low. On average, these volunteers work a total of 10 hours per week under the direction of the Site Coordinator. Based on the number of units provided annually, the peer comparisons as depicted in **Table 6:3**, and observation during

the serving hours, the staffing for the Home-Delivered Meals program meets the daily need of the served population.

- F6.14 The transportation program received \$47,644 in Title III funds for 2001 and an additional \$35,346 from the City's CDBG and General Fund revenue. The total service budget was \$83,290 for 2001. For every mile driven in 2001, the City contributed \$1.75 of the \$4.13 unit cost. Compared with the peers and to the city's expenditures for each program area, the reliance on city funding appears reasonable.

There are two drivers and an outreach worker/driver that support this program. Based on the number of clients and the miles driven daily, staffing for this program is appropriate. As the population demographics change and programs are adjusted to meet the changing needs, staffing levels for this program will need to be assessed.

- F6.15 Supportive Services encompass all the activities that provide counsel and direction regarding assistance programs outside of the HBSC that are available to seniors. For 2001, based on 2000 services, HBSC plans to serve 425 individual clients with 1641 units of service (one thirty minute client contact period).

The Supportive Services program receives \$29,545 in Title III federal funds. In addition, the City provides \$15,060 in matching funds. The total service budget is \$44,805 for 2001. The City of East Cleveland provides \$9.30 per half-hour of client contact which is the City's second highest per unit expenditure. Furthermore, as depicted in **Table 6-4**, supportive services cost \$7.70 more per unit at HBSC than the peer average. Peer cities have a wider variety of supportive services that are offered to larger groups on a daily basis. These differences significantly effect the number of units provided, but do not necessarily indicate that costs for HBSC activities are inappropriate.

The director, site coordinator, administrative assistant, receptionist, outreach worker, hearing impaired coordinator and adult day care manager staff the supportive service activities. These staff administer supportive services and provide administrative and clerical assistance to all other programs at the HBSC. While a total of 0.53 FTEs are allocated to provide the supportive services functions appears reasonable based on the units served, HBSC provides fewer units of service than its peers. When HBSC engages in a needs assessment as part of its strategic plan and adjusts its programming to meet the changing population, the number of units served and the types of services provide may change. Further assessments of the staffing levels and structure will be necessary to meet these prospective service adjustments.

- F6.16 In 2001, HBSC plans to provide socialization activities, such as crafts, speakers, games, and field trips to 350 individuals. Of these, 69 percent are minorities, 85 percent are low income, 70 percent are isolated or alone, and 40 percent are frail or impaired. Eighty-seven percent

of the individuals are handicapped and this includes the deaf population which, by itself, is 30 percent of the served population.

The Socialization program receives \$37,226 in Title III federal funding. An additional \$29,816 is provided by the City's CDBG and General Fund revenue. The total service budget for the Socialization program is \$68,692. The City contributes \$21 per service unit (half hour). Compared to its other programs, the cost per service unit is high. Based on the peer data provided, it is indeterminate whether the cost per unit is relative to the peer costs. However, based on the supportive services assessment, it is likely that each socialization activity in East Cleveland costs more per unit than the others because of the various types of services offered and the number of individuals reached per activity.

Staff for the program include the HBSC Director, the Site Coordinator, the Hearing Impaired Coordinator and the Adult Day Care manager. These staff plan the daily activities and volunteers assist with the implementation each activity. Although appropriate at the current assessment, a needs assessment within a strategic plan may invite further service changes for which a staffing assessment will be necessary.

F6.17 As shown in **Table 6.5**, the staff at HBSC are paid at a lower rate than their peers. The staff at HBSC receive, on average, about 25 percent lower rates than do their peers. Potential causes for the lower rates include lower overall city wages as well as less sophisticated credential requirements for employees as compared to the peers.

R6.6 HBSC should incorporate a qualifications study in its strategic planning process to determine its minimum and preferred qualifications for its staff. A qualifications study that shows the market rates for similar positions with similar licensure, education and experience requirements would allow HBSC to determine whether its salaries are commensurate with the necessary skills and qualifications of its staff. The findings from such a study should then be incorporated into adjusted salary bands and qualifications that are in line with those in peer centers.

Table 6.5: Hourly Rate for HBSC and Peers FY 2001

	East Cleveland	Euclid	Lakewood	Maple Heights	Peer Average
Director	\$17.85	\$24.25	\$28.67	\$30.43	\$27.78
Managers	\$11.93	\$15.51	\$22.40	\$13.72	\$17.21
Professionals: nurses, licensed social workers, hearing impaired coordinator	\$11.01	\$13.73	\$17.47	N/A	\$15.60
Program Coordinators/ Division Heads	\$8.71	\$11.93	\$15.11	N/A	\$13.52
Drivers/ Outreach Workers	\$8.43	\$8.97	\$11.73	\$10.12	\$10.27
Kitchen/Food Service	\$7.29	\$8.13	\$8.91	\$7.19	\$8.08
Clerical	\$9.21	\$9.33	\$11.02	\$14.93	\$11.76

Sources: Helen Brown Senior Center, City of East Cleveland, Euclid Senior Programs, City of Euclid; Lakewood Division of Aging; City of Maple Heights Office on Aging

Facilities

F6.18 Overall, the facility is well-maintained and spacious enough to accommodate the activities performed as part of the senior program. However, restrooms need to be addressed in terms of their physical condition. In their present condition, they are not adequate for the needs of the elderly. In at least two bathroom stalls, the doors will not shut properly to establish a sense of privacy. Although it is clear that the restrooms are cleaned at least once a day, some intermediate touch-ups are necessary. Attention to the doors is also necessary and new doors and fixtures should be considered.

The schedule for cleaning is inconsistent and, at times, haphazard. There are three custodians (1.7 FTE): one works only during the summer, one works half-time throughout the year, and another is a full-time employee. Communication, direction, training or management are potential factors that contribute to a less than adequate understanding of duties among the custodial staff. Without a clear and enforced schedule of defined duties that include cleaning, light maintenance and repairs, HBSC will continue to have areas that

are not adequately cleaned. HBSC population may be placed at risk for illness and the facility is at risk of decline.

R6.7 HBSC should reevaluate the cleaning schedule and develop a process to monitor the condition of the facility and ensure that it is maintained in a safe and clean manner. The revised cleaning schedule should consider periods of high restroom use, such as after meals and during socialization events, and should anticipate use by clients who have particular trouble with daily activities, including using the restroom facilities.

F6.19 The director reports that she has had trouble receiving timely maintenance service from the City's Service Department. This has occasionally resulted in a reduced number of available toilets resulting in overuse of certain restroom facilities resulting in high traffic and overuse.

Job descriptions for the custodial staff at HBSC do not include duties or skills reflecting plumbing needs. The custodial staff for the City have not been terribly responsive to the needs at HBSC, but when the director addresses the director of service directly, attention is provided.

R6.8 The HBSC director should approach the mayor to address the overall problem affecting the plumbing at HBSC and request assistance in addressing this problem. If outside assistance is necessary to remedy the situation, funds should be allocated appropriately.

F6.20 The facility is not capable of serving the needs of the Adult Day Care program if it were to consider enhancing its level of service. Because an advanced day care program would require showers, locker-room areas and more restrooms, major overhauls, as part of a capital improvement plan, would be necessary to accommodate such a program.

R6.9 As part of the strategic planning process, the facility's current capability should be addressed and compared to various scenarios of future use. In so doing, special consideration for the needs of an advanced day care facility should be investigated. The costs of the capital improvement should be compared to the benefit of service and any potential funding streams that might be available. Cost sharing partnerships and other fund-raising efforts should be investigated as part of the overall capital improvement section within the strategic planning process.

Financial Operations, Budgeting Procedures and Funding Sources

Table 6-6 shows the peer cities contribution to their programs compared to those of the East Cleveland.

Table 6-6: Breakdown of Contribution per Unit of Service by City

	East Cleveland			Euclid			Lakewood			Maple Heights		
	CDBG & General Fund	Title III	Other	CDBG & General Fund	Title III	Other	CDBG & General Fund	Title III	Other	CDBG & General Fund	Title III	Other
Adult Day Care	\$4.63	\$27.60	\$1.40	Service not provided			Service provided through Lakewood Foundation			Service not provided		
<i>Percentage</i>	14%	82%	4%									
Congregate Meal	\$0.40	\$0.90	\$0.50	\$0.38	\$0.55	\$1.60	\$0.57	\$0.20	\$0.80	\$0.00	\$0.00	\$3.00
<i>Percentage</i>	22%	49%	29%	21%	15%	64%	36%	13%	51%	0%	0%	100%
Home Delivered Meals	\$0.50	\$0.94	\$0.35	\$0.26	\$0.40	\$0.27	\$0.28	\$0.22	\$0.90	\$0.00	\$0.00	\$4.44
<i>Percentage</i>	28%	52%	20%	226%	32%	46%	20%	16%	64%	0%	0%	100%
Transportation Services	\$1.77	\$2.40	\$0.00	\$0.00	\$0.00	N/A	\$0.69	\$0.52	\$1.00	\$0.57	\$1.27	\$0.08
<i>Percentage</i>	43%	57%	0%	0%	0%	100%	26%	20%	54%	30%	66%	4%
Escort Services	\$2.50	\$2.89	\$0.05	Service not provided			\$0.50	\$0.26	\$0.30	Service not provided		
<i>Percentage</i>	46%	53%	1%				49%	26%	25%			
Supportive Services	\$9.20	\$18.00	\$0.10	N/A	\$0.00	N/A	\$7.78	\$4.54	\$0.10	\$19.08	\$7.70	\$0.00
<i>Percentage</i>	34%	66%	0%	N/A	0%	N/A	63%	37%	0%	71%	29%	0%
Socialization Services	\$20.98	\$24.82	\$0.53	N/A	\$0.00	N/A	\$0.00	\$0.00	N/A	\$0.00	\$0.00	N/A
<i>Percentage</i>	43%	54%	3%	N/A	0%	N/A	0%	0%	100%	0%	0%	100%

Source: Western Reserve Area Agency on Aging - Contracts 2001

F6.21 City funding substantially supports the Socialization, Transportation and Escort programs beyond WRAAA’s 15 percent minimum requirements at 43.4 percent (45 percent with in-kinds and donation), 42.4 percent, and 46 percent respectively.

The reason for the high reliance on City funding is two-fold. First, the WRAAA’s funding has remained flat since 1998. Second, although wages are low in comparison to its peers,

the City of East Cleveland has, by contract agreements with the unions, raised wages over the last few years. These cost increases are not reflected in the WRAAA Older Americans Act support and must be matched through City funds.

In order for HBSC to keep up with the costs of operating its programs, it has reduced its units of service over the last few years. The Home Delivered Meals program reduced its number of home delivered meals by placing a stricter standard of priority for the recipients. However, as shown by recent census data, the City's population continues to get older. With this change and the trend to reduce units of service, there is a likelihood that the needs of the elderly population will not be met.

R6.10 HBSC needs to investigate its options for additional state and federal funding through the WRAAA in order to reduce the City's contribution and more closely align the match amounts to the minimum requirement. In addition, because the Title III federal funds are based, in part, on the City's capability to match funds, additional income through private and corporate subsidies should be investigated to increase the City's cash match. The portion of the cash match from the City's general fund is \$80,000. Any funding that the city can generate through other funding may be able to offset that general fund contribution.

F6.22 HBSC has taken advantage of the county grants available. In 2001, HBSC, as well as many of the WRAAA senior organizations, took advantage of a \$30,000 Cuyahoga County grant that enabled it to purchase a new van for the transportation program. In addition, HBSC received program funds from Cuyahoga County to support the Community Navigator program which supports grandparents raising grandchildren.

Based on the peer reviews, HBSC is taking advantage of the county grants available to it for program funds. However, HBSC deals with a complex set of social issues that include high poverty, risk of malnutrition, abuse and neglect, as well as increased barriers to social services. These issues make it necessary to increase its variety of services which require additional funding and support beyond the capabilities of WRAAA or Cuyahoga County.

R6.11 The Director should continue to seek available funding opportunities through traditional sources, but should also look for opportunities from corporations and foundations for additional program and operational funds. Because the Director must first seek permission from the City Council for any requests or applications for funds, it would be appropriate for the Director to work with the Mayor to identify target organizations that support elderly, indigent, or inter-generational work through charitable giving and initiative-building and then seek appropriate approval from council. Such organizations may include corporate residents in the City of East Cleveland, community foundations such as the Cleveland Foundation, or national foundations that specifically target people living with Alzheimer's or other forms of dementia. Targeted funding sources should be strategic, however, and

before contacting potential sponsors, some strategic planning efforts should be underway so a direction of efforts can be shown and clear ideas of expansion can be articulated.

F6.23 HBSC seeks outside donations and support from area corporations on a small scale. The food program receives donations from Entemans' and Orlando bakeries and fresh produce from Food Rescue. The food service workers prepare give-away bags of suitable food for the seniors to take home. In addition, the Director and Adult Day Care Manager seek out free and discounted events around town for the seniors to visit. Events include the Cleveland Playhouse and the zoo. Larger corporate donations from area companies, such as General Electric, have not been sought in recent years. In previous years, GE supported HBSC by financing a party with gifts during the holiday season. This relationship was not continued and the potential for volunteer and financial support from this large employer was lost.

R6.12 As a part of its overall strategy to seek additional funding from corporate and foundation sources as stated in **R6.9**, HBSC should reintroduce itself to the General Electric volunteer organization, The Elfun Society, to augment its volunteer base. The Elfun Society is GE's volunteer/community outreach arm and seeks to improve the lives of the elderly and the youth in its areas of operation through volunteer assistance during and beyond work hours. In the past, the Elfun Society has repaired playgrounds, restored computers for community-based organizations and other service projects - some of which have occurred in East Cleveland. Elfun participants may be able and willing to assist HBSC with outings, social events, and technical assistance.

F6.24 The Senior Center sends out reminder notices on a monthly basis notifying the home delivered meals clients of the suggested \$1.25 per meal donation. The policy states that donations should be placed in the provided envelope, sealed, with the amount of the donation, the client's name and address written on the outside of the envelope. It is emphasized that no one but the regular delivery person should receive the donations. In addition, the total contribution for the previous month, that has been tallied by the site coordinator, is written at the bottom of the notice. This process helps ensure that client donations arrive at the Senior Center.

The above stated payment policy is marked on the reverse side of the monthly meal calendar which is delivered to every senior at the end of each month. These repeat reminders are helpful in keeping the clientele informed.

Once the donations are returned to HBSC, they are counted by the site coordinator and donations are matched with the envelope. When all counting is complete, the money is brought to the Finance Department at City Hall where a re-count is performed.

This fiscal oversight helps reduce the likelihood of fraudulent practices on the part of the staff, as well as confusion on the part of the client.

C6.3 The process of accountability helps to alleviate the risk of theft on the part of drivers, as well as others in the community, who may choose to prey on the confusion of the elderly by attempting to collect the suggested donation. The multiple methods of documentation include the client accounting the donation on the envelope; the HBSC staff reporting back to the client how much was donated; the staff checking the stated donations with the actual cash or check donations; and, finally, the double counting on the part of the Finance Department. These controls allow for a lower rate of occurrence for misfeasance and malfeasance because unusual occurrences are quickly identified.

Certification and Training Opportunities for Staff

F6.25 The staff at HBSC receive various training opportunities based on their duties. Drivers are each trained periodically in defensive driving per WRAAA requirements. The adult day care manager receives training to accomplish her continuing education requirements. Additionally, the activities coordinator, adult day care manager and director have attended seminars and conferences within the last year. The activities coordinator is currently enrolled in classes to receive her Activities Coordinator certification at the expense of HBSC.

In addition, the Adult Day Care manager conducts monthly training sessions for her Adult Day Care Aides which include issues on aging, nutrition, warning signs of abuse, neglect or failing health, and how to assist family members in addressing the changing needs of their affected relative. These sessions augment the quarterly all-staff meetings which pull the entire HBSC staff together for training by the director. These sessions include topics pertinent to the aging population. A general theme for these sessions is identifying and assessing changes in individuals in an effort to respond to warning signs for abuse, neglect, or rapid decline of health status. HBSC training provisions ensure that staff remain compliant with applicable requirements as well as knowledgeable about the elderly population and its needs.

Conclusion Statement

Overall, HBSC does a remarkable job providing supportive, socialization, nutritional and transportation programs to the senior population in East Cleveland. This is especially true given its limited resources. HBSC benefits from its location in a large building that can accommodate multiple activities supporting different groups of seniors with various needs and interests; and is fortunate to have a committed, creative staff to develop and execute low-cost activities for this predominantly low-income group. Furthermore, HBSC has relationships with the medical service providers at the Huron Hospital Clinic and the lawyers at the Legal Aide Society to assist the senior population with their needs on the premises. This is helpful in mitigating the effects of limited transportation and the confusion experienced by many of the elderly when navigating access to medical and legal systems.

The City of East Cleveland population is aging, however; and with the effects of an aging, low-income, and, often, cognitively challenged population of seniors, there are risks of service gaps. Therefore, it is imperative that with the City leadership, the HBSC management engage in a strategic planning process to identify the service needs and redundancies to appropriately develop goals and objectives for the future. In order to execute an appropriate planning process that includes representatives of all the stakeholders, management will need to secure the services of a trained and independent facilitator. Stakeholder representatives should include citizens; corporate residents; other service providers, including resident homes for the elderly, more advanced day-care facilities designed for those suffering from advanced dementia, and social workers; public officials; and local foundations that financially support programs address issues associated with aging, poor, or otherwise vulnerable populations.

As part of the overall strategic planning process, the facility itself will need to be a priority issue. Although the building is spacious and generally well-maintained, it is not capable of serving the needs of the frail elderly or those seniors suffering from advanced dementia. Therefore, determining the needs of this population will be integral in determining whether major design and construction overhauls are necessary for the facility itself. In the short term, it is essential that structural enhancements be made in the restrooms to accommodate the need for privacy and dignity. In addition, the management should address the custodial needs in the restroom areas by redeveloping a custodial schedule to accommodate the special circumstances surrounding the use of those facilities.

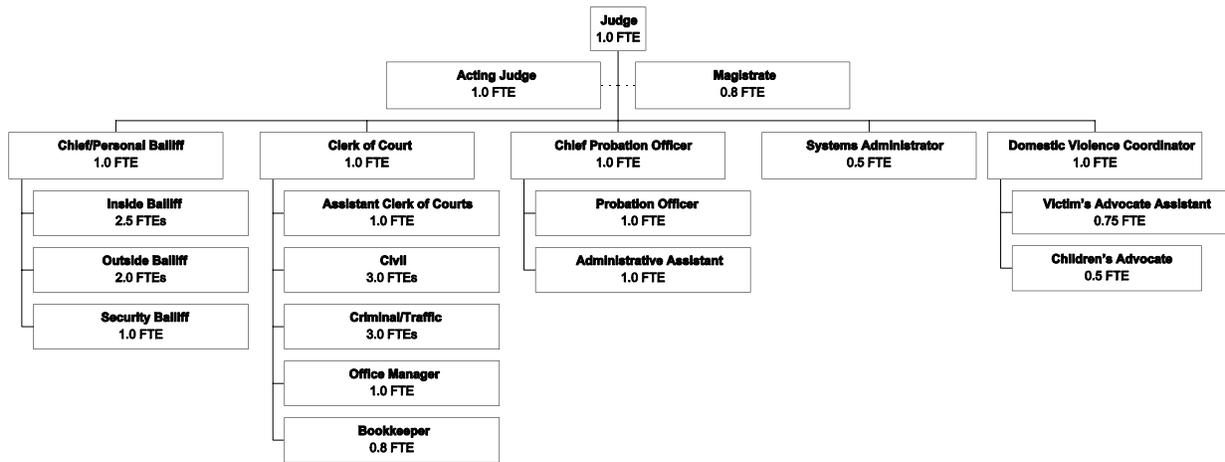
Engaging in a comprehensive strategic planning process and developing an appropriate plan will enable the City to enhance its services to the senior population in the most cost-effective and appropriate way possible. This should enable the City to use the HBSC staff and facility to their utmost capacities, thereby meeting the needs of the senior population as well as maintaining itself as a source of support, stability and recreation within the City of East Cleveland.

Municipal Court

Background

This section focuses on the operations of the City of East Cleveland Municipal Court (ECMC). Comparisons are made to Bedford Municipal Court (BMC), Euclid Municipal Court (EMC) and Garfield Heights Municipal Court (GHMC). **Chart 7-1** illustrates the organizational structure of ECMC as well as the staffing levels. The staffing levels are illustrated in full-time equivalents (FTEs).

Chart 7-1: ECMC Organization Chart¹



¹ All employees in the clerk of courts office, including the Bookkeeper and Office Manager, are considered deputy clerks. ECMC has a systems administrator who spends approximately 50% of his time on work related to the Municipal Court and the other 50% for the City of East Cleveland.

Organization Function

As illustrated in **Chart 7-1**, there are numerous components that comprise the judicial operations of ECMC. These components include the judge, acting judge, magistrate, clerk of court, probation officers, bailiffs, domestic violence coordinator, and a part-time systems analyst. The judge is elected and is responsible for interpreting the law, ensuring the administration of justice, and monitoring the daily ECMC operations. The acting judge was appointed by the judge to oversee judicial operations when the judge was on medical leave. According to the judge, the acting judge assists in the interpretation of law, administration of justice, as well as various roles, such as conducting research that is necessary for the operations of ECMC. The magistrate's role is similar to that of the judge. However, the magistrate is part-time and the level of judicial authority is less than that of the judge. At ECMC, the magistrate presides over civil cases.

The clerk of court functions as an officer of the court, the manager of the court's information and chief financial officer for all revenues collected on behalf of the court. The principal duties of the clerk of court's office are to keep journals, records and documents pertaining to the operations of ECMC. The clerk's responsibilities involve filing, docketing, indexing, and preserving cases and also collecting all costs, fees and fines for the court. The clerk is also responsible for other administrative duties such as supervising deputy clerks, assisting in the budget formulation and compiling Ohio Supreme Court reports. The clerk is assisted by an assistant clerk of court and a deputy clerk who also performs bookkeeping functions on a part-time basis.

As illustrated in **Chart 7-1**, there are three major divisions within the clerk of court operations: criminal/traffic, civil and bookkeeping. The criminal/traffic and civil deputy clerks are responsible for assigning cases for hearings as well as documenting all information prior to disposal in the case files. The criminal/traffic division is responsible for maintaining case files and handling the payments of fines and fees for all criminal and traffic cases at ECMC. Criminal cases include felonies, misdemeanors, and liquor control citations. Traffic cases include speeding, illegal U-turns, failure to control vehicle, failure to stop, driving while intoxicated (DWI) and driving under the influence (DUI) citations. Some of the duties of the deputy clerks in the criminal/traffic division include the following:

- Collecting, receipting and posting bonds (cash and surety), court cost and fines, restitution payments, and probation fees;
- Entering and maintaining accurate records of all motions filed;
- Preparing and filing all interims, dispositions, capias, warrants, and subpoenas;
- Processing refunds for bonds and restitution payments; and
- Entering commitments, which involves processing paperwork for individuals sentenced to jail.

Civil cases include personal injury, property damages, contracts, forcible entry, small claims, trusteeship, and landlord/tenant cases. In carrying out their responsibilities for civil cases, the deputy clerks of the civil division perform the following functions:

- Verify case information on complaints and create case file jackets, post to docket sheets and journal dockets;
- Enter all cases, docket sheet information, judgements and information into the computer and onto civil docket half sheets, and enter all orders of the court into journals;
- Prepare the general index on each plaintiff and defendant and prepare the daily court index legal news publication;
- Issue summons on complaints, receive responses on summons issued and issue payments to creditors of trusteeship and garnishment cases;
- Collect, receipt and post filing fees, rent escrow accounts, payments on judgements, payments on trusteeship cases; and
- Schedule hearing dates for small claims and forcible entries.

The bookkeeper in the clerk of court's office works part-time. The bookkeeper assists the clerk of court in overseeing and managing the cash management-related functions of ECMC, which include performing bank reconciliations, processing monthly disbursements on case files, assisting with trusteeship cases and other duties as assigned. ECMC is assisted by the Auditor of State's Local Government Services (LGS) division to perform bank reconciliations. The criminal/traffic division and the civil division deputy clerks are responsible for the daily cash receipts.

The chief bailiff, who is also the judge's personal bailiff, oversees the other bailiffs. As the judge's personal bailiff, the responsibilities include making appointments for the judge and helping with tasks such as speech-writing. The inside bailiffs perform numerous functions including maintaining order within the court rooms, running the dockets and undertaking any miscellaneous functions the judge requires. The security bailiff is responsible for the security of the court as well as the judge's security and performs inside bailiff duties as assigned. The outside bailiffs are responsible for delivering all warrants, evictions, replevints, subpoenas, summons/small claims and garnishments issues. In addition, the bailiffs also help supervise the Community Work Service Program on Saturdays.

The chief probation officer, with one probation officer and an administrative assistant, is responsible for overseeing and enforcing the mandates of the judge and the court on issues pertaining to probation and collecting probation fees. The duties of the probation officer include monitoring individuals who are on probation, notifying judges when individuals violate their probation, coordinating when defendants will serve jail time as well as coordinating work release programs, community service, the first offenders program and other miscellaneous functions as required by the judge.

ECMC also has a Domestic Violence Department (DVD) with one full-time domestic violence program coordinator. The domestic violence coordinator is assisted by two part-time victim's advocates. Seventy-five percent of the DVD salaries are grant-funded through the Victims of Crime Act (VOCA), and the remaining 25 percent are from the City's general fund. DVD is responsible for assisting both the victims and perpetrators of domestic violence. Its main role within the ECMC is to assist victims of domestic violence to obtain protection orders and counsel them as they prepare for trials in court, and provide support group opportunities. In addition, DVD also acts as an investigator for the Court and identifies treatment and counseling for perpetrators of domestic violence.

The systems administrator is responsible for providing technical support to the employees of ECMC, including troubleshooting and ensuring that all programs needed for the operation of the courts function as required (see **technology utilization** section).

Summary of Operations

When ECMC receives a new case, the deputy clerks in the clerk of court operations enter the information into the computer. After the information and a plea have been entered, a date is assigned on which a judge will hear the case. Though there are no formal written policies and procedures for assigning court dates, cases are generally assigned in two intervals from the date of citation. Cases are also assigned according to days of the week, except for arraignments and bonds which are heard everyday. The weekly schedule of the courts is as follows:

- Monday- small claims, criminal, evictions, and misdemeanors;
- Tuesday- second causes on evictions (magistrate);
- Wednesday- traffic;
- Thursday- trials and pre-trials, preliminary hearings for felony or probation violations; and
- Friday- taxes on every fourth Friday of each month, housing on the first and third Friday of each month.

The judge hears a variety of civil and criminal cases including the following: felonies, misdemeanors, speeding and other traffic violations, DWI and DUI. The magistrate hears all civil cases which do not require a jury and all small claims cases. The only time a magistrate will not hear one of these cases is when there is a conflict of interest or the decision is under appeal. There are three deputy clerks responsible for the criminal and traffic cases. The process begins when a complaint is filed by either a police officer, staff, and/or a plaintiff. The deputy clerks then enters the booking or ticket number into the computer. At this point, it is determined whether the case is civil or criminal. Lastly, the case is assigned a court date, filed alphabetically and placed in the respective case box.

Also, all the deputy clerks have the responsibility to collect the fines and costs assessed on all criminal and traffic cases. If the defendant is found guilty and a monetary fine is involved, the

deputy clerks collect and receipt payment from the defendant. ECMC does not have a documented or established payment plan if the entire fine cannot be paid at once. If the defendant is found not guilty, the case is dismissed and noted in the computer system. All fines and costs are then dismissed accordingly.

The civil operations for ECMC begin when a civil complaint is filed. The deputy clerk is authorized to accept a case for filing when it meets the criteria established by Ohio Revised Code (ORC) §1901.17 for a civil action not to exceed \$15,000 or ORC §1925.02(A)(1) for a small claims case not to exceed \$3,000. In a civil action, plaintiffs are encouraged, but not required, to have counsel represent their cases to court. In addition, the plaintiffs may request a jury trial for a civil action. In a small claims action, plaintiffs can file a claim without representation from counsel but cannot request a jury trial.

Financial Data

The City of East Cleveland's General Fund has subsidized the operations of ECMC. Over a seven year period between 1995 and 2001, ECMC incurred total expenditures of approximately \$6.15 million. The City's General Fund provided approximately \$2.45 million (40 percent) of the expenditures for court operations. As of May 30, 2002, ECMC was operating with a deficit of approximately \$134,000.

Table 7-1 presents ECMC's actual expenditures for 2000, 2001 and appropriations for 2002.

Table 7-1: East Cleveland Municipal Court Expenditures

Line-item categories	2000 Actual	2001 Actual	Percent Change 2000-2001	2002 Appropriations	Percent Change 2001-2002
Salaries and wages	\$675,226	\$661,089	(2.0%)	\$584,456	(11.6%)
Fringe benefits	\$237,831	\$240,448	1.1%	\$158,457	(34.1%)
Contracted labor and services	\$42,743	\$33,543	(21.5%)	\$50,000	49.1%
Operating Expenditures ¹	\$69,778	\$92,818	33.0%	\$113,295	22.1%
Capital Outlay	\$0	\$0	0.0%	\$0	0.0%
Totals	\$1,025,578	\$1,027,898	0.2%	\$906,208	(11.8%)

Source: City of East Cleveland expenditure reports for 2000, 2001, and 2002 budget

¹ Operating expenditures includes travel, postage, communication, office and operating supplies, equipment, books & periodicals and repairs & maintenance.

As **Table 7-1** indicates, ECMC's expenditures for the years 2000 and 2001 remained relatively stable. The 2001 actual expenditures (\$1,027,898) reflect a marginal increase of 0.2 percent (or \$2,320) from 2000. ECMC's salaries and wages decreased by 11.6 percent in the 2002 appropriations. According to the clerk of court, ECMC has been reducing overtime and compensatory time usage. Salaries and wages also decreased because a vacant position was not filled. In addition, fringe benefits decreased by 34.1 percent in the 2002 appropriations. The clerk of court attributed the decrease to the change in the allocation of health care costs to departments. In 2001, the City changed from a self-funded to a traditional premium based health insurance plan. While self-funded, the City charged health insurance costs based on individual claims in the departments. Under the traditional plan, these costs are allocated on a premium basis, which explains the decrease in 2002 fringe benefits appropriations.

While the overall expenditures remained relatively the same, there was a notable increase (33 percent) in operating expenditures in 2001. According to the judge and the clerk of court, increased filings due to increased criminal and civil activity and lack of current technology have resulted in higher operating costs. For example, costs related to mailings and postage, indigent drug testing, facilities and equipment repairs and maintenance, and the increased usage of office and other operating supplies have contributed to this increase. In addition, contracted labor and services expenditures for 2001 were \$9,200 (or 21.5 percent) less than in 2000. However, in 2002 appropriations, contracted labor and services rose by 49.1 percent from the previous year's expenditures. According to Court budget documents, this increase can be attributed to increases in payments to the Cuyahoga County Regional Information Services (CRIS), services provided by Leads, the Cleveland Legal Aid Society and the Cleveland Hearing and Speech Center.

Key Operating Statistics

Key statistics and information for year 2000 regarding the caseload of ECMC and peer courts is shown in **Tables 7-2** through **7-4**. Case data for 2001 was not available because the Ohio Supreme Court is currently in the process of compiling it. Comparative analyses and assessments performed throughout this section include information on ECMC and peer courts from the following tables. All peer averages in this report exclude ECMC, unless otherwise stated.

Table 7-2: Key Operating Statistics: ECMC and Peers

	East Cleveland	Bedford	Euclid	Garfield Heights	Peer Average
Population Served ¹	33,096	75,000	54,875	100,000	76,625
Criminal Case Load Breakdown per 10,000 Population Served					
Felony	117	51	64	28	48
Misdemeanor	468	392	252	261	302
O.M.V.I. ²	36	201	26	58	95
Traffic	2,780	1,393	1,431	825	1,216
Criminal Total	3,401	2,037	1,773	1,172	1,661
Civil Case Load Breakdown per 10,000 Population Served					
Damages	0	16	10	11	12
Contract	195	238	169	147	185
Forcible Entry	790	218	215	42	158
Other ³	10	4	6	7	6
Small Claims	372	173	143	179	165
Civil Total	1,367	649	543	386	526

Source: 2000 Ohio Court Summary Report

¹ The population served was obtained from the Ohio Court Summary Report published by the Ohio Supreme Court. These figures do not correspond with the figures of the 2000 Census.

² Operating a Motor Vehicle while Intoxicated.

³ This classification represents cases such as trusteeship, garnishment, bureau of motor vehicle (BMV) and landlord/tenant.

Table 7-2 indicates the key operating statistics for criminal and civil caseloads for the ECMC and the peers per 10,000 of their respective populations. In both the total criminal and civil case categories, ECMC had more cases per 10,000 of its population than the peers. The total criminal caseload for ECMC was approximately 3,401 cases per 10,000 of the population served, which is 1,740 (or 105 percent) more than the peer average of 1,661 cases per 10,000. The total civil caseload for ECMC was approximately 1,367 cases per 10,000 of the population served, which represents 841 (or 160 percent) more than the peer average of 526 cases per 10,000 (see **F7.6** and **F7.7** for detailed staffing analysis).

Table 7-3 indicates the total number of official cases processed in 2000 for ECMC and peer courts, and does not consider the differences in jurisdiction population (see **Table 7-2**).

Table 7-3: Cases Processed in 2000

	East Cleveland	Bedford	Euclid	Garfield Heights	Peer Average
Felony Overall Caseload	385	379	353	279	337
Misdemeanor Overall Caseload	1,545	2,942	1,381	2,613	2,312
O.M.V.I Overall Caseload	119	1,504	145	584	744
Other Traffic Overall Caseloads	9,175	10,447	7,840	8,246	8,844
Personal Injury and Property Damage Overall Caseload	1	118	56	105	93
Contracts Overall Caseload	643	1,788	924	1,470	1,394
F.E.D. Overall Caseload	2,606	1,635	1,180	422	1,079
Other Civil Overall Caseload	32	30	35	73	46
Small Claims Overall Caseload	1,229	1,294	781	1,794	1290
Overall Caseload	15,735	20,137	12,695	15,586	16,139

Source: Ohio Supreme Court Report

In 2000, ECMC had an overall caseload of approximately 15,735 cases. The caseload was approximately 404 cases below the peer average overall caseload of 16,139 cases. All but “felony”, “other traffic” and “F.E.D.” cases for ECMC fell below the respective peer averages (see **F7.6** and **F7.7** for detailed staffing analysis).

Table 7-4 presents official cases disposed and the percentage of total official cases disposed in 2000 for ECMC and peer courts.

Table 7-4: Cases Disposed in 2000

	East Cleveland		Bedford		Euclid		Garfield Heights		Peer Average	
Felony	383	99.5%	377	99.5%	350	99.2%	277	99.3%	335	99.3%
Misdemeanor	1,345	87.1%	2,699	91.7%	1,297	93.9%	2,428	92.9%	2,141	92.8%
O.M.V.I	102	85.7%	1,040	69.1%	133	91.7%	529	100%	567	86.9%
Other Traffic	8,804	96.0%	9,960	95.3%	7,651	98.0%	7,926	96.1%	8,512	96.5%
Personal Injury and Property Damage	1	100%	97	82.2%	38	67.9%	72	68.6%	69	76.4%
Contracts	401	62.4%	1,481	82.8%	668	72.3%	1,091	74.2%	1,080	76.4%
F.E.D.	1,772	68.0%	1,534	93.8%	980	83.1%	348	82.5%	954	86.5%
Other Civil	20	62.5%	30	100%	33	94.3%	68	93.2%	43	95.8%
Small Claims	770	62.7%	991	76.6%	630	80.7%	1,497	83.4%	1,039	80.2%
Total Dispositions	13,598	86.4%	18,209	90.4%	11,780	92.8%	14,236	91.3%	14,740	91.3%

Source: Ohio Supreme Court Report

As indicated in **Table 7-4**, ECMC has the lowest total case disposition rate (86.4%) compared to its peers and has a lower disposition rate in all but two case types when compared to the peer average (see **F7.10**). As a result, ECMC has a higher backlog of cases as compared to the peers.

Performance Measures

The following performance measures were used to conduct the analysis of ECMC:

- Assessment of ECMC expenditures for the past three years
- Assessment of personnel issues and staffing levels
- Assessment of caseload management policies and procedures
- Assessment of cash management policies and procedures
- Assessment of collection policies and procedures
- Assessment of the adequacy and use of technology to gain operational efficiencies

Findings / Commendations / Recommendations

Personnel Issues and Staffing

F7.1 ECMC has no formal or documented organization chart that shows the chain of command nor the span of control. There is no formal or documented separation of duties. There is, however, a chain of command and span of control in the sense that each division has someone who reports directly to the judge, as depicted in **Chart 7-1**. In addition, there is an informal separation of duties in the sense that each deputy clerk in the clerk of court's office performs duties divided into civil and criminal/traffic. The lack of a formally defined and understood organizational structure can potentially create an environment that is inefficient or ineffective in accomplishing intended goals. The organization chart depicted in **Chart 7-1** was developed by the Auditor of State's Office through interviews conducted with the judge, clerk of court, chief bailiff, and the chief probation officer.

R7.1 ECMC should develop a written organization chart to delineate and ensure a chain of command and span of control. The judge should spearhead this effort and work collectively with the clerk of court, magistrate, chief bailiff, and chief probation officer to develop a documented organization chart. In addition, it would be of benefit to ECMC to contact other municipal courts, such as Bedford Municipal Court, which has formally developed organizational charts. Contacting other municipal courts as it develops an organizational chart would provide a way to assess models that would be best suited for ECMC. The organization chart that ECMC should develop must, at least, define the lines of authority and responsibility for management activities and should foster and enhance management accountability. In addition, ECMC should continually update the organization chart as staffing levels and the organization's structure change.

F7.2 ECMC does not have an employee manual that details tasks and provides employees with instructions on employment and position-related procedures. The lack of an employee manual means that job responsibilities, work place rules, expectations for employees and conditions for employment are transmitted by word of mouth or are demonstrated through action. Therefore, the lack of this manual could lead to the lack of uniformity in the performance of duties.

R7.2 ECMC should develop and implement a detailed employee manual. As it develops this manual, ECMC should also contact other municipal courts to obtain examples of employee manuals. For example, Garfield Heights Municipal Court (GHMC) has a detailed employee manual that ECMC could use as a starting point and reference for developing its own manual. The employee manual should include policies for reference by employees to better understand workplace and employee responsibilities. The employee manual should also include policies that address the requirements, rules, and conditions of employment. All

employees should receive a copy of the manual for their reference. In addition, copies of the employee manual should be available for reference in the office at all times.

The employee manual should be reviewed regularly and periodically updated for changes in policies or procedures. All changes should be communicated to the employees in writing. At a minimum, ECMC's employee manual should address the following:

- Background information on ECMC;
- Conditions of employment;
- Security policies and procedures;
- Expectations of the employees;
- Employee conduct;
- Employee development and training;
- Employee benefits;
- Equipment usage by employees;
- Legal information; and
- Vacation and other types of leave accumulation and usage.

F7.3 ECMC does not have formal job descriptions for all positions. According to the clerk of court, the only job description in ECMC is that of the clerk of court, which is outlined in the ORC. An effective job description defines and explains the job functions, position qualifications, position responsibilities and how performance will be evaluated. In addition, job descriptions allow employees to know the criteria on which they will be evaluated and the expectations which are required of them. For example, GHMC has formal and detailed job descriptions ranging from the clerk of court to cashier. The GHMC job descriptions contain the job title, department, and the person to whom the employee reports. In addition, it has an outlined summary as well as a detailed list of the essential duties and responsibilities for each position.

R7.3 ECMC should create detailed job descriptions for all positions within ECMC that state the necessary duties and functions of each position, the reporting supervisor, and the positions which will be supervised. ECMC should contact GHMC for examples as it develops job descriptions. In addition, ECMC job descriptions should also state the education required to fulfill the requirements of the position as well as the relevant work experience and knowledge needed. Once the job descriptions are properly created, management will be better able to evaluate employees and ensure that the staff are effectively performing job functions.

F7.4 ECMC does not have formal training and mentor programs for new employees during their probationary period. The clerk of court indicated that all the employees of ECMC are hired in accordance with the City of East Cleveland's policies and procedures. However, the lack of a formal training and mentoring policy within ECMC appears to have contributed to the

lack of an effective evaluation process of the ECMC employees. According to the clerk of court, new employees receive training on the computer system and on-the-job training to learn their specific job functions during the probationary period. However, the effectiveness of the on-the-job training cannot be determined or measured.

R7.4 ECMC should develop and implement a formal mentoring program into its daily operations for all departments. The mentoring program should include the following:

- The length of time that the mentoring program will be in effect for each new hire. It is recommended that each new employee interact with their mentor for at least 30 days. However, during the mentoring period, interaction between the new employee and the mentor can take place formally or informally.
- Daily interaction between the mentor and the new employee. The daily interaction does not necessarily need to last for an entire day; however, it should give an opportunity for the new employee to ask pertinent questions, as well as receive guidance on different job tasks and assignments.
- A schedule of activities for each day of the mentoring program. The schedule should include discussions on policies and procedures applicable to the entire ECMC and other related topics.

As stated in an article titled “The Mentor” in the February 2000 issue of *Training & Development*, “the traditional use of the word *mentor* connotes a person outside one’s usual chain of command who ‘helps me understand this crazy organization.’” By implementing a mentoring program, ECMC will be making an effort to assist new employees to feel comfortable, learn their jobs and be effective and efficient in their new daily tasks.

In addition, ECMC should implement an evaluation tool which can be used to assess the effectiveness of the training and daily mentoring programs. Since the training and mentoring programs are particularly crucial during an employee’s probation period, it would be beneficial for ECMC to work in conjunction with the human resources department of the City of East Cleveland when employee probationary evaluations are conducted (see **R7.5**).

F7.5 ECMC has not developed or implemented formal, written policies regarding employee evaluations. In addition, ECMC does not conduct annual evaluations of its employees and therefore cannot measure or gauge their efficiency and effectiveness (see **R7.3** and **R7.4**). ECMC’s lack of employee evaluations may also be a result of the lack of detailed job descriptions (see **F7.3**). The lack of employee evaluations results in ECMC’s inability to assess whether the employees are performing duties in a manner which provides adequate services to the citizens of East Cleveland.

R7.5 ECMC should develop and implement a performance evaluation process. A performance evaluation process can identify ways to maintain and improve the efficiency and effectiveness of employees and their activities. Furthermore, employee performance evaluations are essential to assess the progress of individual employee performance and could be used for the basis of annual pay increases. Evaluations should be conducted on a regular basis based upon well-defined criteria as set forth in a performance evaluation form. Appraisals should be conducted regularly in order to accomplish the following objectives:

- Ensure that employees receive clear feedback on areas of improvement and to surface and document performance problems;
- Improve the quality of services provided by ECMC;
- Provide evidence about the quality of the employee's professional performance;
- Improve the likelihood of employees carrying out the duties of their job description (**R7.3**); and
- Monitor the success and progress of an employee.

Evaluations should be conducted at three-month and six-month intervals for newly hired employees while they are on probation. The three- and six-month evaluations for new employees should be performed to help them become aware of their work progress. If the evaluation is not satisfactory, the employee may either be removed from the position or the probationary period can be extended. At a minimum, all other employees should receive evaluations on a yearly basis. For employees who do not receive a satisfactory evaluation in certain areas and employment is continued with ECMC, a performance action plan should be created. The performance action plan should be designed to help identify specific areas where performance can be improved and specify actions that should be taken in order to implement the plan. The performance appraisal form should include the reason for the review, definitions of evaluation ratings and assessments of other factors including: quality of work, productivity, reliability, attendance, adherence to policies, interpersonal relationships and other factors deemed important to the administration of ECMC. As ECMC develops a performance evaluation tool, it should consult with other municipal courts, such as Garfield Heights Municipal Court (GHMC), for ideas on constructing an effective evaluation tool. GHMC has a detailed evaluation tool that ECMC could use as a model in developing its own evaluation tool.

F7.6 **Table 7-5** provides information for calendar year 2000 staffing levels for the judges, magistrates and bailiffs compared to the peer municipal courts.

Table 7-5: Judges, Magistrates and Bailiffs Staffing Comparison

	East Cleveland	Bedford	Garfield Heights	Peer Average ¹
All Cases in 2000	15,735	20,137	15,586	17,862
Forcible Entry & Detainer (FED) Dispositions in 2000	1,772	1,534	348	941
Judges and Magistrates				
Number of Staff (FTEs)	2.8	3.2	2.8	3.0
Cases per Staff	5,620	6,293	5,566	5,954
Inside Bailiffs				
Number of Staff (FTEs)	4.5 ²	4.6	2.0	3.3
Cases per Staff	3,497	4,378	7,793	5,412
Outside Bailiffs				
Number of Staff (FTEs)	2.0	1.0	N/A ³	N/A
Cases per Staff	7,868	20,137	N/A ³	N/A
# of FED Dispositions per Staff	886	1,534	N/A ³	N/A
Total Bailiffs				
Number of Staff (FTEs)	6.5	5.6	N/A ³	N/A
Cases per Staff	2,420	3,596	N/A ³	N/A

Source: 2000 Ohio Supreme Court reports, interviews and organizational charts

¹ Euclid Municipal Court did not provide information for this analysis.

² The chief and security bailiffs are considered inside bailiffs for comparative purposes. The chief bailiff also performs administrative functions for the judge.

³ This function is performed by the probation officers at GHMC.

As indicated in **Table 7-5**, the outside bailiffs at ECMC handle fewer cases and fewer FED dispositions per FTE than Bedford Municipal Court; and the inside bailiffs at ECMC handle fewer cases per FTE than Bedford and Garfield Heights Municipal Courts, which could be attributed to ECMC not effectively using all of the technological capabilities of its computer system (see **F7.32**). In addition, since ECMC has not formally established standard and uniform time frames to process and schedule cases, determining appropriate bailiff staffing levels could be difficult because the number of cases processed each day could fluctuate (see **F7.17** and **R7.15**).

R7.6 Based upon the caseload and FED dispositions handled by the bailiffs and strategies available to improve operational efficiency, such as implementing formal, standard and uniform time frames to schedule cases and fully using the computer system, ECMC should reduce 1.5 bailiff positions. This would make the caseload of the bailiffs commensurate with its peers. For example, after implementation of this recommendation, the cases per staff for ECMC would be 3,147 compared to Bedford's 3,596 cases per staff. In addition, ECMC

should begin the process of immobilizing and forfeiting vehicles to enforce the payments of court costs and fines owed to ECMC (see **F7.22** and **R7.19**).

Financial Implication: The reduction of 1.5 FTE bailiff positions would bring ECMC's bailiff caseload to the levels of its peers and also save ECMC approximately \$53,000 annually in salaries and benefits.

F7.7 **Table 7-6** provides information on the current staffing levels per number of cases in the criminal and civil divisions of clerk of court operations compared to the peer municipal courts.

Table 7-6: Criminal and Civil Divisions

	East Cleveland	Bedford	Garfield	Peer Average
Clerk of Court Criminal Division				
Number of Staff (FTEs)	3.0	5.0	6.0	5.5
Criminal Cases in 2000	11,224	15,278	11,720	13,499
Cases per Staff	3,741	3,056	1,953	2,505
Clerk of Court Civil Division				
Number of Staff (FTEs)	3.0	11.0	4.0	7.5
Civil Cases in 2000	4,511	4,868	3,860	4,364
Cases per Staff	1,504	443	965	704

Source: 2000 Ohio Supreme Court report; interviews; organizational charts and peer information

Note: Euclid Municipal Court could not provide information for this analysis.

Table 7-6 indicates that the criminal and civil divisions at ECMC handle a higher caseload per staff compared to the peers, potentially indicating a need to increase staffing in the criminal and civil divisions. ECMC has a much higher backlog of cases compared to the peers (see **F7.10**), which could be partially attributed to the staffing levels in the criminal and civil divisions. In addition, the enforcement of collections of court costs and fines owed to ECMC could be improved by adjusting staffing levels in the criminal and civil divisions.

R7.7 ECMC should consider adding 1.0 FTE to the criminal division and 1.0 FTE to the civil division. The primary goal of adding 2.0 FTE positions should be to improve the timeliness in which cases are processed and eventually disposed. However, other strategies should also be implemented to improve the case management system at ECMC (see **R7.8**). Furthermore, adding 2.0 FTE positions could better allow ECMC to implement processes to increase the collection of court costs and fines and enhance its overall collection procedures, which has been a significant problem at ECMC (see **F7.19** and **R7.17**). For example, ECMC could allocate 1.0 FTE to be fully accountable and responsible for collection activities (see **F7.20**

and **R7.18**). Activities that focus on revenue collection will help ECMC reduce its dependence on the City's General Fund for support.

Financial Implication: Based on the average salary for clerk of court employees, ECMC would incur costs of approximately \$70,000 annually in salaries and benefits by adding 2.0 FTE positions. If ECMC reallocates the staff reductions discussed in **R7.6**, the annual increase in salaries and benefits could be partially offset by the salaries and benefits savings.

- F7.8 The clerk of court's office handles all the cash management functions of the ECMC, except parking tickets. Parking tickets are handled by the Parking Violations Bureau (PVB), which is administered by the East Cleveland Police Department. The clerk of court's office does not handle parking tickets because they are not considered criminal. However, the clerk of court's Office will handle parking tickets when the PVB processes judgement tickets for failure to pay in 30 days after notices have been mailed out (see **F7.23**).

Case Management and Other Operations

- F7.9 According to the clerk of court, case management is the most difficult task in the daily operations of ECMC because some of it is still done manually. However, ECMC is not using all of the functions available on its computer system, which could further impact the effectiveness of its case management system and could alleviate these manual processes (see **F7.32**). The clerk of court's office has difficulty completing and submitting the Ohio Supreme Court reports due the 15th of each month. In addition, the lack of formal separation of duties (which leads to repetition, duplication, and redundancy) is also a factor that appears to contribute to difficulties in case management (see **F7.13**).
- F7.10 The operations of a court can be measured by the total number of cases processed, the number of dispositions (closing cases), the number of cases pending and the number of cases pending beyond the Supreme Court's guidelines. These measurements indicate the effectiveness of the case management process of the entire court. As indicated in **Table 7-3** and **7-4**, it appears the ECMC may not be processing and managing caseloads as effectively as the peers. The data in **Tables 7-3** and **7-4** has been aggregated into the following table to indicate the overall effectiveness of ECMC and peer case management operations.

Table 7-7: Case Processing

	East Cleveland	Bedford	Euclid	Garfield Heights	Peer Average
Total Official Cases	15,735	20,137	12,695	15,586	16,139
Dispositions	13,598	18,209	11,780	14,236	14,740
% of Total	86.4%	90.4%	92.8%	91.3%	91.3%
Cases Pending end of December 31	2,137	1,928	915	1,350	1,399
% of Cases Pending end of December 31	13.6%	9.6%	7.2%	8.7%	8.7%
Cases Pending beyond Time Guideline	0	0	0	0	0

Source: Ohio Supreme Court Report

As indicated in **Table 7-7**, ECMC is disposing a lower percentage of official cases compared to the peer courts. ECMC's disposition rate of 86.4 percent is approximately 6.9 percentage points less than the peer average of 91.3 percent. By disposing cases at a lower rate than the peers, ECMC has the potential to collect a lesser amount of court costs and fines (also see **F7.19**). In addition, as a result of its low disposition rate, ECMC has the highest percentage of cases pending at the end of December 31, 2000, compared to the peers. The peer courts have 8.7 percent of cases pending, compared to 13.6 percent at ECMC.

R7.8 Since case management affects every aspect of court operations, including the timeliness and effectiveness in providing needed services, ECMC should develop strategies and take appropriate measures to improve case management. The analysis in **F7.10** and **Table 7-7** indicates that there is significant potential to enhance ECMC's current case management operations. ECMC should increase the number of cases that are disposed and reduce the number of case pending. In addition to providing better and timelier services, increasing the number of dispositions would allow ECMC to assess more court costs and fines, to subsequently increase collections and provide additional revenue for the Court. Examples of strategies and appropriate measures that ECMC should take the following:

- Establishing a procedures manual for staff (see **F7.2** and **R7.2**)
- Addressing staffing levels in the civil and criminal divisions (see **F7.7** and **R7.7**);
- Maintaining a court docket (see **F7.14** and **R7.12**);
- Using the Supreme Court of Ohio's case management programs (see **F7.15** and **R7.13**);
- Using performance measures (see **F7.16** and **R7.14**);
- Establishing formal, standard and uniform time frames for scheduling cases (see **F7.17** and **R7.15**);
- Developing uniform and standard rules to minimize the number of continuances granted during a case (see **F7.18** and **R7.16**); and
- Using the available functions of its computer system (see **F7.32** and **R3.27**).

Financial Implication: If ECMC improved its case management system and increased its disposition rate to the peer average of 91.3 percent, ECMC would dispose an additional 1,369 cases per year. By applying ECMC's current collections per disposition of \$55.46 (see **Table 7-10**) to these additional cases, ECMC could collect approximately an additional \$76,000 annually in court costs and fines. However, ECMC could also collect additional court costs and fines by increasing its collections per disposition (see **F7.19** and **R7.17**).

F7.11 ECMC did not submit the 1999 annual report to City Council. ORC §1901.14 states that a "Municipal Court is required to submit an annual report of its activities to the legislative authority of the municipality and to the board of county commissioners on or before the last day of January of each year, for the previous year." The clerk of court was unaware that an annual report was to be submitted to the City Council. According to the clerk of court, the 1999 report was submitted to the finance department. However, the clerk of court was not certain whether the report of the court's activities was submitted to the legislative authorities of the municipality and to the board of county commissioners for the years 2000 and 2001. According to ORC §1901.14, the report is to show the work performed by the court, a statement of receipts and expenditures of both the civil and criminal branches, as well as the number of cases heard, decided, and settled. In addition, the court is required to produce any other data that may be requested by the supreme court and secretary of state. The failure of the court to submit the annual report renders the court non-compliant with ORC §1901.14.

R7.9 ECMC should submit the annual report to its legislative authority and to the board of county commissioners before the established deadlines. The annual report should include valuable information such as collection rates, disposition rates and backlog of cases to indicate the effectiveness of its operations. Submitting the annual reports would ensure that ECMC is in compliance with the ORC. In addition, submitting annual reports of its activities to the legislative authority of the municipality and board of county commissioners would solicit valuable feedback and suggestions which ECMC could consider or implement to improve its operations.

F7.12 ECMC did not prepare a list of unclaimed monies and did not pay the unclaimed monies to the City Treasury in 2000 and 2001. Unclaimed monies are funds which "remain unclaimed [but] in the possession of the clerk...or any part of a deposit of costs not consumed by the costs in the case." According to the clerk of court, ECMC did not track or prepare a list of unclaimed monies because of the lack of time and manpower, and due to the fact that most of the work had to be done manually. In addition, ECMC does not notify the entitled parties or their attorneys of the unclaimed monies. ORC §1901.31 (G) requires that the clerk of court prepare a list of unclaimed monies over one year old by the first Monday in January.

In addition, the clerk of court is required to give notice of the unclaimed monies to the entitled parties and their attorneys. All the monies that remain unclaimed by April 1 are to be paid to the City Treasury by the clerk of court. The failure of ECMC to prepare the list

as required by law, to notify the parties to whom the funds belong, and to pay the City Treasurer renders ECMC non-compliant with ORC §1901.31 (G).

R7.10 ECMC should take the necessary steps to be in compliance with ORC §1901.31 (G). ECMC should track and prepare a list of all unclaimed monies over one year old and give notice of all unclaimed monies to the entitled parties and their attorneys. In addition, the clerk of court should remit all unclaimed monies, by April 1, to the City Treasury.

F7.13 There is no formal or documented policy for separating the duties performed by the deputy clerks of the ECMC. For example, there is no designated deputy clerk for collecting all receivables. All deputy clerks in the ECMC collect cash, all are permitted to generate receipts for payments, and all are responsible for case management. According to the clerk of court, there is an informal separation of duties among the deputy clerks, and deputy clerks are aware of their respective duties. For example, according to the clerk of court, it is possible to keep track of all the monies collected because the receipts that the deputy clerks generate are numbered. In the event that the cash drawer does not balance, the clerk of court traces it back to the responsible deputy clerk by going through all the receipts. Once identified, the deputy clerk responsible for the shortfall pays the difference to balance the cash drawer.

However, since the clerk of court's office lacks a documented policy that clearly denotes the responsibilities of each deputy clerk, there appears to be tremendous duplication of duties performed by the deputy clerks. The lack of a clear separation of duties does not foster responsibility and/or accountability. This situation is further compounded by the fact that ECMC is, at present, not monitoring nor tracking its assessed court costs, fines and fees (see **R7.17** and **R7.27**).

R7.11 ECMC should establish a formal policy that documents the division of duties performed by the deputy clerks. The establishment and implementation of a formal policy would provide an appropriate segregation of duties and a system of internal controls that serves as a cross-checking function that facilitates the detection of errors, accidental or deliberate. The formal policy established by ECMC should ensure responsibility and accountability in cash management. In addition, the policy should clearly specify the parties responsible for collecting all cash and receivables.

F7.14 ECMC did not maintain a court docket prior to December 2000. The clerk of court was appointed in FY 2000 and was not aware that a court docket was supposed to be maintained. However, beginning in December 2000, after an AOS financial audit, ECMC began to maintain a court docket. ORC §1901.31 (E) mandates that the clerk of court of a municipal court prepare and maintain a court docket. According to the ORC, the clerk is required to denote the time of the commencement of an action, the names of the parties involved, names of counsel, and the nature of the proceedings. The clerk of court is required to record the

filing of the complaint, dates that summons or other processes were issued, returns, and any other pleadings. In addition, the clerk of court must also enter all reports, verdicts, orders and other judgements of the court. Not having a court docket prior to December 2000 could negatively impact the case management system at ECMC (see **F7.10**).

R7.12 ECMC should continue to maintain a court docket and include all appropriate information. Maintaining a court docket should aid ECMC in scheduling cases (see **R7.15**) and keeping current on its caseload. In addition, adequately using a court docket to schedule and manage caseloads could increase the number of cases disposed, improve the timeliness of case dispositions and enhance the overall case management system (see **R7.8**).

F7.15 The Supreme Court of Ohio provides case management programs (CMP) and training to municipal courts that request their services. Specifically, CMP provides comprehensive training and approaches to case management that are grounded in best practice principles. In addition, CMP assists in the development and revision of case management plans through on-site or telephone consultation with judges, clerks of court, and/or other designated personnel. Upon request, CMP can conduct audits and reviews of how a court uses its case management software. CMP also identifies and recommends resource allocations, staffing needs, and financial needs as they relate to case management principles and fundamentals in a given court.

CMP developed “Eleven Fundamentals of Caseflow Management” to assist courts in case management. Listed below are the fundamentals of caseflow management from the Supreme Court of Ohio:

- **Judicial Commitment and Leadership:** ECMC’s judge sets the tone for establishing court wide policy and must be committed to the philosophy of court responsibility in case progress. If there is no commitment, little will be gained by devising systems for establishing deadlines and tracking cases. In addition, a partnership with the clerk of court is necessary to shape and guide the caseflow system.
- **Court Consultation with the Bar:** Development and maintenance of an orderly, predictable, and effective caseflow management system that minimizes delay is of mutual concern to the court and bar.
- **Court Supervision of Case Progress:** The court, in consultation with the attorney(s) for each case, should play an active role in determining the timetable that will govern all proceedings during the life of the case. There are five principles of court supervision of case progress. The five principles are the establishment of early court control, continuous court control, maintaining scheduling of events on a short

schedule and creation of the expectation and reality that events will happen when scheduled (see **R7.15**).

- **Standards and Goals:** It is important to set standards and goals for the system. ECMC should set standards and goals for their court system. There are three types of standards and goals: overall time standards governing case disposition for each case type; immediate standards governing elapsed time between major case events; and system management standards concerning issues such as continuances (see **R7.14**, **R7.15** and **R7.16**).
- **Monitoring and Information Systems:** It is important to have in place an information system to monitor case progress and to measure performance against set standards and goals. Otherwise, the setting of standards and goals is ineffective.
- **Case Assignment System:** There are a number of ways multi-judge courts handle the assignment of cases to judges. The main component with this element is to be aware of the strengths and weaknesses associated with the individual calendar system used in Ohio. The primary strengths are the motivation factors: a judge is responsible and accountable for his/her own caseload; creates a competitive atmosphere; and judge's familiarity with the case. The weaknesses include judicial autonomy and responsibility, which can be counter-productive. Other weaknesses may include the opportunity for variance in policies and procedures and differences in case disposition times.
- **Early Court Intervention and Early Dispositions:** Nationally, 95 percent of cases do not reach trial. While only 5 percent of cases go to trial, these cases take two-thirds (66 percent) of a judge's time. It is not a matter of when the disposition will occur. More emphasis should be placed on the actions a judge can take to obtain early dispositions.
- **Scheduling for Credible Trial Dates:** Certainty that trials or other hearings will occur when scheduled is a critical component of effective caseflow management systems (see **R7.15**). Timely preparation and compliance are problematic unless attorneys believe that deadlines and trial dates are meaningful.
- **Court Control of Continuances and Avoiding Backlog:** An atmosphere must be fostered in which timely, high-quality attorney preparation minimizes the need for a continuance. Controlling continuances is important in establishing trial date certainty (see **R7.16**). The backlog is the number of cases in the inventory that are older than the time standard set by the court. To avoid backlogs, set standards at intermediate stages in the process.

- **Systems Approach and Vision:** An overall system organization is needed for the effective flow of cases. Caseload management is not just for the court; it is the whole system (i.e. prosecutor, public defender, private attorneys and other agencies that influence the movement of cases). A team approach to case management is needed because one single person cannot make the system work, but one person can make the system fail.
- **Attention to Detail:** Lack of attention to detail is one of the most frequent causes of everyday problems. It is also one of the most common reasons for program failure.

In addition to the fundamentals of caseload management, the Supreme Court of Ohio's CMP also assists courts by providing case management techniques for the various types of cases.

R7.13 ECMC should contact and engage the services of case management specialists from the Supreme Court of Ohio. With case management and caseload management technical assistance, ECMC will be able to develop comprehensive approaches to caseload management and improve its operations. ECMC would benefit from customized case management training and would be assisted in identifying and implementing best practices, allocating resources efficiently, and would have on-site and telephone consultation as needed.

Since the services of The Supreme Court of Ohio's CMP are free of charge, ECMC should not only seek the assistance of CMP but attempt to forge an on-going relationship. This would be beneficial to ECMC because CMP coordinates consultations with state and nationally recognized court administration experts, as well as assists in identifying best practices in mediation, drug courts, summary trials and technology for enhancing case management efforts.

F7.16 ECMC does not utilize performance measurements to determine the effectiveness of its case management system. The National Center of State Courts has developed the Trial Court Performance Standards and Measurement System (TCPS), which identifies and outlines various performance measurements. The measurements identified for case management include:

- **Time to Disposition:** This is determined by calculating case processing information collected from a random sample of cases disposed during the preceding year. The major task is to randomly select a sample from a list of all cases of each type to be examined.
- **Ratio of Case Dispositions to Case Filings:** This can be easily tracked from the information entered in the monthly reports sent to the Supreme Court of Ohio (see

Table 7-3 and 7-4). The closer the ratio is to 1:1, the more effectively a court is managing its caseload.

- **Age of Pending Caseload:** The number of cases pending beyond the Supreme Court time guidelines can be easily tracked from the information sent to the Supreme Court of Ohio (see **Tables 7-7; 7-3; and 7-4**). The filing dates of these cases can be retrieved from the computer system to determine the age of the pending caseload.
- **Certainty of Trial Dates:** This measurement can be tracked by monitoring the frequency of continuances and schedule changes entered in the computer system.

As noted above, this report has attempted to utilize performance measurements and various external benchmarks to assess court operations at ECMC.

R7.14 The performance measurements identified in this report and by the National Center for State Courts should be used to help ensure that ECMC complies with the Supreme Court of Ohio guidelines for timely case processing, while at the same time keeping current with its incoming caseload. In addition, ECMC should establish other goals, such as increasing its disposition rate to the peer average (see **F7.10**). ECMC would be better able to develop strategies to improve operations and be more accountable to the citizens of East Cleveland by consistently using performance measures to determine the effectiveness of its operations. In addition, ECMC should ensure the accuracy and reliability of information critical to effective management of court operations in order to be able to produce accurate and reliable reports that can be utilized to monitor caseloads and develop realistic performance measures.

F7.17 ECMC has not established formal, standard and uniform time frames for the purpose of processing and scheduling cases. However, ECMC does have “informal time frames” based on the court’s history of processing cases. According to ECMC, “F” cases (money only cases) last between 30 minutes and one hour; “G” cases (evictions, forcible entry) last between 15 and 20 minutes; and “I” cases (small claims) last between 30 minutes and one hour. Considering the large backlog of cases at ECMC (see **F7.10**), the “informal time frames” based on the court’s history of processing cases may not be adequate. In addition, other agencies in the City are responsible for scheduling cases. For example, the police department determines court dates for individuals accused of felony offenses, and the community development, building and housing department schedules cases involving housing code violations.

Municipal Benchmarks- Assessing Local Performance and Establishing Community Standards is a publication that provides benchmarks and best practices utilized by various local governmental entities. **Table 7-8** presents various benchmarks related to scheduling cases from this publication that are implemented by various courts located in the related municipality.

Table 7-8: Time Frames for Scheduling Cases

Municipality	Time Frames for Scheduling
Fort Worth, TX	Each case to be scheduled on a docket within seven days of receipt.
Savannah, GA	Schedule misdemeanor cases for preliminary hearing on the court business day after arrest.
Reno, NV	Schedule all trials within 60 days of arrest (1990: 100% compliance).
Fayetteville, AR	Set criminal cases for trial within 90 days.

Source: Municipal Benchmarks- Assessing Local Performance and Establishing Community Standards

Since each court indicated in **Table 7-8** is not located in Ohio, it is important to note that these courts are under a different set of laws and regulations than courts located in Ohio. Consequently, the laws and regulations in Texas, Georgia, Nevada and Arkansas may have a different effect on the time frames for scheduling cases for courts located in Ohio.

R7.15 Standard and uniform time frames for the purpose of processing and scheduling cases should be formally established by ECMC. Once the time frames have been formally established, they should be used as the mechanism to determine when a case should be scheduled and the number of cases to be processed in a typical day. For example, all misdemeanors could be scheduled five days after the initial complaint has been filed and the court could be able to process 15 misdemeanors in a typical day. In addition, ECMC should determine if it is possible to incorporate standard time frames into the CourtMaster system (see **F7.31** and **F7.32**). This would make the scheduling of cases in accordance with the time frames relatively easy. Furthermore, ECMC should monitor and track these time frames to ensure that they are being adhered to.

Finally, ECMC should work with the other city departments, such as the police department, and community development, building and housing department, to ensure that these departments are scheduling cases according to uniform and standard time frames because the manner in which these departments schedule cases impacts ECMC's overall effectiveness in processing cases in a timely manner. By developing and adhering to formal, standard and uniform times, ECMC could potentially reduce the number of pending cases, improve its case disposition rates and improve its case management system.

F7.18 ECMC does not have uniform and standard rules to minimize the number of continuances granted during a case, which can negatively impact the number of cases pending (see **F7.10**). The State of California has established specific written rules regarding continuances in its superior courts and **Table 7-9** lists its specific reasons for granting a continuance.

Table 7-9: State of California Rules for Continuances

<p><u>Death</u></p> <ul style="list-style-type: none"> ● The death of the trial attorney, expert witness or an essential witness where, because of the proximity of such death to the date of trial, it is not feasible to substitute another attorney or witness.
<p><u>Illness</u></p> <ul style="list-style-type: none"> ● Illness that is supported, wherever possible, by an appropriate declaration of a medical doctor, stating the nature of the illness and the anticipated period of any incapacity. ● The illness of a party or essential witness, except that, when it is anticipated the incapacity of such party or witness will continue for an extended period, the continuance should be granted on condition of taking the deposition of the party or witness in order that the trial may proceed on the next date set. ● The illness of the trial attorney or of an expert witness, except that the substitution of another attorney or witness should be considered in lieu of a continuance depending on the proximity of the illness to the date of trial, the anticipated duration of the incapacity, the complexity of the case, and the availability of a substitute attorney or expert witness.
<p><u>Unavailability of Trial Attorney or Witness</u></p> <ul style="list-style-type: none"> ● The unavailability of the trial attorney when he is engaged in the trial of another case, or in the hearing, investigative or formal, of a State Bar disciplinary matter, if: <ul style="list-style-type: none"> ▶ at the time the attorney accepted the trial date in this case he could not have reasonably anticipated the conflict in trial dates; and ▶ the court was informed and made a finding at the pretrial or trial setting conference or on motion made at least 30 days before the date set for trial that the case was assigned for trial to this attorney within a particular law firm and that no other attorney in that firm was capable and available to try the case and was or could be prepared to do so. ● The unavailability of a witness only where the witness has been subpoenaed or is beyond the reach of subpoena and has agreed to be present, and his/her absence is due to an unavoidable emergency that counsel did not know and could not reasonably have known at the time of the pretrial or trial setting conference.
<p><u>Substitution of Trial Attorney</u></p> <ul style="list-style-type: none"> ● The substitution of the trial attorney only where there is an affirmative showing that the substitution is required in the interests of justice.
<p><u>Significant Change in Status of Case</u></p> <ul style="list-style-type: none"> ● A significant change in the status of the case where, because of a change in the parties or pleadings ordered by the court, the case is not ready for trial.

Source: State of California Court Rules

In addition, other courts in Ohio have established standard guidelines for continuances. Butler County has instituted a standard formal policy throughout its county courts by only allowing one continuance for minor/misdemeanor offenses. If an individual requests more than one continuance, they are required to appear before the judge and formally request another continuance. Trumbull County Central District Court has instituted a similar policy by allowing for one continuance per defense and prosecution in civil cases. If more than one continuance is requested, it has to be made in writing and all parties have to appear before the judge.

R7.16 ECMC should develop standard and uniform rules for granting continuances, such as not allowing more than one continuance for a misdemeanor one offense. The rules should state and fully explain the following key procedures/policies:

- Maximum number of allowable continuances per case;
- Reasons that would justify the granting of a continuance;
- Authorization to grant continuances in certain situations and/or for certain case types. However, when authority is given to the deputy clerks and/or other staff, the judge should always be informed of continuances granted for all cases.

The number of continuances could potentially be reduced by establishing, monitoring and enforcing standard rules. Enforcement of such rules could subsequently reduce the number of cases pending at ECMC.

Collections

F7.19 Although the computer system is capable of tracking assessments and delinquencies, ECMC does not track the amount of assessed fines and court fees. Rather, it tracks only the amount of paid fines and fees (see **F7.32** and **R7.27**). The overall operations of a municipal court and the city are impacted by the collections of assessed fines and fees. Because ECMC only records the amounts of monies paid and not the amount it is owed, ECMC cannot determine its collection rate. In addition, goals regarding the collection of fines and costs have not been established. Established goals would help to stress the importance of collecting fines and costs to the ECMC staff, and provide the staff with achievable and concrete expectations. **Table 7-10** indicates ECMC and peer court costs, fines and fees collected in 2000.

Table 7-10: ECMC and Peer Court Collections for 2000

	East Cleveland	Bedford	Garfield Heights	Peer Average
Total Official Cases	15,735	20,137	15,586	17,862
Dispositions	13,598	18,209	14,236	16,223
Collected court costs, fines and fees for 2000	\$754,163	\$1,657,151	\$1,777,197	\$1,717,173
Average collection per Official Case	\$47.93	\$82.29	\$114.03	\$96.14
Average collection per Disposition	\$55.46	\$91.01	\$124.84	\$105.85

Source: 2000 Ohio Supreme Court Report, peer information

Table 7-10 indicates that ECMC is collecting significantly less in court costs, fines, and fees when compared to the peers. The peer average collections per case and per disposition are significantly higher when compared to ECMC. This can be attributed to ECMC's failure to use the following important collection activities:

- Clearly defined collection procedures (see **F7.20**),
- Financial affidavit (see **F7.20**), and
- Enforcement tools (see **F7.22**).

R7.17 ECMC should implement strategies to enhance the collection process and increase the amount of court costs and fines collected (see **R7.18** through **R7.22**). By doing so, ECMC would increase the amount of revenue provided to the City. In addition, strict enforcement of court costs and fines could help deter individuals from performing future illegal acts and enhance the quality of life in the City, which is the ultimate goal of assessing court costs and fines.

ECMC should use the computer system to track delinquencies and the amounts of fees and fines assessed on each case. In addition, ECMC should begin to monitor and track its collection rate against the assessed fees and fines. The clerk of court and judge should be responsible for establishing feasible and quantifiable goals regarding the collection of fines and costs. Under the direction of the judge and clerk of court, ECMC should ensure that monitoring and tracking mechanisms are developed. For example, upon the implementation of this recommendation, ECMC should be able to generate reports which show the amounts of fees and fines assessed versus the amounts collected on each case.

Financial Implication: Assuming ECMC implements improvements to its collection process and achieves the peer average collections per disposition, it could collect an additional \$685,000 annually in court costs and fines. Furthermore, ECMC could collect additional court costs and fines by improving its case management system to increase the number of cases disposed (see **R7.8**).

F7.20 A study released on August 11, 1992 by the National Center for State Courts attempted to discover what constitutes a strong collection method for the Mansfield, Ohio Municipal Court. It revealed that a more aggressive collection method resulted in a higher collection rate. In general, the more attention that a court pays to the collection process, the more likely a defendant will be to comply with a court order and pay the associated fines and costs. In the Mansfield Municipal Court, after the study was implemented in September 1991, the total money collected in the comparative months substantially increased, as depicted in **Table 7-11**.

Table 7-11: Change in Collections for Mansfield Municipal Court

	1990-1991 % Change (Prior to Study)	1991-1992 % Change (After Study)
January	7%	27%
February	8%	27%
March	(21%)	33%

Source: National Center for State Courts

The following is a list of other important findings revealed by the study.

- Having to complete an affidavit of income, expenses and financial disclosure that determined a defendant’s ability to pay fines and costs served as a deterrent to the defendant’s asking for time to pay and thus paying in full on the day of sentencing. After the affidavit was completed, the collections agent contacted the references listed by the defendant, in the presence of the defendant, to assess the accuracy of the affidavit.
- The collection method of sending a reminder notice five days prior to the payment due date, a telephone call three days after missed payment and a follow-up letter five days after the telephone call resulted in a higher collection rate.

ECMC has an affidavit of indigency which also serves as a financial affidavit. However, tracking, monitoring and compiling information on the form was not uniform or standardized until recently. According to the clerk of court, the use of the affidavit of indigency in 2002 is now much better. However, the indigency affidavit is used to determine ability to pay, not necessarily “time to pay.” In some instances, the judge may determine that some people “work for half and pay for half.” According to the clerk of court, this is determined by the judge on a case by case basis. In addition, ECMC does not have clearly defined collection procedures. Furthermore, ECMC does not have one employee responsible for the collection process and all of the deputy clerks perform collection activities. In contrast, Bedford and Lima municipal courts have one individual dedicated to handling the collection process,

including sending notices and monitoring collections. In the Mansfield study, one employee was specifically assigned to handle the collections process.

F7.21 In addition to the Mansfield study identifying standard collection methods and procedures, A Citizen's Study of the City of Toledo Criminal Justice System and the Housing Court released in December 2000 indicated that the Cleveland Municipal Court has implemented standard procedures to effectively enforce collections. For instance, the court sends a reminder notice within two weeks from the date the court granted the defendant time to pay court costs and fines advising the defendant of the required payment. If the defendant is unable to make payment by the due date, the defendant must contact the court seven days prior to the due date. At this point, the court can allow a 30 day extension, which requires the payment of an additional late fee and/or the court can file a request for community service to be performed in lieu of paying the court costs and fines. If the defendant fails to pay the court costs and fines within the required time frames or does not perform the required community service, a *capias* is issued on the defendant.

R7.18 Considering the success of utilizing a financial affidavit in the Mansfield study, ECMC should uniformly and consistently use a financial affidavit to assess a defendant's ability to pay and determine the need for time extensions to pay. A payment agreement form similar to the one in the Mansfield study should be developed and implemented by ECMC. ECMC should ensure that defendants are fully aware of the consequences of not making the full payment in the stipulated time frames.

In addition, ECMC should develop and implement clearly defined collection procedures. The process should consist of sending notices and making contact through telephone calls prior to the payment due date and taking appropriate steps if payment is not received after the initial notices and telephone calls. Follow-up letters by ECMC to the defendants may be necessary. However, enforcement tools, such block warrants and license forfeitures (see **R7.19**), could be used in the place of follow-up letters. Prior to using enforcement tools, ECMC should clearly state in the initial notices and telephone calls the consequences of not paying. The result of using a financial affidavit, implementing clearly defined collection procedures and using enforcement tools should result in increased collections at ECMC, as indicated in **R7.17**. To ensure that collection procedures are performed on a consistent basis and in a uniform manner, and to enhance accountability for the process, ECMC should consider assigning the collection process to one of the 2.0 additional FTEs recommended in **R7.7** and have the other deputy clerks provide support and assistance when appropriate.

F7.22 ECMC did not issue block warrants in 1999, 2000, and 2001. In addition, ECMC issued 10 license forfeitures (suspensions) between 1999 and 2001. The issuing of block warrants is a new collection process implemented by House Bill 141, passed by the 122nd General Assembly in the regular session of 1997-1998. The law states that a block warrant can be issued on individuals who have an outstanding warrant issued by a municipal or county

court. To issue a block warrant, a clerk of court's office enters outstanding warrant information by individual onto a diskette and mails the disk to the Ohio Bureau of Motor Vehicles (BMV). The BMV sends out notices to these individuals informing them of the block warrant and the requirement to pay the past-due fines. Individuals with block warrants cannot renew a drivers' license or license plates until the past-due fines are paid in full. Block warrants serve as an effective enforcement mechanism, especially since license plates must be renewed annually and drivers' licenses must be renewed every five years. During the initial stages of the performance audit, there was conflicting information regarding the issuance of block warrants by ECMC. At different occasions it was indicated the ECMC issued block warrants, although the number issued could not be identified or provided. **Table 7-12** shows the license forfeitures and block warrants issued by ECMC and the peers.

Table 7-12: 1999-2001 License Forfeitures and Block Warrants

	East Cleveland	Bedford	Garfield Heights	Peer Average
License Forfeitures				
Calendar Year 2001	4	1,073	49	561
Calendar Year 2000	0	0	887	N/A
Calendar Year 1999	6	3	127	65
Block Warrants				
Calendar Year 2001	0	0	442	N/A
Calendar Year 2000	0	0	87	N/A
Calendar Year 1999	0	0	0	0

Source: Peer information, interviews, BMV records

As demonstrated in **Table 7-12**, the license forfeitures and block warrants issued by ECMC between 1999 and 2001 fall far below the peer average. **Table 7-12** indicates that ECMC does not effectively use license forfeitures and block warrants as mechanisms for collecting court costs, fees, and fines. As a result, ECMC is collecting a significantly lower amount of court costs and fines as compared to the peers (see **F7.19**). **Table 7-12** also indicates that Garfield Heights Municipal Court (GHMC) issued more block warrants than license forfeitures in 2001. Since vehicle registrations have to be renewed each year as compared to driver's licenses being renewed every four years, it would appear that block warrants would be a more effective way to enforce collections of court costs and fines. According to the judge, ECMC plans to issue a public warning to all individuals with outstanding fines.

In addition, documentation obtained from GHMC for year 2000 indicates that "in eight months of operation, the bailiff supervised the immobilization or forfeiture of 329 vehicles."

For each vehicle immobilized or forfeited, the State reimburses GHMC an immobilization fee of \$100 per Ohio Revised Code (ORC) § 4503.233. Further, immobilizing and forfeiting vehicles could function as an enforcement tool for individuals to pay delinquent court costs and fines. However, ECMC does not immobilize and forfeit vehicles.

R7.19 ECMC should take immediate steps to issue block warrants and license forfeitures. Block warrants serve as an effective enforcement mechanism because individuals are required to pay their fines in full before renewing their vehicle registration each year. ECMC should issue block warrants on all delinquent accounts and begin monitoring the success rate of issuing block warrants to determine if this should become the primary method to collect on delinquent accounts. In addition, ECMC should issue license forfeitures as another tool to enforce collections. Bedford Municipal Court, which did not issue license forfeitures prior to January 2001, retroactively sent 1,234 forfeitures to BMV for outstanding warrants dating back to 1999. Furthermore, ECMC should implement a procedure similar to GHMC to immobilize and forfeit vehicles. By doing so, ECMC would be using another method to enforce payments of court costs and fines, and would be reimbursed \$100 for each vehicle immobilized or forfeited. Based on the bailiff staffing analysis, ECMC has the capacity and resources available to implement a process for immobilizing and forfeiting vehicles (see **F7.6** and **R7.6**).

Financial Implication: If ECMC implements a vehicle immobilization and forfeiture program similar to GHMC and immobilizes and forfeits 75 percent of the vehicles immobilized and forfeited by GHMC, it could realize approximately \$24,000 per year in revenue from reimbursements provided by the State of Ohio. In addition, issuing block warrants and licences forfeitures, and immobilizing or forfeiting vehicles would increase the amount of court costs and fines collected, which is included in the financial implication for **R7.17**.

F7.23 The City does not have an effective and efficient system in place to collect outstanding parking tickets. In addition, the City does not monitor or track its collection rates for parking tickets and therefore cannot accurately determine its success in collecting fines and costs. According to City ordinance 350.07 (c)(1-2), if a payment is not made within the specified time frames, a judgement or default judgement may be filed with the Office of the Clerk of Court, Civil Division. When filed, the judgement or default judgement has the same force and effect as a money judgement in a civil action rendered in the Court. Pursuant to ORC 4521.08(c), judgements and default judgements filed with the Municipal Court, Office of the Clerk of Courts, Civil Division, are to be maintained in a separate index and judgement roll from other judgements rendered in the Court. Computer printouts, microfilm, microdot, microfiche, or other similar recording techniques may be used to record such similar judgements. When a judgement is entered or a default judgement is filed, measures may be taken to collect fines, fees and any penalties as authorized for the collection of any money judgement in a civil action rendered in that Court. The Municipal Court may assess costs

against the judgement debtor, in any amount not exceeding fifty dollars (\$50) for each parking infraction, to be paid upon satisfaction of the judgement.

Prior to March 2002, the Parking Violations Bureau (PVB) was not sending out notices, tracking collection rates, and placing people in judgement or default judgement. According to PVB, it has started sending out notices in March 2002 to all individuals with delinquent and/or outstanding parking tickets. However, PVB still does not retain any copies of notices sent out and does not track notices. Therefore, unless an individual responds to the notice and pays the parking ticket, PVB does not know which individuals have been sent a notice to pay parking fines. In addition, PVB is not sending out second notices.

Further, there appears to be no coordination between the clerk of court, which handles traffic/criminal cases, and PVB, which handles parking tickets. Under normal circumstances, PVB would submit to the clerk of court the information on all individuals it had notified through mail regarding payments on outstanding parking violations. These individuals, by virtue of not paying the tickets in the specified time frame or responding to written warnings, would be placed in judgement. All information on individuals placed on judgement would then be submitted to the clerk of court with a request for block warrants and/or license forfeitures to be submitted to BMV for suspensions. It appears PVB is not submitting information to the clerk of court and the clerk of court has not requested this information. As a result, the City is not collecting possible revenue. **Table 7-13** shows the number of outstanding parking tickets and the amounts collected in East Cleveland for calendar years 1999, 2000 and 2001:

Table 7-13: Parking Tickets and Collections 1999-2001

	Total Number of Records	Total Fines/Costs Assessed	Total Fines/Costs Collected	Difference Between Assessed and Collected. Amounts	Percentage of Uncollected Fines/Costs Assessed
Calendar Year 2001	9,143	\$103,103	\$13,395	\$89,708	87.0%
Calendar Year 2000	11,521	\$157,820	\$4,392	\$153,428	97.2%
Calendar Year 1999	5,088	\$63,755	\$2,122	\$61,633	96.7%
Total	25,752	\$324,678	\$19,909	\$304,769	93.9%

Source: Cuyahoga Regional Information Systems

As indicated in **Table 7-13**, approximately \$324,700 was assessed for parking fines from 1999 to 2001. However, only 6.1 percent (\$19,909) of all the fines assessed was paid, indicating a significant potential to increase collections of parking costs and fines.

R7.20 Since the City currently has a large amount of delinquent parking fines, aggressive measures should be immediately implemented to obtain payments. One notice should be provided to current delinquent individuals instructing them to provide payment and clearly indicating the ramifications of not paying the delinquent fines (e.g., placing the individual in default judgement and court involvement). If payment is not received within 30 days of the notice, the City should immediately place those individuals in default judgement.

In addition to taking the above mentioned immediate steps, the City of East Cleveland should establish and enforce procedures for the collection of outstanding parking tickets. Collection procedures used by ECMC could also be used by PVB (see **R7.18**). If routine collection procedures are not successful, PVB should place in judgement or default judgement all individuals with outstanding parking tickets and submit the necessary information to the clerk of court's office. The City should contact the Ohio Bureau of Motor Vehicles (BMV) and request a restriction on the issuance of annual registrations to drivers that have outstanding parking tickets. The City should consider automating and integrating certain functions of the PVB system with that of the clerk of court and require training of all responsible personnel. Furthermore, the City should consider assessing an additional fee of \$50 for individuals issued a judgement or default judgement.

Financial Implication: Assuming an average collection rate of 75 percent based on data from Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards, East Cleveland would have collected approximately \$228,000 in revenue over the last three years by aggressively pursuing collections through defined collection procedures, and using judgements and default judgements, which is an average of about \$76,000 annually in additional revenue. In addition, ECMC could realize more revenue by assessing \$50 for judgements and/or default judgements. However, this additional revenue can not be estimated because the number of judgements and default judgements will be contingent upon the number of individuals that respond to the first notice.

F7.24 ECMC does not charge any portion of court costs and fines to a special project fund. According to ORC § 1901.26(B)(1), “the municipal court may determine that, for the efficient operation of the court, additional funds are necessary to acquire and pay for special projects of the court including, but not limited to, the acquisition of additional facilities or the rehabilitation of existing facilities, the acquisition of equipment, the hiring and training of staff, community service programs, mediation or dispute resolution services, the employment of magistrates, the training and education of judges, acting judges, and magistrates, and other related services.”

As indicated in the ORC language, a special project fund is broader in scope than the computer and legal research funds (see **F7.27**) because it is not earmarked for a specific activity and can be utilized for multiple purposes. In addition, ORC § 1907.24(B)(1) does not stipulate a dollar limit for the special projects fund. The only stipulation is that “moneys

from a fund of that nature shall be disbursed upon an order of the court in an amount no greater than the actual cost to the court of a project.” Other AOS performance audits indicate that certain courts do charge a portion of costs to a special project fund, with a fee of \$10.00 being the most common fee per case.

R7.21 ECMC should implement a special project fund and allocate a fee to provide revenue for this fund, such as \$10.00 of court costs per case. ECMC could use revenues from the special project fund for various purposes, such as paying for employees’ salaries and benefits, and funding any needed capital projects. By implementing a special projects fund, ECMC would be generating additional revenues and subsequently help decrease the amount of support provided by the City’s General Fund.

Financial Implication: Assuming that ECMC charges \$10.00 per case to a special projects fund, ECMC could assess approximately \$157,000 in additional court costs annually. Based on the average collection rate from the Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards of 75 percent, ECMC could increase court costs and revenue collected by approximately \$117,000 annually.

F7.25 ECMC does not use a collection agency to assist in collecting overdue or delinquent fines. In addition, ECMC lacks documentation that identifies cases from which the Court did not receive payments within a specified time period. Since ECMC lacks an internal collections procedure (see **R7.18**) and does not use available enforcement tools (see **R7.19**), it is not effective in collecting all possible revenue, which is indicated **F7.19** and **Table 7-10**. According to the judge, ECMC is planning on engaging an attorney or a collection agency that will be responsible for collecting all fines and fees. However, this report provides numerous strategies ECMC could implement internally to improve procedures and increase collections without having to engage a private collection agency (see **R7.17** through **R7.21**).

R7.22 ECMC should implement internal improvements to its collection process as discussed throughout this report. Making minor staffing adjustments within its criminal and civil divisions (see **R7.7**) should ensure that ECMC has the capacity to enhance its collection activities. After ECMC has improved its internal collection processes and used available enforcement tools, it should fully assess the results of these improvements.

Implementing and monitoring internal improvements to increase collections should be the primary focus of ECMC. If ECMC considers using a private attorney or collection agency in the future to supplement its internal activities, it should establish formal policies, procedures and time frames to identify delinquent cases. In addition, the following lists several considerations ECMC and City management should take into account regarding contracting for collection services:

- The collection agency would have to prove that it could operate more efficiently than ECMC.
- ECMC would pay a fee to the collection agency.
- Communication links would have to be established and maintained between ECMC and the collection agency.
- ECMC would need to manage and monitor the contract with the collection agency to ensure quality services are being provided to the City and its taxpayers.

In assessing whether or not to use a collection agency to assist in collecting court costs and fines, ECMC should establish parameters that define when to involve the collection agency, such as the length of time that a case has been delinquent and the dollar amount of court costs and fines owed. For example, ECMC could stipulate that any individual that has been delinquent for over 12 months and owes over \$500 in court costs and fines should be referred to the collection agency. The parameters established by ECMC are important considering that it would have to pay service fees to a collection agency, which are usually based upon the dollar amount of court costs and fines collected. Basically, ECMC should exhaust all of its internal delinquent collection efforts prior to forwarding a delinquent account to a collection agency.

Technology

F7.26 ECMC has a system administrator who is responsible for managing computer equipment, performing computer hardware and software upgrades, preparing a budget for technology expenditures and providing support to the employees of ECMC. ECMC pays 50 percent of the system administrator's salary and benefits from the computerization fund authorized by ORC (see **F7.27**).

F7.27 According to ORC 1901.26.1 (A), a municipal court may determine that additional funds are required to computerize the Court, make available computerized research services or both. Upon making the determination that additional funds are needed for either or both purposes, the Court may include in its schedule of fees and costs, an additional fee, not to exceed \$3.00, on the filing of each case. The fees collected under this section must be paid to the city treasurer. The treasurer is required to place the funds from these fees in a separate fund to be disbursed upon an order of the Court in an amount not greater than the actual cost to the court of computerizing the court, or procuring and maintaining computerized legal services.

In addition, under ORC 1901.26.1 (B) a municipal court may also determine that an additional fee of no more than \$10 can be assessed on the filing of each cause of action or appeal, filing, docketing, endorsement of each certificate of judgement, or docketing and indexing. The funds from this fee are to be used for computerization of the clerk of court's office. As with the \$3 fee mentioned above, these funds are to be paid to the city treasurer

and deposited in a separate fund, to be disbursed upon the order of the municipal court and subject to an appropriation by the legislative authority of the municipal corporation in an amount no greater than the actual cost to the court of procuring and maintaining computer systems for the office of the clerk of court.

ECMC assesses a “computer fee” of \$8.50. However, the clerk of court could not verify that these funds were or should be divided between those of the general municipal court operations and those of the clerk of court. Therefore, ECMC could not delineate how much of the \$8.50 was attributed to ORC §1901.261(A)(1) or §1901.261(B)(1). In addition, ECMC does not place the revenues generated from these fees into separate funds. According to the clerk of court, revenue from the computer fee is deposited and given to the Finance Department of the City of East Cleveland. The result of not tracking the amounts generated from computer fees and not placing the revenues in separate funds contributed to ECMC’s inability to provide not only documentation but also the amounts outstanding.

R7.23 ECMC should assess the \$3.00 and \$10.00 fees in accordance with ORC §1901.261(A)(1) and §1901.261(B)(1) requirements. ECMC should create separate funds and track not only the revenues generated but also the assessed fees. In addition, ECMC should reconcile the fees assessed and received with the City’s Finance Department to determine outstanding amounts. Furthermore, ECMC should ensure that these funds are used only for technology related expenses and computerized legal research services. Currently, assessed fees and revenues generated from ORC §1901.261(A)(1) or §1901.261(B)(1) cannot be identified separately. Upon the implementation of this recommendation, ECMC should not only be able to provide documentation showing a separate fund for this revenue, but should also be able to track outstanding amounts and anticipated revenue. Implementation would also assist the clerk of court in bank reconciliations (see **finance** section).

Financial Implication: Information provided by the finance director indicates that \$109,430 was received from “legalized computer fees” for the year ending December 31, 2001. Given that ECMC assesses \$8.50 per case, it can be assumed that there were 12,874 cases. If ECMC were to assess \$13 instead of \$8.50 it would increase its revenue from legalized computer fees by approximately \$58,000 per year.

F7.28 ECMC does not have a comprehensive long-term strategic technology plan. The lack of a comprehensive long-term strategic technology plan limits the ability of ECMC to plan for technology reviews, upgrades and purchases. In addition, without a proper strategic plan, budgets cannot be adequately created to help in the allocation of monies for technology related purchases (see **technology utilization** section).

R7.24 ECMC should develop a comprehensive long-term strategic technology plan that incorporates all its divisions and operations. The plan should describe ECMC’s long-term objectives and how technical staff, funding and resources will be allocated to help ECMC

achieve its long-term objectives. The long-term strategic technology plan should be tied to the operations of ECMC and the City to ensure effective and efficient operations between the related entities. The judge, clerk of court, chief probation officer and systems administrator should be involved in the development, implementation and monitoring of the long-term strategic technology plan. Additionally, the management of ECMC should establish an annual review and revision process that will allow the strategic plan to evolve with changes in the Court, City, local community and the field of technology.

The following steps should be taken to develop and implement ECMC's long term strategic plan:

- Identification and analysis of the ECMC administrative and departmental environment that the strategic technology plan must support;
- Definition of key goals and objectives for ECMC and the establishment of measurable success factors for the administrative and departmental areas;
- Evaluation of current and future hardware and software applications to determine their applicability to support the long-term goals and objectives of ECMC;
- Research of significant industry trends relating to technology and governmental institutions or other public sector organizations;
- Determination of the technology is needed to help ECMC achieve its long-term goals and objectives; and
- Identification of user requirements for software applications as well as e-mail and Internet software.

The result of this process should be a step-by-step plan detailing how ECMC expects to meet its long-term goals and objectives given its existing technical architecture. The architecture is a blueprint that specifies the technical infrastructure (hardware, network configuration and system software), software application systems and database design. The proposed comprehensive long-term strategic technology plan should contain the following elements:

- Realistic and detailed timetables;
- Funding requirements and funding sources;
- Individuals responsible for implementation;
- Estimated resource requirements for implementation (including consultants, contractors or in-house staffing);
- Expected benefits; and
- Benchmarks to determine progress in meeting standards.

The timetable should be realistic in estimating the ECMC commitment to the implementation of new technologies and should be also used as a guide for future technology expenditures. A sound methodology will help ECMC implement high quality applications with less risk, at a lower cost and in a determined time frame. Furthermore, the strategic plan as well as

the budget should also address the issue of upgrades and future replacement of computer equipment as well as software and associated staff development (see **technology utilization** section).

F7.29 ECMC does not have a computer disaster recovery plan. According to the May 2001 report titled “Recommended Practices for State and Local Governments” from the Government Finance Officers Association (GFOA), “state and local governments have a duty to ensure that disruptions in the provision of essential services are minimized following a disaster.” According to GFOA, the policies and procedures for computer disaster recovery should at least include the following:

- Appointment of disaster recovery coordinators from each division of the Court to a disaster recovery team whose responsibility is to implement and monitor the disaster recovery plan;
- Establishment of a temporary base for processing of data following a disaster at the current daily operations site;
- Creation and preservation of back-up data regularly, timely and with proper documentation, transportation, and safe storage off the current site of operation;
- Establishment of detailed instructions for restoring disk files; and
- Establishment of guidelines for the immediate aftermath of a disaster.

The systems administrator conducts data back-ups for all servers every night and takes the back-up tapes home with him and brings a new tape the following morning. However, as a result of not having a computer disaster recovery plan, ECMC may not be able to provide the required information to other governmental entities in the event of a disaster (see **technology utilization** section).

R7.25 ECMC should formally establish and regularly update written policies and procedures for minimizing disruptions resulting from failures in computers or advanced technologies following a disaster. A copy of the ECMC’s computer disaster recovery plan should be kept at a secure, off-site location to ensure its availability in the event of a disaster. Back-up files should be kept in a safe location, such as a fire-proof vault, in the event of a disaster. The computer disaster recovery plan should be tested on a periodic basis to eliminate any potential problems and ensure that all individuals are familiar with their responsibilities (see **technology utilization** section).

F7.30 ECMC has a computer use policy for the employees. However, it appears that not all employees have received the policy or signed off to denote that they have read the computer policy manual. The fact that not all employees have seen or read the computer use manual exposes the ECMC to the risk that employees will use equipment for improper or inappropriate personal use (see **technology utilization** section).

R7.26 ECMC should ensure that all its employees receive and read the computer use manual. In addition, all the employees should sign to acknowledge that they have read, understand, and accept the policies regarding computer usage at ECMC. Ensuring that all employees have read the computer use policy manual limits the Court's liability since staff would be aware of the potential dangers regarding computer equipment and software, such as the inappropriate use of internet privileges or the use of the City's equipment for personal business. In addition, it will minimize the abuse of computer and software privileges. If all employees cannot be provided with a personal copy of the computer use manual, ECMC should provide at least one for each division within the Court.

F7.31 ECMC uses the CourtMaster system, running on an IBM Risk 600, model F75 for all its traffic/criminal and civil case management. It is a UNIX based system, run separately from the City and was installed in 1996 by Conley, Canitano and Associates Incorporated (CCAi). The CourtMaster system, according to the clerk of court and systems administrator, performs the necessary functions needed in the municipal court. Some of the functions the system is capable of performing include daily and monthly report summaries of receivables and Ohio Supreme Court reports. However, ECMC is not fully using all of the functions available in the current system.

F7.32 It appears that ECMC is not using all the functions of the CourtMaster system. According to the vendor, the CourtMaster system installed at ECMC is an integrated court management system with traffic, criminal and civil modules. The CourtMaster traffic module allows the user to have complete control over the entries, progress and disposition of traffic cases and waivers. The CourtMaster criminal module affords the user with control over entry, progress, and disposition of criminal cases, felonies, and misdemeanors. In addition, the civil module also allows the user to have control over the entry, progress, and disposition of civil and small claims cases. Menu selections in all modules allow the user to move freely between the functions. The inability to use all functions of the court management system hinders ECMC ability to operate efficiently.

During the performance audit engagement, the clerk of court contacted CCAi regarding the functionalities and modules of the CourtMaster case management system. According to the clerk of court, it appears that CourtMaster system may do more than was initially thought. For example, in previous interviews it was stated that the CourtMaster system had no capabilities for "aging accounts". However, after speaking with the vendor, it was determined by the clerk of court that the CourtMaster system does have the capability to "age" accounts. It appears that some of the modules of the CourtMaster systems were not requested by ECMC to be loaded in the system when CourtMaster was installed in 1996, which could explain why some functions may not be available to ECMC. The clerk of court is currently working with the vendor to determine full functionality of the CourtMaster system.

The clerk of court pointed out that one of the difficulties is that the staff is not technologically oriented, since it has not received adequate training regarding the full functionality of CourtMaster. According to the clerk of court, this may be attributed to the volume of work and caseload at ECMC, which makes it difficult to send people to training, conferences and seminars. The clerk of court plans to be in constant communication with the vendor regarding the functions of CourtMaster and also plans to have all staff attend training for at least two weeks on how to adequately and effectively use the CourtMaster system.

R7.27 ECMC should assess the training needs of the clerk of court's employees and make training a high priority (see **technology utilization** section). Training should be a high priority, particularly in the use of all features of the court management system, because it is vital in the operations of ECMC. For example, training could have allowed for the issuance of block warrants and license suspensions in the last three years (see **F7.22** and **R7.19**). The clerk of court's office should establish a training procedures manual that details all necessary training for the court management system. In addition, training should be ongoing.

In order for the employees to know and use all functions available to them, the judge and clerk of court should contact the vendor and be provided with a detailed list of the functions of the CourtMaster system. The Court should seek system support from its internal Electronic Data Processing (EDP) department and its software vendor to review the capabilities of the present system and to determine enhancements that need to be made to the system, such as loading additional modules into the system. This will help determine whether ECMC utilizes all functions available to the optimum level possible. In addition, ECMC should arrange for all Court and EDP employees to attend training sessions provided by the vendor (see **technology utilization** section). According to the vendor, professional training through classroom courses are offered at the vendor's facilities or on-site to meet specific customer needs and requirements.

Financial Implications Summary

The following table is a summary of estimated annual revenue enhancements, estimated annual cost savings and estimated annual implementation costs for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications

Recommendation	Estimated Annual Revenue Enhancements	Estimated Annual Cost Savings	Estimated Annual Implementation Costs
R7.6 Reduce 1.5 bailiff positions		\$53,000	
R7.7 Add 2.0 deputy clerk positions			\$70,000
R7.8 Improve case management to increase number of cases disposed which could increase collections	\$76,000		
R7.17 Improve collection procedures to increase collections of court costs and fines	\$685,000		
R7.19 Implement vehicle immobilization and forfeiture program	\$24,000		
R7.20 Establish and enforce collections procedures for parking tickets	\$76,000		
R7.21 Allocate \$10 per case to a special project fund	\$117,000		
R7.23 Increase legal computer fees from \$8.50 to \$13.00	\$58,000		
Total	\$1,036,000	\$53,000	\$70,000

Conclusion Statement

ECMC could significantly improve operations in the areas of collection activities and case management. ECMC is collecting a significantly lower amount of court costs and fines per disposition as compared to the peers, which can be attributed to the lack of clearly defined collection procedures and failure to use available enforcement tools, such as block warrants and license forfeitures. A commitment to enforcing the collection of court costs and fines owed to the City appears to be lacking at ECMC. ECMC should implement many strategies to improve collection activities, which would provide additional revenue to the City and help East Cleveland in its efforts to remove itself from fiscal emergency.

ECMC has a much higher percentage of its caseload pending when compared to the peers, indicating that problems exist with effectively moving cases through the court system. Until fairly recently, ECMC has not implemented basic case management practices such as completing an annual report and maintaining a court docket. Establishing formal, standard and uniform time frames for scheduling cases, developing uniform and standard rules to minimize the number of continuances granted during a case, and using the Supreme Court of Ohio's case management programs should improve case management at ECMC. In addition to improving the quality and timeliness of services, improving case management to increase the number of cases disposed could also result in increased collections at ECMC.

ECMC has not used the available functions of its computer system, which has further contributed to problems with managing cases, and collecting court costs and fines. ECMC needs to work with the computer vendor to gain a full understanding of the system's capabilities. In addition, ECMC should provide the necessary computer training to employees and determine any additional functions that need to be added to the current computer system.

The staffing analysis conducted in this report indicates that ECMC should reallocate its resources by reducing 1.5 bailiff positions and adding 2.0 deputy clerk positions. The increase in deputy clerk positions should allow ECMC to enhance its collection activities and case management operations. In addition, ECMC has not developed basic personnel policies, such as a procedures manual, job descriptions and performance evaluations. As a result, career development and professional growth can be very difficult for employees to attain.

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Service Department

Background

This section includes a performance review of the East Cleveland Service Department (ECSD). In FY 1999, the ECSD had approximately 26 full-time equivalent employees (FTEs). By December 31, 2001, the staffing level increased to 35 FTEs, a 35 percent increase in ECSD personnel over a three-year period.

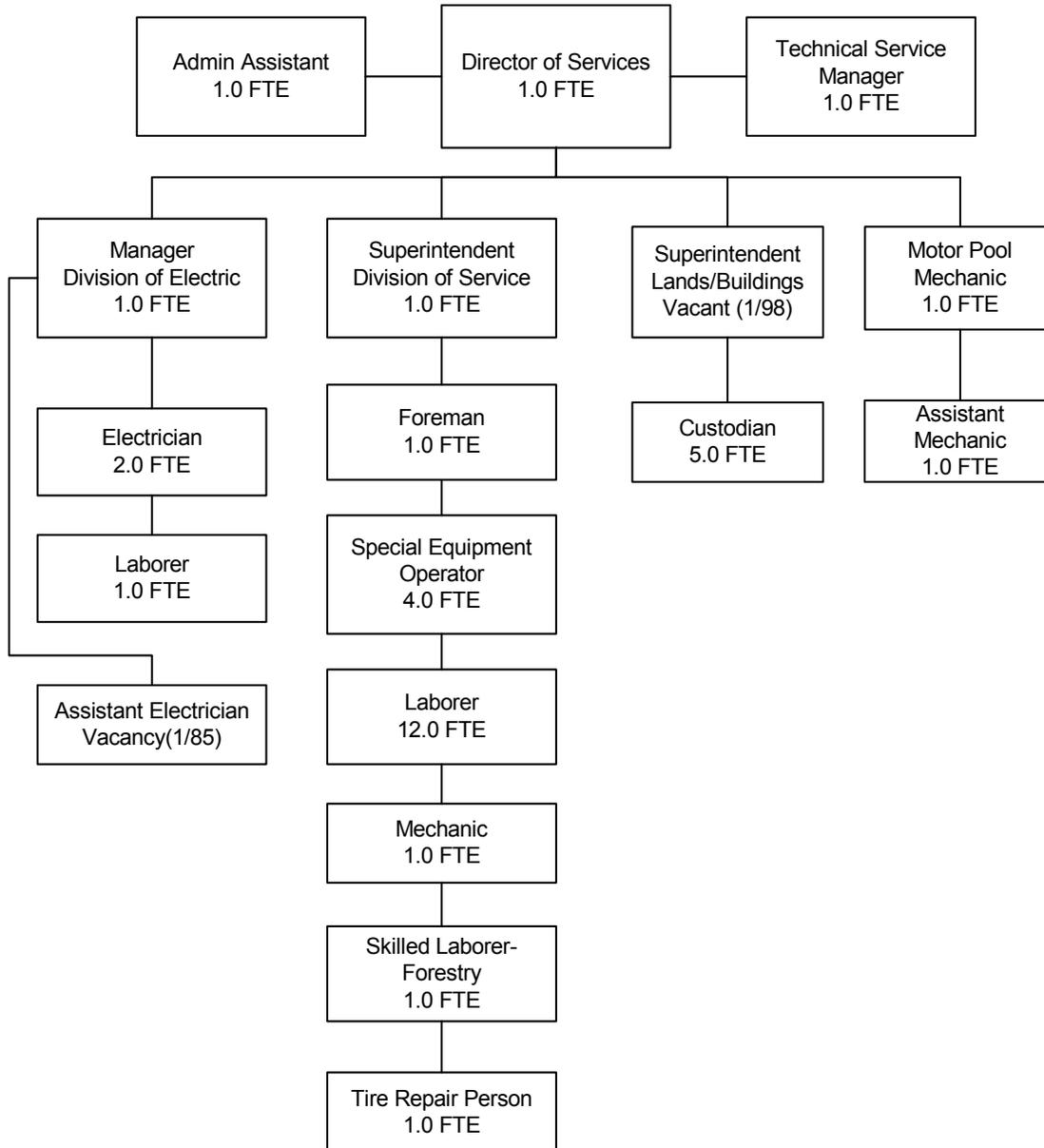
ECSD previously included the Utility Division (water and sewer) which had a staff of 19 FTEs. The Division's responsibilities were discontinued in the first quarter of FY 2002. The Utility Division staff were transferred to CH2M Hill, Inc., the company contracted by the City to manage the water and sewer system, for an initial three year term. The Utility Division is not included in this report's analyses. Details of the new water and sewer management agreement are included in the **finance** section of this report.

The cities of Maple Heights, Warrensville Heights and Trotwood were selected as peers to illustrate comparisons of various service department organizational and operational issues.

Organizational Chart

Chart 8-1 provides an overview of the ECSD organizational structure and staffing levels. All positions are shown as FTEs.

Chart 8-1: East Cleveland Service Department



Organization Function

The primary responsibility of ECSD is to maintain the City's infrastructure in a manner which ensures quality service to its citizens and prevents loss of useful value. Some of ECSD's responsibilities include City buildings, public roadways, the East Cleveland/Cleveland Heights cemetery, public street lighting and traffic control lights and signs, and City vehicles. The majority of ECSD's work is reactive as ECSD addresses road conditions, potholes, building and vehicle repairs only on an as-needed basis.

ECSD also oversees the City transfer station. The City has entered into a lease agreement with R&R Waste Disposal, Inc., to operate the station. This agreement was initially executed June 30, 1996 and expired June 30, 2001. In FY 1999, the agreement term was extended to June 30, 2006. ECSD performed refuse collection and water and sewer service in prior years but these functions have both been contracted to outside vendors.

Summary of Operations

ECSD consists of the Division of Electric, Division of Service, Lands and Buildings Division and the Motor Pool Division. ECSD is responsible for all operations relating to public right-of-ways and public property. ECSD determines where to focus its resources through routine visual inspections of City streets, parks and buildings conducted by the director of services, the superintendent and the foreman. In addition, ECSD is made aware of potential problems by calls received from citizens and other City departments.

The Division of Service maintains 98 lane miles of roads within East Cleveland's three square miles. The Division of Service is responsible for snow removal, ice control, street sweeping, leaf collection, forestry, cemetery grounds maintenance, street repair after water main breaks and patching. The refuse collection for the City was contracted out to Browning-Ferris Industries of Ohio, Inc., (BFI) for a five-year period which started in February, 2000. The Division of Service was also responsible for sewer cleaning and maintenance; however, this function was contracted to CH2M Hill, Inc.

The Division of Electric is responsible for the removal and replacement of street light poles, traffic light poles and signals; removal and replacement of street signs and miscellaneous City signs; minor electrical repair at City buildings and monitoring the electrical needs of the City's three pump stations.

Custodial service and general maintenance for five City structures is assigned to the Lands and Buildings Division. Custodial responsibilities include, but are not limited to general custodial cleaning, minor plumbing, removal and replacement of carpet and tile, minor landscaping around city hall and general maintenance. The general interior duties include painting and moving

furniture. ECSD uses outside contractors for roof and gutter maintenance, heating and air conditioning maintenance and repair, and major repairs including plumbing and electrical work.

The Motor Pool Division's responsibilities include routine and emergency repairs on vehicles for the Police Department, ECSD and other City department vehicles with the exception of the Fire Department. ECSD has a fleet inventory of 30 vehicles. These include dump trucks, pickups, cars and specialized service equipment. The mechanic assigned to the Police Department completes work primarily on police vehicles.

Staffing

ECSD is comprised of 35 employees. In the first quarter of FY 2002, management of the Utility Division was shifted to CH2M Hill, Inc. The number of staff involved in this transfer was 19 Utility Division and 3 Division of Service employees.

Under the current organizational structure, all divisions report directly to the director of services. The director has responsibility for the management and direction of the day-to-day operations of ECSD. The director is assisted by the superintendent of service and the manager of electric. Neither the Lands and Buildings Division nor the Motor Pool Division have assigned managers. An ECSD administrative assistant is responsible for payroll, purchasing, maintaining financial records and customer service. Additionally, the Department includes a technical service manager who is responsible for scheduling vehicle maintenance service duties, maintaining the department daily work documentation and maintaining equipment schedules.

In the Electric Division, the manager of electric supervises a staff of three; two electricians and one laborer. The manager establishes the daily work schedule, prepares and submits requests for supplies and equipment to the ECSD administrative assistant and reviews all electric division employee time cards. The hours worked are then submitted directly to the Finance Department. The manager also prepares the Electric Division's annual capital budget request and submits the information to the director of services for review. The director of services uses this information to help prepare ECSD's total annual budget.

The Division of Service is headed by the superintendent of service, who is responsible for a staff of 20, which includes 1 foreman, 4 special equipment operators, 12 laborers, 1 mechanic, 1 skilled laborer and 1 tire repair person. The daily work assignments are determined each morning prior to the crews departure from ECSD. Work crews will vary in size depending on the day's assignments. If no specific work is assigned, employees are assigned to miscellaneous service duties such as general cleaning at the service facility or cemetery maintenance.

The Lands and Buildings Division uses a staff of five employees. The division does not have a manager, but instead reports to the director of services. The custodial staff report directly to their assigned buildings for their daily work assignments.

The Motor Pool Division consists of two mechanics. One is assigned exclusively to the Police Department garage and one to the ECSD garage. An additional mechanic is assigned to the Division of Service and works in the service garage.

Table 8-1 shows the FTE levels of ECSD as of December 2001.

Table 8-1: Number of Full-Time Employees as of December 2001

Classification	FTEs
Director of Services	1.00
Administrative Assistant	1.00
Technical Service Manager	1.00
Total Administration	3.00
Superintendent of Service	1.00
Manager of Electric	1.00
Foreman - Service	1.00
Total Supervisors	3.00
Special Equipment Operator ¹	4.00
Forestry ²	1.00
Laborers ³	12.00
Mechanic ⁴	1.00
Tire Repair Person ⁵	1.00
Total Service	19.0
Electrician	2.00
Laborer	1.00
Total Electrical	3.00
Custodian	5.00
Total Lands and Buildings	5.00
Mechanic ⁶	2.00
Total Motor Pool	2.00
Total	35.00

Source: ECSD

¹ The Division of Service has four special equipment operators that currently hold Ohio Commercial Driver Licenses (CDL).

² The Forestry worker is also assigned to laborer duties.

³ Employees operate street sweepers and also are assigned laborer duties.

⁴ The Service employee is assigned to service garage daily.

⁵ This Employee also operates a dump truck for snow/ice removal.

⁶ One mechanic is permanently assigned to police garage.

Financial Data

Table 8-2 presents the actual ECSD expenditures for FY 1999-2001. The financial data includes the following funds assigned to ECSD:

- General Fund;
- Traffic Control Fund;
- Street Repair Fund; and
- Street Resurfacing Fund.

Total FY 2001 expenditures for ECSD were \$3.2 million, an 18 percent increase over the prior year. Budgeted amounts for FY 2002 are \$2.9 million, a decrease of 9 percent from FY 2001 actual levels.

Table 8-2: ECSD Expenditures, Three Year History ¹

Organizational Code Description	2000 Actual	2001 Actual	Percent Change 2001-2000	2002 Budgeted	Percent Change 2002-2001
Salaries/Wages	\$576,838	\$804,646	39.5%	\$790,991	(1.7)
Fringe Benefits	\$219,253	\$261,497	19.3%	\$306,407	17.2
Workers Compensation	\$5,427	\$25,801	375.4%	\$10,158	(60.6)
Professional Fees	\$125,707	\$91,316	(27.4%)	\$36,859	(59.6)
Supplies/Parts	\$333,013	\$480,909	44.4%	\$364,187	(24.3)
Equipment	\$212,850	\$32,996	(84.5%)	\$28,743	(12.9)
Electricity	\$165,821	\$261,994	58.0%	\$496,563	89.5
Dumping Fees	\$636,046	\$852,253	34.0%	\$824,160	(3.3)
Street Resurfacing	\$101,850	\$292,813	187.5%	\$15,000	(94.9)
Capital Outlays	\$293,348	\$46,399	(84.2%)	\$0	(100.0)
Other	\$20,313	\$18,939	(6.8%)	\$6,300	(66.7)
Total ECSD Expenditures	\$2,690,466	\$3,169,563	17.8%	\$2,879,367	(9.2)

Source: East Cleveland Finance Department

¹ Includes General, Traffic and Street funds within ECSD account codes.

The service director was unable to provide an explanation for significant changes in the budget.

Performance Measures

The following is a list of performance measures that were used to conduct the review of the ECSD:

- Assess staffing levels and responsibilities within ECSD.
- Assess compensation and overtime costs for ECSD.
- Review Division of Electric staffing levels and costs.
- Assess the potential for outsourcing Division of Electric functions.
- Assess the performance of the building custodial division service levels.
- Analyze contract administration and contractual issues within ECSD.
- Assess ECSD budget.
- Evaluate the level of annual budget planning for ECSD operations.
- Review ECSD policies and procedures.
- Assess the effectiveness and efficiency of the snow and ice removal function.
- Assess the effectiveness of salt utilization and storage.
- Assess the adequacy and efficiency of the vehicle maintenance programs.
- Evaluate the level of contract monitoring for the refuse contract.
- Evaluate the level of contract monitoring for the City transfer station.
- Assess the cemetery duties currently completed.

Findings/Commendations/Recommendations

Service Levels and Staffing

F8.1 ECSD provides similar services to the peers but retains a higher number of employees than peer departments. Within ECSD, the Division of Service provides the majority of services attributed to service departments. The responsibilities of the other divisions are limited in scope. Also, ECSD has a higher administrative staffing level than the peers, even though some supervisory positions are unfilled. **Table 8-3** presents staffing levels in FTEs for ECSD and the peers.

Table 8-3: ECSD and Peer City Staffing Patterns (FTEs)

Classification	East Cleveland	Maple Heights	Warrensville Heights	Trotwood	Peer Average
Administrative	3.0	2.0	1.0	2.0	1.7
Supervisors	3.0	2.0	3.0	3.0	2.7
Laborers and Technicians	18.0	24.0	24.0	11.0	19.7
Electrical Workers	3.0	0.0	0.0	0.0	0.0
Custodial Workers	5.0	0.0	0.0	0.0	0.0
Mechanics	3.0	3.0	4.0	3.0	3.3
Refuse Collection	0.0	0.0	15.0	0.0	N/A
Total	35.0	31.0	47.0	19.0	32.3
City Square Miles	3	6	6	32	14.7
Staff per Square Mile	11.7	5.2	7.8	0.6	4.5
2000 population ¹	27,217	26,156	15,109	27,420	22,895
Staff per 1,000 residents	1.3	1.2	3.1	.69	1.4

Source: ECSD and peers

¹ Population data obtained from the U.S. Bureau of Census for the year 2000

As **Table 8-3** illustrates, ECSD's total staffing level of 35 employees is the second highest among the peers and approximately 9 percent higher than the peer average of 32 employees. While ECSD's ratio of staff to residents is close to the peer average, ECSD has more staff per square mile served (11.7) than any of the peers. In addition, if Trotwood, which has a considerably larger area than East Cleveland, is excluded from the peer average, ECSD's staff per square mile served is still almost twice the peer average. East Cleveland population is 4 percent larger than Maple Heights. However, ECSD's population per FTE is 11 percent lower than the peer average. See **F8.4**, **F8.5** and **F8.6** for staffing comments.

Table 8-4 compares services performed by ECSD and by the peers. The majority of ECSD’s functions are performed by the Division of Service. The peers are not similarly divided into divisions.

Table 8-4: Peer Comparison of Services Performed

Type of Service/Job Function	East Cleveland	Maple Heights	Warrensville Heights	Trotwood
Division of Service:				
Snow and Ice Control	yes	yes	yes	yes
Street Rehabilitation	yes (minimal)	yes (minimal)	yes (minimal)	yes (minimal)
Street Sweeping	yes	yes	yes	yes
Sidewalk and Curb Repair	no	minimal	yes	yes
Pothole Patching	yes	yes	yes	yes
Street Marking	yes	yes	yes	yes
Litter Control/ Recycling	yes	yes	yes	yes
Leaf Removal	yes	yes	yes	yes
Catch Basin Repair	yes	yes	yes	yes
Tree Maintenance	yes (small trees)	contracted	yes	yes
Refuse Collection	contracted	contracted	yes	contracted
Division of Electric:				
Sign Repair	yes	yes	yes	yes
Traffic Signal	yes	contracted	contracted	contracted
Street Light Pole	yes	contracted	contracted	contracted
Division of Motor Pool:				
Equipment Repair	yes	yes	yes	yes
Division of Lands and Buildings:				
Custodial Duties ¹	yes	no	no	no

Source: ECSD and peer city information

¹ Custodial duties are performed by other departments for all three peers.

Table 8-4 indicates that the Division of Service provides 10 out of a total of 13 functions listed. Within the Division of Electric, ECSD performs two functions that are contracted out by the peers.

Table 8-5 shows the administrative to staff ratios of ECSD and the peer cities respectively.

Table 8-5: Supervisor Ratios for Division of Service

	East Cleveland	Maple Heights	Warrensville Heights	Trotwood	Peer Average
Supervisors ¹	4.0	3.0	4.0	2.0	3.0
Staff	31.0	28.0	43.0	17.0	25.3
Span of Control	1:7.8	1:9.3	1:10.8	1:8.5	1:8.4

Source: ECSD and peer city information

¹ Includes superintendents and foremen

The Division of Service has the lowest ratio of supervisors to employees when compared to the peers and has one more supervisor than the peer average. **Table 8-5** indicates that ECSD may have more supervisors than are necessary.

Table 8-6 shows the increase in full-time equivalent (FTE) personnel from FY 1999 to December 31, 2001.

Table 8-6: Personnel Changes ¹

Year	FTEs	Percent Change
1999	26	
2000	29	11.5%
2001	35	20.7%
Total Increase	9	34.6%

Source: ECSD

¹ Excludes Utility Division staff.

With an increase of 6.0 FTEs, ECSD's staff grew by almost 21 percent between FY 2000 and FY 2001.

Based on **Tables 8-3, 8-4 and 8-5**, and the peer comparisons, it appears that ECSD is overstaffed. Overstaffing contributes to the problem of scarce resources, and reduces funds which could be used to maintain the City's infrastructure. As discussed within this report, ECSD has performed only limited maintenance on City infrastructure because of cost constraints. Costs used to support non-essential personnel could be redirected to maintenance of City infrastructure. See **F8.4, F8.5 and F8.6** for additional discussion of ECSD's staffing levels.

F8.2 ECSD does not adequately plan its daily work assignments or organize its crews. In addition, ECSD does not properly document or monitor work assignments or work completed by each crew. Crews assignments are created on a daily, ad hoc basis. Typical work assignments include street sweeping, leaf collection and pothole repair. The size of

the work crew assigned to these tasks varies. Work assignments are also developed based on complaint calls or requests for service. Crews typically range from three to nine employees for complaint call work assignments, depending on the type and number of service complaints scheduled to be responded to for that work day.

While assigning work crews daily is an acceptable practice, it is important to have planned work crews for each function performed. Usually work assignments are tracked and monitored on a daily basis. The data recorded includes the service notification date and time, name of individual who received the information, details of the service request, name of requesting party, name(s) of employees assigned, complete description of all equipment, supplies and parts required for proper disposition of the service request, starting and stopping time for the job (this should be identified by each member of the work crew), details of how the serviced call was handled and if additional followup is necessary. Each job assigned is identified with an associated job cost. Job related information is then collected and used to assist management in determining if the work crews are appropriately assigned and identifying how materials and supplies are assigned and used.

ECSD daily work assignments are not monitored in an efficient manner. A manual system which consists of two work assignment forms and a written daily schedule is used. A daily report is created to identify the type of job, personnel/equipment and supplies used, job hours, and any unusual comments. The report is signed by a foreman or superintendent. However, the amount of supplies, equipment and staff required to respond and address each complaint is not adequately completed, and therefore the cost associated with completed jobs cannot be accurately determined. In addition, the ECSD reports are not compared to each other nor used for analysis. As a result, ECSD is not able to use work assignment data to ensure that it is providing efficient service or to plan for future equipment and staffing needs. In addition, the number of hours and associated cost of overtime incurred by employees may be related to a lack of work assignment monitoring. See **F8.3** for further discussion of ECSD overtime.

R8.1 ECSD should implement a planning process for establishing work crews and daily assignments. ECSD should also initiate procedures for recording and monitoring all work assignments. ECSD should aggregate daily report data by function and by employee. This data should then be analyzed by the director of services to better plan work crews and daily assignments.

F8.3 ECSD does not appropriately monitor overtime use. ECSD does not record what tasks overtime hours were used to accomplish or why the overtime was required to accomplish the task. ECSD operates with one shift during the spring, summer and fall from 7:30 a.m. to 4:00 p.m., Monday through Friday. While work performed after this shift or on the weekend is considered overtime, no specific extra shifts are scheduled by ECSD. During

the winter, ECSD schedules employees for additional shifts on an as-needed basis, for which they receive overtime.

ECSD budgets a stated number for overtime hours each year for each eligible employee. Employees are compensated at time and one-half for overtime. While supervisors may verbally direct employees to take overtime, there is no formal pre-approval process and no planning for overtime. Furthermore, ECSD management does not appear to monitor or analyze overtime hours.

Table 8-7 shows overtime as a percentage of total personnel wages for ECSD.

Table 8-7: ECSD Overtime Use, FY 2001

FY2001	Total Salaries and Wages	Overtime Hours	Annual Overtime Costs	Overtime as a Percent of Salaries
Service ¹	\$455,546	5,098	\$83,850	18.4%
Land & Buildings	\$101,152	1,234	\$15,350	15.2%
Motor Pool	\$83,060	332	\$7,799	9.4%
Electrical ¹	\$121,512	74	\$1,356	1.1%
Total	\$761,270	6,738	\$108,355	14.2%

Source: East Cleveland financial and payroll reports for FY 2001

¹ The director of services and electrical division manager do not receive overtime pay.

The Division of Service and Lands and Buildings Division recorded the highest amount of hours and associated cost for overtime. These two divisions incurred 92 percent of the total ECSD overtime cost. **Table 8-8** compares the percentage of overtime to salaries and wages in the ECSD and the peer cities.

Table 8-8: Peer Comparison of Overtime FY 2001

City	Total Salaries and Wages	Overtime	Overtime as a Percentage of Salaries
East Cleveland ¹	\$761,270	\$108,355	14.2%
Maple Heights	\$946,586	\$68,622	7.3%
Warrensville Heights	\$1,648,843	\$101,846	6.2%
Trotwood	\$868,984	\$32,053	3.7%
Peer Average	\$1,154,804	\$67,507	5.8%

Source: Finance Department for FY 2001 actual expenditures and peer cities

¹ Hourly employees

As **Table 8-8** indicates, ECSD has the highest overtime paid as a percentage of total salaries when compared to the peer cities of Maple Heights and Trotwood. In addition, ECSD's overtime as a percentage of salaries and wages is almost three times the peer average.

Common business practices use monitoring of overtime to control costs and ensure that primary functions are appropriately staffed. The use of overtime is monitored and analyzed, both by FTE and by function, in order to keep overtime costs at a minimum and ensure that a sufficient number of trained employees are available to meet functional objectives.

ECSD's high overtime costs are neither monitored nor analyzed by the director of services or supervisors. In addition, ECSD's budget does not document the reasons that overtime will be needed. Because ECSD does not monitor overtime, there is a potential for overtime abuse. By analyzing overtime data, ECSD could potentially identify areas that may require a reallocation of staff.

R8.2 ECSD should implement policies and procedures that ensure overtime is properly supervised, approved and reported. The following steps should be taken by supervisors to document all department overtime:

- Approve overtime in writing prior to its use;
- Document overtime for each employee and job involved;
- Explain as to why overtime is necessary; and
- Monitor overtime.

ECSD should create and generate reports indicating overtime charged by project for each employee. Payroll reports should be obtained on a monthly basis and used by the department management to further identify problem areas. As a result of enhanced oversight, ECSD should attempt to reduce the amount of overtime to a level that is more comparable to the peer average of 5.8 percent of total salaries and wages.

Financial Implication: If ECSD is able to reduce the amount of overtime worked to no more than 5.8 percent of total wages, the annual department cost savings will be approximately \$54,000 in salary and related benefits.

F8.4 ECSD contains the Division of Electric which performs functions that are contracted out by peer departments. The Division of Electric is responsible for the removal and replacement of miscellaneous City signs and street signs, maintenance of traffic poles and signals, removal and replacement of street lighting poles, painting of crosswalks, minor electrical repairs for municipal buildings and monitoring of electrical needs for the City pump stations. The division manager indicated that division staff spend the majority of their time maintaining street lighting poles. Street light poles in East Cleveland are either owned by

the City or by First Energy Corporation (FEC). FEC is solely responsible for the maintenance and replacement of its poles.

The Division of Electric determines daily work assignments based on customer complaints and visual inspections made by the division manager. Most assignments are performed by a single employee and the division manager goes out to the work sites to evaluate the progress being made.

The division uses equipment and installation procedures for street light pole maintenance that may create unsafe conditions. The current installation method consists of using the lift truck, pulleys, rope and four workers rather than using a mechanical system and the appropriate type of truck. This creates an unsafe work environment for the employees and City residents as the pole or the employee could slip or the pole could become dislodged from the ropes.

The peers do not replace traffic signal units or complete any street light pole maintenance. The peers replace traffic signal bulbs as needed. It is difficult to directly compare ECSD's costs to the peers as the peers have more lane miles and, therefore, more street light poles and traffic signals. However, ECSD could potentially reduce costs and staffing by contracting out these functions. Contracting out the street light pole maintenance function to FEC or another service company would also resolve worker safety issues.

R8.3 ECSD should consider contracting out its street light pole maintenance and traffic signal maintenance functions, thereby eliminating the Division of Electric. The peer cities are not directly involved in street light pole maintenance and it does not appear that ECSD has the appropriate equipment to safely perform this function. The peers also contract out their traffic signal maintenance. ECSD should complete the following analysis to determine if it would be cost-effective to contract out these activities:

- Contact FEC and other potential vendors to discuss the street light pole maintenance needs of the City. Request that a bid be submitted for street pole maintenance.
- Contact traffic signal maintenance companies for maintenance agreement costs and services. Request bids for a service maintenance agreement.
- Complete a detailed cost analysis of FEC's maintenance proposal.
- Complete a detailed cost analysis of traffic signal maintenance proposals.
- Select the most cost effective proposals and receive Finance Department approval for the expenditures.

- Reduce surplus personnel within ECSD.

By contracting out these functions, the Division of Electric staff could be reduced to one employee. The remaining individual would be responsible for removal and replacement of miscellaneous City signs and street signs, and minor electrical repairs for municipal buildings. This individual could be transferred to the Division of Service. Under the current labor agreement for Division of Electric employees, ECSD cannot contract out work that would result in the layoff of employees. Therefore, ECSD would need to renegotiate this provision or transfer affected employees to other positions within the City.

Financial Implication: A possible cost savings for contracting out ECSD's electric division functions cannot be quantified without ECSD first receiving contract proposals. The cost of the contracts should then be compared to ECSD's current operating costs for street light pole maintenance and traffic signal maintenance functions.

- F8.5 The Division of Lands and Buildings does not have a preventive maintenance program for building custodial care or infrastructure maintenance. The current Division of Lands and Buildings consists of five FTEs. The primary duty of the division is to provide custodial and maintenance support for five City facilities including City Hall, Community Development, Martin Luther King Civic Center, Police Mini Station (when operational) and the ECSD garage. The staff also completes flower planting, painting, window cleaning, furniture moving and minor repairs. The minor repair duties include window replacement, carpet installation, painting, small plumbing repairs, tile installation, hot water heater installation and light bulb replacement. An outside contractor is hired for most glass replacement jobs.

The City of Milwaukee, for example, has developed a comprehensive capital improvement plan which contains the following elements:

- An overview of critical investments that are planned during the life of the plan;
- Projects differentiated into **preservation** (capital improvement projects whose major objective is to reconstruct, rehabilitate, or otherwise restore an existing facility to full functionality) and **expansion** (capital improvement projects whose major objective is to construct or expand a new facility to meet increased demands or to enhance development);
- Projects the County intends to fund over the next 6 to 10 years with a detailed explanation of how it will finance these projects. In addition, the plan contains an overview of critical investments projected during the life of the plan;
- Sources of funding, such as tax levy supported debt, cash revenues, tax levies and grants;

- Links to long-term facilities and preventive maintenance plans; and
- ADA compliance funding measures on public buildings to ensure the construction of ramps, installation of power door openers, modifications of service counters and appropriate signage.

The City of Milwaukee's capital improvement plan estimates future costs based on present value and does not adjust for inflation, which is comparable to other local taxing jurisdictions who do not adjust for inflation in their capital improvement plans.

ECSD also does not maintain performance standards for its buildings and maintenance workers. The Division does not know the square footage for the buildings the Division maintains. Without the applicable square footage data, the operating cost per square foot can not be calculated. This is an important calculation for ascertaining if the overall operating cost of the division is in line with custodial benchmarks. ECSD does not use benchmark standards to determine job efficiency and effectiveness. In addition, no records are maintained that identify the specific work, supplies or staff assigned to specific tasks for building maintenance.

Performance standards for building maintenance can include the following:

- Daily work hour standards for specific tasks such as dusting, floor polishing, carpet vacuuming, washroom cleaning, cleaning light fixtures, polishing furniture, emptying trash and cleaning telephones;
- Number of employees assigned to a specific custodial task;
- Night cleaning duties;
- Maintaining records of performance of custodial work and associated cost data to effectively monitor the progress of the custodial staff. The 2001 International Facility Management Association (IFMA) average cost per square foot for government janitorial service is \$1.26; and
- Maintaining square footage analyses of areas maintained. IFMA recommends one maintenance employee for every 26,600 square feet maintained.

While ECSD does not know the square footage that it maintains, the Auditor's Office obtained an estimate of 68,200 square feet. None of the peers perform building maintenance functions within their service departments, instead Maple Heights' Building Department and Trotwood's Parks and Recreation Department perform this function. **Table 8-9** compares staffing and square feet maintained for East Cleveland and the peers.

Table 8-9: Square Footage Maintained Per Custodial Employee

	East Cleveland	Maple Heights	Trotwood	Peer Average
Square Footage Maintained	68,200	54,000	27,000	40,500
FTEs	5.0	2.0	1.0	1.5
Square Footage per FTE	13,640	27,000	27,000	27,000

Source: ECSD and peers

The low square footage maintained by ECSD indicates an overstaffing within the Division of 2.5 FTEs which results in increased costs. Despite high FTE levels, the Division has not been able to maintain the City's buildings. During the course of this audit, the City jail was condemned by a City judge. The Department of Service building and the transfer station have both been deemed unsafe because of structural faults. Overstaffing and poor oversight may lead to increased costs and wasteful practices. ECSD does not have sufficient resources to accommodate poor spending practices in lieu of improved oversight.

R8.4 ECSD should reduce its custodial staff by 2.5 FTEs. Performance measures should be implemented and tracked on a monthly and annual basis. ECSD should also better monitor the tasks accomplished by the maintenance staff and the ordering and use of supplies.

The Division should, with the assistance of the director of service, develop a five year maintenance plan and an annual preventive maintenance plan. The Division should seek to address the most pressing life and safety issues identified within each City building first, then concentrate on cosmetic improvement to City property.

Financial Implication: A reduction of 2.5 FTEs will result in a cost savings in salaries and benefits of \$65,750.

F8.6 The Motor Pool Division includes an employee who works exclusively for the Police Department. The lead mechanic is assigned to the Police Department garage and completes work exclusively on Police vehicles. This mechanic's hours are approved by the Water Billing Department's chief accountant and is he not supervised by ECSD. Because ECSD does not supervise or assign work to the Police mechanic, the mechanic may not be properly supervised.

In addition, there is no responsibility for assessing this mechanic's workload and ensuring that staffing for Police vehicle maintenance is appropriate. The Police Department is not charged for the cost of this employee. In order to allocate costs accurately and assure that appropriate oversight occurs, the cost of services and FTEs should be charged back to the department receiving the benefit.

Because the costs for the Police mechanic is not charged to the Police Department, ECSD is incurring costs not associated with its mission of maintaining City infrastructure. The costs allocated to the Police mechanic could be redirected into infrastructure maintenance.

R8.5 The City should reassign the ECSD lead mechanic to the Police Department and the Police Department's budget should be revised to reflect the cost of the assignment. The lead mechanic's salary and benefits for FY 2001 are approximately \$65,000. Assigning the lead mechanic to the Police Department would provide for regular supervision by the Police Department management. This would also allocate the costs of the position in the department that receives the direct benefit from the work completed.

Contractual Issues and Compensation

F8.7 The employees of ECSD are represented by three unions:

- Municipal Foreman & Laborers Union Local 1099 (chartered); Municipal, County & State Employees Local 1099, Laborers International Union of North America, AFL-ICO (January 1, 1998 to December 31, 2000). This agreement is for Department of Water and Electrical and sign shop employees.
- District 925 of the Service Employees International Union AFL-ICO (January 1, 1998 to January 1, 2001). This agreement represents the chief mechanic and custodian positions.
- Ohio Council 8 of the American Federation of State, County and Municipal Employees, AFL-ICO (January 1, 1998 through December 31, 2000). This agreement represents truck drivers, special equipment operators, service garage mechanics, and the tire man.

All three union contracts have expired and were not renewed until FY 2002. The delay was due, in part, to lengthy negotiations with the labor unions regarding the CH2MHill, Inc. agreement. As a result, the City was responsible for retroactive pay. When labor agreements are not renewed in a timely manner, it is difficult for a department to accurately develop its budget and anticipate labor issues.

R8.6 In the future, the City should attempt to ensure that new collective bargaining agreements are negotiated in a timely manner.

F8.8 ECSD appears to have contract provisions that are more generous than the peers in certain areas. **Table 8-10** compares some key contractual issues of the union contracts for ECSD and the peers.

Table 8-10: Contractual Issues

Description	East Cleveland Local 1099 District 925 Ohio Council 8	Warrensville Heights Local 244	Maple Heights Local 1099
Probationary Period	6 months	4 months	3 months
Length of Work Week and Day	<ul style="list-style-type: none"> • 8 hours per day ^{1,2,3} • Two 15 minute breaks each shift ¹ • Two 10 minute breaks each shift ^{2,3} • 15 minutes wash-up prior to lunch and prior to end of shift ³ • Travel time to and from the work site ⁴ 	8 hours, five days per week	8 hours, five days per week; two 15 minute breaks each shift
Actual Time Worked	7.5 hours ¹ 7.7 hours ² 7.1 hours ³	8.0 hours	7.5 hours
Minimum Call-In Hours Paid	<ul style="list-style-type: none"> • Minimum 4 hrs and 4+ hrs. paid for 8, regular pay + \$.50/hr. ¹ • Minimum 2 hours at 1½ rate of pay ² • Minimum 4 hrs. at regular pay rate ³ 	Minimum 2 hrs. at regular pay rate. If snow plowing, 4 hrs. regular rate; if work is 4+ hrs. 8 hrs pay.	Minimum 2 hrs. at 1½ hourly rate of pay.
Sick Leave Accrual	18 days per year 120 day maximum	15 days per year 95 day maximum	15 days per year 30 day maximum
Personal Days	None	2 days per year	3 days per year
Vacation Earned	1-6 years: 10 days 7-12 years: 15 days 13-18 years: 20 days 19+ years: 25 days	1-3 years: 10 days 4-7 years: 15 days 8-12 years: 20 days 13-18 years: 25 days 19+ years: 30 days	1-6 years: 10 days 7-12 years: 15 days 13-18 years: 20 days 19-25 years: 25 days 26+ years: 30 days
Number of Holidays	12 holidays	12 holidays	10 holidays

Source: Collective bargaining contracts for the city and peer cities.

Note: City of Trotwood does not have a bargaining unit

¹ Local 1099

² District 925

³ Ohio Council 8

⁴ Only Council 8 contract specifies this travel. However, all ECSD employees engage in this practice.

There are a number of differences between ECSD's labor agreements and those of the peers including the following:

- ECSD's three unions each have different workday lengths. Ranging from 7.1 hours to 7.7 hours, all three are below the peer average of 7.8 hours. The actual hours available for daily work is the result of separate negotiated contract terms for daily breaks, wash up time and travel time to and from the work site and the service building. The peers all have uniform workday lengths for all employees.

The differing workday lengths for each of ECSD's union can make it confusing for management to monitor employees' time worked. In addition, the workday lengths can make it more difficult for management to develop daily work assignments.

- The call-in policy for the three bargaining contracts provide different call-in terms. The contract terms range from a minimum of two hours at one and one-half the hourly rate of pay to four hours minimum at regular pay. As shown in **Table 8-10**, some of ECSD's call-in policies also appear to be more generous than those of the peers.

As a result of its call-in policies, ECSD may be incurring excessive costs for hours beyond those required to complete work assignments. In addition, the department's three different contractual call-in policies can make it difficult for management to track the costs of call-in hours and assess the cost-effectiveness of its policies.

- The Ohio Council 8 contract specifically provides for returning to the ECSD main facility before beginning the allotted lunch time. This provision increases the travel time to and from the work site. Additionally, the number of hours available for daily work assignments is decreased.

All of the above provisions reduce the daily productivity of ECSD personnel. In addition, the different workday lengths and call-in provisions for each contract can make it difficult for the department to coordinate work assignments and may cause morale issues, as some personnel are working shorter hours than others.

R8.7 The City should attempt to renegotiate certain provisions in its union contracts. The following are some of the issues that ECSD should consider addressing in future contract negotiations for all bargaining agreements:

- Establish a consistent call-in policy for all three unions in order to improve ECSD's ability to plan and track call-in hours.

- Reduce call in pay to two hours at one and one-half times employees' hourly rate for pay to reduce department costs and be more comparable to peer provisions.
- When possible, plan work assignments so that employees who are called in work at least the minimum hours they will be paid. This will require planning tasks that can be accomplished in less than two hours in the event that work is needed for employees who are called in for other reasons.
- Remove the provision requiring employees to return to the service building for lunch. This would increase the time spent by employees on their work assignments.

Prior to negotiating future union contracts, the City should perform assessments similar to **Table 8-10** to ensure that the overall compensation package is reasonable. In the second phase of this performance audit, the **human resources** section will further discuss sick leave utilization.

F8.9 Different divisions within ECSD have different work schedules. Work day schedules include:

- 8 a.m. to 4:30 p.m. for the Division of Electric;
- 7 a.m. to 4 p.m. for the Motor Pool Division;
- 9 a.m. to 6 p.m. for the police mechanic; and
- 7:30 a.m. to 4 p.m. for the Division of Service and the service office staff.

The different start times for each division do not appear to occur for a work-related reason. ECSD's three unions all provide for an eight hour workday, excluding an unpaid lunch. Furthermore, the varying start and end times makes the assignment of daily duties more complex. In addition, the inconsistent start times can create confusion for other departments and outside customers who need to interact with ECSD.

R8.8 ECSD should establish a daily work schedule that is the same for all divisions by negotiating standard starting and ending time terms with its unions. A standard starting and ending time would improve ECSD's work scheduling process. ECSD should ensure that the reason for this change is communicated to union representative.

F8.10 ECSD's overall compensation package is lower than that of the peers. **Table 8-11** illustrates the overall compensation package for ECSD in comparison to the peers. The analysis takes into account the value of retirement costs paid by the City, any employee related healthcare contributions required by the peer cities and actual time worked during the day.

Table 8-11: 2001 Comparison of Employee Compensation Packages

	East Cleveland	Maple Heights	Warrensville Heights	Trotwood	Peer Average
Average W-2 Salaries	\$22,989	\$33,883	\$21,787	\$40,652	\$32,107
Value of PERS Avg Pickup Paid by City	\$2,726	\$6,462	\$4,286	\$3,119	\$4,622
Employee Healthcare Contributions	(\$510)	0	0	0	0
Total Average Employee Compensation Package	\$25,205	\$40,345	\$26,073	\$43,771	\$36,730
Average Time Worked During Work Day	7.4 hours	7.5 hours	8.0 hours	8.0 hours	7.8 hours
Adjusted Compensation Package per hours worked	\$13.10	\$20.69	\$12.53	\$21.04	\$18.09

Source: Finance Department and peer city data

ECSD has a slightly higher overall hourly compensation package than Warrensville Heights. However, ECSD's overall compensation package is 38 percent lower than the peer average. ECSD's low compensation package is partially due to the financial condition of the City. With its current fiscal emergency condition, the City has limited resources to compensate its employees. However, a low compensation package may impact ECSD's ability to attract and retain qualified staff.

Administration and Management

F8.11 ECSD does not have an effective budgeting process. ECSD's budget allocates staff to divisions or functions that do not accurately reflect their activities. In addition, a number of factual inconsistencies were found in the ECSD annual budget, which is submitted to the mayor. For example, the budget contained personnel that are no longer employed by ECSD. In addition, personnel costs listed on the budget do not match explanations of personnel expenses. The division budgets do not contain an explanation for individual line item changes from the previous year. Finally, the budgets contained mathematical errors.

It also does not appear that the budgets are based on workload data or a comprehensive analysis of the department's needs for the upcoming year. A number of categories, including personnel, appear to be copied from year to year.

A budget should contain a methodology for prioritizing needs of a department and should contain adequate detail to justify requests. Line-items should be appropriately allocated to the subdivision that incurs the cost. A budget should also be directly related to performance indicators and identified departmental needs. An accurate budget is important in order to properly record and analyze departmental costs.

ECSD has a responsibility to submit accurate and properly detailed budgets and annual reports to the mayor. The director of service indicated that a number of budget requests, including capital equipment investments, are routinely turned down. This may be due, in part, to the lack of accurate information or sufficient support provided by ECSD in its budget submissions.

R8.9 The ECSD should prepare and submit annual budgets and supporting schedules that are accurate and identify current department information. The budget should contain adequate explanations regarding line item changes from the previous year and adequate support to strengthen ECSD's requests. In addition, the budgeting process should include an analysis of workload data to determine the department's future needs.

F8.12 ECSD does not appear to always hire qualified individuals for its staff or to provide necessary training. In addition, ECSD has not prioritized training for its staff. ECSD has specific qualification, hiring and training issues with the following:

- On March 18, 2002, the director of services was assigned by the mayor to the position of city engineer. Because the director of services is not qualified to perform certain engineering functions such as signing off on plans for buildings, roads, sewers and other projects, ECSD must still rely on the services of an engineering firm for a number of functions (see **F8.15**).
- The superintendent of service was appointed as the acting director of services. However, this individual does not have the professional training or management background necessary to satisfy the requirements of the position. According to public works management best practices, management qualifications should include professional management training and educational experience, training in budget preparation, federal and state regulations, performance benchmark standards and human resources, and the ability to organize, plan, administer and train staff. Consequently, ECSD's operations may be impacted by a lack of appropriate management.
- The current technical service manager (TSM) indicated that she does not have prior relevant experience and has not received any job training. The TSM's job requires specific knowledge about types of service equipment, proper equipment selection, equipment purchasing, equipment inspection, inventory controls, vehicle maintenance and equipment specifications, inventory procedures, and purchasing and supply controls. The job also requires monitoring and recording of all daily service work assigned and completed. The TSM's job description indicates that the position holder should have three to five years technical assistance field experience and an Associate Degree in Business Administration.

The current TSM has not been properly trained and does not appear to have the experience or qualifications listed in the job description. The current holder of the job was transferred to ECSD from a non-related job within the City. The ability to properly monitor daily work assignments and order equipment can be impacted if the TSM does not have the proper training and experience. In addition, ECSD operating funds could be spent incorrectly if the equipment and vehicle maintenance needs are not properly determined.

- ECSD also does not have appropriately trained personnel to perform forestry duties. Forestry duties involve cutting down dead trees, cutting tree limbs and picking up downed tree limbs. No specific forestry training is conducted for employees. Training should include specific methods for the proper care and maintenance of trees.
- Certification that is required by the City mechanic's job description has not been obtained. No documentation was provided by ECSD that identified any job related training completed by the City mechanics in the past 17 years.

R8.10 ECSD should hire appropriately qualified individuals. In addition, ECSD should ensure the following:

- The current apprentice engineer should be required to satisfy all state requirements to obtain an Ohio engineering license in a time frame specified by the mayor. This would reduce ECSD's reliance on outside consultants.
- The director of services position should be filled by an individual fully qualified to manage ECSD. The director of services should have the professional management and public works experience necessary to properly manage a department with several divisions and a large staff of employees.

R8.11 ECSD should provide necessary training to personnel. In addition, ECSD should ensure the following:

- The TSM position should be filled by an individual who can meet all of the specific requirements defined by the job description. ECSD will need to determine if the current TSM can develop the capacity to perform these duties. This may be a concern as experience, as well as specific training, is required to perform the TSM functions.
- ECSD should send at least two employees to formal forestry-related training. Specific forestry training can range from \$700 for the basic five day training to

\$5,500 for a very detailed five day training. Forestry training can include the following work related topics:

- Vocational training at the entry level including climbing, pruning, roping, rigging, chain saw operations, tree identification, safety, and tree removal;
- Instruction and certification for compliance with Federal and State occupational health and safety (OSHA) rules and regulations;
- Electrical line hazard recognition;
- Tree knowledge, storm damage, CPR and first aid instruction;
- Emergency response training and line clearance;
- Certification for emergency and storm disaster response; and
- Tree management concepts which can include computer applications.

ECSD should require the mechanics to obtain Automotive Service Excellence (ASE) certification in as many related work areas as possible. The certification offered by ASE is recognized by major automotive professionals as the certification standard. This certification is voluntary. However, it would show the ECSD's commitment to providing the highest quality service.

The ASE program offers a variety of training and testing programs for vehicle maintenance skilled individuals. The certification would document that the mechanics had passed all of the necessary testing. The training offers continuing education opportunities and introduction to the latest developments in vehicle maintenance. The scope of the program includes a comprehensive series of certification exams that include auto/light truck, medium/heavy truck, parts specialist, collision repair, engine machinist, truck equipment, speciality test for exhaust systems, advanced test for advanced engine performance specialist and truck advanced electrical diesel engine diagnosis. Certification tests are administered at over 700 locations each May and November. The registration fee is \$26. Most tests are \$21 each and advanced tests are \$41 each. Those who earn ASE credentials must retest every five years in order to keep up with changing technology and to remain ASE certified.

Financial Implication: The cost for sending two employees to the basic forestry course is approximately \$1,400. In addition, the cost for recertifying two employees in forestry is \$125 annually. The annual cost to ECSD for the ASE certification program would be approximately \$140 for three mechanics. This would include the registration fee and one test.

F8.13 ECSD does not have up-to-date employee job descriptions. A job description was not available for the director of services position. The union agreement for Local 925 stipulates that current and accurate job descriptions shall be on hand for each employee.

Updated job descriptions are important to articulate job functions to employees and supervisors and to establish individual performance expectations. In addition, job descriptions should ensure compliance with the Americans with Disabilities Act and should include the following criteria:

- Establish individual performance expectations;
- Provide criteria for recruitment and selection; and
- Avoid legal liability by developing legally defensible job descriptions.

Because ECSD does not have updated job descriptions, personnel may not be aware of certain job duties. In addition, staff cannot be adequately evaluated without accurate job descriptions, and as a result, performance problems or termination are more difficult to address.

R8.12 ECSD should review and update job descriptions on a regular basis. The department should consult with the Human Resources Department to ensure that the job descriptions satisfy all federal, state and city labor law regulations. The following issues should be included in the updated job descriptions: basic pay policies and adjustments per the current union agreements terms; level of decision making; knowledge, skills and ability requirements; and qualifying education and training.

F8.14 ECSD does not maintain written operating policies and procedures. The procedures used by the department are verbally communicated. This is a particular cause for concern as ECSD has three key individuals that are eligible for retirement. The impact on department operations due to the retirement of these senior and experienced individuals would be significant without the support of written procedures. ECSD also does not have an employee development program to train employees for supervisory duties.

Examples of management topics that should be included in policies and procedures are:

- Specific job duty guidelines for performing assigned responsibilities;
- Operating procedures for areas such as purchasing, use of technology, equipment requirements and preventive maintenance;
- Position classification system which includes a classification plan review;
- Personnel rules, compensation, benefits, and working hours and conditions;
- Training and career development;
- Recruitment;
- Affirmative action plan;
- Equal employment opportunity plan;
- Sexual harassment;
- Employee orientation process;

- Employee performance evaluation, promotion and demotion, terminations and resignations;
- Employee disciplinary procedures;
- Collective bargaining administration;
- Leadership and supervisory training;
- Employee recognition;
- ECSD goals and objectives; and
- Established job performance standards and measures.

ECSD could lose institutional knowledge when experienced staff retire and the performance of the department may then suffer. Written policies and procedures help ensure that the ongoing operation of key departmental functions continue as planned.

R8.13 ECSD should prepare written operating policies and procedures. The written policies and procedures should be issued as soon as possible and reviewed with all department employees. This should provide managers, supervisors and other service department employees with specific guidelines regarding the basic requirements for each ECSD responsibility. The procedures should include specific work performance requirements and service department operating guidelines. This should aid new employees and those employees newly promoted in understanding what the expectations are regarding their performance. Written procedures should also help decrease the management impact of the departure of experienced individuals. The policies and procedures should be reviewed on an annual basis and updated as necessary. The American Public Works Association (APWA), International Facilities Management Association and the International City/County Management Association are an excellent source of policy and procedural information. ECSD's director is currently a member of APWA.

F8.15 ECSD does not have appropriate purchasing procedures. The department does not comply with the City purchasing procedures and has no internal written purchasing procedures. ECSD does not have vendor invoice processing procedures or internal controls for monitoring the processing. As a result, ECSD does not have an adequate process for submitting invoices to the Finance Department for payment.

Both previous financial audits and the Finance Department have notified ECSD of violations of the City's purchasing policies and procedures and various portions of ORC Section 5705. Examples of non-compliance with the City purchasing procedures include:

- Not submitting purchase requisitions prior to making the purchase;
- Not obtaining purchase order numbers prior to making the purchase;
- Not verifying the availability of funds with the Finance Department for the purchase or lease of goods and services costing \$15,000 or more; and

- Not preparing purchase requisitions and submitting at least three written quotations from solicited vendors for purchases that are between \$7,000 and \$14,499.

ECSD has also failed to submit vendor invoices for payment to the Finance Department in a timely manner. As a result, deliveries by its fuel vendor were briefly halted in FY 2000 due to delinquent payments. In addition, ECSD has not submitted the fuel system service agreement renewal invoice to the Finance Department. The agreement would have allowed ECSD to purchase system software upgrades for a discount. Consequently, the next software upgrade will now cost the Service Department \$1,000 instead of \$500. ECSD’s poor purchasing practices weaken the department’s ability to purchase needed good and services and create additional costs for the City in terms of late fees and lost discounts.

R8.14 ECSD should fully comply with the purchasing policies and procedures adopted by the City. ECSD should also develop internal written purchasing procedures including vendor invoice processing procedures. The procedures should ensure that all invoices received by the department are processed on an established schedule to ensure prompt payment. This schedule should ensure that the Finance Department is able to process vendor payments in a timely manner and avoid delinquency charges.

F8.16 ECSD relies heavily on the services of an outside consultant civil engineer to perform functions that should be performed in-house by qualified staff. The outside consultant civil engineer was engaged without ECSD conducting a review of other civil engineering firms and there is no documentation that the City or ECSD completed any type of cost analysis or evaluation of other consultant firms prior to retaining the services of this firm. The selection of outside consultants typically includes a competitive proposal process which could include an interview and contacting consultant references. Such a process provides the department the opportunity to select the best proposal for its needs.

The consultant engineer firm has been hired to perform many functions that could be performed in-house with experienced staff. A review of the consultant’s invoices identified the following functions that could reasonably be performed in-house including:

- | | |
|--|---------|
| ● Oversight of transfer station | \$2,800 |
| ● Issue II application | \$5,000 |
| ● Management of fence repair | \$3,090 |
| ● Management of fuel depot | \$7,076 |
| ● Striping citywide related work | \$9,335 |
| ● Construction services for street program | \$ 350 |

The items listed above total \$27,651. Additionally, this consultant firm is on an annual City retainer of \$14,400. The items listed above and the retainer total approximately \$42,000.

The City paid this engineering firm a total of \$598,500 between FYs 1999 to 2001. Approximately \$270,000 of this amount is attributable to the Euclid Avenue Rehabilitation Project.

While consulting contracts of this nature are not required to be procured through a traditional bid process, they should be awarded based on the qualifications of the consultant. The APWA recommends that successful selection processes utilize sound policies and procedures based on Qualifications Based Selection (QBS). In QBS, while cost is not ignored, the qualifications of the consultant are the primary determining factor in the selection process. Organizations generally give notice to potential consultants regarding the available work and invite interested firms to respond. The contract is then implemented through proper negotiation, preparation, and administration of the consultants contract, aimed at satisfactory accomplishment of the contemplated tasks, on schedule and within budget.

ECSD's excessive use of consultants without following a selection protocol may result in an inefficient allocation of scarce resources. These resources could be directed to City infrastructure maintenance.

R8.15 ECSD should re-evaluate engineering functions that could be performed in-house, either currently or with additional training of staff. At a minimum, ECSD should be able to immediately complete its issue II applications for state infrastructure grants in-house using the free guidelines that are provided North East Area Wide Coordinating Agency (NOACA). ECSD should also determine if it is necessary and appropriate to pay an annual retainer to a outside firm that may or may not be used.

In addition, the City and ECSD should develop a selection process for hiring outside consultants. The selection process should include a careful analysis of consultant firms and what type of services are being offered. ECSD should monitor the consultant's work and require invoices submitted for payment that contain adequate information to determine what service was provided. The minimum information on the invoice should include date of service, charge rate, number of hours for the job, number of individuals involved and what service was completed.

Financial Implication: Completing the issue II application in-house will provide a cost savings of \$5,000. If the ECSD was able to perform all of the listed functions in-house (\$27,651) and eliminate the annual retainer (\$14,400), a cost savings of approximately \$42,000 would be realized.

Operations

F8.17 ECSD does not use established work performance standards to determine if employees are meeting expected performance guidelines. Work activities are assigned without determining the most efficient methodology for completing the assignment and the associated employee cost of assignments cannot be accurately determined. Work performance standards can include the following:

- Number of employees necessary to properly complete an activity;
- Number of employee hours necessary to efficiently complete a particular activity;
- Type and quantity of equipment to assign to a specific activity; and
- Type and quantity of supplies necessary to complete an activity.

Without using established work performance standards to evaluate employee and department efficiency of operation, the director of services and City management are unable to accurately determine if goals and objectives are being met.

R8.16 ECSD should use benchmark performance standards for evaluating the efficiency and effectiveness of department employees. This information can be used to assist in establishing standard labor time for completing job assignments, recommended crew size and hourly crew output by job function. This information would also assist ECSD director's, managers, superintendents and foremen in planning, assigning and supervising workers for daily jobs. Any information that can be reviewed regarding employee job proficiency will aid in determining if the ECSD is operating at the proper level of performance.

F8.18 ECSD does not create an annual schedule to estimate the workload for the upcoming year. No determination is made regarding the amount of time that should be allocated to a function in order to meet the estimated workload for the year. As discussed in **F8.2**, ECSD plans workloads each day.

In addition, ECSD has not developed plans in a number of key areas including the following:

Pavement Management Program

ECSD does not have a pavement management program. The department does not survey road conditions and appears to have a number of roads that are in deteriorating condition. ECSD's street maintenance responsibilities include pothole patching and street repair after a water main break occurs. If street resurfacing is required, a paving contractor is hired. ECSD does not have a formal pavement evaluation system that is designed to monitor pavement performance so that maintenance program managers can predict and plan for needed pavement maintenance and repair.

ECSD utilizes the cold patch method for pothole patching. The cold patch mixture consists of gravel, sand and tar. A crew of three is usually assigned and no performance measures are applied to this task by ECSD. Therefore, ECSD is unable to calculate if the patching procedures are actually cost effective.

The key elements of a pavement management system are data collection, analysis and feedback/updates. The data component contains inventory data such as cross-section, history, traffic and condition. This information is used to make recommendations for viable repair strategies based on engineering and economic factors. The American Public Works Association recommends that the elements of a pavement management program include the following:

- Street Inventory and Inspection: identify and make an inventory for all features that are the responsibility of the Service Department. This should include features of the City streets such as intersection, location, length, width, number of lanes, average daily traffic patterns, surface type, and curb and gutter.
- Condition assessment: make an assessment of the condition of the infrastructure.
- Needs assessment: make an assessment of the cost to repair or replace infrastructure without regard to the availability of funding.
- Assigning priorities: determine which segments or assets will provide the greatest benefit for the investment. Safety problems are considered first and then preventive maintenance.
- Decision impact analysis: different preventive maintenance strategies are evaluated to find the one that provides the greatest total benefit over the longer term.
- Feedback: this allows the Service Department to refine the management program.

Forestry Program

ECSD does not have a documented forestry program for the City. Forestry duties involve cutting down dead trees, cutting tree limbs and picking up downed tree limbs. No formal plans are in place for the continued maintenance and replacement of City trees or for the planting and pruning of trees. ECSD does not maintain an inventory of all City trees within its right-of-way and on public grounds. This inventory should be updated every three to five years.

The inventory is necessary as a planning tool to schedule maintenance and disease treatment. The lack of such a program means the City trees are not being properly cared for. The City

can have a material capital investment in the trees that are planted along City streets and in City parks. The associated cost to replace City owned trees after a disaster occurs can be substantial. It is in the City's interest to ensure that the employees assigned to maintain its City tree investment are properly trained.

Building Maintenance Plan

ECSD does not have a building maintenance plan. See **F8.5** for further discussion.

Snow and Ice Control Plan

ECSD does not have a snow and ice control plan. See **F8.22** for further discussion.

R8.17 ECSD should create specific plans for its functional areas. The plans should identify regular preventative maintenance functions as well as provisions for performing emergency repairs. ECSD should then create an annual planning schedule that prioritizes the departmental functions and allocates productive man hours. In the future, ECSD should develop a five year plan of work to be conducted by the department. ECSD should purchase pavement management software to assist in its road improvement planning and operations. The software would also assist ECSD in preparing its issue II application to receive infrastructure grants.

Financial Implication: Pavement management software will cost ECSD approximately \$4,500 which includes the application license fee. The cost for staff to receive a four hour internet training session would be \$500 per person. The total cost of software and training three employees would be \$6,000.

F8.19 ECSD does not have a long term equipment replacement plan which addresses the replacement of its vehicles and equipment. In addition, ECSD has not performed an assessment of its workload and equipment to determine if its inventory is adequate. **Table 8-12** indicates the number and condition of ECSD equipment.

Table 8-12: ECSD Assessment of Equipment by Condition

Description	Poor	Fair	Good	Excellent	Not Listed
Dump Truck		2	3		
Van		4	1		
Pickup	1	1	3		1
Cars		2			1
Tree Truck			1		
Sewer/Utility/Boom/Lift Trucks		4			
Front Loader			1		
Front Loader/Backhoe		2			
Street Sweeper				2	
Vac	1				
Riding Mowers				4	
Generators				3	
Weed Whacker			5		
Push Mowers			3		
Air Compressor					2
Vactor Catch Basin/Sewer Truck					1
Total	2	15	17	9	5

Source: ECSD

The majority of ECSD's equipment appears to be in fair to good condition. However, ECSD does not keep track of the age of its equipment or estimated useful life of equipment. In addition, ECSD does not track the operating and repair costs of its equipment. This information comprises important benchmarks which could be used to develop equipment replacement schedules. Equipment replacement schedules are used to ensure that working, adequate equipment is available to fulfill all service functions.

ECSD does not have a replacement policy for equipment. The Ohio Department of Transportation's replacement policy is 250,000 miles or 15 years for diesel dump trucks and ten years or 100,000 miles for single axle/tandem axle trucks. The lack of a replacement plan may potentially leave the department with an aging pool of vehicles and may require a large capital investment to upgrade its vehicles. Although the director of service indicated

that the financial condition of the City was the reason for an absence of equipment replacement planning, a failure to develop and adhere to a replacement plan may cost the department more in equipment operational costs. Ultimately, the department could be in the position of owning and using only outdated, deteriorating equipment because the cost of full scale replacement is beyond the means of the City.

R8.18 ECSD should develop a formal equipment replacement policy and prioritize its replacements based on inventory that is currently incurring the highest costs or experiencing the greatest number of breakdowns. ECSD should begin tracking the age, useful life, repair history and operational costs for its equipment and vehicles. In addition, ECSD should establish criteria to govern when vehicles and equipment should be replaced. The replacement policy should indicate the useful life of each vehicle and piece of equipment and develop factors that would indicate when an item is due for replacement.

F8.20 ECSD does not allocate the same level of resources to snow and ice control as the peers. **Table 8-13** illustrates snow and ice control indicators for East Cleveland and the peers. In East Cleveland, snow and ice control is performed by four City-owned, multi-purpose and single-purpose vehicles. The drivers of the vehicles are assigned a route and vehicle each day and are responsible for making sure that the roads on the route are in operational condition. The peers have an average of 11 trucks available for snow and ice control.

Table 8-13: Snow and Ice Control Indicators

	East Cleveland	Maple Heights	Trotwood	Warrensville Heights	Peer Average
Number of Trucks	4 ¹	11	9	12	11
Number of Routes	4 ²	3	6	4	4
Lane Miles	98	125	363	53	180
Average Miles per Route	24.5	42	60	13	38
Square Milage of City	3	6	32	6	15

Source: Peer service departments and local climatological data from the National Oceanic and Atmospheric Administration

¹ One route includes plowing and salting functions

² Only includes four main streets

Table 8-13 shows that ECSD maintains four routes similar to the peer average. However ECSD maintains 11 percent less miles per route than the peer average of 38. This indicates that ECSD's snow and ice control workload is less than the peers. Also shown in Table 8-13 is that ECSD has less rolling stock than the peers. This indicates that when one vehicle breaks down a route is neglected from snow and ice control. As indicated by the director, main streets are a priority for snow and ice control and the residential streets often suffer

from such services. The Chief of Police did indicate, however, that all roads have been deemed passable by her department.

ECSD maintains a lower workload of 24.5 lane miles per route compared to the peer average of 38 miles per route. As shown in **Table 8-13**, ECSD only has one truck per route, leaving no leeway for equipment breakdowns. Also, according to *Municipal Benchmark Standards*, one driver could plow 5.0 lane miles per hour in a normal snowfall and plow 3.4 lane miles per hour in a heavy storm. The department potentially could reduce its total routes to three, which would increase the number of miles per route (33 miles) to meet the peer average and allow one extra truck as a back-up.

Table 8-14 shows the City of East Cleveland and peer practices for snow and ice control. Because East Cleveland participates in a cooperative purchasing program for salt with the cities of Cleveland Heights and Shaker Heights, these cities are also included in **Table 8-14**.

Table 8-14: Salt Usage, Peer Comparison

	East Cleveland	Maple Heights	Cleveland Heights	Warrensville Heights	Shaker Heights	Peer Average
Tons of Salt Used(Average)	5,000	7,000	10,000	4,000	8,000	7,250
Lane Miles	98	125	325	53	101	151
Average Snowfall (Inches)¹	60	60	60	60	60	60
Tons of Salt per Lane Mile	51	56	31	75	79	60
Storage Capacity (in Tons)	4,000	800	5,900	1,600	1,500	2,500
Number of Covered Storage Facilities	1	1	2	1	1	1

Source: East Cleveland, peer cities and the National Oceanic and Atmospheric Administration

¹ Average snowfall for Cuyahoga County

As shown in **Table 8-14**, the City of East Cleveland uses an average of 51 tons of salt per lane mile, which is 18 percent less than the peer average of 60 tons per lane mile. ECSD's lower salt usage may be because it does not consistently plow residential streets. The City of East Cleveland has adequate storage facilities to effectively cover their salt stock. ECSD's salt usage indicates that it has lower costs than the peers. However, it may also indicate that ECSD does not adequately perform this function.

R8.19 ECSD should develop a routing schedule for snow and ice control functions that encompass all streets by splitting the City up into three sections using main roads as dividers (such as Forest Hills Blvd, Lee Road and Superior Ave). ECSD should use one route just for plowing and salting main and priority roads.

Developing an effective and efficient routing plan will enable ECSD to plow and salt all streets in a timely manner and increase the Service Department's workload. Based on benchmark standards, three ECSD drivers could plow 120 lane miles during their eight hour shift during a normal snow event and plow 81 lane miles during their regular eight hour shift during a heavy snow event. However, in the event of heavy snow, ECSD would need to use the extra truck to focus on priority roads.

F8.21 ECSD does not have a snow and ice control plan, nor does it have established guidelines, goals or objectives for any of its snow and ice control operations. As a consequence, there are no established levels of service that are to be provided to the community or customer base. The absence of a snow and ice control plan which includes guidelines, goals and objectives has reduced ECSD's ability for effective planning, especially in emergency situations.

According to American Public Works Associations Best Management Practices, snow and ice control plans usually include the following:

- Storm notification procedure to identify storms and predict potential effects;
- Policies establishing maximum continuous work hours for crews during snow events;
- Procedures to notify personnel that detail how the notification is delivered and who is responsible to notify personnel for storm events;
- Guidelines to establish the application of materials to control snow and ice. The guidelines should be based upon weather conditions, traffic volume, location, wind, temperature, intensity and form of precipitation;
- An annual maintenance inspection plan during the off season. A date should be specified for all vehicles and equipment to be operational for the winter season;
- A plan to calibrate all ice control material spreading equipment prior to winter deicing or anti-icing activities;
- Procedures for spreading ice control material and loading equipment with ice control materials. The policy should include training on loading procedures;
- Prioritized snow routes assigned based on streets by class, level of service and amount of time to complete removal effort;
- Policies establishing parking limitations during snow and ice events;
- Policies and procedures on health and safety issues including emergency items stored inside each vehicles, such as flares, flashlight, fire extinguishers; and how to address fatigue or frostbite; and

- A call out policy that is based on the depth of snowfall and the intensity of snow fall to determine if extra drivers need to be called in.

R8.20 ECSD should develop a snow and ice control plan that identifies specific levels of service. Control measures should be established which specify level of service requirements for arterials, collectors and residential streets. Procedures should be established that detail the amount of time required to complete the removal effort, and specify personnel, equipment and materials to meet prescribed service levels. The development of an effective snow and ice control plan should include input from those with experience, from the staff, and from an attorney for state and local laws. The plan should be revised each year.

ECSD should make certain information forms containing such variables as time, pavement conditions, wind conditions, precipitation, snow conditions, temperature, visibility, type of spreading material used are meticulously kept by the crews and are filed in a manner that facilitates quick retrieval when necessary.

F8.22 The Motor Pool Division does not have a comprehensive maintenance plan for City vehicles and does not appear to have an effective preventative maintenance plan. The Division does not use any type of specialized computer tracking system for recording scheduled vehicle repair, work-in-progress, or tracking the of maintenance history on equipment.

The Motor Pool Division maintains a manual work order system that is submitted to the technical service manager. Using a software spreadsheet, the technical service manager records oil changes and daily vehicle maintenance. However, the data that is identified lacks specific work details such as when the job was started and completed, or which mechanic performed the work. Moreover, the form does not identify all parts and total labor hours applied to the repair job. In addition, parts, fluids or supplies that are purchased and used are not tracked by an inventory system. ECSD also does not use any benchmark performance standards for vehicle repair work.

The amount identified in ECSD's General Fund account designated for recording parts, repairs and maintenance for FY 2001 was \$20,778. However, the Motor Pool does not have a designated General Fund account to record the expenditures related to the operation of the division. ECSD does not have a standard shop labor rate structure that is applied for vehicle repair jobs. Therefore, jobs are not costed out and the department does not know the actual amount of time or cost for a particular repair job. As a result, ECSD cannot assess the efficiency of its Motor Pool Division operations or determine if repair work is cost-effective.

A vehicle preventive maintenance plan is important because it ensures that service will be minimally disrupted by vehicle breakdowns, reduces repair costs and extends the useful life of vehicles. A quality preventative maintenance program should include these minimum procedures:

- Complete inspection of the engine and related systems;
- Inspection and lubrication of the complete chassis according to the manufacturer;
- Check the tires for pressure and condition (this will aid in improving vehicle fuel efficiency); and
- Inspection of all lighting and safety equipment.

Also, benchmark performance standards are important to help regulate the efficiency of a vehicle maintenance program and to determine if the services provided could be more cost efficient if outsourced. Examples of benchmarks include:

- Number of hours for a specific repair job to be completed;
- Vehicle repair work needed for a particular repair job;
- Parts, fluids and shop supplies necessary to complete the job; and
- Mechanic training required for a particular repair job.

Without a preventative maintenance plan, the City may pay too much for repairs, lack appropriate inventory, be unaware of when vehicles need to be serviced and lack a record of prior repairs that have been made to a vehicle. This can increase costs to maintain vehicles and equipment and, potentially, render the equipment unavailable for use in emergency or critical situations.

R8.21 ECSD should implement a formal preventive maintenance program for the maintenance of City vehicles. When preventative maintenance is performed, it should include more maintenance work than just changing the vehicle oil and filters. ECSD trucks, vans and heavy equipment are major investments that need proper attention to all components and systems.

The Motor Pool Division should also start using pre-numbered, multi copy repair orders to record all vehicle maintenance work in progress and completed. This would improve the recording of all repair work completed, parts and supplies used, and all mechanic labor hours involved. This information would provide ECSD with accurate data to track inventory movement, labor costs, total job costs and the frequency of vehicle repairs.

ECSD should also consider purchasing a Computerized Fleet Administration (CFA) Fleet Maintenance software program. A software application would allow the recording and monitoring of vehicle/equipment processing, service/repair order information related to equipment and vehicles and provide various management reports to assist with parts, supply and inventory management. Additionally, vehicle repair documentation should identify all repairs completed, parts utilized, vehicle mileage and recorded comments regarding the condition of the vehicle. The types of repairs completed need to be tracked by vehicle. This allows repeat repairs to be identified and explanations provided. Each application purchase includes the licensing fee.

Financial Implication: The cost of CFA software and technical support is approximately \$3,500 which includes the application license fee. Assuming the mechanics receive on-site training for two days at ECSD, the initial total cost would be approximately \$6,000 plus travel and expenses.

- F8.23 The City is not collecting sufficient refuse charges to cover the cost of the monthly refuse hauling contract. ECSD refuse and recycling collection duties are contracted out to Browning-Ferris Industries of Ohio, Inc., (BFI). The current BFI agreement is a five year term, starting on February 1, 2000 and continuing for five years with no renewal option or extensions.

The City has experienced material savings in the annual fees paid to BFI. In FY 1999, the City paid BFI approximately \$1.2 million and in FY 2001, the annual charge was \$852,000 as the result of a change in the contract fee calculation. The fees are now calculated on actual monthly tonnage instead of a flat rate based on an estimated amount. BFI submits truck weight scale sheets to the director of services for review and approval prior to monthly payment. **Table 8-15** shows the peers refuse contractor user rate. It is noted that Warrensville Heights does not charge residents for trash collection.

Table 8-15: 2001 Comparison of Refuse Contractor User Rates

City	East Cleveland	Maple Heights	Trotwood	Peer Average
Residential User Rate	\$6.00	\$10.00	\$8.33	\$9.17
Homestead User Rate	\$1.50	N/A	N/A	N/A

Source: City refuse contract and peer city information.

Note: Warrensville Heights does refuse collection in-house.

As shown in **Table 8-15**, East Cleveland has the lowest user rate for refuse collection, at \$3.17 below the peer average. Over the previous three year period, user fees collected have lagged behind the annual agreement cost by approximately 74 percent. This deficit is draining valuable funds away from the City that could be used for other projects or operating costs. The amounts paid by the City were previously based on an annual estimated average of 13,000 tons. This was changed to pay only on the actual tonnage collected which has resulted in East Cleveland being billed significantly less. However, it is noted that the amount collected from City users of the refuse service has averaged only \$501,240 per year. Therefore, the City continues to be charged more for refuse service than is actually collected from the users. For the previous three years, this variance has amounted to approximately \$1.2 million dollars.

Based on the City's FY 2001 total costs, in order to break-even on refuse collection, assuming that the homestead rate was not increased, the residential rate would have to increase to \$14.34. This rate would be more than double the current rate and cause the rate

to be \$5.17 higher than the peer average. This high rate indicates that East Cleveland's refuse collection costs are potentially higher than the peers and may not be efficient.

East Cleveland uses a different type of hauling rate than the peers. East Cleveland pays \$68.53 per ton collected. In contrast, the peers pay a charge per user, ranging from \$8.00 in Trotwood to \$9.36 in Maple Heights. Thus, East Cleveland's rate is more sensitive to the actual tonnage hauled.

The collection of delinquent accounts also appears to be a concern for the City. As of March 28, 2002, the City had a total of \$3.2 million in water, sewer, and refuse disposal accounts that were 61 days or more past due. The total amount that was 120 days or more past due was \$3.1 million. The City does not identify the water, sewer or refuse delinquency categories for monthly bills. However, because the amounts received on the monthly bills are applied to the refuse portion first, refuse delinquencies can be estimated based on the average monthly bill for users. The City's total refuse delinquencies as of March 28, 2002 are approximately \$194,000. For additional information see the **finance** section.

R8.22 In order to better meet the costs of refuse collection, the City needs to aggressively collect on delinquent accounts. ECSD should also consider raising the monthly user rate to reduce at least part of the annual deficit for refuse collection. In addition, when the current contract with BFI expires, the City should ensure that a reasonable per ton rate is being charged for refuse collection or considering going to a user fee similar to that of the peers. Given that the peers all pay per user rather than per ton, the City should consider if their current rate structure is cost-effective.

Financial Implication: If the City could collect 75 percent of the estimated refuse delinquencies, it would increase its refuse revenue by \$145,500 and reduce its need to subsidize refuse collection with general fund resources.

F8.24 ECSD has not effectively monitored the operation of the City transfer station. The transfer station, which is located at the ECSD property on Eddy Road, is used for the collection and transfer of solid waste to a solid waste disposal facility for final disposition. The City has leased the transfer station to a private operator, R&R Waste Disposal, Inc. (R&R) since FY 1996. The current lease agreement has been extended through 2006, with no options for additional extensions. R & R is responsible for operating the station and complying with regulations of the Ohio Environmental Protection Agency, the Cuyahoga County Solid Waste District (CCSWD), and the Cuyahoga County Board of Health (CCBOH). R&R is also required to pay station generation fees to CCSWD and royalty payments to the City.

R&R has not complied with the terms of the lease agreement. Violations of the agreement include the following:

- *Failure to make required payments to CCSWD-* In October, 2000, R&R signed a release and settlement agreement with CCSWD regarding delinquent monthly payments of station generation fees and accrued penalties due to CCSWD. The original amount due was \$157,000 and the negotiated amount was reduced to \$44,850, paid in monthly installments of \$1,495 over 30 months. As of March 1, 2002, R&R is delinquent \$68,330 for current generation fees and has not complied with the payment terms of the settlement agreement.
- *Failure to comply with Ohio Administrative Code Environmental Protection Agency Section 3745-27-* The station operator is required to provide the Ohio EPA with an itemized written estimate, in current dollars, of the cost for a third party to complete final closure of the facility. R&R has never complied with this requirement.
- *Failure to make timely payments to the City -* R&R had not paid the \$56,600 annual royalty payment by July 31 as required by the lease agreement. The royalty payments have been 30 to 60 days late for FY 2000 and FY2001. R&R is also required to submit monthly fees based on station activity. As of December 31, 2001, R&R was delinquent in payments for approximately \$45,000 in monthly fees. R&R disputes ECSD's calculations and the dispute has not been resolved. The agreement provides the City with procedures to declare the operator in default of the terms and conditions of the agreement.
- *Failure to maintain the facility-* Neither the City nor R&R have made needed repairs to the station facility. The CCBOH notified the City by letter dated December 29, 2000, that the station structure is in a state of deteriorating physical condition. The CCBOH stated grave concern regarding the building structure and that a failure would substantially impact the operations at the facility.

Based on R&R's delinquent payments, on March 1, 2002, CCSWD formally recommended that the station operating license be suspended. If this license recommendation is approved, R&R can no longer operate the station and the City will be denied the guaranteed annual royalty payments of \$56,600. In addition, ECSD has not properly monitored the agreement. R&R did not comply with agreement terms and the City has not exercised its legal remedies as identified in agreement Article XIV, Section 14.01, (a). R&R continues to be in non-compliance with agreement terms. The City can declare R&R in default of the agreement and exercise all legal remedies as identified in the agreement.

R8.23 The City should immediately require R&R to comply with all terms and conditions of the current lease agreement. The City should also require R&R to submit all monies due. If R&R's non-compliance and non-payment persists, the City should exercise its legal rights as identified in the lease agreement and terminate the contract.

R&R should also be required to submit to the City a monthly statement of station activity as required by the agreement. A continued condition of non-compliance by R&R of all the terms and conditions of the agreement is placing the City at risk of the station operating license being suspended by the appropriate station regulators. If this situation were to occur, the station operation would be halted and the City would suffer a loss of revenues. As the license holder, the City has an added responsibility to ensure that the station operator is complying with all applicable rules, regulations and agreement terms.

The City should establish a deadline by which the non-compliance issues are to be remedied by R&R. Furthermore, the City needs to determine what improvements to the facilities are necessary to properly maintain the facility and require R&R to make any repairs deemed necessary by the City and required by the contract.

ECSD should determine whether if R&R is capable of operating the transfer station in full compliance with the lease agreement terms. If it is concluded that R&R cannot comply, the operator should be declared in default of the lease agreement. A new operator should be obtained that will comply with the operating lease agreement terms.

Financial Implication: If the station operating license is suspended, the City will not receive the annual royalty payment of \$56,600. Because BFI takes the City's refuse to an outside landfill, refuse service or costs would not be impacted by the suspension. However, the City does have a potential liability associated with the transfer station. If an operator for the facility cannot be found, the City would be responsible for facility maintenance and upkeep. In addition, a potential liability for any environmental issues is also present.

Miscellaneous Issues

F8.25 ECSD does not have adequate controls for the usage of fuel purchased by the City. The fuel system is controlled by key access. Each key can be assigned a different and individual PIN number. However, the fuel system access keys are not being issued with a different Personal Identification Number (PIN) for each key. The access keys are issued by the ECSD administrative assistant and ECSD maintains a list of all fuel system keys issued to other departments. Each department director is responsible for distributing the fuel keys and monitoring usage.

The same PIN number is used by the majority of users within the Police Department and the Helen S. Brown Senior Citizen's Center. In addition, a number of departments only have one key, which could indicate that more than one user is sharing a key. As a result, these departments may be unable to monitor individual users.

City vehicle identification numbers and odometer readings are entered into the fuel system. However, this information does not appear to be used by the Service Department. This

information could provide ECSD and affected departments with important data for analyzing the fuel efficiency of the City vehicle fleet. Without effective controls and management analysis, the ECSD is unable to determine if the system or the City vehicle fleet is being operated efficiently.

Each month, ECSD generates a fuel usage report and distributes this report to each department as well as to the Finance Department. However, it is unclear if departments are actually charged back for monthly fuel usage and ECSD could not verify this information. This may cause ECSD to absorb the entire cost of the fuel purchased and reduce the incentive for other departments to monitor their respective fuel usage.

R8.24 ECSD should issue fuel system access keys with a different PIN number for each key. Individual PIN numbers will help to provide the internal control needed to properly monitor fuel system access and use. The Service Department should also begin requiring users to enter vehicle identification numbers and odometer readings in order to analyze fuel usage. Additionally, ECSD should ensure that fuel usage amounts are charged back to City departments by the Finance Department. To accomplish this, the Finance Department should provide ECSD with a monthly report of the fuel usage amounts charged back to City departments.

F8.26 The ownership of the East Cleveland/Cleveland Heights cemetery located at located at 1615 East 118th Street is in dispute. The ownership dispute is between the cities of East Cleveland, Cleveland Heights and Cleveland and is being reviewed in the Cuyahoga County Common Pleas Court. The dispute has been in the court for several years and there appears to be no deadline for resolution. The cemetery was originally located in East Cleveland. However, the City corporation limits have decreased and no longer include the cemetery. The maintenance of the cemetery property is currently shared on a quarterly basis by East Cleveland, Cleveland Heights, and Cleveland through a court mandate. The cemetery maintenance consists of lawn moving and ground maintenance, tree trimming, snow removal and attending grave markers when necessary. While ECSD is responsible for opening and closing of grave sites, there have not been any new grave site openings in recent years.

A non-profit group has been created and is attempting to raise funds to assume the responsibilities for cemetery management and maintenance. While East Cleveland and Cleveland Heights have agreed to turn over cemetery management to the non-profit group, Cleveland is reviewing the arrangement. If this resolution proposal was agreed to, a cemetery board of trustees would manage the maintenance and operation of this cemetery. It is not yet clear what costs would continue to be incurred by the affected cities.

The number of workers assigned to cemetery maintenance duty by ECSD can range from one to ten. The number of workers assigned is influenced by the type and volume of other work assignments that will be addressed on that particular day. However, ECSD does not

keep records of the amount of personnel time spent on cemetery functions and does not separately identify any maintenance costs associated with the cemetery.

Because the ownership of the cemetery has not been resolved, East Cleveland continues to incur costs that could be reduced or avoided were the non-profit group to assume management of the cemetery. Until the cemetery ownership issue is resolved, the future cemetery maintenance financial cost to the City cannot be determined.

R8.25 The parties to the current cemetery dispute should take all appropriate steps to bring this property ownership issue to a formal resolution. This will allow the cities currently involved in the maintenance sharing arrangement to use the funds, personnel, and equipment that is being used for the annual maintenance of the property on other priorities. Settling this dispute will end the leaf collection, grass mowing and occasional tree trimming duties by ECSD at the cemetery. ECSD should reevaluate its staffing workload to determine if staffing adjustments are warranted once the cemetery dispute is resolved.

Financial Implication Summary

The following table shows a summary of the annual revenue loss, revenue enhancement, cost savings and implementation costs for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications

Recommendations	Annual Revenue Loss	Revenue Enhancement	Annual Cost Savings	Implementation Costs
R8.2 Reduce ECSD annual overtime			\$54,000	
R8.4 A reduction of 2.5 FTEs in Lands and Buildings Division			\$65,750	
R8.11 Forestry training Forestry and ASE mechanic certifications				\$1,400 (one-time) \$265 (annual)
R8.15 Perform consultant work in-house			\$42,000	
R8.17 Purchase pavement management software				\$6,000 (one-time)
R8.21 Purchase CFA software				\$6,000 (one-time)
R8.22 Increase the collection rate on delinquent refuse collection accounts		\$145,500		
R8.23 Potential loss of R&R annual royalty payment	\$56,600			
Total	\$56,600	\$145,500	\$161,750	\$13,665

Conclusion Statement

ECSD does not adequately fulfill its mission to preserve and protect the City infrastructure. Roads and buildings have reached critical states of deterioration but ECSD has not acted to repair or replace such structures. Although funding is cited as the reason City infrastructure has not been maintained, the department appears to use its resources inefficiently.

ECSD does not effectively manage its operations through standard service department business practices. The department also does not track and analyze crucial departmental performance data or make use of benchmark or performance measures. ECSD is reactive in performing maintenance functions and does not prepare an annual work plan or develop goals and priorities for each of its functions. In addition, ECSD does not have an effective preventive maintenance plan for maintaining streets, buildings, snow and ice control, vehicles or forestry. This prevents the department from planning for expenditures and working toward improving City infrastructure. The absence of concrete plans and programs also results in scarce resources being allocated to inefficient or ineffective operations.

In several areas, ECSD appears to be overstaffed and work appears to be poorly coordinated. While ECSD's lack of information about workload makes it difficult to determine the optimal staffing level for the department, ECSD has a higher staffing level than the peer average and, when compared to national benchmarks, appears to allocate staffing resources in an inefficient manner. Two areas where ECSD should be able to reduce staff are the Division of Electric and the Lands and Buildings Division. By contracting out its street light pole maintenance and traffic signal maintenance functions, ECSD could potentially lower its costs and reduce staff by two FTEs. In addition, based on square footage maintained, the Lands and Buildings Division staff could be reduced by 2.5 FTEs. ECSD's three union contracts contain differing workday lengths and call-in provisions that cause confusion and make it difficult for the department to coordinate work assignments. ECSD also does not appear to provide necessary training to ensure a qualified staff. ECSD should provide employees, particularly those in forestry and vehicle repair, with necessary training to perform their functions. ECSD also does not have updated job descriptions or have written policies and procedures. ECSD also has not appropriately assessed and monitored its contractual engineering relationships and may be outsourcing certain functions that could be performed in-house.

ECSD should begin regulating its operations through planned work projects and sound business practices. Anticipated service levels should be tied to City improvements and should be reflected in accurate and explicit annual budgets and work plans. Service Department work levels should be monitored, tracked and reported to demonstrate that the level of work performed is commensurate with the cost to the City for the operation of the department. Without improved operations, the Service Department will be unable to maintain or improve the City's existing infrastructure.