



Dave Yost • Auditor of State



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To the residents and elected officials of the Village of Middlefield,

At the request of the Village Council, a performance audit of the Village of Middlefield was initiated in May 2012. The functional areas assessed in the performance audit were financial management, administration, services, police operations, and recreation operations. These areas were selected because they are important components of Village operations that support its mission and improvements in these areas can assist in enhancing the efficiency and effectiveness of the Village.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of the operations of the Village of Middlefield. While the recommendations contained in the audit report are resources intended to assist Middlefield, the Village is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

The report includes Results in Brief; project history; scope, objectives, and methodology of the performance audit; and a summary of noteworthy accomplishments, and financial implications. This report has been provided to Village of Middlefield and its contents discussed with the appropriate officials and Village management. The Village has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.ohioauditor.gov> by choosing the "Search" option.

Sincerely,

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

Dave Yost
Auditor of State

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Results in Brief

Why AOS Conducted This Audit

The Village of Middlefield requested the Auditor of State's Ohio Performance Team conduct a performance audit to improve the efficiency and effectiveness of operations.

A project cost of \$54,900 and total findings of \$519,600 in savings will yield a return on investment of 846 percent, or \$8.46 in annual savings for every taxpayer dollar invested.

Financial Implications

The performance audit identifies potential cost savings exceeding \$519,600, which represents approximately 6.5 percent of the proposed 2012 total expenditures of the Village. Financial implications are summarized below.

Summary of Performance Audit Recommendations

Recommendations	Impact
R.1 Contract with Geauga County Sheriff for police service	\$239,000
R.2 Shift dispatch services to Geauga County Sheriff	\$166,600
R.3 Reduce water and sewer plant staff	\$28,000
R.4 Reduce recreation department Staff	\$23,000
R.5 Reduce vehicle fleet	\$19,000
R.6 Eliminate mandatory overtime in the water and sewer department	\$12,500
R.7 Shift crossing guards to volunteer position ¹	\$12,000
R.8 Reduce streets and service employee overtime	\$7,500
R.9 Shift code enforcement to a building inspector	\$6,000
R.10 Shift splash pad operations to water and sewer operators ²	\$3,200
R.11 Purchase fuel through the Department of Administrative Services	\$2,800
Total Cost Savings from Performance Audit Recommendations	\$519,600

Additional recommendations where tangible savings could not be identified are discussed in the report (including succession planning, fleet management, comp time policies and zero based budgeting).

¹ Should the Village implement R.1, these savings may not be feasible.

² Should the Village implement R.3, these savings will not be feasible.

Synopsis

What is Good Performance: Scope, Objectives, and Benchmarks

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

Scope and Objectives of the Audit

Through a review of operations of the Village, AOS selected the following areas for detailed analysis: financial management, administration, services, police operations, and recreation operations.

Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. AOS developed objectives designed to identify efficiencies that could be gained from the operational areas listed above.

The following objectives were identified in consultation with the Village:

Overall Village:

How does use of overtime compare to recognized benchmarks?

How do policies on vacation and sick leave compare to recognized benchmarks?

How do employee benefits compare to recognized benchmarks?

How do policies for vehicle and equipment acquisition and maintenance compare to recognized benchmarks?

Are there feasible shared service opportunities?

How do salaries compare to recognized benchmarks?

Administration:

How does administrative staffing compare to recognized benchmarks?

How does the succession planning compare to recognized benchmarks?

How does the salary schedule compare to recognized benchmarks?

How do tax collections compare to recognized benchmarks?

Police:

How do police expenditures compare to peers?

How do police staffing, turnover and workload measures compare to peers?

How does police scheduling compare to recognized benchmarks?

Recreation:

How does recreation programing, staffing and expenditures compare to peers?

Streets, Service and Utilities:

Do the operations of the water and sewer plants meet recognized guidelines?

How do prices for water and sewer service compare to recognized benchmarks?

How does staffing and workload measures in the streets and service department compare to recognized benchmarks?

How does staffing and workload measures in the water and sewer departments compare to recognized benchmarks?

Do service, streets and utility employees possess appropriate licensures and certifications?

Cemetery:

How do cemetery operations compare to recognized benchmarks?

Zoning:

How do expenditures in the zoning department compare to recognized benchmarks?

How do planning and zoning policies and procedures compare to recognized benchmarks?

Methodology and Benchmarks

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

AOS conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). These standards require that AOS plan and perform the audit to

obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Data was drawn from 2009, 2010, 2011 and 2012. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. The performance audit involved significant information sharing with the Village, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the Village of key issues impacting selected areas, and shared proposed recommendations to improve operations. The Village provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the Village's comments.

In consultation with the Village, the following Ohio municipalities were selected as peers: the City of Chardon, the Villages of Minster, New Bremen, New London, and Versailles. These peers were selected based upon demographic and operational data. When possible, these peer municipalities were used for comparison. In some areas of operations such as police staffing and workload measures, comparisons using Geauga County municipalities was deemed more appropriate because municipalities in the county use the Ohio Incident Based Reporting System.

In some areas of Village operations such as police, recreation and city services, comparisons to national benchmarks, standards and other cities that have achieved efficiencies in select areas with unique practices were used in place of a peer comparison. Benchmark data and standards were chosen from organizations and sources such as the State Employee Relations Board (SERB), the Ohio Department of Administrative Services (ODAS), the Ohio Environmental Protection Agency (OEPA) and the Ohio Incident Based Reporting System (OIBRS).

The Auditor of State's Ohio Performance Team expresses their appreciation to the management and employees of the Village of Middlefield for their cooperation and assistance throughout this audit.

Noteworthy Accomplishment

In 2012, the Village passed ordinance 135.09, which requires the administrator to review all fees charged by the village on annual basis. This policy will help the Village assure that fees are covering the costs associated with the service provided. The policy is a Government Finance Officers Association best practice.

Issue for Further Study

The Village should explore opportunities for sharing heavy equipment with nearby municipalities. The Village owns several pieces of heavy or specialized equipment including a backhoe, street sweeper and leaf vacuum. The Village should contact nearby villages, townships and small cities and discuss opportunities for renting out this equipment when it is not in use by the Village. Revenue from renting underutilized equipment might help the Village defray maintenance and operations expenses.

Conclusions

The performance audit identifies potential cost savings exceeding \$519,000, which represents approximately 6.5 percent of total budgeted expenditures for 2012

Summary of Performance Audit Recommendations

Recommendations	Impact
R.1 Contract with Geauga County Sheriff for police service	\$239,000
R.2 Shift dispatch services to Geauga County Sheriff	\$166,600
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R.8 Reduce streets and service employee overtime	\$7,500
R.9 Shift code enforcement to a building inspector	\$6,000
R.10 Shift splash pad operations to water and sewer operators ⁴	\$3,200
R.11 Purchase fuel through the Department of Administrative Services	\$2,800
Total Cost Savings from Performance Audit Recommendations	\$519,600

³ Should the Village implement R.1, these savings may not be feasible.

⁴ Should the Village implement R.3, these savings will not be feasible.

Recommendations

R.1 Contract with the Geauga County Sheriff's Office for police services.

Financial Implication: Contracting for police services with the Geauga County Sheriff's Office (the Sheriff) would save approximately \$239,000 based on the Village being able to negotiate a rate similar rate to that of Munson Township.

The Police Department provides 24-hour per day coverage for the Village. The Department employees 7.6 full-time equivalent (FTE) patrol officers, 1.0 FTE staff sergeant, 1.0 FTE chief of police, and three full-time and four part-time dispatch employees (see R.2). The Department operates four patrol vehicles including three sedans and one sport utility vehicle.

Table 1 shows 2011 Middlefield police data including total FTEs, calls for service and expenditures.

Table 1: Middlefield Police Department Data

	Officers	Calls for Service	Calls per Officer	2011 Expenditures
	9.6	7,812	812	\$981,087 ⁵
Per 1,000 Residents⁶	3.7	3,005	N/A	\$377,341

Source: Middlefield provided data

As shown in **Table 1**, the Department has a total of 3.7 officers per 1,000 residents and responds to approximately 800 calls per officer annually.

Several municipalities throughout Ohio have successfully contracted with the county for police services. In Geauga County, both Newbury and Munson Townships use the Sheriff for patrol services and both report that the Sheriff offers adequate service levels. Munson Township pays \$22 per hour for service which includes regular patrols and criminal investigations.

The Sheriff offers other service levels that may be feasible for the Village such as contracting to patrol one or more daily shifts and contracting to patrol during officer absences. The Village should consider both the economic and non-economic aspects of public safety when choosing a service level. However, full integration of the Police Department is the option which would yield the largest financial impact.

In a phone interview, the Sheriff stated that he is willing to provide services to the Village but the details, including costs and scope of service, will be negotiated between the Village and the Sheriff and will affect the total financial impact.

⁵ Includes expenditures dispatch services.

⁶ The Village has approximately 2,600 residents.

R.2 Shift dispatch services to the Sheriff.

During the course of the audit, the Village shifted its dispatch center to the Sheriff.

Financial Implication: Shifting the dispatch function to the Sheriff would result in an annual savings of approximately \$166,600.

The Village operates a 24 hour emergency dispatch call center. In 2011, the call center handled 16,207 total contacts⁷ with a total expenditure of \$262,000 or approximately \$16 per contact. In addition to handling its own calls, the call center (located in the administration building) has other duties that include dispatching calls for four villages and an ambulance service, accepting about 2000 walk-ins annually, and answering non-emergency calls for the village after normal operating hours. The four villages and an ambulance service contracted with the Village for dispatch services which totaled \$89,850 in revenue.

The center has three full-time employees with a dispatch supervisor that covers open daytime shifts and has four part-time dispatch employees working intermittently to cover other open shifts.

The Sheriff provides dispatch services at no charge to all municipalities in the County. **Table 2** shows the total financial impact of shifting services to the Sheriff.

Table 2: Total 2011 Dispatch Revenue and Expenditures

Expenditures Reduced	
Salaries	\$206,956
PERS	\$28,974
Health Insurance	\$12,022
Life Insurance	\$200
Medicaid	\$3,000
Electric	\$1,200
Phone	\$2,933
LEADS cost reduction	\$7,200
Total Dispatch Expenditures	\$262,484
Lost Revenue and Cost to Implement	
Emergency Phone	\$3,500
Answering Service	\$2,520
Revenue	\$89,850
Total Financial Impact	\$166,614

Source: Middlefield financial data.

As shown in **Table 2** the total expenditures to fully staff and operate the dispatch center in 2011 was \$262,484. In prior years the Village considered shifting its dispatching services to the Sheriff; however, at that time it concluded it was not practical due to other services it provides such as answering non-emergency administration calls after hours, and accepting walk-ins and dispatching services for other villages. To address these concerns, the Village could put an

⁷ The dispatch center accepted 12,534 incoming calls, 2,045 walk-ins, and 1,628 dispatched calls.

emergency phone outside its administration building to provide for the needed service of walk-ins, estimates for an emergency phone are approximately \$3,500. It could forward its calls to an answering service to provide for the after-hours non-emergency calls, for an estimated cost of \$200 per month.

R.3 Reduce hours assigned to operators in the water treatment plant and waste water treatment plant to EPA minimums.

Financial Implication: Reducing the number of hours worked by the water treatment plant and waste water treatment plant staff by 1,040 hours annually would result in an annually savings of approximately \$28,000.

The village has a water treatment plant and a waste water treatment plant with two full time employees. In 2011, two full time employees worked a combined total of over 4,195 regular and 400 overtime hours. Both facilities were built within the last four years and contain a significant level of automation.

The Village's EPA permits require the waste water treatment plant to be staffed 40 hours each week spread out over 5 days. The water treatment plant is required to be staffed 20 hours per week over 5 days. This means the Village should schedule a total of 3,120 hours per year for both facilities combined. The Village can reduce costs by adjusting the hours assigned to water and sewer operators to be consistent with the most up-to-date EPA requirements. Because they have not taken advantage of lower staffing requirements, the Village is paying for an additional 1,040 hours per year above the minimum number of hours mandated by the EPA.

R.4 Reduce Recreation Department staffing.

Financial Implication: Reducing staffing levels in the recreation department will reduce salary expenditures by approximately \$23,000 annually.

The Recreation Department operates with two full time employees (FTEs): a Recreation Director and a recreation supervisor. The two FTEs are paid approximately \$70,000 including benefits annually.

Table 3 shows recreation staff compared to the peer average.

Table 3: Recreation FTEs

	Middlefield	Peer Average⁸	Difference
Recreation Director	1.0	0.7	0.3
Recreation Supervisor	1.0	0.5	0.5

Source: Peer and Client Data

⁸ Comparisons were made to similar positions in the City of Chardon, the Village of New Bremen, the Village of New London and the Village of Minster.

The Village should reduce hours in the recreation department by a total of 0.8 FTE, or 1,664 hours annually. The Village should accomplish this by making better use of volunteers (see **R.15** and **R.16**) or by reducing the number of programs offered.

The Village has historically placed an emphasis on sports leagues and programs managed by the Recreation Department. As shown in **Table 3**, the Recreation Director and the recreation supervisor work 0.3 FTE and 0.5 FTE respectively more than the peers. New London is the only peer to employ a full time recreation director. Chardon and New Bremen each operate a recreation program with a part time director. Minster has a full time employee whose job duties include recreation programming and maintenance of village-owned parks. Versailles does not have a recreation department.

R.5 Reduce the size of the vehicle fleet and develop fleet management guidelines.

Financial Implication: Selling the underused vehicles in the administrative and recreation departments would result in a one-time increase in revenues by approximately \$19,000⁹.

The Village has 17 vehicles in its fleet. The vehicle designated for administrative employees, a 2008 Dodge Durango, and the vehicle designated for recreation employees, a 2003 Chevrolet S10, have been driven an average of 3,870 and 1,360 miles per year, respectively, since purchase. The total purchase price of these vehicles was \$35,700.

The Department of Administrative Services Office (DAS) of Fleet Management has guidelines on which to evaluate the need for vehicles. DAS has calculated that the annual mileage an employee must drive to break-even on the purchase of a vehicle is 7,700 miles for 2012. Ohio Revised Code (ORC) § 125.832 (O)(2) states that the department must annually establish the number of business miles an employee of a state agency must drive in order to qualify for approval by the department to receive a motor vehicle for business use.

The combined Kelly Blue Book value of both vehicles is about \$22,000. The Village does not have an ordinance from which to decide what the break-even point is for buying a vehicle for its staff versus reimbursing for mileage driven.

If the village paid the State rate of reimbursement for employees to drive their own vehicles, the village would have paid out about \$14,000 in mileage reimbursement for the same time period. This results in a \$21,700 cost avoidance not including the cost of maintenance, insurance and fuel. The Village would have to operate the Durango for approximately 12 years and the S10 for approximately 25 years before it will break even on the purchase price of these vehicles. Because the village did not have a break-even annual mileage guideline, it purchased two vehicles that were not needed

The Village does not have any guidelines on when it should replace vehicles based on cost of ownership, mileage or age. Currently, the Service and Police department place \$15,000 annually

⁹ This financial impact assumes that the Village sells the two unneeded vehicles and instead pays employees mileage at the rate of \$0.45 per mile.

in a Major Equipment Fund. Because the Village has no guidelines on how this money is allocated, it is up to council to decide what major equipment gets replaced.

As a result of Middlefield not having a maintenance and replacement plan, the Village is spending additional funds on vehicles that are not needed or are not cost effective to operate. The Village Service Department does not track vehicle maintenance and repair costs per vehicle. The Village takes its vehicles to a local service station where a sticker is placed in the window as a reminder for when the next service is due. Repairs are completed either in-house or at the local repair shop.

The City of Dublin, Ohio has developed a vehicle replacement policy built around the type, age and mileage of the vehicles. Dublin's general guideline is to replace light trucks and sedans after 8 years or 120,000 miles and heavy trucks after 12 years or 75,000 miles. The service department must also track the cost of repairs and calculate a projected cost of ownership for each vehicle each year. This allows the city to make decisions about whether to repair or replace a vehicle based on a cost/benefit analysis. Using the guidelines from the City of Dublin, AOS calculated that the Village may need to consider selling its 2005 pickup with approximately 85,000 miles. Also, one police cruiser has about 100,000 miles on it with an average mileage accumulation rate of 18,500 miles per year. The Village should be prepared to replace the vehicle in the fall of 2013.

Implementing a replacement and maintenance policy will enable council to make more informed decisions about vehicle replacement and budget for maintenance expenses.

R.6 Discontinue the use of mandatory overtime at the water and sewer plants and implement a flexible schedule for operators.

Financial Implication: Eliminating mandatory water and sewer overtime will save approximately \$12,500 annually.

The water and sewer department requires one employee to work 6 hours of overtime at the wastewater treatment plant each weekend, which equates to 312 hours of mandatory overtime annually. The two operators work alternating weekends without the use of flex time.

The United States Office of Personnel Management defines flexible hours as "... the times during the workday, workweek, or pay period within the tour of duty during which an employee covered by a flexible work schedule may choose to vary his or her times of arrival to and departure from the work site consistent with the duties and requirements of the position". The Society for Human Resource Management identifies a flexible schedule as one possible tool to reduce overtime.

The Village operates under EPA guidelines that predate 2010, mandating a 7 day a week schedule. In order to meet these guidelines its operators receive over time for weekend work. Although these may have been the guidelines prior to 2010, the EPA has since established new guidelines. The Village has not updated its work schedule to be consistent with the most up-to-date EPA requirements.

Starting in 2010, the EPA requires an operator to be present at the waste water treatment plant for 40 hours per week over a 5 day period. The EPA requires an operator's presence for 20 hours at the water treatment plant, also over a 5 day period. The EPA does not require overtime or operator hours on weekends.

R.7 Establish a volunteer crossing guard program.

Financial Implication: Establishing a volunteer crossing guard program would save approximately \$12,000 annually¹⁰.

In 2011, the Village employed four school crossing guards. The crossing guards work at two intersections for a half hour in the morning and afternoon while school is in session. The daily rate of pay for crossing guards ranges from \$30 to \$40, which amounts to an expenditure of approximately \$12,000 annually.

Previously, Middlefield had a program that trained students to act as crossing guards but concerns about potential liability led the Village to pay for this service. The City of Chagrin Falls, Ohio uses volunteers to staff crossing guard positions. This function is organized by the police department. Implementing this program would eliminate the need to pay crossing guards.

If the Village were able to implement a similar program and staff volunteers it would eliminate the need to pay crossing guards.

R.8 Reduce Service Department overtime.

Financial Implications: Reducing Service Department overtime to 6 percent would decrease annual overtime expenditures by approximately \$7,750.

The streets and service department has historically used mandatory overtime to complete seasonal tasks such as park maintenance and snow plowing. For 2009 through 2011, the Village streets and service department accrued an average of approximately 963 hours of overtime annually representing about 13 percent of regular hours. The majority of streets and service overtime was spent on snow removal and maintenance at parks. In 2012, the Village implemented a flex time policy that reduced the amount of overtime spent on park maintenance by about 60 percent. Village overtime usage is still projected to exceed AWPB benchmarks based on 2009-11 averages.

The Village should reduce the amount of overtime used in the service department. The Village should use one or more of the following non-mutually exclusive strategies to keep overtime usage at or below six percent of regular hours worked. American Public Works Association (APWA) certified cities maintain an overtime average equal to about six percent of regular hours. In order to reduce overtime expenses The Society for Human Resource Management (SHRM) suggests that managers should monitor overtime both for individuals and for departments. SHRM noted the following strategies for reducing overtime:

¹⁰ Should the Village implement **R.1**, the savings from this recommendation may no longer be feasible.

- Allow employees to use flex time if weekend or holiday work is required;
- Set overtime goals and monitor overtime usage to ensure the goals are met;
- Consider hiring an additional part time worker to perform work currently performed by employees on overtime or reduce the work load producing the overtime.

In addition to the above strategies, the Village should consider changing the way that overtime is calculated (see **R.18**) and contract out services in order to reduce the workload that leads to overtime (see **R.23**)

Without a set benchmark in place for strategies implemented to reduce overtime the Village could be incurring excessive salary costs.

R.9 Outsource building and zoning permit duties to a building inspector.

Financial Implications: Outsourcing building and zoning permit duties to a building inspector would save approximately \$6,000 assuming the Village paid the inspector \$32 per permit.

The Village contracts out the duties of its zoning and planning department to an engineering firm. This firm completes all zoning and planning duties for single family, multi-family, commercial and industrial dwellings. The firm also addresses code enforcement complaints for the Village's complaint driven code enforcement department.

In 2011, the Village collected about \$17,000 in fees for zoning and engineering services and paid \$87,715 for all services provided. This represents a \$70,000 burden on the Village's General Fund for services provided.

Some duties that can be completed by a building inspector are permits for sheds, pools, driveways, fences, garage additions, and decks. In 2011, the Villages permit revenue was approximately \$2,670; however, expenditures for these permits to be approved by the engineering firm were approximately \$7,000. The City of Harrison, Ohio outsources its building inspection and permitting services to a contractor. The coordination of this function as well as code enforcement is overseen by the part-time contractor working three days per week. The inspectors do not work a consistent number of hours per week and costs are reduced by paying inspectors \$25 per inspection plus benefits (with the exception of health care) and travel expenses.

The City of Seven Hills also outsources its permitting function using a system similar to Harrison's in which inspectors are paid per permit. Seven Hills was able to complete permit inspections for approximately \$32 each.

R.10 Shift the maintenance at the splash pads to the water and sewer operators.

Financial Implications: Eliminating splash pad overtime would save approximately \$3,200 annually¹¹.

¹¹ Should the Village implement **R.3**, the savings from this recommendation will no longer be feasible.

The Village has a splash pad¹² that is maintained by the Service Department. From 2009-11, splash pad maintenance cost the Village an average of \$10,583 annually, including the cost of wages and benefits. In 2012, the splash pad required approximately 520 regular hours and 23 hours of overtime hours for routine maintenance. Since the water treatment plant is overstaffed by approximately 20 hours per week (see **R.3**) and the splash pad requires daily maintenance including cleaning, trash pick-up, filter changes and water testing. The Village should consider transferring its resources from the water treatment plant to the park maintenance function.

The splash pad required about three hours of maintenance each day and is open seven days a week. The waste water treatment plant operator can use the extra 20 hours per week to service the splash pads.

R.11 Purchase fuel through the Ohio Department of Administrative Services.

Financial Implications: Purchasing fuel through the Ohio Department of Administrative Services (DAS) could reduce fuel expenditures approximately \$2,800 based on the average price of fuel purchased in 2011 compared to DAS.

The service garage has three fuel tanks: one holds gasoline for the service garage and administration, one holds gasoline for the police department and the remaining tank holds off-road diesel.

The Village solicited bids for fuel and purchases its fuel from a local fuel distributor either through delivery or pay at the pump. In 2011, it purchased about \$3,300 for Diesel, \$9,700 for off-road diesel, and about \$44,500 for gasoline. When compared to DAS consortium gas prices it was found that the village paid more for its fuel than the DAS daily rate. The Village paid an average of \$0.075 more per gallon for diesel, \$0.139 more per gallon of off-road diesel and \$0.176 more per gallon for gasoline.

Although the Village compared fuel prices to other vendors; it does not compare its prices to DAS fuel contract prices. This increases the risk the Village will pay more than necessary for fuel.

¹² The splash pad is an outdoor recreational facility that includes fountains and areas for children to play.

R.12 Develop a pay schedule for Village employees.

Middlefield does not have a formal pay schedule for its employees. The Village had a step schedule but discontinued its use several years ago without implementing a replacement. In recent years the Village Council has adjusted pay for individual employees on an ad hoc basis.

Table 4 compares Village pay rates to peer averages.

Table 4: Village Pay Compared to Peers

	Middlefield	Peer Average	Difference	%Difference
Elected Officials (Annual Salary) ¹³				
Council Member	\$6,930.00	\$2,964.00	\$3,966.00	57.2%
Mayor	\$9,238.00	\$7,400.00	\$1,838.00	19.9%
Law Director (Hourly Wage) ¹⁴				
Law Director	\$225.00	\$166.50	\$58.50	26.0%
Police (Hourly Wage) ¹⁵				
Chief of Police	\$30.29	\$40.81	(\$10.52)	(34.7%)
Patrol Officer	\$22.67	\$28.44	(\$5.77)	(25.4%)
Village Administration (Hourly Wage) ¹⁶				
Village Administrator	\$37.27	\$38.83	(\$1.56)	(4.2%)
Fiscal Officer	\$21.64	\$25.09	(\$3.45)	(16.0%)
Tax Administrator	\$11.40	\$19.84	(\$8.44)	(74.0%)
Clerk	\$16.85	\$17.60	(\$0.75)	(4.4%)
Recreation (Hourly Wage)				
Recreation Director	\$19.42	\$15.82	\$3.61	18.6%
Recreation Assistant	\$10.50	\$8.81	\$1.69	16.1%
Public Works (Hourly Wage)				
Waste Water Treatment Operator	\$25.26	\$22.50	\$2.76	10.9%
Water Treatment Operator	\$23.24	\$22.50	\$0.74	3.2%
Director of Streets and Utilities	\$39.85	\$29.72	\$10.13	25.4%

Source: Client and Peer provided data

Without a formal pay schedule, the Village pays some employees well above and others well below market rates. As shown in **Table 4**, the Village pays the Police Chief, police officers, Fiscal Officer and Tax Administrator significantly less than peer averages, while the Recreation Director, Recreation Assistant and Director of Streets and Utilities are paid significantly above peer average.

The Society for Human Resources Management States that "Salary structures are an important component of effective compensation programs and help ensure that pay levels for groups of

¹³ Comparisons were made to similar positions in the City of Chardon and the Villages of Burton, Chagrin Falls and South Russell.

¹⁴ Comparisons were made to similar positions in the City of Chardon and the Villages of Chagrin Falls, Minster, New London and Versailles.

¹⁵ Comparisons were made to similar positions in the City of Chardon and the Villages of Russell and South Russell.

¹⁶ Comparisons were made to similar positions in the City of Chardon and the Villages of Minsters, New Bremen, New London and Versailles.

jobs are competitive externally and equitable internally. An effective salary structure allows management to reward performance and the development of skills while controlling overall base salary costs by providing a cap on the range paid for particular jobs or locations".

One example of a village that compensates employees for longevity is New London, which uses a small annual longevity stipend to reward employees for their years of service. The City of Chardon and Village of New Bremen use a more detailed salary schedule that increases pay according to a step schedule. Steps schedules are also used by the State of Ohio and Federal Government. A salary schedule will help the Village compensate employees based on job performance, market rates, and specialized skills and experience.

R.13 Reduce sick leave payout upon retirement to ORC minimum.

According to Village Ordinance 147.04, Village employees can accrue up to 960 hours of sick time. After at least 10 years of service, an employee can retire and receive full pay for up to 480 hours of sick time. This policy was enacted without using the ORC as a model.

According to ORC § 124.39, if an individual retires from active service after 10 years with the State of Ohio, they are entitled to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit up to a maximum of 30 days. Because the sick leave policy is more generous than the ORC requires, Village retirement payouts may be 50 percent higher than necessary. For example, in 2011 a Village employee retired and received a sick leave payout equal to approximately \$16,000. Had the Village implemented these guidelines it would have saved approximately \$8,000.

R.14 Employees should comply with the Village licensure policies.

During the course of the audit, Village council eliminated the policy mandating the Director of Streets and Utilities hold water and waste water treatment licenses.

The Village policy 135.05(c) states, "The Director of Streets and Utilities must possess an Ohio Class I wastewater operator's license and an Ohio Class I water operator's license. If the water and/or waste water treatment plants and systems are reevaluated by the Ohio EPA so as to require a higher operator license, the Director of Streets and Utilities will be required to obtain that higher class operator license."

Because the Director of Streets and Utilities does not possess the certifications per the Village ordinance the Village is in violation of this ordinance. According to the Village, the license lapsed a few years ago. The Village noted that this was an oversight.

R.15 Create a volunteer advisory committee for the Recreation Department. This committee should be used to help the department operate with no Income Tax fund transfers.

Previous Village administrations put an emphasis on recreational leagues and events. This resulted in a number of programs that do not cover the cost of operation. During 2011, the

Recreation Department had a Recreation Director, Recreation Supervisor, Activities Coordinator, and a part-time receptionist. The combined total of salaries and benefits for these positions was \$67,774.

For 2009 through 2011, the average cost recovery for the recreation department was about 28 percent of expenditures while *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards* (Ammons, 2012), states that the average cost recovery is about 58 percent.

In 2011, the Recreation Department offered 19 programs/leagues and 10 events. The peers offer an average of 3.2 programs/leagues and 5.2 events. Most of the peer programs were operated by volunteers. Also, the village transferred \$80,000 from the Income Tax fund in 2011, 2010, and 2009 to the recreation department fund because expenditures exceeded revenues.

In the Mackinac Center for Public Policy's article, *The Pros and Cons of Zero-Based Budgeting*, November 2003, notes in addition to saving money and improving services, zero-based budgeting may:

- Increase restraint in developing budgets;
- Reduce the entitlement mentality with respect to cost increases; and
- Make budget discussions more meaningful during review sessions.

Zero-based budgeting can be useful for reevaluating a process that may need a fresh review.

New London's Recreation Department did not receive a General Fund subsidy from 2009 through 2011. The department has a five person volunteer advisory committee. This committee's purpose is to come up with new recreation ideas and carry out events and programs offered that will remain solvent. The committee has the power to create subcommittees for specific events. These subcommittees are also run on a volunteer basis.

R.16 Sports leagues should be supported and managed through the use of Village residents.

In 2011, the Village recreational and sports programs expenditures totaled approximately \$135,800. About \$67,000 was for salaries and benefits of the full-time Director, a part-time Recreation Supervisor and a part-time Activities Coordinator and part-time receptionist. The village does not use volunteers to manage its sports and programs.

Chardon has sports program including soccer, baseball, girls' softball and girl's youth basketball leagues that are managed by Directors which are paid a small stipend. This minimizes the burden of these leagues on the City's general fund and allows residents to take part in the development of the youth.

R.17 Develop a compensatory time policy for all Village employees.

For 2009 through 2011, the sewer, water, service and street department paid out an average of 1,924 hours of overtime annually. The majority of overtime was for seasonal activities, including

an average of 567 hours annually on snow plowing, and over 225 hours annually on park and splash pad maintenance. For these years overtime was equal to about 13 percent of regular hours. Implementing a compensatory time policy will help reduce overtime to six percent.

Although the Village has an existing comp time plan, it only covers the Police Department. The Fair Labor Standards Act of 1938 allows a government entity to offer employees the option of taking compensatory time instead of overtime. The Federal Office of Personnel Management allows an employee to carry over comp time for up to 26 pay periods.

Without a set benchmark in place for strategies implemented to reduce overtime the Village could be incurring excessive salary costs.

R.18 Eliminate the practice of including sick time and vacation time in overtime calculations.

Village ordinance 147.04 states that "Authorized vacation days, authorized sick leave, and holidays recognized under Section 147.03(a) shall be considered the same as time worked for the purpose of computing overtime". The Fair Labor Standards Act of 1938 does not require an employer count paid vacation or sick days in calculations of hours worked for overtime purposes.

Counting vacation and sick leave towards total hours for the week increases overtime and could potentially allow an employee to take paid time off and increase overtime pay.

R.19 Create a Joint Economic Development District (JEDD) to foster economic development.

The Village passed Ordinance 121.05 on April 5, 2012 to create an Economic Development Committee to "...review matters concerning the promotion of new and industrial development within the village, as well as preservation and enhancement of current commercial and industrial businesses and residential properties within the Village". The Village also created an Economic Development Plan and understands that its goals are important to the vitality and prosperity of the village.

The Village of Middlefield's Economic Development Committee currently includes the Mayor, two council members, and two residents of the Village. One specific task of the committee is to develop a Rapid Response Process and assign a point person who can react quickly to economic development opportunities for recruitment of new businesses or assist existing businesses to pursue opportunities.

Its business plan implementation includes 5 short term goals as follows:

- Institutionalize Economic Development;
- Diversify Business Base;
- Implement Retention/Expansion Program;

- Participate in Regional and County - Wide Economic Development Coordination Groups; and
- Improve Commercial District Environment.

Since 1993, more than 20 Joint Economic Development Districts (JEDDs) have been created in Ohio to promote local cooperation among cities and villages with townships. JEDDs provide a mechanism by which townships and cities/villages can foster development activities without annexation. The creation of a JEDD eliminates barriers that exist between local governments that impede economic development. JEDDs make economic development beneficial for both government entities involved.

Although the benefits of the creation of a JEDD are difficult to measure, the function of a JEDD could help the implementation of many of the economic plans already created by the Economic Development Committee.

R.20 The Village should create a Succession Plan for critical positions.

The plan should include the following:

- **Identify Critical/Key Positions;**
- **Assess Leadership Potential;**
- **Develop and Retain Talent Pool;**
- **Capture, Transfer Knowledge, and**
- **Measure, Monitor, and Evaluate Success.**

Although the Village is pursuing the replacement of some critical positions the Village does not currently have a succession plan in place. For example, if a long term employee were to retire or obtain employment with another entity, having a plan in place to replace the employee would make the transition less disruptive to the village.

According to *Succession Planning: Career Development* (American Society for Training & Development, 2000), succession planning entails identification of employees who possess the skills to meet future organizational challenges. Some components of planning include:

- **Replacement Planning** - this is the primary component of succession planning and, at its simplest, is an identification of employees who may potentially be able to fill positions as they become vacant.
- **Identifying High-Potential Employee** - focuses on identification of employees who have the ability to move into key positions within the organization. In identifying these employees, management must look at critical competencies and characteristics of potential candidates.
- **Employee Input** - focuses on linking employee career development goals and desires with organizational succession planning needs.
- **Development Programs** - includes providing a means for employee development and training. An effective employee development program would involve assessing the skills

and development needs of high potential employees, and making provisions for training and development to build specific competency requirements.

Not having a succession plan could leave the village in a position where it is incapable of carrying out services to its residents.

R.21 Code enforcement complaints should be routed to a designated Village employee who tracks violations and delegates them to the engineer or building inspector.

In 2011, the Village paid an engineer approximately \$8,600 for 114.5 hours of work to address external code violations on a compliant basis. The engineer's contact information is on the Village's website, and residents and employees contact the engineer directly to report suspected code violations. Each month the engineer invoices the Village and briefs council on his activities. The invoices do not include the detail necessary to track charges.

In 2004, the Village hired the engineer on a contract basis to reduce zoning and planning expenditures. The engineer was contracted for code enforcement because he helped the Village draft new zoning ordinances.

Routing code violations directly to the Engineer reduces the level of control of the cost associated with these services. Furthermore, external code maintenance violations should be reviewed by a less costly provider, i.e. building inspector.

R.22 Establish a work order system to document that the village requested the work billed from the engineer and completed by the engineer.

In 2011, the Village incurred \$27,000 for miscellaneous zoning from its Engineering Firm. The Village does not have a work order system in place to track zoning work requested. The engineer sends the Village a monthly invoice that includes little detail. The Village council receives monthly reports with some detail but not enough to properly track all charges.

According to the National State Auditors Association's *Contracting Best Practices* (2003), contract monitoring is an essential part of the contracting process. Monitoring ensures that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, the contracting agency cannot assure that all contract provisions are fulfilled.

To properly monitor a contract, the agency should:

- Assign a contract manager with the authority, resources, and time to monitor the contract;
- Ensure the contract manager possess adequate skills and has the necessary training to properly monitor the contract;
- Track budgets and compare invoices and charges to contract terms and conditions;
- Ensure that deliverables are received on time and document the acceptance or rejections of deliverables;
- Withhold payments to vendors until deliverables are received;

- Retain documentation supporting charges against the contract; and,
- After contract completion the agency evaluates the contractor's performance on this contract against a set of pre-established, standard criteria and retains this record of contract performance for future use.

Village residents and employees contact the engineer directly to request services. The engineer performs the service and sends the village an invoice. The Village does not have a system to match invoices to requests for service. Without a way to track that work has been performed and completed in a satisfactory manner by the contractor, the Village may not be getting charged correctly.

R.23 Implement less labor-intensive methods of watering flower baskets and leaf collection.

The Village Service Department offers many services including an annual clean-up day, leaf pick-up, Christmas tree pick-up, wood chipping, litter pick-up, flower watering and the hanging of flags and seasonal decorations. All of these services are performed by Village employees. In 2011, the village paid about \$35,500 in labor to provide these services.

The City of Napoleon, Ohio reduces the paid labor needed for refuse collection by using inmates from the county jail. The Geauga County Sheriff contracts litter pickup to ODOT and other townships. The Village could consider contracting with the Sheriff to use inmates for services such as leaf pick-up.

The Village should also reduce the labor required to water hanging baskets. The City of Bay Village, Ohio reduces its labor expenditures by installing gel packs that slowly release water into its hanging baskets. This reduces the frequency and time needed to water plants. The Village should also consider contracting out its watering services to a private company, if cost effective.

Client Response

The letter that follows is the Village of Middlefield's official response to the performance audit. Throughout the audit process, staff met with Village officials to ensure substantial agreement on the factual information presented in the report. When the Village disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

Village of Middlefield, Ohio

Middlefield Means Business

December 14, 2012

Mr. David Yost, Auditor of State
Office of Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Re: Village of Middlefield, Performance Audit

Dear Auditor Yost;

On behalf of Middlefield Village Council and myself, I thank you for the fine work done by your performance audit team. The audit team conducted themselves in a very professional manner throughout the entire process. The audit team conducted department site visits and discussed each departments operational details with supervisors, staff and local public officials, in a non-intrusive manner that garnered and sustained support for the audit, throughout the process.

During the initial onset of the audit, I did have some doubts as to the worth that might be realized by having this performance audit done. I must inform you now, that I am exceptionally pleased with the final result of this audit, the way the audit was conducted and the value we received from your performance audit team's outstanding ability, to recognize where potential savings for the village existed and in recommending what action should be taken.

Village Officials have already, implemented some of the recommendations from the audit team and are already realizing the benefits that your audit program has very successfully identified. We here believe that the State of Ohio, is moving in the right direction offering these performance audits to communities as a cost savings tool.

Many times public officials notice that there may be potential to save revenue but lack the necessary background information or lack the time needed to compile information from peer groups and review detailed information for extensive comparisons. Your audit team pulled this information together in a precise and decisive manner and provided the foundation necessary and the basis whereby village officials could implement the cost savings measures and ultimately make the hard decisions that always seem to accompany cost savings implementation.

In closing, I offer you our support for your performance audit program. If we can be of service to you as a reference please direct any inquiries to my office on 440-632-3520. Once again, I thank you and your audit team for a job well done.

Sincerely;



Ben Garlich, Mayor
Village of Middlefield



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CEC 2 8 2012

**DAVE YOST
AUDITOR OF STATE**

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Dave Yost • Auditor of State

VILLAGE OF MIDDLEFIELD

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2013