



Dave Yost • Auditor of State





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To the residents, elected officials, management, and stakeholders of the City of Bellefontaine,

At the request of the Mayor and City Council, the Auditor of State's Ohio Performance Team conducted a performance audit of the City to provide an independent assessment of operations. Functional areas selected for operational review were identified with input from City management and were selected due to strategic and financial importance to the City. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the City's overall efficiency and effectiveness. This report has been provided to the City and its contents have been discussed with the appropriate elected officials and City management.

The City has been encouraged to use the management information and recommendations contained in the performance audit report. However, the City is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

**SkinnyOhio.org:** This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

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

Dave Yost  
Auditor of State

April 22, 2014

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# Executive Summary

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## Purpose and Scope of the Audit

The City of Bellefontaine (the City) requested that the Auditor of State's (AOS) Ohio Performance Team (OPT) conduct a performance audit in order to provide an objective assessment of the economy, efficiency, and effectiveness of the City's operations and management.

Utility Billing and Water/Wastewater Operations were selected for detailed review and analysis in consultation with the City. See **Appendix: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

## Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility for overseeing or initiating corrective action, and contribute to public accountability.

## Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources including; peer comparisons, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the City, the following Ohio municipalities were identified as peers: the cities of Urbana (Champaign County), Washington Court House (Fayette County), and Wilmington (Clinton County). Where reasonable and appropriate, peer cities were used for comparison. However, in some operational areas industry standards or leading practices were

used for primary comparison. Sources of industry standards or leading practices used in this audit include: American Water Works Association (AWWA), Rural Community Assistance Corporation (RCAC), Bureau of Labor Statistics (BLS), National Drinking Water Clearinghouse (NDWC), United States Environmental Protection Agency (USEPA) and the Society for Human Resource Management (SHRM).

The performance audit involved information sharing with the City, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the City of key issues impacting selected areas, and shared proposed recommendations to improve operations. The City provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the City of Bellefontaine for their cooperation and assistance throughout this audit.

### Summary of Recommendations

The following table summarizes performance audit recommendations and when applicable, the associated financial implications.

#### Summary of Recommendations

Recommendations	Savings
<b>R.1 Reduce utilities billing clerical staff by 1.0 FTE</b>	\$40,364
<b>R.2 Reduce overtime expenditures to less than 1.2 percent of total compensation</b>	\$20,300
<b>R.3 Track and report accurate water loss</b>	\$193,000
<b>R.4 Hold the property owner responsible for delinquent utility bills</b>	N/A
<b>Total Cost Savings from Performance Audit Recommendations</b>	<b>\$253,664</b>

# Background

## Water

The Water Department at the City of Bellefontaine is responsible for producing and delivering water to approximately 5,400 customers. **Table 1** below shows the Water Department's operations compared to selected peers.

**Table 1: FY 2012 Water Department Operational Statistics**

	Bellefontaine	Peer Average	Variance	% Difference
<b>Operational Revenue</b>	\$1,866,988	\$2,808,815	(\$941,827)	(33.5%)
<b>Operational Expenditures</b>	\$1,229,913	\$1,585,482	(\$355,569)	(22.4%)
<b>Total FTEs<sup>1</sup></b>	6.2	10.3	(4.1)	(39.8%)
<b>Gallons Treated per year</b>	675,644,300	650,335,250	25,309,050	3.9%
<b>Expenditures per 1,000 Gallons</b>	\$1.82	\$2.61	(\$0.79)	(30.3%)
<b>Total Water Accounts</b>	5,400	5,604	(204)	(3.6%)
<b>Accounts per FTE</b>	864	565.6	298	52.7%
<b>Total Max Capacity (MGD)</b>	3.0	3.2	(0.2)	(6.3%)
<b>Total Usage (MGD)</b>	1.9	1.8	0.1	5.6%
<b>MGD per FTE</b>	0.3	0.2	0.1	50.0%
<b>Population</b>	13,370	12,658	712	5.6%
<b>Total FTEs per 1000 Citizens</b>	0.5	0.8	(0.3)	(37.5%)
<b>Percentage of Max Capacity Used</b>	63.3%	56.3%	7.0%	12.4%

Source: City of Bellefontaine and peer cities

Note: Utility employees excluded from FTE count

<sup>1</sup>Includes a seasonal employee and an employee who retired in December 2012

As seen in **Table 1**, the Water Department is treating more water than the peers, and doing it with fewer staff. In particular, even with 4.1 fewer FTEs, Bellefontaine's Water Department treated 3.9 percent more gallons of water while its expenditures per 1,000 gallons were 30.3 percent lower. Overall, the Water Department is performing better than the peer average on every operational level despite having fewer staff and generating less revenue.

**Table 2** shows the Water Department's operational revenue and expenditures over the past three fiscal years.

**Table 2: Water Department Operational Income FY 2010 - FY 2012**

	2010	2011	% Difference	2012	% Difference	% Avg. Difference per year
<b>Revenues</b>	\$1,736,094	\$1,871,152	7.8%	\$1,866,988	(0.2%)	3.8%
<b>Expenditures</b>	\$1,239,073	\$1,279,130	3.2%	\$1,229,913	(3.8%)	(0.4%)
<b>Net Results of Operation</b>	\$497,021	\$592,022	19.1%	\$637,075	7.6%	14.1%

Source: City of Bellefontaine

Note: Does not include transfers or bond payments

The Water Department's net operating income steadily increased in each of the last three fiscal years. Expenditures decreased 3.8 percent between 2011 and 2012, due in part to lower personnel costs. Expenditures are expected to decrease again in FY 2013 as the Assistant Water Superintendent retired and that position was not filled. In addition, in July 2013 the City increased the rates for water service, which is projected to significantly increase revenues in the coming years.

Salaries were analyzed as part of this audit. Water Treatment Plant Operator III employees are paid 2.6 percent more than their peers over a thirty year career, while Maintenance Worker I and II employees earn 0.2 percent less and 1.3 percent more, respectively, over a thirty year career. As a result, salaries will not be analyzed further in this audit.

Sick leave use in the Water Department was also analyzed. Compared to the average compiled by the Department of Administrative Services for public employees in the American Federation of State, County, and Municipal Employees (AFSCME), in FY 2012, the Water Department in Bellefontaine used 37.9 fewer hours of sick leave per employee. As a result, no recommendation will be made concerning sick leave use.

### Wastewater

The Wastewater Department at the City of Bellefontaine is responsible for providing sewer and wastewater sanitation service to 5,311 customers. As of July 1, 2012, the City of Bellefontaine assumed control of the operations of the city-owned wastewater plant when the former company managing it ceased operations. The City hired three of the company's employees at that time to maintain continuity of operations. **Table 3** shows operational statistics for FY 2012.

**Table 3: FY 2012 Wastewater Department Operational Statistics**

	Bellefontaine	Peer Average	Variance	% Difference
<b>Operational Revenue</b>	\$2,433,717	\$3,083,573	(\$649,856)	(21.1%)
<b>Operational Expenditures</b>	\$1,233,775	\$1,840,360	(\$606,585)	(33.0%)
<b>Total FTEs</b>	7	13	(6)	(46.2%)
<b>Gallons Treated</b>	792,000,000	737,421,500	54,578,500	7.4%
<b>Expenditures per 1,000 Gallons</b>	\$1.56	\$2.64	(\$1.08)	(40.9%)
<b>Total Wastewater Accounts</b>	5,311	4,479	832	18.6%
<b>Accounts per FTE</b>	759	356.7	402.3	112.8%
<b>Total Max Capacity (MGD)</b>	15.8	6.4	9.4	146.9%
<b>Total Usage (MGD)</b>	2.2	2.0	0.2	10.0%
<b>MGD per FTE</b>	0.3	0.2	0.1	50.0%
<b>Population</b>	13,370	12,658	712	5.6%
<b>Total FTEs per 1000 Citizens</b>	0.5	1.0	(0.5)	(50.0%)
<b>Percentage of Max Capacity Used</b>	13.9%	31.3%	(17.4%)	(55.6%)

Source: City of Bellefontaine and peer cities

Note: Utility employees excluded from FTE count

The Wastewater Department is operating more efficiently than the peers while employing significantly fewer staff. For instance, it treated 7.4 percent more gallons of wastewater but had 6 fewer FTEs. Expenditures per 1,000 gallons were significantly less than the peers while handling

significantly more accounts per FTE. As a result, the Wastewater Department is more efficient when compared to the peers.

**Table 4** shows the revenue and expenditure trends from FY 2010 through FY 2012.

**Table 4: Wastewater Department Operational Income FY 2010 - FY 2012**

	2010	2011	% Difference	2012	% Difference	% Avg. Difference per year
<b>Revenues</b>	\$2,269,616	\$2,461,461	8.5%	\$2,433,717	(1.1%)	3.7%
<b>Expenditures</b>	\$1,098,308	\$1,271,426	15.8%	\$1,233,775	(3.0%)	6.4%
<b>Net Results of Operation</b>	\$1,171,308	\$1,190,034	1.6%	\$1,199,942	0.8%	1.2%

**Source:** City of Bellefontaine

Note: Does not include transfers or bond payments

The net operating income at the Wastewater Department increased each year, despite a decline in revenues in FY 2012. Expenditures declined by 3 percent in FY 2012, due in part to the expiration of the private operations contract and the elimination of contract administration costs.

Salaries were analyzed as part of this audit. Sewer Maintenance I and II employees earn 0.3 percent and 1.3 percent more, respectively, than the peers over a thirty year career, while the superintendent earns 11.9 percent less than the peers. Compared to data from the Ohio Municipal League for cities across the state, the Wastewater Superintendent earned 9.2 percent less than administrators in comparable positions in similarly sized cities. Accordingly, salaries will not be further analyzed in this audit.

Sick leave use at the Wastewater Department was also analyzed. Compared to the average compiled by the Department of Administrative Services for public employees in the American Federation of State, County, and Municipal Employees (AFSCME), in FY 2012, the Wastewater Department in Bellefontaine used 25.8 fewer hours of sick leave per employee. As a result, no recommendation will be made concerning sick leave use.

### *Utility Billing*

The Utilities Billing Department (UBD) is responsible for the establishment of new service, billing, meter reading, collection, and customer service. The City began implementing a new automated water meter reading system in May 2011. The new meters include technology to read water consumption more efficiently and improve the amount of data the City receives.

**Table 5** shows the UBD positions and FTE staffing for 2012.

**Table 5: 2012 Utilities Billing Department Staffing Levels**

<b>Administrative Support and Utility Billing Staff</b>		
<b>Classification</b>	<b>Positions</b>	<b>FTEs</b>
Safety Service Director <sup>1</sup>	1	0.1
Superintendent	1	1.0
Utility Billing Clerks	3	3.0
Meter Readers <sup>2</sup>	3	2.5
<b>Total Utility Billing Department Staff</b>	<b>8</b>	<b>6.6</b>

Source: Bellefontaine 2012 Utilities Billing Department staffing and payroll.

<sup>1</sup>The Safety Service Director provides oversight for eleven different City departments, of which the UBD is one. The Safety Service Director's time was calculated to be equally divided among all 11 departments for FTE purposes.

<sup>2</sup>The UBD had 3.0 meter reader FTEs during the first half of 2012, but 1.0 staff meter reader FTE transferred to the Sewer Department during the second half of 2012 after the installation of the automatic meter readers.

The City determines future water and sewer rates based on projected expenses. When setting its rates, the City ensures that its annual revenue covers annual expenses, plus reserves, as recommended by industry criteria. As a result, it appears to maintain an appropriate water rate structure and no rate recommendations will be made in this performance audit.

#### *Subsequent Event*

During the progress of the performance audit, the City of Bellefontaine officials discussed the advantages of a One Stop Payment Center to include payments from Utilities, Income Tax, and Parks. This centralized payment center would enhance the City's internal control over cash receipts, support **R.1** (clerical staff reduction), and potentially improve customer relations.

# Recommendations

## R.1 Reduce utilities billing clerical staff by 1.0 FTE

The UBD employs 3.0 clerical FTEs, who are responsible for preparing the monthly billing, processing customer payments, making courtesy calls for high and low reads, and performing other customer service duties. Currently, the City manually performs all of the billing process in-house. Furthermore, the implementation of the automatic radio-monitored meters has not decreased the workload of the utility clerks. However, according to the UBD Superintendent, the new meter installation has freed the meter reader staff to perform other duties which the City could not attend to in prior years due to a lack of manpower. Examples of such functions include, but are not limited to; audit work, checking inventories, monitoring refuse containers, and resolving other refuse issues. In other words, the two meter reader staff members in UBD are still performing very important cross functions that were previously not addressed by the City.

The staffing in UBD was compared to the average of three peers in **Table 6**.

**Table 6: Utility Billing Department Staffing Comparison**

Classification	Bellefontaine	Peer Average	Difference	% Difference
<b>Utility Billing Staff</b>				
Management / Director <sup>1</sup>	0.1	0.1	0.0	0.0%
Office Manager/Superintendent / Administrator <sup>2</sup>	1.0	0.3	0.7	233.3%
Clerical/Billing <sup>3</sup>	3.0	1.9	1.1	58.0%
Meter Reader <sup>4</sup>	2.5	2.0	0.5	25.0%
<b>Total Administrative Support and Utility Billing FTEs</b>	<b>6.6</b>	<b>4.4</b>	<b>2.2</b>	<b>50.0%</b>
<b>Staffing and Operating Ratios</b>				
Total Number of Water Accounts <sup>5</sup>	5,400	5749	(349)	(6.1%)
<b>Water Accounts per Administrative Support and Utility FTE</b>	<b>818</b>	<b>1,331</b>	<b>(513)</b>	<b>(38.5%)</b>
<b>Number of Water Accounts per account clerk FTE</b>	<b>1,800</b>	<b>2,960</b>	<b>(1,160)</b>	<b>(39.2%)</b>

Source: Bellefontaine, peers cities

<sup>1</sup>The Management/Director classification represents City Administrators outside of the Utility Billing Department allocating time to running the Utilities Billing Department. The City of Bellefontaine has the Safety Service Director and other management positions allocating time to the Utilities Billing Department.

<sup>2</sup>The Office Manager/Superintendent/Administrator classification represents staff that is responsible for overseeing the day-to-day operations of the Utilities Billing Department.

<sup>3</sup>This calculation only includes utility billing clerk FTEs

<sup>4</sup>This calculation only includes meter reader FTEs.

<sup>5</sup>Includes residential and commercial accounts

As shown in **Table 6**, UBD maintains a lower number of water accounts per clerk FTE when compared to the peer average. Furthermore, the total administrative support and Utility Billing FTEs for the City exceeded the peer average by approximately 50 percent, or 2.2 FTEs.

The Cities of Wilmington and Washington Court House both complete their billing in-house, similar to Bellefontaine. However, Washington Court House uses an automated accounts receivable system. The City of Urbana does all of its utility billing in-house and does not have technology that automates the entering of bill payments. However, it outsources the bill printing and mailing functions to a third party. The City of Washington Court House has six billing cycles per month, while the cities of Urbana and Wilmington, similar to Bellefontaine, have only one billing cycle. All four cities check for high and low reads and contact the customers either through fliers or phone calls about the situation. By implementing the automatic radio-monitored meter technology in the UBD and not reducing the number of meter readers, the City appears to be less efficient in this area. In the clerical/billing classification, Bellefontaine exceeded the peer average by 58.0 percent, or 1.1 FTEs. The same number of staff at the City performs fewer duties and handles fewer accounts than the peers. If the City reduced its clerical staffing levels by 1.0 FTE, UBD would service approximately 2,700 accounts per FTE. While this number is lower than the peer average, it is higher than the accounts per FTE in Wilmington and Urbana.

**Financial Implication:** By eliminating one full-time clerical position, the City could realize annual savings of approximately **\$40,364** in salaries and benefits.

Subsequently, the City is considering the reduction of 1.0 FTE meter reader position and the re-assignment of 1.0 FTE meter reader as a service position to provide the cross functions not previously addressed by the City. If the City decides to implement the considered changes, it could realize annual savings of approximately \$50,800 in salary and benefits.

## **R.2 Reduce overtime expenditures to less than 1.2 percent of total compensation**

For this assessment, total employee compensation includes salaries and wages, insurance, pension, paid leave, payroll taxes, unemployment compensation, and workman's compensation. Overtime expenditures for Bellefontaine's Water Department and Wastewater Department were compared to data published by the Bureau of Labor Statistics (BLS). The publication, *Employer Costs for Employee Compensation* (June 2012), measures employer costs for wages, salaries, and employee benefits for nonfarm private, state, and local government workers. According to the publication, overtime should amount to 1.2 percent of total employee compensation for employees in a service function, which includes water and wastewater operations.

**Table 7** below shows the overtime use at the Water Department and Wastewater Department at the City of Bellefontaine compared to the industry benchmark.

**Table 7: Overtime Analysis**

	<b>Total Compensation</b>	<b>Overtime</b>	<b>% Overtime</b>	<b>BLS Benchmark</b>	<b>OT at Benchmark</b>	<b>Difference</b>
<b>Water</b>	\$625,252	\$23,845	3.8%	1.2%	\$7,503	\$16,342
<b>Sewer</b>	\$391,122	\$8,646	2.2%	1.2%	\$4,693	\$3,952
<b>Total</b>	<b>\$1,016,374</b>	<b>\$32,491</b>	<b>3.2%</b>	<b>1.2%</b>	<b>\$12,196</b>	<b>\$20,294</b>

Source: City of Bellefontaine and Bureau of Labor Studies

Both the Water and the Wastewater departments are experiencing overtime that exceeds the industry standard. The combined total overtime expenditures of \$32,491 exceeded the industry standard by \$20,294.

The Society for Human Resource Management (SHRM 2011) recommends the use of temporary or part-time employees to defray the costs of overtime. Operations requiring continuous coverage, such as staff on hand seven days a week, benefit from such an arrangement. Such a strategy would help prevent overtime dependency, increased absenteeism due to overwork, and would increase productivity without substantially raising labor costs. In addition, technology improvements that would make the plants more automated would assist in reducing the amount of overtime by lowering the staffing requirements pursuant to Environmental Protection Agency guidelines.

The Water Department and Wastewater Department are staffed at a lower level compared to the peers while producing and treating more water and wastewater, respectively. This level of staffing may result in the higher overtime expenditures as fewer staff are used to maintain operations. In addition, the City has a minimum call-in of 3 hours of overtime pay for employees who are called in after hours or on the weekend. Also, employees work overtime on weekends in order to backwash the system in the Water Department or take samples in both the Water Department and Wastewater Department. The combination of these factors resulted in excessive overtime expenditures.

Financial Implication: Reducing overtime to industry standards will result in annual combined savings of approximately **\$20,300** in the Water and Wastewater Departments.

### **R.3 Track and report accurate water loss**

**In order to track and report accurate water loss amounts, the City should consider replacing water meters in City-owned buildings and installing meters on unmetered City property.**

The Water Department provides water to its citizens as well as customers and businesses located just outside the City limits. In 2012, the City billed \$1,771,253 to customers for water services, and collected \$1,769,578. The Water Department produced approximately 675.64 million gallons in 2012, of which 478.66 were billed to customers. **Table 8** below shows the City's unbilled water or water loss.

**Table 8: Water Loss Analysis**

<b>Water Pumped (Millions of Gallons)</b>	675.64
<b>Water Billed (Millions of Gallons)</b>	478.66
<b>Water Lost or Unbilled (Millions of Gallons)</b>	196.98
<b>Water Loss Percentage</b>	<b>29.2%</b>

Source: City of Bellefontaine

As illustrated in **Table 8**, the City had a water loss rate estimated at 29.2 percent. The calculated water loss rate is approximately the number reported by the City in its annual infiltration and inflow report. However, according to the Water Superintendent, the Utility Billing Superintendent, the Safety Service Director, and other city officials the actual water loss rate is unknown because City-owned buildings and property are either not metered, or if they are metered, are not having their meters read. As a result, there is an unknown percentage of water unaccounted for at these sites.

According to the National Drinking Water Clearinghouse (NDWC 2012), a project of the West Virginia University, a water loss rate between 10 to 20 percent is acceptable, with loss above 20 percent requiring corrective action. Bellefontaine's estimated water loss of 29 percent is above the 20 percent threshold and as a result, corrective action is warranted. Using the current water rate structure in the City, the water loss rate equates to approximately \$579,703 in lost revenue. The dollar loss of the high end of the industry standard at Bellefontaine's rate is \$386,469, a difference of \$193,234.

The United States Environmental Protection Agency (USEPA, 2012) recommends the use of water audits to understand water loss. A water audit would allow the City to identify areas where water loss is problematic and make improvements to its system to ensure efficient delivery. An annual water audit is recommended and could be conducted using existing data. However, in order for such an audit to be effective, the City needs to monitor all water usage in its jurisdiction so it can identify problem areas in the delivery system. This would include the metering of all city property and the reading of all meters on city property.

The City has not been reading the installed meters on City property and has several properties that are unmetered. As a result, it has no way of tracking the efficiency of its water delivery system.

Properly tracking water loss will allow the City to gauge the effectiveness of its water system and take corrective action if needed. Unaccounted for water use, once City use is factored in, will allow the City to capitalize on lost revenue opportunities that could improve the financial condition of its enterprise funds.

**Financial Implication:** The City could realize additional revenue of approximately **\$193,000** if it decreases water loss to the NDWC benchmark of 20 percent.

#### **R.4 Hold the property owner responsible for delinquent water/wastewater bills**

**Update the City Ordinance to hold the property owner liable for water and wastewater bills and to allow a lien to be placed on property when bills are delinquent.**

Bellefontaine has codified ordinances that allow for effective water and sanitary sewer service (WSSS) utility billing collections for water and wastewater operations. The ordinances require a monthly utility billing cycle, and bills are required to be paid within fifteen days of receipt. Bills not paid within 15 days are assessed a 10 percent late fee. Furthermore, the codified ordinances give the City authority to terminate or shut off water service for bills that are more than 30 days delinquent and to hold the lessee or their co-signers liable for unpaid utility charges. The City indicated that in cases where tenants in rental situations are unable to pay a delinquent balance on a utility bill, the City can only seek reimbursement from the tenant, but not the landlord/property owner, because the City Ordinance does not stipulate liens against the property owner.

The City of Washington Court House utility contract and codified ordinances establish that all WSSS utility bills are to remain in the property owner's name. Subsequently, the ordinances hold the property owner responsible for all WSSS utility expenses. Likewise, the Cities of Urbana and Wilmington codified ordinances establish that utility charges not paid within 30 days are delinquent and may be recovered by holding the property owner responsible for all WSSS utility expenses. In all three cities, a lien may be put on the property to force the property owner to pay and may be recovered by civil action against the tenant or the guarantor, or both. In the City of Bellefontaine, only the tenant is held responsible for unpaid utility bills.

The Ohio Revised Code (ORC) §743.04 gives the director of public service or other official the authority to certify the water charges not paid together with any penalties, to the county auditor. The county auditor can then place a lien on the property. The lien is released immediately upon payment in full of the certified amount. Furthermore, the director of public service may collect charges by actions at law from an owner, tenant, or other person who is liable to pay the charges.

The City does not put liens on property to hold landlords responsible for unpaid utility bills incurred by tenants, thereby causing the City to suffer a loss of revenue.

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## Appendix: Scope and Objectives

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Generally accepted government auditing 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. 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.

In consultation with the City, OPT identified the following scope areas for detailed review: Utility Billing and Water/Wastewater Operations. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. Objectives and scope areas assessed in this performance audit include:

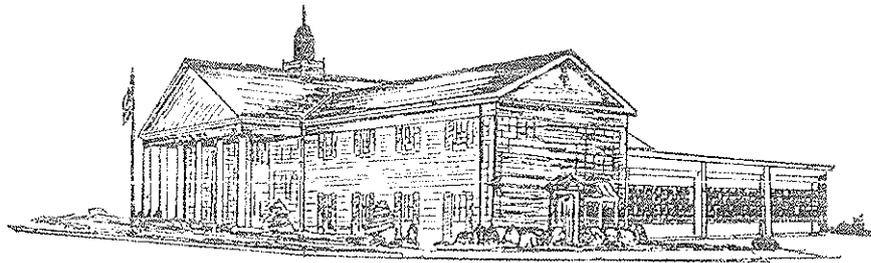
- **Utility Billing**
  - Are staffing levels appropriate for the level of services provided?
  - Determine if the billing and collection process is effective and efficient compared to peers and industry standards.
  - Are policies, procedures and utility collection ordinances effective?
  - Are collection practices effective?
  - Determine if the City has technology systems to ensure efficient Water, Sewer & Sanitation services.
  - Does the City maintain an appropriate water rate structure?
  
- **Water/Wastewater Operations**
  - Is the City staffed appropriately for water and wastewater operations?
  - Are salaries in line with peer averages?
  - Is overtime usage in line with peers and industry standards?
  - Is leave usage in line with recommended standards and practices?
  - How does the City's water department expenditures compare to the peers and industry benchmarks?
  - Does the City's water and wastewater departments collect enough revenue to cover expenditures?
  - Is the City's water loss at acceptable levels?
  - Is the water department operated efficiently?
  - Is the wastewater (sewer) department operated efficiently?

## **Client Response**

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

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**RE; Performance Audit 2014 Enterprise Division**

On behalf of the officials of the City of Bellefontaine we would like to offer our sincere appreciation for the professional and thorough performance audit that you and your staff conducted concerning our Water, Wastewater and Utility Office. The overall results appear to affirm that our Divisions are operated efficiently and cost effectively as compared to our peer Cities. Please find our response to each table and recommendation in the following paragraphs.

**Table 1 – Water Operational Performance**

Table 1 indicates that the City of Bellefontaine is producing and treating more water with significantly less FTE's at a lower cost than its peer Cities. This is very encouraging as efforts to coordinate duties with other divisions have allowed us to reduce staff and equipment inventory while allowing remaining personnel to focus on their primary duties.

**Table 2 – Water Operational Income**

Table 2 indicates a modest increase in water revenues that is significantly less than our peer cities despite producing more water. It is assumed that this is primarily due to lower rates although could partially be attributed to types of users and unaccounted water loss.

**Table 3 – Wastewater Operational Performance**

Table 3 once again indicated that the City of Bellefontaine is processing more wastewater with far fewer personnel at considerably less cost than our peer Cities. This is undoubtedly in no small part due to bringing the operation of the plant under City control and then sharing the resources in and out of the plant.

**Table 4 – Wastewater Operational Income**

Table 4 indicates improving income but is as well significantly less than our peer cities. It is apparent that modest increases would continue to pave the way for continued operational efficiency and capital improvements. Also it appears it is evident that some correction to the Superintendent's salary is in order and could be implemented over the next few years.

## **Table 5 – Utility Billing Staffing**

Table 5 is an overall report on Utility Billing Staffing and how each position relates to the Division. A quick review of this chart appears to suggest that staffing in this area is a little heavy but the explanations offered in the paragraphs following do a good job of showing the transition that is ongoing.

### **Recommendations:**

**R1** – Table 6 – The recommendation to reduce the number of FT billing clerks by one is one that we expected. Table 6 clearly supports that direction as compared to our peer cities. Upon completion of our server upgrade and implantation of our Utilities Billing Software upgrade we expect to be much closer to being able to implement this reduction. Other things such as outsourcing our billing process will play into the timing of that implementation. Also the City plans to eliminate the position of meter reader in favor of the creation of a utility service worker position. This may result in yet another position reduction in whole or in part depending on demand.

**R2** – Table 7 – The recommendation to reduce overtime expenditures to within recommended standards will be considered and monitored. The City believes that this minor disparity is in part created by the large difference in FTE's and the fact that there are no afterhours FTE's. When considered overall this may well be an efficiency but will be studied to see if it might be reduced by shift differential or part time staff.

**R3** – Table 8 – Track and report water loss – This recommendation is in line with the City's efforts to install meters at and read all existing meters at City owned facilities to better understand the City's actual water loss. The City will step up its annual efforts at identifying unknown water leaks and make repairs where needed and establish a goal of getting the unaccounted loss within acceptable limits. The new metering system is expected to assist in this effort.

**R4** – Hold Property owners for delinquent water/wastewater bills – This recommendation has been a topic of discussion for several years. There is no doubt that having tenant accounts contributes to the number of service calls for shut off, turn on and accounts for a great deal of uncollectable delinquencies. The administration will continue to work with council to change the ordinances to allow for holding property owners accountable for such bills.

### **Summary**

The City found this audit to be insightful as to our accomplishments and as to how we compare to other similar communities. We also find the recommendations helpful as we plan for future operations and improvements as it is our goal to provide our citizens the most efficient and cost effective services possible. Once again please accept our sincere appreciation for your efforts and recommendations. I am confident we will utilize them as we move ahead.



# Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE**

**LOGAN 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  
APRIL 22, 2014**