



Dave Yost • Auditor of State

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To the residents, elected officials, management, and stakeholders of the Village of Put-in-Bay,

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

The Village has been encouraged to use the management information and recommendations contained in the performance audit report. However, the Village 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
December 8, 2015

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Executive Summary

Purpose and Scope of the Audit

The Village of Put-in-Bay (PIB or the Village) requested 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 its operations and management. The following areas were selected for detailed review and analysis in consultation with the Village: water, sewer, utility billing, docks, bathhouse, and fringe benefits. See **Appendix A: 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 to oversee or initiate 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 comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the Village, three sets of peer groups were selected for comparisons contained in this report, based on services offered and size of operation. The following table contains the Ohio municipalities included in these peer groups.

Peer Group Definitions

| Water | Sewer | Docks & Bathhouse |
|--|---|-----------------------------------|
| Village of Kelleys Island (Erie County) | Village of Geneva-on-the-Lake (Ashtabula County) | City of Huron (Erie County) |
| Village of Marblehead (Ottawa County) | | City of Sandusky (Erie County) |

In addition to the peer municipalities listed above, comparisons were made to industry standards or leading practices where applicable. Sources of industry standards or leading practices used in this audit include: the Ohio Environmental Protection Agency (OEPA), the Ohio State Employment Relations Board (SERB), the Ohio Revised Code (ORC), the Association of Government Accountants (AGA), and the Government Finance Officers Association (GFOA).

The performance audit involved 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.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Village of Put-in-Bay for their cooperation and assistance throughout this audit.

Issues for Further Study

Issues are sometimes identified by OPT that are not related to the objectives of the audit but could yield economy and efficiency if examined in more detail. During the course of the audit, the Village's internal controls, sewer contaminants, and vehicle use were identified as such areas.

- **Internal controls** – The Fiscal and Utility offices are each staffed by one employee; the Village Fiscal Officer and the Assistant Village Administrator, respectively. Further, the Assistant Village Administrator is solely responsible for billing, payment collections, and account postings for utilities as well as the Village Docks. Additionally, the Assistant Village Administrator processes bills, makes bank deposits and submits deposit receipts to the Fiscal Officer. The Fiscal Officer then completes the monthly bank reconciliations.

Structuring operations with the Fiscal Officer and Assistant Village Administrator in separate offices poses a risk to internal controls. *Cash, Petty Cash, Change Funds, and Credit Cards* (Association of Government Accountants (AGA), 2015) identifies that internal controls are necessary to prevent mishandling of funds and to safeguard against loss. One of the most important features of an internal control plan is segregation of duties, which prevents an individual or small group of individuals from having incompatible duties, or in other words, being in a position to initiate, approve, undertake, and review the same action. Examples of incompatible duties include:

- Managing both the operation of and record keeping for the same activity;
- Managing custodial activities and record keeping for the same assets; and

- Authorizing transactions and managing the custody of disposal of the related assets or records.

The AGA further states that certain activities should be segregated in order to prevent fraud and to detect innocent errors. Specific examples include individuals that:

- Are responsible for data entry or cash deposits should not be responsible for approving these documents;
- That prepare/record checks should not sign the checks;
- That prepare/record checks should not reconcile the checking account; and
- Are responsible for cash receipts functions should be separate from those responsible for cash disbursements.

One strategy the Village may consider for strengthening internal controls over the utility billing and finance operations would be to segregate duties by relocating the utility billing function within the Fiscal Office. For example, moving some of the utility billing duties to the Fiscal Officer would enable segregation of the recording and reconciling duties.

- **Sewer contaminants** – Village Codified Ordinance chapter 1044.03 prohibits “wastewater containing more than [50] milligrams per liter of petroleum oil, non-biodegradable cutting oils, products of mineral oil origin, or floatable oils, fat, wax, or grease.” *Exterior Grease Trap Construction Standards* (Ottawa County Sewer District Wastewater Rules and Regulations, 2005) state that, “Grease, oil, and sand separators shall be provided when, in the opinion of the Sanitary Engineer, they are necessary for the proper handling of liquid wastes containing grease in excessive amounts (more than 150 milligrams per liter (mg/l)).” The Village should consider an inspection process for anyone exceeding requirements contained in the ordinance (50 mg/l of petroleum oil, non-biodegradable cutting oils, products of mineral oil origin, or floatable oils, fat, wax, or grease) as these substances can cause damage and impact sewer operations. The Village should be cognizant of this and inspect and monitor discharge into the sewer system to ensure that these substances are not negatively impacting operations.
- **Vehicle use** – During the course of the audit, Village Council members expressed concern that employees were using Village-owned vehicles for non-work related business. *Take-Home Vehicles: Ending the Culture of Entitlement* (Government Fleet, 2008) identifies that take-home vehicles increase operating costs and capital replacement expenditures. In addition, misuse of government vehicles can also result in noncompliance with federal tax requirements. Restricting the use of Village owned vehicles will decrease the likelihood of unnecessary additional fuel and maintenance expenditures.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications. The implementation of these recommendations will enable the Village to realize long-term financial gains through better informed, data-driven decision-making. Where immediately quantifiable, savings associated with implementation of the recommendations have been displayed.

Summary of Recommendations

| Recommendations | Revenue Enhancements |
|--|----------------------|
| R.1 Improve impact fee assessment, collection, monitoring, and reconciliation | \$438,100 |
| R.2 Enforce lien policies and procedures detailed in codified ordinances | \$17,300 |
| Total Revenue Enhancements from Performance Audit Recommendations | \$455,400 |
| Recommendations | Savings |
| R.3 Develop and implement a capital plan for the Village Docks and bathhouse | N/A |
| R.4 Decrease medical insurance premiums | \$1,800 |
| R.5 Increase employee contributions for medical insurance | \$5,800 |
| R.6 Utilize available utility billing technology | N/A |
| Cost Savings Adjustments¹ | (\$200) |
| Total Cost Savings from Performance Audit Recommendations | \$7,400 |

¹ Cost savings for R.5 was adjusted assuming the implementation of R.4.

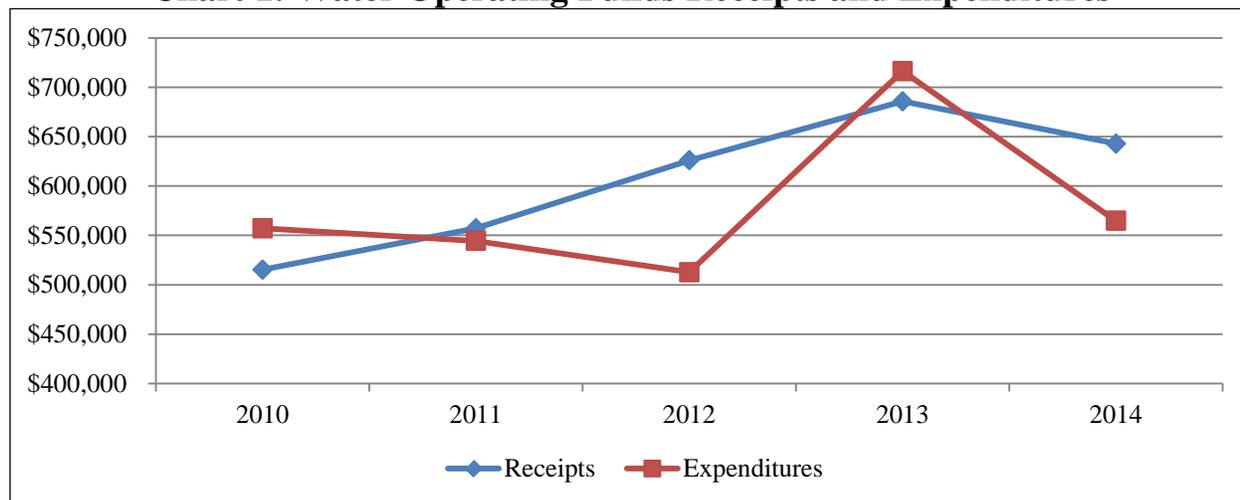
Background

Water Operating Funds¹ Financial Condition

The Water Department provides full service treatment of surface water drawn from Lake Erie. The treatment plant is designated as a Class III facility by the Ohio Environmental Protection Agency (OEPA) and has daily production capacity of 864,000 gallons. In 2014, the plant produced approximately 55.6 million gallons of finished water. The Village has two tanks with a combined 700,000 gallon capacity to store finished (treated) water.

Chart 1 shows the Village's water treatment and distribution receipts and expenditures for 2010 through 2014. A review of the financial history provides context as to the overall health of the water operating funds.

Chart 1: Water Operating Funds Receipts and Expenditures



Source: Village of Put-in-Bay

Note: Significant increases in receipts and expenditures occurring in 2013 were the result of a plant upgrade.

As shown in **Chart 1**, water operating receipts exceeded expenditures in three out of the five years displayed, culminating in a 2014 year-end fund balance of approximately \$358,500.² For this time period, the Village had an average financial performance ratio (expenditures/revenues) of 0.96 signifying that water operations generated \$1.00 of revenues for every \$0.96 spent, and that the water operation has a slim margin of profitability.

¹ In addition to the main Water Operating Fund, the Village maintains several other water operating funds.

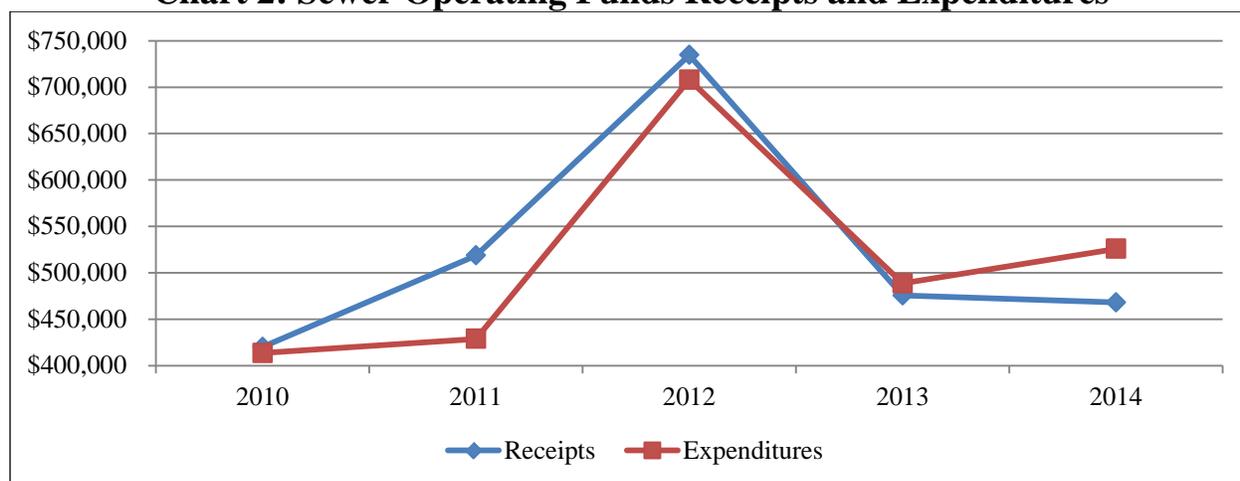
² The 2014 ending fund balance includes all water operating funds, however, the Water Operating Fund and Water Impact Fees Fund make up 95.2 percent of the balance.

Sewer Operating Funds³ Financial Condition

The Sewer Department provides sewer collection and treatment services, primarily to residents and businesses in the downtown area. The treatment plant is designated as a Class II facility by the OEPA and has treatment capacity of 500,000 gallons per day. In 2014, the plant treated approximately 19.3 million gallons of wastewater.

Chart 2 shows the Village’s sewer collection and treatment receipts and expenditures for the Village for 2010 through 2014. A review of the financial history provides context as to the overall health of the sewer operating funds.

Chart 2: Sewer Operating Funds Receipts and Expenditures



Source: Village of Put-in-Bay

Note: Significant increases in receipts and expenditures occurring in 2012 were the result of a plant upgrade.

As shown in **Chart 2**, sewer operating receipts exceeded expenditures in the first three years of the period shown. In 2013, sewer operations began to incur yearly operating deficits resulting in a collective year-end fund balance of \$897,700 in 2014.⁴ Over the time period shown, the Village had an average financial performance ratio of 0.98 signifying that sewer operations generated \$1.00 of revenues for every \$0.98 spent. If the deficit trend evident in the final two years continues, the Village may be required to consider cost-reduction strategies.

Village Dock Financial Condition

In 2009, the Village was awarded a Boating Infrastructure Grant (BIG) by the Ohio Department of Natural Resources (ODNR) for the purpose of renovating its public dockage. The ODNR grant issued two reimbursements in 2011 and 2013, totaling approximately \$2,246,000, to cover a portion of the project's planning, engineering, and construction expenses. To finance the remaining cost of the renovation, bonds were issued in the amount of \$4,055,000 in 2014. Although the Village does not have a separate fund for dock operations, receipts and

³ In addition to the main Sewer Operating Fund, the Village maintains several other sewer operating funds.

⁴ The 2014 ending fund balance includes all sewer operating funds, however, the Sewer Operating Fund and Sewer Impact Fees Fund make up 94.0 percent of this balance.

expenditures are maintained separately. **Table 1** shows Village Dock’s financial performance for 2013 through 2015 in order to provide context as to the overall financial health of the operation.

Table 1: Docks Operation Receipts and Expenditures

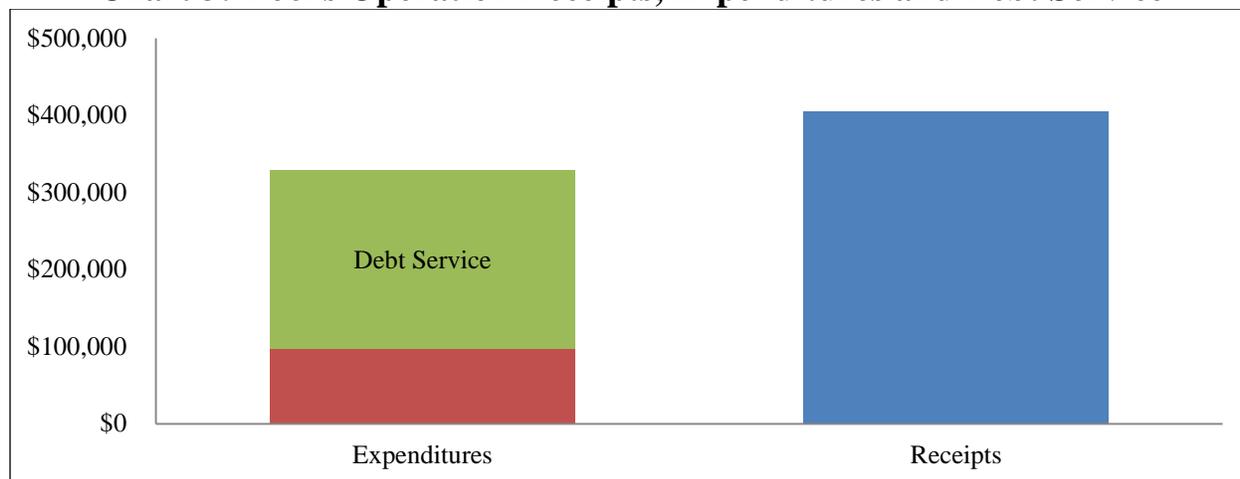
| | 2013 | 2014 | 2015 |
|------------------------------------|-------------|-------------|-------------|
| Receipts | \$256,489 | \$253,882 | \$405,220 |
| Expenditures | \$82,749 | \$89,112 | \$98,263 |
| Debt Service | N/A | N/A | \$230,800 |
| Receipts Over/(Under) Expenditures | \$173,740 | \$164,770 | \$76,157 |
| Financial Performance Ratio | 0.32 | 0.35 | 0.81 |

Source: Village of Put-in-Bay

As shown in **Table 1**, Dock receipts substantially exceeded expenditures in both 2013 and 2014. For the two year period, the Village had an average financial performance ratio of 0.34, signifying that dock operations generated \$1.00 of revenues for every \$0.34 spent. Beginning in 2015, however, PIB incurred additional debt service expenditures toward principal and interest on the docks renovation loan which will significantly alter operating margins going forward.

Chart 3 shows receipts and expenditures for 2015, including the renovation debt service and additional receipts as a result of the upgrades. This comparison serves to show a more accurate picture of the dock operations financial condition moving forward as a result of changes made in 2015.

Chart 3: Docks Operation Receipts, Expenditures and Debt Service



Source: Village of Put-in-Bay

As shown in **Chart 3**, expenditures increased as a result of the added debt service costs; similarly, receipts increased as a result of the upgrade to the dock infrastructure. Based on these projections, the Village Docks will continue to operate with receipts exceeding expenditures.

Recommendations

R.1 Improve impact fee assessment, collection, monitoring, and reconciliation

The Village charges water and sewer system tap-in and impact fees to residential and commercial customers. Village Codified Ordinance chapters 1042.01 and 1046.01 establish water and sewer tap-in fees, respectively. Chapters 1042.07 and 1046.10 establish a current impact fee schedule base rate of \$3,000 for water and \$2,500 for sewer.⁵ These ordinances were last updated in 2011 for both water and sewer.

Chapters 1042.07 and 1046.10 also define the uses and terms of impact fee payments. Impact fees are collected and recorded in the Capital Improvement Fund for the purpose of expansion of the water and sewer plants, debt services, engineering fees, legal fees, and impact fee survey costs. Furthermore, Chapters 1042.08 and 1046.10 state that the “Village Administrator is authorized and directed to publish notice requesting bids for the purpose of conducting a re-evaluation survey of impact fees as needed, but no more than three years from the previous survey, for establishing the unit equivalent of each business connected to the Village water[/sewer] system.” These same ordinances also establish that any property connected to the water/sewer system and any business which has expanded or will in the future be charged additional water/sewer connection impact charges for the increase in usage, as measured in unit equivalents. Any additional charges must be paid to the Village by the customer prior to the use of the water/sewer system. If this additional fee is not paid, the Village may disconnect service, bring action in court, or file a lien on the property (see **R.2**). Sewer impact fees are billed separately, and payment is due within 90 days of sending the bill. If the bill is not paid within 90 days, it is amortized over 20 years with interest. In practice, the Village has billed for water impact fees in the same manner, however this process is not specifically documented in ordinance.

Upon receipt of impact fee charges, customers have the option to appeal the accuracy of impact fee assessments and charges to Council. Customers can do so by filing a written request to the Fiscal Officer within 30 days of the bill being sent. Council has the ability to affirm or modify the impact fee charge within 30 days of the appeal hearing.

Although the Village has ordinances that govern impact fees, this performance audit identified that the Village’s practices were not consistent with these ordinances or with leading practices. Specifically, two main weaknesses were identified including:

- **Impact Fee Re-Evaluations** – The Village hired a consulting firm to complete impact fee re-evaluations in 1995, 1999, 2000, 2006, and 2014. However, the timing of these re-evaluations has not been consistent with chapter 1042.08 which requires that they must occur no more than three years from the previous survey. As of the completion of this performance audit, the Village could not provide documentation of billing customers for

⁵ The amount of the connection impact charge is based on the number of residential units assigned to a connection for residential use, and a multiple of such amount for non-residential properties based on the unit equivalency. One unit equals 400 gallons per day (single-family residence equivalent).

the 2014 impact fee re-evaluation. Furthermore, the information from the 2014 re-evaluation had not been shared with or presented to Council. This was due to the Village Administrator's belief that not all re-evaluation fees were accurately assessed by the consulting firm. Rather than relying on the appeal process established by ordinance, the Village Administrator has been seeking to independently assess the 2014 re-evaluation before providing customers with assessments.

- **Fees Billed and Payments Received** – In order to assess the current state of impact fees, documentation was requested, on a per customer and total operation basis, including, past impact fees that had been assessed and paid as well as those that had been assessed, went unpaid, and were amortized in accordance with the Village's ordinances. However, the Village was unable to provide a comprehensive customer list (for either commercial or residential customers), historical assessments that had been paid in full, and historical assessments that had gone unpaid and were amortized.

Adopting Financial Policies (Government Finance Officers Association (GFOA), 2015) recommends that governments formally adopt financial policies. In doing so, governments should consider the following when creating effective financial policies: scope, development, design, presentation, and review. Governments should consider adopting financial policies in categories such as, risk management and internal controls and revenues. Financial policies on revenues provide guidance through the designing of efficient and effective revenue systems that guarantee the generation of adequate public resources to meet expenditures obligations. Development of the policies should include defining the problem, drafting the policy, review and presentation to government officials, and adopting the policy and implementation. Governments should design the policies to be in written form, understandable to the audience, available to all stakeholders, and should address all relevant issues of risk. Financial policies should be located together and include original and revision dates. Last, policies are most effective when they are monitored, reviewed and updated regularly.

As noted, the Village is not following procedures established within ordinances and also is not currently performing regular audit or reconciliation procedures consistent with leading practices to mitigate overall risk and improve internal controls. For example, monitoring fee assessment, collection, and re-evaluation using a risk-based oversight model would improve the likelihood that the Village will collect all impact fee revenue. This oversight model could include the development of an annual plan evaluating the material significance of collected fees, perform preliminary and annual report reconciliation procedures, analyze available resources and capacity, evaluate the incremental risk each customer contributes to the overall program, identify customers and create a schedule for desk reviews and field audits, and establish reporting and milestone timelines on which to evaluate the effectiveness of the planned procedures. Implementing a monitoring program like this would significantly help to mitigate the risk associated with non-collection of such a large portion of the Village's revenue.

The Village should make operational improvements to its impact fee financial policies and reporting oversight. In doing so, the Village should utilize the information that is already available from the consulting firm, as well as information reported by the Village to perform regular reconciliations. Furthermore, the Village should implement a risk-based monitoring program that helps to ensure that impact fees are being properly recorded.

Based on the 2014 commercial re-evaluation documentation obtained, the Village had as much as \$124,800 in outstanding impact fees that had not been collected at the time the re-evaluation was performed. Furthermore, the re-evaluation identified an additional \$313,300 in impact fee adjustments that have not yet been billed to customers. In total the Village has as much as \$438,100 in outstanding impact fees risk that it should take immediate steps to evaluate and mitigate through improved reconciliation, billing, and monitoring practices. Although similar residential data was unavailable for analysis in this performance audit, applying these same improvements will only contribute the overall risk mitigation benefits realized by the Village.

Revenue Enhancement: By improving its impact fee assessment, collection, monitoring, and reconciliation, the Village could reduce its risk exposure by up to \$438,100⁶ just from billings to commercial customers based on 2014 re-evaluation of impact fee data.

R.2 Enforce lien policies and procedures detailed in codified ordinances

Codified Ordinance chapters 1042.12 and 1046.14 dictate late charges and other fees to be assessed of delinquent water and sewer bills. Specifically, bills that are more than 30 days past due will be assessed a 10 percent late fee, with an additional two percent per month the bill is outstanding, until the bill is paid. All charges and fees that are more than four months past due are assessed against the property to which the service was rendered in the form of a lien. Village Council approves a list of liens to be submitted to the County Auditor once a year.

Although Codified Ordinance chapters 1042.12 and 1046.14 provide for late fees and liens, in practice, the Village has waived penalties on a customer by customer basis. As of June 2015, the Village supplied documentation of over \$17,300 worth of unpaid water and sewer bills and fees.

Ohio Revised Code (ORC) § 505.87, § 743.04, and § 6117.02 permit entities to certify a lien on a property to the county auditor when water, wastewater, or sanitary rents are not paid. The cities of Norwalk (Huron County) and Painesville (Lake County) are examples of Ohio cities that routinely work with their respective county auditors to expedite collection on unpaid accounts. The City of Norwalk certifies liens to the Huron County Auditor as needed, which is generally several times throughout the year. The Huron County Auditor keeps a running list of properties submitted throughout the year and residents can settle liens at any time. If a lien is not paid prior to the tax bill being sent, a one percent fee is added. Similarly, the City of Painesville certifies unpaid water and wastewater charges to the Lake County Auditor every two to three months who then accepts payments throughout the year.

The Village should work to submit all delinquent utility accounts to the Ottawa County Auditor throughout the year in accordance with Codified Ordinance chapters 1042.12 and 1046.14, and ORC § 505.87, § 743.04, and § 6117.02. Doing so will ensure the Village attempts to collect all money due and owed.

⁶ This calculation is not comprehensive of customers enrolled in a payment plan, or with past due balances. Additionally, this calculation does not take into consideration any revenue the Village has collected since the evaluation or adjustments made by the Village.

Revenue Enhancement: The Village could generate \$17,300 in revenue from billings to past-due water and sewer customers by filing liens with the County Auditor based on June 2015 accounts receivable data.

R.3 Develop and implement a capital plan for the Village Docks and bathhouse

The Village does not have a mechanism for ensuring that maintenance and replacement of the Village Docks and bathhouse are properly funded throughout their respective useful life-cycles. The Village also does not have a dedicated capital expenditure fund for the Village Docks. Although one is in place for the bathhouse, it is not linked to formal policies or plans. In short, capital expenditure appropriations for the Village Docks and bathhouse are not completed according to an established, formalized strategy or plan. The absence of a formal capital plan increases the Village's susceptibility to future circumstances in which sufficient funding is not available for needed maintenance or replacement.

According to *Capital Planning for Local Governments and School Districts* (Office of the New York State Comptroller, 2011), there are many benefits provided by a capital assets plan including:

- Guidance for management in decision making;
- A basis for management to establish priorities and determine infrastructure needs;
- Assistance in determining the cost effectiveness of maintaining existing assets versus acquiring new assets;
- A structured approach for making financing decisions to fund capital assets;
- A direct link to the budgetary process, allowing local officials to identify which assets need attention in any given year; and
- An opportunity to keep the public informed and to solicit public input.

Additionally, a capital assets plan should include:

- An inventory of assets a municipality owns;
- Identification of the new capital assets needed;
- The order (priority) in which assets are to be acquired, replaced or repaired;
- Estimated costs of acquisition, replacement or repair;
- The method by which assets will be financed; and
- Estimates of how much it will cost to operate or maintain individual assets.

The Village should establish a formal capital assets plan that links its capital needs with funding requirements and funding sources. A capital assets plan would allow the Village to effectively manage its capital assets and ensure future funding for maintenance and replacement costs.

R.4 Decrease medical insurance premiums

Prior to making any changes to health insurance, the Village should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the legislation.

Full-time Village employees are eligible for medical, dental, and vision health insurance. Employees are offered a single or family preferred provider organization (PPO) health insurance plan through Anthem BlueCross BlueShield. The Village currently has 14 employees enrolled in the medical/prescription drug plan, 11 employees enrolled in the dental plan, and seven employees enrolled in the vision plan.

The Village's premiums were compared to the Toledo regional average published in the 23rd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employment Relations Board (SERB), 2015). This report is borne out of annual survey data gathered from public sector entities regarding health insurance costs. The purpose of the report is to provide data on various aspects of health insurance, plan design, and cost for government entities in Ohio. Comparisons showed the Village's 2015 single medical premium of \$581.23 was 3.9 percent higher than the SERB Toledo regional average of \$559.62. A comparison of family medical, dental, and vision premiums were also completed which showed the Village to be in line with, or lower than the SERB Toledo regional averages (see **Appendix B**).

The primary cost driver of premiums for health insurance is the level of coverage provided by the chosen plan, including out-of-pocket maximums and deductibles. Generally, premium price is driven by plan contents; the more comprehensive the coverage of the plan, the higher the premium. An analysis showed that the Village's plan provided more extensive benefits in comparison to SERB Statewide⁷ survey data. Specifically, the Village provides out-of-pocket maximums of \$1,500 for single plan members compared to the SERB Statewide average of \$2,000. In addition, the Village has a deductible of \$500 for a single plan. In comparison, 31 percent of Statewide entities have a deductible that is \$1,200 or higher for a single plan.

Financial Implication: The Village could save approximately \$1,800 annually by reducing medical insurance premiums to the SERB Toledo regional average. This savings was calculated by determining the cost difference between the Village's premiums and the SERB Toledo regional average premium and applying the difference to the Village's number of employees with single medical coverage annually.

R.5 Increase employee contributions for medical insurance

Currently, employees with single medical/prescription drug plans have no contribution requirements and employees with family plans are required to contribute 15 percent toward plan premiums. In addition, dental and vision premiums are 100 percent employee paid (see **Appendix B**). In comparison to data reported in the 23rd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2015), the average employee contribution rates in the Toledo region for single and family medical/prescription drug premium plans is 11.9 percent and 13.1 percent respectively. The Village's medical/prescription drug contribution rate for a single plan is significantly lower than this average, while the family contribution rate is higher.

The Village should increase employee contribution rates for single medical/prescription drug plans to an amount more consistent with the SERB Toledo regional average. Shifting a portion of

⁷ Certain data points such as out-of-pocket maximums and deductibles are only published on a Statewide basis.

the medical insurance cost burden to the employee through an increase in premium contributions will lessen the financial burden of the Village.

Financial Implication: The Village could save approximately \$5,800 annually by increasing employee contributions to the SERB Toledo regional average level of 11.9 percent. Should the Village increase single contributions to the current level of family contributions (15 percent), it could save approximately \$7,320 annually.

R.6 Utilize available utility billing technology

The Village uses utility billing software to manage its water and sewer utilities, however, it is not maximizing the use of this software. For example, although the software has the capability to produce management reports that would provide useful information to Village Council and other stakeholders, this functionality is not currently used. Additionally, utility billing employees have not been fully trained to use the system.

The utilization of technology has proven to be an effective way for organizations to increase efficiencies and control costs. *Technology in Capital Planning and Management* (GFOA, 2011) recommends an organizational-wide approach to using technology for capital program management. Use of appropriate technology that can be used for key participants in the process of finance, operations, overall management, and other areas can enhance collaboration and improve management of the capital program by providing timely, relevant, and complete information to all.

Technology provides the opportunity to transform the planning, budgeting, implementation, and overall management of an organization's capital program. An organization should properly plan for such a system and detail its specific needs so that a system can be deployed that meets needs across the organization.

The Village should ensure that technology is being fully utilized and that employees have access to the proper training required. Without using present technology to its full potential, the Village runs the risk of inefficiencies from wasted expenditures on technology, a lack of necessary information that is required to effectively manage the Village, and potential loss in revenue from not fully documenting accounts receivable.

Appendix A: Scope and Objectives

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 Village, OPT identified the following scope areas for detailed review: water, sewer, utility billing, dock operations, bathhouse, and fringe benefits. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** shows the objectives assessed in this performance audit and references the corresponding recommendation when applicable. As shown 11 of the 15 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

| Objective | Recommendation |
|---|--------------------------|
| Water | |
| Is the Water Department appropriately staffed? | N/A |
| Is compensation for water employees appropriate? | N/A |
| Sewer | |
| Is the Sewer Department appropriately staffed? | N/A |
| Is compensation for sewer employees appropriate? | N/A |
| Utility Billing | |
| Is the Utility Billing Department appropriately staffed? | N/A |
| Does the Village have an effective process for reconciling impact fee payments? | R.1 |
| Are accounts receivable policies and procedures sufficient and consistent with leading practices? | R.1, R.2, and R.6 |
| Are utility customers billed appropriately? | N/A |
| Docks | |
| Are the Village Dock's appropriately staffed? | N/A |
| Is compensation for dock employees appropriate? | N/A |
| Does the Village have an effective process for operating the docks? | N/A |
| Does the Village have a capital plan for the Village Docks? | R.3 |
| Bathhouse | |
| Is the bathhouse appropriately staffed? | N/A |
| Is compensation for bathhouse employees appropriate? | N/A |
| Fringe Benefits | |
| Are fringe benefits comparable to SERB averages? | R.4 and R.5 |

Appendix B: Supplemental Information

Water Treatment

Table A-1 shows Water Department staffing and workload as compared to the peers based for 2014. It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table A-1: Water Operation Staffing and Workload Comparison

| | PIB | Peer Average | Difference | % Difference |
|--|-------------|--------------|--------------|----------------|
| Treatment FTEs | 2.0 | 2.2 | (0.2) | (9.1%) |
| Distribution FTEs | 1.0 | 1.2 | (0.2) | (16.7%) |
| Millions of Gallons Produced | | | | |
| Peak Season Total ¹ | 42.3 | 25.8 | 16.5 | 64.0% |
| Off-Season Total | 13.3 | 11.4 | 1.9 | 16.7% |
| Annual Total | 55.6 | 37.2 | 18.4 | 49.5% |
| Millions of Gallons Produced per FTE (Peak Season) | 21.2 | 11.7 | 9.5 | 81.2% |
| Millions of Gallons Produced per FTE (Annual Total) | 27.8 | 16.9 | 10.9 | 64.5% |
| Distribution | | | | |
| Distribution Line (Miles) | 3.5 | 11.4 | (7.9) | (69.3%) |
| Distribution Line (Miles) per FTE | 3.5 | 9.5 | (6.0) | (63.2%) |

Source: Village of Put-in-Bay and the villages of Kelleys Island and Marblehead

¹ Peak Season includes the months of May through October.

As shown in **Table A-1**, the Village's overall staffing level was lower relative to the peers. Within each function, however, comparisons to work load indicators had mixed results. Specifically, treatment staff produced a significantly higher amount of water per FTE (64.5 percent more) than the peer average. In contrast, distribution staff were responsible for 63.2 percent fewer distribution line miles per FTE. Although inefficiencies appear to exist in the distribution system, in order to maintain operations the Village must maintain coverage on various aspects of the operation making a reductions in labor difficult.

Sewer

Table A-2 shows the Village's Sewer Department staffing level and workload as compared to Geneva-on-the-Lake, Ohio (a similar regional sewer operation in Ashtabula County) for 2014. It is important to compare and monitor staffing using workload indicators in order to gauge proper staffing levels, and maintain efficiency.

Table A-2: Sewer Operation Staffing and Workload Comparison

| | PIB | Geneva-on-the-Lake | Difference | % Difference |
|---|-------------|---------------------------|-------------------|---------------------|
| Treatment FTEs | 1.9 | 2.2 | (0.3) | (13.6%) |
| Collections FTEs | 0.1 | 0.6 | (0.5) | (83.3%) |
| Millions of Gallons Treated | | | | |
| Peak Season Total ¹ | 14.8 | 69.8 | (55.0) | (78.8%) |
| Off-Season Total | 4.5 | 83.4 | (78.9) | (94.6%) |
| Annual Total | 19.3 | 153.1 | (133.8) | (87.4%) |
| Millions of Gallons Treated per FTE (Peak Season) | 7.8 | 31.7 | (23.9) | (75.4%) |
| Millions of Gallons Treated per FTE (Annual Total) | 10.2 | 69.6 | (59.4) | (85.3%) |
| Collections | | | | |
| Sanitary Line (Miles) | 2.7 | 11.0 | (8.3) | (75.5%) |
| Sanitary Line (Miles) per FTE | 27.0 | 18.3 | 8.7 | 47.5% |

Source: Village of Put-in-Bay and Village of Geneva-on-the-Lake

¹ Peak Season includes the months of May through October.

As shown in **Table A-2**, the Village's collections employees were responsible for 47.5 percent more line miles per FTE than Geneva-on-the-Lake. In contrast, treatment staff treated 85.3 percent less wastewater than Geneva-on-the-Lake. In order to maintain continuous 24 hour service, however, staffing reductions are not likely to be feasible due to the Village's total combined Sewer Department staffing level of only 2.0 FTEs.

Docks

The Village Docks are staffed with part-time, seasonal labor scheduled according to the level of daily consumer demand. Variation in daily usage is largely driven by factors such as weather and ferry schedules. While docks employees are seasonal and consumer demand fluctuates daily, the Village does not reallocate dockage labor. Instead, it reduces staff hours during periods of lower demand, including the off-season for docks employees that reside in the Village year-round.

Table A-3 compares the Village Dock operations staffing level and workload to Huron, Ohio (Erie County) for 2015. It is important to compare and monitor staffing using workload indicators in order to determine proper staffing levels, and maintain efficiency.

Table A-3: 2015 Public Docks Staffing Comparison

| | PIB | Huron | Difference | % Difference |
|--|--------------|----------------|-------------------|---------------------|
| Seasonal FTEs | 5.0 | 2.6 | 2.4 | 92.3% |
| Total Linear Feet of Dockage | 3,600 | 3,454 | 146 | 4.2% |
| Linear Feet of Dockage per Seasonal FTE | 720.0 | 1,328.5 | (608.5) | (45.8%) |

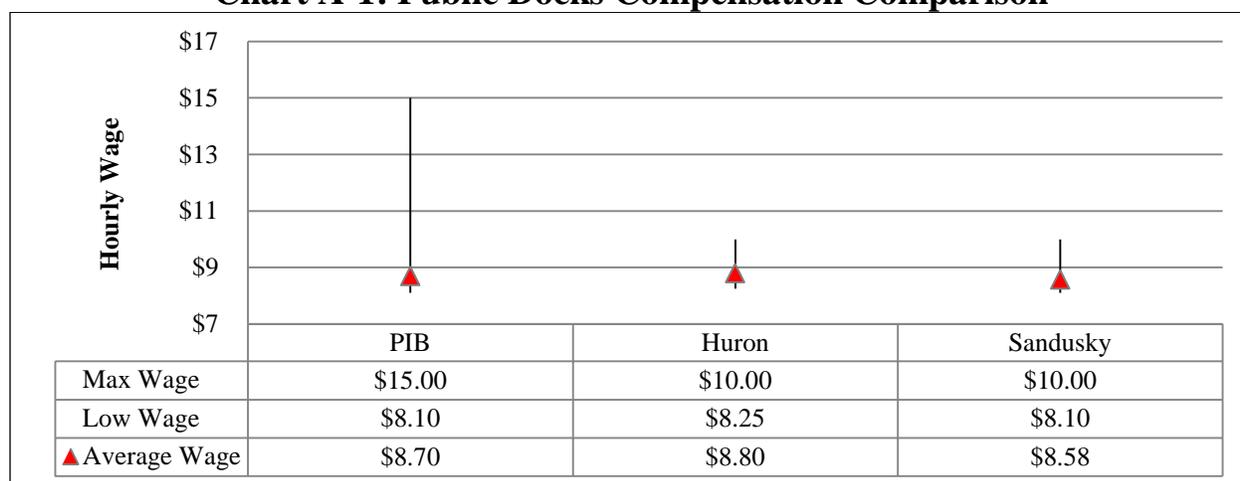
Source: Village of Put-in-Bay and City of Huron

As shown in **Table A-3**, the Village operates and maintains almost 46 percent less linear feet of public dockage per seasonal FTE in comparison to the City of Huron. However, the seasonal FTE totals for both city's operations were not calculated based on actual hours worked, as neither entity performs labor accounting for dock operations. Instead, the staffing levels were

based on headcounts and best estimates of time spent in the performance of docks duties as provided by each respective marina supervisor. Therefore, definitive conclusions could not be drawn regarding the efficiency of the Village’s seasonal docks staffing level. In order to complete a more accurate staffing comparison, customer information and actual hours worked by seasonal employees would need to be tracked. Due to the demand of the docks being unpredictable, because of factors such as temperature and wind, positions are more efficiently staffed according to demand and therefore, this analysis would not greatly benefit the Village.

Chart A-1 compares compensation for Village docks employees to the peers in terms of the range of wages in the respective pay schedules as well as the average of actual wages earned for 2015. It is important to compare actual hourly wages in order to determine if the Village offers competitive wages to the peers.

Chart A-1: Public Docks Compensation Comparison



Source: Village of Put-in-Bay and the cities of Huron and Sandusky

As shown in **Chart A-1**, although the Village’s total pay range has a higher ceiling than the peers, the average hourly compensation for docks employees is consistent with the peers.

Bathhouse

As with the Village Docks, the public bathhouse is staffed with part-time, seasonal labor and is scheduled according to the level of daily consumer demand. Variation in daily usage is largely driven by factors such as weather and ferry schedules. While bathhouse employees are seasonal and consumer demand fluctuates daily, the Village does not reallocate bathhouse labor. Instead, it reduces staff hours during periods of lower demand, including the off-season for bathhouse employees that reside in the Village year-round.

Table A-4 compares the Village’s public bathhouse staffing level and workload to similar regional peer operations for 2015. It is important to compare and monitor staffing using workload indicators in order to gauge proper staffing levels, and maintain efficiency.

Table A-4: Public Bathhouse Staffing Comparison

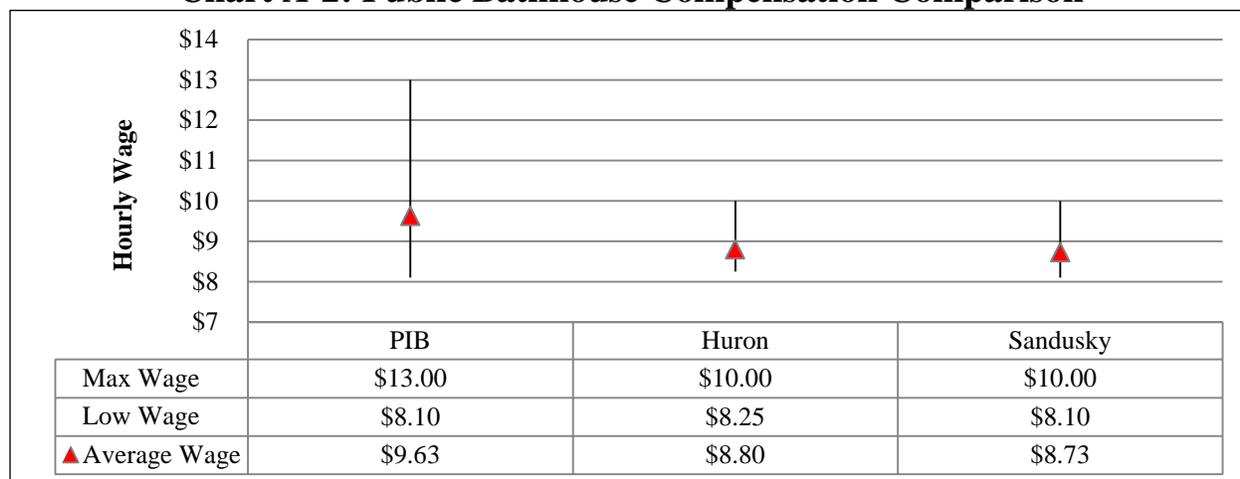
| | PIB | Peer Average | Difference | % Difference |
|--|--------------|--------------|-------------|--------------|
| Seasonal FTEs | 4.0 | 1.5 | 2.5 | 166.7% |
| Total Bathhouse Square Footage | 2,542 | 865 | 1,677 | 193.9% |
| Square Feet Maintained per Seasonal FTE | 635.5 | 597.7 | 37.8 | 6.3% |

Source: Village of Put-in-Bay and the cities of Huron and Sandusky

As shown in **Table A-4**, the Village’s bathhouse staffing level is generally consistent with the peers in terms of workload efficiency. While the Village maintains slightly more square footage per seasonal FTE in comparison to the peer average, definitive conclusions could not be drawn regarding the efficiency of its seasonal bathhouse staffing level. Similar to the docks staffing assessment, the seasonal FTE totals were not calculated based on actual hours worked. Instead, the staffing levels were based on headcounts and best estimates of time spent in the performance of bathhouse duties, as provided by each respective marina supervisor. In order to complete a more accurate comparison, actual bathhouse usage information would need to be tracked. However, the Village’s bathhouse is used by the entire island causing usage to fluctuate based on a number of factors, such as weather, holidays, and other variables.

Chart A-2 compares compensation for bathhouse employees to the peers in terms of the highest and lowest possible wages in the respective pay schedules as well as the average actual wage earned for 2015. Comparing actual hourly wages provides a gauge as to whether the Village offers competitive wages to the peers.

Chart A-2: Public Bathhouse Compensation Comparison



Source: Village of Put-in-Bay and the cities of Huron and Sandusky

As shown in **Chart A-2**, the Village’s average and maximum hourly wages for bathhouse employees are higher than the peers while its base wage is in line with the peers. Although the average wage is higher than the peers, this analysis does not take into considerations such as experience, qualifications, or longevity of the employees which could affect wage levels.

Fringe Benefits

Village insurance premiums were compared to the data contained in the 23rd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2015). **Table A-5** shows the comparison between the Village and the SERB Toledo regional average for single and family plans. This is important because it provides a comparable benchmark to determine the economy of the Village's plans.

Table A-5: Insurance Premiums Comparison

| | PIB | SERB ¹ | Difference | % Difference |
|----------------|------------|-------------------|------------|--------------|
| Medical | | | | |
| Single | \$581.23 | \$559.62 | \$21.61 | 3.9% |
| Family | \$1,371.95 | \$1,443.76 | (\$71.81) | (5.0%) |
| Dental | | | | |
| Single | \$22.86 | \$32.16 | (\$9.30) | (28.9%) |
| Family | \$53.61 | \$97.00 | (\$43.39) | (44.7%) |
| Vision | | | | |
| Single | \$8.97 | \$8.86 | \$0.11 | 1.2% |
| Family | \$18.39 | \$20.80 | (\$2.41) | (11.6%) |

Source: Village of Put-in-Bay and SERB

¹ SERB average is representative of the Toledo region.

As shown in **Table A-5**, the medical premiums for the family plan, dental premiums for single and family plans, and vision premiums for the family plan are lower than the SERB Toledo regional averages. The premium for the vision single plan is slightly higher, but overall in line with SERB. The Village's single medical premium is higher than the SERB Toledo regional average by 3.9 percent and is analyzed in more detail in **R.3**.

Table A-6 illustrates the Village's employee contributions compared to data provided in the 23rd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2015). This is important as it provides a benchmark to determine if Village employees are contributing an appropriate amount relative to other governmental entities in the region.

Table A-6: Employee Contribution

| | PIB | SERB ¹ | Difference |
|----------------|--------|-------------------|------------|
| Medical | | | |
| Single | 0.0% | 11.9% | (11.9%) |
| Family | 15.0% | 13.1% | 1.9% |
| Dental | | | |
| Single | 100.0% | 19.9% | 80.1% |
| Family | 100.0% | 88.4% | 11.6% |
| Vision | | | |
| Single | 100.0% | 16.3% | 83.7% |
| Family | 100.0% | 20.9% | 79.1% |

Source: Village of Put-in-Bay and SERB

¹ SERB average is representative of the Toledo region.

As shown in **Table A-6**, with the exception of medical single plan contributions (see **R.4**) the Village's employee contribution rates for all plans exceeded the SERB Toledo regional average.

Client Response

The letter that follows is the Village'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 Put-in-Bay

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November 19, 2015

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

Dear Auditor Yost,

The Council for the Village of Put-in-Bay would like to thank the Performance Auditors for their time and effort in preparing our audit report. The Village engaged in this audit process to identify opportunities in improving internal controls, operations as well as efficiency in services. We appreciate the professionalism of the Performance Audit team. We would also like to commend the team for also providing us with organizational tools which will help strengthen our management.

The following are six recommendations from the Audit team and our responses. Even before the Performance Audit, our Fiscal Officer and Village Administrator were moving towards implementing many of the recommendations.

R.1 Improve impact fee assessment, collections, monitoring, and reconciliation

The Village is in the process of assessing internal controls and managing duties more effectively between the Utilities Departments and the Fiscal Office. Scheduled reports and cross checking of transactions will be completed on a routine basis. Data entry of historic assessment information will now be compiled for easier accessibility and monitoring. Clearer job descriptions for all employees will be updated. Accountability over utility billing and dock revenue will be maintained by the Fiscal Officer. The Village Administrator will also bring forth any overdue assessments, delinquent customer reports and collections needed to the Council for review and recommend action to be taken, on a quarterly basis.

R.2 Enforce lien policies and procedures detailed in codified ordinances

The Village will be enforcing policies and procedures established within ordinances. Tracking and clear organization will help increase revenues. Developing a monitoring program will help mitigate any overall risks. Regular reviews and analysis of operations will greatly improve functionality.

R.3 Develop and implement a capital plan for the Village Docks and bathhouse

During the November 2015 regular Village Council meeting, a new Capital Improvement ordinance for maintenance and repairs on our public docks was introduced. It would provide 8.50% of the net from the dockage revenue into a special fund annually. Currently the Village does have the bathhouse covered under a Capital Campaign Buildings and Structures special fund.

R.4 Decrease medical insurance premiums

After meetings with our insurance representatives, the Village Council had decided to continue with a preferred healthcare carrier but change plans as of December 1, 2015. We will be offering our employees a similar benefit package but opt for a higher deductible which will drastically reduce our monthly premiums.

R.5 Increase employee contributions for medical insurance

Based on the recommendation for increasing employee contributions toward medical insurance, the Village will be further investigating and evaluating the issue. A formal letter was sent out by the Fiscal Officer to all insured employees to explain the expenses incurred by the Village for healthcare. The contributions from our employees were raised only a short time ago. The Village Council has also decided to continue healthcare coverage packages in lieu of raises. This will help maintain payroll for the 2016 budget.

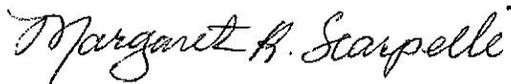
R.6 Utilize available utility billing technology

The Village recognizes the need for additional technology training for our Utilities billing department. The Fiscal Officer has offered additional help and guidance to the staff. Management will also seek out classes, support and other educational assistance to help maximize present technology is being used to its fullest potential.

The Village of Put-in-Bay will be working towards developing cohesive standards throughout each department in our municipality. The Performance Audit has made us aware of several points in which we can significantly reduce costs and increase revenue. The team has also given us tools to better track information, billing and collections that will ultimately help our departments run smoother and potentially lower operating costs.

Thank you for your assistance. We feel more confident in our abilities to strengthen our management staff. And with this knowledge the Audit has brought, the Village will perform with positive efforts which will provide our community with the highest quality services.

Sincerely,



Mayor Margaret R. Scarpelli
Village of Put-in-Bay

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Dave Yost • Auditor of State

VILLAGE OF PUT-IN-BAY

OTTAWA 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
DECEMBER 8, 2015**