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**Benefits of
Performance Audits**

Presented by: Max Uhl
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Ohio Auditor of State
Dave Yost
www.ohioauditor.gov

Overview

- OPT background
- Performance audit primer
- Benefits
- Analyses/Methodology
- Results



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Background



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OPT Background

- Taxpayers deserve government that is efficient, effective and responsive
- Performance audits can be a resource to local governments in their efforts to improve



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OPT Background

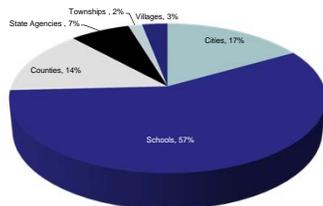
- 33 team members
- Diverse backgrounds
- Diverse client list
 - State agencies, counties, cities, schools, public safety, utilities, libraries



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Client Base



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OPT Background

- Performance Audit Section was organized in 1995
- Initially reviewed school districts
- Expanded to other governmental agencies
- Over 320 audits have been conducted
- Made over 13,500 recommendations totaling over \$1 billion



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Performance Audit Primer



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Performance Audit Primer

- Independent analysis of a client's operations
- Evaluation of historical, current and future data
- Results in recommendations to improve operations



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Performance Audit Primer

- Programs and functions are examined using:
 - Economy
 - Efficiency
 - Effectiveness



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Economy

“Resource allocation”

- Salary & staffing study
- Benefits analysis
- Collective bargaining provisions
- Service levels



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Efficiency

“Maximizing resources”

- Workload measures
- Productivity analysis
- Process improvement
- Facilities utilization



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Effectiveness

“Meeting set objectives”

- Strategic planning
- Budgeting and forecasting
- Adhering to policies and procedures
- Organizational structure



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Performance Audit Primer

- Methodology
 - Financial analysis
 - Process analysis
 - Six sigma
 - Performance measurement
 - Benchmarking



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Process

- Time frame
 - 6-12 months
- Planning
- Fieldwork
- Reporting



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Funding Sources

- Client paid
- Statutorily mandated
- LEAP



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LEAP Fund

- Leverage for Efficiency, Accountability and Performance
- \$1.5 million revolving loan fund
- Advances costs for performance audit
- Payment of performance audit due one year from completion date
- Loan paid back to LEAP Fund



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Benefits



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Benefits

- Recommendations to improve operations to enhance efficiency
 - Independent
 - Data driven



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Financial Impact

Summary of Performance Audit Financial Implications

Recommendations	Impact
R.1 Negotiate to bring firefighter and police patrol compensation in line with peers.	\$220,000
R.2 Increase the portion of insurance costs borne by employees by increasing employee contributions and increasing plan deductibles.	\$112,000
R.3 Discontinue employer contributions to flexible spending accounts.	\$98,500
R.4 Hire part-time employees to cover overtime hours in the Police Department.	\$37,000
R.5 Negotiate the overtime accrual rate for firefighters from 1.75 to 1.50 times the regular hourly wage.	\$29,000
R.6 Contract with a collection agency to collect outstanding accounts receivable.	\$4,300
Total Cost Savings from Performance Audit Recommendations	\$500,800



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Recommendations

R4.1 Negotiate a reduction in custodial services

Financial Implication: Reducing annual hours worked and outsourcing evening and summer custodians would save **\$210,000¹⁹** annually.

R3.3 Purchase food using a cooperative

Financial Implication: Reducing the District's food expenditures to the peer average cost per meal, would reduce District expenditures by about 10 cents per meal, or **\$22,000** annually based on FY 2011-12 expenditures.



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Noteworthy Accomplishments

Staffing Measures for Operations: Pickerington LSD developed a support operations staffing assessment that uses performance measures (i.e., industry standards and national benchmarks) to evaluate custodial, maintenance, and grounds keeping staffing needs. The staffing assessment was developed in FY 2008-09 and included the square footage of the three new schools that opened in FY 2009-10. The District's use of performance measures to evaluate facility staffing needs allowed it to open the three new buildings without hiring additional staff. When the District completes renovations to five additional buildings, which should result in the reduction of the overall number of modular units, it plans to reevaluate support operations staffing needs using these same performance measures.



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Methodology



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Methodology

- Financial analysis
 - Planning
 - Historical changes in revenues and expenditures



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Methodology

- Process analysis
 - Six Sigma
 - Process mapping



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Process Improvement

Table 3-1: Potential Savings from Reducing Billing Cycles

	Per Year	Per Month	Per Customer Per Month
Price of Postage in 2011	\$13,316.52	\$1,109.71	\$0.36
Price of Postage on a Quarterly System	\$4,438.84	\$369.90	\$0.12
Postage Savings Opportunity	\$8,877.68	\$739.81	\$0.24
Payroll Savings Opportunity	\$5,639.09	\$469.92	\$1.84
Total Savings Opportunity	\$14,516.77	\$1,209.73	\$4.74



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Methodology

- Performance measurement
- Benchmarking



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Peer Comparison

Table 3-1: FY 2010-11 Facilities Expenditures per Square Foot Comparison

	CLSD	Peer Average	Difference	% Difference
Salaries and Wages	\$2.21	\$2.31	(\$0.10)	(4.5%)
Employer Benefits	\$1.07	\$1.05	\$0.02	1.7%
Utilities	\$1.25	\$1.17	\$0.08	7.1%
Electric	\$0.54	\$0.61	(\$0.07)	(11.4%)
Gas	\$0.57	\$0.46	\$0.12	25.8%
Other Energy Sources	\$0.02	\$0.01	\$0.01	63.9%
Sub-Total Energy	\$1.14	\$1.08	\$0.06	5.1%
Water & Sewer	\$0.12	\$0.09	\$0.03	30.9%
Purchased Services (Excluding Utilities)	\$0.58	\$0.57	\$0.01	2.5%
Supplies and Materials	\$0.39	\$0.38	\$0.01	2.1%
Capital Outlay	\$0.76	\$0.16	\$0.60	382.4%
Other Objects	\$0.00	\$0.03	(\$0.03)	(98.5%)
Total Expenditures per Square Foot	\$6.26	\$5.67	\$0.59	10.5%

Source: Ohio Department of Education



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Staffing Analysis

Table 2-1: FY 2012-13 Staffing Comparison Summary (in FTEs)

Student Headcount	NLSD		Peer Average		Difference	% Difference
	FTE Staff	FTE/1,000 Students	Staff/1,000 Students	FTE/1,000 Students		
	10.0	6.0	6.4	6.4	(0.4)	(6.7)
Administrative	9.0	5.4	7.6	7.6	(2.2)	(5.6)
Office/Clerical	82.0	49.6	49.4	49.4	0.2	0.3
General Education Teachers	15.0	9.1	10.2	10.2	(1.1)	(1.8)
All Other Teachers	12.0	7.3	7.6	7.6	(0.3)	(0.5)
Education Service Personnel (ESP)	1.0	0.6	1.8	1.8	(1.2)	(2.0)
Educational Support	0.0	0.0	0.4	0.4	(0.4)	(6.7)
Other-Certificated	13.4	8.1	5.6	5.6	2.5	4.1
Non-Certificated Classroom Support	142.4	86.1	88.9	88.9	(2.3)	(4.6)
Sub-Total	43.1	26.1	28.0	28.0	(1.9)	(3.3)
Operations	1.0	0.6	2.5	2.5	(1.9)	(3.3)
All Other Staff	186.5	112.8	119.4	119.4	(6.7)	(11.1)
Total Staff						

Source: ODE



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Staffing Analysis

Table 2: Dispatch Staffing Analysis

	Napoleon	Peer Average	Difference
Dispatch FTEs	6.0	5.3	0.7
Average Calls for Service (2009-2011)	14,161	20,871	(6,709)
Calls for Service per Dispatch FTE	2,360	3,937	(1,577)
Staff Need Based on Peer Average Workload			3.6
Staffing Reduction Needed to Meet Peer Average			2.4

Source: City of Napoleon and the peer cities of London, Orrville, and Wapakoneta



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Staffing Data Sources

- ODE
- CAFRs
- National Recreation and Parks Association
- National Fire Protection Association
- American School & University
- FBI



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Salary Analysis

Table 29: Salary Analysis – Public Safety

	30 Year Earnings		Difference	% Difference
	Napoleon	Peer Average		
Fire	\$1,094,538	\$1,093,318	\$1,219	0.1%
Police	\$1,464,258	\$1,685,175	(\$220,917)	(13.1%)

Source: City of Napoleon and peer city collective bargaining agreements



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Salary Analysis

Table 16: Gross Salary Expenditures Analysis

	Average Annual Salary		Difference	% Difference
	Napoleon	Peer Average		
Recreation	\$21,734	\$25,031	(\$3,297)	(13.2%)
Sanitation/Collection & Disposal	\$45,345	\$39,369	\$5,976	15.2%
Service/Streets	\$42,016	\$41,087	\$928	2.3%
Wastewater Treatment	\$56,580	\$45,523	\$11,057	24.3%
Water Treatment	\$50,031	\$46,387	\$3,644	7.9%

Source: City of Napoleon and the peer cities of London, Orrville, Tapp City, and Wapakoneta



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Salary Data Sources

- Financial Audits
- Ohio State Employment Relations Board
- Ohio Municipal League





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Health Care Benchmarking

Table 3: Monroe LSD 2012 Monthly Insurance Premiums and Contributions

Preferred Provider Organization (PPO) Plan						
	Single Employee Coverage		Employee + 1 Coverage		Family Coverage	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total	Dollar Amount	% of Total
District Contribution	\$455.05	95%	\$785.70	90%	\$1,111.50	90%
Employee Contribution	\$23.95	5%	\$87.30	10%	\$123.50	10%
Total Premium	\$479.00		\$873.00		\$1,235.00	
High Deductible Health Plan (HDHP)						
	Single Employee Coverage		Employee + 1 Coverage		Family Coverage	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total	Dollar Amount	% of Total
District Contribution	\$360.05	95%	\$620.10	90%	\$875.70	90%
Employee Contribution	\$18.95	5%	\$68.90	10%	\$97.30	10%
Total Premium	\$379.00		\$689.00		\$973.00	

Source: Monroe LSD

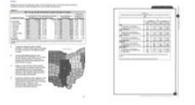


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Healthcare Data Sources

- Ohio State Employment Relations Board
- Kaiser Family Foundation Survey





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Results

- City of Findlay
- City of Elyria
- Village of Middlefield



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City of Findlay

- Performance audit completed in 2012
- City realized approximately \$2.4M in savings from the implementation of select recommendations



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City of Findlay

Adopt strategies for improving the cost effectiveness of the health insurance program including:

- Reducing claim costs through redesign of coverage levels
- Increasing employee premium contributions
- Offering opt-out incentives
- Developing a wellness program



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City of Findlay

- Negotiated several changes to health insurance coverage
- Realized savings of over \$1.0M



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City of Findlay

- Reduce firefighting staffing by 4 to 22 FTEs
 - Fire department was structured to only provide fire service, not EMS



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City of Findlay

- Reduced staff by 10 FTES
- Realized approximately \$750K in savings



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City of Elyria

- Performance audit completed in 2013
- City realized approximately \$1.8M in saving from implementation of select recommendations



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City of Elyria

- Integrate the Building Department with the Office of Community Development to form a comprehensive Economic Development Department



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City of Elyria

Several duplicative practices were identified:

- Board ups done by staff not outsourced: \$7,000 savings
- Re-bid contractors for preliminary judicials: \$2,500 savings
- Eliminated city cell phones for inspectors: \$610 savings
- Internal postage machine savings (lost office time): \$2,000 annually



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City of Elyria

- Develop formal policies that communicate specific sick leave expectations to employees in order to reduce sick leave usage



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City of Elyria

- The City was able to reduce Fire Department sick leave by 50% in 2013 and Police Department sick leave by 30%



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Village of Middlefield

- Performance audit completed in 2013
- City realized approximately \$223K in saving from implementation of select recommendations



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Village of Middlefield

- Shift dispatch services to Geauga County Sheriff



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Village of Middlefield

- In 2013, the Village shifted dispatch services to the County
- Resulted in approximately \$202K in savings



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Questions



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**Ohio Auditor of State
Dave Yost**

88 E. Broad St.
Columbus, Ohio 43215
Phone: (800) 282-0370 Fax: (614) 466-4490
E-mail: ContactUs@OhioAuditor.gov
www.OhioAuditor.gov
