

**CITY OF KENT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**

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To the Members of City Council  
City of Kent, Ohio

**MANAGEMENT LETTER**

In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the basic financial statements of the City of Kent, Ohio (the City) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 11, 2012.

*Government Auditing Standards* also require that we describe the scope of our testing of compliance with laws and regulations and internal control over financial reporting and report any irregularities, illegal acts, other material noncompliance, and significant deficiencies in the internal controls. We have issued a report dated May 11, 2012, on internal control over financial reporting and compliance required by *Government Auditing Standards* as of and for the year ended December 31, 2011.

Office of Management and Budget *Circular A-133* requires that we report all material (and certain immaterial) instances of noncompliance and significant deficiencies in internal control, related to major federal financial assistance programs. We have issued the required report dated May 11, 2012, for the year ended December 31, 2011.

We are submitting for your consideration the following comments on the City's compliance with applicable laws and regulations and on its internal controls. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or significant deficiencies in internal control conditions, we believe represent matters for which improvements in compliance or internal control or operational efficiency might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. If you have any questions or concerns regarding these comments, please do not hesitate to contact us.

Comments that were repeated during the current audit that relate to prior year deficiencies which remained uncorrected by the City are indicated with an asterisk \*.

## 1. Time Card Usage \*

During 2011, the City established policies requiring the use of time cards. Currently, the policy states that if a time clock is available, it is to be used unless a variance has been approved by the head of the department, the City's Human Resource Manager, and the City Manager. No such approval has been given, as of the date of this report. During our review, we noted that some departments have not yet implemented the use of a time clock, as required by City policy. Failure to follow the policy can easily lead to employees being paid for hours in which work was not being performed. We did note that all time cards were approved by the respective department supervisors.

### Recommendation

We recommend that the City take the steps necessary to ensure that all respective departments and employees follow the policy established by the City. We also recommend that the departments that use time clocks ensure that all employees in that department use such time clocks. If circumstances are such that the completion of hand-written time cards is required, the policy needs to be followed in these instances.

## 2. Disaster Recovery Plan \*

At present, there are no written contingency plans that address operating procedures for the City in the event of the loss of computer processing equipment, software, or capability.

### Recommendation

To avoid severe impairment to the City's computer operations in the event of a prolonged failure or localized disaster, we recommend that the City do the following:

1. Establish a priority processing plan based on the impact of the delay expected for equipment replacement.
2. Investigate alternate facilities to provide sufficient processing time for critical applications.
3. Perform periodic test operations at the alternate facility and document the contingency operating procedure.
4. Provide notification of equipment changes at the alternate facility and for updating the plan periodically.
5. Special account or transaction restrictions due to the unavailability of immediate account status information.
6. All procedures required to validate account balances once the system has been brought back to an operating condition.

The plan should be tested periodically through actual "forced" offline processing to ensure adequate familiarity by all employees.

### 3. **Application Upgrade and Program Change Procedures** \*

The use of documented allocation maintenance procedures is vital to help ensure adequate control throughout the program change process. Written procedures help ensure that computer application updates and modifications are authorized, tested, installed correctly, and meet management's requirements and deadlines. The procedures should cover such areas as authorization procedures, testing standards, approval procedures for users, approval procedures for data processing management, implementation standards, and documentation standards.

#### Recommendation

We recommend that the City establish policies and procedures governing the process by which changes and patches are made to applications. These policies and procedures should address authorization, testing, transfer of changes into the live environment, and documentation of changes. Additionally, control points should be developed to ensure compliance with the newly developed policies and procedures.

### 4. **IT Securities Policies, Procedures, and Change Management** \*

With the computerization of financial reporting processes and the movement toward larger and more open computer networking models, organizations must make computer security and security management procedures a top priority. Information access issues must be addressed by management to ensure both the City's computer resources and data are protected. Typically, management develops policies to define the risk associated with the computer environment and to define the procedures necessary to mitigate those risks.

A failure to maintain control over security changes and monitor security events could lead to unauthorized financial reporting systems and/or material misstatements in the financial reports. In addition, activating powerful vendor accounts and altering user access capabilities without documented business needs increases the risk of unauthorized access to the system, its critical applications, and data.

#### Recommendation

We recommend that security policies and procedures be developed to help monitor change control in the IT environment. These policies should be implemented for all systems. The City should develop formal documentation, in which system access rights and proper use of the system are identified, monitored, and periodically reviewed. The City should review critical library and command access to determine if access is necessary. The criteria for establishing critical system access should be documented in the City's security change management policies so future changes are evaluated appropriately.

5. **Financial Software Upgrading/Training** \*

The financial software that the City currently uses limits the adaptability of the current financial account framework. Due to the limitations of this software, the current revenue and expense accounts and internal reports that the City prepares for its use are not appropriately named, leaving the possibility for confusion and mis-posting of activity. Also, due to limited knowledge of the system, we noted several known errors in the system generated financial reports which are corrected manually by the City.

**Recommendation**

Upgrading of the system will help eliminate manual modification of the reports by the City. In addition to the reduction/elimination of errors, time could be saved by reducing the time required to reconcile reports that contain the known discrepancies and the time now needed to review reports for highly likely mis-postings. The City secured a contract for implementing new financial software in 2012, which will upgrade the financial system currently being used.

6. **Purchase Orders** \*

While performing our disbursement testing, we discovered ten instances where the purchase order was dated after the invoice date. Ohio Revised Code Section 5705.41(D) states that .....”no orders or contracts involving the expenditures of monies are to be made unless there is a certificate of the fiscal office that the amount required for the order or contract has been lawfully appropriated....”. Purchase orders should be prepared and approved before items are received or ordered by other means. When purchase orders are not prepared and approved before items are purchased, there is a possibility the City will not have adequate funds available for the obligation. In addition, the City has several blanket purchase orders that were open at year-end.

**Recommendation**

We recommend that all purchase orders be prepared and approved before items are ordered or received, in order to avoid purchases being made without adequate funds. Blanket purchase orders cannot extend past the end of the current fiscal year. This will also ensure the City is in compliance with Ohio Revised Code Section 5705.41(D).

Should you have any questions regarding the above matters, or should you desire our assistance in their implementation, we would be pleased to discuss them with you at your convenience.

We take this opportunity to express our appreciation for the cooperation and assistance of the management and staff of the City of Kent to our representatives during the course of our review.

These comments are intended for the information and use of management, members of City Council, and the Audit Committee and are not intended to be and should not be used by anyone other than these specified parties.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 11, 2012