



Dave Yost • Auditor of State

MANAGEMENT LETTER

Wood County
One Courthouse Square
Bowling Green, Ohio 43402-2427

To the Board of County Commissioners:

We have audited the financial statements of Wood County, Ohio (the County), in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2012, and have issued our report thereon dated June 27, 2013.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated June 27, 2013, for the year ended December 31, 2012. The financial statements of Wood Lane Industries and Wood Lane Residential Services/Property Services were audited under generally accepted auditing standards, but were not audited in accordance with *Government Auditing Standards*.

Office of Management and Budget Circular A-133 requires that we report all material (and certain immaterial) instances of noncompliance, significant deficiencies, and material weaknesses in internal control related to major federal financial assistance programs. We have issued the required report dated August 13, 2013, for the year ended December 31, 2012.

We are also submitting the following comments for your consideration regarding the County's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the reports *Government Auditing Standards* or Office of Management and Budget Circular A-133 require. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist your government. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

COMPLIANCE

1. ***Ohio Revised Code, § 5705.41(D)(1)**, provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

COMPLIANCE (Continued)

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. or resolution.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

14 percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Board followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of County funds being over expended or exceeding budgetary spending limitations as set by the Board of Commissioners.

To improve controls over disbursements, we recommend all County disbursements receive prior certification of the Fiscal Officer and the Board of Commissioners periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Fiscal Officer, and recorded against appropriations.

COMPLIANCE (Continued)

2. **Ohio Revised Code, § 117.103 (B) (1)**, states a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Also, **Ohio Revised Code, § 117.103 (B) (2)**, provides that each public office shall make all its employees aware of the fraud-reporting system required by this section. An employee shall sign and verify his or her receipt of such information.

The County did not provide this information to new employees as of December 31, 2012. However, the County plans to incorporate existence of the Ohio fraud-reporting system and the means of reporting fraud as part of its upcoming revised Employee Handbook.

RECOMMENDATION

*Security Administration

Standard security controls require the confirmation of a user ID through the use of a password. To ensure the integrity of the passwords, they should be a minimum of six characters in length, changed periodically (i.e. quarterly) and provide only the access necessary to perform job related duties. In order to detect unauthorized access attempts to the system, security violations should be logged and reviewed periodically.

We noted the following issues:

- Passwords are not changed every 90 days or less. (MVP and Network)
- Passwords are not required to be at least six characters in length. (Network)
- The County doesn't have a policy or a procedure in place to review security violations on a periodic basis. (Network)
- Accounts aren't locked out after a set number of failed logon attempts. (Network)

Passwords provide the first line of defense into the system. Weak password administration controls could result in unauthorized access to sensitive data files and resources. By not reviewing the security violations or locking accounts after a set number of failed logon attempts, unauthorized access attempts to the system could go undetected.

We recommend administration controls be strengthened to ensure the periodic changing of passwords. Password lifetimes should be set at 30 days or less for users with sensitive system privileges and 90 days or less for other users. Passwords should also be a minimum length of six characters. The County should implement policies and procedures for the review and follow up of security violations. Accounts should be locked out after a set number a failed logon attempts.

* We also reported these matters in our audit of the 2011 financial statements.

We intend this report for the information and use of the Board of County Commissioners, financial report review committee, and management.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2013