



Dave Yost • Auditor of State

MANAGEMENT LETTER

City of Athens
Athens County
8 East Washington Street
Athens, Ohio 45701

To the City Council:

We have audited the basic financial statements of the City of Athens, Athens County, Ohio (the City), in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2014, and have issued our report thereon dated August 20, 2015.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, (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 August 20, 2015, for the year ended December 31, 2014.

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 20, 2015 for the year ended December 31, 2014.

We are also submitting the following comments for your consideration regarding the City's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the report *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 City. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

Noncompliance Findings

1. **Ohio Rev. Code § 121.22** provides that the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold such a session and only at a regular or special meeting for the sole purpose of the consideration of any of the following matters:
 - (a) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing;
 - (b) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest;

**Noncompliance Findings
(Continued)**

1. Ohio Rev. Code § 121.22 (Continued)

- (c) Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action;
- (d) Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment;
- (e) Matters required to be kept confidential by federal laws or rules or state statutes; and
- (f) Specialized details of security arrangements where disclosure of the matters discussed might reveal information that could be used for the purpose of committing or avoiding prosecution for a violation of the law.

The minutes need only reflect the general subject matter of discussions in executive sessions.

City Council entered into executive session during the February 24, 2014 meeting and the record of proceedings did not adequately reflect the general subject matter or purpose of the discussion. As a result, no determination could be made as to whether the executive sessions were held for an allowable purpose.

The record of proceedings should adequately reflect the purpose for entering into executive session as outlined in the Code in order to evidence compliance with the Sunshine Laws. Additionally, the City should obtain and review Ohio's Open Government Resource Manual. A copy of the manual can be obtained from the Office of the Auditor of State at www.auditor.state.oh.us/organization/ogu or by calling the Open Government Unit at 614-466-4717.

2. Ohio Rev. Code § 135.14(O)(1) provides that investments or deposits under §135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision.

While the City did have an investment policy, it was not signed by the current Treasurer and it had not been filed with the Auditor of State. Additionally, the policy was not signed by the financial institutions conducting investment business with the City. This could result in unauthorized investments.

The City should update their investment policy so it will reflect the signature of the current Treasurer and the financial institutions conducting investment business with the City and file the investment policy with the Auditor of State.

Recommendations

1. Monitoring of Utilities

The Assistant Safety Service Director did not review billing journals during the audit period. Additionally, while he evidenced his review and approval of customer account adjustments by inputting them into a spreadsheet, the spreadsheet was not reconciled to the miscellaneous charges journal to ensure all adjustments input were included in his review and approval. Lack of review of the billing journals could result in customers not being charged or being charged at the incorrect rate. Lack of review of the adjustments posted to the system resulted in discrepancies in the amount posted to the spreadsheet versus the amount posted to the system.

Recommendations (Continued)

1. Monitoring of Utilities (Continued)

The Assistant Safety Service Director should review billing journals monthly to assure all customers are being charged at the proper rates. Additionally, the Assistant Safety Service Director should assure all adjustments posted the customer accounts in the system are included on his spreadsheet for approval.

2. Delinquency Report

The utility department did not have an overdue accounts report as of the end of the year and were unable to go back in the system and print one. As a result, they City was unable to determine the total amount of overdue accounts as of the balance sheet date.

The Utility Account Administrator should print and retain an Accounts Receivable Overdue Report on December 31st of each year.

3. Cost Allocation Plan

The City uses a weighted average cost allocation plan to reimburse the General Fund for administrative work performed relating to various special revenue and enterprise funds.

While the allocation plan appears reasonable, it was not formally approved by Council. Additionally, there were instances where certain funds were charged amounts other than the amounts identified by the plan.

Council should formally adopt the cost allocation plan and periodically analyze the plan to ensure it remains reasonable based on actual activities. Any deviations from the plan be communicated and approved by Council as an additional control.

4. Password Changes - Municipal Court

Users of software applications should be granted access to only those computers applications and functions they require to perform their job. To help ensure this, passwords are used to authenticate the identity of the user attempting to gain access to those computer applications. To prevent the integrity of these passwords from being compromised, passwords should be a minimum of six characters and they should be changed periodically.

Passwords were not forced to be changed for the Municipal Court's application. Although users can change their own password, without having forced password changes or a way to document the changes it cannot be confirmed if passwords changes are taking place.

These weaknesses increase the possibility that an individual might learn or guess one of these passwords and attempt to gain unauthorized access to the system, applications, or data.

Passwords should be changed periodically, every 90 days is the suggested standard. The minimum length of a password should be at least 6 characters. In addition, passwords should be chosen so that they are not easily associated with the user to which they were assigned. Since passwords cannot be forced to change, a password log should be maintained to ensure passwords are changed on a periodic basis.

Recommendations (Continued)

5. Disaster Recovery Plan - Auditor and Municipal Court

In order to minimize disruption to computer services, a disaster recovery plan, which identifies the procedures to perform in the event of a disaster, should be maintained. Disaster recovery plans identify arrangements for alternative data processing on compatible hardware and software. A proper plan removes as much time-consuming decision making as possible from the period immediately following the disaster.

A disaster recovery plan did exist and it was updated during the audit period, but it did not appear to include all necessary information. In addition, the plan had not been tested. The plan does contain the following information:

- Key vendor contacts and their phone numbers.
- Inventory lists and location of all hardware.
- Location of backup data and source documents.
- Backup procedure
- Action plan summary

Without current and accurate documented business recovery procedures, critical resources and processing may not be restored in a timely and efficient manner. As a result, substantial costs could be incurred in attempting to retrieve and recreate pertinent financial information for internal and external purposes.

The disaster recovery plan did not include and should be updated to include, but not limited to, the following information:

- Arrangements for temporary contingency data processing, including possible hot-sites.
- Business continuity procedures to be followed in the event that the building is inaccessible for an extended period of time due to extended power outage, bomb threat, fire, flood or other natural disaster. An alternate processing site, that is not considered temporary, should be used in case the building can not be occupied. This would include procedures for manual entry of receipts and business functions.
- The types of disasters should be defined and what procedures should be followed for each type.
- Key individuals at the Clerk's office and City to be contacted, their phone numbers, and roles/responsibilities for recovery.
- Procedures for restoring data from backups for all systems included in the plan.
- Procedures for testing the plan and testing results

Once completed, the plan should be periodically reviewed and tested to ensure its continued applicability. Testing of the plan should include the following at a minimum:

- Verification of all Disaster Recovery Plan information at least annually.
- Testing validity of backups by performing planned restores at least annually and documenting when they were performed and the results of the restores.

Additionally, this review should also ensure that personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. All individuals responsible for the disaster recovery plan tasks should be knowledgeable of their duties and retain a copy of the plan. A current copy of the plan should be kept off-site.

We intend this report for the information and use of the City Council, audit committee, 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" and a long, sweeping underline.

Dave Yost
Auditor of State
Columbus, Ohio

August 20, 2015