



Dave Yost • Auditor of State

MANAGEMENT LETTER

City of Kent
Portage County
930 Overholt Road
Kent, Ohio 44240

To the Members of Council:

We have audited the financial statements of the City of Kent, Portage County, Ohio (the City) in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2015, and have issued our report thereon dated July 25, 2016.

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 July 25, 2016, for the year ended December 31, 2015.

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 *Government Auditing Standards* report. 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.

Recommendations

* **1. Disaster Recovery Plan**

The City has not adopted a formal disaster recovery plan which identifies procedures to be performed in the event of an emergency disallowing the processing of information. Without documented disaster recovery procedures, the City could incur substantial costs in attempting to retrieve and recreate pertinent financial information.

In order to minimize potential costs associated with the recovery and/or re-creation of pertinent financial information, the City should adopt a written disaster recovery plan which includes the following items:

- Recovery Terms and Definitions
- Technical (Hardware / Software) Recovery Procedures
- End User Recovery Procedures
- Readiness Plan
- Emergency Contact List

Once completed, the contingency plan should be distributed to all applicable City staff members and should be periodically tested to ensure its continued applicability.

Recommendations (Continued)

*** 2. IT Securities Policies and Procedures**

The City of Kent has not adopted formal security policies and procedures regarding access rights and proper usage of their computer systems.

A failure to maintain control over system access and proper usage increases the risk of unauthorized access and usage of the system's critical applications and data.

Information access and usage issues must be addressed by management to ensure the City's computer resources and data are protected. The City should develop formal policies and procedures in which system access rights and proper usage of the system are identified, monitored, and periodically reviewed.

*** 3. Capital Assets**

The following capital asset exceptions were identified:

The City did not have a formal capital asset policy in place during the fiscal year. Although it is understood the City has always followed past practices, several departments are involved in the updating of the detail capital asset listing which could result in inconsistencies and errors in regards to the proper reporting of capital assets.

Although it appears current year capital assets have been assigned tag numbers, there are many existing assets without a specific identifier. Tag numbers will make it easier for the City to trace, identify, and make any necessary changes to existing assets.

The City sold a building valued at \$971,486 and land valued at \$258,017 but had not removed these assets from their detailed capital asset listing as noted during audit testing. The City subsequently removed the assets from their capital asset listing and properly reported the disposals in their financial statements.

The City did not capitalize a 2014 Dodge Journey SXT4 received from the Portage County Task Force which was valued at \$18,000.

In order to help ensure the City's capital assets are properly accounted for and reported, the City should consider implementing the following :

A formal capital assets policy should be established by the City, approved by City Council, and communicated to all departments responsible for updating capital assets. The City has formally adopted a Capital Assets Policy during the May 18, 2016 regular council meeting.

The City should assign tag numbers or some form of specific identifier to all assets. This should be applied to assets both under and in excess of the capitalization threshold.

The City should carefully review their detailed capital asset listing to ensure they are accounting for all asset additions, deletions and any movement of assets between City departments. Department heads should be required to complete and submit asset addition / deletion forms to the City Finance Office to more accurately track the status of asset additions, deletions and any movement of assets between City departments.

**Recommendations
(Continued)**

4. Purchase Order Approval

The City's purchasing procedures require that all purchase orders exceeding \$1,000 (with exception of the Parks and Recreation Department) require the City Manager's approval. We noted three (3) out of twenty-nine (29) purchase orders (2014-1641, 2015-825, and 2015-927) selected for testing (10%) were not approved by the City Manager as required.

The City Manager should approve all purchase orders as required per the City's purchasing procedures.

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

We intend this report for the information and use of the governing board, audit 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

July 25, 2016