



Dave Yost • Auditor of State

MANAGEMENT LETTER

Village of Boston Heights
Summit County
45 E. Boston Mills Road
Hudson, Ohio 44236

To the Village Council:

We have audited the financial statements of Village of Boston Heights, Summit County, (the Village) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 18, 2012.

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 May 18, 2012, for the year ended December 31, 2011 and 2010.

We are also submitting the following comments for your consideration regarding the Village'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* 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 Village. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

Noncompliance Findings

- 1. Ohio Rev. Code Section 5705.34** requires each taxing authority to pass an ordinance or resolution authorizing the necessary tax levies and certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner. Although Village Council approved the necessary tax levies for 2011 via ordinance in October 2010, certification to the County was not made until March 2012.

The County Auditor does not have authority to collect levy monies until the rates and amounts have been certified by the Village. As a result of the late filings, the Village's collection of tax levy revenues for 2011 could have been jeopardized. The Village should ensure the necessary tax levies are formally approved and certified to the County timely. This will help ensure that monies generated from the Village's tax levies can be collected and available for the Village.

Noncompliance Findings (continued)

2. **Ohio Rev. Code Section 4415.04** requires an entity to obtain the prevailing wages in their area for the types of labor required to complete the project, prior to bidding and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. The Village awarded a contract for construction during August 2011 which included prevailing wage rates dated March 25, 2011, which is past the 90-day requirement.

In order to be in compliance with the Ohio Revised Code, the Village should ensure the contract is signed within 90 days of the establishment of the prevailing wage rates, or if more than 90 days have passed, obtain a redetermination of the prevailing wage rates as required.

Recommendations

***1. Refundable Performance Bond Fund**

The Village has a Refundable Performance Bond Fund (Agency Fund) which holds deposits which were made for residential and commercial site improvements. The Village disburses these funds as directed by the individual, organization or other governmental entity. This fund has had no activity over the past several years, as individual and commercial growth has diminished coupled with the fact that beginning in 2008, Summit County has taken over the responsibility of the building department from the Village.

The deposits within this fund should be analyzed and disbursed to the appropriate party to which the monies are owed.

***2. Fire Department Payroll Procedures**

Fire Department run sheets are used to determine who is to be paid for the run and how many hours are due for payment. The Fire Department run sheets are prepared and approved by the highest ranking employee (Officer in Charge) who also participates in the related run. Fire department run sheets include run information, employee name and signature of all Fire Department employees responding to each call. The Village's Fire Department requires at least one of four levels of firefighter certification or one of four levels of EMS certification to be eligible for employment. The Village has no formal policy or procedure in place to address who or how many Fire/EMS employees will be on call during any certain time. In addition, there is a lack of clear guidance if or when cancelled Fire/EMS calls should be paid.

For one run tested during 2010, employees were paid in excess of the compensation ordinance in effect; paid for a run lasting 4 hours and 15 minutes when the actual run lasted only 3 hours and 21 minutes.

Failure to implement policies and procedures to address the above listed issues has resulted in the following:

- An excessive number of Fire Department employees responding to emergency calls. The Village, whose policy is to pay employees on a per run basis, is then obligated to pay each responder.

Recommendations (continued)

*2. Fire Department Payroll Procedures (continued)

- Because the Village's policy is to pay each employee who responds to a fire/EMS call one full hour for the first hour actually worked on a call *or any part thereof*, all employees who respond are paid for a full hour on calls that are cancelled within minutes of receipt.
- The Officer in Charge on a run has the ability to report that they responded to a call and for how long, as well as approve their own hours for payment.
- One employee tested was overpaid by approximately \$9 for the run.
- Two Fire Department employees maintained the minimum required volunteer firefighter certification, however, had no EMT certification but were permitted to respond as well as receive payment for responding to EMS calls.

To help reduce excess overhead costs, help reduce the potential for abuse, and to help maintain independence in the approval process, the Village should implement policies and procedures which clearly define the number of Fire/EMS employees on call at all times, when or if employees are to be paid for cancelled emergency calls, require independence in the run report approval process, ensure all payments are made in accordance with the compensation ordinance and clearly define which employee certifications should respond to the various types of fire and EMS calls. In addition, monitoring procedures should be established to ensure these procedures, once implemented, are being strictly adhered to.

*3. Disaster Recovery Plan

In order to ensure minimal disruption to services, the Village, including all outside collection points, should maintain a comprehensive disaster recovery plan that identifies procedures to perform which would permit the Village to continue processing information in the event of a disaster. Data processing contingency 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.

The Village has not created a disaster recovery plan which documents the actions necessary to restore business operations in the event of a disaster which would temporarily or permanently disable the data processing capabilities of the Village's financial related systems. Without a comprehensive disaster recovery plan there is a greater risk of loss of data and an increased risk that computer operations important for the functioning of the Village will not be restored in a timely, cost effective manner.

The Village should develop a Disaster Recovery Plan. An elaborate plan is not necessary; however, an effective plan should be designed to ensure efficient recovery if a disaster occurs. We recommend, at a minimum, the following be completed:

1. Recovery Terms and Definitions
2. Technical (Hardware/Software) Recovery Procedures
3. End user Recovery Procedures
4. Readiness Plan
5. Emergency Contact List

Recommendations (continued)

***3. Disaster Recovery Plan (continued)**

Once completed, the contingency plan should be periodically reviewed and tested to ensure its continued applicability. 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 retain a copy of the plan and a copy of the plan should be kept off-site.

***4. Final Appropriations and Budgeted Receipts**

Although the amounts were immaterial, the following budgetary information was not properly or timely posted to the Village's accounting system:

- Final Estimated Resources in three funds in 2010
- Final appropriations in the General Fund in 2010
- Final Estimated Resources in three funds in 2011

In order to help ensure proper and timely posting of the Village's budgetary information and help remain in compliance with budgetary laws, the Village should post all appropriation measures upon approval of Council and changes to estimated resources upon certification from the County. Additionally, the Village should review the Appropriation Status Report after posting to ensure amounts were properly posted.

***5. Misclassification of Revenue**

The Village has misclassified the following revenues:

- In 2010 misclassifications of public utility reimbursements and public utility property tax receipts resulted in an overstatement of General Fund Property and Other Local Tax revenue and an understatement of Intergovernmental revenue totaling \$1,749.
- In 2011 misclassifications of National Park Payments in Lieu of Taxes resulted in an overstatement of General Fund Property and Other Local Tax revenue and an understatement of Payments in Lieu of Tax revenue totaling \$1,505.
- In 2011 misclassifications of public utility reimbursements resulted in an overstatement of General Fund Property and Other Local Tax revenue and an understatement of Intergovernmental revenue totaling \$667
- In 2010 misclassifications of public utility reimbursements and public utility property tax receipts resulted in an overstatement of Special Revenue Fund Property and Other Local Tax revenue and an understatement of Intergovernmental revenue totaling \$4,214.
- In 2011 misclassifications of public utility reimbursements and permissive license tax receipts resulted in an overstatement of Special Revenue Fund Property and Other Local Tax revenue and an understatement of Intergovernmental revenue totaling \$10,831.
- In 2010 misclassifications of public utility reimbursements and public utility property tax receipts resulted in an overstatement of Capital Project Fund Property and Other Local Tax revenue and an understatement of Intergovernmental revenue totaling \$222.
- In 2011 misclassifications of public utility reimbursements and public utility property tax receipts resulted in an overstatement of Capital Project Fund Property and Other Local Tax revenue and an understatement of Intergovernmental revenue totaling \$144.

Recommendations (continued)

*5. Misclassification of Revenue (continued)

- In 2010 misclassifications of Pool Membership Fees and Admission Tax resulted in an overstatement in General Fund Property and Other Local Tax revenue and an understatement in Pool Membership Fees totaling \$263.

The Clerk-Treasurer should closely monitor all receipts to ensure amounts are posted to the proper accounts. In addition, the clerk should refer to the Village handbook to help ensure proper accounts are being used.

6. Cemetery Cash Handling Policy

Although the Village has procedures for the issuance of deeds for cemetery plots, no specific policy exists for the handling of cash for the sale of plots and/or cemetery services. Specifically, it is unclear where the responsibility lies with respect to ensuring money is properly and timely collected for these services. As a result, for three receipts tested, amounts for graves purchased and associated cemetery services from 2000 and 2001 were not received until 2011 and 2010, respectively.

The Village should develop a cash handling policy for cemetery services specifying specific procedures regarding how, when, and by whom money is to be collected for cemetery services, the issuance of customer receipts for money collected outside the Fiscal Officer's office, and the timing of when deeds for plots should be issued. This would help ensure all monies for these services are properly and timely collected.

* 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.



Dave Yost
Auditor of State

May 18, 2012