



Dave Yost • Auditor of State

July 15, 2016

EXHIBIT A
ORD-0073-2016

By U.S. Mail and email

Tom Kneeland, Mayor, Tom.Kneeland@gahanna.gov
City of Gahanna
200 S. Hamilton Rd.
Gahanna, Ohio 43230

Dear Mayor Kneeland:

This correspondence represents a letter of engagement (LOE) whereby the City of Gahanna (the City) is requesting the Auditor of State (AOS) conduct a performance audit in accordance with Ohio Revised Code (ORC) §117.10 and 117.47. The City has elected to use funds available through the Leverage for Efficiency, Accountability, and Performance (LEAP) Program. The purpose of this letter is to provide the City with a general understanding of the scope of the performance audit process, the terms and objectives of the engagement, and the nature and limitations of the services provided.

The performance audit will be conducted by AOS's Ohio Performance Team (OPT) in accordance with Government Auditing Standards. The process consists of three phases; planning, fieldwork, and reporting, which are outlined in detail in the attached document *Performance Auditing: A Guide for Audited Agencies*.

As required by Government Auditing Standards, a copy of the most recent external quality control review (peer review) report is enclosed with this letter. The review determined that the system of quality control used by AOS was suitably designed and complied with during the period under review. AOS received an unqualified opinion on its system of quality control.

Scope and Methodology

Based on the scope proposal discussed June 30, 2016, this audit may include reviews of the following areas:

- **Administration, Financial Management and Governance** will include an analysis of administrative functions, including financial and human resources management. This section will also include an examination of expenditures; staffing; salaries and benefits; collective bargaining agreements; planning; and performance measurement and management. In addition to the Mayor's office, an evaluation of the following departments will be included: Council, Court, Finance, Human Resources, Law, Planning and Development and Technology. Finally, this section will include an analysis of financial reporting, budget preparation and monitoring, and five-year forecasting.
- **Public Safety** includes the Department of Public Safety including the Police Department and will include an examination of organizational structures, staffing levels, overtime and leave usage, program offerings, as well as other key areas of operations.

- **Public Services** will encompass an examination of the Departments of Parks and Recreation and Public Service and Engineering. The analysis will include an expenditure history and an assessment of department organizational structures, staffing levels, programs, and cost recovery.

The initial planning process of the audit will work with financial information and City staff to identify areas of risk. The audit program will be clarified during this process to determine the exact scope of the audit and what can reasonably be conducted during the course of the audit. The scope will be agreed to by both the Office and the audit team prior to fieldwork commencing.

The final report will include findings, recommendations, and a summary of financial implications. To communicate audit status and help resolve any issues affecting timely completion of the audit, additional status meetings will be held with the appropriate personnel on an as-needed basis.

Draft reports will be made available as they are completed and a post audit conference will be conducted when a draft of the full audit is finalized. The final report will be released to the public approximately two to four weeks after the post audit conference.

Audit Costs

The estimated cost to complete this audit is \$100,000. This cost includes provisions for out-of-pocket expenses such as travel, telephone, and document copying. In addition, this cost estimate assumes the timely availability of City staff, the timely provision of information by the City and peers, as well as the cooperation of personnel in providing information and review comments to the audit team. If these conditions cannot be met, audit staff and City personnel will meet to discuss revisions to the cost estimate to reflect the additional services required to achieve audit objectives. Modifications to the audit scope may also necessitate additional work, which would require revision of the cost estimate.

The City has been selected to receive a performance audit funded by a LEAP Fund loan pursuant to ORC §117.47. The cost of the audit will be paid initially from the LEAP Fund appropriation in the AOS budget. By signing this LOE, the City agrees to reimburse the AOS by a date no later than one year from the date of public release of the audit, in accordance with the reimbursement procedure detailed below. The City understands that AOS will conduct follow-up audit activities as part of the scope of this engagement, and further, agrees to share information with AOS detailing actions planned or taken to implement the recommendations contained in the report. The following outlines the reimbursement procedure:

- I. **Repayment Terms:** The cost of the audit funded by the LEAP Fund, plus accumulated interest, must be reimbursed within one year from the date of the completion of the Audit. The interest due will be the equivalent to the average of the monthly yields for the State Treasury Asset Reserve of Ohio (STAR Ohio) investment fund, and shall be calculated for the time period during which the interest is accruing.
- II. **Statement of Audit Charges:** The City will receive a statement of audit charges at the conclusion of the Audit. This statement will detail the amount due for the services performed by the Auditor of State in conducting the Audit, and will specify the date by which the LEAP Fund must be reimbursed. Additionally, this statement will include a breakdown of the percentages of the total cost chargeable to each fund subject to the Audit.

III. Delinquent Accounts: If the City fails to reimburse the LEAP Fund by the date indicated in the statement of audit charges, AOS shall certify the amount of the loan plus interest due to the County Auditor. The County Auditor shall then withhold and promptly pay to AOS the amount certified from funds that are otherwise due the City and that may otherwise be used to reimburse the LEAP Fund.

In the event that an insufficient amount of funds are available to pay the amount certified to the County Auditor, the County Auditor shall withhold and pay to AOS any amount available, and shall continue to withhold incoming funds due to the LEAP Fund until the full amount of the audit cost paid from the Fund plus any accrued interest has been reimbursed to AOS.

IV. Termination: The City may terminate this agreement at any time by submitting written notice to the Auditor of State. Termination will be effective upon receipt of said notice. Should the City terminate the agreement, AOS will submit a statement of charges detailing all auditing expenses accumulated to date. There will be no waiver of any accumulated expenses, and the City agrees to pay the cost of the audit accumulated to date.

If to Auditor of State:

If to City of Gahanna:
Council Clerk, City of Gahanna
200 South Hamilton Road
Gahanna, Ohio 43230

By signing this LOE, you are certifying that you have read the entirety of this document, and of ORC §117.47 - 117.472, and understand the terms and conditions contained therein.

Client Responsibilities

The full cooperation of the City is required to facilitate the timely delivery of audit services. To promote understanding between AOS and City personnel, senior management of the City are asked to convey the purpose of this audit to all staff members and encourage cooperation with the audit team.

To coordinate activities between AOS and City personnel, we request that the City assign a project liaison to work with the audit team. This liaison will help to gather information, schedule interviews, and resolve any problems which could delay the completion of the audit.

The City should redact all personal information from electronic records before they are transmitted to the AOS audit team. All documents including, but not limited to; financial statements, payroll records, employee rosters, health and medical records, and tax records, must be redacted before submission. Personal information is defined as social security numbers, drivers' license numbers, or financial institution account numbers associated with an individual. All personal information contained in paper documents should also be fully blacked out before sending them to the audit team. If any records or documents cannot be redacted, the City must identify these records to AOS.

The City will be expected to periodically review and comment on data, tables, and other report elements to help ensure the accurate representation of information. Drafts of the audit report will be provided and it is anticipated the City will provide timely comments and documentation to support any proposed revisions.

For this LOE to be effective, the City must return a signed copy of this letter with documented evidence of official City Council approval within 60 days of the date of this letter. A start date for this project will be assigned once we receive a signed copy of this letter.

If there are any questions regarding this correspondence, please feel free to contact Nicole Bent at (614) 466-8164.

Sincerely,

DAVE YOST
Auditor of State

Scott Anderson, Director
Ohio Performance Team

SAA/nlb

Enclosures: *Performance Auditing: A Guide for Audited Agencies*
AOS Peer Review Report

cc: Stephen Renner, Stephen.Renner@gahanna.gov
Tim Kraft, AOS Regional Liaison
Mark Long, Financial Regional Chief
William Collier, Chief Financial Officer

City of Gahanna
Performance Audit
Office of the Auditor, State of Ohio
Letter of Engagement dated July 15, 2016

Thomas R. Kneeland, Mayor / Date

Director of Finance / Date