March 5, 2015

The Honorable Donald Plusquellic, Mayor
City of Akron
166 South High Street
Akron, Ohio 44308

Dear Mayor Plusquellic:

On September 30, 2011, the City of Akron (the City) was declared to be in a state of fiscal caution by the Auditor of State. The declaration was based on a review of the City’s unaudited financial statements for 2010 and the audited financial statements for 2009. The 2009 audit report included significant deficiencies, material weaknesses and direct and material noncompliance citations with Ohio law. Deficit funds for 2009 and 2010 in the amounts of $87,820,000 and $116,981,000 were reported in the City’s financial statements prepared in accordance with generally accepted accounting principles. In a letter to the City on January 31, 2012, the Auditor of State identified nine deficiencies that required the City to make changes to their accounting policies and procedures.

Over the past years, the Local Government Services Section of the Auditor of State’s Office has met with the Director of Finance to review the actions taken to eliminate these deficiencies. A summary of our review of the City’s progress in resolving the outstanding deficiencies identified in the letter dated January 31, 2012, follows.

**Council Approval of Fiscal Caution Proposal**

**Deficiency:** City Council should be aware of the proposed actions contained in the fiscal caution proposal and the limitations being imposed on their appropriation authority by the fiscal caution proposal prior to resubmission.

**Resolution:** City Council has been made aware of the contents of the fiscal caution proposal and passed appropriations within the limitations.

**Quarterly Reporting**

**Deficiency:** The City should report implementation status on all points within the plan both on a quarterly and cumulative basis commencing with the quarter ending March 31, 2012. The City should provide a description of the financial reports it plans to post on its website, and such reports should include the fund balance report referenced in our December 8, 2011 correspondence.

**Resolution:** The City has placed quarterly revenue-to-date as well as expenditure-to-date spreadsheets on its website. These reports include original and revised budget figures for comparison to the year-to-date amounts. The City provided a fund balance listing to the Auditor of State on a quarterly basis.
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Elimination of Deficit Fund Balances

Deficiency: The City should provide detail supporting the elimination of fund deficits.

Resolution: The City provided a list of debt issuances, transfers and other transactions for funds where the deficit had been eliminated. The City also provided a narrative for each fund where a deficit remained at December 31, 2011 detailing how that deficit would be eliminated. As of December 31, 2014, the City has no deficit funds on a cash basis.

Legal Authority for Transfers

Deficiency: The City should provide the proper legal authority to transfer cash from one fund to another as well as clearly posting transfers in and out in the accounting records with sufficient information to match both sides of the transaction. In addition, the practice of using transfers to correct posting errors should cease.

Resolution: During the City’s 2012 financial audit, it was determined which transfers had the appropriate legal authority and were properly recorded. Those transfers which did not have appropriate legal authority were given to the City as audit adjustments and those adjustments were made.

Written Procedures for Accounting and/or Budgetary Procedures

Deficiency: The City should revise or develop written procedures for the certification of contracts, including a determination of the current year amount and procedures to ensure that future amounts are tracked and included in the applicable appropriation ordinances.

Resolution: The City has corrected its certification procedures. In reviewing the City’s current encumbrances, it appears that the City is only encumbering what is payable during the current year.

Correction of Financial Audit Deficiencies

Deficiency: The City should identify and correct significant deficiencies, material weaknesses, and direct and material noncompliance citations with Ohio law and City Charter as addressed in the Schedule of Findings and in the Management Letter that accompanied the City’s financial audit report for 2010.

Resolution: The City has corrected the majority of the significant deficiencies, material weaknesses, and direct and material noncompliance with Ohio law and City Charter. The remaining items will be addressed in future audits.

Establishment of Statutorily Required Funds

Deficiency: The City should establish funds to account for State gas taxes, State motor vehicle license fees, and the City’s permissive motor vehicle license fees as required by State statute.

Resolution: The City has established these funds and is using them to record the appropriate State and City revenues at this time.
Accounting System Changes

Deficiency: The City should update its accounting system to provide reports that demonstrate a comparison of budgeted amounts to actual amounts. In addition, the City should be able to generate a fund balance report that identifies cash fund balances at the beginning of the year, ending balances as of the date of the report, year-to-date cash received and disbursed, outstanding encumbrances, and the unencumbered fund balances.

Resolution: The City is able to produce the requested reports and can use them to better monitor their current balances and activity.

Consolidation of Funds

Deficiency: The City should develop a procedure by which the number of existing funds in the accounting system will be reduced and should identify the legal authority used to justify the action. Funds that exist on a budgetary basis should be the same funds reported to the county budget commission and all budgetary documents should include the same funds.

Resolution: As part of the City’s financial audit, the fund structure was reviewed and documentation was provided as to whether or not the City combined funds appropriately. It was determined that all funds that were combined were done so appropriately. Funds that exist on a budgetary basis are now the same funds reported to the county budget commission and all budgetary documents include the same funds.

Conclusion:

The City of Akron has made satisfactory progress in correcting the deficiencies listed above and the City’s fiscal caution status under Section 118.025 of the Ohio Revised Code has been terminated.

My sincere congratulations and hope for continued success to the City of Akron in maintaining financial stability in future years.

Sincerely,

Dave Yost
Auditor of State

cc: Garry Moneypenny, President, City Council
    Diane L. Miller-Dawson, Finance Director
    Robert R. Hinkle, Chief Deputy Auditor
    Unice S. Smith, Chief of Local Government Services
    Nita R. Hendryx, Chief Project Manager, Local Government Services
    Joey S. Jones, Chief Auditor