

SPONSOR: Reed/Hughes

ORDINANCE NO. 12-06

AN ORDINANCE AUTHORIZING THE CITY TO ENTER INTO AN AGREEMENT BETWEEN THE CITY OF JACKSON, OHIO, AND BALESTRA, HARR & SCHERER, CPAs, INC., FOR THE CITY'S AUDIT FOR THE PERIOD ENDING DECEMBER 31, 2005, AND DECLARING AN EMERGENCY.

WHEREAS, the City of Jackson is required to have the City's records audited; and
WHEREAS, Balestra, Harr & Scherer, CPAs, Inc., provides the necessary services to perform the audit of the City's financial records; and

WHEREAS, the City and Balestra, Harr & Scherer, CPAs, Inc., desire to enter into a contractual relationship whereby Balestra, Harr & Scherer, CPAs, Inc., will perform the City's audit for the period ending on December 31, 2005.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF JACKSON, STATE OF OHIO, as follows:

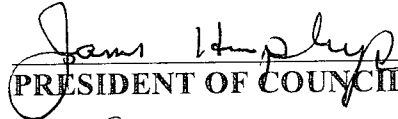
Section One. The Mayor and/or City Council President is authorized to enter into an Agreement between the City of Jackson, Ohio, and Balestra, Harr & Scherer, CPAs, Inc., to provide the audit of the City's financial records for the period ending December 31, 2005. A copy of the Agreement is attached hereto as Exhibit "A". The cost of this contract shall be in an amount not to exceed Thirty Six Thousand One Hundred and No/100 Dollars (\$36,100.00), and shall be paid from line items 110-7750-53019 (Independent Auditor Fees).

Section Two. This Ordinance is hereby declared to be an emergency Ordinance necessary for the immediate preservation of the public peace, health, or safety of the City of Jackson, in that it is necessary to enter into this agreement as soon as possible in order to commence with the audit of the City's records in a timely manner. Therefore, this Ordinance shall go into effect upon passage and approval by the Mayor, as provided in Ohio Revised Code Section 731.30.

Section Three. In the event this Ordinance receives a majority vote for passage but fails to receive the required number of votes to pass as an emergency, then this Ordinance shall be deemed to have passed but with no emergency clause and shall take effect at the earliest time permitted by law.

Section Four. It is hereby found and determined that all formal actions of this Council relating to the adoption of this Ordinance were adopted in an open meeting of this Council, and that the deliberations of this Council that resulted in such formal actions, were in a meeting open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.


Date: 9/27/06


PRESIDENT OF COUNCIL


CLERK OF COUNCIL

Approved:

Date: 2/27/06


MAYOR

December 31, 2005


Mr. Carl A. Barnett, Jr., City Auditor
City of Jackson
145 Broadway Street
Jackson, Ohio 45640

Dear Mr. Barnett:

It is a pleasure to have our contract extended to conduct a financial and compliance audit of the City of Jackson for the fiscal year ended December 31, 2005. We have assembled a strong team of professionals to conduct the audit and will comply with all of the terms of the request for proposal. I believe that our firm will provide the City of Jackson with a quality audit at a reasonable cost. As requested, I have enclosed four signed extension addendum to the memorandum of agreement, prepared the audit timetable, and included the certificate of compliance with procurement for your signature and submission to the Auditor of State.

I certainly am very excited in doing business with the City of Jackson. Should you have any questions or need additional information, please call me. Thank you for the opportunity to perform the audit of the City of Jackson.

Sincerely yours,



Michael A. Balestra
CPA, CFE, CGFM, CISM, CITP
Shareholder/Director

Street Location:

129 Pinckney Street • Circleville, Ohio 43113 • (740) 474-5210 • FAX (740) 474-7319
528 South West Street • Piketon, Ohio 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhscpas.com

MEMO

Date: 01/17/2006
To: Jack Detty
From: Carl Barnett, Jr.
RE: FY 2005 Auditing Services

Please prepare an Ordinance for the next City Council meeting that authorizes the City Auditor to enter into an agreement with Balestra, Harr & Scherer, CPAs, Inc. to conduct the FY 2005 financial and compliance audit for the City of Jackson.

This is to extend the contract to audit the period of January 1, 2005 to December 31, 2005. The cost of this engagement is not to exceed \$36,100 per the attached proposal for services to be performed. This should be paid from the General Fund line item # 110-7750-53019 Independent Auditor Fees. The proposed fee is the same as we paid them for the FY 2004 financial and compliance audit.

Attached to this Ordinance is the paperwork I received from Balestra, Harr & Scherer, CPAs in conjunction with the Auditor of State's Office on this matter.



**Auditor of State
Betty Montgomery**

**EXTENSION ADDENDUM
TO MEMORANDUM OF AGREEMENT**

This extension addendum to Memorandum of Agreement is entered into on the 31st day of December, 2005, by and between **Balestra, Harr & Scherer, CPAs, Inc.**, an independent public accountant (IPA), **Betty Montgomery**, Auditor of State of Ohio (Auditor) and **City of Jackson** (public office). WITNESSETH:

Whereas, the IPA, public office and Auditor entered into an Agreement on June 3, 2005, described as a Memorandum of Agreement for auditing services pursuant to Ohio Rev. Code §115.56 and §117.11, whereby IPA agreed to audit public office for the period of January 1, 2004 to December 31, 2004; and,

Whereas, the prior Agreement entered into by the IPA, public office and Auditor on June 3, 2005, provides for the Agreement to be amended so that the IPA may perform additional audit work if the parties determine it to be necessary; and,

Whereas, the parties desire to amend the original Agreement in order to extend the contract to cover an audit for the period of January 1, 2005 to December 31, 2005, which extension could not have been reasonably anticipated by the parties during the bid process. Additional audit services are required for the fiscal period ending December 31, 2005.

NOW, THEREFORE, IPA, public office and Auditor do mutually agree as follows:

1. The IPA shall, in the performance of its audit of public office for the fiscal period ending December 31, 2005, perform the audit work and issue reports as set forth in the prior Agreement, with modifications as set forth below:

Additional Procedures/Modifications:

Individually Significant Transactions: Transactions exceeding a predetermined dollar amount (usually 1/3 of tolerable misstatement) and unusual items which require testing.

Cycle: Control environment through which transactions are processed such as payroll disbursements, non-payroll disbursements, intergovernmental revenue, utility receipts, etc.

activities, information and communication, and monitoring) and tested in accordance with 2 above. *Codification of Statements of Auditing Standards, section AU 319.*

5. Sufficient evidential matter must be obtained each year for all significant cycles as required by *Codification of Auditing Standards section AU 319.96 through 99.* However, the IPA contract approach will not allow prior year work to be used to reduce the amount of evidence required for the current year. Sufficient evidential matter over all cycles must be obtained in the current year.
6. IPAs may request modifications to Section II D above (IPA contract audit procedures) by contacting Quality Assurance in writing at:

Quality Assurance Division
IPA Procedures Modification
35 North 4th Street, 1st Floor
Columbus, Ohio 43215

Additional Reports/Modifications:

Upon completion of the audit, the IPA will issue reports thereon and provide an electronic portable document format (pdf) file to the Auditor of State at the following address:

ipareport@auditor.state.oh.us

2. In consideration of such audit work, the IPA shall receive payment as set forth below for the audit of the fiscal year; and,
3. The performance of the additional audit work provided for in this Agreement and all payments provided for herein shall in all respects be subject to the terms and conditions set forth in the prior Agreement.
4. Payment Schedule:

<u>Fiscal Period</u>	<u>Allowable Hours</u>	<u>Hourly Rate</u>	<u>Total All Inclusive Fixed Fee</u>
2005-2005	760	\$47 50	\$36,100

5. Time of Performance: Contract performance/deliverable dates to be assumed to fall within seven (7) days of the schedule submitted under prior Agreement. The Auditor must receive written notification should the timetable submitted require modification. Changes in the timetable may be made only with the written consent of the Auditor.

IPA TESTING MATRIX - SUMMARY OF REQUIRED AUDIT APPROACH

For all audits:	
<ol style="list-style-type: none"> 1. Preliminarily assess audit risk. (AR = IR x CR x TD x AP) 2. Assess control environment. 3. Document accounting system. (Flowcharts, narratives, etc) 4. Complete assessment of fraud risk. 5. Document monitoring controls. 	<ol style="list-style-type: none"> 6. Document IT system. 7. Document significant IR characteristics and conditions (not required if IR assessed at maximum level, per AU 312.29). If assessing CR at less than the maximum level or as low, consider whether controls address significant IR. 8. Substantively test individually significant transactions

"Test" applicable controls

CR = maximum level	CR = Less than maximum	CR = Low
<ol style="list-style-type: none"> 1. Determine if monitoring controls were placed in operation. 2. Complete documentation of IT system. 3. No tests of controls required. 	<ol style="list-style-type: none"> 1. Test monitoring controls (20-40 operations if > 500 operations, often will be sampling). 2. Document related application control cycles. 3. Determine if related application controls were placed in operation. 4. Document and test monitoring computer controls. 	<ol style="list-style-type: none"> 1. Test application controls, 60 operation (often will be sampling) if > 500 operations. 2. Complete & test application controls over computer systems. 3. Determine if monitoring controls were placed in operation. (This approach also applies to A-133 control testing)

Do Substantive Testing

Detection risk = low	Detection risk = Less than maximum	Detection risk = maximum level
<ol style="list-style-type: none"> 1. Consider high \$ testing or confirmation. 2. Tests of details should be at least 60 items (may be sampling) if remaining population is > 500 items, and balance is material. 3. In determining extent of tests of details, consider AP. 	<ol style="list-style-type: none"> 1. Consider high \$ testing or confirmation. 2. Tests of details should generally be 20 - 60 items (may be sampling) if balance is material. 3. In determining extent of tests of details, consider AP. <p>Note: Steps 1 and/or 2 describe a preferable extent of <u>substantive</u> A-133 compliance tests, unless controls are unreliable, in which case use the "Detection risk = low" approach</p>	<ol style="list-style-type: none"> 1. Substantive tests can generally consist solely of analytical procedures, if we can achieve sufficient assurance from analytical procedures (assess AP below max or low). If confirmation is effective and efficient, it is also acceptable. <p>Note: Restricting substantive tests to analytic procedures is not acceptable for A-133 substantive compliance testing.</p>

Other Considerations

<ol style="list-style-type: none"> 1. AR = Audit risk IR = Inherent risk CR = Control risk TD = The risk of not detecting misstatements through substantive tests of details. AP = The risk of not detecting material misstatements from analytical procedures or other substantive tests that are not tests of details. (See AU 350.48 for further explanation.) 2. Assessments of CR and TD should consider IR and AP assessments. 3. Tests of automated controls can consist of significantly fewer operations than described above, if we have appropriately tested computer controls. 	<ol style="list-style-type: none"> 4. In assessing CR & IR, remember that controls do not always address all inherent risks. 5. In assessing the potential effectiveness of analytical procedures, consider that analytical procedures can consist more than interperiod comparisons (a.k.a. "horizontal analytics"), and that we should corroborate explanations management provides for significant fluctuations with independent sources. Consider vertical and other analytic procedures such as scanning. When we are placing reliance on AP (i.e., AP = less than max or low), we should briefly document the expected precision and predictability of relationships used in analytical procedures.
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