

JACKSON CITY COUNCIL

Minutes from
June 23, 2011
7:00 p.m.
Special Session

Jackson City Council met in regular session on Monday, June 23, 2011 at 7:00 p.m. at the Jackson City Council chambers. President Ron Speakman called the meeting to order. The Pledge of Allegiance was given, led by Mr. Brown. The Prayer was given, led by Mr. Brown.

A roll call was taken as follows:

- Mr. ~~Adams~~^{Kitchen} – present
- Mr. Brown – present
- Mr. Elliott – absent
- Mr. Smith – present
- Mr. Fain – present
- Mr. Powell – absent, arrived at 7:30 p.m.
- Mrs. Colby – present

Mr. Fain made a motion to excuse Mr. Elliott and Mr. Powell, seconded by Mr. Brown. In a voice vote, all members agreed.

Mr. Speakman stated the purpose of this meeting was to discuss and act on Ordinance No. 26-11.

Mr. Smith requested a 5 minute recess, seconded by Mr. Fain. In a voice vote, all members agreed. Council went into recess at 7:03 p.m. Mr. Smith made a motion to return to special session, seconded by Mr. Brown. In a voice vote, all members agreed. Council returned to special session at 7:30 p.m.

ORDINANCES AND RESOLUTIONS

ORDINANCE NO. 26-11

AN ORDINANCE OF THE LEGISLATIVE AUTHORITY OF THE CITY OF JACKSON, OHIO TO ACCEPT THE PROPOSAL OF JONE-STEPHENSON INSURANCE FOR PROEPRTY AND CASUALTY INSURANCE COVERAGE FOR THE CITY OF JACKSON AS IT WAS THE LOWEST AND BEST RESPONSIVE PROPOSAL SUBMITTED AND DECLARING AN EMERGENCY.

Third Reading

Mr. Brown stated he had ask the Mayor to talk to Jones-Stephenson about representative attending from Cincinnati Insurance. Mr. Brown made a motion to allow the representative to speak, seconded by Mr. Kitchen. Mrs. Colby stated Wells Fargo was not allowed to speak at the last meeting. The representative stated is was a field rep. Mr. Brown ask the Law Director on June 21, 2011 if Cincinnati Insurance was an admitted carrier, they are listed on Ohio.gov website. Would like to hear from you why is dispute, do you cover municipalities. Representative replied over 200. Mrs. Colby asked if Cincinnati Specialty was admitted. Representative replied no. Mrs. Colby stated that was submitted first. Mr. Prichett stated the proposal submitted on June 1st was for Cincinnati Insurance to be the provider, the City of Jackson is covered by Cincinnati Insurance. Mrs. Colby stated if not part, Cincinnati Specialty. Mr. Prichett stated council was confused.

Mrs. Colby stated a representative from Wells Fargo was also in attendance and made a motion to allow her to speak, seconded by Mr. Fain. In a voice vote, all members agreed. April stated we have many programs available, would be happy to write and carry, we are under the impression it was a bid. Would recommend more coverage, did what was ask, concern with properties not being covered, get all this done in the first several months to show in future years why not covered. Mr. Powell ask you have suggestions? April replied generators and railroad not covered, other things should be looked at, quote or bid we follow to the letter. Mr. Powell ask Mr. Speakman why railroad was not covered. Mr. Speakman replied provider pays. Mr. Prichett stated generators are covered under scheduled. April also stated we buy power. Mr. Kitchen stated he looked at both proposals, talking bid/proposal, now product verses product. April suggested making a choice, a lot of back up at no cost, loss control, appraisals, cyberstore, policies online, request changes. I live in Circleville, that's all I do, strength of my people.

Mr. Smith stated there were three companies present, proposal from Jones-Stephenson, no where does it refer to Cincinnati Specialty. April stated we are also through Cincinnati Insurance, there was not, went online to verify, domiciled in Delaware,

A rated but not admitted, also public entities pool, trying to verify. Mr. Smith ask Mr. Prichett did you quote Cincinnati Specialty. Mr. Prichett replied no, all was faxed to Cincinnati Insurance. Mr. Smith ask about \$800 for skate park, listed with Cincinnati Specilty, what do we do. Mr. Brown stated at that meeting Mr. Beglin stated they also are agents for Cincinnati Insurance. April replied stated they handle property not errors and admissions. Mr. Brown stated he said they wasn't admitted, he said they do not use, April replied we use Cincinnati for property, use Scotsdale for police, errors and admission. Pricing wise, Scotsdale is higher, Arganot is what we used. Mr. Brown asked about the covering agent for Wellston. April replied only Arganot. Mr. Brown asked if this was a mixed package. April replied no, they only do packages. Mr. Smith asked Mr. Prichett about the quote being broke down, Scotsdale covers police, fire, entirely Cincinnati. Mr. Prichett stated all, non-profit target. Mr. Smith asked Cincinnati Insurance will cover everything. Mrs. Colby questions, they always had an underwriter, this time too, talked to Mr. Kirby after meeting, would like to change all to Cincinnati Insurance, you have always had an underwriter. Mr. Fain stated Cincinnati Insurance covers close to 300 municipalities nationwide.

Mr. Fain made a motion to allow Dan With Traveler's to speak, seconded by Mr. Brown. In a voice vote, all members agreed. Dan stated believes all the bids should be tossed and rebid, not sure they follow all the specs. There is no integrity right now, do away with restrictions, all things to narrow down, we had a tremendous bid, not all the same, it's unfortunate to look at pricing only. Mrs. Colby said advertising not normally done, in 2008 and 2011, Mr. Sheward stated he had a friend of his write this, there have been complaints before, that was the whole idea for hiring a consultant. Mr. Sheward stated did not use. Mr. Speakman stated this has gone far enough, need to get back to the subject, pass or fail. Mr. Smith asked Mayor Heath, Mr. Kirby stated three options, Council says not supported by facts, next lowest, lowest or reject all bids. Mr. Prichett stated an extension of 30 days would be granted. Mr. Smith would like to investigate the documentation that surfaced today.


In a roll call vote to adopt, Council voted as follows:

Mr. Kitchen – yes
 Mr. Brown – yes
 Mr. Smith – no
 Mr. Fain – yes
 Mr. Powell – no
 Mrs. Colby – no
 Mr. Speakman – yes, to break the tie.

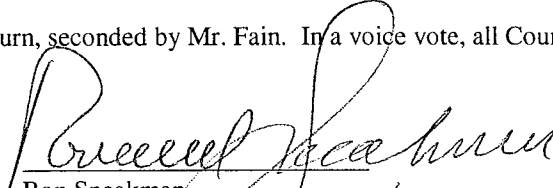
ORDINANCE 26-11 DULY ADOPTED

ADJOURN

Mr. Smith made a motion to adjourn, seconded by Mr. Fain. In a voice vote, all Council agreed. Council adjourned at 8:00 p.m.



 Tera Brown
 Clerk
 Date 7-11-11



 Ron Speakman
 Council President
 Date 7/11/11

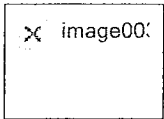
Randey Smith

From: Tara Logan [tlogan@jginc.biz]
Sent: Thursday, June 23, 2011 4:28 PM
To: Randey Smith
Subject: Information

Randy –

Please see attached, I need to find the health insurance information, I will send in separate e-mail....hopefully soon. Thanks!!

Tara Logan, CPA, CFE, CFF
Julian & Grube, Inc.



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Westerville, OH 43082
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Fax: 614-846-2799
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Section A: Statutory Municipalities

<p>Revised: SB 268 Effective: 9/12/2008</p>

2-1 Compliance Requirements: Ohio Rev. Code Sections 9.48, 715.18, 731.02, 731.12, 731.14, 731.141, 735.05, 735.051, 735.052, 735.053, 737.03, and 2921.42 - **Municipal** contracts.

Summary of Requirements: Generally, all contracts made by the legislative authority of a municipal government for material and labor which exceed \$25,000 are subject to competitive bidding procedures. (NOTE: This limit may not apply to some charter municipalities.) [731.14 – Villages; 735.05 Cities]

Competitive bidding procedures require that a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks¹ in a newspaper of general circulation within the municipality. (Article XVIII, Sec. 3 of the Ohio Constitution allows municipalities to deviate from these requirements by charter.)

Contracts for used equipment or supplies at a public auction or emergencies can be entered into without following competitive bidding procedures.

Contracts with qualified non-profit agencies and contracts with state departments, political subdivisions, or a regional planning commission may be authorized without bidding and advertising.

Municipalities that participate in a joint purchasing contract are exempt from using competitive bidding. [R.C. Section 9.48(C)-(D)]

Municipalities also need not follow the bidding process where the contract involves specialized services, requiring particular skills and aptitudes, such as engineering or legal services. [State ex rel Davis Doria v. Ferguson, 145 Ohio St. 12. (1945)]

Municipalities procuring professional design services, over \$25,000, do not need to follow the competitive bidding process. However, contracts for professional design services must adhere to the provisions of R.C. Section 153.65-.71 which require municipalities to publically announce and provide notice of the contract, rank firms on the basis of qualifications, and award the contract to the most qualified firm. "Professional design services" are defined as services within the scope of practice of an architect or landscape architect registered under Chapter 4703 of the Revised Code or a professional engineer or surveyor registered under Chapter 4733 of the Revised Code. [R.C. Sections 153.65-.71]

A municipality may purchase supplies or services from another political subdivision or by contract that the Ohio Department of Administrative Services has entered into on behalf of the municipality, if the municipality can prove that it can purchase those same supplies or services from the other party upon

¹ For Villages under Ohio Revised Code § 731.14, if the legislative authority posts the notice on its web site, it may eliminate the second notice otherwise required to be published in a newspaper of general circulation within the village, provided that the first notice published in such newspaper meets all of the following requirements: (A) It is published at least two weeks before the opening of bids; (B) It includes a statement that the notice is posted on the legislative authority's internet web site; (C) It includes the internet address of the legislative authority's internet web site; and (D) It includes instructions describing how the notice may be accessed on the legislative authority's internet web site.

equivalent conditions and specifications but at a lower price. If so, the municipality need not competitively bid those supplies or services. [Section 125.04.]

Ohio Rev. Code Sections 731.02 (cities), 731.12 (villages), - Interest in contracts by elected officials. These sections prohibit elected officials from having any pecuniary interest in a contract or to be otherwise employed by the entity. They also provide that contracts are void unless authorized at a regular or special meeting.

Ohio Rev. Code Section 2921.42 - This section prohibits having an unlawful interest in a public contract.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals • Knowledge and Training of personnel • Tickler Files/Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 	See compliance narrative 200-A	

Suggested Audit Procedures - Compliance (Substantive) Tests:

Identify a few expenditures that should have been subject to competitive bidding while reading the minutes, by inquiry of government personnel, and/or by scanning the disbursement records. In selecting payments to test, consider selecting from higher-dollar payments and perhaps one or two smaller payments (i.e. payments slightly over the competitive bidding threshold). Determine through inspection, vouching, or other such means that:

- Contracts over \$25,000 or any other local limitations were awarded using competitive bidding procedures. Be alert for indications of bid splitting or deliberate attempts to evade bid limitations, such as successive contracts just under the bid amount. See 2-1A
- Advertisements of the proposals for bids were made as indicated (or posted to the municipality’s website, as described above). See 2-1A
- Documentation indicates that the lowest and best bid was accepted. See 2-1A
- Contracts and expenditures were approved by the legislative authority in accordance with local requirements. See 2-1A
- Document whether there is any apparent interest in the contract by a public official. Due to heightened public interest in these situations, we would often deem violations to be material noncompliance and could affect our assessment of the control environment and affect our fraud assessment in the FRAQ. See 2-1A

To enhance efficiency, include testing for unresolved findings for recovery (step 2-24) with these tests. However, violations of RC 9.24 would not normally constitute material noncompliance. They would normally be management letter comments.

- Select a representative number of purchases made through another subdivision or by “piggy backing” onto a DAS contract. Determine through inspection, vouching, comparison, or other such means whether the client is required to maintain records to demonstrate the following:
- The purchase conditions and specifications were substantially equivalent to those through the DAS Cooperative Purchasing Program.
- The purchase price was less than that available through the DAS Cooperative Purchasing Program.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

735.05 Contracts, material, and labor.

The director of public service may make any contract, purchase supplies or material, or provide labor for any work under the supervision of the department of public service involving not more than twenty-five thousand dollars. When an expenditure within the department, other than the compensation of persons employed in the department, exceeds twenty-five thousand dollars, the expenditure shall first be authorized and directed by ordinance of the city legislative authority. When so authorized and directed, except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code or available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, the director shall make a written contract with the lowest and best bidder after advertisement for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the city.

Effective Date: 09-26-2003



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Management Letter

Members of Council and Mayor
City of Jackson
P.O. Box 1090
Jackson, Ohio 45640

We have audited the financial statements of the City of Jackson, Jackson County, Ohio, in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011.

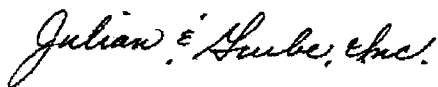
Government Auditing Standards require us to report significant internal control deficiencies and material weaknesses, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated June 24, 2011 for the year ended December 31, 2010.

We are also submitting the following comments for your consideration regarding the City of Jackson's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the reports *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 government. If you have any questions or concerns regarding these comments please do not hesitate to contact us.

Noncompliance Citations
Ohio Revised Code

- Criteria: Ohio Revised Code Section 735.05 requires that a government competitively bid all contracts, with few exceptions, that exceed \$25,000. Competitive bids require that the contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a general circulation newspaper within the City.
- Condition: The City awarded a contract for the City's property insurance in 2010 for a final amount of \$125,614, and could not provide evidence of the competitive bidding procedures.
- Effect: The City may not receive the best price or quality of work if contracts are not advertised and bid in accordance with the Ohio Revised Code.
- Recommendation: We recommend that the City implement policies and procedures to properly bid all contracts if the amount expected to be paid is in excess of the amount allowed by the Ohio Revised Code.

These comments are intended for the information and use of the management and Council of the City of Jackson, and are not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
June 24, 2011