



OHIO AUDITOR OF STATE  
**KEITH FABER**





# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Salem Township  
Warren County  
PO Box 171  
Morrow, OH 45152

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Salem Township (the Township), on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash and Investments

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Fund Journal to the December 31, 2016 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Fund Journal to the December 31, 2017 balances in the Fund Journal. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2018 bank account balances with the Township's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) as a sample from the December 31, 2018 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

6. We inspected investments held at December 31, 2018 and December 31, 2017 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

**Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2018 and one from 2017:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Journal. The amounts agreed.
  - b. We inspected the Receipt Journal to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We inspected the Receipt Journal to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Journal to determine whether it included two real estate tax receipts for 2018 and 2017. The Receipt Journal included the proper number of tax receipts for each year.
3. We selected a sample of five receipts from the State Distribution Transaction Lists (DTL) from 2018 and five from 2017. We also selected a sample of five receipts from the County Auditor's Portal from 2018 and five from 2017.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Journal. The amounts agreed.
  - b. We inspected the Receipt Journal to determine that these receipts were allocated to the proper fund(s). We found no exceptions.
  - c. We inspected the Receipt Journal to determine whether the receipts were recorded in the proper year. We found no exceptions.

**Debt**

1. From the prior agreed-upon procedures documentation, we observed the following bonds and leases were outstanding as of December 31, 2016. These amounts agreed to the Township's January 1, 2017 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2016:
Township Truck Lease	\$144,136
2016 Fire Station Bonds Refunded	\$1,693,000

2. We inquired of management, and inspected the Receipt Journal and Check Register for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of bonds and leases debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedules to General Bond/Note Retirement fund payments reported in the Fund Journal. We also compared the date the debt service payments were due to the date the Township made the payments. We found no exceptions.

### **Payroll Cash Disbursements**

1. We selected a sample of one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Time Sheet Summary report and:
  - a. We compared the hours and pay rate, or salary recorded in the Time Sheet Summary report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary. We found no exceptions.
  - b. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in procedure 1 we inspected the employees' personnel files for the following information and compared it with the information used to compute gross and net pay related to this check
  - a. Name
  - b. Authorized salary or pay rate
  - c. Department(s) and fund(s) to which the check should be charged
  - d. Retirement system participation and payroll withholding
  - e. Federal, State & Local income tax withholding authorization and withholding
  - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to procedures a. – f. above

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2018. We observed the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2019	December 7, 2018 December 21, 2018 December 28, 2018 January 3, 2019	\$17,574.08	\$6,052.68 \$4,888.06 \$732.46 \$5,900.88 \$17,574.08
State income taxes	January 15, 2019	January 9, 2019	\$2,663	\$2,663
School District income taxes	January 15, 2019	January 9, 2019	\$126	\$126
Local income tax – Morrow (4 <sup>th</sup> quarter)	January 15, 2019	January 17, 2019	\$123.31	\$123.31
Clarksville (4 <sup>th</sup> quarter)	January 15, 2019	January 16, 2019	\$117.88	\$117.88
OPERS retirement	January 30, 2019	January 17, 2019	\$3,078.66	\$3,078.66
OP&F retirement	January 31, 2019	January 22, 2019	\$11,306.08	\$11,306.08

4. For the pay periods ended June 28, 2018 and November 16, 2017 we recomputed the allocation of the Boards' salaries to General, Road and Bridge, and Gasoline Tax Funds per the Time Sheet Summary reports. We found no exceptions.
5. For the pay periods described in the preceding procedure, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
6. We inquired of management and inspected the Fund Journal for the years ended December 31, 2018 and 2017 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. No such reimbursements occurred.

**Non-Payroll Cash Disbursements**

1. We selected a sample of ten disbursements from the Fund Journal for the year ended December 31, 2018 and ten from the year ended 2017 and determined whether:
  - a. The disbursements were for a proper public purpose. We found one check for a meal reimbursement for fiscal year 2017 in the amount of \$58.24 that did not have a detailed itemized receipt. The support for the payment was a credit card receipt, thus, we were unable to determine proper public purpose for that check.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Fund Journal and to the names and amounts on the supporting invoices. We found no exceptions.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
  - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

### Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Receipt Account Status Report for the General, Road & Bridge and Fire District funds for the years ended December 31, 2018 and 2017. The amounts on the *Certificate* did not agree to the amounts recorded in the accounting system. The Receipt Account Status Report recorded budgeted (i.e. certified) resources for the General, Road & Bridge Tax, and Fire District funds of \$217,135.13, \$152,051.14, and \$1,437,678.05 for 2018, respectively. However, the final Amended Official Certificate of Estimated Resources reflected \$176,977.56, \$144,000, and \$1,317,000 for the General, Road & Bridge Tax, and Fire District funds, respectively. The Receipt Account Status Report recorded budgeted (i.e. certified) resources for the General, Road & Bridge Tax, and Fire District funds of \$219,830.33, \$150,565.49, and \$1,403,684.90 for 2017, respectively. However, the final Amended Official Certificate of Estimated Resources reflected \$175,822.39, \$144,000, and \$1,309,000 for the General, Road & Bridge Tax, and Fire District funds, respectively. The fiscal officer should periodically compare amounts recorded in the Receipt Account Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General, Road & Bridge and Fire District funds, the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2018 and 2017 for the following funds: General, Road & Bridge, and Fire District funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Road & Bridge, and Fire District funds for the years ended December 31, 2018 and 2017. There were no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2018 and 2017 for the General, Road & Bridge, and Fire fund, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipt Journal for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Township received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.

8. We inspected the 2018 and 2017 Fund Journals for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 - .16 restrict. The Township transferred \$40,491 from the Fire District Fund to the General Fund in fiscal year 2017. Ohio Rev. Code Sections 5705.14 - .16 do not permit this transfer. The transfers made in 2017 were to partially repay (with interest) an advance made in 2012 from the General Fund to the Fire District Fund in the amount of \$212,772. In 2012 we issued a material weakness as Finding 2012-01 for the manner in which this interfund advance was recorded. An audit adjustment was made in 2012 to classify the transaction as an advance from the General Fund to the Fire District Fund in accordance with the wording of the Board of Trustees minutes. Therefore, the repayment of advance of \$40,491 in 2017 should have been recorded as an advance out of the Fire District Fund and an advance in to the General Fund, without interest. The Township should monitor the remaining balance of the advance at December 31, 2018 of \$71,059, and classify future repayments as advance activity without interest.
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Township did not establish these reserves.
10. We inspected the Fund Status Report for the years ended December 31, 2018 and 2017 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No funds had a negative cash fund balances.

#### **Compliance – Contracts & Expenditures**

We inquired of management and inspected the Check Register for the years ended December 31, 2018 and 2017 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

#### **Other Compliance**

1. Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. Financial information was filed on March 19, 2019 for 2017 and 2018 which was not within the allotted time frame.
2. For all credit card accounts we obtained:
  - copies of existing internal control policies,
  - a list of authorized users, and
  - a list of all credit card account transactions.
    - a. We selected 5 credit card transactions made by employees and 3 credit card transactions each from the fiscal officer and authorized trustee for testing. For selected transactions we inspected documentation to determine that:



- i. Each transaction was supported with original invoices and for a proper public purpose.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

May 13, 2019

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# OHIO AUDITOR OF STATE KEITH FABER



**SALEM TOWNSHIP**

**WARREN COUNTY**

### **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 30, 2019**