



Dave Yost • Auditor of State

MALAGA TOWNSHIP
MONROE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
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Independent Accountants' Report on Applying Agreed-Upon Procedures	1
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Malaga Township
Monroe County
52844 Bush Road
Jerusalem, Ohio 43767

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Malaga Township, Monroe County, Ohio (the Township), agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2010 and 2009, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. 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*. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). Government Auditing Standards considers this service to impair the independence of the Auditor of State to provide attest services to the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, Government Auditing Standards permits the Auditor of State to perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Fund Status Report to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2010 and 2009 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.

Cash (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each debit to the subsequent January and February bank statements. We found no exceptions.
 - b. We traced the amounts and dates written to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2010 and one from 2009:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We determined whether 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 determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Ledger to determine whether it included the proper number of tax receipts for 2010 and 2009:
 - a. One personal property tax receipt for 2010 and two personal property tax receipts for 2009.
 - b. Two real estate tax receipts.

We noted the Revenue Ledger included the proper number of tax settlement receipts for each year.

3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2010 and all from 2009. We also selected five receipts from the County Appropriation History Report from 2010 and five from 2009.
 - a. We compared the amount from the DTL and County Appropriation History Report to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. The following exceptions were noted:

During 2010, we found a portion of a homestead and rollback receipt that was posted to the Motor Vehicle License Tax Fund instead of the Road and Bridge Fund in the amount of \$1,206. During 2009, we found a homestead and rollback receipt that was posted fully to the General Fund in the amount of \$40.98, instead of General Fund for \$7.30, Road & Bridge Fund for \$12.85 and Special Levy Fund for \$20.83. We brought this to management's attention. They corrected the General, Motor Vehicle License Tax, Road & Bridge, and Special Levy Funds' fund balances for these items. However, because we did not test all receipts, our report provides no assurance regarding whether or not other similar errors occurred.

- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit report, we noted the following loan and lease outstanding as of December 31, 2008. These amounts agreed to the Townships January 1, 2009 balances on the summary we used in step 3.

Debt (Continued)

Issue	Principal outstanding as of December 31, 2008:
Ohio Public Works Commission Loan	\$3,636
Lease with the Option to Purchase (Grader Lease)	\$67,766

2. We inquired of management, and scanned the Revenue Ledger and Payment Register Detail Report for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan and lease activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to Gasoline Tax Fund payments reported in the Payment Register Detail Report. 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 haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Payment Register Detail Report and:
 - a. We compared the hours and pay rate, or salary amount used in computing gross pay to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account code to which the check was posted were reasonable based on the employees' duties as documented in the personnel files, minute record, or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1, we determined whether the following information in the employees' personnel files and minute record was consistent 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 steps a. – f. above.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 to determine whether 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 2010. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	1/31/11	12/29/10	\$316.28	\$316.28
State income taxes	1/15/11	12/29/10	\$79.72	\$79.72
OPERS retirement	1/30/11	12/29/10	\$861.19	\$861.19

Payroll Cash Disbursements (Continued)

4. For the pay periods ended June 30, 2010 and November 30, 2009, we compared documentation and the recomputation supporting the allocation of Board of Trustees' salaries to the Gasoline Tax Fund. We determined the trustees were paid entirely from the Gasoline Tax Fund.

Where a township chooses to allocate trustees' salaries to funds other than the general fund, it is necessary for the trustees to document their time in order to substantiate that the salaries were allocated to the proper funds. Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General Opinion 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part may be paid from these other funds.

We noted the following exception:

Even though the Board did document time spent on road related services on a certificate of labor form to justify payment of their salary from the Gasoline Tax Fund, no portion of their salaries were charged to the General Fund for time spent in the monthly Board meeting, which is more administrative in nature.

We recommend the Board adopt formal administrative procedures regarding documenting the time spent by the Board of Trustees on various duties, such as time spent in the monthly board meetings. Once these administrative procedures are established trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping. Future violation of Ohio Rev. Code Section 505.24(C) may result in a finding for adjustment.

5. For the pay periods described in the preceding step, we traced Board time or services performed to certificate of labor forms. We found no exceptions.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended 2009 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- 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 Payment Register Detail Report 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.

Non-Payroll Cash Disbursements (Continued)

- 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 four instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total amounts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Motor Vehicle License Tax and Gasoline Tax Funds for the years ended December 31, 2010 and 2009. For 2010, the amounts agreed. For 2009, the amounts agreed for the Motor Vehicle License Tax Fund, for the General and Gasoline Tax Funds' the Revenue Status Report recorded budgeted (i.e., certified) resources of \$54,172 and \$89,783, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$51,338 for the General Fund and \$89,741 for the Gasoline Tax Fund. The Fiscal Officer should periodically compare amounts recorded in the Revenue 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 scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General, Motor Vehicle License Tax and Gasoline Tax 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 2010 and 2009 for the following funds: General, Motor Vehicle License Tax and Gasoline Tax. For 2010, the amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report. For 2009, the Appropriation Status Report recorded budgeted appropriations for the General, Motor Vehicle License Tax and Gasoline Funds of \$33,552, \$12,663, and \$122,526, respectively. However, the final Approved Appropriation Resolution reflected \$33,846 for the General Fund, \$12,543 for the Motor Vehicle License Tax Fund and \$122,363 for the Gasoline Tax Fund. The Fiscal Officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the Appropriation Resolution to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
4. Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Motor Vehicle License Tax and Gasoline Tax funds for the years ended December 31, 2010 and 2009. We noted 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, 2010 and 2009 for the General, Motor Vehicle License Tax and Gasoline Funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.

Compliance – Budgetary (Continued)

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2010 and 2009. We also inquired of management regarding whether the Township received new restricted receipts. The Township established a Special Levy Fund during 2009 for a road maintenance levy which passed on the November 2008 ballot. This new fund was established in compliance with Ohio Rev. Code Section 5705.09.
7. We scanned the 2010 and 2009 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Township did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2010 and 2009 for procurements requiring competitive bidding under the following statutes:
 - a. Materials, machinery and tools used in constructing, maintaining and repairing roads and culverts, where costs exceeded \$25,000 (Ohio Rev. Code Section 5549.21).
 - b. Construction and erection of a memorial building or monument costs exceeding \$25,000. (Ohio Rev. Code Section 511.12).
 - c. Equipment for fire protection and communication costs exceeding \$50,000. (Ohio Rev. Code Sections 505.37 to 505.42).
 - d. Street lighting systems or improvement costs exceeding \$25,000. (Ohio Rev. Code Section 515.07).
 - e. Building modification costs exceeding \$25,000 to achieve energy savings. (Ohio Rev. Code Section 505.264).
 - f. Private sewage collection tile costs exceeding \$25,000. (Ohio Rev. Code Sections 521.02 to 521.05) .
 - g. Fire apparatus, mechanical resuscitators, other fire equipment, appliances, materials, fire hydrants, buildings, or fire-alarm communications equipment or service costs exceeding \$50,000. (Ohio Rev. Code Section 505.37(A)).
 - h. Maintenance and repair of roads exceeding \$45,000. (Ohio Rev. Code Section 5575.01).
 - i. Construction or reconstruction of a township road exceeding \$15,000/per mile (Ohio Rev. Code Section 5575.01).

We identified an expenditure for the purchase of asphalt primer that exceeded \$25,000, subject to Ohio Rev. Code Section 5549.21. For this purchase, we noted that the Board did not advertise the project in a local newspaper. We recommend the Trustees advertise for bids when an expenditure exceeds \$25,000 for road materials.

Compliance – Contracts & Expenditures (Continued)

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2010 and 2009 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.

Officials' Response:

We did not receive a response from Officials to the exceptions reported above.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Township, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

April 29, 2011

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MALAGA TOWNSHIP

MONROE 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 24, 2011**