



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

East Township
Carroll County
8194 Trout Road
Kensington, OH 44427

We have performed the procedures enumerated below, with which the Board of Trustees and the management of East Township (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, 2011 and 2010, 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 and Investments

1. We tested the mathematical accuracy of the December 31, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2009 balances in the prior year Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2011 and 2010 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2011 bank account balances with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2011 bank reconciliation without exception.

Cash and Investments – (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2011 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 to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested the investment held at December 31, 2011 and December 31, 2010 to determine that it:
 - a. Was 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. Contrary to Ohio Revised Code Section 135.13, the certificate of deposit for interim monies exceeded the one year limitation.

Property Taxes and Intergovernmental Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011 and one from 2010:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. 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 Receipt Register Report to determine whether it included two real estate tax receipts for 2011 and 2010. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected all three receipts from the State Distribution Transaction Lists (DTL) from 2011 and all three from 2010. We also selected five receipts from the County Auditor's Cross-Reference Report by Vendor from 2011 and five from 2010.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2009.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. We noted no new debt issuances or any debt payment activity during 2011 or 2010.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2010 from the Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record or as required by statute. We also determined whether the payment was posted to the proper year.
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2011 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 2011. We noted the following:

| Withholding (plus employer share, where applicable) | Date Due | Date Paid | Amount Due | Amount Paid |
|--|------------------|-------------------|-----------------------|------------------------|
| Federal income taxes & Medicare | January 31, 2012 | December 31, 2011 | \$635 | \$635 |
| State income taxes | January 15, 2012 | December 31, 2011 | \$304 | \$304 |
| OPERS retirement | January 30, 2012 | December 31, 2011 | \$1,440 | \$1,440 |

3. For the pay periods ended March 15, 2011 and August 29, 2010, we compared documentation and the recomputation supporting the allocation of the Boards' salaries to the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Fund per the Employee Detail Adjustment Report. We found no supporting documentation for the allocation of Boards' salaries to these funds. In addition, we reviewed the Employee Detail Adjustment Report to determine from which funds the trustees were compensated through the years ending December 31, 2011 and 2010. We found that one trustee's entire compensation was paid for both years from each of the following funds: Motor Vehicle License Tax, Gasoline Tax and the Road and Bridge.

Payroll Cash Disbursements – (Continued)

Ohio Revised 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 (OAG) Opinion 2004-036. This section requires that compensation of a township trustee be paid from the Township General Fund or from such other restricted township fund, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates that 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. 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. Ohio Revised 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 be paid from the Township General Fund or from other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. The 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 township business, type of service(s) performed, in a manner similar to trustees paid per diem compensation.

The trustees' salaries, taxes, and OPERS were paid from the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Funds in 2011 and 2010 without the supporting documentation. One trustee was paid from each fund in both years and no documentation was maintained detailing time chargeable to other township funds.

A Finding for Adjustment is required to record these salaries, related taxes and OPERS in the General Fund as follows:

| | General Fund | Motor Vehicle License Tax Fund | Gasoline Tax | Road and Bridge Fund |
|---|---------------------|---------------------------------------|---------------------|-----------------------------|
| 2010 disbursements over (under) statement | (\$25,470) | \$8,490 | \$8,490 | \$8,490 |
| 2011 disbursements over (under) statement | <u>(25,470)</u> | <u>8,490</u> | <u>8,490</u> | <u>8,490</u> |
| December 31, 2011 fund balance over (under) statement | (\$50,940) | \$16,980 | \$16,980 | \$16,980 |

These amounts have not been adjusted on the Township's accounting ledgers.. The Township officials do not disagree with the finding for adjustment, however, posting the adjustment would cause a deficit balance in the General Fund.

Per Auditor of State Bulletin 2011-007, House Bill 153 requires township trustees to be paid by the annual salary method and each trustee that is compensated from funds other than the general fund must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized.

The certification is a statement detailing the percentage of time the trustee spent during the pay period providing services related to each fund to be charged. If 100% of the compensation of the trustee is paid from the general fund, certification is not necessary.

Payroll Cash Disbursements – (Continued)

4. For the pay periods described in the preceding step, we traced the Boards time for services performed to time or activity sheets. We found no time or activity sheets. As noted above, the Trustee must provide a statement detailing the percentage of time spent during the pay period providing services related to each fund to be charged

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2011 and ten from the year ended 2010 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 image 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.
 - 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 one instance 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 estimated receipts from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* in 2010 and with the Amended Official Certificate of Estimated Resources in 2011, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2011 and 2010. The amounts on the *Certificate* agreed to the amount recorded in the accounting system for all funds in 2010, However, the amounts on the *Certificate* differed from to the amounts recorded in the accounting system in 2011 for the three funds selected. In 2011, the Revenue Status Report recorded budgeted (i.e. certified) receipts for the General Fund, the Gas Tax Fund and the Road and Bridge Fund of \$29,724, \$87,090 and \$34,300, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$52,710, \$86,740 and \$32,311 for the General Fund, the Gas Tax Fund and the Road and Bridge Fund, respectively. 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 2011 and 2010 to determine whether, for the General, Motor Vehicle License Tax and Special Levy – Road Maintenance 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.

Compliance – Budgetary – (Continued)

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 2011 and 2010 for the following funds: General, Road and Bridge, and Special Levy – Fire 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, Motor Vehicle License Tax and Special Levy Road Maintenance funds for the years ended December 31, 2011 and 2010. We noted that Special Levy – Road Maintenance Fund appropriations for 2011 exceeded certified resources by \$4,107, contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits.
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, 2011 and 2010 for the General, Motor Vehicle License Tax, and Special Levy - Road fund, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
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 the years ending December 31, 2011 and 2010. We also inquired of management regarding whether the Township received new restricted receipts. We noted receipts for road grants received in 2011 and 2010 which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund, due to the restricted nature of these funds. The Township should establish the required Special Revenue Fund, when restricted grant monies are received.
7. We scanned the 2011 and 2010 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$10 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, 2011 and 2010 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 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 5549.21)
 - b. Construction and erection of a memorial building or monument costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (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 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 515.01 & 515.07)

Compliance – Contracts & Expenditures – (Continued)

- e. Building modification costs exceeding \$25,000 (\$50,000 effective September 29, 2011) to achieve energy savings (Ohio Rev. Code Section 505.264)
- f. Private sewage collection tile costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (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 no purchases subject to the aforementioned bidding requirements.

- 2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2011 and 2010 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.

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

May 4, 2012

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EAST TOWNSHIP

CARROLL 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
AUGUST 23, 2012**