



Dave Yost • Auditor of State

FALLS TOWNSHIP
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE _____ **PAGE**

Independent Accountants' Report on Applying Agreed-Upon Procedures..... 1

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Falls Township
Muskingum County
P.O. Box 511
Zanesville, Ohio 43701

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Falls Township, Muskingum 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, 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 audited statements. 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.
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 bank statement. 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.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

Cash and Investments (Continued)

6. We tested interbank account transfers occurring in December of 2011 and 2010 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. We tested investments held at December 31, 2011 and December 31, 2010 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 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 five receipts from the State Distribution Transaction Lists (DTL) from 2011 and five from 2010. We also selected five receipts from the County Auditor's DTLs 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 fund(s). We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior audit 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, nor 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:

Payroll Cash Disbursements (Continued)

- 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 code(s) 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. We noted one exception. Ohio Rev. Code Section 5705.06(F) allows, in the case of a township, a levy for the construction, reconstruction, resurfacing, and repair of roads and bridges, excluding state roads and bridges, including the township's portion of the cost of the construction, improvement, maintenance, and repair of county roads and bridges. The Township paid the salary of its Zoning Inspector from the Road & Bridge Fund during 2010. The duties of a zoning inspector do not comply with the allowable costs of a road and bridge levy. Total paid from the Road and Bridge Fund for the Zoning Inspector's salary and employer-paid withholdings during 2010 was \$3,464. As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General and/or Zoning Fund in the amount of \$3,464 and in favor of the Road and Bridge Fund. This adjustment has been posted to the Township's records. We found no other exceptions.
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	\$2,865.19	\$2,865.19
State income taxes	January 15, 2012	December 30, 2011	\$474.75	\$474.75
OPERS retirement	January 30, 2012	December 31, 2011	\$5,108.77	\$5,108.77

3. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Employee Detail Adjustment Report:
- a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Township's payout policy.

We noted the following exception:

Payroll Cash Disbursements (Continued)

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Township employee Randall Clark was paid for 72 hours of unearned holiday leave upon his retirement in March 2011 for a total of \$1,296. Additionally, Mr. Clark was paid for an additional 3.5 hours of unearned leave in 2010 for a total of \$59. There was no documentation to support that the Board of Trustees approved the overcompensation. Further, there was no indication that the overpayments were for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Randall Clark, employee, in the amount of \$1,355 in favor of the Township's Road and Bridge Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp. (1929)*, 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten (1985)*, 18 OhioSt.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Fiscal Officer, Gary Hamilton, processed the improper payments to Mr. Clark. Accordingly, Gary Hamilton and his bonding company, Ohio Casualty Insurance Company, will be jointly and severally liable in the total amount of \$1,355, and in favor of Township's Road and Bridge Fund.

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 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.
 - b. 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.
 - c. 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.
2. We selected all non-payroll disbursements for 2010 and 2011 to determine whether:
 - a. The disbursements were for a proper public purpose.
 - b. The disbursements had appropriate supporting documentation (invoice, etc.).

Non-Payroll Cash Disbursements (Continued)

We noted the following exceptions:

- One transaction in 2010 included \$47 paid to a credit card company for late fees associated with the untimely payment of the Township's credit card bill.
- During 2010 a disbursement for \$48 to a vendor was paid twice, once using the Township's credit card, and again with a direct payment to the vendor by Township warrant.
- Pursuant to Ohio Rev. Code Section 145.47 (B), a penalty shall be added when a report of PERS contributions together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. One payment in 2010 included \$222 in penalties and interest to Ohio Public Employees Retirement System (OPERS). To avoid penalties and interest charges, payments should be made to OPERS within thirty days of the required reporting period.
- The following disbursements were noted to be contrary to Ohio Rev. Code Section 149.351(A) which requires the Township to maintain public records which would include adequate supporting documentation such as purchase orders, invoices, and vouchers supporting disbursements. While these purchases were unsupported, they were determined to be reasonable Township disbursements based on other supported purchases by the Township throughout 2011 and 2010:
 - During 2010, the following direct payments to vendors did not include supporting documentation:
 - Check number 6484 for \$18; and
 - Check number 6499 for \$396.
 - During 2011, the following direct payments to vendors/employees did not include supporting documentation:
 - Check number 6926 to Randy Clark for \$35;
 - Check number 6927 to Lee Chapman for \$45; and
 - Check number 6928 to Brent Smith for \$40.
 - We noted credit card purchases did not always contain supporting receipts. Furthermore, the Township did not have a credit card policy in place during the audit period. We recommend the Township establish a credit card policy which includes requiring the cardholders to present all original receipts to the Fiscal Officer to substantiate purchases made. The following credit card disbursements were noted to lack the appropriate supporting receipts:
 - Two purchases were made on the Township's credit card in 2010 (check numbers 6269 and 6488), and one purchase in 2011 (check number 7219) with no supporting receipts totaling \$579;
 - Two purchases were made on the Township's credit card in 2011 (check numbers 6822 and 7287) with no supporting receipts totaling \$68;
 - One purchase was made on the Township's credit card in 2011 (check number 7017) with no supporting receipt for \$174; and
 - Two purchases were made on the Township's credit card in 2010 (check numbers 6704 and 6747), and one purchase in 2011 (check number 7496) with no supporting receipts totaling \$180;

Non-Payroll Cash Disbursements (Continued)

- In addition to the above purchases, the following disbursements were noted to be contrary to Ohio Rev. Code Section 149.351(A) which requires the Township to maintain public records which would include adequate supporting documentation such as purchase orders, invoices, and vouchers supporting disbursements:
 - We noted the following instances of purchases made that did not have any support to show the purchases were made for a proper public purpose:

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2010, the following direct payments to vendors did not include supporting documentation:

- Check number 5279, in the amount of \$756, paid to Phillip Murphy, Muskingum County Treasurer, included supporting documentation of only \$636 leaving \$120 unsupported.

We noted credit card purchases did not always contain supporting receipts. The following credit card disbursements were noted to lack the appropriate supporting receipts:

- Two Dollar Saver purchases were made on the Township's credit card in 2011 (check number 7572) with no supporting receipts totaling \$30;
- One online purchase at www.esets.com was made on the Township's credit card in 2011 (check number 7164) with no supporting receipt for \$96;
- One Walgreens purchase was made on the Township's credit card in 2010 (check number 6371) with no supporting receipt for \$43; and,
- Two Staples purchases in 2010 (check numbers 5263 and 6408) made from the Township's credit card issued to two of the Trustees totaling \$351 with no supporting receipts.

There was no documentation to support that the expenditures were for an otherwise proper public purpose. In the absence of supporting documentation, it could not be determined whether any of these transactions were actually made for proper public purposes relating to Township business.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gary Hamilton, Fiscal Officer, and his bonding company, Ohio Casualty Insurance Company, jointly and severally, in the amount of \$640 in favor of the Township's General Fund for \$610 and the Township's Motor Vehicle License Tax Fund for \$30.

Non-Payroll Cash Disbursements (Continued)

On September 10, 2012, Gary Hamilton repaid \$640, and it was deposited to the credit of Falls Township's General Fund and Motor Vehicle License Tax Fund.

- In addition to the credit card purchases mentioned previously, we noted the following issue with purchases from Staples made on the Township's credit card issued to the Fiscal Officer:

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

We noted six Staples purchases in 2010 and six Staples purchases in 2011 made with the credit card for which Gary Hamilton is the authorized cardholder totaling \$1,568 for which a Staples Reward Card was used. The Fiscal Officer indicated that any purchases made using this Reward Account were actually purchases for his accounting business, not the Township. Furthermore, in addition to the purchases noted above for which no receipts were present, three of the Staples purchases from 2010 totaling \$453, and four of the Staples purchases from 2011 totaling \$471 were made using the Township credit card issued to Gary Hamilton. In the absence of supporting documentation, it could not be determined whether any of these transactions were actually made for proper public purposes relating to Township business.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gary Hamilton, Fiscal Officer, and his bonding company, Ohio Casualty Insurance Company, jointly and severally, in the amount of \$2,492 in favor of the Township's General Fund.

On September 10, 2012, Gary Hamilton repaid \$2,492, and it was deposited to the credit of Falls Township's General Fund.

- We noted the Township officials and some employees attend trainings at which hotel, lodging and mileage expenses are incurred. The Township does not have a policy providing guidance related to these expenses which would set limits for allowable expenses and the required documentation to be maintained. We recommend that the Township establish a travel policy to prevent excessive or unallowable travel costs. In addition to the aforementioned credit card exceptions we noted the following exceptions related to travel and overnight stay:

Non-Payroll Cash Disbursements (Continued)

- *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The use of public funds to purchase alcohol will be considered arbitrary and incorrect and will be cited by the Auditor of State’s Office.

Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

In 2011, we noted a purchase made on the Township’s credit card of Gary Hamilton, Fiscal Officer, at the Hyde Park Prime Steakhouse totaling \$321 which contained alcohol purchases of \$54. Furthermore, in 2010, nine restaurant purchases were made on the Township’s credit card totaling \$196, and in 2011, three restaurant purchases were made on the Township’s credit card totaling \$311 which did not have detailed supporting documentation. Totals paid to restaurants were as follows: one transaction for Boston’s the Gourmet Pizza for \$23 on the Township credit card of Stephen Dillon, Trustee; one transaction to the Columbus Fish Market for \$85 on the Township credit card of Gary Hamilton, Fiscal Officer; four transactions to the Japanese Steakhouse totaling \$303 (\$33 on the Township credit card of Charles Archer, Trustee; \$36 on the Township credit card of Wendell Smitley, Trustee; \$31 on the Township credit card of Stephen Dillon, Trustee; and \$203 on the Township credit card of Gary Hamilton, Fiscal Officer); and six transactions to Max & Erma’s totaling \$96 (\$21 on the Township credit card of Charles Archer, Trustee; \$25 on the Township credit card of Wendell Smitley, Trustee; and \$50 on the Township credit card of Stephen Dillon, Trustee).

In addition, a check in the amount of \$83 was written to Stephen Dillon, Township Trustee, in 2011 to reimburse him for Ohio Township Association winter training expenses. Support for this reimbursement was provided for \$60; the remaining \$23 was unsupported.

We also noted the Township does not have a travel reimbursement policy.

Non-Payroll Cash Disbursements (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gary Hamilton, Fiscal Officer, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$342; Stephen Dillon, Township Trustee, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$127; Charles Archer, Township Trustee, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$54; and Wendell Smitley, Township Trustee, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$61 all in favor of the Township's General Fund.

On September 10, 2012, Gary Hamilton repaid \$342. On September 5, 2012, Stephen Dillon repaid \$127, Charles Archer repaid \$54, and Wendell Smitley repaid \$61. These payments were deposited to the credit of Falls Township's General Fund.

- In addition to the aforementioned credit card exceptions we noted the following exceptions related to overnight stay at hotels:
 - *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The use of public funds to purchase alcohol will be considered arbitrary and incorrect and will be cited by the Auditor of State's Office.

Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

In 2010, we noted two credit card transactions to Hyatt Hotels totaling \$131 (\$43 on the Township credit card of Wendell Smitley, Trustee, and \$88 on the Township credit card of Stephen Dillon, Trustee) for which there was no support. In addition to these, in 2011, we noted two credit card transactions to Hyatt Hotels which included restaurant purchases charged to the hotel rooms totaling \$192 (\$145 on the Township credit card of Wendell Smitley, Trustee, and \$47 on the Township credit card of Gary Hamilton, Fiscal Officer) for which no detailed documentation was present. As stated in the previous item, the lack of detailed supporting documentation related to restaurant purchases does not allow us to determine whether these expenditures were for a proper public purpose.

Non-Payroll Cash Disbursements (Continued)

Finally, we noted one credit card transaction in 2011 to Hyatt Hotels which included a \$15 charge for pay-per-view television programming. There is no evidence to suggest this expenditure serves a proper public purpose. This transaction was made using the card for which Gary Hamilton is the authorized cardholder.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gary Hamilton, Fiscal Officer, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$62; Stephen Dillon, Township Trustee, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$88; and Wendell Smitley, Township Trustee, and his bonding company, Ohio Casualty Insurance Company, in the amount of \$188 all in favor of the Township's General Fund.

On September 10, 2012, Gary Hamilton repaid \$62. On September 5, 2012, Stephen Dillon repaid \$88, and Wendell Smitley repaid \$188. These payments were deposited to the credit of Falls Township's General Fund.

- Pursuant to Ohio Rev. Code Section 505.60(A), specifically, if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

We noted one transaction in 2010 to Trustee Stephen Dillon in the amount of \$932 as a reimbursement for out-of-pocket health, vision, and dental coverage costs incurred by Mr. Dillon. However, as of January 1, 2010, when his term began, Mr. Dillon was participating in the Township's group insurance programs for family health and vision coverage, and was added to family dental coverage effective April 1, 2010. Therefore, of the \$932 paid, only \$114 was allowable to be reimbursed for out-of-pocket dental coverage from January 1, 2010 to March 31, 2010. Additionally, one transaction in 2011 was paid to Trustee Stephen Dillon for out-of-pocket medical expenses totaling \$113 for a medical bill paid on behalf of a child of Mr. Dillon. This expense is also included in the total unallowable amount for reimbursement of out-of-pocket coverage.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Stephen Dillon, Township Trustee, and his bonding company, Ohio Casualty Insurance Company, jointly and severally, in the amount of \$931 in favor of the Township's General Fund.

On September 5, 2012, Stephen Dillon repaid \$931, and it was deposited to the credit of Falls Township's General Fund.

Non-Payroll Cash Disbursements (Continued)

- Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

In 2010, the Township paid \$20,400 to State Farm Bank for the purpose of funding Health Savings Accounts for participating employees and officials. The following amounts were allocated for the following Township employees and officials: Fiscal Officer Gary Hamilton - \$7,150, Melanie Hamilton (Gary Hamilton's wife) - \$1,000, Brent Smith (employee) - \$6,150, Lee Chapman (employee) - \$3,050, and Randall Clark (employee) - \$3,050. Of these amounts, only documentation provided for Gary and Melanie Hamilton clearly demonstrated support for the amount contributed. No documentation was presented to support the amount contributed for Randall Clark. Monthly statements showing end of year balances were provided for both Lee Chapman and Brent Smith which demonstrated both of these individuals had an existing account; however, this documentation provided failed to accurately support the amount as it was contributed in March 2010.

In 2011, the Township paid a total of \$33,700 to State Farm Bank in a total of 5 transactions for the purpose of funding Health Savings Accounts for participating employees and officials. The following amounts were allocated for the following Township employees and officials: Fiscal Officer Gary Hamilton - \$7,150, Melanie Hamilton (Gary Hamilton's wife) - \$1,000, Brent Smith (employee) - \$6,150, Lee Chapman (employee) - \$3,050, Randall Clark (employee) - \$3,050, Eric Radcliffe (employee) - \$6,150, Trent Ankrum (employee) - \$6,150, and Cheryl Ankrum (Trent Ankrum's wife) - \$1,000. Of these amounts, only documentation provided for Gary and Melanie Hamilton and Trent and Cheryl Ankrum clearly demonstrated support for the amount contributed. No documentation was presented to support the amount contributed for Randall Clark. Monthly statements showing end of year balances were provided for Lee Chapman, Eric Radcliffe and Brent Smith which demonstrated these individuals had an existing account; however, this documentation provided failed to accurately support the amounts as contributed in 2011.

Pursuant to AG Op. No 2007- 032, unless the terms of the resolution under which health care benefits were provided to township personnel at the commencement of the official's term, included the option of participation in a self-insured health care benefit program that meets the requirements of an HSA, Ohio Const. art. II, § 20 prohibits an FO from commencing, mid-term, participation in any such program first authorized by the board of trustees after the commencement of the officers term of office.

Fiscal Officer Gary Hamilton was the only elected official to participate in the Township's health savings account insurance plan for 2010 and 2011. Mr. Hamilton's term as fiscal officer for the period under audit began April 1, 2007. The change from participating in a traditional health insurance plan to a health savings account plan with the Township contributing the full amount of funding in the health savings account during the middle of Mr. Hamilton's term as Fiscal Officer constitutes an unallowable in-term increase per Ohio Const. art. II Section 20 as clarified in Ohio Attorney General Opinion 2007-032. Additionally, resolutions adopted by the Township on December 5, 2009 and December 6, 2010 indicate that health savings accounts would be 100% funded for eligible employees. There is no mention of eligibility for elected officials.

Non-Payroll Cash Disbursements (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gary Hamilton, Fiscal Officer, and his bonding company, Ohio Casualty Insurance Company, jointly and severally, in the amount of \$16,300 in favor of the Township's General Fund.

On August 23, 2012, Gary Hamilton repaid \$16,300, and it was deposited to the credit of Falls Township's General Fund.

- The following payments were posted to the incorrect funds:
 - Pursuant to Ohio Rev. Code Section 9.15, townships must bear the cost of indigent burials in certain circumstances. According to the Ohio Township Handbook, indigent burial expenditures are to be charged to the General Fund for burying indigent persons who were legal residents of the township. During 2010, a payment of \$900 was paid to a funeral home for an indigent burial from the Cemetery Fund. As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$900 and in favor of the Cemetery Fund.

This adjustment has been posted to the Township's records.

- Ohio Revised Code Section 515.01 states, in part, the cost of installing and operating any lighting system shall be paid from the General Fund of the Township treasury. During 2011, a payment of \$1,000 was paid to a utility company for street lighting from the Motor Vehicle License Tax Fund. As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$1,000 and in favor of the Motor Vehicle License Tax Fund.

This adjustment has been posted to the Township's records.

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 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 2010 *Certificate* agreed to the amount recorded in the accounting system, except for the General Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General Fund of \$328,975 for 2010. However, the final *Amended Official Certificate of Estimated Resources* reflected \$315,000. None of the amounts on the 2011 *Certificate* agreed to the amounts in the accounting system, because the amounts were never entered into the accounting system. 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 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 noted that the Township approved appropriations at the fund level contrary to Ohio Rev. Code Section 5705.38(C). Appropriations should be passed at the level required.

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 Fire District Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report except for the General Fund in 2011. Total General Fund appropriations for 2011 per the Appropriation Status Report were \$1,001,500. However, the legislatively-approved appropriations for the General Fund in 2011 were \$1,000,000.
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 and Bridge and Fire District Funds for the years ended December 31, 2011 and 2010. 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, 2011 and 2010 for the General, Gasoline Tax and Road and Bridge Funds, 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 December 31, 2011 and 2010. We also inquired of management regarding whether the Township received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. We scanned the 2011 and 2010 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, 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)
 - e. Building modification costs exceeding \$25,000 (\$50,000 effective September 29, 2011) to achieve energy savings (Ohio Rev. Code Section 505.264)

Compliance – Contracts & Expenditures (Continued)

- 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 road resurfacing projects exceeding \$25,000 (\$50,000 effective September 29, 2011), subject to Ohio Rev. Code Section 515.07. For both of these projects, we noted that the Board advertised the projects in a local newspaper, and selected the lowest responsive and responsible bidder.

2. We inquired of the County Engineer's office 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.
3. For the road maintenance projects described in step 1 above, we noted no formal contract requiring the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05. We recommend the Township require a formal contract for such projects to determine if the contractor is paying prevailing wages to their employees.

Officials' Response: The following are the responses of the officials regarding the above exceptions:

- With reference to Mr. Clark's payment of holiday leave, the fiscal officer attended a UAN Conference which stated that if you accrued holiday and vacation time, you need to pay it upon the employee leaving. All Trustees agreed. Mr. Clark had worked for more than 20 years for the Township, and we feel we owe him those benefits. The 3.5 hours we feel is insignificant.

Auditor of State's Analysis: The holiday time paid to Mr. Clark was not accrued. It was holiday hours for the Township for the remainder of 2011 after Mr. Clark had already retired. These holiday hours would not have been earned by Mr. Clark and, therefore, should not have been paid.

- With reference to the HAS paid for Mr. Hamilton, he has paid that money back. We put some blame on the previous auditor because this was pointed out to them, and they said nothing.

Auditor of State's Analysis: The Township could not provide evidence of a discussion with the previous auditor.

- Check number 5279 to the County Treasurer was paid and approved by all, and the \$120.00 must have been owed.
- The two charges to Dollar Saver on the Trustees' credit card were approved by all, and we feel it is insignificant.
- The purchase at www.esets.com was for an antivirus and was approved by all.
- The two Staples purchased by the Trustees were for some paper and a camera for the Township. These were approved by all.

- With reference to the food purchased, this was for the Winter Conference attended by the Trustees, Fiscal Officer and the Zoning Inspector. We combined the meal tickets and the charges were put on one card. These were all approved by all. We have reimbursed for all alcohol.
- The movie charge to Mr. Hamilton has been paid back. The additional \$47 charge was for meals which were approved by all.
- The \$85 was a meal for the Fiscal Officer who attended a UAN meeting in Columbus. This was approved by all.
- We plan to establish both a travel policy and credit card policy upon completion of this audit report.

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

September 18, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

FALLS TOWNSHIP

MUSKINGUM 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
OCTOBER 4, 2012**