



Dave Yost • Auditor of State



**CENTER TOWNSHIP  
GUERNSEY COUNTY**

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

Center Township  
Guernsey County  
65765 Larrick Ridge Road  
Cambridge, Ohio 43725

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Center Township, Guernsey 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, 2014 and 2013, 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.

This report only describes exceptions exceeding \$10.

### Cash

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances throughout the audit period, as evidenced by unsupported "other adjusting factors" each month. Monthly bank reconciliations contained unexplained other adjusting factors throughout the entire audit period which were carried forward instead of being investigated and corrected. We expanded our testing in 2013 and 2014 to perform proof-of-cash analysis in 2013 and 2014. We were able to identify posting errors, such as receipts deposited in the bank account not recorded to the Township's accounting system and receipts recorded to the Township's accounting system at a higher amount than amount clearing the bank. We noted adjustments required in favor of the Motor Vehicle License Tax Fund, in the amount of \$1,005.20, against the Road and Bridge Fund, in the amount of \$848.30, against the Fire Levy Fund, in the amount of \$134.85, against the Dust Control Fund, in the amount of \$270.32, against the Resurface Fund, in the amount of \$266.52, and in favor of the Permissive Motor Vehicle License Tax Fund, in the amount of \$687.51. The Township made all the adjustments to the Township accounting system on January 11, 2016, except \$134.85 against the Fire Levy Fund. In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Fire Levy Fund, in the amount of \$134.85.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the Fund Ledger Report. We found no exceptions.

### **Cash (Continued)**

3. We agreed the totals per the bank reconciliations to the total of the December 31, 2014 and 2013 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balance to the amount appearing in the December 31, 2014 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 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. 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 2014 and one from 2013:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We found one receipt of \$8,260.78 for real estate tax in the Fire Special Levy Fund that should have been recorded at \$4,260.78. The Township declined to make this adjustment due to the fund not having an adequate fund balance. In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Fire Levy Fund, in the amount of \$4,000.
  - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code §§ 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 2014 and 2013. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected four receipts from the State Distribution Transaction Lists (DTL) from 2014 and four from 2013. We also selected five receipts from the Guernsey County Auditor Cross Reference Report by Vendor Number from 2014 and five from 2013.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. We found a bank deposit, in the amount of \$957.92 for 5% Township road ratio monies that was not recorded to the Township's Receipt Register Report in 2013. The Township made the adjustment to the accounting system on January 11, 2016.
  - b. We determined whether these receipts were allocated to the proper funds. We found one receipt of \$4,615 for Township gasoline tax money that was recorded in the Road and Bridge Fund that should have been recorded in the Gasoline Tax Fund for 2013. Also, we found two receipts in 2013 for homestead and rollback revenues that were recorded to the proper funds; however, the receipts were not recorded to the proper receipt account. The two receipt transactions were posted to Taxes instead of Intergovernmental receipts. The Township made an adjustment to the accounting system on January 11, 2016 for the misposting of gasoline tax money between the Road and Bridge Fund and the Gasoline Tax Fund, in the amount of \$4,615.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

**Miscellaneous Cash Receipts**

We haphazardly selected ten Miscellaneous cash receipts from the year ended December 31, 2014 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. Receipt was posted to the proper fund(s), and was recorded in the proper year. We found two gasoline tax receipts, in the amount of \$9,375 and three 5% township road ratio receipts, in the amount of \$2,177 in 2014 recorded to the proper funds; however, the receipts were not recorded to the proper receipt account. All five receipt transactions were recorded to Miscellaneous receipts instead of Intergovernmental receipts. Also, we found two 2013 tax receipts in the General Fund, in the amount \$13,123.96, posted to Taxes instead of Intergovernmental receipts.

**Debt**

- 1. From the prior audit documentation, we noted the following promissory note outstanding as of December 31, 2012. This amount agreed to the Township's January 1, 2013 balance.

Issue	Principal outstanding as of December 31, 2012:
Peoples Bank – Promissory Note	\$27,005

- 2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. We noted debt payment activity during 2014 and 2013; however, the activity was less than 10% of the total of all funds disbursements; therefore, no further testing deemed necessary.

**Payroll Cash Disbursements**

- 1. We haphazardly selected one payroll check for five employees from 2014 and one payroll check for five employees from 2013 from the Payment Listing and:
  - a. We compared the hours and pay rate, or salary recorded in the Payroll Register for employees or Payment Register Detail for officials to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found the Fiscal Officer did not maintain payroll registers for the elected officials. Ohio Admin. Code § 117-2-02(D) and (E) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include payroll records including:
    - i. W-2's, W-4's and other withholding records and authorizations;
    - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
    - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
    - iv. Information regarding nonmonetary benefits such as car usage and life insurance; and
    - v. Information, by employee, regarding leave balances and usage.

**Payroll Cash Disbursements (Continued)**

The Fiscal Officer should maintain payroll registers for all officials of the Township.

- c. 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. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the 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, except the state tax withholding form was not maintained for one employee. However, the payroll register did disclose state tax withholdings for this employee. The Township should maintain all documentation to support wages paid and deductions withheld.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2014 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 2014. We noted 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	1/31/15	3/9/15	\$2,695.60	\$2,695.60
State income taxes	1/15/15	1/29/15	\$436.56	\$606.34
OPERS retirement	1/30/15	12/21/14	\$1,698.18	\$1,698.18

As of the date of this report, the Township filed the 941 for the 2014 4<sup>th</sup> quarter on January 29, 2015 but payment was not made until March 9, 2015. Our review of the state income tax withholding payroll recap maintained by the fiscal officer, the spreadsheet did not foot properly. In addition, the fiscal officer never remitted the amounts that were reflected on her spreadsheet. As a result, the Township underpaid 2014 payments by \$44.95.

4. For the pay periods ended September 22, 2014 and February 24, 2013, we recomputed the allocation of the Boards' salaries to the General, Gasoline Tax and Road and Bridge Funds per the Payment Register Detail. We determined that the Township improperly allocated \$682 and \$1,377, in 2014 and 2013, respectively from the Road and Bridge Fund instead of the Gasoline Tax Fund according to the timesheets. The Township made this adjustment to their accounting system on January 11, 2016.
5. For the pay periods described in the preceding step, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. For 2013 and 2014 the Trustees did not use certifications but continued to use timesheets. Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

### Payroll Cash Disbursements (Continued)

By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township General Fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township General Fund and from other township funds in such proportions as the kinds of services performed.

The Trustees should use the payroll certifications as required by Ohio Revised Code § 505.24(C) when paid from funds other than the General Fund. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

6. 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 Payroll Register:
  - a. Accumulated leave records.
  - b. The employee's pay rate in effect as of the termination date.
  - c. The Township's payout policy.

The Board of Trustees have not formally adopted a leave policy for its employees. The leave policy should address such items as the type of leave that will be given to the employees (sick, vacation, etc.), the amount of the accrual for each type of leave permitted, when and how the leave will be accrued, whether it will be carried forward.

Township employee Rickey Lee King resigned his position effective June 30, 2014. The Township calculated that Mr. King had an unused vacation balance of 82.8 hours. The Township paid Mr. King \$1,304 from the General Fund on September 22, 2014 with check #2984. The Auditor of State has calculated Mr. King's unused vacation balance to be 24 hours, a difference of 58.8 hours. The Township erroneously provided Mr. King with a pro-rated vacation accrual for working the months January through June in 2014, but the Township had already credited him his 2014 vacation accrual on October 7, 2013. As a result, Mr. King was overpaid in the amount of \$926 based on his rate of pay of \$15.75 an hour.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended will be issued against Rickey Lee King, in the amount of \$926, and in favor of Center Township's General 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 §9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.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.

### Payroll Cash Disbursements (Continued)

Township Trustees Larry Parry, Robert Oakley, and Douglas Dodd, and Fiscal Officer, Kathy Doult signed the warrants resulting in the improper payments. Township Trustees Larry Parry, Robert Oakley, Douglas Dodd and Fiscal Officer Kathy Doult, and their bonding companies, Ohio Plan Risk Management, Inc., and Selective Insurance Company of America, respectively, will be jointly and severally liable in the amount of \$926 and in favor of the General Fund to the extent that recovery is not obtained from Rickey Lee King.

7. We inquired of management and scanned the Payment Detail Register for the years ended December 31, 2014 and 2013 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were in compliance with Ohio Revised Code §§ 505.60 and 505.601.

### Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2014 and ten from the year ended 2013 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 one disbursement of \$220 for the mowing of cemeteries recorded in the Gasoline Tax Fund that should have been recorded in the General Fund during 2013. Ohio Rev. Code § 5735.27(A)(5)(d) requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within such township. In addition, Ohio Constitution Article XII, Section 5a, states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refund and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on public highways. Ohio Rev. Code § 5705.10(I) provides that money paid into a fund shall be used only for the purposes for which said fund has been established. The Township made this adjustment to the accounting system on January 11, 2016.
- d. The Fiscal Officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code § 5705.41(D). We found no exceptions.

### Compliance – Budgetary

1. We compared the total estimated receipts from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Rev. Code § 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Motor Vehicle License Tax, and Debt Service (Note) Funds for the years ended December 31, 2014 and 2013. The amounts agreed.

### **Compliance – Budgetary (Continued)**

2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, Motor Vehicle License Tax, and Debt Service (Note) 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 § 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code §§ 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2014 and 2013 for the following funds: General, Motor Vehicle License Tax, and Debt Service (Note). The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code §§ 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 Debt Service (Note) Funds for the years ended December 31, 2014 and 2013. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code § 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, 2014 and 2013 for the General, Motor Vehicle License Tax, and Debt Service (Note) Funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code § 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, 2014 and 2013. 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 § 5705.09 would require the Township to establish a new fund.
7. We scanned the 2014 and 2013 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$500 which Ohio Rev. Code §§ 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which § 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 § 5705.13. We noted the Township did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 for negative cash fund balance. Ohio Rev. Code § 5705.10(l) 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. We noted no funds having a negative cash fund balance.

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

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2014 and 2013 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 § 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 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 15, 2016



# Dave Yost • Auditor of State

**CENTER TOWNSHIP**

**GUERNSEY 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  
APRIL 5, 2016**