



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Swanton Township
Lucas County
13410 Airport Highway
Swanton, Ohio 43558-8548

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Swanton Township, Lucas County (the Township) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2010 and 2009, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). Government Auditing Standards considers this service to impair the independence of the Auditor of State to provide attest services to the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, Government Auditing Standards permits the Auditor of State to perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Cash Summary by Fund 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, 2010 and 2009 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balances with the Township's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each debit to the subsequent January 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.

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 2010 and one from 2009:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We also traced the advances noted on the Statement to 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. For the property tax receipts selected for 2010 and 2009, we noted \$1,071 for each year was incorrectly allocated to the General fund. This resulted in property tax receipts being understated in the Road and Bridge, Fire and Ambulance funds for \$605, \$233 and \$233, for 2010 respectively, and \$627, \$222 and \$222, for 2009 respectively. However, because we did not test all property tax receipts, our report provides no assurance regarding whether or not similar errors occurred. We recommend the Township exercise due care in posting property tax receipts. The Township has not posted these exceptions to the accounting records.
 - 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 the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receipts plus six advances in 2010 and three advances in 2009

We noted the Receipts Register Report included the proper number of tax settlement receipts for each year.

3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009. We also selected five receipts from the Lucas County Accounts Payable Expense Listing from 2010 and five from 2009.
 - a. We compared the amount from the DTL 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.

4. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) to the Township during 2009 with the OPWC. We noted three receipts totaling \$126,349 were properly reported by the Township and the OPWC. We also noted one receipt totaling \$14,082 was reported by the OPWC, but was never recorded by the Township.
 - a. We determined whether these receipts were allocated to the proper fund. We found no exceptions, other than the one identified above.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions, other than the one identified above.

In order to properly account for OPWC funding, the Fiscal Officer should contact the OPWC to obtain the amount of OPWC funding designated to the Township. The OPWC monies should be recorded as a receipt and disbursement in the Township's accounting system.

Debt

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

Issue	Principal outstanding as of December 31, 2008:
1996 Ohio Public Works Commission Loan	\$37,416
2003 Ohio Public Works Commission Loan	\$60,222

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. We noted no new debt issuances during 2010 or 2009. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of note debt activity for 2010 and 2009 and agreed principal payments from the related debt amortization schedules to the Permissive Motor Vehicle License Tax fund and Road and Bridge fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Payroll Register Detail Report and:
 - a. We compared the hours and pay rate, or salary amount used in computing gross pay to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files, minute record or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files and minute record was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State and Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

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

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2010. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2011	December 27, 2010	\$913.24	\$913.24
State income taxes	January 15, 2011	December 27, 2010	168.68	168.68
Local income tax	January 18, 2011	December 27, 2010	37.60	37.60
OPERS retirement	January 30, 2011	December 27, 2010	2,401.44	2,401.44

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended December 31, 2009 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.

- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The Fiscal Officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code, Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. We compared the total amounts from the *Amended Certificate of Estimated Resources* required by Ohio Rev. Code, Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Motor Vehicle License Tax and Gasoline Tax funds for the years ended December 31, 2010 and 2009. The amounts agreed for the year ended December 31, 2010. The amounts on the *Certificate* did not agree to the amounts recorded in the accounting system for the year ended December 31, 2009. The Revenue Status Report recorded budgeted (i.e certified) resources for the General, Motor Vehicle License Tax, and Gasoline Tax Funds of \$291,501, \$8,325, \$94,700, respectively, for 2009. However, the final *Amended Certificate of Estimated Resources* reflected \$470,698, \$21,706, and \$171,265, respectively, for 2009. However, because we did not test all funds, our report provides no assurance regarding whether or not similar errors occurred. The Fiscal Officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General, Motor Vehicle License Tax and Gasoline Tax funds, the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code, Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code, Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2010 and 2009 for the following funds: General, Motor Vehicle License Tax and Gasoline Tax. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code, Section 5705.39, prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Motor Vehicle License Tax and Gasoline Tax funds for the years ended December 31, 2010 and 2009. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code, Section 5705.41(B), prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2010 and 2009 for the General, Motor Vehicle License Tax, and Gasoline Tax 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, 2010 and 2009. 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 2010 and 2009 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 and Expenditures

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

We identified 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, 2010 and 2009 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

Other Procedure Performed

1. We followed up on an inquiry filed with the Auditor of State's Office questioning the scope of authority of Trustees using personal addresses and personal email accounts to receive correspondence from vendors. We inquired with the Fiscal Officer as to whether a personal information policy exists, to mitigate issues such as this. The Fiscal Officer stated the Township does not have a personal information policy.

Ohio Rev. Code, §1347.01, paragraph 'E' states: "Personal information" means any information that describes anything about a person, or that indicates actions done by or to a person, or that indicates that a person possesses certain personal characteristics, and that contains, and can be retrieved from a system by, a name, identifying number, symbol, or other identifier assigned to a person.

Additionally, Ohio Rev. Code, § 1347.05, states: Every state or local agency that maintains a personal information system shall (information paraphrased):

- a. Appoint one individual to be directly responsible for the system;
- b. Adopt and implement rules that provide for the operation of the system;
- c. Inform each of its responsible employees of all rules adopted in accordance with this section;
- d. Specify disciplinary measures for unauthorized use of information contained in the system;
- e. Inform a person supplying personal information if it is legally required, or if they may refuse;
- f. Develop procedures for purposes of monitoring the accuracy, relevance, timeliness, and completeness of the personal information in this system;
- g. Take reasonable precautions to protect personal information in the system from unauthorized modification, destruction, use, or disclosure; and
- h. Collect, maintain, and use only personal information that is necessary and relevant to the functions that the agency is required or authorized to perform, and eliminate personal information from the system when it is no longer necessary and relevant to those functions.

Additionally, Ohio Rev. Code, § 1347.07, states: A state or local agency shall only use the personal information in a personal information system in a manner that is consistent with the purposes of the system.

The Township does not have a formal policy or established controls in place, which are consistent with the aforementioned requirements. Lack of a formal policy and established controls over the storage, use and distribution of personal information, could result in lost, stolen and/or compromised personal information.

We recommend the Township establish a formal policy and system of controls over the storage, use and distribution of personal information, consistent with Ohio Revised Code.

Officials' Response:

Response to Property Taxes, Intergovernmental and Other Confirmable Cash Receipts 1.b:

The accounts in the Road and Bridge, Fire, and Ambulance funds (Tax Collection Fees) recommended by the auditor's to allocate these fees were never activate nor created in the Swanton Township Accounting (UAN) system in prior years. The current Fiscal Officer had just continued past practice of the previous Fiscal Officer in allocating these fees. However, in correcting the past practice these accounts have been created and are now active. These fees will be recorded in the accounts recommended.

Response to Other Procedure Performed 1:

Upon recommendation from the auditor's, Swanton Township adopted a Swanton Township Business Vendor Mailing Policy and a Swanton Township Personal Information Policy.

Response to Property Taxes, Intergovernmental and Other Confirmable Cash Receipts 4:

The OPWC project in question was a joint project with Lucas County. The three receipts and disbursements properly reported were for the Swanton Township portion of the project and the one receipt and disbursement not recorded was for the Lucas County portion of the project. This receipt was not forwarded to Swanton Township by Lucas County. This was a continuation of past practice of the previous Fiscal Officer. In correcting this past practice, the Fiscal Officer will contact the OPWC to obtain the amount of OPWC funding designated to the Township. Both Swanton Township's and Lucas County's OPWC monies will be recorded as a receipt and disbursement in Swanton Township's Accounting (UAN) system.

Auditor's Analysis:

Response to Property Taxes, Intergovernmental and Other Confirmable Cash Receipts 1.b:

The exception and subsequent recommendation is a result of improper posting of revenues not the allocating of expense.

Response to Property Taxes, Intergovernmental and Other Confirmable Cash Receipts 4:

The three properly recorded receipts totaling \$126,349 were for projects CLS06 and CLT07. The one unrecorded receipt totaling \$14,082 was for project CLR07. All receipts confirmed with the Ohio Public Works Commission (OPWC) were payments made by OPWC on behalf of Swanton Township, not Lucas County. In addition, to help ensure the accuracy of posting receipts and disbursements, management should review Auditor of State Bulletins 2000-008 and 2002-004.

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

June 27, 2011

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SWANTON TOWNSHIP

LUCAS 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 4, 2011**