



Dave Yost • Auditor of State

LAWRENCE TOWNSHIP
WASHINGTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lawrence Township
Washington County
692 Bear Run Road
Reno, Ohio 45773

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Lawrence Township, Washington, 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, 2012 and 2011, 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, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Fund Status Report to the December 31, 2010 balances in documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Fund Status Report to the December 31, 2011 balances in the Fund Status Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2012 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:
 - a. We traced each debit to the subsequent January and February bank statements. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

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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 2012 and one from 2011:
 - 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 fund(s) 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 2012 and 2011. 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 2012 and four from 2011. We also selected five receipts from the County Auditor's Detail Check Report by Chk No for 2012 and five from 2011.
 - a. We compared the amount from the above report 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.
4. We confirmed the amounts paid from the Washington County Commissioners to the Township during 2012 and 2011 with the County. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior agreed-upon procedures documentation, we noted the following loan outstanding as of December 31, 2010. This amount agreed to the Township's January 1, 2011 balance on the summary we used in step 3.

| Issue | Principal outstanding as of December 31, 2010: |
|------------------------------------|------------------------------------------------|
| 2007 Laberra Motor Grader Purchase | \$96,761.36 |

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to Motor Vehicle License Tax Fund, Gasoline 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 four of the grader debt payments made in 2011 and ten of the grader debt payments made in 2012 were paid after the payments were due according to the amortization schedule. We recommend the Township follow the due dates as outlined in the debt agreement.

Debt (Continued)

4. The debt proceeds from the debt documents did not agree to amounts recorded in the road funds. The Township obtained a collateralized promissory note in the amount of \$42,162 to purchase an Alamo 18' Machete Boom Mower Mount on December 19, 2012. The financial institution paid the vendor directly. The Township did not record debt proceeds of \$42,162 and the corresponding disbursement to Capital Outlay for this purchase. We recommend the Township record all debt activity of the Township including proceeds and payments made directly to the vendor by the financial institution. In addition, Ohio Rev. Code Chapter 133 provides different type of debt arrangements for Townships, but it does not provide for Townships to enter in to debt agreements with local financial institutions for collateralized promissory notes. We recommend the Township contact their legal counsel before entering into debt agreements in the future.
5. For new debt issued during 2012, we inspected the debt legislation, noting the Township must use the proceeds to purchase an 18' Alamo Machete Boom Mower Mount. We scanned the 2012 Payment Register Detail Report and Receipt Register Report and noted the Township did not record debt proceeds, so we verified the purchase by reviewing the invoice. The unspent balance of this debt as of December 31, 2012, was \$42,162.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). Ohio Rev. Code Section 507.09(C) states the compensation of the township fiscal officer shall be paid in equal monthly payments. We found the Fiscal Officer paid her yearly salary in the months of January, February, March, April, May, June and September of 2011 and in the months of January, February, March, April, May, June, July and August of 2012. We recommend the Fiscal Officer be paid in 12 equal monthly payments.
 - 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 or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 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 2012. We noted the following:

| Withholding (plus employer share, where applicable) | Date Due | Date Paid | Amount Due | Amount Paid |
|----------------------------------------------------------------|---------------------|----------------------|-----------------------|------------------------|
| Federal income taxes & Medicare | 1/31/13 | 12/31/12 | \$1,118.95 | \$1,118.95 |
| State income taxes | 1/15/13 | 12/31/12 | \$249.57 | \$249.57 |
| OPERS retirement | 1/30/13 | 12/31/12 | \$1,399.14 | \$1,399.14 |

Payroll Cash Disbursements (Continued)

3. For the pay periods ended August 31, 2012 and November 30, 2011, we recomputed the allocation of the Boards salaries to the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund per the Employee Detail Adjustment Report. We found no exceptions.
4. For the pay periods described in the preceding step, we traced the Boards' salary for time or services performed to supporting timesheets. Subsequent to HB 153, passed in 2011, Ohio Rev. Code Section 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. If they are paid 100% out of the general fund, no certification is required. For the period subsequent to September 29, 2011, the Township Trustees did not prepare certifications but continued the practice of using timesheets to document their time. We expanded our testing for elected officials to include November and December 2011 and the twelve pay periods in 2012. We found no exceptions with the November and December 2011 payroll support. For the twelve pay periods in 2012, the services per timesheets submitted for 2012 did not agree to funds in which the payroll was paid from. The Township did not allocate enough money to the General Fund for the monthly board meetings, which is an administrative function. According to the 2012 timesheets we found \$23, \$81 and \$12 that were paid from the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund, respectively, instead of the General Fund. The Fiscal Officer corrected the error by posting an adjustment to report the entire payment of \$116 in the General Fund on July 2, 2013. We recommend that if the Trustees use the salary method and are compensated from funds other than the General Fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the General Fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. A sample certification is attached to AOS Bulletin 2011-07.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2012 and ten from the year ended 2011 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. Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall only be used for the purposes for which such fund is established. We found the Township paid \$900 for cemetery mowing from the Gasoline Tax Fund. The Gasoline Tax Fund is restrictive in regards to allowable expenditures. This amount is not an allowable expenditure for the Gasoline Tax Fund. A Finding for Adjustment is hereby issued against the General Fund of Lawrence Township, Washington County, in the amount of \$900, and in favor of the Gasoline Tax Fund in the amount of \$900. This adjustment was made by Fiscal Officer to the Township's accounting system on July 2, 2013.

Non-Payroll Cash Disbursements (Continued)

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

Compliance – Budgetary

1. We compared the total 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, 2012 and 2011. The amounts agreed.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, Gasoline Tax and Road and Bridge 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 2012 and 2011 for the following funds: General, Gasoline Tax and Road and Bridge. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2012 and 2011. 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, 2012 and 2011 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, 2012 and 2011. We also inquired of management regarding whether the Township received new restricted receipts. The Township established the Miscellaneous Special Revenue Fund during 2011 to segregate Federal Emergency Management Agency receipts and disbursements, in compliance with Section 5705.09.
7. We scanned the 2012 and 2011 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$500 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.

Compliance – Budgetary (Continued)

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

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2012 and 2011 to determine if the township proceeded by force account (i.e., used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate

We 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

Columbus, Ohio

July 2, 2013



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LAWRENCE TOWNSHIP

WASHINGTON 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
JULY 23, 2013**