



OHIO AUDITOR OF STATE
KEITH FABER



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BASIC AUDIT REPORT

Penn Township
Morgan County
444 Scott Penn Lane
Malta, Ohio 43758

We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of Penn Township, Morgan County, (the Township) for the years ended December 31, 2023 and 2022.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code § 117.11(A). Because our procedures were not designed to opine on the Township's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Township's financial statements, transactions or balances for the years ended December 31, 2023 and 2022.

The Township's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code § 117.11(A) is to examine, analyze and inspect these records and documents.

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

Current Year Observations

1. We noted the Township did not adopt a formal records retention schedule. Ohio Rev. Code § 149.43(B)(2) states, in part, a public office shall have available a copy of its current records retention schedule at a location readily available to the public. Ohio Rev. Code § 149.381 states, in part, when a records commission has approved a schedule of records retention, the records commission shall send that schedule of records retention to the Ohio History Connection for its review. Upon completion of its review, the Ohio History Connection shall forward the schedule of records retention to the Auditor of State for the Auditor of State's approval or disapproval. The Township should adopt a formal records retention schedule and send it to the Ohio History Connection for review. Our prior basic audit also reported this deficiency.
2. We noted the Township did not provide an acknowledgement of receipt of the Public Records Policy from the records custodian/manager. Ohio Rev. Code § 149.43(E)(2) states that public offices must distribute their public records policy to the employee who is the records custodian or records manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the copy of the public records policy. The Township's Public Records Policy should be distributed to the records custodian/manager and the employee should acknowledge receipt. The Township should then have the acknowledgement of receipt on file.

Current Year Observations (Continued)

3. We noted one Trustee did not attend public records training for his term ended December 31, 2023. Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1) require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. The elected officials or their designees should attend public records training during their term of office.
4. We found appropriations exceeded estimated resources at December 31, 2023 by \$208,451 in the General Fund. Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances. The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification.
5. We noted the Township made principal payments in the amount of \$32,606 and \$30,158 on a promissory note during 2023 and 2022, respectively. Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt. Ohio Rev. Code § 133.22: a subdivision may issue anticipatory securities if it meets the requirements outlined in the statute. Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Ohio Rev. Code § 133.15: a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct. Ohio Rev. Code § 133.18: the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue. This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township. The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute. Our prior basic audit also reported this deficiency.
6. We noted for 2022, the Trustees did not charge any administrative costs (General Fund) for board meetings to the General Fund. The Trustees' salaries were paid 100% from the Gasoline Tax Fund. A reasonable amount needs to be charged to the General Fund for board meetings. The Trustees should document a percentage on a Payroll Certification sheet. Our prior basic audit also reported this deficiency.

Current Year Observations (Continued)

7. We noted the December 31, 2023, bank reconciliation had an "other adjusting factor" of \$2,212. We determined this was an USDA loan payment electronically withdrawn by USDA from the Township's bank account on December 1, 2023, but not posted to the Township ledgers until January 29, 2024. The lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. The Fiscal Officer should record all transactions in the Township's ledgers in the proper period in order for the reconciliation process to not be so cumbersome and for proper reporting in the annual financial statements.



Keith Faber
Auditor of State
Columbus, Ohio

September 4, 2024

OHIO AUDITOR OF STATE KEITH FABER



PENN TOWNSHIP

MORGAN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/17/2024

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This report is a matter of public record and is available online at
www.ohioauditor.gov