



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Clark Township
Coshocton County
29402 TR 32
Warsaw, Ohio 43844

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Clark Township, Coshocton 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.

This report only describes exceptions exceeding \$10.

Cash

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 Cash Journal 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 Cash Journal. The amounts agreed.
4. We confirmed the December 31, 2011 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, 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.

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 Journal. 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 Ledger to determine whether it included the proper number of tax receipts for 2011 and 2010:
 - a. Two personal property tax receipts
 - b. Two real estate tax receiptsWe noted the Receipt Ledger included the proper number of tax settlement receipts for each year; however, the Township did not receive personal property tax during 2011.

3. We selected four receipts from the State Distribution Transaction Lists (DTL) from 2011 and three 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 DTL to the amount recorded in the Receipt Ledger. 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 Coshocton County to the Township during 2011 and 2010 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. The prior agreed-upon procedures report disclosed no debt outstanding as of December 31, 2009.

2. We inquired of management, and scanned the Receipt Ledger and Appropriation Ledger 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 Payroll Record Journal and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Record Journal 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 no exceptions.
 - c. 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 found no 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	January 11, 2012	\$1,245.51	\$1,250.44
State income taxes	January 15, 2012	January 3, 2012	161.06	161.06
OPERS retirement	January 31, 2012	January 5, 2012	866.47	866.47

3. For the pay periods ended April 26, 2011 and August 31, 2010, we compared documentation and the recomputation supporting the allocation of Board salaries to the General and Gas Tax Funds. We found no exceptions.

4. For the pay periods described in the preceding step, we traced Board time or services performed to time or activity sheets. We found the Board had administrative time that was allocated to the Gas Tax Fund. **Ohio Rev. Code 505.24(C)** sets forth the method by which Township trustees' compensation should be allocated. This section states that 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 only from the Township general fund or from funds in proportions as the Board may specify by resolution. In addition, **2004 Op. Att'y Gen. No. 2004-036** requires the trustees to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on Township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. While the Salary Method was approved in the reorganization meeting in the minutes, there was no formal resolution stating the requirements needed to allocate the salaries to a fund other than

General. The Trustees were paid from the Gas Tax Fund for the months of January, February, and March during 2010 and January, February, March and April during 2011. The Trustee's did not pass a unanimous resolution; however, time and effort documentation was maintained that reasonably supported the allocation of salaries between the General Fund and Gas Tax Fund.

Non-Payroll Cash Disbursements

1. From the Appropriation Ledger, we re-footed checks recorded as General Fund disbursements for general government, and checks recorded as public works in the Gas Tax Fund for 2011. We found no exceptions.
2. We haphazardly selected ten disbursements from the Appropriation Ledger for the year ended December 31, 2011 and ten from the year ended 2010 and determined whether:
 - a. The disbursements were for a proper public purpose. We found the following exceptions for the improper payment of health insurance premium reimbursements documented below.
 - 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 Appropriation Ledger and to the names and amounts on the supporting invoices. We found the following exceptions for the improper payment of health insurance premium reimbursements documented below. Also, contrary to Ohio Rev. Code Section 149.351, the Township did not maintain supporting document (i.e., invoices) for health insurance reimbursements.
 - 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. Of the twenty expenditures tested, none of the disbursements requiring certification were certified. Also, there was 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.

Improper Health Insurance Premium Reimbursements

Ohio Rev. Code Section 505.601 indicates if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Ohio Rev. Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Ohio Rev. Code Section that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Ohio Rev. Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Ohio Rev. Code Section that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Ohio Rev. Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Ohio Rev. Code.

Attorney General Opinion 2005-038 determined that township officers and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs".

During 2011 and 2010, the Trustees passed a maximum insurance reimbursement for each elected official totaling \$350 per month as evidenced in the minute records. Trustee Ty Myers procures health insurance policies whose premiums totaled \$3,588 and \$3,348 for 2011 and 2010, respectively, through his wife's employer for family coverage. The actual Trustee's health insurance reimbursement was \$4,200 (\$350.00 x 12 months) for each of the years noted. As a result, the reimbursement to Trustee Ty Myers totaling \$8,400 exceeded the remaining out-of-pocket family health insurance premium expenses of \$6,936 by \$1,464.

Lastly, Jeffrey Butler, the township's road employee procures health insurance policies whose premiums totaled \$2,000 and \$1,975 for 2011 and 2010, respectively. The actual health insurance reimbursement was \$4,200 (\$350 x 12 months) for each of the years noted. As a result, the reimbursement to Jeffrey Butler totaling \$8,400 exceeded the remaining out-of-pocket health insurance premium expenses of \$3,975 by \$4,425.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ty Myers, and the Ohio Plan Risk Management, Inc., the bonding company, jointly and severally, in the amount of \$1,464, and in favor of the Township's General Fund.

Also, in accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jeffrey Butler in the amount of \$4,425, and in favor of the 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 made is strictly liability 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 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liability if and 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.

Therefore, because certain Township Officers signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$5,889; Stanley Coakley, Township Trustee; John Siegel, Township Trustee and Kevin Lowe, Fiscal Officer; and the Ohio Plan Risk Management, Inc., their bonding company.

Stanley Coakley, John Siegel and Kevin Lowe shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Ty Myers and Jeffrey Butler.

The Township should implement procedures to ensure elected officials are only reimbursed for actual out-of-pocket premium expenses incurred up to the approved monthly reimbursement maximum.

Note: The findings for recoveries were repaid under audit.

Compliance – Budgetary

1. We compared the total amounts from the *Amended Official Certificate of Estimated Resources* required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Receipts Journal for the General, Gas Tax and Cemetery Funds for the years ended December 31, 2011 and 2010. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General and Gas Tax Funds in 2011 and General and Cemetery Funds in 2010. The Receipts Journal for 2011 recorded budgeted (i.e. certified) resources for the General and Gas Tax Funds of \$40,741 and \$88,419, respectively. However, the final *Amended Official Certificate of Estimated Resources* for 2011 reflected \$80,060 and \$87,163, respectively. Additionally, the Receipts Journal for 2010 recorded budgeted (i.e. certified) resources for the General and Cemetery Funds of \$41,700 and \$6,098, respectively. However, the final *Amended Official Certificate of Estimated Resources* for 2010 reflected \$93,165 and \$10,464, respectively. The Fiscal Officer should periodically compare amounts recorded in the Receipts Journal 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, for the General, Gas Tax and Cemetery 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 Ledger for 2011 and 2010 for the following funds: General, Gas Tax, and Cemetery Funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Ledger except for the General Fund in 2011 and 2010. The Appropriation ledgers for 2011 and 2010 recorded appropriations of \$76,460 and \$100,060, respectively. However, the total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40 for 2011 and 2010 reflected \$46,066 and \$48,595, respectively.
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, Gas Tax, and Cemetery 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, Gas Tax and Cemetery Funds, as recorded in the Cash Journal. We noted that General and Cemetery Fund expenditures for 2011 exceeded total appropriations by \$46,794 and \$407, respectively, contrary to Ohio Rev. Code Section 5705.41(B). In addition, we noted that General Fund expenditures for 2010 exceed total appropriations by \$17,279. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary and if resources are available.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Cash Journal 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 Receipts Ledger and Appropriations Ledger 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 Ledger 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 Appropriation Ledger 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 (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 a road paving project exceeding \$45,000, subject to Ohio Rev. Code Section 5575.01. However, the Board did not competitively bid this project.

2. We inquired of management and scanned the Appropriation Ledger 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. There are no road maintenance projects during 2011 or 2010 that would require the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05.

We did not receive a response from the Fiscal Officer to the exceptions reported above.

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

April 6, 2012



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CLARK TOWNSHIP

COSHOCTON 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
MAY 15, 2012