



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

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

Dublin Township  
Mercer County  
5850 Mercer Rd.  
Mendon, OH 45862

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Dublin Township (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. 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 and Investments

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 Fund Status Report to the December 31, 2009 documentation in the prior year Agreed-Upon Procedures working papers. 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 Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2011 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, 2011 bank reconciliation without exception.

**Cash and Investments (Continued)**

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 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.
6. We tested investments held at December 31, 2011 and December 31, 2010 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. 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 Register Report. We found the second settlement for 2010 was posted at net amount instead of the gross amount with a difference of \$4,109.52. Therefore we recommend that the Fiscal Officer posts all tax settlements at gross and then post the deductions as expenditures to the fund to accurately state the proper amount of tax revenue received by the Township.
  - 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. We found no exception except for the second-half settlement of 2010 was posted all to the General Fund in the amount of \$27,970. The proper allocation of the second half settlement was \$12,012 for General Fund and \$15,957 for the Road and Bridge Fund. The Township records have been adjusted accordingly as stated above.
  - 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 2011 and 2010. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected all the receipts from the State Distribution Transaction Lists (DTL) from 2011 and 2010. We also selected five receipts from the Vendor History Mercer County Expense Report from 2011 and five from 2010.
  - a. We compared the amount from the above reports 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.

## Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2009.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report 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 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). We found one instance where one trustee was paid more than the allowed amount per Ohio Rev Code 505.24 in 2010 and 2011. This overpayment was due to the trustee receiving cash payments rather than reimbursement for actual out of pocket health care premiums.

Pursuant to **Ohio Rev. Code Section 505.60** the Township may only reimburse officers or employees if the officer or employee elects not to participate in the township's insurance coverage pursuant to division (A). Specifically, that Section provides in part if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

**Ohio Rev. Code Section 505.601** states in part that 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 Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, provided certain conditions are met. This Section only allows for reimbursement for out of pocket premiums; it does not however, allow for an officer or employee to receive cash in lieu of health insurance or in lieu of reimbursement for actual out-of pocket premiums.

2008 Op. Att'y Gen. No. 2008-018 explains that Ohio Rev. Code Section 505.601 specifically limits the circumstances in which a board of township trustees may make such reimbursements, as follows: 1) the township has not procured health care coverage of township personnel under R.C. 505.60; 2) reimbursement is only for each out-of-pocket health care premium the officer or employee incurs for the types of insurance benefits listed in R.C. 505.60(A); and 3) the township adopts a resolution concerning such reimbursement that meets the requirements established by R.C. 505.601.

### Payroll Cash Disbursements (Continued)

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Townships are creatures of statute and may only exercise the powers expressly conferred by statute and the powers that must necessarily be implied from those express powers...., *New London Township v. Miner, 26 Ohio St. 452, 456 (1875); Hopple v. Trustees of Brown.*

Pursuant to Resolution No. 10-3 adopted on December 20, 2010, the Board of Trustees determined not to procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code. Therefore, the township may not offer reimbursement under Ohio Rev. Code Section 505.60. The Resolution provides that officers and employees can receive reimbursement for out-of-pocket expenses and may also be eligible for cash in lieu of health insurance. The provision allowing for cash in lieu of health insurance is neither allowable under Ohio Rev. Code Section 505.60 nor 505.601.

Bart Walls was paid cash in lieu of health insurance in the amount of \$9,255. There was no documentation to support the \$6,863 of this amount was for actual out-of-pocket health insurance premiums or that it was for an otherwise proper public purpose. 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 Bart Walls in the amount of \$6,863 and in favor of the Township's General Fund (\$4,941), Road and Bridge Fund (\$1,235), Gas Tax Fund (\$412), and Motor Vehicle License Tax Fund (\$275).

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 liable for the amount of the expenditure. *Steward 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. 3d228.* Public officials controlling public funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable 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.

Fiscal Officer, Robert Maurer signed the check resulting in improper payments to Mr. Walls. Accordingly, Robert Maurer and his bonding company, Selective Insurance Company of America, will be jointly and severally liable in the amount of \$6,863 and in favor of the Township's General Fund, Road and Bridge Fund, Gas Tax Fund, and Motor Vehicle License Tax Fund in the respective amounts listed above.

We also found an instance wherein one trustee received an in-term increase in health insurance reimbursement.

The **Ohio Constitution Article II Section 20** prohibits any change in the compensation of any elected officer during the officers existing term of office.

### Payroll Cash Disbursements (Continued)

Pursuant to **Ohio Rev. Code Section 505.601(C)** 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 Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if that resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

On December 20, 2010 the Board of Trustees approved Resolution No. 10-3 to reimburse officials up to \$10,000 per year for out-of-pocket health insurance premiums. On September 19, 2011, the Board of Trustees approved to increase the health insurance premium reimbursement up to \$12,000 per year.

Trustee Danny Roebuck was serving a term of office from January 1, 2008 to December 31, 2011. In 2011, Mr. Roebuck was reimbursed for out-of-pocket health insurance premiums in the total amount of \$10,651. As a result, Mr. Roebuck was overcompensated in the amount of \$651 above the allowable \$10,000 amount for reimbursement of out-of-pocket premiums. Mr. Roebuck was not entitled to receive the increased reimbursement amount up to \$12,000 during his current term of office.

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 Danny Roebuck in the amount of \$651 and in favor of the Township's General Fund (\$435), Road and Bridge Fund (\$57), Gas Tax Fund (\$102), and Motor Vehicle License Tax Fund (\$57).

Upon notification of the error by the Auditor of State's office, the Township notified Danny Roebuck of the overpayment in 2011 for out-of-pocket health insurance premiums in the amount of \$651. On August 27, 2012, the Township receipted in \$651 back to the Township on Receipt 88-2012 to correct the overpayment of out-of-pocket health insurance premiums.

- b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented on the timesheets 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 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 and fund to which the check should be charged
    - d. Retirement system participation and payroll withholding
    - e. Federal, State & Local income tax withholding authorization and withholding

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

3. 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:

**Payroll Cash Disbursements (Continued)**

| <b>Withholding<br/>(plus employer share, where<br/>applicable)</b> | <b>Date Due</b>  | <b>Date Paid</b>  | <b>Amount Due</b> | <b>Amount Paid</b> |
|--|------------------|-------------------|-------------------|--------------------|
| Federal income taxes & Medicare                                    | January 31, 2012 | December 19, 2011 | \$645.62          | \$645.62           |
| State income taxes   | January 15, 2012 | December 19, 2011 | \$339.85          | \$339.85           |
| Local income tax   | January 31, 2012 | December 19, 2011 | \$191.44          | \$191.44           |
| School income tax  | January 31, 2012 | December 19, 2011 | \$193.06          | \$193.06           |
| OPERS retirement   | January 30, 2012 | December 19, 2011 | \$1,493.03        | \$1,493.03         |

4. For the pay periods ended March 21, 2011 and August 16, 2010, we compared documentation and the re-computation supporting the allocation of the Trustees' salaries to the General and Road and Bridge Fund per the Employee Detail Adjustment Report. We found no exceptions.
5. For the pay periods described in the preceding step, we traced the Boards' time for services performed to supporting documentation the Revised Code requires. We found no exceptions.

**Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Payment Register Detail Report 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 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 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, Gas Tax, and Road and Bridge Fund 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 Road and Bridge Fund in 2010. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$66,617 and \$48,616 for the Road and Bridge fund in 2010. However, the final Amended Official Certificate of Estimated Resources reflected \$63,218 for the General Fund and \$44,316 for the Road and Bridge Fund for 2010. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report 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 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.



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

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 2011 and 2010 for the following funds: General, Gas Tax, and Road and Bridge Fund. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report except for the General Fund in 2010 and the General and Road and Bridge Fund in 2011. The Appropriation Status reported \$182,530 for the General Fund in 2010; however, the Annual Appropriation Resolution reported \$155,437. The Appropriation Status reported \$252,086 for the General Fund and \$61,079 for Road and Bridge Fund; however, the Annual Appropriation Resolution reported \$212,490 for the General and \$60,600 for the Road and Bridge in 2011. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts approved on the Annual Appropriation Resolution to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for monitoring purposes.
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, Gas Tax and Road, and Bridge 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 Road and Bridge funds, as approved in the Annual Appropriation Resolution. 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, 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 Revenue Status Reports and Appropriation Status Reports 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 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**

1. We inquired of management and scanned the Payment Register Detail report 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 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 5549.21)
  - b. Construction and erection of a memorial building or monument costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (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)

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

- d. Street lighting systems or improvement costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (Ohio Rev. Code Section 515.01 & 515.07)
- e. Building modification costs exceeding \$25,000 (\$50,000 effective September 29, 2011) to achieve energy savings (Ohio Rev. Code Section 505.264)
- f. Private sewage collection tile costs exceeding \$25,000 (\$50,000 effective September 29, 2011) (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 repair project exceeding \$45,000, subject to Ohio Rev. Code Section 5575.01 in 2010. For this project, Mercer County Engineer takes on the responsibility of advertising and bidding the project. The township is responsible for payment of the contract. We also identified a purchase of a truck subject to Ohio Rev. Code Section 5549.21. For this project, we noted that the Board advertised the project in a local newspaper, and selected the lowest responsive and responsible bidder.

- 2. We inquired of management and scanned the Payment Register Detail Report 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.

### **Officials' Response:**

The Dublin Township Trustees feel that the citation for an employee receiving cash in lieu of health insurance or in lieu of reimbursement for actual out of pocket premiums should not be issued. The Management Letter issued on June 15, 2004 for the audit for year ending December 31, 2002 and 2003 addressed this issue. Trustees were advised to consult legal counsel which they did. They were provided a policy. Trustees feel they did as instructed and should not be cited. Three subsequent audits revealed no errors which led the trustees they were following policies. If trustees were following an incorrect policy, it should have been noted on one of those audits.

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

October 25, 2012

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# Dave Yost • Auditor of State

**DUBLIN TOWNSHIP**

**MERCER 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  
NOVEMBER 20, 2012**