



Dave Yost • Auditor of State



**MANCHESTER TOWNSHIP  
MORGAN COUNTY**

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

Manchester Township  
Morgan County  
6037 North Blackburn Road  
McConnelsville, Ohio 43756

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Manchester Township, Morgan 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, 2013 and 2012, 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, 2013 and December 31, 2012 bank reconciliations. We found exceptions. The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances throughout the audit period. Monthly bank reconciliations contained unexplained other adjusting factors throughout the entire audit period which were carried forward instead of being investigated and corrected. We expanded our testing in 2012 to perform a proof-of-cash analysis for 2012. We were able to identify posting errors, such as checks written in prior audit period that cleared bank in our audit period but not listed on the outstanding checklist in prior audit period, deposits posted to accounting system at amounts less than amount clearing bank, and checks voided in accounting system but cleared the bank. In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Manchester Township, Morgan County, Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$308.41 and in favor of the General Fund, in the amount of \$224.73 and in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$688.58. The Township has not posted these adjustments to the Township records.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2011 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the Fund Ledger Report. We found no exceptions.

### **Cash (Continued)**

3. We agreed the totals per the bank reconciliations to the total of the December 31, 2013 and 2012 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2013 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, 2013 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. 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 selected one reconciling credit (such as Other Adjusting Factor) from the December 31, 2013 and December 31, 2012 bank reconciliations. We could not agree the Other Adjusting Factor amount of \$604.90 to any supporting documentation. Upon further review, the Other Adjusting Factor was in the prior audit period, also. After we performed our proof-of-cash, the Other Adjusting Factor of \$604.90 remained at December 31, 2013.

### **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 2013 and one from 2012:
  - 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 funds as required by Ohio Rev. Code §§ 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 2013 and 2012. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected four receipts from the State Distribution Transaction Lists (DTL) from 2013 and two from 2012. We also selected five receipts from the County Auditor's Vendor Audit Trail Report from 2013 and five from 2012.
  - 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 two receipts in 2013 and two receipts in 2012 for Homestead and Rollback revenues were posted to proper funds, but not posted to proper receipt account. All four receipt transactions were posted to Taxes instead of Intergovernmental receipts.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

**Over-The-Counter Cash Receipts**

We haphazardly selected seven over-the-counter cash receipts from the year ended December 31, 2013 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We found no exceptions.
- c. Receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

**Debt**

- 1. From the prior audit documentation, we noted the following notes outstanding as of December 31, 2011. These amounts agreed to the Townships January 1, 2012 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2011:
Promissory Note - Tractor	\$3,321

- 2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
- 3. We obtained a summary of note debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedules to gasoline tax fund payments reported in the Payment Register Detail Report. We also compared the date the debt payments were due to the date the Township made the payments. We found no exceptions.
- 4. We noted the debt proceeds from the new debt entered into during May, 2013 was not posted to the UAN accounting system.
- 5. For new debt issued during May 2013, we inspected the debt legislation, noting the Township must use the proceeds to purchase a truck. We scanned the Payment Register Detail Report and noted the Township did purchase a truck but did not post the purchase of the truck on the UAN accounting system.

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. § 133.22 allows a subdivision to issue anticipatory securities, § 133.10 allows anticipation securities in anticipation of current property tax revenues, § 133.14 allows the issuance of 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 and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

On May 31, 2013, the Township entered into a promissory note with First National Bank of McConnellsville for the purchase of a truck in the amount of \$44,649. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Further, the Township paid the vendor directly for the purchase of the truck. The Fiscal Officer did not post the receipt and the expenditure for the government obligation contract to its books. The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships.

**Debt (Continued)**

We recommend the Township contact their legal counsel before incurring future debt. We also recommend the Fiscal Officer record a receipt and the corresponding expenditures for all debt issuances in the Township's books.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 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 no exceptions.
  - b. We determined whether the fund and account codes 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 retirement withholdings for the year ended December 31, 2013 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share, during the final withholding period of 2013. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
OPERS retirement	1/30/14	12/29/13	\$876.97	\$876.97

As noted above, as of the date of this report, the Township has not paid the payroll withholding taxes due to the Internal Revenue Service or State of Ohio Department of Taxation during the previous two audits or current audit period. The UAN accounting system generated the checks each quarter for the state and federal withholding amounts due, but the Fiscal officer did not remit the checks to the Internal Revenue Service or State of Ohio Department of Taxation. These checks have been carried on the outstanding checklist for the past four and a half years. The Fiscal Officer made a fund balance adjustment on December 31, 2013 to void all the outstanding checks that were never remitted for the period September 30, 2009 thru December 31, 2012. All of the outstanding checks were adjusted to the Gasoline Tax Fund, Special Revenue Fund type instead of being adjusted to the funds that were originally posted.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Manchester Township, Morgan County, Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$5,776.83 and in favor of the Manchester Township, Morgan County General Fund, in the amount of \$4,873.07, Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$378.92, Cemetery, Special Revenue Fund type, in the amount of \$305.65, and Road and Bridge Fund, Special Revenue Fund type, in the amount of \$219.19. The Fiscal Officer has not posted these adjustments to the Township records.

26 U.S.C. § 3404 provides if the employer is in the United States, or a state, or political subdivision thereof, or the District of Columbia, or any agency instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose. The amount not remitted from the 3<sup>rd</sup> quarter of 2009 to the 4<sup>th</sup> quarter of 2013 according to payroll records, is the amount of \$19,582.35.



### Payroll Cash Disbursements (Continued)

Ohio Revised Code § 5747.06(A) requires, in part, that every employer, including the state and its political subdivisions, shall deduct and withhold from compensation, state income tax paid to each employee for each pay period.

Ohio Rev. Code § 5747.13(A), states, in part, if any employer collects the tax imposed by § 5747.02 and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that the employer fails to remit, or any amount that the employer fails to collect. The amount not remitted from the 3<sup>rd</sup> quarter of 2009 to the 4<sup>th</sup> quarter of 2013 according to payroll records, is the amount of \$7,355.90.

While the payroll records indicated Medicare, state and federal income taxes were withheld from the employees' and officials' gross pay, the amounts withheld, along with any employer matches were not remitted to the appropriate agencies as required. This can result in a significant tax liability, plus penalties and interest for the Township.

We recommend the Fiscal Officer remit state and federal income taxes withheld on a timely basis. The Fiscal Officer should contact the Internal Revenue Service and the State of Ohio Department of Taxation, immediately, in regards to payroll tax payments that have not been remitted. Also, this matter may be referred to the Internal Revenue Service and the State of Ohio Department of Taxation.

3. For the pay periods ended October 21, 2013 and July 27, 2012, we recomputed the allocation of the Boards' salaries to the General and Gasoline Tax Fund per the Employee Detail Adjustment Report. We found no exceptions.
4. For the pay periods described in the preceding step, we could not trace the Boards' salary for time or services performed to supporting certifications the Revised Code requires because certifications were not performed. For 2013 and 2012, the Township did not prepare certifications or timesheets. We expanded our test to review the entire year for both 2013 and 2012 to determine if the allocation between funds was reasonable.

Ohio Rev. Code § 505.24(C) states if 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 must be done individually, but is not required to be notarized. 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. We recommend the Township review Ohio Rev. Code §§ 505.24 and 507.09, and adopt formal administrative procedures regarding signed certifications of the allocation of payroll by each Trustee for each monthly pay period. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

5. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We noted no such reimbursements.

### Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2013 and ten from the year ended 2012 and determined whether:

- a. The disbursements were for a proper public purpose. We found one exception, due to a missing invoice for an expenditure tested in 2012. We expanded our testing and determined the expenditure was for a proper public purpose.
- 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 § 5705.41(D). We found that super blanket purchase orders were used for 100% of purchase orders tested during the audit period. Our testing reflected that 60% of the 2013 and 70% of the 2012 super blanket certificates tested did not meet the criteria as outlined by Ohio Revised Code, professional services, fuel, oil, food items or any other specific recurring and reasonably predictable operating expenses." Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. 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 Certificate of the Total Amount From All Sources Available For Expenditures and Balances, required by Ohio Rev. Code § 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, 2013 and 2012. The amounts on the Certificate agreed to the accounting system, except for the General Fund in 2013 and 2012. The Revenue Status Report recorded budgeted (i.e., certified) resources for the General Fund of \$22,495 for 2013 and \$25,240 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$22,095 for 2013 and \$25,295 for 2012. 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 2013 and 2012 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 § 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code §§ 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2013 and 2012 for the following funds: General, Gasoline Tax and Road and Bridge. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Appropriation Status report for the General, Gasoline Tax and Road and Bridge Funds for 2013 and the General and Gasoline Tax funds in 2012.

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

4. Ohio Rev. Code §§ 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, 2013 and 2012. We noted that General Fund appropriations for 2013 and 2012 exceeded certified resources by \$146.49 and \$764.18 respectively, contrary to Ohio Rev. Code § 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits
5. Ohio Rev. Code § 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, 2013 and 2012 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 § 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, 2013 and 2012. 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 § 5705.09 would require the Township to establish a new fund.
7. We scanned the 2013 and 2012 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$500 which Ohio Rev. Code §§ 5705.14 - .16 restrict. We found no evidence of transfers these sections prohibit, or for which § 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 § 5705.13. We noted the Township did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2013 and 2012 for negative cash fund balance. Ohio Rev. Code § 5705.10(l) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

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

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2013 and 2012 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 § 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 19, 2014



# Dave Yost • Auditor of State

**MANCHESTER TOWNSHIP**

**MORGAN 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  
JANUARY 08, 2015**