



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lee Township
Carroll County
2286 Steubenville Road
Carrollton, Ohio 44615

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Lee 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, 2014 and 2013, 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 and investments

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2014 and 2013 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balances with the Township's financial institutions. We noted three exceptions on the PNC bank confirmation totaling \$96.61. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation, noting four instances in which the bank reconciliation reflects an amount different than the amount on the bank confirmations. The bank reconciliation reflects \$183.13 less than the sum of the amounts reflected on the bank confirmations due to interest earned on the Township's certificates of deposit that was not posted to the Township's accounting system. All of the remaining confirmed balances agreed to the December 31, 2014 bank reconciliation.

Cash and investments – (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 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 tested investments held at December 31, 2014 and December 31, 2013 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 2014 and one from 2013:
 - 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 2014 and 2013. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected all three receipts from the State Distribution Transaction Lists (DTL) from 2014 and all three from 2013. We also selected five receipts from the County Auditor's Cross Reference Report from 2014 and five from 2013.
 - 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 fund(s). We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2012.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. We noted no new debt issuances, nor any debt payment activity during 2014 or 2013.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2014 and one payroll check for five employees from 2013 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 in which an employee was paid \$400.00 for the opening/closing of one adult grave; however, no supporting documentation evidencing Board approval was provided to support the employee's rate of pay. The last known Board approval, setting the employee's rate of pay, set the rate at \$350.00 per adult grave opening/closing. Because we did not test all pay periods, our report provides no assurance whether or not other similar errors occurred.
 - 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 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, 2014 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 2014. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2015	January 6, 2015	\$2,026.35	\$2,026.35
State income taxes	January 31, 2015	December 30, 2014	\$511.54	\$511.54
OPERS retirement	January 30, 2015	December 30, 2014	\$764.06	\$764.06

3. For the pay period ended November 30, 2013, we recomputed the allocation of the Boards' salaries to the General and Gasoline Tax Fund per the Employee Detail Adjustment Report. We noted that 100% of the Boards' salaries were allocated to the Gasoline Tax Fund. Refer to Finding reflected below. All salaries for the Fiscal Officer for 2014 and 2013, as well as all salaries for the Board for 2014, were paid from the General Fund.

Trustee Salary and Benefit Allocation

Per Ohio Revised Code 505.24(C) to be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. 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. If 100% of the compensation of the township trustee is to be paid from the general fund, no certification is required.

Payroll Cash Disbursements – (Continued)

Township officials misunderstood the ability to pay the Trustees' salaries and benefits from other funds and did not realize they could not take 100% of the salaries and benefits from funds other than the General Fund. Therefore, Township Trustees' salaries for the months of November and December of 2013 totaling \$4,245.00 were paid 100% from the Gasoline Tax Fund. Township officials also allocated 100 percent of the Trustees' health insurance reimbursements totaling \$37,558.60 for 2014 and \$32,754.00 for 2013 to the Gasoline Tax Fund. This method of payment was not approved via resolutions and no signed certification forms, indicating the amount of time spent working on projects around the Township, could be provided. Additionally, as outlined in Auditor of State Bulletin 2013-002, Township officials are required to attend board meetings in order to conduct the regular business of the Township. Attendance at board meetings, and other activities supporting the general business of the Township, must be allocated to the General Fund; therefore, the allocation of 100 percent of a Township elected official's salaries and benefits to funds other than the General Fund is not permitted under Ohio law.

The following adjustments for Trustees' salaries and benefits were proposed and made to the accounting records to reflect the lack of a Trustees' estimate of time spent in relation to Township business consistent with the purposes of the Gasoline Tax Fund (decrease to General Fund fund balance and increase to Gasoline Tax Fund fund balance):

2013 - 1000 General Fund - \$36,999.00
2021 Gasoline Tax Fund - \$36,999.00

2014 - 1000 General Fund - \$37,558.60
2021 Gasoline Tax Fund - \$37,558.60

The Township Trustees should specify in the resolution the portion of salaries and benefits that are to be paid from each fund. Each Trustee should fill out a signed certification form documenting the amount of time they spent working on the fund(s) their pay is being charged prior to receiving pay for that period. Additionally, the Township should ensure the portion attributable to the general business of the Township is accurately included in the calculation and charged to the General Fund.

4. For the pay period described in the preceding step, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. No such certifications were provided to support the time or services performed in relation to \$4,245.00 of expenses allocated to the Gasoline Tax Fund in 2013. Refer to Finding reflected in payroll procedure #3.
5. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2014 and 2013 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were in compliance with ORC 505.60 and 505.601; however, see payroll procedure #3 for payment from improper fund.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2014 and ten from the year ended 2013 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, Motor Vehicle License Tax and Gasoline Tax funds for the years ended December 31, 2014 and 2013. For 2014, the amounts on the *Certificate* did not agree to the amount recorded in the accounting system for the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Motor Vehicle License Tax, and Gasoline Tax funds of \$70,905, \$9,373, and \$83,000, respectively, for 2014. However, the final *Amended Official Certificate of Estimated Resources* reflected \$116,837, \$9,517, and \$87,283, respectively. For 2013, the amounts on the *Certificate* did not agree to the amount recorded in the accounting system for the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Motor Vehicle License Tax, and Gasoline Tax funds of \$84,071, \$9,100, and \$83,009, respectively, for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected \$88,370, \$9,506, and \$85,443, respectively. 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 2014 and 2013 to determine whether, for the General, Motor Vehicle License Tax and Gasoline Tax 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 2014 and 2013 for the following funds: General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund. For 2014, the amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report, except for the General Fund and Gasoline Tax Fund. The Appropriations Status Report recorded budgeted appropriations for the General and Gasoline Tax Funds of \$87,733 and \$117,000, respectively for 2014. However, the appropriation resolutions reflected \$87,633 and \$116,000. For 2013, the amounts on the resolutions agreed to the amounts recorded in the accounting system except for the General Fund. The Appropriations Status Report recorded budgeted appropriations for the General Fund of \$115,533. However, the final appropriations resolution reflected \$107,433. The fiscal officer should periodically compare amounts recorded in the Appropriations Status Report to the amounts on the appropriations resolution to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring.
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, Motor Vehicle License Tax and Gasoline Tax funds for the years ended December 31, 2014 and 2013. 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, 2014 and 2013 for the General, Motor Vehicle License Tax and Gasoline Tax funds, as recorded in the Appropriation Status Report. We noted that General Fund expenditures for 2013 exceeded total appropriations by \$6,101, contrary to Ohio Rev. Code Section 5705.41(B). 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 Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2014 and 2013. 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 2014 and 2013 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$1,000 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.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) 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, 2014 and 2013 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.

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 8, 2015

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LEE TOWNSHIP

CARROLL 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 19, 2016