



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

BERLIN TOWNSHIP
HOLMES COUNTY

AGREED-UPON PROCEDURES

For the Years Ended December 31, 2018 and 2017

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Board of Trustees
Berlin Township
P.O. Box 425
Berlin, Ohio 44610-0425

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of Berlin Township, Holmes County, prepared by BHM CPA Group, Inc., for the period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding For Recovery—Partially Repaid Under Audit

Ohio Rev. Code § 505.60(A) states the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. The board of township trustees of any township may negotiate and contract for the purchase of a policy of long-term care insurance for township officers and employees pursuant to section 124.841 of the Revised Code.

If the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from the funds or budgets from which the officers or employees are compensated for services, such policies to be issued by an insurance company duly authorized to do business in this state.

Ohio Rev. Code § 505.601 states 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, if all conditions defined in section 505.601 (A) through (C).

The Township procured a health insurance policy for Township officials and employees. In addition, the Board of Trustees enacted Township Resolution 79-15 on January 1, 2015 which established a medical reimbursement plan. The plan stated that the Township would reimburse full-time employees working 25 hours or more a week for eligible medical expenses as determined by the group’s current insurance carrier.

The following reimbursements were paid to Township officials and employees in 2017 and 2018.

Name	Position	Year of reimbursement	Amount	Repaid
Daniel Schlabach	Trustee	2017	\$140	\$140
		2018	\$438	\$438
Delbert Schlabach	Trustee	2018	\$2,250	\$2,250
Janet Stutzman	Fiscal Officer	2018	\$1,919	\$1,919
Roy Miller	Road Maintenance	2018	\$2,950	\$246
John Kandel	Trustee	2017	\$1,500	\$1,500

The medical reimbursements outlined above are not allowable since the Township is providing health insurance in accordance with Ohio Revised Code § 505.60(A).

In accordance with the forgoing facts and pursuant to **Ohio Rev. Code 117.28**, a Finding for Recovery for monies illegally expended was issued against those described in the table above totaling \$9,197 in favor of the 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 an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code §9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen 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.

Because the Board of Trustees and Fiscal Officer authorized the above payments, and the Trustee’s bonding company, Ohio Township Association Risk Management Authority and the fiscal officer’s bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable in the amounts outlined below and in favor of the Township’s General Fund.

Name	Position	Amount	Outstanding Amount
Janet Stutzman	Fiscal Officer	\$7,278	\$2,704
John Kandel	Trustee in 2017	\$140	\$0
Duane Miler	Trustee in 2017 and 2018	\$9,197	\$2,704
Daniel Schlabach	Trustee in 2017 and 2018	\$8,619	\$2,704
Delbert Schlabach	Trustee in 2018	\$5,307	\$2,704

On November 12, 2019, Delbert Schlabach paid \$2,250 to the Township's General Fund.

On November 13, 2019, Janet Stutzman paid \$1,919 to the Township's General Fund.

On July 9, 2019, Daniel Schlabach paid \$578 to the Township's General Fund.

On November 5, 2019, Roy Miller paid \$245.83 towards the balance owed to the Township's General Fund. He has entered into an agreement with the Township to pay back the remaining balance.

On December 11, 2019, the Ohio Township Risk Management Authority issued a check to the Township for \$1,500 related to the amount owed by John Kandel that was deposited and paid into the Township's General Fund on December 18, 2019.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Berlin Township is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2020

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Holmes County
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Berlin Township
Holmes County
P.O. Box 425
Berlin, Ohio 44610-0425

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Berlin Township (the Township) and the Auditor of State, on the receipts, disbursements and balances recorded in the Townships cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. 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 recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 balances in the prior year audited statements We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2017 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, 2018 and 2017 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2018 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, 2018 bank reconciliation without exception.
5. We traced interbank account transfers occurring in December of 2018 and 2017 to the accounting records reconciliation to determine if they were properly recorded. We found no exceptions.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2018 and one from 2017:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We inspected the Receipt Register Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Receipt Register Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Register Report to determine whether it included two real estate tax receipts for 2018 and 2017. The Receipt Register Report included the proper number of tax receipts for each year.
3. We selected a sample (agreed upon) of all four receipts from the State Distribution Transaction Lists (DTL) from 2018 and all four from 2017. We also selected a sample (agreed upon) of five receipts from the County Cross-Reference Report by Vendor Number from 2018 and five from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We inspected the Receipt Register Report to determine that these receipts were allocated to the proper fund(s). We found no exceptions.
 - c. We inspected the Receipt Register Report to determine 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, 2016.
2. We inquired of management and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. There were no new debt issuances, nor any debt payment activity during 2018 or 2017.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Wage Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the minute record and as required by statute. We also confirmed the payment was posted to the proper year. We found no exceptions.

2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm 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 2018. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2019	February 11, 2019	\$1,104.91	\$1,104.91
State income taxes	January 15, 2019	February 9, 2019	\$233.20	\$233.20
OPERS retirement	January 30, 2019	January 17, 2019	\$2,763.13	\$2,763.13

We found two exceptions. The Township did not pay Federal income taxes & Medicare by the January 31, 2019 due date as required. The Township also did not pay State income taxes by January 15, 2019.

3. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2018 and 2017 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were not in compliance with ORC 505.60 and 505.601 and federal regulations. We noted the following exceptions:
 - a. In 2017, trustees were paid by the township a total of \$1,639.58 for deductibles and out of pocket health care costs paid directly from the trustees. In 2018, employees and trustees were paid by the township a total of \$7,557.79 for deductibles and out of pocket health care costs paid directly from the employees and trustees. Furthermore, the Township does provide a health insurance plan, and all the employees and trustees that were reimbursed for the above amounts participated in the health insurance plan.

Non-Payroll Cash Disbursements

We selected a sample (agreed upon) of 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2018 and 10 from the year ended 2017 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, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2018 and 2017. The amounts agreed.

2. We inspected the appropriation measures adopted for 2018 and 2017 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 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 Status Report for 2018 and 2017 for the following funds General, Gasoline Tax and Road and Bridge funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
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, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2018 and 2017. There were 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, 2018 and 2017 for the General, Gasoline Tax and Road and Bridge fund, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the fund Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Township received new restricted receipts. The Township established the Cemetery fund during 2017 to segregate burial site receipts and disbursements in compliance with Section 5705.09 and 517.08.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2018 and 2017 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13 or 5705.132. The Township did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2018 and 2017 for negative cash fund balances. 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. No funds had negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2018 and 2017 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.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. The Auditor of State has established policies regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. There were no exceptions.
2. For all credit card accounts we requested:
 - copies of existing internal control policies,
 - a list of authorized users, and
 - a list of all credit card account transactions.

It was noted that the Township does not have a credit card policy and does not have a list of authorized users established under a policy. We recommended that the Township establish a written credit card policy and a list of authorized users in accordance with House Bill 312.

- a. We selected 3 credit card transactions for testing. For selected transactions we inspected documentation to determine that:
 - i. Each transaction was supported with original invoices and for a proper public purpose.

We found no exceptions.

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*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Holmes County
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This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio

June 24, 2019

OHIO AUDITOR OF STATE
KEITH FABER



BERLIN TOWNSHIP

HOLMES 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
MARCH 3, 2020**