



**COITSVILLE TOWNSHIP  
MAHONING COUNTY  
SPECIAL AUDIT**

**FOR THE PERIOD  
JANUARY 1, 1999 THROUGH JANUARY 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**SCHEDULE OF ELECTED OFFICIALS  
AS OF 12/31/99**

<u>ELECTED OFFICIALS</u>	<u>TERMS</u>	<u>BOND (1)</u>
Walter P. Avdey, Chairman	01/01/98 - 12/31/01*	\$25,000
Gerald Backo, Trustee	01/01/98 - 12/31/01	\$25,000
Frank Sergi, Trustee	01/01/00 - 12/31/03	\$25,000
Geri Tkac, former Trustee	01/01/96 - 12/31/99	\$25,000
William F. Navarra, former Clerk/Treasurer	04/01/97 - 12/31/99 (2)	\$100,000
Christeen O. Partika, Clerk/Treasurer	01/01/00 - 03/31/00 (3)	\$100,000

\* Trustee was re-elected for the term 01/01/00 to 12/31/03

- (1) The Ohio Casualty Insurance Company
- (2) Resigned on December 31, 1999
- (3) Appointed on January 1, 2000

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## REPORT OF INDEPENDENT ACCOUNTANTS

Christeen O. Partika, Clerk/Treasurer  
Coitsville Township  
3711 McCartney Road  
Lowellville, Ohio 44436

Pursuant to your request, we have conducted a "Special Audit" of Coitsville Township ("the Township") and performed the procedures summarized below and detailed in our "Supplement to the Special Audit Report," which were agreed to by you for the period January 1, 1999 through January 31, 2000 (the Period). These procedures were performed solely to determine whether all Township expenditures during the Period were for a purpose related to the operations of the Township and determine whether significant revenue sources during the Period were recorded in the Township's financial records and deposited in an authorized Township bank account. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

1. We determined whether recorded Township expenditures made during the Period were for a purpose related to the operations of the Township.

Significant Result: The Township does not have any formal policies or procedures governing the expenditure of Township funds. We also noted noncompliance related to required signatures on Township checks, untimely payment of employment taxes, and certification of nonpayroll disbursements by the former Clerk/Treasurer. In addition, we noted internal control weaknesses related to lack of invoices or other documentation to support disbursements, posting incorrect disbursement information to the Township ledger, lack of review and approval of purchase orders by the Township Trustees, cancellation of invoices, and lack of documentation that goods and/or services were received.

2. We determined whether significant revenue sources during the Period were recorded in the Township's financial records and deposited in an authorized Township bank account.

Significant Result: Receipts collected by the Police and Zoning Departments during the Period were neither turned over to the Township Clerk/Treasurer nor deposited with the Township's designated depository in a timely manner.

3. On July 11, 2001, we held an exit conference with the following elected officials of the Township:

Walter P. Avdey, Township Trustee  
Gerald Backo, Township Trustee  
Frank Sergi, Township Trustee  
Christeen O. Partika, Clerk/Treasurer

The attendees were informed that they had five business days from the date of the exit conference to respond to this Special Audit Report. These individuals indicated that they did not intend to provide a formal written response to the report.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report." Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the Township's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures and does not extend to any financial statements of the Township taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

Jim Petro  
Auditor of State

May 31, 2001



## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### BACKGROUND

In a letter dated February 9, 2000, Christeen O. Partika, the newly appointed Coitsville Township Clerk/Treasurer, requested a special audit. On February 11, 2000, we contacted Mrs. Partika to gather additional information regarding her request for a special audit. Mrs. Partika indicated she was requesting the special audit for the following reasons:

- The former Clerk/Treasurer, William F. Navarra, resigned on December 31, 1999. On January 31, 2000, without notifying Mrs. Partika, he made two deposits (\$3,279 and \$6,606, respectively) totaling \$9,885 into the Township checking account. These two deposits consisted of undeposited Township receipts and included in one of the deposits was a personal check from Mr. Navarra made payable to "Coitsville Township" in the amount of \$3,648. Mr. Navarra provided no explanation to Mrs. Partika as to the nature of the transaction when she spoke with him.
- Mrs. Partika was also concerned that employees and Trustees were using Township credit cards, and not submitting itemized receipts for purchases.

Mrs. Partika also provided copies of checks which had been deposited into the Township's checking account on January 31, 2000 by the former Clerk/Treasurer.

On February 15, 2000, the above information was presented to the Auditor of State Special Audit Committee which voted to initiate a special audit of the Township.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

**Issue No. 1 - Determine whether recorded Township expenditures made during the Period were for a purpose related to the operations of the Township**

## PROCEDURES

1. We obtained the Township's expenditure ledgers, vouchers, monthly bank statements, bank reconciliations, and canceled checks for the Period.
2. We inquired whether the Township had any formal policies and procedures governing the expenditure of Township funds. We also reviewed the Township's minutes and resolutions to determine whether any Township resolutions governed the expenditures of the Township.
3. We reviewed canceled checks, vouchers, and appropriations ledgers to determine whether amounts agreed to bank statements. We reviewed canceled checks to determine whether they were signed by authorized signatories; that the payees' names on the checks corresponded with those on the invoices; that the checks were endorsed by the payees; and that the dates of the checks, payees, check numbers, and the amounts were the same as the data posted to the appropriations ledger.
4. Using the vouchers and attached invoices, we listed the check number, date, amount, and payee, and determined that:
  - Voucher amounts agreed with purchase orders;
  - Expenditures were for a purpose related to the operations of the Township;
  - Invoices were stamped "Paid in Full" or otherwise canceled;
  - Purchase orders were properly approved and the amounts were certified by the Clerk/Treasurer; and
  - Expenditures were supported by invoices or other supporting documentation.
5. We reviewed monthly bank statements and bank reconciliations for the Period to determine whether there were unusual and/or unreconciled items listed. Also, we reviewed deposits in transit to determine that the monies were deposited in a timely manner.

## RESULTS

1. We obtained the following financial records from Christeen Partika, the Township Clerk/Treasurer
  - An Expenditure Ledger for the Period.
  - Voucher packages, which included warrants, purchase orders, invoice(s), receiving slip(s) and/or packaging slip(s), for expenditures made during the Period.
  - Monthly bank statements and bank reconciliations for the Township's two checking accounts and sweep account which were authorized Township depository accounts for the Period.
  - Canceled checks for the Township's checking accounts for the Period.
2. Based on our inquiries with Trustees Avdey and Backo and Mrs. Partika, the Township does not have formal written policies and procedures governing the expenditures of Township funds.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

A review of the Board Minutes for the Period noted the following entries relevant to Township expenditures.

- On January 5, 1999, the Trustees voted to approve to reimburse travel and meals outside the Township at \$.35 per mile and \$50 a day, however did not mention whether receipts were required.
- On January 5, 2000, the Trustees voted and approved to reimburse travel and meals outside the Township at \$.35 per mile and \$50 per day upon providing receipts.

We noted no formal resolutions governing the expenditures of the Township.

3. Our review of the canceled checks and related supporting documentation noted the following exceptions:

- 6 checks totaling \$3,713 cleared the bank; however, did not have signatures of a least two trustees as required by the Ohio Revised Code. These checks ranged from \$31 to \$1,885. One of the 6 checks was not signed by any elected official. The remaining 5 checks were signed by one Trustee and the former Clerk/Treasurer. We will issue a noncompliance citation for not obtaining the required signatures of the elected officials on the Township checks.
- 12 checks totaling \$5,929 were not supported by invoices or other documentation. These checks ranged from \$11 to \$3,009. These 12 checks, consisted of the following:
  - 8 checks totaling \$5,199 written to National City Bank for payments on the Township's credit card.
  - 1 check for \$455 written to the former Clerk/Treasurer, Mr. Navarra, for which the purchase order indicated it was a reimbursement. Attached to the purchase order was an incomplete travel form for attendance to an Ohio Township Trustees Association Conference.
  - 3 checks totaling \$275 to other individuals/vendors for which the purpose was unknown.
- 15 checks whereby the payees, check numbers, and/or amounts did not agree to the data posted to the ledger. A review of the Township's expenditure ledger and bank statements indicated these checks were voided. However, these voided checks were not maintained by the Township and not available for review. We will issue a recommendation for the Board of Trustees to establish a formal written policy requiring that voided checks be maintained.

4. We noted the following exceptions:

- \$478 was charged to the Township's credit card to pay for access to several unauthorized internet websites. In addition, a \$20 cash advance was obtained by using the Township credit card. Charges for the internet websites and the cash advance were investigated by the Coitsville Township Police Department, which alleged that a theft of the Township's credit card number occurred and was used to gain access to the internet websites and obtain the cash advance. On December 29, 1999, the Coitsville Police Department received a refund from the internet websites totaling \$478. We will recommend the Township develop formal policies and procedures regarding the use of the Township credit card.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- A check for \$37 was issued to the Township's Fire Chief for reimbursement of a meal while attending a meeting in Indiana. Included in the amount was a reimbursement for alcoholic beverages totaling \$9. The reimbursement for alcoholic beverages does not appear to be for a purpose related to the operations of the Township. We will recommend the Township develop a formal policy regarding reimbursement for alcoholic beverages.
- We noted 2 checks totaling \$948 paid to the Internal Revenue Service (IRS) for assessed penalties and interest due to the late payment of employment taxes. These checks were for \$262 and \$686, respectively. We will issue a noncompliance citation for not paying employment taxes in a timely manner.
- The Township paid Medical Mutual of Ohio \$379 for one month's medical benefits for an employee which had resigned. The Township did not provide us with an agreement between the Township and the employee which would allow him to receive medical benefits subsequent to his resignation at the Township's expense, nor did they provide evidence that the employee reimbursed the Township for these benefits. We will recommend that the Township establish policies and procedures that address the rights and obligations of employees and Township when separating from Township employment.

During our review, we also noted the following weaknesses related to the voucher packages.

- Purchase Orders issued were not reviewed and approved by the Board of Trustees and the amount of the nonpayroll expenditures were not certified by the former Clerk/Treasurer for the period January 1, 1999 through December 31, 1999.
- Invoices were not canceled by the former Township Clerk when payment was tendered for nonpayroll expenditures. Invoices were neither stamped "Paid in Full" nor an alternative method used to designate that an invoice had been canceled upon payment.
- For nonpayroll disbursements, invoices and/or other supporting documentation for the purchase of a good/service were not initialed to indicate that the goods/services were received or the work performed to the Township's satisfaction.

We will make a recommendation that the Township establish policies and procedures to remedy these conditions.

5. We noted no unusual or unreconciled items on the monthly bank reconciliations.

We noted 5 "deposits in transit" included on the Township's monthly bank reconciliations during the Period that were not actually deposited in a timely manner. The deposits in transit on the April, May, August, October, and December bank reconciliations ranged from \$8,218 to \$120,553. These deposits were posted to the Township's records; however, were not physically deposited by the former Clerk/Treasurer for periods ranging from 9 to 30 days following the date they were posted to the Township's records. We will recommend that all Township monies collected be deposited into an authorized Township bank account in a timely manner.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## NONCOMPLIANCE

1. Ohio Rev. Code Section 507.11(B), provides that no money belonging to the Township shall be paid out, except upon an order signed personally by at least two of the trustees, and counter-signed by the Township Clerk/Treasurer.

We noted 6 checks during the Period that did not have the signatures of at least two trustees.

We recommend that Township checks be signed by at least two trustees and counter-signed by the Township Clerk/Treasurer before Township moneys are paid out.

2. Ohio Rev. Code Section 5705.41 (D), provides in pertinent part, that no subdivision or taxing unit shall, "make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund, free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer."

Nonpayroll expenditures reviewed for the period January 1, 1999 through December 31, 1999 were not certified by the former Clerk/Treasurer.

We recommend that the Clerk/Treasurer certify all expenditures prior to entering into any contracts or making an expenditure of Township money.

3. Internal Revenue Code Section 3403 - "Liability for Employment Taxes", states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this Chapter, and shall not be liable to any person for the amount of any such payment.

Internal Revenue Code Section 6672 (a) - "Failure to Collect and Pay Over Tax", states that any person required to collect, truthfully account for, and pay over any tax imposed by this title who willfully attempts in any manner to evade or defeat any such tax or the payment thereof, shall in addition to other penalties provided by law, be liable to a penalty equal to the total amount of the tax evaded, or not collected, or not accounted for and paid over.

The former Clerk/Treasurer withheld employment taxes from Township employees however, failed to remit the employment taxes to the Department of Treasury timely on 3 separate occasions. As a result, the IRS assessed penalties and interest totaling \$948 which were paid by the Township.

We recommend that the Township Clerk/Treasurer collect and remit payment of employment taxes timely to avoid the assessment of penalties and interest.

## MANAGEMENT COMMENTS

### Policies and Procedures

Written policies and procedures are essential to provide guidance to employees to ensure efficient, accurate, and consistent treatment of transactions. Without clear and precise guidance from management, individuals' personal preferences and decisions may be filtered through the organization which are inconsistent with management's objectives. The Board of Trustees and Township management have not developed formal policies and procedures governing the expenditures of Township funds.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Our review noted the following weaknesses:

- 6 checks did not have signatures of a least two trustees as required by the Ohio Rev. Code.
- 12 checks were not supported by invoices or other supporting documentation.
- Charges for access to several unauthorized internet websites and a cash advance were incurred using the Township credit card.
- A reimbursement of a meal to the Township Fire Chief while attending a meeting in Indiana included a reimbursement for alcoholic beverages.
- The Township incurred penalties and interest due to late payment of employment taxes.
- One month's medical benefits were paid for an employee which had resigned.
- Purchase Orders issued were not reviewed and approved by the Board of Trustees and nonpayroll expenditures were not certified by the former Clerk/Treasurer for the period January 1, 1999 through December 31, 1999.
- Paid invoices were not canceled by the former Township Clerk/Treasurer to prevent duplicate payment.
- Invoices and/or other supporting documentation for the purchase of a good/service were not initialed to indicate that the goods/services were received or the work performed to satisfaction for all nonpayroll expenditures.

We recommend the Board of Trustees and Township management design and establish policies and procedures governing expenditures to ensure the integrity of financial reporting, the safeguarding of Township assets, the efficiency and effectiveness of the Township's operations, and its compliance with applicable laws, regulations, and contracts. These policies and procedures should be formally adopted by the Board of Trustees.

These procedures should include, but not be limited to the following:

- Management review of the Township Cash Journal, Appropriations and Receipts Ledgers to ensure that transactions are posted to the appropriate fund and line-item and that totals of the Cash Journal and Appropriations and Receipts Ledgers are compared;
- Upon reviewing the Township's Cash Journal, Appropriations and Receipts Ledgers, management should identify unusual and/or significant fluctuations in receipts and expenditures and determine whether there is a plausible relationship with the Township's financial activities;
- Management should review the monthly cash reconciliations and require supporting documentation for adjustments and reconciling items;
- The Board of Trustees should review supporting documentation including purchase requisitions, purchase orders and receipts for expenditures prior to signing checks.

We recommend these reviews be evidenced by the signature or initials of the appropriate members of Township management.

### **Credit Card**

The Township does not have a formal written policy for the use of Township credit cards.

We noted 8 credit card expenditures which were not supported by invoices or other supporting documentation. We noted charges totaling \$478 to pay for access to several unauthorized internet websites. In addition, a \$20 cash advance was obtained by using the Township credit card.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We recommend that the Board of Trustees establish and formally adopt a written credit card policy and related procedures. The policy and procedures should include, but not be limited to the following:

- Identification of individuals authorized to use the Township credit card.
- Identification of the types and dollar limits of purchases that are allowed to be made with the Township credit card.
- A requirement that all purchases made with the credit card be supported by a receipt or supporting documentation.
- A review of credit card expenditures to ensure that expenditures are for a purpose related to the operations of the Township.

### Voided Checks

We noted 15 checks whereby dates of checks, payees, check numbers and or amounts did not agree to the data posted to the Township ledger. A review of the expenditure ledger and bank statements indicated these checks were voided.

The Township did not maintain the voided checks, thus making them unavailable for inspection.

We recommend that the Board of Trustees establish a formal written policy that would require all voided checks to be maintained.

### Reimbursement for Meals and Travel

Although we noted two entries in the Minutes of Township meetings, the Township has not passed any formal resolutions or have formal written policies and procedures providing guidelines for the reimbursement of meals and travel expenses while traveling outside the Township. Moreover, the Township does not have a formal written policy that specifically addresses reimbursement for only those allowable expenditures supported with original receipt(s).

We recommend that the Board of Trustees establish formal written policies and procedures which provide guidelines to identifying those travel expenses which will be reimbursed with required supporting documentation. As a matter of good public policy, the Township should specifically state in its policy, the expenditures (i.e. alcoholic beverages) which it will and will not reimburse. Also, the policy should set monetary thresholds for a maximum amount of reimbursement.

### Medical Benefits

The Township paid Medical Mutual of Ohio \$379 for one month's medical benefits for an employee which had resigned.

We recommend the Township establish policies and procedures that address the rights and obligations of employees and the Township when separating from employment. Moreover, the Township should seek reimbursement from Medical Mutual of Ohio for the \$379 if the Board of Trustees deem the payment of the premium as an oversight, or seek reimbursement from the employee if he benefitted from the payment of this medical coverage by the Township.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

**Issue No. 2 - Determine whether significant revenue sources during the Period were recorded in the Township's financial records and deposited into an authorized Township bank account**

### PROCEDURES

1. We reviewed prior year working papers, prior year audit reports, and interviewed Township personnel to determine the Township's significant revenue sources.
2. We obtained the County Auditor tax settlement sheets and the State distribution transaction listings for the Period to determine whether these receipts were posted to the Township's Receipt Ledger and deposited into an authorized Township bank account.
3. We obtained daily receipts records from the Police Chief and Zoning Inspector and determined whether receipts collected by the Police and Zoning Departments were turned over timely to the Clerk/Treasurer and deposited timely in an authorized Township bank account.

### RESULTS

1. Significant revenue sources of the Township are local taxes, intergovernmental receipts, fines, forfeitures, fees, and permits. We interviewed George Hahn, Police Chief, and Allan Morris, Assistant Police Chief and Zoning Inspector, who stated that the Police Department and Zoning Department collects the following types of receipts: impound fees, confiscated items, forfeited monies, police report fees, and zoning and fire permits.
2. We obtained the County Auditor tax settlement sheets and the State distribution transaction listings which identified the local taxes and intergovernmental receipts that the Township received during the Period. These receipts were posted in the Township's Receipt Ledger and deposited in an authorized Township bank account.
3. Cash receipts collected by the Police Department from November 23, 1998 through December 31, 1999 totaling \$4,573, and cash receipts collected by the Zoning Department from February 1, 1999 through November 30, 1999 totaling \$47 were neither turned over to the former Township Clerk/Treasurer, nor deposited with the designated depository within 24 hours of collection.

Of the total cash receipts collected, cash receipts totaling \$3,706 and \$47 from the Police Department and Zoning Departments, respectively, were not deposited in an authorized Township bank account by the former Clerk/Treasurer and were unaccounted for at December 31, 1999. On January 31, 2000, Mr. Navarra deposited a personal check in the amount of \$3,678 into the Township's general checking account. Furthermore, on February 7, 2000, Mr. Navarra gave \$20 in cash to Christeen Partika, the newly appointed Clerk/Treasurer, to be deposited into the Township's general checking account.

We spoke with Mr. Navarra and asked him to explain why he deposited a personal check made payable to "Coitsville Township" totaling \$3,678 and gave Mrs. Partika \$20 in cash to be deposited into the Township's general checking account. He stated that while he was Clerk/Treasurer, he collected cash from the Police Department and Zoning Department and placed the cash in a drawer in his residence, and failed to deposit the Township monies prior to resigning from office on December 31, 1999. However, rather than depositing the actual cash that he had collected, he decided to write a personal check to ensure a paper trail.



# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## NONCOMPLIANCE

During much of the audit period, Ohio Rev. Code Section 9.38(2) provided in part that any, "public official other than a state officer, employee or agent, shall deposit all public moneys received by him with the treasurer of the public office or properly designated depository once every twenty-four consecutive hours."<sup>1</sup>

Public moneys collected by Township employees were not always deposited with the Clerk/Treasurer or into the Township's designated depository account within 24 hours of receipt.

Violation of Ohio Rev. Code Section 9.38 leads to a loss of interest revenue on monies not deposited into the Township's designated depository account and also increases the risk that such monies may be misplaced, misspent or misappropriated.

We recommend that the Township develop procedures to ensure that Township employees deposit public moneys in accordance with Section 9.38 of the Ohio Rev. Code.

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<sup>1</sup> The language of ORC 9.38 was slightly changed effective 11-2-99, however, for purposes of this audit report, the import remains the same.

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**COITSVILLE TOWNSHIP**

**MAHONING 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  
JULY 26, 2001**