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Auditor of State

**Bloom Township
Scioto County, Ohio**

Report on Accounting Methods

Local Government Services Section

Bloom Township – Scioto County

Report on Accounting Methods

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Certification

In compliance with the requirement set forth in Section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of Bloom Township was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Township and whether there are adequate controls in place to assure confidence in the records. The deficiencies and non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report and summarized in the conclusion. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of Bloom Township and Duane Hagen, Walter Hamilton, and Fred Canter, members of the Board of Trustees of Bloom Township.

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October 16, 2007

Bloom Township – Scioto County

Report on Accounting Methods

Purpose

As required by Section 118.10(A), Revised Code, the Auditor of State “...Shall issue a preliminary report with respect to the methods, accuracy and legality of the accounts, records, files and reports of the Township. Such report shall state whether Chapter 117 of the Revised Code and the requirements of the Auditor of State have been compiled with...”

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the Township, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing Township personnel and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of Bloom Township. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Governance Overview

Bloom Township (the “Township”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The legislative authority is vested in a three-member Board of Trustees (the “Board”).

The Board is elected at-large to serve four-year terms. Two of the members are elected in the same year with the other elected two years thereafter. The Board elects a Chairman to preside over meetings. The Board provides general government services, which includes the maintenance of all Township roads and bridges and the upkeep of five cemeteries. The Board has the authority to appoint various Township positions.

The Township Fiscal Officer is elected to a four-year term. The Fiscal Officer attends all Board meetings and keeps a record of all proceedings, rules, bylaws, and legislation. In addition, the Fiscal Officer keeps statements of all monies received and expended by the Township and keeps records of all property owned by the Township and of all taxes and assessments. The Fiscal Officer is responsible for the establishment of accounting procedures necessary to maintain accountability of financial resources and to comply with the State statute and administrative rules adopted by the Auditor of State.

On August 9, 2005, the Township was declared in a state of fiscal emergency by the Auditor of State. As a result of the declaration, a Financial Planning and Supervision Commission (the “Commission”) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The Director of Budget and Management or a designee;
2. The County Auditor or a designee;
3. The Chairman of the Board of Township Trustees or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters.

The powers, duties, and functions of the Commission include:

1. Reviewing all tax budgets, tax levies and bond and note resolutions, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan;
2. Inspecting and securing copies of pertinent documents of the Township;
3. Inspecting and securing copies of pertinent documents of the County or State agencies relating to the Township;
4. Reviewing, revising, and approving determinations and certifications affecting the Township made by the County Budget Commission or the County Auditor;
5. Bringing civil actions to enforce fiscal emergency provisions;
6. Approving the amount and purpose of any debt obligations;
7. Implementing steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State’s rules;
8. Making and entering into all contracts necessary or incidental to the performance of its duties;
9. Making recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and President of the Senate on the progress of the Township.

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Report on Accounting Methods

Governance Overview

(Continued)

Once a Township is declared to be in fiscal emergency, the Township must prepare a financial recovery plan that details the steps that will be taken to alleviate the financial problems. The plan is subject to the approval of the Commission. Once the Commission has approved the plan, all financial activities of the Township must conform to the provisions of the plan.

The Commission will continue in existence until the Auditor of State, or the Commission itself, determines that:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The Board of Trustees has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse".

Once these requirements are satisfied, the activities of the Commission are terminated.

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Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and type of financial resources that will be raised and how those financial resources will be spent. Annually, a budget consisting of estimated receipts and disbursements for each fund for the next year should be presented to the governing body with sufficient time for review and public input. The budget should identify the major sources of receipts and the programs, activities, and major objects of disbursements. The budget should encompass current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the legislative authority, should be the basis for the appropriation measure. The appropriation measure should identify, by fund, department/activity, and object, the amount of resources authorized to be expended for the various governmental functions and programs. The amount appropriated for each fund should not exceed the estimated resources available in that fund for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized receipts and balances available for disbursement.

Statutory Requirements

The budgetary process for the Township is prescribed in Chapter 5705, Revised Code, and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution.

The Tax Budget: The Fiscal Officer prepares an annual tax budget of the estimated receipts and disbursements for all funds of the Township for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the Board of Trustees. At least one public hearing must be held for discussion of the budget. The Board of Trustees is required to adopt the budget by July 15 and the budget must be submitted to the Scioto County Budget Commission by July 20 of each year.

The County Budget Commission examines the budget to ascertain that all tax levies of the Township are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. The Budget Commission then prepares and submits to the Board of Trustees the Resolution Accepting Rates for the Board of Trustees' consideration. The Board of Trustees must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission. On or about October 1, the Board of Trustees must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

The County Budget Commission may, by affirmative vote of a majority of the Budget Commission, waive the requirement that the Board of Trustees adopt a tax budget as provided under section 5705.28 of the Revised Code, but shall require the Board of Trustees to provide such information to the Budget Commission as may be required by the Budget Commission to perform its duties under Chapter 5705 of the Revised Code, including the allocation of inside millage to each subdivision or taxing unit.

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Report on Accounting Methods

Budgetary System

(Continued)

Certificate of Estimated Resources: The County Budget Commission issues an Official Certificate of Estimated Resources on or about September 1, based on information provided by the Township in the Tax Budget and other information available to the County Budget Commission. On or about January 1, the Fiscal Officer certifies the actual year-end balances for all Township funds to the County Budget Commission. Upon receipt of the information, the County Budget Commission issues an Amended Official Certificate of Estimated Resources that includes the unencumbered fund balances at December 31. Further amendments may be made during the year if the Fiscal Officer determines that the revenue to be collected by the Township will be greater than or less than the amount included in the Official Certificate.

Appropriation Resolution: On or about January 1, the annual Appropriation Resolution must be enacted by the Board of Trustees. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the Township until April 1. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission at the time of adoption. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department and division, and within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriation or alter the levels adopted by the Board of Trustees must be approved by the Board of Trustees. The Township may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent Amended Certificate of Estimated Resources.

No appropriation measure is effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the Official Certificate or Amended Official Certificate of Estimated Resources. When the appropriation does not exceed the certificate, the County Auditor shall give a certificate forthwith upon receiving a certified copy of the appropriation measure from the appropriating authority.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of moneys are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

Administrative Code Requirements

Section 117-2-02(C)(1) of the Ohio Administrative Code states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code. The legal level of control is a discretionary decision to be made by the legislative authority, as long as it meets the minimum required by Statute.

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Report on Accounting Methods

Budgetary System

(Continued)

Method Used by the Township

The Tax Budget is prepared by the Fiscal Officer and is based on the prior years' actual receipts and expenditures, the current year's actual and estimated receipts and expenditures, and estimates for the next year based on information available at the time of preparation. The Tax Budget for the next year is generally adopted by the Board of Trustees by July 15 and filed with the County Budget Commission on, or before, July 20. For 2006, the Township received an extension from the County Auditor for filing its Tax Budget, which was adopted on September 10, 2005, and filed with the County Budget Commission on September 13, 2005. The 2007 Tax Budget was approved by the Board of Trustees on July 13, 2006, and filed with the County Budget Commission on July 19, 2006. The Township authorized, by resolution, the necessary tax levies for 2007 and certified them to the County Auditor prior to October 1, 2006.

Within the first two months of each year, the Fiscal Officer certifies the year-end fund balances to the County Budget Commission. The County Budget Commission issues an Amended Certificate of Estimated Resources that includes the actual unencumbered fund balances at December 31. The Fiscal Officer will request an Amended Certificate of Estimated Resources when changes occur in the estimated revenue. The Fiscal Officer does not post the adjustments to the accounting system to reflect the approved changes to the estimated resources.

The Board of Township Trustees adopted a temporary appropriation resolution on January 23, 2006. The annual appropriation resolution for 2006 was adopted by the Board of Trustees on March 23, 2006, and the Fiscal Officer filed a copy with the County Auditor on March 27, 2006. The appropriations were adopted at the object level within each fund and program/activity. Any supplemental appropriations deemed necessary by the Fiscal Officer are approved by the Board of Trustees by resolution and filed with the County Auditor.

While the necessary documents are approved by the Board and filed with the County Auditor, the Fiscal Officer does not accurately post the annual appropriations and necessary supplemental appropriations to the accounting system. The accounting system will not allow expenditures to be made from accounts if an appropriation is insufficient to cover the expenditure. Therefore, the Fiscal Officer will enter an appropriation amount for an account necessary to cover the payments.

Auditor of State Comments

- The Township uses a numeric chart of accounts as part of the accounting system; however, the appropriation resolution is prepared using an older alphanumeric chart of accounts. The Fiscal Officer should prepare the appropriation resolution using the numeric account codes so that appropriated amounts can be traced to the same funds and accounts in the accounting system.
- Section 5705.36, Revised Code, requires on or about the first day of each fiscal year, the fiscal officer shall certify to the county auditor the total amount from all sources available for expenditure from each fund, including any unencumbered balances that existed at the end of the preceding fiscal year. For 2006, the year-end balances were certified on February 17, 2006. The Fiscal Officer should certify the year-end balances in January immediately after the close of the financial records for the prior year.

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Budgetary System

(Continued)

- Section 5705.39, Revised Code, states, “No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.” The Trustees and Fiscal Officer must allow for sufficient time between the passage of an appropriation resolution and the receipt of a certificate from the County Auditor so that obligations are not authorized prior to appropriations becoming effective.
- Section 5705.39, Revised Code, requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from. The Fiscal Officer does not compare available resources on the Official or Amended Certificate of Estimated Resources to appropriations. The Fiscal Officer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Trustees upon request for appropriations demonstrating the effect of adopting the appropriations and that compliance with budgetary requirements exists.
- The Fiscal Officer should enter all estimated receipts and appropriations into the accounting system and reconcile the amounts in the system to the most current Amended Certificate of Estimated Resources and the aggregate of the annual and supplemental appropriation resolutions. The reconciliation should be performed each time amendments to these documents are approved and entered into the accounting system and the reconciliation should be documented.

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Report on Accounting Methods

Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and the individual funds. Receipt and disbursement codes should allow the transactions to be summarized by major revenue source or disbursement program. Major object codes for disbursements should be used consistently throughout the various program/activity codes.

The Township should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established.

Statutory Requirements

The creation of funds is authorized by Section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of reserves for budget stabilization, for the payment of claims under a self-insurance program, and for the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under Section 5705.12 of the Revised Code with the written approval of the Auditor of State.

Methods Used by the Township

The Township utilizes a numeric chart of accounts required by the Uniform Accounting Network (UAN). The chart of accounts classifies transactions by fund and receipt code or fund, program/activity and object code. Account codes are created/activated by the Township Fiscal Officer.

The Township has established three new funds since the Fiscal Officer took office. These funds were the Federal Emergency Management Funds used to account for FEMA grants received in 2001, 2004, and 2005. Other funds utilized by the Township include the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, Permissive Motor Vehicle License Tax, and Cemetery Trust Funds.

Auditor of State Comments

- The Fiscal Officer establishes new funds. New funds should be created by a resolution that identifies the purpose of the funds, revenue sources and allowable expenditures, and the section of the law that allows or requires the funds to be created.
- The Fiscal Officer does not use appropriate account codes to accurately classify transactions. For instance, the Fiscal Officer would record the purchase of office supplies under the account code 1000.110.420 operating supplies when the proper account code is 1000.110.410 office supplies. The Fiscal Officer should use an account code that appropriately describes the transaction. Account codes and descriptions are in the Uniform Accounting Network Manual and the Ohio Township Handbook.

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Accounting Ledgers

Description of Effective Accounting Ledgers

The accounting ledgers of the Township should allow for ongoing and timely information on estimated and actual receipts, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be traced throughout the ledgers and back to the document that originated the transaction.

Statutory Requirements

Section 507.04, Revised Code, requires that the township fiscal officer keep an accurate record of the proceedings of the Board of Township Trustees at all of its meetings, and of all its accounts and transactions, including the acceptance of the bonds of township officers.

Administrative Code Requirements

Section 117-2-02(A), Ohio Administrative Code, requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-02-02(C) (1), Ohio Administrative Code, requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D), Ohio Administrative Code, requires all local public offices to maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Fiscal Officer’s office. The cash journal presents receipts deposited to and warrants drawn against the Township treasury and the fund(s) to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and warrants. The related pay-in order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Receipts Ledger – The receipts ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues are recorded from the detail and/or supplemental information used in the preparation of the Tax Budget and is adjusted for any amendments to the Certificate of Estimated Resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

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Accounting Ledgers

(Continued)

Appropriations Ledger – The appropriations ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the Township, the warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Fiscal Officer to keep the Township’s disbursements and encumbrances within the amounts appropriated by the Board of Trustees. The unencumbered appropriation balance provides information on the amount available for obligations. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

Method Used by the Township

The Township utilizes a computer system provided by the Uniform Accounting Network (UAN). The software package includes accounting software. The accounting software allows for the accumulation and aggregation of budget and actual information. Detailed receipt, disbursement, and encumbrance information is accumulated by fund, revenue sources, and disbursement programs and object codes. The accounting software provides month and year-to-date information and detailed and summary information for receipts and disbursements, and has the ability to generate the cash journal, receipts ledger, and appropriations ledger with month or year-to-date information.

Auditor of State Comments

None.

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Report on Accounting Methods

Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited in accordance with State statute. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The receipt should bear the name of the entity and reflect the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payer. Departmental receipts should be summarized and remitted to the finance department daily. The finance department should issue pay-in-orders to those departments depositing daily collections to the finance department. The pay-in-order forms should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature or name of the person preparing the pay-in-order. Supporting documents should be attached to a copy of the pay-in-order. All receipts or pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of moneys, depositing of moneys, posting of receipts, and reconciliation of bank accounts.

Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or an agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such a time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 507.03, Revised Code, provides that “the township fiscal officer shall give bond to the board of township trustees, with sureties approved by the board, in the sum of no less than sixty thousand dollars, conditioned for the faithful performance of the duties of the office of township fiscal officer. This bond shall be recorded by the township fiscal officer and filed with the county treasurer.”

Section 505.02, Revised Code, provides that “each township trustee shall give bond to the State for the use of the township, in the sum of one thousand dollars, conditioned for the faithful performance of his duty as trustee, with at least two sureties, each of whom shall be a resident of the same township, or a corporate surety authorized to do business in the State. Such bond shall be approved by a judge of the county court or judge of a municipal court having jurisdiction in the township.”

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Report on Accounting Methods

Revenue Activity

(Continued)

Administrative Code Requirements

Section 117-2-02(D)(1) of the Ohio Administrative Code requires the date, amount, receipt number, account code, and any other information necessary to properly classify the receipt transactions to be recorded in the cash journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payer, purpose, receipt number, and other information required for the transaction to be recorded in the receipts ledger.

Method Used by the Township

The Fiscal Officer and the Trustees are bonded. The Fiscal Officer is responsible for receiving all moneys. Substantially all revenues received by the Fiscal Officer are in the form of a check; however, some cash is received. Receipts are received through the mail via a P.O. box or directly at the Fiscal Officer's office. The Fiscal Officer prepares a receipt for each item received. The receipt is a single copy form generated by the accounting software. Multiple copies of the receipt can be printed at the time it is entered or it can be reprinted at a later date. The receipt reflects the payee name, source of revenue, date, amount, fund and account code. Once the Fiscal Officer has posted a receipt, a copy of the receipt is printed and the Fiscal Officer will attach supporting documentation and sign the receipt. All receipts are placed in a file folder. This folder is kept for the entire year and is stored on a desk within the Fiscal Officer's office. The Fiscal Officer prepares a deposit slip for the receipts and places the slip and checks or cash in her residence until time of deposit at the bank. However, the Fiscal Officer's home is not always kept locked. The Fiscal Officer normally posts and deposits the receipts semi-monthly. All deposit slips are maintained in a file along with the bank statements for the year and are located on a desk within the Fiscal Officer's office.

Auditor of State Comments

- Deposits should be made in accordance with Section 9.38 of the Revised Code. Currently, the checks or cash received by the Fiscal Officer accumulate on her desk until she posts the receipts into the accounting system. After the Fiscal Officer posts the receipts into the accounting system, a deposit is prepared and kept in the Fiscal Officer's residence until the deposit is made at the bank, which usually occurs on a semi-monthly basis. Receipts should be posted to the accounting system in a timely manner. The Fiscal Officer should post receipts upon receiving moneys to allow the accounting system to accurately reflect unrealized budgeted revenues. The Fiscal Officer should also deposit moneys on the next business day following the day of receipt as required by Section 9.38, Revised Code. If the total amount of moneys received does not exceed one thousand dollars, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.
- The Fiscal Officer does not always store deposits in secure locations. Deposits should be stored in a secure location until the time of deposit occurs.

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Revenue Activity

(Continued)

- Receipts from major revenue sources are not posted to the proper fund and account in the proper amounts. The Fiscal Officer often records homestead and rollback receipts for the Road and Bridge Fund to the General Fund. The Fiscal Officer also records real estate taxes net of all deductions. All property tax revenues should be recorded at gross and then all associated fees should be recorded as disbursements. The Fiscal Officer should read and familiarize herself with the account definitions so that receipts are posted to an appropriate account.
- The Fiscal Officer should note receipt numbers on deposit slips to assist in tracing the receipts to the deposits on the bank statement.
- The Township should issue copies of the receipts to the appropriate individuals when applicable. The Fiscal Officer should print multiple copies of the receipt from the accounting system. One copy should be given to the person making the payment, if in person, while the second copy should be filed in the Township's files.

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Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing should be integrated with the budget. The process should include the selection of the vendor with the best price as well as an authorization by an appropriate individual. In addition, the authorization must include the Fiscal Officer's certification of the availability of funds stating that the amount has been appropriated and is encumbered. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements

Per Section 507.11, Revised Code, the Board of Trustees may, by resolution, authorize township officers and employees to incur obligations of two thousand five hundred dollars or less on behalf of the township. The obligations incurred on behalf of the township by a township officer or employee acting pursuant to any such resolution shall be subsequently approved by the adoption of a formal resolution of the Board of Trustees.

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer – Each contract or order for the expenditure of money must be accompanied by a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivision's Fiscal Officer.

Blanket Certification of the Availability of Funds – The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that does not extend beyond year-end in an amount established by resolution of the Board of Trustees. A general certification of this type may be established for any appropriate line item and need not identify a specific vendor. This type of purchase order is used for routine, recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate per appropriation line shall be outstanding at a time.

“Super” Blanket Certification of the Availability of Funds – The super blanket certification permits the Fiscal Officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the fiscal year, and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained by the Fiscal Officer.

Bloom Township – Scioto County

Report on Accounting Methods

Purchasing Process

(Continued)

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04, and any other specific expenditure that is a recurring and reasonably predictable operating expense.

Then and Now Certification – It is intended that the Fiscal Officer’s certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed (then) and at the current time (now), a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the Board of Trustees has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Township.

Authority to Contract – Contracts are approved by the Board of Trustees and executed in the name of the Township by the Fiscal Officer, except as otherwise specified by Sections 505.08, 505.101, and 511.12, Revised Code.

Bidding – Section 5549.21, Revised Code, requires all purchases of materials, machinery, and tools necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the Township shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder. Section 5575.01, Revised Code, requires contracts for the maintenance and repair of roads that exceed \$45,000 and contracts for the construction or reconstruction of Township roads that exceed \$50,000 be let by competitive bid. The Board of Trustees must authorize all expenditures relating to bids. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the Township if a real and present emergency exists if the estimated cost of the contract is less than fifty thousand dollars as required by Section 505.08, Revised Code;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies;
6. Goods purchased under the State Cooperative Purchasing Program;

Findings for Recovery Database – Effective January 1, 2004, Ohio law (Section 9.24, Revised Code) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if the finding is unresolved.

Bloom Township – Scioto County

Report on Accounting Methods

Purchasing Process

(Continued)

Per Auditor of State bulletin 2004-006, a contract for purposes of Section 9.24, Revised Code, is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase agreement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Section 9.24, Revised Code. For purchases made off the State term schedule, the Ohio Department of Administrative Services (DAS) engages in a contracting process as described under Attorney General Opinion 2004-014 and consequently, is required to comply with Section 9.24, Revised Code. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Section 9.24, Revised Code.

Section 9.24(G)(1)(a), Revised Code, states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24(G)(1)(b), Revised Code, provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous fiscal year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

Delinquent Personal Property Taxes – Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the Fiscal Officer a statement affirmed under the oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the Fiscal Officer to the County Treasurer within thirty days of the date it is submitted.

Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the Fiscal Officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made.”

Method Used by the Township

The Fiscal Officer, Township Trustees, and members of the road crew make purchases for Township operations by either submitting a receipt to the Fiscal Officer for reimbursement or having the vendor submit an invoice to the Township for payment. It is not common practice to request and receive prior approval or certification of the availability of funds before a purchase is made. Normally, the Fiscal Officer prepares then and now certifications for payments because the accounting system will not process a nonpayroll related expenditures without a purchase order.

Bloom Township – Scioto County

Report on Accounting Methods

Purchasing Process

(Continued)

The Trustees authorize the Fiscal Officer to advertise for bids for any contract needing to be awarded. The Fiscal Officer prepares a publication for the local newspaper and runs the advertisement three times prior to the deadline established for receiving all bids. All bids are delivered to the Fiscal Officer's office where they are kept sealed until the public meeting. At the public meeting, the Board of Trustees opens all bids for review and then awards the contract. The opening of the bids and awarding of the contract occurs within the same public meeting. The contract is usually awarded to the lowest bidder.

Auditor of State Comments

- The Fiscal Officer does not certify funds prior to obligations being incurred. Instead, the Fiscal Officer uses then and now certificates. The issuance of then and now certificates should be done on an exception basis, not as standard procedure. Purchases should be certified indicating that the amount required to meet the obligation has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance prior to the ordering of the goods or services.
- The Board of Trustees has not adopted a resolution for Township officers and/or employees to incur obligations as set forth in Section 507.11, Revised Code. The Board of Trustees should pass a resolution authorizing Township officers and employees to incur obligations of two thousand five hundred dollars or less on behalf of the Township.
- The Township does not encumber appropriations. Therefore, the accounting software does not reflect the potential outstanding obligations of the Township nor the available balance that remains for operations. The Fiscal Officer should maintain accurate records by posting transactions correctly and timely in the accounting system to be able to attest to the availability of appropriations and to be able to monitor actual expenditures to the budgeted activity.
- Purchase orders should be distributed to the vendors as documentation of the items and quantities to be purchased and to the Township employees to serve as a checklist for when goods are delivered.
- The Township does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The Township should verify the status of all contractual vendors with the Auditor of State Findings for Recovery Database prior to awarding the contract.

Bloom Township – Scioto County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Township. The processing should include a comparison of the invoiced items and quantities to the purchase order, a comparison of the prices on the invoice to the purchase order, a comparison of the items received to the invoiced items, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), and a properly executed certification by the Fiscal Officer, and verification of adequate cash in the fund to pay the obligation. All warrants should be signed by the Fiscal Officer and two Trustees and recorded in the cash journal and appropriations ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements

State law places the following requirements on the disbursements of funds:

Warrants – Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund from which it is drawn.

Restrictions – Money is drawn from the Township treasury only for appropriations enacted by the Board of Trustees. Appropriations from each fund may be made only for the purposes of such fund.

No Certification – If no certificate is furnished as required, upon receipt by the Township of a certificate of the Fiscal Officer stating that there was at the time of the making of such contract or order, and at the time of the execution of such certificate, a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Township may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than three thousand dollars, the Fiscal Officer may authorize it to be paid without such affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Section 507.11(B), Revised Code, states, “No money belonging to the township shall be paid out, except upon an order signed by at least two of the township trustees, and countersigned by the township fiscal officer.”

Administrative Code Requirements

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

Bloom Township – Scioto County

Report on Accounting Methods

Cash Disbursements

(Continued)

Method Used by the Township

The Fiscal Officer receives invoices for goods and services through the mail or invoices are forwarded to the Fiscal Officer by the Township employees. At this time, a purchase order, if not already prepared, voucher, and check are prepared by the Fiscal Officer. The Fiscal Officer will then sign the check and distribute it to the payee. At the monthly meeting, the Fiscal Officer will present to the Trustees the vouchers and supporting documentation for each payment for their approval. Upon approval, the Fiscal Officer will file the vouchers in a file folder according to month. The Fiscal Officer has a folder established for each month and the folders are stored in a file cabinet located in the Fiscal Officer's office.

Expenditures are posted by the Fiscal Officer into the accounting system by fund, program/activity, and object codes. The transaction information posted includes the date, payee, purpose, check number, purchase order number, and the check amount. Once the posting occurs within the cash journal, the accounting system automatically posts the transactions to the appropriations ledger.

Auditor of State Comments

- Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation. The Township should only make disbursements from funds which have adequate cash balances to cover the obligation or make advances.
- When goods are received, the individual receiving the goods should verify the goods received to the packing slip and the receiving copy of the purchase order and sign off on the packing slip and purchase order as proof that the verification process was completed. The packing slip and receiving copy of the purchase order should be sent to the Fiscal Officer.
- All invoices should be compared to the receiving report to ensure that the Township has received all items for which it is being billed. All invoices should be compared to the purchase order so that verification of original prices can be made to ensure the Township was not billed at a higher rate than quoted. All invoices should be recomputed ensuring accurate extensions and totals and should be initialed by the individual who performed the recomputation.
- Invoices are not marked "paid". The Fiscal Officer should document by either stamping or writing "paid" on the invoices so that duplicate payments will not be made.
- Currently, an effective organizational system is not in place at the Township. The Fiscal Officer maintains all outstanding invoices/bills in a box top on a table in her office. However, this box top also contains matters for attention. All outstanding invoices/bills should be kept in one location in an organized manner.
- The purchase orders and invoices do not always clearly indicate the items, quantities, and unit cost of each item. The purchase orders and invoices should document in detail what items were received by the Township or what services were rendered.

Bloom Township – Scioto County

Report on Accounting Methods

Cash Disbursements

(Continued)

- Many times the Fiscal Officer only receives a summary of the activity (billing statement) that has occurred at a vendor location even though an invoice has been provided to the Township employee initiating the service. This invoice is not always given to the Fiscal Officer for documentation purposes. All Township employees should make it a practice to return all purchase orders and invoices to the Fiscal Officer once verification of services has taken place.
- Sufficient supporting documentation does not exist for all checks issued. All invoices, as well as supporting calculations made by the Fiscal Officer, or additional documentation to support the services rendered or purchases made, should be attached to the voucher.
- Section 507.11, Revised Code, states, “No money belonging to the township shall be paid out, except under an order signed by as least two of the township trustees, and countersigned by the township fiscal officer.” At each monthly meeting of the Board of Trustees, the Trustees sign numerous blank checks in order to allow the Fiscal Officer to make payments as necessary. This practice must stop. The Board should grant the Fiscal Officer the authority to make payments as necessary during the month. The Trustees should arrange to review the vouchers and sign the checks shortly after they are prepared. The approval of the vouchers and the signing of the checks do not have to be done in a public meeting.
- The Fiscal Officer should establish a consistent filing procedure for all disbursements. Currently, all documentation is placed into a monthly file folder in no orderly fashion. The Fiscal Officer should file all vouchers numerically by check/warrant number.
- Unissued checks are kept in the Fiscal Officer’s office under a table. The office is not always secure. Unissued checks should be stored in a secure location at all times. The Fiscal Officer does have a filing cabinet in her office which can be locked and should consider storing the unissued checks in this location in the future.
- The Fiscal Officer has charged items to funds and account codes where appropriations are available, not necessarily where the expenditure should be posted. The Township should adopt supplemental appropriations if budgeted amounts need to be adjusted between funds and account codes to allow the disbursements to be recorded in the proper accounts.

Bloom Township – Scioto County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and for the year. Standard deductions such as pension, Medicare, and Federal and State taxes should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the Township should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by electronic funds transfer. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current pay schedules, information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws.

Statutory Requirements

Section 505.24, Revised Code, authorizes a Board of Township trustees to adopt by a unanimous vote a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the Board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis and shall be paid from the Township General Fund or from other Township funds in such proportions as the Board may specify by resolution. A Board of Township trustees that has adopted a salary method of compensation may return to a method of compensation on a per diem basis by a majority vote. Any change in the method of compensation shall be effective on the first day of January of the year following the year during which the Board has voted to change the method of compensation.

Ohio Attorney General Opinion 2004-036 states that if a township trustee, who is paid on a per diem basis, spends time working on matters other than those which are administrative within the township, and properly documents his time under the method adopted by the Board of Trustees pursuant to Section 505.24(C), Revised Code, then the per diem earned by the trustee for that work may be paid from other township funds. If, however, a township trustee is paid an annual salary, his compensation is not eligible for payment from other township funds, unless the trustee documents all time spent on township business and the portion of that time spent on matters related to the services paid from other funds of the township.

Section 507.09, Revised Code, requires the compensation of the township fiscal officer be paid in equal monthly payments. If the office of fiscal officer is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. In calendar years 2005 through 2008, the compensation increased by the lesser of the following: (a) three percent or (b) the percentage increase, if any, in the consumer price index over the twelve-month period that ends on the thirtieth day of September of the immediately preceding calendar year, rounded to the nearest one-tenth of one percent.

Bloom Township – Scioto County

Report on Accounting Methods

Payroll Processing

(Continued)

Method Used by the Township

The Township utilizes a computer system provided by the Uniform Accounting Network (UAN), which includes payroll software. The payroll software allows for the accumulation and aggregation of all payroll data for the year. Detailed payroll registers, withholding reports and various other reports can be generated by the payroll software. The payroll software provides month and year-to-date information and detailed and summary information.

The Board of Trustees approves the hiring of all employees. The Township currently has nine employees, three of which are seasonal employees who provide cemetery maintenance and minor road repairs. The Fiscal Officer and the Trustees' salaries are established by the Revised Code, with payments occurring on a monthly basis. The Fiscal Officer is paid one hundred percent from the General Fund, while the Trustees are paid twenty-five percent from the General Fund, twenty-five percent from the Permissive Motor Vehicle License Tax Fund, and fifty percent from the Gasoline Tax Fund. Other pay rates have been established by resolution of the Board. Currently, the two road crew employees are compensated at \$10.00 per hour and the seasonal positions are compensated at \$7.00 per hour. The road crew employees are paid twenty-five percent from the Motor Vehicle License Tax Fund, twenty-five percent from the Road and Bridge Fund, and fifty percent from the Gasoline Tax Fund. The seasonal employees are paid from the Cemetery Fund for the maintenance work and are paid in the same manner as the road crew if performing road repairs.

All hourly employees are paid semi-monthly and are required to use time sheets to document hours worked. Pay periods each month run from the 1st to the 15th and from the 16th to the end of the month. The employees must document hours worked per day and notate whether the work was related to the roads or the cemetery. Employees must also identify the location of where the work was performed. Employees are to sign the time sheets indicating their agreement with the amount of time recorded on the time sheets. There is a line on each time sheet for the supervisor's signature indicating his approval. However, this approval has not been used on a consistent basis by the Township. Through discussion with the Fiscal Officer, it was stated that the Trustees assign the work to be performed by the hourly employees; however, they do not always sign the time sheets. Instead, when the time sheets are presented to the Fiscal Officer by the employees individually, the Fiscal Officer signs the time sheets. The Fiscal Officer then enters the information from the time sheets into the payroll software. No employee of the Township receives leave time because no employee of the Township meets the requirements of full-time status. Payroll checks are then printed using the payroll software. Employees receive a check and pay stub. The pay stub indicates hours worked, current and year-to-date deductions, and net pay. A detailed payroll register is generated and presented to the Board of Trustees at the monthly meeting of the Township. The Fiscal Officer uses the payroll software to generate the W-2 forms, which are mailed to the Township employees prior to January 31st of each year.

A personnel file is created for every employee when hired and documentation for Federal and State tax withholdings and withholdings for the Ohio Public Employees Retirement System (OPERS) are kept in their personnel file. Upon being hired, each employee must fill out a W-4 for Federal tax withholding and an IT-4 for State tax withholdings. An application form is also completed for the retirement pension deductions. The information from these forms is entered into the payroll software.

Bloom Township – Scioto County

Report on Accounting Methods

Payroll Processing

(Continued)

All employees of the Township pay into the Ohio Public Employees Retirement System (OPERS). The Township also contributes a required amount into this pension plan. Upon closing the month's activity, the Fiscal Officer generates a report from the payroll software that gives employees' OPERS deductions for the month. The Fiscal Officer uses this report to calculate the employer's share of OPERS liability. Once the liabilities (employee's and employer's share) for each employee have been calculated, the Fiscal Officer prepares the payment allocation necessary for each employee based upon the allocation approved in a resolution by the Board. The Fiscal Officer then remits the monthly report and payment to the OPERS. Payment is due the thirtieth of the following month.

Federal, State, and Medicare withholding payments are made quarterly. The Fiscal Officer runs a withholdings report for the State withholdings and then issues payment for the amount due to the Treasurer of State. Payment is due at the end of the following month from which the quarter ends. For the Federal and Medicare withholdings, the fiscal officer completes Form 941 for each quarter and submits the form along with payment to the Ohio River Bank, who then submits an electronic payment to the Internal Revenue Service.

When an employee of the Township wishes to retire, the Township requests that the employee provide a resignation letter. The Fiscal Officer then sends notification to OPERS of the employee's last working day and necessary payroll related information.

Auditor of State Comments

- Section 505.24, Revised Code, allows a Board of Township trustees by unanimous vote to adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. It has been the practice of the Township to pay the Trustees in equal monthly payments although no unanimous vote has occurred. The Township Trustees should formally adopt, by unanimous vote, a method of compensation consisting of an annual salary to be paid in equal monthly payments or pay the Trustees on a per diem basis.
- The Fiscal Officer should routinely verify annual salaries with statutory law at the beginning of each year and as changes are made to the budget to avoid the overpayment or underpayment of salaries to elected officials.
- The Board had adopted a resolution for the allocation of the Trustees' salaries to various funds; however, little documentation was provided to support the allocation. The Board should establish administrative procedures for assuring that the proportionate amount paid from funds other than the General Fund for Trustees' salaries properly reflect the proportion of time each Trustee spent on other Township matters. This would necessitate the Trustees documenting all time spent on Township business and the type of service performed in a manner similar to trustees paid a per diem.
- The Fiscal Officer should annually verify that all employee withholdings as entered in the accounting system match to the documents on file with the Fiscal Officer.
- For all hourly employees, a Trustee should verify and approve hours worked as presented on the time sheets before they are given to the Fiscal Officer for payment.

Bloom Township – Scioto County

Report on Accounting Methods

Payroll Processing

(Continued)

- The Trustees do not consistently approve the time sheets of the employees prior to the issuance of the payroll checks. The approval by the Trustees is an internal control designed to help detect errors or problems before payroll is processed and checks are issued. The Fiscal Officer is overriding the control by issuing payroll checks without this approval. The employees should submit their time sheets to the Trustees for approval and the approved time sheets should be given to the Fiscal Officer within one or two days of the pay period ending date.
- The Fiscal Officer will often pay one hourly employee prior to the pay period ending date because that employee does not intend to work any more during the pay period, while the other hourly employees are paid after the pay period ends. Also, the Fiscal Officer will often pay her salary at the beginning of each month and the pay the Trustees' salaries at a later date within the month. The Board of Trustees should approve, by resolution, a regular reoccurring pay period and pay date for its employees. No employees, including elected officials, should be paid in advance of the period in which the service is provided and no employees should receive their compensation prior to the established dates.
- The Trustees should verify that the salaries of all employees are being paid from the appropriate funds as approved by resolution. The Fiscal Officer does not record such disbursements to proper funds on a consistent basis.
- The Fiscal Officer does not always make payments for withholdings or additional payroll liabilities in a timely manner or in the correct amount. The Fiscal Officer should generate reports from the payroll software to assist in the calculation of payroll liabilities in a timely manner and in the correct amounts.
- Paperwork for OPERS employees, primarily retirees or new hires, is not always prepared and filed appropriately. The Fiscal Officer should prepare and submit all paperwork needed to be filed with the various individuals/agencies regarding any Township business in a timely manner to insure no delays in the processing of any personnel matters.
- Payroll and employee information is stored within a filing cabinet in the Fiscal Officer's office; however, this office is often left unsecured. The Fiscal Officer should maintain all payroll and employee information in a secure location.

Bloom Township – Scioto County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before any debt is issued, a resolution authorizing the issuance of debt should be passed by the Board. The statute authorizing the issuance of debt should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the President of the Board and the Fiscal Officer. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be receipted into a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. The statutory requirements vary depending on the nature of the debt being issued.

Method Used by the Township

The Township has an outstanding long-term obligation with the Ohio Public Works Commission. The loan was issued on July 1, 2001, and is interest free. The original loan amount was \$17,401. The final payment is due January 1, 2012. As of June 30, 2006, the outstanding loan amount was \$10,441.

All debt documents and the amortization schedule are kept on file in the Fiscal Officer's office. The Ohio Public Works Commission loan was issued to finance the resurfacing of Piquet Road. The loan is being paid from the Gasoline Tax Fund.

Auditor of State Comments

- The Fiscal Officer processes the semi-annual payment to the Ohio Public Works Commission (OPWC) within a day or so of its due date. The Fiscal Officer should process and mail the payment 10 to 15 days before the due date, which will allow sufficient time for the payment to be received and processed. The OPWC may charge interest at the rate of eight percent per year from the due date until the date of payment and may immediately call the entire balance of the loan, together with all accrued interest and other charges, at the option of the OPWC or direct the County Treasurer to pay the amount due from funds the Township receives from the undivided local government fund if the payment is not received timely.

Bloom Township – Scioto County

Report on Accounting Methods

Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets

Capital assets of the Township should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location and date of purchase should be maintained by the Fiscal Officer. The inventory should be updated at least annually for purchases and disposals. Verification of the inventoried assets should be performed at least annually. The disposal of an asset should be properly authorized by the Board of Trustees and reported to the Fiscal Officer.

Supplies include gasoline, vehicle repair parts, road salt, chemicals, gravel, and office supplies. Inventories, where appropriate, should be monitored, controlled, and a physical inventory of materials and supplies should be performed periodically to insure that items purchased are on hand or have been used. A physical inventory of all material items should be conducted at or near the year-end date.

Statutory Requirements

Section 505.04 of the Revised Code states, “The Board of Trustees shall make an inventory on the second Monday of January, each year, of all the materials, machinery, tools, and other township supplies in its possession. Such inventory shall be a public record and shall be made in duplicate, one copy of which shall be filed with the fiscal officer of the Board and one copy with the county engineer.”

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all local public offices should maintain capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

Method Used by the Township

The Township does not have any capital asset policies established. Inventory records are retained by the Township Trustees. In January of each year, the Township Trustees prepare an inventory of all of the Township’s equipment. This inventory contains the year the assets were acquired, descriptions of the assets, and the total value of the assets. The inventory is sent to the Scioto County Engineer when completed.

The inventory of assets is also utilized for insurance purposes. At the beginning of each year, upon preparation of the inventory update, the fiscal officer sends a copy to the insurance company and if necessary, the insurance company adjusts coverage amounts and updates its records for the changes provided by the Township.

All assets of the Township, with the exception of the weed eaters and gas cans, are stored within a fenced area owned by the Village of South Webster. This area is kept locked primarily at dark. All of the Township’s employees but two and an unknown number of employees of the Village of South Webster have access to this area. The weed eaters and gas cans are stored at the Board President’s house during the winter months when they are not being used. During the spring and summer months, these items are kept in another Trustee’s garage that is kept secure.

Bloom Township – Scioto County

Report on Accounting Methods

Inventory of Capital Assets

(Continued)

Auditor of State Comments

- The Township must maintain capital asset records as defined by the Ohio Administrative Code. The Township should establish policies and procedures to account for and track capital assets and consumable supplies. Currently, the Township does not track such items on a consistent basis.
- When reporting capital assets and consumable supplies to the County Engineer as defined by Section 505.04, Revised Code, the Township should include not only machinery and tools, but all materials and supplies in its possession, including items such as gravel and salt.
- The Township should establish an agreement with the Village of South Webster to control and/or limit the number of individuals (both Township and Village) who have access to the area holding the Township's assets.

Bloom Township – Scioto County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management and Investing

Cash received by the Township should be deposited in a central bank account. Moneys for all funds should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investments as authorized by State statute. Deposits of public moneys should be insured and/or collateralized to insure repayment of public moneys deposited with a financial institution. Interest allocated should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed by the Fiscal Officer.

Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. The deposits of money should be insured and/or collateralized to insure repayment of public moneys deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a Township are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

Sections 135.14(O)(1), Revised Code states, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the treasurer or governing board. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2), Revised Code, states, “if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision’s interim moneys only in interim deposits pursuant to division (B)(3) of this section, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision’s fund pursuant to division (B)(6) of this section.”

Section 135.14(O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

Section 135.22, Revised Code, requires the fiscal officer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State.

Section 135.12, Revised Code, requires that depositories be designated every five years.

Bloom Township – Scioto County

Report on Accounting Methods

Cash Management and Investing

(Continued)

Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must be:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

If these requirements are not fulfilled, the Federal Deposit Insurance Cooperation (FDIC) may be able to void a perfected security interest and leave the Township with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

Method used by the Township

The Township's treasury activities are the responsibility of the Fiscal Officer. These activities include the purchase and sale of investments and reconciling the treasury with the accounting records. The Township has one interest bearing checking account and a certificate of deposit.

The Township receives an image of all cancelled checks along with its monthly bank statement. These two items are utilized by the Fiscal Officer to reconcile each month. The cancelled checks and deposits identified on the bank statement are compared to the cash journal within the Township's accounting system to determine outstanding checks and deposits. Outstanding checks from the previous month are then compared to the current month's bank statement and are marked "cleared" within the accounting system if appropriate. Upon completion of the reconciliation, the Fiscal Officer prints the reconciliation from the accounting system. Interest is posted in the month following the month in which it is received. Interest earned is credited to the Gasoline Tax, Motor Vehicle License Tax, and the Permissive Motor Vehicle License Tax funds with the balance going to the General Fund.

Voided vendor and payroll checks have "void" written on them by the Fiscal Officer. The Fiscal Officer files the voided checks within the receipt file folder. Any vendor and payroll checks that have not been used are stored under a desk located in the Fiscal Officer's office.

The Township has a bequest fund that accounts for donations to be used for maintaining the cemetery. The balance in the bequest fund consists of the certificate of deposit and a portion of the checking account balance. The Township deposits interest earned on the certificate of deposit semi-annually within the checking account. The Fiscal Officer posts the interest earned on the certificate of deposit to the bequest fund of the Township.

Auditor of State Comments

- The Fiscal Officer must either attend an annual training program of continuing education as provided by the Treasurer of State as specified in Section 135.22, Revised Code, or file a statement with the State Treasurer's office indicating that the fiscal officer is exempt from the continuing education requirements because investments of the Township are limited to certificates of deposits, STAROhio, or money market mutual funds.

Bloom Township – Scioto County

Report on Accounting Methods

Cash Management and Investing

(Continued)

- The Fiscal Officer does not document reconciling factors, such as unrecorded interest, when preparing monthly reconciliations. The Fiscal Officer should list all reconciling items individually on the monthly bank reconciliation to document the transactions that came into play with the reconciliation. Reconciling items that require posting to the accounting records should be done upon completion of the reconciliation.
- The Township does not have adequate documentation for each cemetery bequest made to the Township. The Township should make every attempt to locate this information. If the necessary information needed to make a determination as to the treatment of the past cemetery bequests cannot be located, the Township should consult with its legal counsel for the handling of such moneys. The Township should also accept all future bequests by resolution. The Township should also adopt a resolution defining acceptable donations for cemetery purposes and the process for making such donations. The Township should consider avoiding accepting minimal amounts with restricted uses.
- The Fiscal Officer does not invest cash that is being held in the general checking account. When the Fiscal Officer has cash in the bank in excess of what is needed to pay current liabilities, those moneys should be invested.
- The Fiscal Officer should file the voided checks of the Township with the monthly bank reconciliation.

Bloom Township – Scioto County

Report on Accounting Methods

Financial Reporting

Description of an Effective Method of Financial Reporting

The Fiscal Officer should periodically provide the Trustees with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Township. In addition, information concerning the estimated and actual receipts, appropriations, disbursements and encumbrances should be presented for the Trustees' review. On an annual basis, the Fiscal Officer should prepare and publish financial statements.

Statutory Requirements

Section 117.38, Revised Code, requires an annual financial report be filed with the Auditor of State within sixty days after the close of the fiscal year. At the time the report is filed with the Auditor of State, a notice should be published in the local paper that the report is complete and available at the office of the fiscal officer.

Section 507.07, Revised Code, states, "Immediately after the township officers have made their annual settlement of accounts, the township fiscal officer shall make and enter in the record of the proceedings of the board of township trustees a detailed statement of the receipts and expenditures of the township for the preceding year.

Administrative Code Requirements

Ohio Administrative Code Section 117-02-03(A)(2) requires that local public offices shall file their annual financial report either in paper form or electronically in a manner and format prescribed by the Auditor of State. Ohio Administrative Code Section 117-02-03(D) requires the reports to be filed on the forms provided by the Auditor of State.

Method Used by the Township

The Fiscal Officer prepares the Township's annual financial report on the modified cash basis of accounting. During the present Fiscal Officer's time in office, the annual financial report has been filed with the Auditor of State within the sixty day time limit. It is not the practice of the Fiscal Officer to publish a notice in the local newspaper upon filing the annual financial report with the Auditor of State indicating that the report is available for inspection in the Fiscal Officer's office.

The Fiscal Officer completes the month-end closing procedures mid-way through the next month. During the month-end closing procedures, the Fiscal Officer generates a fund status report, a bank reconciliation, and an outstanding check list. For management purposes, the Fiscal Officer provides the Board of Trustees with one copy of the previous month's bank reconciliation, fund status report, appropriation summary, payment register, revenue summary, and payroll register. These reports are generated by the Fiscal Officer on the day of the monthly meeting and reflect activity as of the end of the prior month. At the meeting, the Trustees initial the bank reconciliation.

Bloom Township – Scioto County

Report on Accounting Methods

Financial Reporting

(Continued)

The Fiscal Officer prepares monthly and annual backup discs of the accounting software, which includes all financial records and transactions as well as information from other applications of the UAN package. These discs are kept at the Fiscal Officer's office, which is neither fireproof nor secure.

Auditor of State Comments

- The Fiscal Officer should state in the minutes of each meeting that the financial reports of the Township were provided to the Trustees. The Fiscal Officer should make record of any discussions held or questions answered regarding the financial reports, as well as any matters that have been brought to attention regarding the financial reports.
- Currently, the Board of Trustees does not review each financial report distributed to it. To strengthen internal accounting controls, the Trustees should periodically scan the financial reports to determine if transactions were posted incorrectly or to verify that unapproved transactions did not occur. All documents should be initialed by each reviewer.
- The Fiscal Officer does not post all transactions within the accounting system accurately. For instance, the Fiscal Officer has recorded the purchase of cold patch under account 2021.330.360 contractual services when the proper account code is 2021.330.420 operating supplies. Therefore, the accuracy of the reports provided to the Board of Trustees on a monthly basis is questionable. The Fiscal Officer should post transactions accurately to avoid presenting inaccurate financial reports to the Board.
- Year-to-date total reports are not generated, even though the accounting software has such capabilities. Year-to-date reports should be generated and printed from the accounting software and placed in the Fiscal Officer's financial records for the year.
- The Township does not publish a public notice in a local newspaper that states the financial report is available for public inspection at the office of the Fiscal Officer. The public notice may read as follows:

The (name of the annual financial report) of Bloom Township for the year ended (date) has been completed and is available for public inspection in the office of (name of fiscal officer and address) by appointment. A copy of the report can be provided upon request.

- The Township does not produce a five-year operating plan for its most significant funds. A five-year operating plan should be completed each year for the Township's most significant funds and should be based on the conditions management expects to exist and the course of action it expects to take. The plan should include the revenues and expenditures of those funds that finance the major operations and/or services of the Township and it should present, among other things, the long-term effect of changes in service levels and operations.

Bloom Township – Scioto County

Report on Accounting Methods

Financial Reporting

(Continued)

- The Township does not produce a long-term capital plan. A long-term capital plan should be completed/updated every year and the first five years should be included in the five-year operating plan of the Township. The capital plan should cover a period of ten years, and include all road replacement or improvements and other projects as well as the method of financing the projects. The plan should also include scheduled replacement of equipment, vehicles, and other assets of the Township.
- The estimated receipts and appropriations reported in the annual financial report should agree with the final Amended Certificate of Estimated Resources and the final appropriations approved by the Board of Trustees and with the amounts in the accounting records.
- The Fiscal Officer should store the monthly and annual backup discs of the accounting software in a secure and fireproof location, rather than in the Fiscal Officer's office.

Bloom Township – Scioto County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The Township Board minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board's decisions. A resolution should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of a resolution, the yeas and nays should be entered into the minutes and the resolution should be signed by the presiding officer and the Fiscal Officer. All Board minutes and resolutions should be maintained as a permanent record of the Township.

Statutory Requirements

Section 121.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Section 507.04, Revised Code, requires that the township fiscal officer keep an accurate record of the proceedings of the Board of Township trustees at all of its meetings, and of all its accounts and transactions, including the acceptance of the bonds of township officers.

Method Used by the Township

The Fiscal Officer takes hand-written notes of the proceedings of each Board of Trustees meeting during the meeting. After each meeting, she types the minutes using a typewriter and presents them to the Board of Trustees at the next meeting to be approved. The minutes are usually signed by the Board President and Fiscal Officer; however, a few instances have been found where the Board President did not sign the minutes. The minutes are kept in a binder and stored in the Fiscal Officer's office. As resolutions are passed and assigned a number by the Township, the Fiscal Officer places the resolutions in a manila folder and indexes the documents on the inside cover of the manila folder. At times, it has been found that not all of the resolutions are located within the folder. The manila folder is stored in the Fiscal Officer's office. The Fiscal Officer documents the passage of the resolutions in the monthly minutes, as well as the number assigned to each resolution and reflects the vote of each trustee within the minutes.

Auditor of State Comments

- The minutes do not reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board of Trustees' decisions. Minutes do not reflect discussions over the financial reports provided to the Board if a question is posed about a report. The minutes do not fully detail actions the Board has taken related to documents presented to the Board by its citizenry. For example, citizens have approached the Trustees during the monthly meetings with letters stating complaints or issues regarding matters in the Township. Board action regarding the matters has not been documented in sufficient detail within the minutes of that monthly meeting. The minutes should reflect full and accurate information so that the public may understand and appreciate the rationale behind the Board of Trustees' decisions.

Bloom Township – Scioto County

Report on Accounting Methods

Recording Official Proceedings

(Continued)

- The minutes are not always signed by the Board President and Fiscal Officer. The minutes of a monthly meeting of the Board of Trustees should be approved at the following monthly meeting of the Board. Once approved by the Board, the minutes should be signed by the Board President and Fiscal Officer.
- The Township does not maintain a complete record of resolutions at all times. The Township should establish a Resolutions Book which would be a complete source of all resolutions approved by the Board of Trustees. The resolutions should be individually numbered and maintained in proper order within the Resolutions Book. An index should be placed at the beginning of the Resolutions Book to help facilitate the location of resolutions by general topic.
- Minutes of bid openings are not maintained. The Township should maintain a record of such discussions and processes to permit the public's understanding and appreciation of the rationale behind the Board of Trustees' decisions.

Bloom Township – Scioto County

Report on Accounting Methods

Conclusion

The methods as described by the Township and included in this report are based on our inquiries and discussions with Township personnel and the related procedures documented from the Township's resolutions, administrative rules, and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of Bloom Township are not completely in compliance with Chapter 117 of the Ohio Revised Code, and the requirements of the Auditor of State, as disclosed throughout this report.



Mary Taylor, CPA
Auditor of State

BLOOM TOWNSHIP

SCIOTO 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
OCTOBER 16, 2007**