



Dave Yost • Auditor of State





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

Liberty Township  
Wood County  
14566 Powell Road  
Portage, Ohio 43451-9768

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Liberty Township, Wood County, Ohio (the Township), agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2011 and 2010, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to provide attest services to the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

### Cash

1. We tested the mathematical accuracy of the December 31, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the Combined Fund Statement to the December 31, 2009 balances in the prior year Agreed-Upon Procedures working papers. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2011 and 2010 fund cash balances reported in the Combined Fund Statement. The amounts agreed.
4. We confirmed the December 31, 2011 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balance to the amount appearing in the December 31, 2011 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2011 bank reconciliation:

- a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates written to the check register, to determine if the debits were dated prior to December 31. We noted no exceptions.
6. We selected both reconciling credits (such as deposits in transit) from the December 31, 2011 bank reconciliation:
- a. We traced each credit to the subsequent January bank statement. We found no exceptions.
  - b. We agreed the credit amounts to the Receipts Register. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.

**Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011 and one from 2010:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
  - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register to determine whether it included the proper number of tax receipts for 2011 and 2010:
  - a. Two personal property tax receipts.
  - b. Two real estate tax receipts.

We noted the Receipts Register included the proper number of tax settlement receipts for each year.

3. We selected all of the receipts from the State Distribution Transaction Lists (DTL) from 2011 and from 2010. We also selected five receipts from the Wood County Auditor's DTLs (DTL) from 2011 and five from 2010.
  - a. We compared the amount from the DTL to the amount recorded in the Receipt Register. The amounts agreed.

- b. We determined whether these receipts were allocated to the proper fund(s). We found two exceptions. The second half real property tax rollback receipt in 2010 was incorrectly distributed. The correct distribution is as follows: General Fund: \$3,209.69; Road District Fund: \$3,852.21; and EMS Fund: \$924.62. As a result, the General Fund was overstated by \$18.87, the Road District Fund was overstated by \$22.65, and the EMS Fund was understated by \$41.52. We also noted the second half electric/gas deregulation receipt (including excess) in 2010 was incorrectly distributed. The correct distribution is as follows: General Fund: \$275.57; Road District Fund: \$194.16; and EMS Fund: \$145.46. As a result, the General Fund was overstated by \$85.12, the Road District Fund was understated by \$48.66, and the EMS Fund was understated by \$36.46. No other exceptions were noted. The Township has recorded the adjustments to the accounting system.
    - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
  4. We confirmed the amount paid from the Ohio Public Works Commission (OPWC) in the amount of \$6,784.33 to the Township during 2010. We also confirmed estate tax in the amount of \$35,267.69 paid from the Wood County Treasurer to the Township during 2010. We found no exceptions. We also noted monies disbursed on behalf of the Township by the OPWC to Poggemeyer Design Group Inc. totaling \$10,615.62 during 2010 and \$11,167.05 in 2011 and to Tenmile Creek Excavating LLC totaling \$181,849.36 during 2011.
    - a. We determined whether these receipts were allocated to the proper fund. The estate tax receipt was allocated to the proper fund. We noted the Township did not establish a Capital Projects Fund to account for the OPWC receipts; receipts were posted to the General Fund. Further, we noted the Township did not post the receipt and subsequent expenditure of monies paid to Poggemeyer Design Group Inc. and Tenmile Creek Excavating LLC on behalf of the Township. As a result, General Fund revenues were overstated by \$6,784.33 for 2010 and the Township's total revenues and expenditures were understated by \$10,615.62 in 2010 and \$193,016.41 in 2011.
    - b. We determined whether the receipts were recorded in the proper year. As noted above, the only receipts recorded were those received directly by the Township in 2010, including the estate tax receipt. These receipts were recorded in the proper year. Other OPWC receipts paid directly to the entities on-behalf of the Township were not posted to the Township's books and therefore were not recorded in the proper year. We recommend all on-behalf activity be recorded on the Township's accounting records and financial statements.

#### **Debt**

1. The prior agreed-upon procedures report disclosed no debt outstanding as of December 31, 2009.
2. We inquired of management, and scanned the Receipt Register and Payment Register for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. We noted no new debt issuances, nor any debt payment activity during 2011 or 2010.

#### **Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2011 from the Payroll Check Register and:

- a. We compared the hours and pay rate, or salary recorded in the Employee Detail/ Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found one instance where an employee appeared to be underpaid. Per recalculation of his time card we noted he was underpaid for five and three quarter hours of overtime, resulting in a total underpayment of \$104.37. Per discussion with the Fiscal Officer these hours were taken as compensatory time, however they were not documented as such and we were unable to substantiate this. The Township has no policy regarding the accumulation and usage of compensatory time. We recommend the Fiscal Officer recalculate employee time cards and initial the time cards indicating this procedure has been performed, thereby preventing under/overpayments made to employees. We also recommend the Township adopt a policy regarding the accumulation and usage of compensatory time. Lastly, we recommend the Fiscal Officer track all compensatory time earned and used. Because we did not test all timecards, our report provides no assurance whether or not other similar errors occurred.
  - b. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the minute record or as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2011 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2011. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes and Medicare	January 31, 2012	December 31, 2011	\$1,191.27	\$1,191.27
State income taxes	January 15, 2012	December 31, 2011	320.07	320.07
School income tax	January 15, 2012	December 31, 2011	35.93	35.93
OPERS retirement	January 30, 2012	December 31, 2011	1,824.98	1,824.98

**Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Payment Register for the year ended December 31, 2011 and ten from the year ended December 31, 2010 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register and to the names and amounts on the supporting invoices. We found no exceptions.

- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found one exception. Cemetery mowing expenses for 2010 were paid from the Gasoline Tax Fund, instead of the General Fund or the Cemetery Fund. Upon further examination, we noted a total of \$5,000 was incorrectly paid out of the Gasoline Tax Fund for cemetery mowing expenses; the remaining cemetery mowing expenses were paid out of the Cemetery Fund in 2010. As a result, Gasoline Tax Fund expenditures were overstated by \$5,000. We recommend the Trustees review all disbursements to ensure they are paid from the correct funds. The Township has recorded the adjustments to the accounting system.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found eleven instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred. We recommend the Fiscal Officer certify all disbursements.

#### **Compliance – Budgetary**

1. We compared the total amounts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Gasoline Tax and EMS funds for the years ended December 31, 2011 and 2010. The amounts agreed.
2. We scanned the appropriation measures adopted for 2011 and 2010 to determine whether, for the General, Gasoline Tax and EMS funds, the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2011 and 2010 for the following funds: General, Gasoline Tax, and EMS funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Gasoline Tax and EMS funds for the years ended December 31, 2011 and 2010. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2011 and 2010 for the General, Gasoline Tax and EMS fund, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2011 and 2010. We also inquired of management regarding whether the Township received new restricted receipts. We noted the Township received a grant from the Ohio Public Works Commission for the Maplewood Road Improvement Project. The Township did not create a separate fund as required by Ohio Rev. Code

Section 5705.09(F). We recommend the Township establish a separate Capital Project Fund for each OPWC Project.

7. We scanned the 2011 and 2010 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers and advances exceeding \$1,000 which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas. We noted the Township advanced \$15,000 from the EMS Fund to the General Fund in 2010. Ohio Rev. Code Section 5705.10 does not permit this advance since there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. There was no statutory authority to use the money in the General Fund for the same purpose as the EMS Fund. The Township repaid this advance in 2011.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Township did not establish these reserves.

#### **Compliance – Contracts and Expenditures**

1. We inquired of management and scanned the Payment Register for the years ended December 31, 2011 and 2010 for procurements requiring competitive bidding under the following statutes:
  - a. Materials, machinery and tools used in constructing, maintaining and repairing roads and culverts, where costs exceeded \$25,000 (Ohio Rev. Code Section 5549.21)
  - b. Construction and erection of a memorial building or monument costs exceeding \$25,000 (Ohio Rev. Code Section 511.12)
  - c. Equipment for fire protection and communication costs exceeding \$50,000 (Ohio Rev. Code Sections 505.37 to 505.42)
  - d. Street lighting systems or improvement costs exceeding \$25,000 (Ohio Rev. Code Section 515.07)
  - e. Building modification costs exceeding \$25,000 to achieve energy savings (Ohio Rev. Code Section 505.264)
  - f. Private sewage collection tile costs exceeding \$25,000 (Ohio Rev. Code Sections 521.02 to 521.05)
  - g. Fire apparatus, mechanical resuscitators, other fire equipment, appliances, materials, fire hydrants, buildings, or fire-alarm communications equipment or service costs exceeding \$50,000 (Ohio Rev. Code Section 505.37(A))
  - h. Maintenance and repair of roads exceeding \$45,000 (Ohio Rev. Code Section 5575.01)
  - i. Construction or reconstruction of a township road exceeding \$15,000/per mile (Ohio Rev. Code Section 5575.01)



We identified the purchase of a new truck and mower, both of which exceeded \$25,000, subject to Ohio Rev. Code Section 5549.21. For these purchases, we noted the Board purchased these items through State bid, which is acceptable and provided by law. We also identified two road projects. One project was for road repair and exceeded \$45,000 and the other project, which was largely financed through an OPWC grant, was for a road reconstruction project which exceeded \$15,000 per mile; both projects were subject to Ohio Rev. Code Section 5575.01. For these projects, we noted the Board advertised the project in a local newspaper, and selected the lowest responsible bidder.

2. We inquired of management and scanned the Payment Register for the years ended December 31, 2011 and 2010 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.
3. For one of the road maintenance projects described in step 1 above we noted the Township did not enter into a formal contract with the company for the project. As a result, there was nothing in writing requiring the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code Sections 4115.04 and 4115.05, nor was there a copy of the Ohio Department of Commerce's schedule of prevailing rates. We recommend the Township enter into formal contracts for all future road work projects. Further, we recommend the contracts include the required prevailing wage language and schedule of prevailing rates.

**Officials' Response:**

We did not receive a response from Officials to the exceptions reported above.

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

This report is intended solely for the information and use of management, those charged with governance, and others within the Township, and is not intended to be, and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 16, 2012

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# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**WOOD 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  
APRIL 3, 2012**