



Dave Yost • Auditor of State



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# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT

Ms. Jennifer Washburn, Fiscal Officer, and  
Board of Trustees  
Franklin Township, Richland County  
525 Boyce Road  
Shelby, Ohio 44875

We conducted a special audit of Franklin Township (the Township) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2011 through April 30, 2013 (the Period) solely to:

- Determine whether payments made directly to former Fiscal Officer Cynthia Carroll or to companies affiliated with Ms. Carroll were for Township operations.
- Determine whether credit and debit card activity was properly supported and related to Township operations.
- Obtain and review cell phone invoices paid by the Township to determine whether the Township paid for cell phone activity or equipment unrelated to Township operations.
- Examine payments to vendors for goods and services unrelated to Township operations.
- Identify revenues collected from Township-related fundraising activities and other sources and examine receipt and deposit detail documentation to ensure collections were receipted and deposited into the Township's bank account intact.

This engagement was conducted in accordance with the Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency (January 2012). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined available documentation supporting payments made directly to the former Fiscal Officer, Ms. Carroll, and to companies affiliated with Ms. Carroll.

Significant Results – During the Period, Ms. Carroll paid herself \$75,345, which exceeded the authorized amount by \$39,977. We identified two repayments made by Ms. Carroll totaling \$16,015 for which the memo lines on the canceled checks stated “payroll error” and “overpay”, respectively. The repayments were deposited into the Township's bank account in November 2012 and February 2013. In addition to payroll checks, Ms. Carroll received 20 reimbursements totaling \$27,610 from the Township which were supported by only limited documentation. Due to the lack of available records supporting the nature and purpose of these reimbursements, we concluded they were not related to Township operations.

Ms. Carroll also received checks totaling \$9,305 which were made payable to NVDA Properties, LLC, a company that she incorporated. These checks were for renovations made to Ms. Carroll's personal residence and were not related to Township operations.

We issued findings for recovery against Ms. Carroll for public monies illegally expended in the amount of \$60,877 for excess salary, unsupported reimbursements and payments made to NVDA Properties, LLC.

2. We examined available documentation supporting purchases made using the Township's debit and credit card accounts.

Significant Results – During the Period, Ms. Carroll initiated purchases totaling \$41,365 using the two Township debit cards and five of the Township's eight credit cards. There were no itemized receipts available for any of the purchases made with the debit cards and only a limited number of receipts available for purchases made with the credit cards.

We issued findings for recovery for public monies illegally expended against Ms. Carroll in the amount of \$21,347 for unsupported expenditures made using the debit card and \$16,012 using the five credit cards. The expenditures were considered not related to Township operations based on the description and nature of the vendor listed on the credit card statements.

We also issued management recommendations regarding credit cards and records retention.

3. We examined disbursements made by the Township for cellular telephone service.

Significant Results – During the Period, Ms. Carroll provided cellular telephones to her family members which were paid for by the Township. Additionally, upon the resignation of a Township employee, Ms. Carroll did not cancel the cellular telephone services for this individual which resulted in unnecessary monthly access charges and fees.

We issued a finding for recovery for public money illegally expended against Ms. Carroll in the amount of \$5,731.

We also issued a management recommendation regarding cellular telephones.

4. We examined available documentation supporting certain Township expenditures.

Significant Results – During the Period, Ms. Carroll made payments totaling \$10,411 to vendors for purchases that were not related to the Township operations. These payments included such items as Ms. Carroll's personal telephone service, premium cable package and electric bills; as well as monthly payments for a storage shed located at Ms. Carroll's residence. We issued a finding for recovery for public money illegally expended against Ms. Carroll in the amount of \$10,411.

5. We examined available documentation supporting fundraising revenues and revenues from other sources collected during the Period.

Significant Results – Ms. Carroll was responsible for depositing revenue collected by the Township from various fundraisers, from a soda machine located at the Township fire department and from zoning permit fees. Documentation maintained by Township employees indicated that a total of \$5,407 received by the Township during the Period and given to Ms. Carroll was not deposited into the Township's checking account.

We issued a finding for recovery for public monies collected but unaccounted for against Ms. Carroll in the amount of \$5,407.

6. On July 18, 2014, we held an exit conference with the following individuals representing the Township:

Jennifer Washburn, Fiscal Officer  
Jeffery Kuhn, Trustee

John McCarron, Trustee  
Steve Lantz, Trustee

The attendees were informed that they had five business days to respond to this special audit report. A response was received on July 18, 2014. The response was evaluated and changes were made to this report as we deemed necessary.



**Dave Yost**  
Auditor of State

July 1, 2014

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# Supplement to the Special Audit Report

## Background

In May 2013, the Auditor of State (AOS) Canton Region Chief Auditor received a phone call from the Township's new Fiscal Officer, Jennifer Washburn, indicating the previous Township Fiscal Officer Cynthia Carroll resigned effective April 30, 2013. During a review of Township financial activity, Ms. Washburn identified questionable expenditures from the previous two years. Ms. Washburn noted numerous checks written to Ms. Carroll along with payments issued to PayPal. Additionally, a \$1,000 check was issued to pay for a barn at Ms. Carroll's home to be used as an office for Ms. Carroll. The Trustees did not approve any of these transactions, and Ms. Washburn noticed a rubber stamp was used to sign these checks with the Trustees' signatures.

The Township was previously maintaining its accounting and financial records electronically on the AOS Uniform Accounting Network (UAN)<sup>1</sup>. However, Ms. Carroll began keeping manual records in January 2012. Ms. Carroll returned the UAN computer to the Township upon her resignation; however, the entire hard drive had been erased, including the UAN software.

A preliminary examination was conducted by the AOS and the results were forwarded to the AOS Special Audit Task Force. In a letter dated May 16, 2013, the Township requested the assistance of the AOS due to potential irregularities in their account activity. On May 21, 2013, the AOS initiated a special audit of the Township.

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<sup>1</sup> The Uniform Accounting Network is accounting software created by the Auditor of State's office specifically to support accounting and financial management activities of local governments in Ohio.

# Supplement to the Special Audit Report

## Objective No. 1 - Payments Directly to former Fiscal Officer or Affiliated Companies

### Procedures

Since the salary of elected township fiscal officers is established by Ohio law, we reviewed Ohio Rev. Code Section 507.09 to determine the salary for Ms. Carroll for the Period. We compared the actual compensation paid during the Period to the statutory amount. We also scanned payments made by the Township to Ms. Carroll or affiliated companies to determine if they were supported and related to Township operations.

### Results

We calculated the statutory salary for the fiscal officer to be \$35,368. We found her actual payroll compensation during the Period to be \$75,345. We identified two repayments made by Ms. Carroll totaling \$16,015. The net overpayment of \$23,962 will be included as a finding for recovery against Ms. Carroll.

Ms. Carroll also received 24 payments from the Township during the Period totaling \$28,048. Of the 24 payments to Ms. Carroll, 20 were not supported by documentation or were only supported by limited documentation such as a canceled check. Due to lack of available records to support the nature and purpose of these 20 expenditures were related to the Township's operation, we issued a finding for recovery against Ms. Carroll in the amount of \$27,610.

Ms. Carroll's personal business, NVDA Properties, LLC, received two checks totaling \$9,305 which were not related to Township operations. The invoices supporting the payments noted they were for "Supplies for Renovations (sic) Township Office and Building" and "Labor and Repairs Township Office and Building." However, the renovations were made at Ms. Carroll's personal residence; not at a Township building and were not approved in the trustee meeting minutes.

### Finding For Recovery

As Township Fiscal Officer, Cynthia Carroll was responsible for preparing disbursements and maintaining support for expenditures. The fiscal officer compensation is set by Ohio Rev. Code Section 507.09 and was determined to be \$35,368 for the Period. Ms. Carroll was paid \$75,345 during the Period, for a total of \$39,977 in excess of the statutory amount. We identified two repayments made by Ms. Carroll totaling \$16,015.

Ms. Carroll also received 20 payments totaling \$27,610 for reimbursements that were not supported by documentation, and her personal company received \$9,305 for expenses which were unrelated to Township operations.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Cynthia Carroll, and her bonding companies, jointly and severally, in the amount of \$51,572, and against Cynthia Carroll, her bonding companies, and NVDA Properties, LLC, jointly and severally, in the amount of \$9,305, and in favor of Franklin Township.

# Supplement to the Special Audit Report

## Objective No. 2 - Credit Card / Debit Card Activity

### Procedures

We identified the debit and credit card accounts paid by the Township and obtained monthly debit and credit card statements from the issuing institutions to identify purchases and payments made on the accounts.

We compared the monthly statements to supporting documentation and payment records maintained by the Township to determine the completeness of the Township's supporting documentation.

We examined available documentation to determine whether the debit and credit card purchases were made for Township operations.

### Results

#### Debit Cards

The debit cards were issued on both of the Township's General checking accounts and were in the name of Cynthia A. Roush, which is Ms. Carroll's maiden name. She was in possession of and was the exclusive user of the cards. The cards were used 162 times for purchases totaling \$22,277 and consisted mostly of purchases unrelated to Township operations at such places as retail stores, restaurants, gas stations, amusement parks and hotels. The total also includes overdraft fees of \$321. Based on the limited supporting documentation maintained by the Township, we issued a finding for recovery against Ms. Carroll in the amount of \$21,347, which includes the overdraft fees.

#### KeyBank Card

The KeyBank card was issued in the name of Cynthia A. Roush. We found limited supporting documentation for the 55 times the credit card was used at retail stores, restaurants, gas stations and various other locations. Due to lack of available documentation, we concluded certain unsupported charges totaling \$3,146 were not related to operations of the Township based on the description and nature of the vendor listed on the credit card statements. Additionally, there were late and over-limit fees totaling \$252. During the Period, Ms. Carroll paid \$130 from her personal account toward this credit card. Accordingly, we issued a finding for recovery against Ms. Carroll in the amount of \$3,268. Included in this total was one transaction related to NVDA Properties, LLC totaling \$90.

#### Richland Bank Cards

There were two Richland Bank cards used during the Period and both were issued in the name of Cynthia A. Roush. One of the cards was only used for a reoccurring charge each month related to the Fire Department. The card was last used in April 2012, when the reoccurring charge was no longer required of the Township. The second card, in the name of Cynthia A. Roush, was used 65 times unrelated to Township operations at retail stores, restaurants, gas stations and various other locations. These expenditures totaled \$5,942. There were also late fees and over-limit fees totaling \$175. During the Period, Ms. Carroll paid \$794 from her personal account toward this credit card. Accordingly, we issued a finding for recovery against Ms. Carroll in the amount of \$5,323.

#### US Bank Card

The US Bank card was issued in the name of Cynthia A. Roush. This card was used twice for an online membership fee for a company which provides information about home repairs and improvements. This service was related to Ms. Carroll's business with NVDA Properties, LLC and not related to the Township operations. Ms. Carroll used Township funds totaling \$382 to pay for these services and also incurred \$175 in late fees and over-limit fees which were paid by the Township. We issued a finding for

# Supplement to the Special Audit Report

recovery against Ms. Carroll and NVDA Properties, LLC in the amount of \$557.

## Card Member Services Cards

The Township had four different cards from Card Member Services. Two cards were in the name of Fire Department employees, one was in the name of a Road Department employee and the fourth card was in the name of Cynthia A. Roush. We reviewed the 169 transactions on the four cards. Based on this review, we issued a finding for recovery against Ms. Carroll in the amount of \$6,864, which includes late and over-limit fees of \$351.

## **Finding For Recovery**

As Township Fiscal Officer, Cynthia Carroll was responsible for monitoring the credit card usage, preparing disbursements for credit card account balances and maintaining support for expenditures.

During the Period, two debit cards and five credit cards were used by Ms. Carroll to make purchases totaling \$41,364. Of this amount, \$38,284 was not supported by documentation or was for purposes unrelated to Township operations. These charges included retail stores, restaurants, gasoline, grocery stores, hotels, amusement parks, PayPal transactions, cellular phones and various other charges. The charges also included \$647 for the benefit of NVDA Properties, LLC, Ms. Carroll's private business. Through review of available documentation, we concluded these expenditures were not for purposes related to Township operations.

Ms. Carroll paid \$925 from her personal checking account to the credit card companies for personal charges. Ms. Carroll did not reimburse the Township for the remaining personal charges of \$37,359.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$36,712 against Cynthia Carroll, and her bonding companies, jointly and severally, and in the amount of \$647 against Cynthia Carroll, her bonding companies, and NVDA Properties, LLC, jointly and severally, in favor of Franklin Township.

## **Management Comments**

### Township Credit Cards

Through inquiry with the Township, we determined the Township has not adopted a formal credit card policy that addresses items such as authorized users, allowable expenditures, required documentation and prohibited expenses. Our review of Township credit card transactions documented the majority of the purchases were for non-Township related purposes and included such items as amusement park admissions and hotels as well as gasoline, groceries and retail shopping.

Failure to have a credit card policy, establish parameters on allowable usage and verify that all charges were related to the Township resulted in the Township paying charges that may have been excessive and/or personal in nature.

We recommend the Township implement a policy to specifically identify allowable credit card expenses and consider establishing limitations on credit card usage. Also, the Township should include in the policy that all employees are required to provide itemized receipts and those receipts should be maintained in the Township's accounting records. The Board of Trustees (Board) should review the detailed credit card statements each month.

### Record Retention

Ohio Rev. Code Section 149.651 (A) states in part, '(a)ll records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records

## Supplement to the Special Audit Report

commissions provided for under sections 149.38 to 149.42 of the Ohio Rev. Code...” The Township did not have a formal records retention policy.

The Township did not maintain a majority of the supporting itemized receipts for expenditures charged on the Township credit cards. Lack of supporting documentation increases the risk that non-Township related expenditures may be paid with Township funds.

We recommend the Township ensure that all records are adequately safeguarded. In addition, we recommend that the Board establish a formal records retention policy.

# Supplement to the Special Audit Report

## Objective No. 3 - Cellular Phone Activity

### Procedures

We identified and summarized the charges for the cellular telephones used by the Township.

### Results

As the Fiscal Officer, Ms. Carroll was the only individual authorized to make changes to the Township's Verizon Wireless account. During the Period, Ms. Carroll added new services for her family members which incurred monthly access charges and fees. These amounts were paid by Ms. Carroll from Township funds.

Additionally, during the Period, a Township employee resigned and returned his cell phone to the Township. However, Ms. Carroll did not cancel the cellular telephone services or the MiFi card<sup>2</sup> for this individual, which resulted in unnecessary monthly access charges and fees totaling \$1,272 for a phone which was no longer in use.

### Finding for Recovery

As Township Fiscal Officer, Cynthia Carroll was responsible for monitoring the Verizon Wireless account usage, preparing disbursements for the cellular telephone bills and maintaining support for the expenditures.

During the Period, Ms. Carroll provided cellular telephones to family members which incurred monthly access charges and fees which were paid with Township funds. Additionally, upon the resignation of a Township employee, Ms. Carroll did not cancel the cellular telephone services which resulted in unnecessary monthly access charges and fees paid by the Township for a phone that was not in use.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$5,731 against Cynthia Carroll, and her bonding companies, jointly and severally, in favor of Franklin Township.

### Management Comments

#### Cellular Telephones

The Township does not have a policy in place regarding cellular telephone usage.

During the Period, two individuals related to the former fiscal officer received cellular telephones. These telephones were not for Township purposes, but the invoices were paid with Township funds. Additionally, significant overage charges were included on the invoices for these telephones and telephones in the name of the former fiscal officer.

We recommend that the Board establish a cellular telephone usage policy. We also recommend the Board require employees to sign an acknowledgement form documenting the employee's receipt and agreement to comply with the Township's cellular telephone policy. Included in the policy should be a requirement that each employee review the invoices on a monthly basis to ensure the usage is related to Township operations and within the usage allowances. Employees should be required to sign their bills and the Board or the fiscal officer should review the bills for excessive usage.

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<sup>2</sup> A MiFi Card is a wireless, mobile hotspot which allows one to access the internet from any location on numerous types of devices such as laptops, tablets and cellular telephones.

# Supplement to the Special Audit Report

<b>Objective No. 4 - Vendor Payments for Activities Not Associated with Township Operations</b>
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## Procedures

We examined supporting documentation for certain payments to select vendors to determine the payments were related to Township operations.

## Results

We reviewed expenditures totaling \$140,580 for various vendors and determined \$10,411 in expenditures to these vendors was not related to operations of the Township. These payments were for such items as Ms. Carroll's personal telephone service, premium cable package and electric bills, as well as for monthly payments for a storage shed located at Ms. Carroll's residence.

## Finding For Recovery

As Township Fiscal Officer, Cynthia Carroll was responsible for preparing disbursements and maintaining support for expenditures. During the Period, Ms. Carroll paid vendors \$10,411 from Township funds for transactions that were for purposes unrelated to Township operations.

Ms. Carroll did not reimburse the Township for any of these expenditures.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$10,411 against Cynthia Carroll, and her bonding companies, jointly and severally, in favor of Franklin Township.

# Supplement to the Special Audit Report

## Objective No. 5 - Revenues from Fundraisers and Other Sources

### Procedures

We reviewed available documentation supporting fundraisers held by the Township Fire Department and receipts collected by the Zoning Inspector during the Period. We reviewed, summarized and quantified receipts documented as collected and compared those amounts to bank deposits made by Ms. Carroll.

### Results

The Township held several fundraisers during the Period for which documentation was maintained supporting the revenue collected. The Township also provided documentation of revenue collected from a soda machine maintained at the Fire Department. We compared the \$19,988 of revenue collected from the fundraisers and from the soda machine to the \$14,826 of bank deposits made by Ms. Carroll and found a discrepancy of \$5,162.

Additionally, we reviewed available documentation maintained by the Zoning Inspector documenting \$1,001 in permit fees collected during the Period. When compared to bank deposits made by Ms. Carroll we found a discrepancy of \$245.

### Finding For Recovery

As Fiscal Officer, Cynthia Carroll was responsible for depositing revenue collected by Township employees for various fundraisers and permit fees. Documentation maintained by Township employees indicated monies received by the Township and turned over to Ms. Carroll did not agree to amounts deposited into the Township general checking account. For the Period, there was a shortage of \$5,407 between amounts collected and deposited.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but not accounted for is hereby issued in the amount of \$5,407 against Cynthia Carroll, and her bonding companies, jointly and severally, in favor of Franklin Township.





# Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP, RICHLAND COUNTY**

**RICHLAND 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  
AUGUST 19, 2014**