



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

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

Clay Township  
Montgomery County  
8207 Arlington Road  
Brookville, Ohio 45309

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Clay Township (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, 2015 and 2014, 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.

This report only describes exceptions exceeding \$10.

### Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2014 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We observed the year-end bank balances on the financial institutions' websites. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

6. We tested investments held at December 31, 2015 and December 31, 2014 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

### **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 2015 and one from 2014:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger. We also traced the advances noted on the Statement to the Revenue Ledger. 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 Report to determine whether it included two real estate tax receipts plus thirteen advances for 2015 and two real estate tax receipts plus twelve advances for 2014. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2015 and five from 2014. We also selected five receipts from the County Auditor's Vendor History Reports from 2015 and five from 2014.
  - a. We compared the amount from the above reports to the amount recorded in the Revenue Ledger. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

### **Over-The-Counter Cash Receipts**

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2015 and 10 over-the-counter cash receipts from the year ended 2014 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Revenue Ledger. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We found no exceptions.
- c. Receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions.

### **Debt**

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2013.
2. We inquired of management, and scanned the Revenue Receipt Ledger and Payment Register Detail Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. All debt noted agreed to the summary we used in step 3.

3. We obtained a summary of loan activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedule to Road and Bridge, Gasoline Tax, Cemetery, Permissive Motor Vehicle License Tax, and JEDD fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. The Township allocated \$5,597, \$1,139, \$4,273, \$2,278, and \$380 to the Road and Bridge, Gasoline Tax, Cemetery, Permissive Motor Vehicle License Tax, and JEDD funds, respectively, in 2015. The Township allocated \$1,959, \$1,259, and \$1,338 of loan payments to the Road and Bridge, Gasoline Tax, and Cemetery funds, respectively, in 2014. The loan payments should have been allocated in full to the Road and Bridge fund. Further, the Township classified all loan payments as Current Disbursements rather than Debt Service: Principal Retirement and Debt Service: Interest and Fiscal Charges. The Township should have posted \$12,250 and \$4,011 as Debt Service: Principal Retirement and \$1,417 and \$545 as Debt Service: Interest and Fiscal Charges in 2015 and 2014, respectively. The Township adjusted its fund balances on May 9, 2016 to properly post the disbursements.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Road and Bridge fund per the Receipt Register Report. The amounts agreed.
5. For new debt issued during 2015 and 2014, we inspected the debt legislation, noting the Township must use the proceeds to purchase a one ton truck. We scanned the loan documents and noted the Township entered into the agreement and took possession of the truck in August of 2014.

#### **Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2015 and one payroll check for five employees from 2014 from the Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files and minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For the new employee selected in step 1 we determined whether the following information in the employee's personnel file was consistent with the information used to compute gross and net pay related to this check:
  - a. Name
  - b. Authorized salary or pay rate
  - c. Departments and funds to which the check should be charged
  - d. Retirement system participation and payroll withholding
  - e. Federal, State & Local income tax withholding authorization and withholding
  - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 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 2015. We noted the following:

| <b>Withholding<br/>(plus employer<br/>share, where<br/>applicable)</b> | <b>Date Due</b>  | <b>Date Paid</b>  | <b>Amount Due</b> | <b>Amount Paid</b> |
|--|------------------|-------------------|-------------------|--------------------|
| Federal income taxes & Medicare  | January 31, 2016 | December 31, 2015 | \$4,020           | \$4,020            |
| State income taxes   | January 15, 2016 | December 31, 2015 | \$1,043           | \$1,043            |
| City of Trotwood   | January 15, 2016 | January 4, 2016   | \$144             | \$144              |
| City of Englewood  | January 15, 2016 | January 4, 2016   | \$340             | \$340              |
| City of Dayton   | January 15, 2016 | January 4, 2016   | \$109             | \$109              |
| City of Brookville   | January 15, 2016 | January 20, 2016  | \$247             | \$247              |
| OPERS retirement   | January 30, 2016 | January 18, 2016  | \$9,983           | \$9,983            |

As noted above, the Township remitted withholdings due to the City of Brookville five days after the date due. The Township should remit all withholdings to the appropriate agencies on or before the date due. Failure to do so could lead to the Township being charged late fees.

4. For the fiscal years ended December 31, 2015 and 2014, we recomputed the allocation of the Fiscal Officer's and Boards' salaries to the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, Trash District, Police District, Permissive Motor Vehicle Tax License, and JEDD funds per the Wage Detail Report. We found the following exceptions:

**Ohio Rev. Code § 505.24(C)** states, in part, a board of township trustees may adopt 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 as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

**Ohio Rev. Code § 507.09** states, in part, the compensation of the township fiscal officer shall be paid in equal monthly payments. If the office of township 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. A township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

**Auditor of State Bulletin 2011-007** requires township trustees and fiscal officers paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee and township fiscal officer that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. Additionally, **Auditor of State Bulletin 2013-002** states that township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

The Fiscal Officer and the Trustees did not certify their time spent on various Township activities during the audit period. Without the certifications required by the Ohio Revised Code, all elected officials should be paid from the General fund. This resulted in the following variances:

| Fund  | Payroll to Be Charged | Actual Payroll Charged | Variance Over / (Under) |
|---|-----------------------|------------------------|-------------------------|
| General (1000)                              | \$106,105             | \$46,650               | (\$59,455)              |
| Motor Vehicle License Tax (2011)            | \$0                   | \$1,993                | \$1,993                 |
| Gasoline Tax (2021)                         | \$0                   | \$9,770                | \$9,770                 |
| Road and Bridge (2031)                      | \$0                   | \$1,873                | \$1,873                 |
| Cemetery (2041)                             | \$0                   | \$11,274               | \$11,274                |
| Trash District (2071)                       | \$0                   | \$17,745               | \$17,745                |
| Police District (2081)                      | \$0                   | \$11,746               | \$11,746                |
| Permissive Motor Vehicle License Tax (2231) | \$0                   | \$845                  | \$845                   |
| JEDD (Fund 2902)                            | \$0                   | \$4,209                | \$4,209                 |

The Township adjusted its fund balances on May 9, 2016 to properly post elected officials' pay to the General fund.

Failure to properly allocate officials' compensation in accordance with the above Ohio Rev. Code sections, Auditor of State Bulletin 2013-002, and certifications could lead to misallocation of funds, misstated financial statements, and overspending of the Township's budget.

The Township should implement procedures to verify compensation are properly allocated based upon the information in the Ohio Rev. Code sections noted above, Auditor of State Bulletin 2013-002, and certifications prepared by Township officials.

5. For the pay periods described in the preceding step, we traced the Fiscal Officer's and Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found the Township did not complete the supporting certifications. See exception in step 4, above.
6. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2015 and 2014 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were in compliance with ORC 505.60 and 505.601.
7. We reviewed payroll provided to the fiscal officer in excess of pay provided for duties performed as the fiscal officer, related to trash district billing and front desk work, to determine if it was allowable under the Ohio Revised Code. We found the following exception:

The Township's Fiscal Officer received \$313 and \$260 in 2014 and 2015, respectively, for working at the front desk of the Township. The compensation paid to the Fiscal Officer for front desk work was paid in addition to the Fiscal Officer's salary permitted under Ohio Rev. Code § 507.09. The compensation paid for front desk work in addition to annual salary is not allowable under the Ohio law.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended in the amount of \$573 is hereby issued against Holly Buchanan, Fiscal Officer and in favor of Clay Township, Montgomery County's Garbage and Waste Disposal District Fund.

Holly Buchanan repaid the \$573 via check number 4610 on August 16, 2016.

The Township should review compensation for the Fiscal Officer and verify all payments are in accordance with the Ohio Revised Code. Failure to do so could result in more overpayments in future years.

### **Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Payment Register for the year ended December 31, 2015 and ten from the year ended 2014 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 no exceptions.
  - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found two 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.



### Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Police District, and Fire District funds for the years ended December 31, 2015 and 2014. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Police District, and Fire District funds of \$96,661, \$735,357, and \$631,500, respectively, for 2015 and \$133,340, \$441,330, and \$636,000, respectively, for 2014. However, the final *Amended Official Certificate of Estimated Resources* reflected \$90,161, \$686,857, and \$626,500, respectively, for 2015 and \$123,113, \$438,230, and \$635,111, respectively, for 2014. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2015 and 2014 to determine whether, for the General, Police District, and Fire District 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 2015 and 2014 for the following funds: General, Police District, and Fire District. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Police District, and Fire District funds for the years ended December 31, 2015 and 2014. We noted that General and Police District Fund appropriations for 2015 exceeded certified resources by \$378 and \$651, respectively, contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits.
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, 2015 and 2014 for the General, Police District, and Fire District funds, 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 Revenue Ledger for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. We also inquired of management regarding whether the Township received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. We scanned the 2015 and 2014 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.

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.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2015 and 2014 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

### **Compliance – Contracts & Expenditures**

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2015 and 2014 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.

At the conclusion of our engagement, we requested the trustees and the Fiscal Officer to provide us with written representations regarding their responsibility for:

- Recording transactions and maintaining the accounting records
- For complying with legal requirements we tested as part of our procedures
- Providing us with all reports, records and other documentary evidence supporting the results we described in this report
- Informing us of other matters that may relate to the procedures this report describes.

The Fiscal Officer declined to sign this representation letter. You should consider the effect, if any; this matter has on the results this report describes.

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

Columbus, Ohio

August 23, 2016



# Dave Yost • Auditor of State

CLAY TOWNSHIP

MONTGOMERY 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  
SEPTEMBER 22, 2016