

**MANCHESTER TOWNSHIP
MORGAN COUNTY**

AGREED UPON PROCEDURES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Board of Trustees
Manchester Township
6037 North Blackburn Road
McConnelsville, OH 43756

We have reviewed the *Independent Accounts' Report on Applying Agreed-Upon Procedures* of Manchester Township, Morgan County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Manchester Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 25, 2016

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Manchester Township
Morgan County
6037 North Blackburn Road
McConnelsville, OH 43756

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Manchester Township, Morgan 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, 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

1. We tested the mathematical accuracy of the December 31, 2015 and December 31, 2014 bank reconciliations. We found exceptions. The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances throughout the audit period. Monthly bank reconciliations contained unexplained other adjusting factors throughout the entire audit period which were carried forward instead of being investigated and corrected.
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 Agreed-Upon Procedures working papers. 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 amount agreed.
4. We confirmed the December 31, 2014 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation with out 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.

Manchester Township

6. We selected one reconciling credit (such as Other Adjusting Factor) from the December 31, 2015 and December 31, 2014 bank reconciliations. We could not agree the Other Adjusting Factor amount of \$604.90 to any supporting documentation. Upon further review, the Other Adjusting Factor was in the prior audit period, also. The Other Adjusting Factor still remains.

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 Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code 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 for 2015 and 2014. We noted the Receipts Register Report included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2015 and all from 2014. We also selected five receipts from the County Auditor's History Vendor Report from 2015 and five from 2014:
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. 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.

Debt

1. From the prior audit documentation, we noted the following notes outstanding as of December 31, 2013. These amounts agreed to the Townships January 1, 2014 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2013:
Dump Truck	\$40,708

2. We inquired of management, and scanned the Receipt Register Report 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 note debt activity for 2015 or 2014 and agreed principal and interest payments from the related debt amortization schedules to gasoline fund payments reported in the Appropriation Ledger. We also compared the date the debt payments were due to the date the Township made the payments. The payments were coded to Other Expenses in the Gasoline Fund instead of Debt Principal and Debt Interest.

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 Employee Detail Adjustment Report 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 no exception.
 - 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 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 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, during the final withholding period of 2015. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
OPERS retirement	1/30/2015	12/29/2014	\$876.97	\$876.97

As of the date of this report, the Township has not paid the payroll withholding taxes due to the Internal Revenue Service or State of Ohio Department of Taxation during the previous three audits or current audit period. The UAN accounting system generated the checks each quarter for the state and federal withholding amounts due, but the Fiscal Officer did not remit the checks to the Internal Revenue Service or State of Ohio Department of Taxation. These checks have been carried on the outstanding checklist for the past two years.

26 U.S.C. § 3404 provides if the employer is in the United States, or a state, or political subdivision thereof, or the District of Columbia, or any agency instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose. The amount not remitted from the 3rd quarter of 2009 to the 4th quarter of 2015 according to payroll records, is the amount of \$28,372.15.

Ohio Revised Code § 5747.06 (A) requires, in part, that every employer, including the state and its political subdivisions, shall deduct and withhold from compensation, state income tax paid to each employee for each pay period.

Ohio Rev. Code § 5747.13 (A), states, in part, if any employer collects the tax imposed by § 5747.02 and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that the employer fails to remit, or any amount that the employer fails to collect. The amount not remitted from the 3rd quarter of 2009 to the 4th quarter of 2015 according to payroll records, is the amount of \$11,303.06.

While the payroll records indicated Medicare, state and federal income taxes were withheld from the employees' and officials' gross pay, the amounts withheld, along with any employer matches were not remitted to the appropriate agencies as required. This can result in a significant tax liability, plus penalties and interest for the Township.

We recommend the Fiscal Officer remit state and federal income taxes withheld on a timely basis. The Fiscal Officer should contact the Internal Revenue Service and the State of Ohio Department of Taxation, immediately, in regards to payroll tax payments that have not been remitted. Also, this matter may be referred to the Internal Revenue Service and the State of Ohio Department of Taxation

3. For the pay periods ended March 27, 2015 and August 29, 2014, we recomputed the allocation of the Boards' salaries to the General and Gasoline Tax Fund per the Wage Detail Report. We found no exceptions.
4. For the pay periods described in the preceding step, we could not trace the Boards' salary for time or service performed to supporting certifications the Revised Code requires because certifications were not performed. For 2015 and 2014, the Township did not prepare certifications or timesheets. We expanded our test to review the entire year for both 2015 and 2014 to determine if the allocation between funds was reasonable.

Ohio Rev. Code § 505.24 (C) states if trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are paid from funds other than the general fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time long. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. We recommend the Township review Ohio Rev. Code §§ 505.24 and 507.09, and adopt formal administrative procedure regarding signed certifications of the allocation of payroll by each Trustee for each monthly pay period. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

5. 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. We noted no such reimbursements.

Non-payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report 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 Detail Report and to the names and amounts on the supporting invoices. We have three instances where the check amount does not agree to the supporting invoices and one where we were missing the supporting documentation.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We have one instance where the payment was posted to Other Expense when it should have been to Principal and Interest Expense for Debt.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code § 5705.41 (D). We found that super blanket purchase orders were used for 100% of purchase orders tested during the audit period. Our testing reflected that 100% of the 2015 and 20% of the 2014 super blanket certificates tested did not meet the criteria as outlined by Ohio Revised Code, professional services, fuel, oil, food items or any other specific recurring and reasonably predictable operating expenses." Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. 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 Certificate of the Total Amount From All Sources Available For Expenditures and Balances, required by Ohio Rev. Code § 5705.36 (A) (1), to the amounts recorded in the Revenue Status Report for the General, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2015 and 2014. The amounts on the Certificate agreed to the accounting system, except for the Road and Bridge in 2014. The Revenue Status Report recorded budgeted (i.e., certified) resources for the Road and Bridge Fund of \$1,350.00 for 2015. However, the final *Amended Official Certificate of Estimated Resources* reflected \$1,689.00 for 2015. 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 General, Gasoline Tax and Road and Bridge 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 § 5705.38 (C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code §§ 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2015 and 2014 for the following funds: General, Gasoline Tax and Road and Bridge. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code §§ 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, Gasoline Tax and Road and Bridge funds for the years ended December 31, 2015 and 2014. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code § 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, Gasoline Tax and Road and Bridge Funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code § 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, 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 § 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 exceeding \$500 which Ohio Rev. Code § 5705.14 - .16 restrict. We found no evidence of transfers these sections prohibit, or for which § 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 § 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 § 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 note no funds having a negative cash balance.

Compliance – Contracts and Expenditures

1. 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 Revised 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.

Other Compliance

1. Ohio Revised Code Section 117.38 requires townships to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Village filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. Financial information was filed on April 23, 2015 which was not within the allotted timeframe.

Client Response: We agree with the findings in this report.

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 the Auditor of State and others within the Township, and is not intended to be, and should not be used by anyone other than these specified parties.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 30, 2016



Dave Yost • Auditor of State

MANCHESTER TOWNSHIP

MORGAN 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 4, 2016**