



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Duchouquet Township
Auglaize County
17301 Golden Bridge Road
Wapakoneta, Ohio 45895

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Duchouquet Township (the Township), on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. 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 recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2017 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, 2018 and 2017 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2018 bank account balances with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 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. There were no exceptions.
6. We traced interbank account transfers occurring in December of 2018 and 2017 to the accounting records and bank statements to determine if they were properly recorded. We found no exceptions.

Efficient

Effective

Transparent

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 2018 and one from 2017:
 - a. We traced the gross receipts from the Statement to the amount recorded in the Receipt Detail Report. The amounts agreed.
 - b. We inspected the Receipt Detail Report to confirm 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 inspected the Receipt Detail Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Detail Report to determine whether it included two real estate tax receipts for 2018 and 2017. The Receipt Detail Report included the proper number of tax receipts for each year.
3. We selected a sample (agreed upon) of five receipts from the State Distribution Transaction Lists (DTL) from 2018 and five from 2017. We also selected a sample (agreed upon) of five receipts from the County Auditor's Detail Expense Transactions Report from 2018 and five from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. The amounts agreed.
 - b. We inspected the Receipt Detail Report to determine that these receipts were allocated to the proper funds. We found no exceptions for 2018. For 2017, we identified one exception. A mobile home homestead receipt should have been allocated between the general fund and the road and bridge fund; however, it was recorded entirely to the general fund. \$21 should have been allocated to the road and bridge fund. The Township should verify that all receipts are posted to the proper fund. Failure to do so could result in significant fund balance errors and management decisions made based on incorrect financial information.
 - c. We inspected the Receipt Detail Report to determine whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) and from other Auglaize County townships to the Township during 2018 for administration of the 2018 County-wide Paving Program. We found no exceptions with payments from other Auglaize County townships to the Township. The OPWC confirmation reported an amount of \$780,000 paid to a vendor on behalf of the Township during 2018; however, the Township only recorded \$87,400 as revenue. This was the amount of the grant that was attributable to the Township. Given that the Township administered the County-wide Paving Program on behalf of all Auglaize County townships, the remaining amount of \$692,600 should have been recorded as revenue and expenditure in an agency fund of the Township. Failure to report all revenues and expenditures that the Township is responsible for could lead to material financial statement errors and possible accountability issues.
 - a. We inspected the Receipt Register Report for 2018 to determine whether these receipts were allocated to the proper funds. The Township's portion of the OPWC revenue discussed above was allocated to the proper fund. However, we determined that payments from other Auglaize County townships totaling \$456,928 that were recorded in the capital projects fund should have been recorded in an agency fund of the Township. Failure to report all revenues and expenditures in the proper fund could lead to material financial statement errors and management decisions made on incorrect information.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts (Continued)

- b. We inspected the Receipt Register Report for 2018 to determine whether the receipts were recorded in the proper year. As discussed above, the \$692,600 of OPWC revenue that was related to other Townships was not recorded in the proper year.

Debt

- 1. We observed the following lease outstanding as of December 31, 2016. These amounts agreed to the Township's January 1, 2017 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2016:
2016 Dump Truck Lease	\$121,440

- 2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3.
- 3. We obtained a summary of lease debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedule to road and bridge 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. We found no exceptions.

Payroll Cash Disbursements

- 1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 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 inspected the fund and account code to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' personnel files, minute record or as required by statute. We also confirmed the payment was posted to the proper year. We found no exceptions.
- 2. For any new employees selected in procedure 1 we inspected the employees' personnel files and minute record for the following information and compared it with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) 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 procedures a. – f. above.

Payroll Cash Disbursements (Continued)

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm 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 2018. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2019	January 2, 2019	\$1,267.81	\$1,267.81
State income taxes	January 15, 2019	December 29, 2018	\$183.63	\$183.63
OPERS retirement	January 30, 2019	December 31, 2018	\$679.44	\$679.44

4. For the pay periods ended April 30, 2018 and August 31, 2017, we recomputed the allocation of the Fiscal Officer's and Trustees' salaries to the General and Road and Bridge Fund per the Wage Detail Report. We found no exceptions.
5. For the pay periods described in the preceding procedure, we traced the Fiscal Officer's and Trustees' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
6. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2018 and 2017 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 and federal regulations.

Non-Payroll Cash Disbursements

1. We selected a sample (agreed upon) of 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2018 and 10 from the year ended 2017 and determined whether:
 - a. The disbursements were for a proper public purpose. We found one exception in 2017. The Township paid the full cost of cell phone service for all four elected officials despite usage of the cell phones for personal purposes. There was no determination made as to how much each individual used the cell phone for personal purposes and how much it was used for Township purposes. Additionally, the Township did not have a formal cell phone policy. Failure to adopt and follow a cell phone policy governing various aspects of Township-paid cell phone service could lead to misuse of Township funds. The Township should adopt a cell phone policy, which should, among other things, restrict Township-paid cell phone use to Township purposes only. The policy should also include a method to monitor personal use of Township-paid cell phones, and if identified, require reimbursement to the Township for the personal use of the cell phone.
 - 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 found no exceptions.

Non-Payroll Cash Disbursements (Continued)

- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We identified two exceptions in 2017 – one payment for the per capita emergency management agency assessment was incorrectly charged entirely to the road and bridge fund and one payment for Township cell phone and internet hotspot service was incorrectly charged entirely to the road and bridge fund. We also identified one exception in 2018 – a payment for phone and internet service was incorrectly charged entirely to the road and bridge fund. Because these payments benefit funds other than the road and bridge fund, specifically the general fund, at least a portion of the payment should be charged to the general fund and other applicable funds.

As a result of these expenditures being incorrectly charged entirely to restricted funds, we reviewed all expenditures of this type to determine if the total payments charged incorrectly to one fund was significant to the restricted funds. For these particular types of expenditures, the Township charged 100% of the payment to a restricted fund in a total amount of \$6,186 to the road and bridge fund and \$75 to the gasoline tax fund in 2017 and in a total amount of \$5,629 in 2018. At least a portion of these payments should have been charged to the general fund and possibly other funds. These amounts were not material to the restricted funds and did not require adjustment. Failure to charge all expenditures to the proper fund could lead to materially misstated financial statements and the Township making financial decisions based on misstated fund balances. The Township should implement procedures to verify that all expenditures are charged to the applicable fund(s) that benefitted from the expenditure.

- 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 one instance in 2018 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 inspect 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, Gasoline Tax and Special Fire Levy funds for the years ended December 31, 2018 and 2017. The amounts agreed.
2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General, Gasoline Tax and Special Fire Levy 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 2018 and 2017 for the following funds: General, Gasoline Tax, and Special Fire Levy funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.

Compliance – Budgetary (Continued)

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, Gasoline Tax, and Special Fire Levy funds for the years ended December 31, 2018 and 2017. There were 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, 2018 and 2017 for the General, Gasoline Tax, and Special Fire Levy fund, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Township received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2018 and 2017 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13 or 5705.132. The Township did not establish these reserves.
10. We inspected the Fund Status Report for the years ended December 31, 2018 and 2017 for negative cash fund balances. 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. No funds had a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2018 and 2017 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.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires townships to file their financial information in the Hinkle System within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. There were no exceptions.

2. For all credit card accounts we obtained:

- copies of existing internal control policy,
- a list of authorized users, and
- a list of all credit card account transactions.

a. We inspected the established policy obtained above and determined it is:

- i. in compliance with the HB 312 statutory requirements, and
- ii. implemented by the entity.

We determined that the Township does not have an approved credit card policy. The Township should develop and approve a credit card policy to meet all requirements of HB 312. The Township should refer to HB 312 and Auditor of State Bulletin 2018-003 to develop a proper credit card policy. Failure to do so could result in unauthorized and improper use of credit cards.

b. We selected 3 credit card transactions in 2018 and 3 credit card transactions in 2017 for testing. For selected transactions we inspected documentation to determine that:

- i. Use was by an authorized user within the guidelines established in the policy, and
- ii. Each transaction was supported with original invoices and for a proper public purpose.

As identified above in item 2a, the Township does not have an approved credit card policy. We found no other exceptions.

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

This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized 'K' and 'F'.

Keith Faber
Auditor of State
Columbus, Ohio

July 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



DUCHOUQUET TOWNSHIP

AUGLAIZE 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 27, 2019**