



OHIO AUDITOR OF STATE
KEITH FABER



OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Circleville Township
Pickaway County
PO Box 121
Circleville, Ohio 43113

We have performed the procedures enumerated below on the Circleville Township's (the Township) receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2020 and 2019 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, 2020 and 2019 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township.

The Board of Trustees and the management of the Township have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of providing 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, 2020 and 2019, and certain compliance requirements related to these transactions and balances. No other party acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The sufficiency of the procedures is solely the responsibility of the parties specified in the 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.

For the purposes of performing these procedures, this report only describes exceptions exceeding \$10.

The procedures and the associated findings are as follows:

Cash and Investments

1. We recalculated the December 31, 2020 and December 31, 2019 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2019 beginning fund balances for each fund recorded in the Fund Ledger Report to the December 31, 2018 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2020 beginning fund balances for each fund recorded in the Fund Ledger Report to the December 31, 2019 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, 2020 and 2019 fund cash balances reported in the Fund Status Report and the financial statements filed by the Township in the Hinkle System. The amounts agreed.

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4. We confirmed the December 31, 2020 bank account balances through the OPCS website and with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2020 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) from the December 31, 2020 bank reconciliation:
 - a. We traced three debits to the subsequent January bank statement. There were two debits still outstanding.
 - b. We traced the amounts and dates to the check register, and determined the debits were dated prior to December 31. There were no exceptions.
6. We noted reconciling items (such as deposits in transit) from the December 31, 2020, bank reconciliation totaling \$120. We were not provided any support for these items.
7. We inspected the Fund Status Report to determine whether the Finding for Adjustment identified in the prior agreed-upon procedures report, to increase beginning cash balance in the Road and Bridge fund, was properly posted to the ledgers and reflected in the fund balances in Procedure 2. We found no exceptions.
8. We inspected investments held at December 31, 2020 and December 31, 2019 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code § 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code § 135.13 or 135.14. We noted no exceptions.

Property Taxes and Intergovernmental Receipts

1. We selected a total of five receipts from the *Statement of Semiannual Apportionment of Taxes*, State Distribution Transaction Lists (DTL), and the County Detail Expense Transactions Report for 2020 and a total of five from 2019:
 - a. We compared the amount from the above named reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We inspected the Receipt Register Report to determine these receipts were allocated to the proper funds as required by Ohio Rev. Code §§ 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Receipt Register Report to determine whether the receipt was recorded in the proper year. The receipt was recorded in the proper year. We found no exceptions.
2. We inspected the Receipt Register Report to determine whether it included two real estate tax receipts for 2020 and 2019. The Receipt Register Report included the proper number of tax receipts for each year.

Other Receipts

We selected 10 other receipts from the year ended December 31, 2020 and 10 other receipts from the year ended 2019 and:

- a. Agreed the receipt amount recorded in the Receipt Register Report to supporting documentation. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. We found two permits where the Township undercharged the applicant by \$26 and \$25. Because we did not review all other receipts, our report provides no assurance whether or not similar errors occurred.
- c. Inspected the Receipt Register Report to determine the receipt as posted to the proper funds and was recorded in the proper year. We found no exceptions.

Debt

- 1. From the prior agreed-upon procedures documentation, we observed the following loan was outstanding as of December 31, 2018. These amounts agreed to the Townships January 1, 2019 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of January 1, 2019:
The Savings Bank	117,347

- 2. We inquired of management and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2020 or 2019 or debt payment activity during 2020 or 2019. All debt agreed to the summary we used in procedure 3.
- 3. We obtained a summary of the loan debt activity for 2020 and 2019 and agreed principal and interest payments from the related debt amortization schedule to General 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 2020 and one payroll check for five employees from 2019 from the Wage Withholdings 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).
 - i. We inspected the employees' personnel files for the Retirement system, Federal, State & Local income tax withholding authorization.
 - ii. We agreed these items to the information used to compute gross and net pay related to this check.

In 2020 we found three employees who had state taxes withheld however there were no withholding authorization forms. In 2019 we found two employees who had state taxes withheld and one employee that had state and federal taxes withheld, however there was no withholding authorization forms. Because we did not inspect all employees' personnel files for either year, our report provides no assurance whether or not additional similar errors occurred.
 - b. We inspected the fund and account codes to which the check was posted to determine the posting was allowable based on the employees' duties as documented in the minute record or as required by statute. We found no exceptions.
 - c. We confirmed the payment was posted to the proper year. We found no exceptions.

2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2020, 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 2020. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2021	December 21, 2020	\$1,612	\$1,612
State income taxes	January 31, 2021	December 31, 2020	\$400	\$400
School income tax	January 31, 2021	December 31, 2020	\$140	\$140
OPERS retirement	January 30, 2021	December 31, 2020	\$2,352	\$2,352

The Township was not able to provide the OPERS withholding form, however we were able to determine it was paid timely based on the ledgers.

3. We compared total gross pay for the fiscal officer and each board member for 2020 and 2019 to the compensation permitted by Ohio Revised Code §§ 507.09 and 505.24, respectively. We found no exceptions.
4. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2020 and 2019 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were not in compliance with Ohio Rev. Code § 505.601 as enumerated below.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. **Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).**

Ohio Rev. Code § 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees.

Ohio Rev. Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- i. The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

- ii. That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.
- iii. That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

In addition, the Federal 21st Century Cures Act, amended the ACA effective January 1, 2017. This act created an exception for "Qualified Small Employer Health Reimbursement Arrangements", defined in **26 U.S.C. § 9831(d)(2)**, in which qualified eligible employers who make health care reimbursements may do so without threat of penalty. To qualify, a township must employ fewer than 50 full-time or full-time equivalent (FTE) employees and does not offer a group health plan to any of its employees. All of the following conditions must be applicable to the offered reimbursement program:

- 1. It is provided uniformly to all eligible employees;
- 2. It is funded solely by the eligible employer;
- 3. No salary reduction contributions are made under the reimbursement plan; and
- 4. Payments and reimbursements for any year do not exceed \$4,950.00 per employee (\$10,000 if the arrangement provides for payments or reimbursements for family members of employee). The reimbursement maximum is notably increased annually by the IRS.

On November 19, 2018, the Township Trustees approved "Resolution 2018-Healthcare Reimbursement- Reinstatement" which set the maximum of \$10,000 reimbursement per year (without delineating between the separate limits for employees and employees and households limit). However, the Health Reimbursement Arrangements for small employers sets maximum allowable annual healthcare reimbursements at \$5,150 per employee in 2019 and \$5,250 per employee in 2020.

The Township paid Brenda Palm's (former Fiscal Officer) and Earnest Enoch's (Township Trustee) annual healthcare reimbursements at a maximum of \$10,000 for fiscal years ending December 31, 2020 and 2019. Each was on the individual employee plan which did not include them and their household. This resulted in overpayments made to Brenda Palm in total of \$7,504 and Ernest Enoch in total of \$5,853 for the years under audit, as scheduled in the following table:

		Total Reimbursed	Maximum Allowable	Overpayment
2019	Brenda Palm, Fiscal Officer	\$9,201	\$5,150	\$4,051
2020	Brenda Palm, Fiscal Officer	8,703	5,250	3,453
2019	Ernest Enoch, Trustee	7,768	5,150	2,618
2020	Ernest Enoch, Trustee	8,485	5,250	3,235
	Total overpayments			\$13,357

Former Fiscal Officer Brenda Palm notably received or collected the public monies used for the overpayment amounts.

Of note, the bond purchased by the Township in Brenda Palm's name from the Travelers Casualty and Surety Company of America was only in existence through April 1, 2020. The Township purchased a faithful performance of duty insurance policy providing surety coverage for Brenda Palm through the Ohio Township Association Risk Management Authority as of December 1, 2020.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Brenda Palm, Former Fiscal Officer, in the amount of \$7,504, and her bonding companies, Travelers Casualty and Surety Company of America, in the amount of \$4,914, and the Ohio Township Association Management Authority, in the amount of \$287, jointly and severally, and in favor of Circleville Township's General Fund.

In addition, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Ernest Enoch and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$5,853. Additionally, Former Fiscal Officer, Brenda Palm, in the amount of \$5,853, and her bonding companies, Travelers Casualty and Surety Company of America, in the amount of \$3,426, and the Ohio Township Association Management Authority, in the amount of \$269, will be named jointly and severally and in favor of Circleville Township's General Fund.

On June 6, 2023, Enoch Earnest issued a check for \$5,853 and on June 12, 2023 Brenda Palm issued two checks for a total of \$7,504 to the Township.

Non-Payroll Cash Disbursements

1. We selected 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2020 and 10 from the year ended 2019 and determined whether:
 - a. Sixteen of the disbursements were for a proper public purpose.
 - 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 for sixteen disbursements. The Township was not able to provide support for four of the disbursements selected.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code § 5705.41(D).

The Township was not able to provide support for four of the disbursements selected to determine whether there were exceptions related to a. through d. above. Because we did not inspect all non-payroll disbursements, our report provides no assurance regarding whether or not other similar errors occurred.

Compliance – Budgetary

1. Ohio Rev. Code § 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total approved appropriations (Ohio Rev. Code §§ 5705.38 and 5705.40) plus any carryover appropriations for the year ended December 31, 2019 for the General, Road and Bridge and Fire District fund, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations for the year ended December 31, 2019. We are unable to determine if total expenditures exceeded total approved appropriations plus any carryover appropriations for the year ended December 31, 2020 for any funds, due to the Township not filing any appropriations with the County for 2020.

2. We inspected interfund transfers from 2020 and 2019 Revenue Status Reports and Appropriation Status Reports for compliance with Ohio Rev. Code §§ 5705.14 - .16. We found no evidence of transfers these Sections prohibit, or for which Ohio Rev. Code § 5705.16 would require approval by the Tax Commissioner.
3. We inspected the Cash Summary by Fund Report for the years ended December 31, 2020 and 2019 for negative cash fund balances. 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. No funds had a negative cash fund balance.

Sunshine Law Compliance

1. We obtained and inspected the Township's Public Records Policy to determine the policy was in accordance with Ohio Rev. Code §§ 149.43(E)(2) and 149.43(B)(7)(c) and did not limit the number of responses that may be made to a particular person, limit the number of responses during a specified period of time, or establish a fixed period of time before it will respond unless that period is less than eight hours. We found no exceptions.
2. We inquired with Township management and determined that the Township did not have any completed, denied, or redacted public records requests during the engagement period.
3. We inquired with Township management and determined that the Township did not have a records retention schedule during the engagement period and therefore could not make it readily available to the public as required by Ohio Rev. Code § 149.43(B)(2).
4. We inspected written evidence that the Public Records Policy was provided to the records custodian/manager as required by Ohio Rev. Code § 149.43(E)(2). We found no exceptions.
5. We inquired with Township management and determined that the Township did not have a policy manual during the engagement period therefore the public records policy could not be included as required by Ohio Rev. Code § 149.43(E)(2).
6. We observed that the Township's poster describing their Public Records Policy was displayed conspicuously in all branches of the Township as required by Ohio Rev. Code § 149.43(E)(2). We found no exceptions.
7. We inquired with Township management and determined that the Township did not have any applications for record disposal submitted to the Records Commission during the engagement period.
8. We inquired with Township management and determined whether each elected official in accordance with Ohio Rev. Code § 149.43(E)(1) (or his/her designee) successfully attended a certified three-hour Public Records Training for each term of office as required by Ohio Rev. Code § 109.43(B). We found that three Trustees (or their designees) failed to attend a Public Records Training for their respective terms that covered the engagement period. Although the Fiscal Officer attended a Public Records Training, the Fiscal Officer was not approved as the designee for any of the Trustees.
9. We inspected the public notices for the public meetings held during the engagement period and determined the Township notified the general public and news media of when and where meetings during the engagement period were to be held as required by Ohio Rev. Code § 121.22(F). We found no exceptions.

10. We inspected the minutes of public meetings during the engagement period in accordance with Ohio Rev. Code § 121.22(C) and determined whether they were:
 - a. Prepared – a file is created following the date of the meeting
 - b. Filed – placed with similar documents in an organized manner
 - c. Maintained - retained, at a minimum, for the engagement period
 - d. Open to public inspection – available for public viewing or request.

We found the minutes were not prepared, filed, maintained or open to public inspection. There were eight total meetings in which the Township was not able to provide minutes.

11. We inspected the minutes from the engagement period in accordance with Ohio Rev. Code § 121.22(G) and determined the following:
 - a. Executive sessions were only held at regular or special meetings.
 - b. The purpose for the meetings and going into an executive session (when applicable) correlated with one of the matters listed in Ohio Rev. Code § 121.22(G).
 - c. Formal governing board actions were adopted in open meetings.

We found for two of three executive sessions taken during meetings held in 2019 and 2020 that the purpose did not correlate with the matters within the Ohio Rev. Code § 121.22(G). The Township was also not able to provide minutes for eight Township meetings, and therefore we were not able to determine if executive sessions were held.

Other Compliance

1. Ohio Rev. Code § 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, 2020 and 2019 in the Hinkle system. There were no exceptions.
2. We inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code §§ 507.12 and 733.81. Fiscal Officer obtained seven of the required 21 hours of training.
3. For all credit card accounts we obtained:
 - copies of existing internal control policies,
 - a list(s) of authorized users, and
 - a list of all credit card account transactions.
 - a. We inspected the established policy(ies) obtained above and determined it is:
 - i. in compliance with the HB 312 statutory requirements, and
 - ii. implemented by the entity.We found no exceptions.
 - b. We selected 1 credit card transaction from each credit card account 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.We found no exceptions.

- c. We selected 3 credit card statements from each credit card account for testing. For selected statements we inspected documentation to determine that:
 - i. No unpaid beginning balance was carried forward to the current billing cycle,
 - ii. Ending statement balance was paid in full, and
 - iii. Statement contained no interest or late fees.We found no exceptions.

We were engaged by the Township to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the AICPA and the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review engagement, 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.

We are required to be independent of the Township and to meet our ethical responsibilities, in accordance with the ethical requirements established by the Comptroller General of the United States' *Government Auditing Standards* related to our agreed upon procedures engagement.



Keith Faber
Auditor of State
Columbus, Ohio

June 20, 2023

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OHIO AUDITOR OF STATE KEITH FABER



CIRCLEVILLE TOWNSHIP

PICKAWAY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 7/11/2023

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This report is a matter of public record and is available online at
www.ohioauditor.gov