



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Recovery Township
Mercer County
1757 St. Joe Rd.
P.O. Box 597
Ft. Recovery, Ohio 45846

We have performed the procedures enumerated below on Recovery Township's (the Township) receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2021 and 2020 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, 2021 and 2020 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, 2021 and 2020, 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

1. We recalculated the December 31, 2021 and December 31, 2020 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2020 beginning fund balances for each fund recorded in the Fund Status Report to the December 31, 2019 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2021 beginning fund balances for each fund recorded in the Fund Status Report to the December 31, 2020 balances in the Fund Status Report. We found no exceptions.

3. We agreed the 2021 and 2020 Bank Reconciliation adjusted UAN Balances and Adjusted Bank Balances as of December 31, 2021 and 2020 to the total fund cash balances reported in the Fund Status Report and the financial statements filed by the Township in the Hinkle System. The amounts agreed.
4. We confirmed the December 31, 2021 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, 2021 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) from the December 31, 2021 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, and determined the debits were dated prior to December 31. We found no exceptions.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a total of five receipts from the State Distribution Transaction Lists (DTL) and the *Mercer County Vendor History Report* for 2021 and a total of five from 2020:
 - 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 2021 and 2020. The Receipt Register Report included the proper number of tax receipts for each year. We found no exceptions.

Debt

1. From the prior audit documentation, we observed the following notes were outstanding as of December 31, 2019. These amounts agreed to the Townships January 1, 2020 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2019:
KS State Bank Tractor Loan	\$10,390

2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2021 or 2020 or debt payment activity during 2021 or 2020. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of loans debt activity for 2021 and 2020 and agreed principal and interest payments from the related debt amortization schedule to Gasoline Tax 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.
4. We agreed the amount of debt proceeds received for 2021 from the debt documents to amounts recorded in the Gasoline Tax fund per the Receipt Register Report. The amounts agreed.

5. For new debt issued during 2021, we inspected the debt legislation, which stated the Township must use the proceeds to purchase a dump truck. We inspected the Payment Register Detail Report and observed the Township purchased a dump truck in July of 2021.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2021 and one payroll check for five employees from 2020 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. We found no exceptions.
 - 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 employees' personnel files. 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, 2021 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 2021. 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, 2022	December 27, 2021	\$2,101	\$2,101
State income taxes	January 15, 2022	December 27, 2021	\$276	\$276
School District Tax	January 15, 2022	December 27, 2021	\$282	\$282
OPERS retirement	January 30, 2022	December 27, 2021	\$859	\$859

We found no exceptions.

3. For the pay periods ended December 31, 2021 and February 28, 2020, we
 - a. Recomputed the allocation of the Fiscal Officer's and Boards' salary amounts to the General and Gasoline Tax funds per the Wage Detail Report.
 - b. Traced Fiscal Officer's and Boards' pay for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
4. We compared total gross pay for the fiscal officer and each board member for 2021 and 2020 to the compensation permitted by Ohio Revised Code §§ 507.09 and 505.24, respectively. We found no exceptions.
5. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2021 and 2020 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. We found exceptions for years 2021 and 2020.

Finding For Recovery – Trustee Health Reimbursement Overpayments – Resolved Under Audit

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:

- (A) 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.
- (B) 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.
- (C) 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 and the maximum for employees and households in 2020 was \$10,600 and in 2021 was \$10,700.

The Township provided insurance reimbursement in excess of the allowable Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) limit. For calendar year 2020, the QSEHRA maximum for employees and households was \$10,600; however, the Township reimbursed Doug Kahlig \$12,336. As a result, an overpayment of \$1,736 occurred. For calendar

year 2021, the QSEHRA maximum for employees and households was \$10,700; however, the Township reimbursed Scott Overman \$11,175. As a result, an overpayment of \$475 occurred. The Township Trustees (Doug Kahlig, Scott Overman, and Nicholas Kremer) and Fiscal Officer (Thomas Sudhoff) signed off on the checks issued.

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 Doug Kahlig, Scott Overman, Nicholas Kremer, Thomas Sudhoff, and their bonding company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$2,211, and in favor of Recovery Township, General Fund and Gasoline Tax Fund, in the amounts of \$331 and \$1,880, respectively.

The Township previously established a group health plan in 2004 under Ohio Rev. Code § 505.60. In 2019, the Township created another reimbursement arrangement solely for medical/health coverage, while continuing to offer its group health plan (reimbursing for dental and vision coverage). A QSEHRA notably cannot be offered if a township already offers a group health plan to its employees.

The Township risks being issued a finding for recovery for entire reimbursement amounts until the Township's health reimbursements are properly corrected in accordance with all applicable regulations.

On May 30, 2023, the Township signed a repayment agreement with all three Trustee's and the Fiscal Officer for the repayment of this FFR; and therefore it is considered resolved under audit.

Non-Payroll Cash Disbursements

We selected 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2021 and 10 from the year ended 2020 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 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 § 5705.41(D). We found no exceptions.

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 years ended December 31, 2021 and 2020 for the General, Motor Vehicle License Tax and Road and Bridge fund as recorded in the Appropriation Status Report. Expenditures did not exceed appropriations.
2. We inspected the Cash Summary by Fund Report for the years ended December 31, 2021 and 2020 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 inspected the Township's policy manual and determined the public records policy was included as required by Ohio Rev. Code § 149.43(E)(2). We found no exceptions.
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 that none of the elected officials (or his/her designees) attended a certified three-hour Public Records Training in accordance with Ohio Rev. Code § 149.43(E)(1) for each term of office as required by Ohio Rev. Code § 109.43(B).
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 no exceptions.

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 no executive sessions were held.

HB 481 / HB 614 Coronavirus Relief Fund (CRF) Compliance

1. We inquired of management and those charged with governance and documented how the Township decided to spend their CRF allocations and how the Township documented their compliance with the CARES Act three-prong test. We then selected all transactions including non-payroll, and subgrant/subloan transactions, and determined the Township:
 - a. Spent the CRF money (including additional distributions or redistributions) in accordance with use of funds requirements and
 - b. Maintained appropriate supporting documentation.We found no exceptions.
2. We recalculated the unencumbered balance the local government paid back to the county treasurer and determined the proper amount was repaid. We also compared the date of the repayment to the required date of November 20, 2020 and determined the payment was made in a timely manner. We found no exceptions.

Other Compliance

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, 2021 and 2020 in the Hinkle system. We found no exceptions.

Related Party Transactions

1. We inquired with management and identified the following Related Party Transactions:
 - a. Mike Kahlig and Sons for \$188 in 2020 and \$342 in 2021.
 - b. Sudhoff Brothers for \$317 in 2020.We found no exceptions.
2. We confirmed the transactions with intermediaries, such as banks. We found no exceptions.
3. We obtained supporting evidence for the Related Party Transactions identified in procedure 1. We found that no formal approval was noted for the Sudhoff Brothers replacing a lavatory for \$317. No other exceptions were noted.

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 14, 2023

OHIO AUDITOR OF STATE KEITH FABER



RECOVERY TOWNSHIP

MERCER 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 7/13/2023

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