



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Franklin Township
Ross County
1258 Sugar Tree Road
Chillicothe, Ohio 45601

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Franklin 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 documentation in the prior year Agreed-Upon Procedures working papers. 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.

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 Register Report. The amounts agreed.
 - b. We inspected the Receipt Register 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 Register 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 Register Report to determine whether it included two real estate tax receipts for 2018 and 2017. The Receipt 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 2018 and all from 2017. We also selected a sample (agreed upon) of five receipts from the County Auditor's DTLs from 2018 and five from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We inspected the Receipt Register Report to determine that these receipts were allocated to the proper funds. On the State DTL, we found that \$5,314.90 of the State Rollback Distributions was incorrectly posted to the General Fund in 2017; \$3,359.74 should have been posted to the Fire Fund and \$1,955.16 should have been posted to the Road and Bridge Fund. We found that \$11,661.77 of the State Rollback Distributions was incorrectly posted to the General Fund in 2018; \$8,470.21 should have been posted to the Fire Fund and \$3,191.56 should have been posted to the Road and Bridge Fund. We found Stumpage in the amount of \$ 7,962 was paid into the Road and Bridge fund instead of General fund. We brought this to management's attention. They corrected the General, Fire and Road and Bridge fund balances. However, because we did not inspect all receipts, our report provides no assurance whether or not additional similar errors occurred.
 - c. We inspected the Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Federal Emergency Management Agency (FEMA) and Community Development and Ohio Public Works Commission through Ross County Engineer to the Township during 2018 with the FEMA and Ross County Engineer. We found no exceptions.
 - a. We inspected the Receipt Register Report to determine whether these receipts were allocated to the proper funds. We found that FEMA monies, totaling \$46,667 were posted to the Fire Fund. Per Auditor of State (AOS) Bulletin, 98-013 all FEMA monies are required to be reported in a FEMA Special Revenue fund. No adjustments are required to be made. Because we did not inspect all receipts, our report provides no assurance whether or not additional similar errors occurred. The Township should review AOS Bulletin 98-013 regarding the accounting for FEMA monies.
 - b. We inspected the Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior agreed-upon procedures documentation, we observed the following notes were 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:
John Deere Tractor	\$7,437
FD All Purpose Vehicle	\$10,618
2011 International Dump Truck	\$32,000

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 notes debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedules to debt service 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 Employee Wage Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found that wage rates for Maintenance Department employees were not approved. Because we did not test all payroll, our report provides no assurance whether or not other similar errors occurred.

In addition, we noted errors in the Township Trustee compensation. Per Ohio Rev. Code § 505.24 township trustee salaries are based on the annual budget of the township. Per HB64 officials appointed after September 29, 2015 received a 5% increase in fiscal years 2016 and 2017. Due to statutory requirements, we calculated the total amount incorrectly paid below.

Ohio Rev. Code § 505.24(A)(3) provides that in a township having a budget of more than \$750,001 but not more than \$1,500,000, the compensation of the Township Trustee shall be \$11,342 per year.

The Ohio Const. art. II § 20 prohibits a trustee from receiving an in-term increase in salary resulting from a change by the General Assembly to the compensation scheme or compensation rates of Ohio Rev. Code § 505.24 during the trustee's term.

Franklin Township's budget in 2017 and 2018 was between \$750,001 and \$1,500,000 thus Trustee, Larry Turner was to be paid \$11,342.

Trustee, Larry Turner served a January 1, 2016 to December 31, 2019 term.

Franklin Township's Fiscal Officer mistakenly used the incorrect amount when calculating Township Trustee salaries. Consequently, Township Trustee Larry Turner received compensation in the amount of \$12,478 in 2017 and \$11,342 in 2018 resulting in a total overpayment of \$1,136.

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 Township Trustee Larry Turner and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$1,136, and in favor of Franklin Township's General fund in the amount of \$148 and Gasoline Tax fund in the amount of \$988.

Upon discovery of the facts, Mr. Turner made repayment in full to the Township on April 5, 2018, duplicate receipt number 9-2018.

- b. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the employees' information sheets and/or as required by statute. We also 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, 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	December 31, 2018	\$632.22	\$632.22
State income taxes	January 15, 2019	December 31, 2018	\$105.66	\$105.66
OPERS retirement	January 30, 2019	December 31, 2018	\$1,054.87	\$1,054.87

- 3. For the pay periods ended June 5, 2018 and May 2, 2017, we recomputed the allocation of the Boards' salaries to the General and Gasoline Tax Fund per the Employee Wage Detail Report. We found no exceptions.
- 4. For the pay periods described in the preceding procedure, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.

We inquired and inspected the Payment Register Detail Report for the years ended December 31, 2018 and 2017 to determine if township employees and trustees were reimbursed for out-of-pocket insurance premiums. Insurance Reimbursements were not made in compliance with 505.60 and 505.601 and federal requirements. Ohio Rev. Code § 505.601 allows a township to opt to not procure its own health insurance, and provide healthcare reimbursements, if they meet the following conditions; The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium, setting maximum amount reimbursable by the Township, and states the specific benefits, pursuant to Ohio Rev. Code § 505.60(A) that are reimbursable. 2005 Op. Atty. Gen. No. 2005-038 states that townships are not authorized to directly pay the employer of a township officer or employee's spouse for the cost of family coverage under a health care plan provided to the spouse by the spouse's employer. 2013 Op. Atty. Gen. No. 2013-022 states a board of township trustees may reimburse a township officer or employee pursuant to Ohio Rev. Code § 505.601 for monthly Medicare Parts A, B, and D premium payments made by the officer or employee, so long as the benefits provided by Medicare Parts A, B, and D are consistent with the benefits identified in the township resolution stating that the township has chosen not to procure a health care plan under Ohio Rev. Code § 505.60 and the reimbursement does not exceed the uniform monthly or yearly payment amount set by that resolution. Contrary to Ohio Rev. Code § 505.60 and §505.601 and related Opinion of Attorney General, the Township made payments directly to Third-Party Medicare plan on behalf of Trustees. Healthcare Reimbursements were not offered uniformly to all elected officials and employees. No resolution with maximum amount allowable to be paid was approved by Board of Trustees. Trustee, Larry Turner received a benefit of \$1,440 in 2017 and \$1,440 in 2018, for a total of \$2,880. Trustee, Gerald McCorkle received a benefit of \$1,440 in 2017. Trustee, Stella Hamilton received a benefit of \$1,440 in 2017. The Township Trustees should adopt a resolution stating that the Township has chosen to not procure a health care plan and has chosen to reimburse its officers instead. This resolution should establish a maximum amount reimbursable by the Township and also that the specific benefits that are reimbursable.

Non-Payroll Cash Disbursements

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 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 Section 5705.41(D). We found two instances where disbursements requiring certification were not certified and four instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not 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 Road and Bridge 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 Road and Bridge funds, 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 Road and Bridge funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Gasoline Tax and Road and Bridge 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 Road and Bridge funds, 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 evidence of new restricted Federal Emergency Management Agency (FEMA) receipts for which Ohio Rev. Code Section 5705.09 and 2 CFR Part 176.210 would require the Township to establish a new fund. The Township did not establish this fund. The Township should review Auditor of State Bulletin 98-013 regarding the accounting for FEMA monies.
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 exceeding \$5,000 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. The Township did not establish these reserves.

10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2018 and 2017 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (l) 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 balances.

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. 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 Section 507.12 and 733.81. Fiscal Officer obtained 23 of the required 24 hours of training, however, her term does not end until 2020. The Fiscal Officer did obtain the required 6 hours in the first year of office.
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 selected 3 credit card transactions for testing. For selected transactions we inspected documentation to determine that:
 - i. Each transaction was supported with original invoices and for a proper public purpose.

We found no 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.

Franklin Township
Ross County
Independent Accountants' Report on
Applying Agreed-Upon Procedures
Page 8

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, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 12, 2019

OHIO AUDITOR OF STATE KEITH FABER



FRANKLIN TOWNSHIP

ROSS 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
OCTOBER 8, 2019**