



Certified Public Accountants, A.C.

**MECCA TOWNSHIP
TRUMBULL COUNTY
Regular Audit
For the Year Ended December 31, 2016**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees
Mecca Township
PO Box 567
Cortland, OH 44410

We have reviewed the *Independent Auditor's Report* of the Mecca Township, Trumbull County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Ohio Auditor of State

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January 16, 2019

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MECCA TOWNSHIP
TRUMBULL COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 30, 2018

Mecca Township
Trumbull County
PO Box 567
Cortland, Ohio 44410

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Mecca Township**, Trumbull County, (the Township) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal controls relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualifications* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mecca Township, Trumbull County as of December 31, 2016, or changes in financial position thereof for the year then ended.

Basis for Additional Opinion Qualifications

The accompanying financial statements for the year ended December 31, 2016 presents receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-02(A) requires Townships to classify receipt and disbursement transactions.

The Township has outsourced EMS billings to a service organization. The financial statements report EMS billings and collections in the Ambulance and Emergency Medical Services Fund (a Special Revenue Fund). The service organization did not provide us with information we requested regarding the design or proper operation of its internal controls or with certain information regarding charges for services. We were therefore unable to obtain sufficient appropriate audit evidence supporting the completeness or accuracy of EMS charges for services.

The Township reported the Permanent Fund, totaling \$3,670 at December 31, 2016, and representing 100 percent of the ending fund balance of the Permanent Fund, without obtaining the trust agreements to support this classification. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as the Permanent Fund Cemetery Bequest Fund.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualifications

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of Mecca Township, Trumbull County, as of December 31, 2016, and for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts:	\$ 142,648	\$ 333,029	\$ 60	\$ 475,737
Cash Disbursements:	156,902	264,061	-	420,963
<i>Net Change in Fund Cash Balances</i>	(14,254)	68,968	60	54,774
<i>Fund Cash Balances, January 1</i>	53,505	434,703	3,610	491,818
Fund Cash Balances, December 31				
Nonspendable	-	-	3,270	3,270
Restricted	-	508,395	400	508,795
Unassigned (Deficit)	39,251	(4,724)	-	34,527
<i>Fund Cash Balances, December 31</i>	<u>\$ 39,251</u>	<u>\$ 503,671</u>	<u>\$ 3,670</u>	<u>\$ 546,592</u>

The notes to the financial statements are an integral part of this statement.

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mecca Township, Trumbull County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool and is associated with a related organization. Note 7 to the financial statements provides additional information for this entity. The Township did not participate in any joint ventures, jointly governed organizations or related organizations in 2016. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Fire and Ambulance This fund receives charges for services for emergency rescue and ambulance services.

Fire District Fund The fire district fund accounts for and reports that portion of the property taxes restricted for the operation of the Mecca Township Volunteer Fire Department and the provision of emergency medical services.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Township did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02(A). These Ohio Administrative Code Sections require classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Motor Vehicle License Tax and Fire Funds.

Contrary to Ohio law, the Township did not obtain an amended Certificate of Estimated Resources when actual receipts were less than budgeted receipts in the Issue I Capital Projects Fund.

Contrary to Ohio law, the Township did not properly encumber all commitments.

Contrary to Ohio law, the Township had a negative fund balance in the Fire Fund at December 31, 2016.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 121,200	\$ 142,648	\$ 21,448
Special Revenue	299,337	333,029	33,692
Capital Projects	141,299	-	(141,299)
Permanent	25	60	35
Total	\$ 561,861	\$ 475,737	\$ (86,124)

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 172,736	\$ 156,902	\$ 15,834
Special Revenue	728,568	264,061	464,507
Capital Projects	141,299	-	141,299
Permanent	317	-	317
Total	\$ 1,042,920	\$ 420,963	\$ 621,957

Note 5 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	\$ 543,322
Certificates of deposit	3,270
Total deposits	\$ 546,592

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

At December 31, 2016, there were no deposits which were not insured or collateralized.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Risk Management

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

2016 Contributions to OTARMA
\$12,727

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has not paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes - OPWC	\$ 32,173	0%
General Obligation Notes	155,641	3.99%
Total	<u>\$ 187,814</u>	

In 2008, the Township, with financing from the Ohio Public Works Commission, completed the Morrell Ray Road Drainage Upgrade. The upgrade cost \$55,571 and the agreement calls for an interest rate of 0% with semi-annual payments of \$1,462.39. Payments are made from the Gas Tax Fund.

The Township issued a note in 2011 for \$283,500 at an interest rate of 3.99% with annual payments of \$35,038 for the purchase of a Fire Truck. This note is backed by the full faith and credit of the Township and collateralized by the Fire Truck. Payments are made from the Fire Fund.

MECCA TOWNSHIP
TRUMBULL COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt (Continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	OPWC	General Obligation Notes
2017	\$ 2,925	\$ 37,963
2018	2,925	37,963
2019	2,925	37,963
2020	2,925	37,963
2021	2,925	37,963
2022-2026	14,625	14,625
2027	2,923	2,923
Total	\$ 32,173	\$ 207,363

Note 11 – Public Entity Risk Pool

As described in Note 7, the Township participates in OTARMA, a public entity risk pool. OTARMA is governed by a seven member board of directors consisting of the executive director of the Ohio Township Association and township trustees, fiscal officers, administrators.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

November 30, 2018

Mecca Township
Trumbull County
PO Box 567
Cortland, Ohio 44410

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of **Mecca Township**, Trumbull County, (the Township) as of and for the years ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated November 30, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on the financial statements due to the Township not classifying receipts and disbursements as required by OAC 117-2-02(A). We also qualified our opinion on the Special Revenue Funds due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as EMS billing receipts. In addition, we qualified our opinion on the Permanent Fund due to lack of sufficient appropriate audit evidence supporting the recording of the Cemetery Endowment Fund as a Permanent Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements.

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Internal Control Over Financial Reporting (Continued)

A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2016-001 through 2016-003, 2016-012, 2016-016, 2016-020 and 2016-023 described in the accompanying schedule of audit findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-017 and 2016-018 described in the accompanying schedule of audit findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2016-002 through 2016-011, 2016-013 through 2016-015 and 2016-019 through 2016-022.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 30, 2018.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2016-001

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors in financial reporting were noted:

- Debt payment for a fire truck was improperly posted to the Ambulance and Emergency Services Fund instead of the Fire Fund;
- Receipt for ambulance services was improperly posted to the Police Fund;
- Cable Franchise Fees were improperly posted to the Ambulance and Emergency Services Fund;
- Numerous expenditures were posted to the incorrect funds;
- Real Estate Tax settlement receipts were improperly allocated;
- Rollback receipts were posted 100% to the General Fund;
- There were numerous instances of receipts posted to the accounting system more than one time;
- There were numerous instances of disbursements not posted to the accounting system, or posted incorrectly.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several adjusting entries. The financial statements reflect all adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that the financial statements are accurately stated.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

FINDING NUMBER 2016-002

Material Weakness/Noncompliance

Credit Cards

The use of credit cards should be specified in a policy established by the Township and should at a minimum identify authorized users, guidelines for allowable use/purchase, specify unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines deemed appropriate by the Township.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Material Weakness/Noncompliance (Continued)

Additionally, **Ohio Rev. Code Section 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under **Ohio Rev. Code Section 149.38 through 149.42**.

The Township used credit cards during 2016 and did not have a credit card policy on file governing such expenditures. Furthermore, we noted several credit card payments that did not contain adequate supporting documentation.

Lack of a formal approved credit card policy increases the risk of unauthorized purchases. Furthermore, failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend the Township implement a policy in accordance with House Bill 312 to specifically identify allowable credit card expenses and consider establishing limitations on credit card usage. Also, the Township should include in the policy that all employees are required to provide itemized receipts and those receipts should be maintained in the Township's accounting records. The Board of Trustees should review the detailed credit card statements each month and document the review.

FINDING NUMBER 2016-003

Material Weakness/Noncompliance

Ohio Admin. Code Section 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

In order to ensure the completeness over the Township's financial statements and reports, bank reconciliations should be performed on a monthly basis. The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Township's accounting system. The Fiscal Officer should provide monthly bank reconciliations to the Township Trustees at monthly meetings to ensure monthly reconciliations are completed and reviewed for unusual items and errors.

Accurate monthly reconciliations of the ending bank account balance to the Township's ending book balance were not performed during the audit period by the Fiscal Officer. Bank reconciliations were not performed for the months of May through August 2016. In addition, unsupported reconciling items (other adjusting factors) ranging from \$7,319 to \$2,303,492 were present. We also noted checks were not issued in sequential order, manual checks were issued and not always entered into the accounting system correctly, checks were void, however not void in the accounting system and electronic payments were not always entered into the accounting system. The extensive problems with these reconciliations resulted in the Township being declared unauditible for fiscal year 2016 and obtain assistance from an independent contractor to perform a detailed proof of cash for fiscal year 2016 at an additional cost to the Township.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003 (Continued)

Material Weakness/Noncompliance (Continued)

Additionally, the Township presented unclassified financial statements for 2016 due to the lack of accurate posting of transactions to the accounting system.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total accounting system fund balances. We also recommend the Fiscal Officer maintain accurate listings of outstanding checks and deposits. We further recommend copies of bank reconciliations be presented to the Board of Trustees for review, approval, and use in managing and making decisions for the Township.

FINDING NUMBER 2016-004

Noncompliance

Public Records

Ohio Rev. Code Section 149.43(E)(1) requires all public offices to adopt a public records policy for responding to public records requests. In addition, **Ohio Rev. Code Section 149.43(E)(2)** states that all public offices shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site.

Ohio Rev. Code Section 149.42 authorizes the creation of a Township records commission, composed of the chairperson of the Board of Trustees and the Fiscal Officer of the Township, to review applications for one-time disposal of obsolete records and schedules of records retention and disposition submitted by Township offices. Furthermore, Ohio Rev. Code § 149.43(B)(2) requires each public office to have available a copy of its current records retention schedule at a location readily available to the public.

The Township has not established the required public records policy or formal records retention policy and schedule. Failure to establish a public records policy or formal records retention policy and schedule could result in inconsistencies in the treatment of public records requests and the unauthorized destruction of public records.

The Township should adopt a public records policy and records retention policy as required. Additionally, the Township should create a poster describing their adopted public records policy and post a copy of the policy in a conspicuous place in all Township offices along with having a schedule readily available for public inspection. The policy and schedule should include provisions for the retention and destruction of public records, including transmission to the Ohio Historical Society and approval by the Auditor of State's Office.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-005

Noncompliance

Investment Training

Ohio Rev. Code Section 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, and ethics, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described, unless the treasurer annually provides a notice of exemption.

The Fiscal Officer did not attend the annual continuing education programs provided by the Auditor of State or complete the annual exemption to the Auditor of State's office for 2016.

We recommend the Fiscal officer attend the annual trainings or complete an annual exemption and submit to the Auditor of State's office.

FINDING NUMBER 2016-006

Noncompliance

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2016, appropriations exceeded estimated resources in the Motor Vehicle License Tax Fund and Fire Fund.

This could result in the Township expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the Township being unable to meet its current obligations.

We recommend the Township ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

FINDING NUMBER 2016-007

Noncompliance

Issuance of Form 1099

26 C.F.R Section 1.6041-1 requires governments to report on Form 1099 all payments aggregating \$600 or more to independent contractors for services provided.

Disbursement testing revealed payments made to individuals and independent contractors and the Township could not provide evidence Form 1099's were issued for 2016. Failure to issue required Form 1099's could result in noncompliance with federal tax law.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-007 (Continued)

Noncompliance (Continued)

Issuance of Form 1099 (Continued)

We recommend the Township issue Form 1099's for all payments aggregating \$600 or more made to independent contractors and individuals for services provided.

FINDING NUMBER 2016-008

Noncompliance

Retirement Withholding Payments and Reporting

Ohio Rev. Code Section 145.47 requires each employer to withhold an amount, as determined by the public employees retirement board, not to exceed ten percent from each employee's earnable salary that is a contributor to the retirement system. The required rate was ten percent for 2016. **Ohio Rev. Code Section 145.48** states, in part, each employer shall pay to the public employees' retirement system an amount that shall have a certain per cent of the earnable salary of all contributors to be known as the "employer contribution." The required rate was 14% for 2016.

The Township withheld the proper amounts from employees; however, withholdings were not properly remitted to the Ohio Public Employees Retirement System (OPERS). For 2016, we noted the Township should have remitted a total of \$23,735 for employee and employer contributions; however, we noted a total of \$14,556 remitted, resulting in underpayment of \$9,179. In comparison to overpayments made in 2017, we have calculated the Township still owes OPERS \$2,488 for withholdings that were not remitted. Remittances were not made by the required monthly deadline and there were several months payments were not remitted.

Failure to remit the proper amount could result in unnecessary late fees and interest charges being incurred by the Township. The Township should remit employee withholdings and employer contributions in a timely fashion to the OPERS as required.

The Township Trustees should monitor these payments to ensure payments are being made timely and in the appropriate amounts.

This matter will be referred to the Ohio Public Employee Retirement System for whatever action is deemed necessary.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-009

Noncompliance

Federal Income Tax Withholdings

26 U.S.C. Section 3102(a) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

The Township withheld federal taxes and Medicare from employees' pay, but we noted variances between the amounts withheld and the amounts remitted to the Internal Revenue Service. For 2016, we noted the Township should have remitted \$12,731 to the Internal Revenue Service; however, only \$10,821 was remitted for an underpayment of \$1,910. In comparison to overpayments made in 2017, we have calculated the Township still owes the IRS \$359 for withholdings that were not remitted. Remittances were not made by the required deadline.

Failure to remit federal taxes in a timely fashion, as required, could subject the Township to significant penalties and interest.

The Fiscal Officer should remit the proper federal taxes and Medicare promptly to the Internal Revenue Service each period, as required, along with the employer share of Medicare. In addition, the Township should consult with the Internal Revenue Service to reconcile any differences between amounts owed and paid.

This matter will be referred to the Internal Revenue Service for whatever action is deemed necessary.

FINDING NUMBER 2016-010

Noncompliance

State Income Tax Withholdings

Ohio Rev. Code Section 5747.06 states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

During 2016 the Township should have remitted \$1,652 to the Ohio Department of Taxation; however only \$783 was remitted, resulting in an underpayment of \$869. In comparison to overpayments made in 2017, the Township has paid all required contributions to the Ohio Department of Taxation.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-010 (Continued)

Noncompliance (Continued)

State Income Tax Withholdings (Continued)

Failure to properly withhold and remit the withholdings could result in errors and/or irregularities occurring and remaining undetected and subject the Township to penalties and interest charges.

The Township should ensure that transmittal of state income taxes is made timely to avoid possible late penalties and interest.

FINDING NUMBER 2016-011

Noncompliance

Fraud Reporting System

Ohio Rev. Code Section 117.103 (B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Furthermore, Ohio Rev. Code § 117.103 (B)(2) states that on the effective date of this section (May 4, 2012), each public office shall make all its employees aware of the fraud-reporting system.

For 2016, the Township neither made its current employees aware of the new fraud reporting system nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

We recommend the Township communicate the fraud reporting system to its current employees and implement a process for informing new employees.

FINDING NUMBER 2016-012

Material Weakness

Internal Controls and Segregation of Duties

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-012 (Continued)

Material Weakness (Continued)

Internal Controls and Segregation of Duties (Continued)

The small size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. Therefore, for those cycles for which segregation of duties is not possible, the Board of Trustees should take on an active role in the operations of the Township, including review of monthly reconciliations, review of receipt and disbursement ledgers and budget vs actual reports. There was no documentation in the minutes of the Board's approval of bank reconciliations, monthly activity of revenues and expenditures, or budget versus actual reports received at monthly meetings.

The Board of Trustees do not have a policy in place that addresses the review of financial information on a regular basis.

This lack of segregation of duties and accompanying control procedures to address segregation of duties might lead to fraud, theft or errors going undetected.

Financial information should be presented to the Board of Trustees for review on a regular basis. This information should include, but is not limited to, monthly bank reconciliations, as well as monthly revenue and expenditure activity by fund, list of checks written and budget versus actual reports. The presentation, review and approval of these reports should be documented in the minutes of the Township's meetings.

FINDING NUMBER 2016-013

Noncompliance

Timely Deposits

Ohio Rev. Code Section 9.38 states that a person who is a public official shall deposit all public moneys received by that person with the Township Fiscal Officer or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

During testing of cash receipts, we noted receipts were not deposited in a timely manner, sometimes up to a month after receiving.

Timely deposits reduce the risk of receipts being lost, misappropriated or improperly posted and going undetected by management.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-013 (Continued)

Noncompliance (Continued)

Timely Deposits (Continued)

We recommend the Fiscal Officer deposit all receipts with the financial institution on a timely basis. Receipt numbers representing a specific deposit should also be documented with the bank deposit. The Township Trustees should develop deposit policies that all individuals associated with receipt collection follow and the policies be monitored on a periodic basis.

FINDING NUMBER 2016-014

Noncompliance

Filing of Annual Financial Report

Ohio Rev. Code Section 117.38 requires cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. These forms must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of \$25 for each day the report remains un-filed, not to exceed \$750. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

The Township did not publish the notice of availability of the required reports for fiscal year 2016. The annual reports were originally filed timely, however did not contain the required components as outlined in Auditor of State Bulletin 2015-007.

As an important part of restoring public accountability, we recommend the Township file its complete annual report with the Auditor of State within 60 days of fiscal year end. The Township should also publish notice in a local newspaper stating the financial report is available for public inspection at the Township's office.

FINDING NUMBER 2016-015

Noncompliance

Ohio Rev. Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

At December 31, 2016, the Township had a negative fund balance in the Fire Fund in the amount of \$4,724.

Fund activity should be monitored by the Fiscal Officer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-016

Material Weakness

Service Organization

The Township has outsourced the processing of EMS billings, which is a significant accounting function, to a third party administrator, L&D Medical Billing. The EMS billing revenues represent \$60,693 or 17% of the total receipts in the special revenue fund type. The Township has not established procedures to reasonably determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that EMS billing activity has been completed and accurately processed.

The third party administrator did not provide the Township with the information regarding the design or proper operation of its internal controls for 2016. We were unable to obtain sufficient audit evidence supporting completeness and accuracy of the amounts recorded in the Ambulance and Emergency Medical Services special revenue fund, as a result, we have modified our opinion. The Township did not perform reconciliations between billing reports provided by the third party administrator and internal run reports to ensure all individuals that should have been billed, were billed, and at the appropriate rate.

We recommend the Township obtain assurance of the completeness and accuracy of EMS billing activity processed by its third-party administrator. Statement on Standards for Attestation Engagements No. 16 Reporting on Controls at a Service Organization (SSAE No. 16) prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the Township with reasonable assurance that EMS billing activity has been completely and accurately processed.

We recommend the Township require a Type Two Service Organization Controls Report (SOC) 1 report in its contract with the third-party administrator. The Township should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Township with the Type Two SOC 1 report, we recommend the Township contract with a third party administrator that will provide this report. As an alternative to a SOC 1 Report, the Township may monitor billings and collections its administrator processes. The Township can monitor these billings by obtaining reports of EMS collections and comparing them to EMS runs reports, and then re-determining:

- The collection agrees to a run
- The collection agrees to approved fee schedule

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-017

Significant Deficiency

Township Policies

A policy manual is essential to assure that key areas of operations are fully documented (in written form) and understood by employees, management and elected officials.

The Township is operating without key policies in place. We noted the Township does not have credit card, reimbursement, travel, and personnel policies.

We recommend the Township implement policies for the above mentioned items.

FINDING NUMBER 2016-018

Significant Deficiency

Controls Over Payroll Expenditures

In order to effectively account and track payroll related transactions, timesheets should be maintained for all hourly employees and approved by the appropriate supervisor and/or Trustees. The Township should also maintain personnel files with job descriptions and contracts or salary notices that support the payroll ledger.

Numerous weaknesses over payroll transactions were noted during the audit period. The weaknesses included, but were not limited to; lack of supporting time sheets, lack of Trustee approval of time sheets, miscalculated payroll checks, no personnel files, and lack of hiring authorization and approved pay rates.

These weaknesses have led to the inability to adequately monitor payroll transactions. The following weaknesses were noted during 2016:

- Time sheets were sometimes signed by the employee, but not the Trustees showing approval;
- One employee's fund charged did not agree to the activities performed per the timesheet;
- Due to no employee contracts being maintained, it was difficult to verify the correct amounts were being paid per payroll records;
- The Fiscal Officer, three Trustees and four other salaried employees were overpaid during fiscal year 2016 (all individuals were underpaid an equal amount in 2017).

Not properly maintaining documentation of employee's salary could result in errors in payroll, withholdings and retirement contributions.

The Township should maintain personnel files with hiring authorization, position and authorized salary rate, fund which salary will be charged, deduction authorizations, retirement participation, federal withholding W-4, state and federal tax withholding authorization and fraud reporting notification.

All base salaries and raises should be approved and documented in the minutes by the Trustees.

Time sheets should be signed by the employee and approved by the Trustees prior to issuance of paychecks. Adequate controls should be in place to ensure monthly salaries are paid appropriately.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-019

Noncompliance

Ohio Revised Code Section 5705.36 states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and the commission shall certify an amended official certificate reflecting the excess. **Ohio Revised Code Section 5705.36(A)(4)** states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended official certificate reflecting the deficiency. **Ohio Revised Code Section 5705.36(A)(5)** states that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During 2016, the Township's actual resources fell short of estimated resources, and an amended certificate was not obtained.

The Township should obtain a reduced amended certificate of estimated resources when it becomes apparent the amount received will be less than estimated and is below the amount of the current appropriation.

FINDING NUMBER 2016-020

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-020 (Continued)

Material Weakness/Noncompliance (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 56% of the expenditures tested for 2016. Purchase orders were not always signed and original purchase orders were not always able to be located.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-021

Noncompliance

Ohio Rev. Code Section 507.04 requires that each Fiscal Officer keep a complete and accurate record of the proceedings of the Board of Trustees at all of its meetings, and of all its accounts and transactions.

During our review of the Township's minutes we noted the prior meeting minutes were not consistently reviewed and approved by the Trustees. Also, there was no indication that the Fiscal Officer consistently provided the Trustees with monthly financial reports of receipt and expenditure activity, budget versus actual comparisons or bank reconciliations for review and approval. We also noted the board minutes were vague and did not always contain adequate documentation to memorialize the activities of the meeting. We also noted board minutes were not signed.

The lack of documentation and subsequent approval of the Board of Trustees actions could result in the intentions of the Trustees not being accurately documented or carried out.

The Fiscal Officer should maintain a complete and accurate minute record, which reflects Trustee review and approval of all pertinent financial documentation. Additionally, minutes of the previous meeting should be reviewed and approved at each Township meeting and approval should be documented in the minutes. Board minutes should also be signed.

FINDING NUMBER 2016-022

Noncompliance

Unapproved Advances

Pursuant to AOS Bulletin 97-003 cash advances are subject to the following requirements:

- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Township Trustees) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

In 2016, the Township advanced \$4,000 from the Ambulance and Emergency Medical Services Fund to the Fire District Fund without formal approval by the Trustees. This advance was also not in compliance with AOS Bulletin 97-003 due to the restrictions on the Ambulance and Emergency Medical Services Fund. The financial statements and accounting system have been adjusted for this error.

We recommend the Township ensure advances are properly approved and in compliance prior to posting to the accounting system.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-023

Material Weakness

Documentation for Permanent Funds

The Township should maintain original trust agreements to help assure accountability for permanent funds and the correct classification for financial reporting. By maintaining these agreements, the Township would be able to identify whether or not there is principal that must be maintained in perpetuity and whether or not the trust is to benefit the entity or other organizations, governments, or individuals.

The Township presented a Cemetery Bequest Fund as Permanent Fund without basing this decision on the original trust agreements. The Bequest Fund represented 100% of the Permanent Fund, totaling \$3,670 at December 31, 2016. Without the original trust agreements it is not possible to determine whether the Cemetery Bequest Fund should be presented as Permanent Funds (benefit to the Township) or Private Purpose Trust Funds (benefit to other organizations, governments, or individuals). In addition, the lack of trust agreements may be an indication these funds can be completely spent which would result in the Funds being classified as Special Revenue Funds. As a result, it could not be determined if the financial statements were accurately stated in relation to the Cemetery Bequest Fund.

The Township should obtain copies of the documentation establishing the trust fund to identify the original principal and to determine the purpose of each Trust. The Township should consult Legal Counsel for advice along with reviewing Ohio Revised Code Section 1755.55(D) if documentation cannot be located to support the existence of a trust agreement, whether expendable or nonexpendable.

Management's Response – We did not receive a response from officials to the findings noted above.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting Receipts	Not Corrected	Repeated as Finding 2016-001
2015-002	ORC 5705.14 Interfund Transfers	Corrected	N/A

OHIO AUDITOR OF STATE
KEITH FABER



MECCA TOWNSHIP

TRUMBULL 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
JANUARY 29, 2019**