



Dave Yost • Auditor of State

MANAGEMENT LETTER

Sharon Township
Franklin County
95 E Wilson Bridge Road
Worthington, Ohio 43085

To the Board of Trustees:

We have audited the financial statements of Sharon Township, Franklin County, Ohio, (the Township) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 12, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated April 12, 2011, for the years ended December 31, 2010 and 2009.

We are also submitting the following comments for your consideration regarding the Township's compliance with applicable laws, regulations, grant agreements, contract provisions and internal control. These comments reflect matters that do not require inclusion in the report *Government Auditing Standards* require. Nevertheless, these comments represent matters for which we believe improvements in compliance or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist your Township. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

NONCOMPLIANCE FINDING

1. **Prior Certification - ORC 5705.41(D)(1)***

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This 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.

NONCOMPLIANCE FINDING (Continued)

1. Prior Certification - ORC 5705.41(D)(1)* (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, property appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 expenditure by the Township.

2. Blanket Certificate - Fiscal officers may prepare so-called "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority for any specific line item account over a period not running beyond 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 Township may 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 fiscal year (or beyond the quarterly spending plan for counties) More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for twenty three (23) percent of the expenditure transactions tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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, the Clerk should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

RECOMMENDATION

1. Reporting*

Sound financial reporting is the responsibility of the Townships 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 audit reclassifications were made to the financial statements:

- In fiscal year 2010, reclassified \$25,452 from other Financing Uses to General Government Expenditures in the General Fund.
- In fiscal year 2010, reclassified \$128,630 from Miscellaneous Revenue to Charges for Services in the Cemetery Fund.
- In fiscal year 2009, reclassified \$24,763 from Other Financing Uses to General Government Expenditures in the General Fund.
- In fiscal year 2009, reclassified \$119,518 from Miscellaneous Revenue to Charges for Services in the Cemetery Fund.

The lack of posting controls for financial transactions can result in errors occurring and going undetected by management and decreases the reliability of the annual financial report and data throughout the year.

We recommend the Board of Trustees adopt policies and procedures for monitoring controls over the posting of financial transactions to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial annual financial report and data throughout the year.

* We also reported this matter in our prior audit of the financial statements.

We intend this report for the information and use of the Board of Trustees, audit committee, and management.



Dave Yost
Auditor of State

April 12, 2011