



# 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, 2012 and December 31, 2011, and have issued our report thereon dated November 12, 2014, 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 and the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

*Government Auditing Standards* require us to report significant internal control deficiencies, fraud, (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 November 12, 2014, for the years ended December 31, 2012 and December 31, 2011.

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 *Government Auditing Standards* report. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls 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 FINDINGS

### 1. Investment Policy

Ohio Rev. Code Section 135.14(O)(1) states that the investment policy must be signed by all entities conducting investment business with the treasurer or governing board (except the Treasurer of State); all brokers, dealers, and financial institutions initialing transactions with the treasurer or governing board by giving advice or making investment recommendations; and all brokers, dealers, and financial institutions, executing transactions initialed by the treasurer or governing board.

## **NONCOMPLIANCE FINDINGS (Continued)**

### **1. Investment Policy (Continued)**

The Township did not have its investment policy signed by all requisite parties in the audit period. This could lead to an investment being an ineligible security and result in a potential loss to the Township.

We recommend all requisite parties review and sign the Board approved investment policy.

### **2. Official Bonding**

Ohio Rev. Code Section 5571.02 defines the "township highway superintendent" as a competent person, not a member of the board of township trustees, to have charge of maintenance and repair of roads within the township, serving at the pleasure of the board. Ohio Rev. Code Section 5571.04 requires that the superintendent to give bond to the state, for the use of the township, in the sum of two thousand dollars, conditioned upon the faithful performance of the official duties of superintendent. The bond shall be approved by the board of township trustees and filed with the township fiscal officer before entering upon the discharge of the official duties.

Ohio Rev. Code Section 509.01(B) allows the board of township trustees to designate any qualified persons as police constables and may provide them with the automobiles, communication systems, uniforms, and police equipment that the board considers necessary. Ohio Rev. Code Section 509.02 requires that each constable, before entering upon the discharge of official duties, give bond to the state in a sum of not less than five hundred nor more than two thousand dollars, conditioned for the faithful and diligent discharge of official duties, and with sureties resident of the township. The amount of the bond and its sureties shall be approved by the board of township trustees. The bond shall be deposited with the township fiscal officer.

The Township constables and Road Superintendent did not receive bonding prior to hiring and did not obtain bonding throughout the fiscal year. Additionally, the Township Board did not authorize the bond amount to be set.

Failure to secure an appropriate bond for the constables and the Road Superintendent may result in the Township being exposed to liabilities of theft or error in the event of a loss from the occurrence of such an event.

We recommend the Township execute a bond for the constables and the Road Superintendent in an amount approved by Township's Board commensurate with their duties.

## **RECOMMENDATION**

### **1. Payroll Authorization**

Authorization controls help ensure that transactions are not fictitious or fraudulent, and that they relate to the Township's operation. Typical control activities include authorization by a responsible official and exception reporting (for example, a report listing all employees receiving overtime compensation for a pay period, with a subsequent review by a responsible official). Some authorization controls may also be programmed control procedures. For example, an accounting system may compare approved salaries to available appropriations, and reject projected salaries exceeding available appropriations. Not properly maintaining documentation of employee's salary could result in cash losses to the Township.

## RECOMMENDATION (Continued)

### 1. Payroll Authorization (Continued)

The Police Chief was given a 3% raise in fiscal year 2012 but it was not clear that the raise or the annual salary was approved. Additionally, other employee raises were documented in the minutes but their base or original salaries were not clearly documented. As no employee's annual contract was being kept on file, there was no easy way to verify the approved salary was accurate. The auditors used alternative procedures to verify that all salaries were authorized.

The Township should maintain personnel files with job descriptions and contracts or salary notices that support the payroll expenditures. All base salaries and raises should be approved in the minutes by the Trustees. All employee contracts should be kept on file containing their salary information and any raises. All salaries and raises should be approved and documented in the minutes.

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 12, 2014