



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### 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, in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated May 30, 2017.

*Government Auditing Standards* require us to report significant internal control deficiencies and material weaknesses, 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 May 30, 2017 for the years ended December 31, 2016 and 2015.

We are also submitting the following comments for your consideration regarding Sharon 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* requires. 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 government. If you have questions or concerns regarding these comments please do not hesitate to contact us.

Noncompliance Citations  
Ohio Revised Code

- (1)       Criteria:     Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for Townships: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services”.
- Condition:    The Township’s appropriations for the year ended December 31, 2015 were passed at the fund level instead of at the level of control described above. (Appropriations for the year ended December 31, 2016 were passed at the proper level of control).
- Effect:        By not appropriating at the level of control required by the Ohio Revised Code, the Township risks insufficient oversight over expenditures.
- Recommendation: We recommend the Township pass appropriations in accordance with the Ohio Revised Code.
- (2)       Criteria:     Ohio Administrative Code 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.
- Condition:    The Township’s appropriations approved in the minutes did not agree to the UAN Accounting System appropriations.
- Effect:        By not correctly including appropriations into the financial software, it could become challenging for the Township to easily monitor its budgeted activity in comparison with its actual amounts. The Township is also at risk of overspending in excess of available funds, which could possibly result in negative fund balances.
- Recommendation: We recommend that approved appropriation modifications as evidenced within the Board of Trustees’ minutes be incorporated into the UAN system by the Fiscal Officer in a timely manner. This will aid the Board of Trustees and Fiscal Officer in their review of disbursements versus appropriations and help ensure appropriations are in place prior to disbursements.
- (3)       Criteria:     Ohio Revised Code Sections 135.22 requires all subdivision treasurers to complete annual continuing education programs provided by the Treasurer of State.
- Condition:    The Township’s Fiscal Officer did not attend the required continuing education programs during this audit period.
- Effect:        By not attending proper investment training, the Township is exposed to higher investment risk.
- Recommendation: We recommend the Fiscal Officer attend investment training or obtain a notice of exemption from the Auditor of State, if applicable.

- (4) Criteria: Ohio Revised Code Section 507.12 requires all township fiscal officers to complete education programs per term in office. Effective March 23, 2015 a township fiscal officer who is elected to a subsequent term of office shall complete twelve hours of continuing education courses in each subsequent term of office. In addition, at least two hours of ethics instruction shall be included in the continuing education hours.
- Condition: The Township's Fiscal Officer had a term expiring during the audit period for which there was no evidence of the required education programs being complete.
- Effect: By not attending proper education programs, the Township is exposed to higher risk for errors to occur.
- Recommendation: We recommend the Fiscal Officer attend all required education programs.
- (5) Criteria: Ohio Revised Code Section 117.38 requires entities filing on a cash-basis to file annual reports with the Auditor of State within sixty days of the fiscal year end.
- Condition: For the year ended December 31, 2015 the required filing deadline was February 29, 2016 and the Township filed March 2, 2016. For the year ended December 31, 2016 the required filing deadline was March 1, 2017 and the Township filed May 12, 2017.
- Effect: By not timely filing annual reports with the Auditor of State, the audit may be significantly delayed and ultimately will not provide the citizens and other intended users of the report with timely information.
- Recommendation: We recommend the Township promptly prepare all financial records to file a timely report, or to consult with an outside firm to timely submit the required reports.
- (6) Criteria: Ohio Revised Code Section 121.22 requires the minutes of a regular or special meeting of any public body be promptly prepared, filed, and maintained and shall be open to public inspection.
- Condition: Minutes from meetings occurring in early 2015 were not prepared until mid 2017.
- Effect: By not promptly preparing, filing and maintaining minutes of a regular or special meeting, the Township risks noncompliance with Ohio Sunshine Laws and may not be able to promptly respond to public records requests.
- Recommendation: We recommend the Township promptly prepare all meeting minutes and to make all minutes available for public inspection.

- (7) Criteria: Ohio Revised Code Sections 509.02, 3929.17, and 3.06 require Township constables be bonded in an amount not less than \$500 nor more than \$2,000, to be fixed by the Board of Township Trustees.
- Condition: The Township employed two new constables in 2016, neither of which were bonded.
- Effect: By not bonding all required employees, the Township risks liabilities of the bonding company, in the event of unfaithful and undiligent discharge of duties in office.
- Recommendation: We recommend the Township obtain a surety bond for each Township constable, or a blanket bond covering all constables, in an amount fixed by the Board of Township Trustees.
- (8) Criteria: Ohio Revised Code Sections 507.09(D) requires any township fiscal officer electing to receive less than the compensation the fiscal officer is entitled to, notify the board of township trustees in writing, and the board shall include this notice in the minutes of its next board meeting.
- Condition: The Fiscal Officer elected to receive \$19,800 in compensation for 2016, which is less than the \$20,796 in compensation which the position was entitled. The Trustees were not informed of this election in writing.
- Effect: By not formally documenting this election, the Township is exposed to risk of payroll processing errors.
- Recommendation: We recommend the Township document all elections to receive less than the entitled compensation in the minutes of the board meetings.

#### Recommendations

#### Inter-Fund Cash Advances

Though no statutory provisions directly address inter-fund advances, the Auditor of State issued Bulletin 1997-003, prescribing accounting treatment for inter-fund cash advances. Per this Bulletin, advances are intended to temporarily reallocate cash from one fund to another and involve the expectation of repayment. The township had numerous advances outstanding for longer than one year. As of December 31, 2016, the Police District Fund had a \$60,000 advance, initially advanced in 2013 and a \$60,000 advance, initially advanced in 2015, each outstanding to the General Fund. The Cemetery Fund had \$10,000, initially advanced in 2015, outstanding to the General Fund.

In addition, the Bulletin states, advances must be approved by a formal resolution of the taxing authority of the subdivision. The Cemetery Fund had additional advances amounting to \$15,000 occurring in 2016 that appear proper regarding time requirements, however, these advances were not formally approved by the Board of Trustees. A \$1,000 advance to the Cemetery Fund from the General Fund occurred in 2015, also without formal approval, however this advance was returned within the same year.

By not formally approving all advances of cash and having inter-fund advances outstanding long-term, the Township may lose track of the amount due to the General Fund from each debtor fund. It is recommended the Township approve all advances by formal resolution prior to the advance occurring within the accounting system. This resolution must include a specific statement that the transaction is an advance of cash and an indication of the fund from which it is expected that repayment will be made. It is also recommended all advances are repaid within a year from the date the advance initially occurred.

### **Then and Now Certificate**

An excessive amount of then and now certificates were noted during the audit. The then and now certificate exception provides that if the fiscal officer can certify that both at the time that the contract or order was made and at the time he is completing his certification, 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. The certificate should be used only in emergency situations and excessive use of the certificate could indicate inadequate planning and/or budgeting deficiencies. It is recommended the Township certify the availability of funds prior to entering into contract, or otherwise committing funds, and to only use then and now certificates when an emergency situation may require.

### **Payroll Allocation to Funds**

Standards for documentation of personnel expenses, provides, in part, that charges to funds for salaries and wages must be based on records that accurately reflect the work performed. During the audit period it was noted, all hourly street department employees' pays were allocated 50/50 between the Road District Fund and the Cemetery Fund. The Township did not maintain adequate documentation to support the amount charged to each fund, but per inquiry, regular reviews are performed to ensure the allocation is reasonable. Failure to maintain support for payroll charged to individual funds could lead to fund balance adjustments for unsupported expenses. We recommend the Township maintain the personnel activity reports regularly reviewed.

### **Fees – Pricing Standard**

Fees schedules help ensure consistent charge and application for services provided to others. The Township charges fees for advertisements in a local newsletter. While the charges are consistent, the Township did not have a formal pricing standard. It is recommended the Township formalize a pricing standard for fees charged to ensure the consistent charge and application of similar fees. The Township should regularly review this fees schedule to ensure it is updated for inflation and other potential economic impacts.

### **Cafeteria Plan**

The Township provides benefits to officials and employees under a cafeteria plan that meets the requirements of section 125 of the Internal Revenue Code. By using this plan, Township officials and employees can pay their share of health insurance premiums using pretax dollars. Because the plan has existed for some time, the Township was unable to locate any documentation related to the creation of this plan or its approval by the IRS. We recommend the Township attempt to locate the documentation or consult with legal counsel and/or the IRS in order to obtain new documents.

Board of Trustees  
Sharon Township  
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These comments are intended solely for the information and use of the Trustees and management of Sharon Township, Ohio, and are not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
May 30, 2017