



Dave Yost • Auditor of State

MANAGEMENT LETTER

Miami Township
Clermont County
6101 Meijer Drive
Milford, Ohio 45150

To the Board of Trustees:

We have audited the financial statements of Miami Township, Clermont County, Ohio (the Township) in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2012, and have issued our report thereon dated June 26, 2014 where we noted that the Township uses a special purpose framework other than generally accepted accounting principles.

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 June 26, 2014, for the year ended December 31, 2012.

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 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 contact your regional Auditor of State office.

COMPLIANCE

1. Interfund Transfers

Ohio Rev. Code Section 5705.14 states that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members.

In 2012, transfers were not formally approved by the Trustees in a separate resolution. The Township does appropriate transfers in the annual approved budget. This is not sufficient to meet the requirements of the Ohio Revised Code provisions requiring a resolution of the Trustees. The failure to properly approve transfers could allow funds to be transferred contrary to the intent of the Trustees and also could permit funds to be expended contrary to law.

**COMPLIANCE
(Continued)**

Furthermore, Ohio Rev. Code, Sections 5705.14-16 allows for the transfer of money from restricted funds to the debt service fund for debt payments. These transfers are not subject to ORC sections 5705.14-16 because these transfers fulfill rather than violate restrictions on using the money.

Debt issued under the authority of Ohio Rev. Code Chapter 133 must be retired through a governmental debt service fund type. However, a separate account, special cost center, etc. should be used to separately track the sinking fund requirements.

The Township failed to create a separate account or special cost center within the debt service fund for each debt issuance. The Township provided annual debt retirement schedules however the amounts did not agree to the actual transfers made to the debt service fund. Therefore we were unable to determine if the debt issuances were paid with allowable funds.

Failure to accurately transfer correct amounts to the debt service fund could lead to monies being transferred and used for unauthorized purposes.

We recommend the Township review the Revised Code sections regarding interfund transfers and obtain proper approval for all transfers.

We also recommend the Township create a separate account or special cost center within the debt service fund for each debt issuance to track transfers according to their annual debt retirement schedules.

2. Investment Continuing Education Requirement

Ohio Rev. Code § 135.22 states subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates indicating that the treasurer has successfully completed the continuing education program.

The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:

- (1) Interim deposits pursuant to § 135.14 (B)(3);
- (2) STAR Ohio pursuant to § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to § 135.14 (B)(5)

The Township Fiscal Officer obtained an exemption for 2012, however, the Township invested in federal agency securities during 2012. The exemption is valid only if the Township invests solely in interim deposits, STAR Ohio, and no-load money market mutual funds. Failure to obtain the required annual training could result in the Township investing in illegal securities.

We recommend the Fiscal Officer complete the annual continuing education program provided by the Treasurer of State.

**COMPLIANCE
 (Continued)**

3. Cash Reconciliation and Receipt Posting

Ohio Admin. Code § 117-2-02 (A) requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions; maintain accountability for the related assets; document compliance with finance-related legal and contractual requirements; and prepare financial statements as required by Ohio Admin. Code § 117-2-03. The Township lacked accurate monthly cash reconciliations and management oversight in the posting of receipts which resulted in the following conditions:

- The Township lacked supporting documentation for reconciling items totaling \$5,949 at December 31, 2012.
- Hotel Tax receipts were classified as Intergovernmental receipts for 2012.
- Liquor Permit fees and Cigarette License Fees were classified as Licenses, Permits, and Fees receipts instead of Intergovernmental receipts for 2012.
- Various Intergovernmental receipts were classified as Tax receipts for 2012 including Tangible Personal Property Reimbursement, Public Utilities Deregulation Reimbursement, and Homestead & Rollback for Manufactured Homes, Tax Increment Financing Districts and Residential Incentive Districts.
- A Property Insurance receipt from the loss of a motorcycle was classified as a Tax receipt in 2012.

A summary of reclassifications follows; these adjustments were not posted to the financial statements:

2012	Major Funds				Other Governmental Funds			
	General	Police	AmbulanWV	Public Safety	Road & Bridge	Park	Fire	TIF/RID
Property & Other Local Taxes	\$45,503	(\$31,756)	(\$23,649)	(\$35,525)	(\$7,359)	(\$7,583)	(\$16,415)	\$-
Intergovernmental	(12,951)	31,756	23,649	20,388	7,359	7,583	16,415	308,567
Licenses, Permits & Fees	(32,552)	-	-	-	-	-	-	-
Payments in Lieu of Taxes	-	-	-	-	-	-	-	(308,567)
Other	-	-	-	15,137	-	-	-	-

Failure to accurately reconcile the accounting records and properly classify receipts 1) reduces the accountability over Township funds, 2) reduces the Trustees' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Township's financial statements will be misstated.

COMPLIANCE
(Continued)

We recommend the Township identify and document all reconciling items on the monthly cash reconciliations to ensure completeness and accuracy.

To improve record keeping and accountability of receipts, we recommend that all receipts be accurately posted. For guidance the Township should utilize the Ohio Township Handbook.

We intend this report for the information and use of the governing board, audit committee, and management.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 26, 2014