



Dave Yost • Auditor of State

MANAGEMENT LETTER

Bazetta Township
Trumbull County
3372 State Rt.5 N.E
Cortland, OH. 44410

To the Board of Trustees

We have audited the financial statements of Bazetta Township, Trumbull County, (the Township) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2010 and December 31, 2009 and have issued our report thereon dated May 17, 2011.

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 May 17, 2011 for the years ended December 31, 2010 and December 31, 2009.

We are also submitting the following comments for your consideration regarding the Government's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the reports *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.

NONCOMPLIANCE FINDING

1. Purchase orders issued after invoice date

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. The amount so certified shall be recorded against the applicable appropriation account.

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.

**NONCOMPLIANCE FINDINGS
(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" at the time that he is completing his certification "now", 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 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 (\$1,000 prior to April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 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 reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

We noted from our review of the seventy-two vouchers, that eight of them had a purchase order issued after the invoice was received. This suggests the Township is not appropriating funds prior to engaging in services or making purchases, violating ORC 5705.41(D)

The Township should ensure appropriations are made with purchase orders completed prior to making a contract or entering into an expenditure obligation. This may ensure no amounts are committed to that cannot be paid for.

RECOMMENDATION

2. Software issues

During the audit, we noted several errors with the Township's accounting system.

The system's subsidiary ledgers appeared to be correct. However, when the accounting software generated the year-end financial statements, activity was presented to incorrect line items. For example, transfers out equaled transfers in on the system's 2009 and 2010 subsidiary ledgers, but the financial statements did not present any transfers out in the General Fund for either year. In addition, the ending fund balances in 2009 did not equal beginning fund balances for 2010 on the financial statements.

RECOMMENDATION
(Continued)

All errors were corrected with a "fix" after the software company was alerted to the problems. However, the final "fixed" statements moved the non-expendable trust account to the expendable trust account, again an error. Additionally, the software company frequently did not return calls timely. This caused unnecessary time to be spent by the fiscal officer and the auditors.

We recommend the Township monitor its software outputs to ensure the reliability, accuracy, and completeness of its accounting system.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

May 17, 2011