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MANAGEMENT LETTER

LaGrange Township
Lorain County
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To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements defined in our Independent Auditor's Report of the LaGrange Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements and have issued our report thereon dated April 15, 2026.

Government Auditing Standards require us to communicate deficiencies in internal control, as well as, report on compliance with certain provisions of laws, regulations, contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated April 15, 2026, for the years ended December 31, 2023 and 2022.

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. The comments reflect matters that do not require inclusion in the *Government Auditing Standards* report. Nevertheless, the comments represents 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 the recommendations. The comments reflect our continuing desire to assist your Township but are only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified. If you have questions or concerns regarding the comments please contact your regional Auditor of State office.

Noncompliance Findings

1. Trustee Meeting Minutes

Ohio Rev. Code § 121.22 (C) indicates the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

The Township made audio recordings of all regular and special Trustee meetings, which were used to later transcribe the meetings into written minutes; however, the Township was not completing this in a timely manner. We also noted the October 23, 2023 minutes indicated the Trustees authorizing an interfund transfer of \$5,000. However the transfer recorded in the accounting system was for \$50,000 which is the amount intended by the Trustees upon subsequent inquiry with management.

Noncompliance Findings - (Continued)

1. Trustee Meeting Minutes – (Continued)

Failing to promptly record Trustee meeting minutes makes it difficult for the public and management to determine the official actions taken by the Board of Trustees such as approval of appropriations, personnel actions, disbursements, contracts and other.

Meeting minutes shall be promptly prepared for each regular or special Trustee meeting, approved by Trustees, and available for public inspection. Additionally, while not required, it is considered a best practice to maintain meeting minutes on the Township's website after their approval.

2. Fiscal Officer Expenditure Certification

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made 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 encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Governing Board can authorize the drawing of a warrant for the payment of the amount due. The Governing Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units 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 expenditures by the Township.
2. Blanket Certificate – The auditor or fiscal officer 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. 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.

Noncompliance Findings - (Continued)

2. Fiscal Officer Expenditure Certification – (Continued)

3. Super Blanket Certificate – The Governing Board 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, two of seven (or 29 percent) and three of seven (or 43 percent) in 2023 and 2022 respectively of the transactions tested at year-end were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence 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 help ensure 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 Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

3. Public Records Policy

Ohio Rev. Code § 149.43(E)(2) requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

The public records policy was not in the employee handbook. This could result in records requests not being fulfilled in accordance with Ohio law.

The public records policy should be included in the Township's policy manuals or handbooks.

Noncompliance Findings - (Continued)

4. Public Fund Deposits

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

Due to lack of documentation regarding the dates public monies received were deposited with the fiscal officer or designated depository, we were unable to determine if the Township complied fully with the aforementioned requirements.

Specifically, we noted the following items which appear to be noncompliant.

- One of ten Charges for Services receipts totaling \$12,182 and four of ten Charges for Services receipts totaling \$42,776 from 2023 and 2022, respectively, were not deposited with the designated depository for a period ranging from three to 23 business days after initial receipt of the monies.
- Four of four Licenses, Permits, and Fees receipts totaling \$4,941 in 2022 were not deposited with the designated depository for a period ranging from seven to 16 business days after initial receipt of the monies.
- Five of six Miscellaneous receipts totaling \$10,005 in 2022 were not deposited with the designated depository for a period ranging from six to 15 business days after initial receipt of the monies.
- Two of three Sale of Fixed Assets receipts totaling \$83,742 in 2022 were not deposited with the designated depository for a period ranging from four to 20 business days after initial receipt of the monies.
- All cash and checks for burials, hall rental, and permits collected were not deposited with the Fiscal Officer until the next Trustee meeting up to several weeks later.

Not safeguarding funds, documenting receipt dates, and delays in bank deposits result in deficiencies in internal control procedures which could cause receipts to be lost, misplaced, or stolen without being detected.

The Township should draft, approve and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

Noncompliance Findings - (Continued)

5. 1099 Forms

26 CFR § 1.6041–1(a)(1)(i)(A), states, in part, that except as otherwise provided in §§ 1.6041–3 and 1.6041–4, every person engaged in a trade or business shall make an information return for each calendar year with respect to payments it makes during the calendar year in the course of its trade or business to another person of fixed or determinable income described in paragraph (a)(1)(i) (A) or (B) of this section. For purposes of the regulations under this section, the person described in this paragraph (a)(1)(i) is a payor. Payments are to be reported for salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more.

The Township printed 1099 forms for 2023 and 2022 however, we were unable to determine the forms were properly and timely distributed.

Failure to prepare the required forms timely could result in fines and penalties being levied against the Township. The Township should establish policies and procedures to verify that payments in excess of \$600 to its independent contractors are reported on the 1099 form.

This matter will be referred to the Internal Revenue Service.

Recommendations

1. Financial Statement Adjustments

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

During 2023, homestead and rollback receipts were reported to proper funds but classified as Property Tax Revenue instead of Intergovernmental Revenue, resulting in an overstatement of Property Tax Revenue and understatement of Intergovernmental Revenue in the General and Special Revenue Funds in the amounts of \$27,815 and \$49,138, respectively. The financial statements have been adjusted by management for these items.

Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and preparation of the financial statements to prevent errors and to assist in properly reflecting the Township's financial activity. In addition, the Board should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

Recommendations – (Continued)

2. Budgetary Accounting

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger. The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

3. Time Sheet Controls

Section 4.1 Part C of the LaGrange Township Personnel Policy and Procedures Manual states, "All employees must sign their time sheets and the department head/supervisor must sign department payroll sheets."

This is a key control for Township management to ensure that all employees receive appropriate amounts of compensation based on accurate information related to employees' working hours and used leave. Additionally, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance for the safeguarding of public funds.

We noted that certain Fire and EMS employees time sheets were not signed by the employee nor their supervisor pursuant to the aforementioned policy.

Without adequate signoffs and records, it is difficult for management to ensure that all employees receive appropriate amounts of compensation based on accurate information related to employees' working hours and used leave.

Other Matters

Ohio Rev. Code §§ 145.01, 145.03, 145.402, 145.47, 145.48, and Ohio Admin. Code 145-1-26 provides guidance on the Ohio Public Employees Retirement System (OPERS), definitions, exclusions, exemptions and rates of contributions. Pursuant to these requirements, with a few limited exceptions, all Township employees should be members of the OPERS system.

The Township withholds and remits Social Security contributions to the Internal Revenue Service (IRS) for certain employees for whom the Township has determined their wages are exempt from OPERS. However, there are several employees who also make contributions to OPERS in addition to Social Security for other job duties they perform for the Township for which the Township has determined are not exempt.

The Township should consult with its legal counsel, OPERS and the IRS to ensure each employee is contributing to the appropriate system based upon their respective positions, duties, OPERS membership requirements, and if it appropriate to pro-rate contributions between the two systems. Failure to contribute to the appropriate system could result in penalties, interest or other unnecessary expenditures to the Township and possible Findings for Recovery.

This matter will be referred to the Ohio Public Employees Retirement System and Internal Revenue Service to make a conclusive determination.

Additionally, the Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation results may be reported on at a later date.

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

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

April 15, 2026