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OFFICE OF THE TOWNSHIP CLERK

Report on Applying Agreed-upon Procedures

Board of Supervisors
Upper Uwchlan Township
Chester County, Pennsylvania

I have performed the procedures enumerated below, which were agreed to by the Board of Supervisors of Upper Uwchlan Township, solely to assist you with respect to the rent of Upland Farms for the period May 4, 2004 through December 31, 2008. The administration of Upper Uwchlan Township is responsible for the books, records and supporting documentation of Upper Uwchlan Township. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Background

On May 4, 2004, John J. Roughan, Jr., Upper Uwchlan Township's Manager and Al Gaspari, Code Enforcement Officer entered into an agreement ("rental agreement") that stated the Board of Supervisors allowed Al Gaspari to occupy premises known as Upland Farm in exchange for a monthly rent of \$500 per month. Upper Uwchlan Township does not own Upland Farm, but is rather awaiting transfer of Upland Farm upon satisfactory completion of a sewage treatment facility that will also be transferred to Upper Uwchlan Township.

During the period May 4, 2004 through December 31, 2008, Mr. Roughan and Mr. Gaspari amended the rental agreement to take into account work that was performed by Mr. Gaspari on Upland Farm. Per Mr. Gaspari, the Board of Supervisors were not informed about the amendment to the rental agreement.

Subsequently, the current Board of Supervisors learned that the rental agreement had been amended and that the rent collected and exchange of services provided for the rent that would have been charged appeared to have inconsistencies during the period Upland Farm was rented by Mr. Gaspari.

The objectives of these agreed upon procedures is to address those inconsistencies. The books and records of Upper Uwchlan Township reflect rental payments received during the years 2004, 2005, and 2006. During 2006, the books and records also recorded a general journal

adjustment reflecting the services rendered in exchange for the rent. The purpose of the agreed upon procedures is to verify the amount of rent collected during the period May 4, 2004 through December 31, 2008 and examine the documentation for the services rendered in exchange for the rent that would have been charged during the same period.

Procedures and Findings:

1) I verified the rent collected by tracing amounts received to the cash receipts records of Upper Uwchlan Township and copies of checks provided by Mr. Gaspari's bank as follows:

Table 1 Rent expected and rent paid

Year ended 12/31:	Rent expected	Rent paid
2004	\$4,000.00	\$4,000.00
2005	\$6,000.00	\$3,000.00
2006	\$6,000.00	\$1,000.00
2007	\$6,000.00	\$0.00
2008	\$6,000.00	\$0.00
Totals	\$28,000.00	\$8,000.00

2) I requested from Mr. Gaspari supporting documentation and examined the supporting documentation for the hours worked in exchange for rent paid during the period May 4, 2004 through December 31, 2008. The work performed was as deemed necessary by Mr. Gaspari. Mr. Gaspari received little guidance as to the work he should perform. Mr. Gaspari specifically received requests to: maintain the pool make interior improvements that permitted the Historical Commission to hold its meetings at the property; and make improvements to the barn that accommodated an ambulance at the property. The documentation provided by Mr. Gaspari was reconstructed from his recollection of work performed. Accordingly, none of the documentation provided included approvals by the administration to perform the work or acceptance by the administration of satisfactory completion of the work performed. In examining the supporting documentation, I categorized the hours worked as follows:

Table 2 Work Hours Performed

Year ended 12/31:	Security, trash and yard waste pickup	Carpentry, electrical and plumbing repairs, capital improvements	Pool maintenance, weeding, cleaning debris	Supervising Boy Scouts and Community Service Workers	Total hours
2004	16	27	43		86
2005	24	54.5	48	4	130.5
2006	24	42.5	47.5	12	126
2007	24	33	9	70	136
2008	24	33	1	47	105
Totals	112	190	148.5	133	583.5

3) I noted in Upper Uwchlan Township's general ledger an adjusting journal entry was recorded in 2006 in the amount of \$3,622.50 to record rent received in lieu of services rendered on improvements to the house at Upland Farm. This was the only adjustment noted during the period. During the 2006 audit, I verbally communicated with the administration a concern that an internal control policy should be developed to address the amendment to the rental agreement in order to properly account for the work performed in exchange of rent and report the transactions to the Internal Revenue Service. I followed up this issue during the 2007 audit, and I communicated in writing in a report that an internal control policy should be established to account for and report the transactions to the Internal Revenue Service.

Additional questions raised by interested parties:

As result of newspaper articles published regarding the Upland Farm rent, the Board of Supervisors have asked me to address questions raised by the writer of the newspaper articles as follows:

Question 1: The 2006 Treasurer's reports under miscellaneous income section account 380.004, rental property income, show that \$4,622.50 was paid of the \$6,000 budgeted amount. Why was only a portion of the Upland Farm rental agreement paid that year?

Answer 1: As determined from my agreed upon procedures above, \$1,000 was received in cash and \$3,622.50 was recognized as services performed in lieu of rent. There was no other follow up on the lack of rent received or additional adjusting journal entries recorded for recognition of services performed.

Question 2: The 2007 Treasurer's report under miscellaneous income section account 380.004, rental property income, shows \$0 was paid of the \$6,000 budgeted amount. Can you explain why no money was paid by Al Gaspari for the Upland Farm rental in 2007?

Answer 2: As determined from my agreed upon procedures above, no rent was collected from Mr. Gaspari during 2007. Mr. Gaspari relied upon the amendment to the rental agreement that the work he was performing on Upland Farm satisfied his obligations.

Question 3: The 2008 Treasurer's report section account 380.004, rental property income, was completely dropped from the miscellaneous income category. Can you explain why this item for the Upland Farm rental was completely dropped from the 2008 report?

Answer 3: Mr. Roughan responded to this question as follows:

"the original line item for rental income was the Byers Road property the Township owned. The house was demolished at the end of 2006 the 07 budget was nearing completion, but I removed the line item in 08 thinking to reflect Byers Road property no longer available for rent"

It appears that the 2008 budget did not consider any rent expected from Upland Farm.

Conclusions:

The original rental agreement acknowledged by the Board of Supervisors stated that Mr. Gaspari should pay rent of \$500 per month. During the period May 4, 2004 through December 31, 2008, Mr. Gaspari was expected to pay \$28,000 in rent and paid \$8,000. Mr. Roughan and Mr. Gaspari amended the rental agreement to recognize the work performed by Mr. Gaspari on the property. No documentation was provided to me that the amendment to the rental agreement was executed with the acknowledgment of the Board of Supervisors. As a result of the amendment to the rental agreement, Mr. Gaspari performed a variety of maintenance, repairs, and capital improvements that totaled 583.5 hours.

I was not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of management and the Board of Supervisors and is not intended to be and should not be used by anyone other than those specified parties.

Robert C. Bezzin, CPA

March 23, 2009