



Did You Know? Financial Protection

In 2003, a township clerk (now called fiscal officer) was convicted of stealing over \$4.3 million from the township over an eight-year period. In 2014, three township trustees were issued a \$9,500 finding for recovery for the improper payment of healthcare costs. In 2021, the Auditor of State issued \$26,500 in findings for recovery against the trustees and fiscal officer in a township for the improper expenditure and lack of oversight of township funds.

Because of these instances and many others over the years, Ohio law requires that township officials (and other Ohio office holders) provide taxpayers with a safeguard as it relates to the use, or misuse, of public funds.

The Ohio Revised Code gives elected officials two different options when it comes to protecting township funds: (1) elected official bonding; and (2) faithful performance insurance coverage. Securing either critical safeguard is designed to protect government entities and taxpayers from financial losses due to fraud, embezzlement, or malfeasance of elected officials. It provides a safety net for the taxpayer to promote public trust, discourage temptation and risky behavior, and uphold the fiduciary duty to safeguard public funds. These are fundamental components for transparency and accountability in local government.

Surety Bonds

R.C. §505.02 outlines that each township trustee, before entering office, shall give a bond of no less than \$1,000 conditioned for the faithful performance of duties of office. The bond company acts as surety, meaning they guarantee that if an official fails to faithfully perform their duties, the bonding company will step in to reimburse the township for any stolen or misused funds, up to the bond amount. Many officials believe a surety bond protects them in the event of a loss; this is not true. In fact, in the event of a bond loss, the bonded person may be personally responsible to pay the money back or compensate the bonding company.

Fiscal officer bonding requirements differ from trustees. R.C. §507.03 outlines fiscal officer bonds are payable to the board of township trustees, with sureties approved by the board, in the sum determined by the board but with minimum requirements based upon the township budget.

Budget:	Bond Amount:
\$50,000	\$10,000
\$50,001-\$100,000	\$35,000
\$100,001-\$250,000	\$60,000
\$250,001-\$500,000	\$85,000
\$500,001-\$750,000	\$110,000
\$750,001-\$1,500,000	\$135,000
\$1,500,001-\$3,500,000	\$160,000
\$3,500,001-\$6,000,000	\$195,000
\$6,000,001-\$10,000,000	\$220,000
\$10,000,001 and greater	\$250,000

Faithful Performance Coverage

Ohio Revised Code §3.061 permits a political subdivision, instead of securing bonds, to adopt a policy of insurance, or a coverage document from a joint self-insurance pool to cover "employee dishonesty and faithful performance."

R.C. §3.061 further outlines the requirements of an insurance policy:

- The bond must remain covered for the duration of the individual's term;
- The office or employment is vacated should the failure to file a bond, or policy be in effect upon entering the duties of the office or employment;

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- The coverage amount for an office, employee, or appointee under an employee dishonesty and faithful performance of duty policy shall be equal to or greater than the maximum amount of the bond otherwise required. Meaning, if a \$1,000 bond is required, the insurance coverage must be \$1,000 or more.

A township must enact such a policy, otherwise the elected officials must continue to secure surety bonds.

Securing elected officials' bonds or faithful performance of duty coverage is a small price to pay for the peace of mind and fiscal safeguards the financial protection provides. Your residents will appreciate knowing their hard-earned dollars are being vigilantly protected.

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