

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE TOWNSHIP

HAMILTON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**

12/06/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Diane Crim	01-01-18 to 12-31-22
	Laura McNamara	01-01-23 to 12-31-23
Chair of the Township Board	Stacy Mahan	01-01-18 to 12-31-18
	Brent Hiday	01-01-19 to 12-31-19
	Stacy Mahan	01-01-20 to 12-31-20
	Laura McNamara	01-01-21 to 12-31-21
	Stacy Mahan	01-01-22 to 12-31-22
	Dustin Hiday	01-01-23 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WAYNE TOWNSHIP, HAMILTON COUNTY, INDIANA

This report is supplemental to the audit report of Wayne Township (Township), for the period from January 1, 2018 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Township. It should be read in conjunction with the Financial Statements Audit Report of the Township, which provides our opinions on the Township's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE  
Deputy State Examiner

November 21, 2023

WAYNE TOWNSHIP, HAMILTON COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in the immediately prior Report B51775, entitled *INTERNAL CONTROLS*.

*Condition and Context*

The Township had not designed or implemented an effective system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to receipts.

The Township implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments, disbursements, and financial close and reporting. An oversight or review process was documented, but did not prevent, or detect and correct, errors to ensure that the financial information recorded and reported was accurate and complete.

The Township's financial information was prepared and electronically submitted to the Indiana Gateway for Government Units financial reporting system, which was the source of the Township's Annual Financial Report and financial statements. Due to the lack of effective internal controls, the following errors occurred:

1. In 2018, the Township recorded a \$45,000 transfer within the Rainy Day Fund that was an encumbrance, not a transfer. This caused receipts and disbursements to be overstated.
2. In 2019, the Township recorded a \$1,066,835 transfer in the Township Fund that was actually a bank transfer and should not have been recorded as a fund transfer. This caused both receipts and disbursements to be overstated.
3. In 2022, the Township recorded transfers in the amount of \$104,673 which were actually encumbrances, this affected the Fire Equipment Loan fund, Township Fund, Firefighting fund, and the Debt Service fund and caused both receipts and disbursements to be overstated.

Adjustments were proposed, accepted by management, and made to the financial statements presented in the Financial Statements Audit Report for the Township.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

WAYNE TOWNSHIP, HAMILTON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Township had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

#### *Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis*

Information presented for audit included the errors described above in the *Financial Transactions and Reporting* comment.

#### *Leases and Debt*

1. Construction debt reported as of December 31, 2019, was understated by \$107,659.
2. Construction debt reported as of December 31, 2021, was overstated by \$37,841.
3. The ambulance lease was reported under debt instead of leases. In 2021, debt was overstated by \$49,945 while leases were understated by that amount. In 2022, debt was overstated by \$244,262 and leases were understated by \$55,736.

#### *Capital Assets*

The capital asset list in Gateway did not include an addition for the ambulance. The capital asset listing provided for audit did not match what was reported in Gateway. Therefore, amounts originally reported were not able to be verified. The Township opted not to present the Schedule of Capital Assets in the Financial Statements Audit Report of the Township.

Adjustments were proposed, accepted by the Township, and made to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information, and the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Township.

WAYNE TOWNSHIP, HAMILTON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Township paid \$1,121 in penalties in interest due to a late payment to the Indiana Department of Revenue and a late payment on a contract in 2021. The Township did not make the final payment on a vendor contract in a timely manner which resulted in interest being added and paid on the final payment. This also caused the contract amount to be overpaid.

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**PUBLIC WORKS CONTRACTS**

*Condition and Context*

The Township entered into a contract for a construction project in the amount of \$1,778,690. The Township obtained bids as would have been required for a contract of this dollar amount. However, the Township elected to change the scope of the project to cover additional improvements. As the scope of the project changed, the total price increased by \$854,184, which is more than 20 percent above of the original contract price. At this point, the additional work should have been reviewed and bid out. The Township also did not have evidence of board approval for all change orders that occurred for the project.

There was no evidence the Township used the proper bid packets for obtaining quotes for two constructions projects conducted during the audit period.

WAYNE TOWNSHIP, HAMILTON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one hundred fifty thousand dollars (\$150,000).

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. . . .
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
  - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and . . ."

Indiana Code 36-1-12-18 states in part:

". . . (d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

(e) All change orders must be directly related to the original public work project.

(f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

WAYNE TOWNSHIP, HAMILTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2023, with Laura McNamara, Trustee; Monica Hanes, Deputy Township Clerk; and Dustin Hiday, Chair of the Township Board.