

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/25/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Internal Controls	6
Annual Financial Report - Other Information	6-7
Certification on Internal Control Standards	7-8
Supporting Documentation - Transfers	8
Errors on Claims and Transfers	8-9
Wayne County; Additional Rate for County Jail; Uses; Balance Transfer to County Highway Fund	9-10
Exit Conference	11
Board of County Commissioners:	
Audit Result and Comment:	
Training on Internal Control Standards	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Mark Hoelscher	01-01-23 to 12-31-24
County Treasurer	Nancy Funk	01-01-23 to 12-31-24
Clerk of the Circuit Court	Debra Berry	01-01-23 to 12-31-24
County Sheriff	Randy Retter	01-01-23 to 12-31-24
County Recorder	Debra Tiemann	01-01-23 to 12-31-24
President of the Board of County Commissioners	Jeff Plasterer	01-01-23 to 12-31-24
President of the County Council	Beth Leisure	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WAYNE COUNTY, INDIANA

This report is supplemental to the audit report of Wayne County (County), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 21, 2024

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COUNTY AUDITOR
WAYNE COUNTY

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure that the County complied with laws, regulations, and uniform compliance guidelines. Noncompliance was identified over the following as detailed further in the comments below:

- Annual Financial Report - Other Information
- Certification on Internal Control Standards
- Supporting Documentation - Transfers
- Errors of Claims on Transfers
- Wayne County; Additional Rate for County Jail; Uses; Balance Transfer to County Highway Fund

Criteria

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:

"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 - OTHER INFORMATION

A similar comment appeared in prior Report B59605, entitled *REPORTING ERRORS - OTHER INFORMATION*, and Report B61754, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION AND REQUIRED SUPPLEMENTARY INFORMATION*.

Condition and Context

Financial, supplemental, 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.

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Accounts Payable/Accounts Receivable

The accounts payable and accounts receivable information entered into Gateway was reported incorrectly. The accounts receivable at year end was reported at \$0 dollars, and no supporting documentation was provided to substantiate this amount. The accounts payable at year end was reported at \$2,199,289 but this amount also lacked supporting documentation.

The differences have not been determined but are presumed to be material. The County has opted to not report accounts receivable or payable information in the Financial Statement Audit Report of the County.

Grants

The Grant Schedule entered annually into the AFR via the Gateway, which was the source of the Schedule of Expenditures of Federal Awards (SEFA), contained the following errors:

- The COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) grant was listed under assistance listings number 93.354 instead of 93.323.
- The Child Support Services grant expenditures were understated by \$174,664.
- Not all program names or identifying numbers were correctly listed.

Audit adjustments were proposed, approved by the County, and made to the SEFA included in the Financial Statement Audit Report of the County.

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 as set forth in the uniform compliance guidelines. 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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County certified in the Annual Financial Report that required personnel had received the training over internal control standards; however, documentation could not be provided to support that the required employees had completed the training.

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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

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SUPPORTING DOCUMENTATION - TRANSFERS

Condition and Context

Of the 81 transfers recorded by the County in 2023, 21 of the transfers totaling \$3,368,306 lacked County Council approval and/or supporting documentation.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ERRORS ON CLAIMS AND TRANSFERS

Condition and Context

Thirteen transactions recorded by the County in 2023 were incorrectly classified as transfers when they should have been done by error corrections. This incorrect classification artificially inflates both receipts and disbursements within the financial statement. The total of this error in aggregate is \$567,132.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

**WAYNE COUNTY; ADDITIONAL RATE FOR COUNTY JAIL; USES;
BALANCE TRANSFER TO COUNTY HIGHWAY FUND**

Condition and Context

In April 2023, the County completed paying on its Jail Bond Debt Service fund. The County then transferred the remaining balance of \$1,713,390 from the Jail Bond Debt Service fund to a newly created fund in the ledger called the Highway From Jail Bond fund. This was in violation of Indiana Code 6-3.6-7-23, which requires that the remaining money be transferred to the County Highway fund.

Criteria

Indiana Code 6-3.6-7-23 states:

- "(a) This section applies only to Wayne County.
- (b) Wayne County possesses unique economic development challenges due to underemployment in relation to similarly situated counties. Maintaining low property tax rates is essential to economic development, and the use of a tax under this section to pay any bonds issued or leases entered into to carry out the purposes of this section, rather than the use of property taxes, promotes these purposes.
- (c) The county fiscal body may impose a tax on the adjusted gross income of local taxpayers at a tax rate that does not exceed twenty-five hundredths percent (0.25%).
- (d) Revenue raised from a tax under this section may be used only for the following purposes:
 - (1) To finance, construct, acquire, improve, renovate, or equip the county jail and relate buildings and parking facilities, including costs related to the demolition of existing buildings and the acquisition of land.
 - (2) To repay bonds issued, or leases entered into, for constructing, acquiring, improving, renovating, and equipping the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings and the acquisition of land.
- (e) The tax imposed under this section may be imposed only until the later of the date on which the financing acquisition, improvement, renovation, and equipping described in this section are completed or the date on which the last of any bonds issued or leases entered into to finance the construction, acquisition, improvement, renovation, and equipping described in this section are fully paid. The term of the bonds issued (including any refunding bonds) or a lease entered into under this section may not exceed twenty (20) years.

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(f) Notwithstanding any other law, funds accumulated from the tax imposed under this section after:

(1) the redemption of bonds issued; or

(2) the final payment of lease rentals due under a lease entered into under this section;

shall be transferred to the county highway fund to be used for construction, resurfacing, restoration, and rehabilitation of county highways, roads, and bridges."

COUNTY AUDITOR
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2024, with Mark Hoelscher, County Auditor; Jeff Plasterer, President of the Board of County Commissioners; Beth Leisure, President of the County Council; Jeff Cappa, County Council member; Barry Ritter, County Council member; Gary Saunders, County Council member; Max Smith, County Council member; Cathy Williams, County Council member; Mary Anne Butters, County Commissioner member; Brad Dwenger, County Commissioner member; and Ronald Cross, County Attorney.

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BOARD OF COUNTY COMMISSIONERS
WAYNE COUNTY

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WAYNE COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal control training was not provided to employees that were involved in receipting or disbursing money for the audit period.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2024, with Mark Hoelscher, County Auditor; Jeff Plasterer, President of the Board of County Commissioners; Beth Leisure, President of the County Council; Jeff Cappa, County Council member; Barry Ritter, County Council member; Gary Saunders, County Council member; Max Smith, County Council member; Cathy Williams, County Council member; Mary Anne Butters, County Commissioner member; Brad Dwenger, County Commissioner member; and Ronald Cross, County Attorney.