

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WAYNE TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/11/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeb Bardon	01-01-23 to 12-31-24
Judge	The Honorable Gerald Coleman	01-01-23 to 12-31-24
Chair of the Township Board	Bryan Chatfield	01-01-23 to 12-31-24
Fire Chief	Marcus Reed	01-01-23 to 12-31-24



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Wayne Township (Township), for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the Township's financial statement and have issued our report thereon dated August 20, 2024, wherein we noted the Township followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

Wayne Township's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Township's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 20, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Wayne Township's (Township) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2023. The Township's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Township's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Cost as item 2023-003, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the Township's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Township's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the Township, as of and for the year ended December 31, 2023, and the related notes to the financial statement. We issued our report thereon dated August 20, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 20, 2024

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Township. The schedule and notes are presented as intended by the Township.

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WAYNE TOWNSHIP, MARION COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Medicaid Cluster	Indiana Family and Social Services Administration				
Medical Assistance Program		93.778			
Payments to Government Ambulance Transportation Services			FY 2023	\$ -	\$ 1,033,898
Total - Medicaid Cluster				-	1,033,898
Total - Department of Health and Human Services				-	1,033,898
<u>Department of Homeland Security</u>					
National Urban Search and Rescue (US&R) Response System	City of Indianapolis	97.025			
FEMA Urban Search and Rescue			EMW-2018-CA-USR-0013	-	138,051
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct Grant	97.083			
Safer Grant			EMW-2018-FH-00167	-	416,541
Total - Department of Homeland Security				-	554,592
Total federal awards expended				\$ -	\$ 1,588,490

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

WAYNE TOWNSHIP, MARION COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Township under programs of the federal government for the year ended December 31, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Township, it is not intended to and does not present the financial position of the Township.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The Township has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Medicaid Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2023-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The Township is required to file financial reports after the close of each calendar year. The reports are to be filed electronically as prescribed.

The Township's internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Township's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Township did not adequately review the federal grant information prepared and submitted in Gateway. Although the Township's outside consultant prepared the Gateway reports, including the SEFA, and the Township Board reviewed and approved the information prior to submission by the Trustee, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

- The Medicaid Cluster expenditures were understated by \$1,033,898.
- The National Urban Search and Rescue (US&R) Response System grant expenditures were understated by \$138,051.
- The Staffing for Adequate Fire and Emergency Response (SAFER) grant expenditures were overstated by \$138,050.

Audit adjustments were proposed, accepted by the Township, and made to the SEFA presented in this report.

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](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section § 200.510 . . ."

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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. . . .

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Cause

Management of the Township had not established an effective system of internal controls that would have ensured proper reporting of the SEFA. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the Township's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The Township was adjusting to employee turnover and changes in employee responsibilities at the end of 2022 and the beginning of 2023. In addition, the Trustee was new to the position as of July 10, 2022, and was not familiar with how to prepare a SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-002

Subject: Internal Controls over the Bank Reconcilements
Audit Finding: Material Weakness

Condition and Context

There were deficiencies in the internal control system of the Township related to financial transactions and reporting. The Township had not properly designed or implemented internal controls over cash and investments.

Township Bank Reconcilements were prepared by an outside accountant without evidence of oversight and review.

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.

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Cause

Management of the Township had not established a proper system of internal controls over cash and investments that would have ensured proper reporting of the financial statement. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the Township's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The Trustee was not aware of the need for effective internal controls over cash and investments and instead focused on sharing monthly financial reports with the Township Board without obtaining evidence of any review performed.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of cash and investments could have occurred and remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Medicaid Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting
Federal Agency: Department of Health and Human Services
Federal Program: Medical Assistance Program
Assistance Listings Number: 93.778
Federal Award Number and Year (or Other Identifying Number): FY 2023
Pass-Through Entity: Indiana Family and Social Services Administration
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-002.

Condition and Context

The Township had not properly designed or implemented a system of internal controls which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, material noncompliance related to expenditures made from the Medicaid Cluster.

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Medicaid Cluster consists of three federal programs. However, the Township received funding from only one program, the Medicaid Assistance Program. The Medicaid Assistance Program grant funding is provided by the Indiana Family and Social Services Administration to Freestanding Governmental Ambulance Providers, such as the Township, based on a Cost Report for funding. The Cost Report for funding utilizes all costs associated with the operation of the Township's ambulance program in conjunction with other metrics such as ambulance runs, total charges, and Medicaid charges to determine the federal ambulance payment adjustment, the amount received by the Township.

The Township utilized its Fire Fighting Fund to account for both fire and ambulance services. Costs were allocated between fire and ambulance services as necessary. Expenditures related to ambulance services were included in the Township's Cost Report to determine the reimbursement due to the Township. The funding received during the audit period was based on expenditures and data from January 1, 2020 through December 31, 2020, and as such, internal controls for that period were reviewed.

The Cost Report for the Medicaid Program was prepared by the Township's contracted CPA firm using information provided by the Township. The Township provided expenditure data, reports detailing run data, and charges (both Medicaid and non-Medicaid) to the CPA firm. The CPA firm prepared and submitted the report. The Township did not participate in the preparation or submission process, nor complete a review of the report prior to submission. As such, the Township could not ensure that the information provided was properly utilized or that the report was accurate.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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. . . .

WAYNE TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Cause

A proper system of internal controls over Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting for the Medicaid Cluster expenditures was not designed by management of the Township, which would include segregation of key functions to ensure Medicaid Cluster funds were being used appropriately. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the Township's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The Township first became aware of this internal control deficiency during the 2022 audit; however, since the expenditure reimbursements by the awarding agency are on a three-year cycle, the reimbursements received in 2023 were for submissions made for 2020 reporting. During 2020, the Township was unaware of the lack of internal controls.

Effect

Without the proper implementation of an effectively designed system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the Township.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Township's management design and implement a proper system of internal controls including policies and procedures that would include segregation of duties for the preparation and approval of expenditure reports to ensure the accuracy of such reports.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Township. The documents are presented as intended by the Township.



Summary Schedule of Prior Audit Findings

FINDING 2021-002

Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: FY 2020
Current Audit Period: FY 2023

Status of Audit Finding: Fully Corrected FY 2023

Response Comments:

This was fully corrected with the original plan. This remained a comment in 2022 but you will see it is fully corrected.

FINDING 2021-003

SAFER - Period of Performance, Reporting

Fiscal year in which the finding initially occurred: FY 2020
Current Audit Period: FY 2023

Status of Audit Finding: Fully Corrected

Response Comments:

No further action is needed because the grant is over but will follow the plan if we enter into another SAFER grant award.

FINDING 2021-004

SAFER - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Matching

Fiscal year in which the finding initially occurred: FY 2020
Current Audit Period: FY 2023

Status of Audit Finding: Fully Corrected

Response Comments:

No further action is needed because the grant is over but will follow the plan if we enter into another SAFER grant award.

FINDING 2022-001

Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: FY 2021
Current Audit Period: FY 2023

Status of Audit Finding: Fully Corrected

Response Comments:

Fully corrected with the original plan. No further action required but we continue to make sure we are following our Internal Controls. We look for ways to improve our processes monthly.

FINDING 2022-002

Medicaid Cluster – Activities Allowed or Unallowed / Allowable Costs

Fiscal year in which the finding initially occurred: FY 2021
Current Audit Period: FY 2023

Status of Audit Finding: Uncorrected

Response Comments:

The Federal Cost report beginning 2022 is being done by a new firm. The firm is Blue & Co. They are a well-established CPA. The information that is given to the CPA firm will be maintained by Wayne Township and will be put the finished cost report. This is for the financial and other metrics that are needed for the report. The cost report will be reviewed for accuracy by the Township Office.

The Finding recurred because the Ambulance payment adjustment is received about two- and one-half years in arrears this comment would be repeated until we receive the funds for ambulance activity completed in 2023, which will occur in 2026.

We continue to work with Blue and Company so that this issue does not repeat itself moving forward. Also, effective March 17, 2024, the EMS Department merged with IEMS so this will no longer be an issue after 2024.

The final information will not be received until 2026.

FINDING 2022-003

Medical Cluster Reporting

Fiscal year in which the finding initially occurred: FY 2021
Current Audit Period: FY 2023

Status of Audit Finding: Partially Corrected

Response Comments:

The non-compliance portion of the prior comment was corrected. Internal controls are being updated and will be adopted by the Board.

The Finding recurred because the Ambulance payment adjustment is received about two and one half years in arrears this comment would be repeated until we receive the funds for ambulance activity completed in 2023, which will occur in 2026.

Again, the Fire Department and the Township continue to work on this but will not be fully fixed until 2026. As mentioned in the previous comment the EMS Department has merged with IEMS and no longer exists effective 3/17/24, which will resolve this problem completely. When the EMS received a call they logged it in the ESO system and then MedBill or Accumed could then pull the reports to process billing which included the electronic patient health record and EMS run records ,EMS staffing records and Fire Staffing records. They would review and question if something appeared incorrect.

The Township and the Fire Department have worked on improving internal controls and division of duties over the past year and continue to work on them now.

The final information will not be received until 2026.

Bryan Chatfield • Gary Woodruff • Ramona Ward • Doris Minton-McNeill • Charlotte Scott
Chairman Vice Chairman Secretary Member Member



CORRECTIVE ACTION PLAN

For Audit 2023 – Response date 6/06/24

FINDING 2023-001 (Preparation of the Schedule of Expenditures of Federal Awards (SEFA))

Contact Person Responsible for Corrective Action: Jeb Bardon
Contact Phone Number 317-418-7855

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Anytime a federal grant is awarded, the outside financial person will be given a copy of the award by the Fire Department in charge of the grant. The paperwork associated with the grant will be kept by the Fire Department and will give a copy to the financial person to make sure it is correctly reported in Gateway with the correct numbers and financial activity. The financial assistant will notify the outside financial person when a deposit is received. Since most of these grants are reimbursable the expenses will have already been accounted for. A different fund is set up currently specifically for Federal grants and the activities involved.

Anticipated Completion Date: 02/28/25 (since the next report will not be filed until that date)

FINDING 2023-002 Internal Controls over the bank reconcilements

Contact Person Responsible for Corrective Action: Jeb Bardon
Contact Phone Number: 317-418-7855

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The outside bookkeeping company hired by the Township reconciles the bank statements on a monthly basis. After the bank statements are reconciled then a copy of the bank statements along with the reconciliation is sent to the trustee to sign off each month. The Trustee will then initial and date that is was completed.

Anticipated Completion Date: 7/31/24

FINDING 2023-003 (Medicaid Cluster – Activities Allowed or Unallowed, Allowable Costs/Cost Principles)

Contact Person Responsible for Corrective Action: Jeb Bardon
Contact Phone Number: 317-418-7855

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Federal Cost report beginning 2022 will be done by a new firm. The firm is Blue & Co. They are a well-established CPA. The information that is supplied to the CPA firm will be maintained by Wayne Township and will be put the finished cost report. This is for the financial and other metrics that are needed for the report. The cost report will be reviewed for accuracy by the Township Office.

The Ambulance payment adjustment is received about two- and one-half years in arrears. This comment would be repeated until we receive the funds for ambulance activity completed in 2023, which will occur in 2026.

The payments received by the Medicaid program will be reviewed by the Township Accounting Specialist. After the person agrees it is then inputted into the accounting software and coded to the proper account.

Before the Cost report is signed and submitted it will be reviewed by the Township and will ask questions as needed.

Anticipated Completion Date: 12/31/24

OTHER REPORTS

In addition to this report, other reports may have been issued for the Township. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.