

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
12/07/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Clint Madden	01-01-11 to 10-03-16
	(Vacant)	10-04-16 to 10-17-16
	Brenda Mijares	10-18-16 to 12-31-18
Chairman of the Township Board	Rick Trimpe	01-01-12 to 12-31-14
	Kermet M Key	01-01-15 to 12-10-16
	Michael Bell	12-11-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This report is supplemental to our examination report of Wayne Township (Township), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Examination Report of the Township, which provides our opinion on the Township's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 23, 2017

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION

The Ledger of Receipts, Disbursements, and Balances maintained on a computer belonging to the Township for the period of May 2013 to December 2015 was not presented for examination due to the computer being removed from the premises. In addition, several receipts, invoices, and supporting documentation were not retained and available for examination.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

When an official assumes custody of an office, many of the forms and records are continuous. Each official's acts are a matter of record. An official is not responsible for the acts of his successor and a successor is not responsible for the acts of his predecessor.

Regardless of the capacity served by an official, upon completion of his service, all records and forms are to be immediately delivered to his successor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ANNUAL REPORT ERRORS

The Township prepared and submitted its Annual Financial Report information online through the Gateway system. The Annual Financial Reports filed on Gateway for 2012, 2013, 2014, and 2015 contained a number of errors and did not properly reflect the financial activity of the Township. These errors included incorrect beginning balances and receipts and disbursements reported incorrectly. All material errors identified have been corrected.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 Indiana Code 5-14-3.8-7."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for 2012, 2013, 2014, and 2015.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FAILURE TO ENTER INTO CONTRACTS

Payments made for Fire Protection in 2013, 2014, and 2015 and for Mowing Services in 2014 were not supported by written contracts. Additionally, mowing contracts for 2012 and 2013 were located; however, the contracts did not have the signatures of the vendors.

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)

CONFLICTS OF INTEREST

Heather Madden (Madden), wife of former Trustee Clint Madden, and Cheri Trimpe (Trimpe), wife of former Chairman of the Township Board Rick Trimpe, were paid for mowing services by the Township. Per the contracts provided, Madden and Trimpe were to receive \$3,500 each in 2012 and 2013. A Uniform Conflict of Interest Disclosure Statement was not filed by anyone involved.

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony.

(c) It is not an offense under this section if any of the following apply: . . .

- (6) public servant who makes a disclosure that meets the requirements of subsection (d) or (e) and is: . . .
 - (B) appointed by an elected public servant;
 - (C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;
 - (D) elected; or

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

UNDOCUMENTED DISBURSEMENTS

Numerous purchases were made using the Township's credit card which did not contain adequate supporting documentation, such as receipts, invoices, and other public records.

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Townships, Chapter 1)

APPROVAL OF SALARIES

Salaries of Township officers and employees were not fixed in 2012, 2013, 2014, and 2015.

A similar comment appeared in prior Report B42529, entitled "*COMPENSATION AND BENEFITS*."

Indiana Code 36-6-6-10(b) states in part:

"The township legislative body shall fix the:

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay . . . of all officers and employees of the township."

COMPENSATION AND CONTRACTS PAID IN ADVANCE

The Trustee was paid wages in advance of the actual date that services were provided in 2012 and 2015. The Township Clerk was paid wages in advance in 2012. In addition, payments to contractors for mowing services were paid in advance in 2013 and 2014.

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

FAILURE TO ISSUE W-2 AND 1099 FORMS

Form W-2s were not issued for all Township employees for years 2012, 2013, 2014, and 2015. Form 1099s were not issued in 2014 and 2015.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

FAILURE TO PROPERLY REMIT PAYROLL TAXES

Payroll taxes withheld were not properly remitted or reported to the Internal Revenue Service for 2015.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PENALTIES AND INTEREST

Penalties and interest in the amount of \$59.03 were paid to the Internal Revenue Service in 2013 because the Township did not remit payments on a timely basis.

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

OVERDRAWN FUND BALANCES

The Fire Fighting fund had overdrawn fund balances in the amounts of \$8,686 and \$49,195, as of December 31, 2014, and December 31, 2015, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems, which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ASSET OWNERSHIP

Vehicles purchased by the Township for the Volunteer Fire Department were not titled in the name of the Township.

Assets purchased must be titled in the name of the unit. In instances where multiple units are purchasing an asset jointly, the asset must be titled in accordance with an interlocal agreement between the units. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TOWNSHIP ASSISTANCE STANDARDS

Township assistance standards were not established in accordance with Indiana Code 12-20-5.5-1 in 2012, 2013, 2014, or 2015.

Indiana Code 12-20-5.5-1(b) states:

"The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

The Township has not properly maintained a complete inventory of capital assets owned.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

INTERNAL CONTROL DEFICIENCIES

The former Trustee, who served as the Township executive and the Township Fiscal Officer, was responsible for all aspects of Township financial activity. This included reconciling depository accounts, depositing funds, preparing and writing checks, recording financial transactions, preparing financial reports, and monitoring budgetary compliance.

There was no oversight of Township financial activity on an ongoing basis by any other individual. Due to this lack of segregation of duties, noncompliance was able to occur and not be identified timely.

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. . . ."

Wayne Township Trustee

849 E. 450 South

Columbus, IN 47201

812-342-5080

townshiptrusteewayne@gmail.com

October 23, 2017

State Board of Accounts

302 West Washington Street, Room E 418

Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE TO COMPLIANCE REPORT

Dear State Board of Accounts,

The Wayne Township Examination Results and Comments have been reviewed. Please accept this letter as an official response to the Supplemental Compliance Report. Please note that the current Wayne Township Trustee was not in office at the time of the current audit. Internal Controls have been placed to ensure accurate reporting. All other errors in the report have been corrected going forward.

Respectfully submitted,

Brenda Mijares

Wayne Township Trustee

WAYNE TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2017, with Brenda Mijares, Trustee; Michael Bell, Chairman of the Township Board; Clara Claycamp, Township Board Secretary; and Dennis Tibbetts, Township Board member.