

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
07/29/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Andy Harris	01-01-18 to 12-31-18
	Charles J. Jones	01-01-19 to 06-27-22
	Pamela Presley (interim)	06-28-22 to 07-09-22
	Jeb Bardon	07-10-22 to 12-31-22
Judge	The Honorable Gerald Coleman	01-01-18 to 12-31-22
Chair of the Township Board	Doug White	01-01-18 to 12-31-20
	Charlotte Scott	01-01-21 to 12-31-21
	Bryan Chatfield	01-01-22 to 12-31-22
Fire Chief	Gene Konzen	01-01-18 to 12-31-18
	Randy Adams	01-01-19 to 05-21-21
	Mike Lang	05-22-21 to 07-09-22
	Matt Stewart (interim)	07-10-22 to 07-31-22
	Marcus Reed	08-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Wayne Township (Township), for the period from January 1, 2020 to December 31, 2020. 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 our Financial Statement Audit Report of the Township, which provides our opinions on the Township'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

July 7, 2022

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TRUSTEE
WAYNE TOWNSHIP, MARION COUNTY

TRUSTEE
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

Criteria

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township certified on the Annual Financial Report that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, the Trustee indicated that all personnel had not received training on the internal control standards.

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](#)."

SALARY ORDINANCE

Condition and Context

In 2020, two Fire Department positions (Fire Grant and EMT3) were not listed on the Salary Ordinance. In addition, the Salary Ordinance did not list all salaries for each position, only the highest paid person for each position.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TRUSTEE
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

FIRE HOUSE ACCOUNTS

Condition and Context

Payments were made semiannually from the Fire Fighting Fund to each fire house (five stations in total) for cleaning and equipment. These payments were budgeted by the Township for each fire station. The Township funds were transferred electronically from a Township bank account to each station's fire house checking account. In addition to the semiannual payments, monies were periodically transferred by the Township to the fire house checking accounts for other operating costs.

Each fire house had separate checking and savings accounts that were separate from the Township bank accounts. These accounts were in the name of each station's fire house captain. Three of the bank accounts' employer identification numbers (EINs) were the same as the Township bank account EIN and two were not. None of these bank accounts were under the control of the Township Trustee.

Fire house dues, required by the fire department rules and regulations and union contract, were also deposited into each station's fire house checking accounts. The dues were paid by the individual firefighters and were used to purchase food and other items the firefighters deemed necessary. These private monies were commingled with the Township funds on deposits in the checking accounts and could not be separately identified.

The Township funds maintained in the fire house accounts were not required to follow the Township's receipting and disbursement process; therefore, payments from these accounts circumvented the prescribed Township disbursement process and related internal controls. There were no internal controls over cash, receipts, or disbursements for the fire house accounts. The financial activity of the fire house accounts was not recorded in the financial records of the Township and reconciliations with the bank statements were not performed.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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 Townships, Chapter 1)

Indiana Code 5-22-8-2 states:

"(a) This section applies only if the purchasing agent expects the purchase to be less than fifty thousand dollars (\$50,000).

(b) A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body."

TRUSTEE
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-22-3-3 states:

"(a) A governmental body may adopt rules to regulate purchases of the governmental body. A rule adopted under this subsection may:

- (1) supplement this article; and
- (2) not be inconsistent with this article.

(b) The purchasing agency of a governmental body may establish written policies for purchases made by the purchasing agency. The written policies may apply to all purchases generally or to a specific purchase as stated in the solicitation for the purchase. A written policy established under this subsection may:

- (1) supplement this article or a rule adopted by the purchasing agency's governmental body; and
- (2) not be inconsistent with this article or a rule adopted by the purchasing agency's governmental body."

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. . . ."

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."

INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Condition and Context

There were deficiencies in the internal control system of the Township related to payroll disbursements. The Director of Operations was responsible for entering payroll disbursements into the payroll system for the Small Claims Court and Township employees. The Director of Operations entered payroll information into the payroll system without documentation of an oversight, review, or approval process to ensure the accuracy of the information entered.

TRUSTEE
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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:

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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. . . ."

APPROVAL OF HOURS WORKED

Condition and Context

Timecards did not have evidence of review and/or approval from the appropriate official or department head for 8 of 27 Township payroll transactions tested.

Criteria

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

TRUSTEE
WAYNE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2022, with Pamela Presley, interim Trustee; Lynn McWhirter, Director of Operations; The Honorable Gerald Coleman, Judge; Mike Lang, Fire Chief; Tina Benson, Executive Officer; Bryan Chatfield, Chair of the Township Board; Doris Minton, Township Board member; and Ramona Ward, Township Board member.

SMALL CLAIMS COURT
WAYNE TOWNSHIP, MARION COUNTY

SMALL CLAIMS COURT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B52145.

Condition and Context

There were deficiencies in the internal control system of the Small Claims Court (Court) over financial transactions and reporting. The Court had not separated incompatible activities related to cash and investments and disbursements. The failure to establish and maintain internal controls could have enabled material misstatements or irregularities to remain undetected.

Cash and Investments

The Court relied on one employee to prepare the month end bank reconciliations. There were no internal controls in place, such as an oversight, review, or approval process to ensure their accuracy.

Disbursements

The Court relied on one employee to write checks to the Constable. There was no oversight or review of the checks to the Constable to ensure their accuracy.

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.

SMALL CLAIMS COURT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(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. . . ."

DISBURSEMENTS TO THE CONSTABLE

Condition and Context

Disbursements to the Constable were not certified by the fiscal officer during the audit period.

Criteria

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

WAYNE TOWNSHIP SMALL CLAIMS COURT



5401 West Washington Street
Indianapolis, IN 46241
P: 317-241-9573
F: 317-248-7917
www.waynetwp.org

Wayne Township Small Claims Court Response to State Board of Accounts Audit - 2020

Report period: January 1, 2020 – December 31, 2020

Contact person responsible for Corrective Action: Whitney Hessler, Court Bookkeeper

Contact's phone number: 317-241-9573

Contact's email address: whitney.hessler@waynetwp.org

Views of Responsible Official: The Township agrees with the findings identified.

Response to SBOA Findings and Comments for Correction by Court:

Cash and Investments: Personnel previously responsible for this accounting task during the audit period have been replaced. There is now a new bookkeeper. A new process has been adopted where the bookkeeper will prepare a month end reconciliation report. That month-end reconciliation report will then be reviewed and signed by a second employee that did not prepare said report. The report will be reviewed and verified, and any discrepancies noted in the review will be reconciled and there will be a determination that all accounts are in order. Once reconciled, the report will be signed by both employees. This process has been implemented at the time of this response.

Disbursements: Personnel previously responsible for this accounting task during the audit period have been replaced. There is now a new bookkeeper. A new process has been adopted where the bookkeeper will have a disbursement summary created each time a check is prepared for payment. This disbursement summary will be reviewed and signed by a second employee that did not prepare a check. This has been immediately implemented.

Disbursements to the Constable: Personnel previously responsible for this accounting task during the audit period have been replaced. There is now a new bookkeeper. A new process has been adopted where the bookkeeper will have a disbursement summary created each time a check is prepared for payment for services to the Constable. This disbursement summary will be reviewed and signed by a second employee that did not prepare the Constable's check. This has been immediately implemented. As a matter of existing process at the time of audit, the Judge confirms that the Constable's service has been performed as part of hearing matters or ruling on motions for judgments or similar relief. After the issuance of the preliminary report and exit interview held on July 7, 2022 the SBOA notified the Court it was removing the wording "paid in advance of services" from its finding on this issue.

Anticipated Completion Date: July 12, 2022 (immediately implemented)

SMALL CLAIMS COURT
WAYNE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2022, with Pamela Presley, interim Trustee; Lynn McWhirter, Director of Operations; The Honorable Gerald Coleman, Judge; Mike Lang, Fire Chief; Tina Benson, Executive Officer; Bryan Chatfield, Chair of the Township Board; Doris Minton, Township Board member; and Ramona Ward, Township Board member.

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FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS

TRAVEL POLICY

Condition and Context

A travel policy was not provided for review, even though a reference was made to an attached travel policy in the Wayne Township Fire Department Rules and Regulations. Travel policy guidance was outlined in the Wayne Township Fire Department Rules and Regulations, but the guidance did not contain all aspects of possible reimbursement for travel allowable by the Township. In addition, there was no reference to how many hours an employee would be compensated when traveling outside of normal work hours or the rate at which they will be paid.

Criteria

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TRAVEL SUPPORTING DOCUMENTATION

Condition and Context

Supporting documentation for fire department travel was not maintained during the audit period. In 2020, \$2,190.86 of travel and conference expenses were reimbursed for which proper documentation of the purpose of travel and event attended was not presented for audit.

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 Townships, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The Wayne Township Fire Department Rules and Regulations, Chapter 11, Section G, states:

- "1) All claims for reimbursement for travel must be filed on the prescribed forms, within 10 business days after the completion of the trip. Claims for employees who routinely use their personal vehicle in the performance of their duties should file weekly claims for the mileage traveled during the week. Claims for travel reimbursement should include:
- a) The date of the travel;
 - b) The location of the travel, including a list of multiple locations visited, if appropriate;
 - c) The purpose of the travel (i.e., convention, seminar, training, etc.);
 - d) For travel within the county using the employee's personal vehicle, the beginning and ending vehicle odometer reading and the total miles driven;

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- e) For travel outside the county using the employee's personal vehicle, a copy of the map or mileage table used; and
 - f) All receipts for travel costs not directly paid by the township.
- 2) Mileage claims must be filed on a fully completed P.R. Form No. 7M-1970 as prescribed by the State Board of Accounts. All mileage claims must be filed on a fully completed Mileage Claim Form No. 101 prescribed by the State Board of Accounts.
- 3) Lodging, Parking, Telephone Calls, and Other Necessary Expenses. (Excluding Meals) for Travel Outside the Community. Whenever possible, arrangements for lodging, telephone calls, and other necessary expenses should be made by the township for either direct billing or charge to the township. The actual cost of lodging, telephone calls, and other necessary expenses, excluding meals, if not directly paid by the township, will be reimbursed to an employee upon the following conditions:
- a) The trip has been pre-approved by the Fire Department using the appropriate forms;
 - b) The trip (including both travel time and work time) will take more than 4 hours to complete, unless this requirement is specifically waived, in writing, by the trustee or fire department; and
 - c) The employee submits a claim for reimbursement on State Form 980, as prescribed by the State Board of Accounts, to the township within 10 business days after the completion of the trip. Claims for reimbursement should include the following:
 - i) The date of the trip;
 - ii) The location of the trip, including a list of multiple locations visited, if appropriate;
 - iii) The purpose of the trip (i.e., convention, seminar, etc.); and
 - iv) All receipts for costs not directly paid by the fire department."

We requested that Randy Adams, former Fire Chief, reimburse the Township \$2,190.86 for travel and conference expenses that lacked supporting documentation. (See Summary of Charges, page 31)

PER DIEM PAID IN ADVANCE

Condition and Context

Per diem was to be paid after the completion of a trip; however, in 2020 per diem was paid to employees in advance of travel in the amount of \$2,988.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Wayne Township Fire Department Rules and Regulations, Chapter 11, Section H, states:

"1) Employees will be provided a per diem reimbursement for the cost of meals incurred by reason of travel on fire department business. Per diem will be paid on a full day or partial day basis.

a) A full day per diem reimbursement will be paid for each day of a trip upon the following conditions:

i) The trip has been pre-approved and section C of this policy has been followed, and;

ii) The trip meets the following requirements:

(1) The trip will require an overnight stay, and;

(2) The day for which the per diem is being paid:

(a) begins before 10:00 a.m. and ends with the overnight stay; or

(b) begins with the overnight stay and ends after 8:00 p.m.

b) A partial per diem reimbursement will be paid for each day of the trip upon the following conditions:

i) The trip has been pre-approved and section C of this policy has been followed, and;

ii) The trip meets the following requirements:

(1) The trip will require an overnight stay and begins or ends after 2:00 p.m., or;

(2) The trip will not require an overnight stay, the trip (including both travel time and work time) will take more than six hours, and the trip begins before 8:00 a.m. or ends after 8:00 p.m.

2) The employee submits a claim for reimbursement on the prescribed forms to the township within 10 business days after the completion of the trip. . . .

3) The cost of pay for view movies, television, gifts, or other personal expenses will not be reimbursed. The township will reimburse the cost of tips to airport skycap services and hotel bellhop services at a rate of no more than one dollar without a receipt upon submission of a proper claim verifying those expenses by the employee."

LEAVE AND OVERTIME POLICY

Condition and Context

Executive officers and/or administrative employees received overtime pay based on a review of the Fire Department's policies. The Union Contract identified employees that were covered by the contract and also identified the overtime guidelines that were to be utilized, which was identified as the Fair Labor Standards Act (FLSA). Per FLSA guidelines there are executive officer and administrative exemptions.

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Employees considered executive officers and/or administrative employees were paid overtime in the following amounts:

Fire Chief:	\$46,627.80
Deputy Chief 1:	16,338.48
Executive Admin:	759.38
Deputy Chief 2:	19,583.61

Due to noncompliance with the fire department policies, the Union Contract, and FLSA guidelines, the executive officers and/or administrative employees' overtime in the amount of \$83,309.27 was considered to be questioned costs.

Criteria

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The Union Contract, Article II, Section 1, states:

"The Township recognizes the Association as the exclusive bargaining agent to bargain on matters of compensation, benefits and work conditions on behalf of the sworn full time members of the Department of the rank of Battalion Chief or below ("firefighters"); all full time civilian EMS employees ("civilian EMS") and all other full time fire department civilians employees ("administrative civilians"). The Association shall have no right to act as the bargaining agent for firefighters serving in any appointed ranks above the rank of Battalion Chief, nor paid part time firefighters, EMT's paramedics or other civilian employees. The terms "firefighter" or "employee" when used in this Agreement shall refer only to those firefighters or civilians within the recognized unit described in Article II."

The Union Contract, Article IV, Section 6 states:

"Overtime shall be paid as required by the provisions of the Fair Labor Standards Act (FLSA).

Hours worked outside the normal hours or normal work responsibilities will be covered by the department policy."

The Wayne Township Fire Department Rules and Regulations, Chapter 16, Section B(1)(a) states in part: "No overtime will be paid except where approved and where the hours exceed the maximum allowable under Fair Labor Standard Act (FLSA) guidelines. . . ."

The United States Department of Labor, Wage and Hour Division, Handy Reference Guide to the Fair Labor Standards Act states in part:

"Exemptions

Some employees are exempt from the overtime pay provisions or both the minimum wage and overtime pay provisions.

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Because exemptions are generally narrowly defined under the FLSA, an employer should carefully check the exact terms and conditions for each. Detailed information is available from local WHD offices.

The following are examples of exemptions, which are illustrative, but not all-inclusive. These examples do not define the conditions for each exemption.

Exemptions from Both Minimum Wage and Overtime Pay

1. Executive, administrative, and professional employees (including teachers and academic administrative personnel in elementary and secondary schools), outside sales employees, and employees in certain computer-related occupations (as defined in DOL regulations); . . ."

The United States Department of Labor, Wage and Hour Division, Fact Sheet #17A: *Exemption for Executive, Administrative, Professional, Computer & Outside Sales Employees Under the Fair Labor Standards Act (FLSA)* states:

"This fact sheet provides general information on the exemption from minimum wage and overtime pay provided by Section 13(a)(1) of the FLSA as defined by Regulations, 29 C.F.R. Part 541.

The FLSA requires that most employees in the United States be paid at least the federal minimum wage for all hours worked and overtime pay at not less than time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek.

However, Section 13(a)(1) of the FLSA provides an exemption from both minimum wage and overtime pay for employees employed as bona fide executive, administrative, professional and outside sales employees. Section 13(a)(1) and Section 13(a)(17) also exempt certain computer employees. To qualify for exemption, employees generally must meet certain tests regarding their job duties and be paid on a salary basis at not less than \$684* per week. Employers may use nondiscretionary bonuses and incentive payments (including commissions) paid on an annual or more frequent basis, to satisfy up to 10 percent of the standard salary level. Job titles do not determine exempt status. In order for an exemption to apply, an employee's specific job duties and salary must meet all the requirements of the Department's regulations.

See other fact sheets in this series for more information on the exemptions for executive, administrative, professional, computer and outside sales employees, and for more information on the salary basis requirement.

Executive Exemption

To qualify for the executive employee exemption, all of the following tests must be met:

- The employee must be compensated on a salary basis (as defined in the regulations) at a rate not less than \$684 per week;
- The employee's primary duty must be managing the enterprise, or managing a customarily recognized department or subdivision of the enterprise;
- The employee must customarily and regularly direct the work of at least two or more other full-time employees or their equivalent; and

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The employee must have the authority to hire or fire other employees, or the employee's suggestions and recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees must be given particular weight.

Administrative Exemptions

To qualify for the administrative employee exemption, all of the following tests must be met:

- The employee must be compensated on a salary or fee basis (as defined in the regulations) at a rate not less than \$684 per week;
- The employee's primary duty must be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and
- The employee's primary duty includes the exercise of discretion and independent judgment with respect to matters of significance."

TRAVEL OVERTIME

Condition and Context

Timecards for Fire Department employees who traveled during the audit period were tested for additional pay incurred while traveling above their regular salaries. Of those employees tested, executive and/or administrative employees were included. In 2020, executive and/or administrative employees, such as, the Fire Chief, a Deputy Chief, and a Division Chief, received \$6,524.44 in overtime pay while traveling. Additionally, a vehicle maintenance employee received \$1,833.22 in overtime pay while traveling.

Due to the lack of adequate supporting documentation for overtime paid, the overtime paid while traveling in the amount of \$8,357.66 was considered to be questioned costs.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Township, Chapter 1)

OVERTIME RATE

Condition and Context

The Township included the clothing allowance rate in the calculation of fire department employees overtime pay.

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

29 CFR 778.217(b) states in part:

". . . Payment by way of reimbursements for the following types of expenses will not be regarded as part of the employee's regular rate: . . .

- (2) The actual or reasonably approximate amount expended by an employee in purchasing, laundering, or repairing uniforms or special clothing which his employer requires him to wear. . . ."

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. If the unit determines that holiday pay, ride out pay, and call out pay should be included in the overtime rate calculation, this must be approved in writing in the Union Contract and the Rules and Regulations. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

COLLATERAL PAY

Condition and Context

In 2020, certain Fire Department employees received collateral pay in addition to their annual salaries. There was no supporting documentation for the amount of collateral pay distributed, or of the correct application of the pay. Collateral pay is to be provided to merit fire positions below the "battalion" rank, working at a level higher than their regular pay grade. The Fire Chief distributed collateral pay as deemed necessary throughout the engagement period. Employees with a rank of Fire Chief, Deputy Fire Chief, and Executive Admin (which are higher than the battalion chief ranking) received collateral pay.

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 Townships, Chapter 1)

The Department shall have the authority to add collateral pay positions as needed. (Union Contract, Section 6)

The Township recognizes the Association as the exclusive bargaining agent to bargain on matters of compensation, benefits and work conditions on behalf of the sworn full time members of the Department of the rank of Battalion Chief or below ("firefighters"); all full time civilian EMS employees ("civilian EMS") and all other full time fire department civilians employees ("administrative civilians"). The Association shall have no right to act as the bargaining agent for firefighters serving in any appointed ranks above the rank of Battalion Chief, nor paid part time firefighters, EMT's paramedics or other civilian employees. The terms "firefighter" or "employee" when used in this Agreement shall refer only to those firefighters or civilians within the recognized unit described in Article II. (Union Contract, Article II, Section 1)

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

APPROVAL OF HOURS WORKED

Condition and Context

None of the timecards showed evidence of review and/or approval from the appropriate official or department head.

Criteria

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Condition and Context

There were deficiencies in the internal control system of the Township related to fire department payroll disbursements.

The Township did not have an effective internal control system over fire department payroll disbursements. There were no internal controls in place, such as an oversight, review, or approval process, to ensure the accuracy of payroll disbursements for the fire department.

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.

FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(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. . . ."

COMPENSATION AND BENEFITS

Condition and Context

Fire department employees were overpaid in the amount of \$25,876.61 in 2020, due to the following errors: overtime was improperly calculated, half-time employees were not paid at the approved rate, hours were paid that were not worked by employees, and an incorrect salary amount was entered into the payroll system for one employee and was paid for the entire year.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)



Wayne Township Fire Department



700 N. High School Rd.
Indianapolis, IN 46214-3700

Phone: (317) 246-6200

faithfully serving

Fax: (317) 246-6300

2018-2019 Compliance Comments

Training on Internal Compliance – Fire Department employees that receive or process any funds will be provided SBOA prepared training as outlined for all Township Employees.

Salary Ordinance- All positions, position salary and compensation were listed on 2022 Salary Resolution and submitted for approval to the Township Board, which approved that Salary Resolution. Other changes in positions were requested and approved by the Township Board on an amended Form 17. All compensation is clearly defined on the approved Form 17 as outlined in the approved Collective Bargaining Agreement with the Firefighter’s Union (“Union”).

Fire House Accounts- No Township funds have been dispersed to the Fire Station Accounts in 2022. The Rules and Regulations will be amended for the budgeted monies for cleaning supplies and equipment for the respective Fire Houses to follow the same central procurement process approved for fire department supplies and equipment. All Fire House Accounts with the Township’s EIN will be changed or closed. The Fire House Accounts in the future will be funded with only dues paid directly by firefighters through payroll withdraw will be deposited into those accounts – no Township funds will be deposited into those accounts.

Internal Controls over payroll disbursements- Fire Department is currently working with our scheduling software to develop a timecard and approval process. In 2021, a two part verification process was initiated. Manual calculations are verified prior to data entry into the payroll system. Once the data is entered, the data is verified by a second person to the manual two–step verified calculation. Manual calculation, data entry and prior to finalization, are all steps entered and verified by a second person. Each step of the process requires manual initialing by the employee performing the step.

Fire Department Section:

Travel Policy- A complete overhaul of the Fire Department Travel Policy will be prepared and presented to the Township Board for adoption as an amendment to the Rules and Regulations. Hours worked outside of normal work hours, scheduled work hours and rate of pay will be included in the new policy. This policy will apply in conjunction with the previously adopted revisions to the Department’s payroll and overtime policies adopted in 2022.

Travel supporting documents- All required documentation will be listed in the new travel policy. A new travel form will be created for travel that is not training in nature and will include the business purpose of travel. Any employee’s that fail to have travel pre-approved or that do not provide adequate supporting documentation may not be reimbursed.



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Per Diem Paid in Advance- Current Rules and Regulations read different than quoted in the Compliance Report. That will be updated if deemed to not meet the SBOA compliance.

§Section H: Per Diem for Meals

1. Employees will be provided a per diem for the cost of meals **to be incurred** by reason of travel on fire department business. Per Diem will be paid on a full day or partial day basis.

Regardless, an updated policy will be implemented that does not advance per diem for travel expenses on department business before the trip is taken.

Leave and Overtime Policy- A Salary Exempt employee overtime policy was adopted by the Township Board in September 2021 and added to Rules and Regulations. Positions and type of FLSA exemption claimed is stated. The Collective Bargaining Agreement was updated for 2022 to define which positions are covered by the the revised overtime rules and Salary Exempt employees are fully included in the Collective Bargaining Agreement for all benefits.

Travel Overtime- Updated travel policy will address pay and overtime while traveling for approved fire department business. The policy will confirm to the updated overtime policy adopted in September 2021.

Overtime Rate- Overtime rate no longer includes clothing allowance

Collateral Pay- Collateral Pay was significantly reduced in 2022 as demonstrated on that year's Form 17t. Language was added to the 2022 Collective Bargaining Agreement defining and narrowing Collateral Pay. Collateral Pay is no longer used to serve as a primary wage adjustment for a position, but a short term stipend while serving in a position "collateral to" a firefighter's rank and position normal assignment.

Approval of Hours Worked- Fire Department is currently working with our scheduling software to develop a timecard and approval process. In 2021, a two part verification process was initiated. Manual calculations are verified prior to data entry into the payroll system. Once the data is entered, the data is verified by a second person to the manual two-step verified calculation. Manual calculation, data entry and prior to finalization, are all steps entered and verified by a second person. Each step of the process requires manual initialing by the employee performing the step.

2020 (NEW) Compliance Comments



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(These comments are provided in addition to those comments provided for 2018 & 2019 – any comments duplicated through 2018, 2019, and 2020 should be considered re-stated here)

Internal Controls Over Payroll Disbursements - In 2021, a two part verification process was initiated. Manual calculations are verified prior to data entry into the payroll system. Once the data is entered, the data is verified by a second person to the manual two-step verified calculation. Manual calculation, data entry and prior to finalization, are all steps entered and verified by a second person. Each step of the process requires manual initialing by the employee performing the step.

Compensation and Benefits – A new process was implemented in 2021 to prepare and eliminate errors in 2022. A form was developed to include all salary components negotiated in the 2022 Union Agreement. Every employee was provided a form outlining their pay for 2022. Each employee signed the form in agreement that the information was correct. A spreadsheet was created with salary information for all employees and verified. A separate employee uploaded the salary data to the payroll system and obtained a report from the payroll system. The data was again compared to the original spreadsheet for accuracy. All signed forms were added to each employee file. Any changes in position or pay through the year has and will continue to have a new form filed with the changes outlined.



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FIRE DEPARTMENT
WAYNE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2022, with Pamela Presley, interim Trustee; Lynn McWhirter, Director of Operations; The Honorable Gerald Coleman, Judge; Mike Lang, Fire Chief; Tina Benson, Executive Officer; Bryan Chatfield, Chair of the Township Board; Doris Minton, Township Board member; and Ramona Ward, Township Board member.

WAYNE TOWNSHIP, MARION COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Randy Adams, former Fire Chief: Travel Supporting Documentation, pages 18 and 19	\$ 2,190.86	\$ -	\$ 2,190.86
Totals	<u>\$ 2,190.86</u>	<u>\$ -</u>	<u>\$ 2,190.86</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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