

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

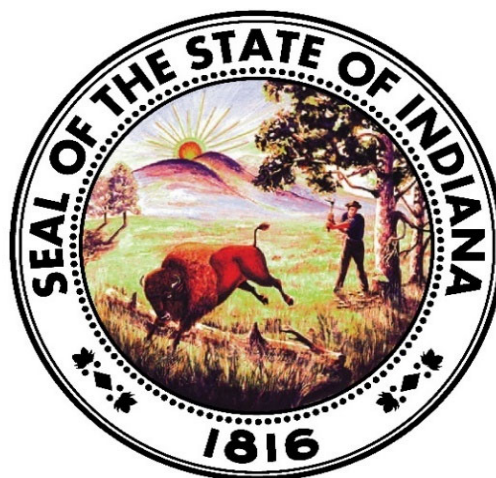
FEDERAL COMPLIANCE AUDIT REPORT

OF

WAYNE TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
12/28/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Charles J. Jones	01-01-21 to 06-27-22
	Pam Presley (interim)	06-28-22 to 07-09-22
	Jeb Bardon	07-10-22 to 12-31-22
Judge	The Honorable Gerald Coleman	01-01-21 to 12-31-22
Chair of the Township Board	Charlotte Scott	01-01-21 to 12-31-21
	Bryan Chatfield	01-01-22 to 12-31-22
Fire Chief	Randy Adams	01-01-21 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



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, 2021, and the related notes to the financial statement, which collectively comprise the Township's financial statement and have issued our report thereon dated December 19, 2022, 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, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002, 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 items 2021-001 and 2021-002.

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

December 19, 2022



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

Qualified Opinion

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, 2021. 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.

Qualified Opinion on Staffing for Adequate Fire and Emergency Response (SAFER)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* section of our report, the Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Staffing for Adequate Fire and Emergency Response (SAFER) for the year ended December 31, 2021.

Basis for Qualified Opinion

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.

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)

Matters Giving Rise to Qualified Opinion on Staffing for Adequate Fire and Emergency Response (SAFER)

As described in the accompanying Schedule of Findings and Questioned Costs, the Township did not comply with requirements regarding Staffing for Adequate Fire and Emergency Response (SAFER) as described in item 2021-004 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Matching, Level of Effort, Earmarking. Compliance with such requirements is necessary, in our opinion, for the Township to comply with the requirements applicable to that program.

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.

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.

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)

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Township's response to the noncompliance 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 compliance, and, accordingly, we express no opinion on the response.

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.

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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004, to be material weaknesses.

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.

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.

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)

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, 2021, and the related notes to the financial statement. We issued our report thereon dated December 19, 2022, 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 a qualified 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

December 19, 2022

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, 2021

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 the Treasury</u>					
COVID-19 - Coronavirus Relief Fund COVID 19	City of Indianapolis	21.019	2021	\$ -	\$ 33,342
Total - Department of the Treasury				-	33,342
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program Payments for Government Ambulance Transportation Services	Family and Social Services Administration	93.778	2021	-	520,814
Total - Medicaid Cluster				-	520,814
Total - Department of Health and Human Services				-	520,814
<u>Department of Homeland Security</u>					
National Urban Search and Rescue (US&R) Response System FEMA Urban Search and Rescue	Direct Grant	97.025	EMW-2018-CA-USR-0013	-	122,128
Assistance to Firefighters Grant Program Assistance to Firefighters Grants	Direct Grant	97.044	EMW-2019-FG-09311	-	428,995
Staffing for Adequate Fire and Emergency Response (SAFER) Safer Grant	Direct Grant	97.083	EMW-2018-FH-00167	-	1,052,971
Total - Department of Homeland Security				-	1,604,094
Total federal awards expended				\$ -	\$ 2,158,250

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, 2021. 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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)	Qualified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2021-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

Condition and Context

The Township had not established effective 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 Expenditure of Federal Awards (SEFA).

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

The Township failed to properly review the federal grant information prepared and submitted in Gateway. One employee prepared and entered the grant information for the federal awards into Gateway without a system of oversight or review to detect and allow correction of errors prior to submission.

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

1. The COVID-19 - Coronavirus Relief Fund was omitted from the SEFA, which understated expenditures by \$33,342.
2. The Provider Relief Fund was incorrectly reported, which overstated expenditures by \$51,438.
3. The National Urban Search and Rescue (US&R) Response System program was named incorrectly on the SEFA.

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

Criteria

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

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

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

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

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:

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

- (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 § 200.510. . . ."

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."

Cause

Management had not established an effective system of internal control that would have ensured proper reporting of the SEFA.

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

Effect

Without a proper system of internal control 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 2021-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-002.

Condition and Context

There were several deficiencies in the internal control system of the Township related to financial transactions and reporting. The Township had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments

For the Township Small Claims Court, one employee was responsible for performing the monthly bank reconciliation without an oversight or review process. After the individual responsible for reconciling left employment in August 2021, no reconciliations were completed until they were requested during the audit.

Receipts

The Director of Operations was responsible for recording the receipts without documentation of an oversight, review, or approval process to ensure the accuracy of the information entered.

Due to the lack of internal controls, the following errors remained undetected:

1. All grant funds were receipted in to the Fire Fighting Fund, instead of separate grant funds as required.
2. All receipts were categorized as Other Receipts, rather than being recorded in the proper categories.

Disbursements

The Township had not designed and implemented an effective system of internal control over disbursements recorded in the ledger. One employee was responsible for recording the disbursement without an oversight or review.

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

The Court had not implemented an effective internal control system over disbursements recorded in the ledger. There was no evidence of an oversight, review, or approval process over the report of services for the constable to verify that the services entered are correct and complete. The Bookkeeper posted the ledger and prepared and distributed the checks without an oversight, review, or approval process.

Financial Reporting

The Township did not have internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. One employee entered the information without an oversight or review.

Monitoring Internal Controls

The Township did not have a process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting requires the Township to monitor and assess the quality of the system of internal control.

Criteria

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

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

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

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

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. . . ."

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](#)."

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

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."

Funds that are established by statute or local ordinance/resolution and funds that account for grant activity may not be combined and presented in one fund, . . . The receipts should be categorized into the following areas: taxes, licenses and permits, intergovernmental, charges for services, fines and forfeits, and other receipts. . . . (Accounting and Financial Reporting Regulation Manual, Part III)

Cause

Management had not established a proper system of internal control related to cash and investments, receipts, disbursements, and financial reporting.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain 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 2021-003

Subject: Staffing for Adequate Fire and Emergency Response (SAFER) - Period of Performance, Reporting
Federal Agency: Department of Homeland Security
Federal Program: Staffing for Adequate Fire and Emergency Response (SAFER)
Assistance Listings Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2018-FH-00167
Pass-Through Entity: Direct Grant
Compliance Requirements: Period of Performance, Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-005.

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the Township to ensure compliance with requirements related to the grant agreement and the Period of Performance and Reporting compliance requirements.

Period of Performance

There was no review or approval of timesheets, spreadsheets, or employee time prior to being paid by the Executive Director to ensure expenses were within the period of performance.

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

Reporting

Reimbursement requests were prepared by the Deputy Fire Chief, without a documented oversight or review process to ensure accuracy.

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). . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Period of Performance and the Reporting compliance requirements.

Effect

The failure to establish an effective internal control system placed the Township at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Township's management establish internal controls to ensure compliance with the grant agreement and the Period of Performance and the Reporting compliance requirements.

Views of Responsible Officials

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

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

FINDING 2021-004

Subject: Staffing for Adequate Fire and Emergency Response (SAFER) -
Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, and Matching
Federal Agency: Department of Homeland Security
Federal Program: Staffing for Adequate Fire and Emergency Response (SAFER)
Assistance Listings Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2018-FH-00167
Pass-Through Entity: Direct Grant
Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Cash Management; Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-006.

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the Township to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, the Cash Management, and the Matching, Level of Effort, Earmarking compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

There was no review or approval of time sheets, spreadsheets, or employee time prior to payment by the Executive Director. Due to the lack of internal controls, employee salaries were overpaid, and overtime was inappropriately paid.

The grant agreement/award letter listed each employee's salary as \$47,151; however, the amount requested for reimbursement for each employee's salary was \$47,751 (the union contract amount for probationary firefighters). The total amount of unallowable expenditures was \$44,698. This amount was considered questioned costs.

The grant agreement/award letter did not allow for the payment of overtime. However, overtime was paid and requested for reimbursement in the amount of \$26,489. This amount was considered questioned costs.

Additionally, the Township requested reimbursement for benefits at the budgeted amount, of \$10,826 per employee, reimbursed at 75 percent, totaling \$487,170 for the audit period. The actual costs paid, which should have been requested for reimbursement, was \$266,090 for the audit period. The difference between the actual costs and the budgeted cost of \$221,080 was considered questioned costs.

Cash Management

The Township did not always pay for expenditures prior to requesting reimbursement. The Township requested reimbursement for projected benefits instead of actual expenditures.

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

Matching, Level of Effort, Earmarking

There was no review or approval of the local match amount required by the grant. The Township did not provide the minimum amount or percentage of contributions required by the grant agreement. Total allowable program expenditures compared to total federal reimbursements resulted in a 11 percent local match, instead of the required 25 percent.

The lack of internal controls and noncompliance were systemic issues 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). . . ."

2 CFR 200.430(a) states:

"General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph (i) of this section, when applicable."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.305(b)(3) states:

"Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.208, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, the Cash Management, and the Matching, Level of Effort, Earmarking compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of federal funds to the Township.

Questioned Costs

Questioned costs totaled \$292,267 as identified in the *Condition and Context*.

Recommendation

We recommended that the Township's management establish a system of internal control, including segregation of duties, to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, the Cash Management, and the Matching, Level of Effort, Earmarking compliance requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

WAYNE TOWNSHIP GOVERNMENT

5401 West Washington Street, Indianapolis, IN 46241

(317) 241-4191 Office • (317) 248-8527 Fax

www.waynetwp.org

WAYNE TOWNSHIP, MARION COUNTY, INDIANA SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001 (Auditor Assigned Reference Number)

Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: FY 2020.

Status of Audit Finding: Condition Unchanged for FY2021.

In FY 2022, the Township set up a separate Federal Grant Fund. Grant receipts and expenditures will be reviewed by the Deputy Fire Chief and Director of Operations for completeness and accuracy for reporting in the SEFA. SEFA will be reviewed by the Trustee.

FINDING 2020-002 (Auditor Assigned Reference Number)

Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Condition Unchanged for FY2021.

For FY2022, The Deputy Fire Chief and Director of Operations will all Federal funds for inclusion and accuracy. Accounting entries will be made by Township Clerk and reviewed by Director of Operations. Purchase Orders (POs) will be used for all expenditures other than payroll-related expenditures. POs will be liquidated by Township Clerk and reviewed by Director of Operations. Expenditures in excess of \$5,000 will require Trustee approval prior to payment.

FINDING 2020-003 (Auditor Assigned Reference Number)

Medicaid Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Condition Unchanged for FY2021.

For FY2022 all grant expenditures will be reviewed by Deputy Fire Chief and Director of Operations to assure completeness and allowability.

FINDING 2020-004 (Auditor Assigned Reference Number)

Medicaid Cluster – Matching, Reporting

WAYNE TOWNSHIP GOVERNMENT

5401 West Washington Street, Indianapolis, IN 46241

(317) 241-4191 Office • (317) 248-8527 Fax

www.waynetwp.org

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Condition Unchanged for FY2021.

For FY2022, Deputy Fire Chief and Director of Operations will review data used to prepare the reimbursement report by contract accountant to assure that only allowable costs are included in the report. Post receipt of reimbursement, Director of Operations will reconcile reimbursement received versus amount requested to determine whether any items were not allowable.

FINDING 2020-005 (Auditor Assigned Reference Number)

SAFER – Period of Performance, Reporting

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Condition Unchanged for FY2021.

For FY2022, Deputy Fire Chief and Director of Operations will verify that time sheets or other documentation support the request for reimbursement.

FINDING 2020-006 (Auditor Assigned Reference Number)

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

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Condition Unchanged for FY2021.

For FY2022, Deputy Fire Chief and Director of Operations will verify that time sheets or other documentation support the request for reimbursement. Reimbursement requests will be based on actual, not budgeted costs. Director of Operations will verify the accuracy of the match requirement.



CORRECTIVE ACTION PLAN

FINDING 2021-001 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Lynn McWhirter
Contact Phone Number:317 241 4191

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:
In FY 2022, the Township set up a separate Federal Grant Fund. Grant receipts and expenditures will be reviewed by the Deputy Fire Chief and Director of Operations for completeness and accuracy for reporting in the SEFA. SEFA will be reviewed by the Trustee.

06-30-2023

FINDING 2021-002 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Lynn McWhirter
Contact Phone Number:317 241 4191

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:
For FY2022, The Deputy Fire Chief and Director of Operations will all Federal funds for inclusion and accuracy. Accounting entries will be made by Township Clerk and reviewed by Director of Operations. Purchase Orders (POs) will be used for all expenditures other than payroll-related expenditures. POs will be liquidated by Township Clerk and reviewed by Director of Operations. Expenditures in excess of \$5,000 will require Trustee approval prior to payment.

06-30-2023

FINDING 2021-003 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Lynn McWhirter
Contact Phone Number:317 241 4191

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

For FY2022 all grant expenditures will be reviewed by Deputy Fire Chief and Director of Operations to assure completeness and allowability.

06-30-2023

FINDING 2021-004 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Lynn McWhirter
Contact Phone Number:317 241 4191

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

For FY2022, Deputy Fire Chief and Director of Operations will review data used to prepare the reimbursement report by contract accountant to assure that only allowable costs are included in the report. Post receipt of reimbursement, Director of Operations will reconcile reimbursement received versus amount requested to determine whether any items were not allowable.

06-30-2023

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/>.