

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

COMPLIANCE REPORT

OF

WAYNE TOWNSHIP

STARKE COUNTY, INDIANA

January 1, 2009 to December 31, 2016



FILED
08/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Clara Schacht	01-01-07 to 12-31-18
Chairman of the Township Board	Joseph Griffo	01-01-09 to 12-31-09
	Venture Pacilio	01-01-10 to 12-31-10
	Joseph Griffo	01-01-11 to 12-31-11
	Tom Griffo	01-01-12 to 12-31-13
	Marilyn Pacilio	01-01-14 to 12-31-14
	Joseph Griffo	01-01-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Wayne Township (Township), Starke County, for the period January 1, 2009 to December 31, 2016, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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.

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

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Annual Financial Reports filed by the Township can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

June 1, 2017

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS

OVERPAYMENT OF TRUSTEE SALARY

Clara Schacht, Trustee, was overpaid for the years 2009 through 2016 by the following amounts:

<u>Years</u>	<u>Amount Received</u>	<u>Amount Approved by Township Board</u>	<u>Amount of Overpayment</u>
2009	\$ 8,353.41	\$ 5,624.00	\$ 2,729.41
2010	6,259.88	5,793.00	466.88
2011	7,458.45	5,966.79	1,491.66
2012	8,271.15	6,617.00	1,654.15
2013	7,384.00	6,816.00	568.00
2014	8,786.00	7,020.00	1,766.00
2015	8,370.00	7,200.00	1,170.00
2016	8,652.00	7,416.00	1,236.00
Total Overpayment			<u>\$ 11,082.10</u>

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Manual for Townships, Chapter 1)

We are requesting that Clara Schacht, Trustee, reimburse the Township for overpayment of salary for 2009 through 2016 in the amount of \$11,082.10. (See Summary of Charges, page 12)

OVERPAYMENT OF DEPUTY TRUSTEE SALARY

Donald Schacht, Deputy Trustee, was overpaid for the years 2009 through 2016 by the following amounts:

<u>Years</u>	<u>Amount Received</u>	<u>Amount Approved by Township Board</u>	<u>Amount of Overpayment</u>
2009	\$ 2,994.39	\$ 2,016.00	\$ 978.39
2010	2,243.96	2,076.00	167.96
2011	2,494.66	2,138.28	356.38
2012	2,941.20	2,353.00	588.20
2013	2,626.00	2,424.00	202.00
2014	3,093.00	2,508.00	585.00
2015	2,998.00	2,580.00	418.00
2016	3,108.00	2,657.00	451.00
Total Overpayment			<u>\$ 3,746.93</u>

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We are requesting that Donald Schacht, Deputy Trustee, reimburse the Township for overpayment of salary for 2009 through 2016 in the amount of \$3,746.93. (See Summary of Charges, page 12)

OVERPAYMENT OF OFFICE RENT TO TRUSTEE

Office rent paid to Clara Schacht, Trustee, exceeded the amount appropriated by the Township Board from 2009 to 2016. The following schedule details these overpayments.

<u>Years</u>	<u>Amount Received</u>	<u>Amount Approved</u>	<u>Amount of Overpayment</u>
2009	\$ 4,200	\$ 2,400	\$ 1,800
2010	2,600	2,400	200
2013	3,200	3,000	200
2014	4,000	3,000	1,000
2015	4,250	3,000	1,250
2016	4,000	3,000	1,000
Total Overpayment			<u>\$ 5,450</u>

Indiana Code 6-1.1-18-4 states in part: " . . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Account and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We are requesting that Clara Schacht, Trustee, reimburse the Township for overpayment of office rent in the amount of \$5,450. (See Summary of Charges, page 12)

AUDIT COSTS

The State of Indiana incurred cost in the investigation of the Trustee and Deputy Trustee's salary and rental payments totaling \$1,793.75.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

We are requesting that Clara Schacht, Trustee, reimburse the Township \$1,793.75 related to cost of the investigation of Trustee and Deputy Trustee salary and rental payments. (See Summary of Charges, page 12)

BOND INFORMATION

Wayne Township obtained official bond coverage for Clara Schacht, Trustee, with Auto-Owners Insurance for \$15,000.

PAYROLL

The following exceptions were related to payroll:

1. The Township paid the Trustee and Township Clerk at the beginning of each month in advance of the actual date the services were provided.
2. The Township failed to withhold Social Security and Medicare taxes on the salaries paid during the period reviewed.
3. The wages reported on the W-2s issued for 2012 through 2015 did not agree with the actual amounts paid to the Trustee and Township Clerk.
4. W-2s for 2016 were not provided.
5. Federal Form W-2s or 1099-Misc were not issued to Township Board members.

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

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)

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

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Federal Form 1099-Misc were not issued for rental payments made to the Trustee.

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

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

CERTIFIED REPORT (FORM 100-R)

The Township did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for 2014. The report was filed on October 6, 2015, which was 118 days past the due date.

Form 100-R was inaccurate as follows:

<u>Years</u>	<u>Title</u>	<u>100-R</u>	<u>Actual Wages</u>	<u>Difference</u>
2012	Trustee	\$ 9,016.92	\$ 8,271.15	\$ (745.77)
2012	Deputy	2,352.96	2,941.20	588.24
2013	Trustee	6,816.00	7,384.00	568.00
2013	Deputy	2,424.00	2,626.00	202.00
2014	Trustee	7,200.00	8,786.00	1,586.00
2014	Deputy	2,580.00	3,093.00	513.00
2015	Trustee	7,200.00	8,370.00	1,170.00
2015	Deputy	2,580.00	2,998.00	418.00
2016	Trustee	7,416.00	8,652.00	1,236.00
2016	Deputy	2,664.00	3,108.00	444.00

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensations of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

APPROPRIATIONS

The Township had an approved budget for 2012 through 2015 for the Township fund only. Other budgeted amounts were based on the last approved budget for the fund. The records presented indicated the following disbursements in excess of budgeted appropriations.

<u>Years</u>	<u>Fund</u>	<u>Excess Amount</u> <u>Amount</u>
2014	Cumulative Fire	\$ 926.00
2015	Township	2,253.53

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

DEPOSITS

Receipts were deposited later than the first and fifteenth of the month.

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports (AFR) filed on Gateway for 2012-2015 did not match the Township's records.

Years	Fund	Category	Amount per AFR	Amount per Township Ledger	Difference
2012	Township	Beg. Bal.	\$ 60,805.34	\$ 60,110.02	\$ 695.32
2012	Fire Fighting	Beg. Bal.	30,492.09	30,603.09	(111.00)
2012	Cumulative Fire	Beg. Bal.	81,441.69	59,003.69	22,438.00
2012	Park and Recreation	Beg. Bal.	7,203.64	7,205.54	(1.90)
2012	Township	Receipt	25,622.33	31,019.70	(5,397.37)
2012	Rainy Day	Receipt	5,193.40	4,282.73	910.67
2012	Township	Disb.	16,164.91	19,694.41	(3,529.50)
2012	Township Assistance	Disb.	10,466.97	9,412.11	1,054.86
2012	Township	End. Bal.	70,262.76	71,435.31	(1,172.55)
2012	Township Assistance	End. Bal.	51,235.43	52,290.29	(1,054.86)
2012	Fire Fighting	End. Bal.	33,591.46	33,702.46	(111.00)
2012	Cumulative Fire	End. Bal.	93,982.68	71,544.68	22,438.00
2012	Rainy Day	End. Bal.	14,279.60	13,368.98	910.62
2012	Park and Recreation	End. Bal.	7,449.38	7,451.28	(1.90)
2013	Cumulative Fire	Beg. Bal.	94,037.68	71,544.68	22,493.00
2013	Park and Recreation	Beg. Bal.	7,449.38	7,451.28	(1.90)
2013	Township	Receipt	27,576.98	27,685.13	(108.15)
2013	Township	End. Bal.	81,997.16	82,105.31	(108.15)
2013	Cumulative Fire	End. Bal.	91,808.93	69,315.95	22,492.98
2013	Park and Recreation	End. Bal.	7,775.30	7,777.20	(1.90)
2014	Cumulative Fire	Beg. Bal.	91,808.93	69,315.95	22,492.98
2014	Township	Receipt	20,683.15	22,696.41	(2,013.26)
2014	Township Assistance	Receipt	8,463.43	8,461.71	1.72
2014	Township	Disb.	16,848.45	19,026.22	(2,177.77)
2014	Township Assistance	Disb.	11,361.88	11,862.54	(500.66)
2014	Township	End. Bal.	88,845.33	88,680.82	164.51
2014	Township Assistance	End. Bal.	42,909.36	38,963.42	3,945.94
2014	Cumulative Fire	End. Bal.	62,208.09	39,715.11	22,492.98
2015	Township Assistance	Beg. Bal.	42,909.36	38,963.42	3,945.94
2015	Cumulative Fire	Beg. Bal.	62,208.09	39,715.01	22,493.08
2015	Township Assistance	End. Bal.	45,254.68	41,308.74	3,945.94
2015	Cumulative Fire	End. Bal.	62,080.65	39,587.57	22,493.08
2016	Cumulative Fire	Beg. Bal.	62,080.65	39,587.57	22,493.08
2016	Township	Receipt	28,248.26	37,822.94	(9,574.68)
2016	Fire Fighting	Disb.	23,000.00	11,500.00	11,500.00
2016	Township	End. Bal.	96,564.93	106,139.67	(9,574.74)
2016	Fire Fighting	End. Bal.	48,696.50	60,196.50	(11,500.00)
2016	Cumulative Fire	End. Bal.	58,310.91	35,817.83	22,493.08

The 2012 AFR was not filed electronically until June 27, 2013, which was 118 days past the due date.

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

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

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically . . ."

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. This included computer repair, fire equipment purchases, and reimbursement of internet.

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)

CONTRACTS

Contracts for fire protections and mowing were not presented for 2016.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TOWNSHIP ASSISTANCE STANDARDS

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.

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

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

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;

WAYNE TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

OFFICIAL BOND

The Trustee's Surety Bond was insufficient per the Indiana code. The Trustee's official bond was for \$15,000 for the period reviewed.

Indiana Code 5-4-1-18(d) states in part:

" . . . (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

NEPOTISM AND CONTRACTING WITH A UNIT CERTIFICATION

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31 for 2013 through 2016.

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31 for 2016.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

WAYNE TOWNSHIP, STARKE COUNTY
EXIT CONFERENCE

The contents of this report was discussed with Clara Schacht, Trustee, on June 1, 2017.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Clara Schacht, Trustee:			
Overpayment of Trustee Salary, page 4	\$ 11,082.10	\$ -	\$ 11,082.10
Overpayment of Office Rent to Trustee, page 5	5,450.00	-	5,450.00
Audit Costs, pages 5 and 6	<u>1,793.75</u>	<u>-</u>	<u>1,793.75</u>
Subtotal for Clara Schacht, Trustee	<u>18,325.85</u>	<u>-</u>	<u>18,325.85</u>
Donald Schacht, Deputy Trustee:			
Overpayment of Deputy Trustee Salary, pages 4 and 5	<u>3,746.93</u>	<u>-</u>	<u>3,746.93</u>
Totals	<u>\$ 22,072.78</u>	<u>\$ -</u>	<u>\$ 22,072.78</u>

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

AFFIDAVIT

STATE OF INDIANA)
)
Newton COUNTY)

I, Karen Tetrault, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Wayne Township, Starke County, Indiana, for the period from January 1, 2009 to December 31, 2016, is true and correct to the best of my knowledge and belief.

Karen Tetrault
Field Examiner

Subscribed and sworn to before me this 13 day of July, 2017

Mari Hall
Notary Public

My Commission Expires: 1-8-2018

County of Residence: Newton