

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

EXAMINATION REPORT  
OF  
TOWN OF WINGATE  
MONTGOMERY COUNTY, INDIANA  
January 1, 2006 to December 31, 2008



**FILED**  
07/09/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Quin Northcutt

01-01-04 to 12-31-11

President of the Town Council

Tom Northcutt  
Doug Slavens

01-01-06 to 12-31-09  
01-01-10 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WINGATE, MONTGOMERY COUNTY, INDIANA

We were engaged to examine the financial information of the Town of Wingate (Town), for the period of January 1, 2006 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

The accounting records were inaccurate and incomplete for governmental, fiduciary, and enterprise funds. Deficiencies included failure to post all cash receipts and disbursements to the prescribed accounting system, failure to perform monthly bank reconciliations, and failure to maintain adequate supporting documentation for disbursements. The Town's records do not permit the application of other auditing procedures to satisfy ourselves as to the fair presentation of the accounting records.

Due to the lack of records, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the cash transactions of the Town of Wingate for the periods ended December 31, 2006, 2007, and 2008. However, we did examine available records to the extent possible for compliance with State statutes and the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

STATE BOARD OF ACCOUNTS

May 11, 2010

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until three months after the invoice dates.

Penalties and interest totaling \$16,624.64 were charged by the Internal Revenue Service for the period January 2004 through December 2008. The charges to the Town of Wingate by the Internal Revenue Service were the result of late filings of quarterly 941 Employers Tax Returns and late deposits of payroll taxes. Penalties and interest totaling \$2,464.92 were charged by the Indiana Department of Revenue for the period January 2004 through December 2008. These charges were the result of late filings of monthly sales tax returns and late remittances of sales tax collected by the Town of Wingate. Penalties and interest totaling \$3,471.87 were charged by the Indiana Department of Revenue for the period January 2004 through December 2008. These charges were the result of late filings of quarterly state and county tax returns and late remittances of state and county tax withheld. The total penalties and interest charged to the Town of Wingate for the period January 2004 through December 2008 was \$22,561.43.

In addition, the Town of Wingate's Clerk-Treasurer contracted with Clear Creek Company to resolve delinquent tax issues with the Internal Revenue Service and the Indiana Department of Revenue. The Town Council did not approve the disbursements to Clear Creek Company on September 21, 2007 and December 19, 2007, for \$1,000.00 each.

Quin Northcutt, Clerk-Treasurer, was asked to repay the charges of penalties, interest, and other charges from the current examination for a total of \$24,561.43. (See Summary, page 12)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY COLLECTIONS NOT DEPOSITED

Wingate Water and Wastewater Utility customer collections were not always deposited to the unit's bank account. Utility collections per the unit's cash posting reports were compared to deposits. Cash posting reports were not available for 5 of the 12 months in 2008. For the 7 months of 2008 in which cash posting reports were available for examination, \$698.26 of Utility collections were not deposited into the unit's bank account.

Quin Northcutt, Clerk-Treasurer, was asked to repay the Utility collections not deposited of \$698.26. (See Summary, page 12)

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town Council has not established a capital assets policy. The Clerk-Treasurer has not maintained the prescribed capital assets ledger, Form 211.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

IC 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2006, 2007, and 2008.

IC 5-11-13-1 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 written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. We noted no deposits were made in June 2006.

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

RECEIPT ISSUANCE

Receipts were not issued for state and local distributions.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were either incomplete or not in use:

- Form 208, Ledger of Receipts, Disbursements and Balances
- Form 209, Ledger of Appropriations, Encumbrances, Disbursements and Balances
- Form 99A, Employee Service Record
- Form 100R, Certified Report of Names, Addresses, Duties and Compensation of Public Employees
- Form 206, Clerk-Treasurer's, City Controller's and City Treasurer's Monthly Financial, Depository Statement and Cash Reconciliation
- Form 319, Simplified Cash Journal - Water Utility - Class C
- Form 323, Simplified Cash Journal - Wastewater Utility - Class C
- Form 39, Accounts Payable Voucher
- Form 301, Municipal Water Utility Accounts Payable Voucher
- Form 301S, Municipal Sewage Utility Accounts Payable Voucher
- Form 310, Guarantee Deposit Receipt
- Form 314 Guarantee Deposit Register

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town, Water Utility, and Wastewater Utility. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPUTER OUTPUT

Access to records and information generated by the computer system was limited due to failure of the Clerk-Treasurer to print out and maintain the monthly billing reports, penalty reports, and the daily cash collection reports.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-15-6-3(d) states:

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

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

ANNUAL REPORT

Annual reports for 2006, 2007, and 2008 were not presented for examination.

IC 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-13-6-1(e) states in part:

"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."

ERRORS ON CLAIMS

Many claims were not prepared and submitted to the Town Council for approval. The Town Council minutes submitted for examination did not indicate approval of the checks written.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

Due to the condition of the records we were unable to verify the Town's compliance with the approved budgets.

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 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."

COMPENSATION AND BENEFITS

We were presented no evidence that the Town Council has passed salary ordinances for 2006, 2007, or 2008. Therefore, we were unable to verify that payments to officials and employees were correct.

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY LATE FEES

It was noted that the Clerk-Treasurer's two utility accounts were paid late for 28 out of the 36 billing periods in 2006, 2007, and 2008. Penalties were not charged for any late payments.

The Town's ordinance 2005-01 states in part:

"All bills for water service not paid by the fifteenth of the month shall be subject to a late charge of 10% of the total water bill."

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

Quin Northcutt, Clerk-Treasurer

TOWN OF WINGATE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

REIMBURSEMENT OF SALARY PAYMENT

Payments were made to Tom Northcutt, Town Council President in April, May, and June 2009 reimbursing him for salary paid to Ramon Knutti, Utility Superintendent. Three checks written to Northcutt were \$542.15 each, the same net pay Knutti received on a weekly basis in 2008. The Clerk-Treasurer acknowledged that Northcutt paid Knutti's salary due to the low balance in the Town's bank account.

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WINGATE  
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2010, with Quin Northcutt, Clerk-Treasurer. The contents of this report were discussed on May 4, 2010, with Doug Slavens, President of the Town Council.

TOWN OF WINGATE  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Quin Northcutt, Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 4	\$ 24,561.43	\$ -	\$ 24,561.43
Utility Collections Not Deposited, pages 4 and 5	<u>698.26</u>	<u>-</u>	<u>698.26</u>
Totals	<u>\$ 25,259.69</u>	<u>\$ -</u>	<u>\$ 25,259.69</u>

AFFIDAVIT

STATE OF INDIANA            )  
  )  
Montgomery COUNTY    )

I, Tim Clary, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Wingate, Montgomery County, Indiana, for the period from January 1, 2006 to December 31, 2008, is true and correct to the best of my knowledge and belief.

Timothy J. Clary  
Field Examiner

Subscribed and sworn to before me this 15<sup>th</sup> day of JUNE, 2010.

Jennifer Britton  
Clerk of the Circuit Court