

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WOLCOTTVILLE

LAGRANGE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
04/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeanette Combs (Vacant) June Brown Peercy	09-01-09 to 07-06-14 07-07-14 to 07-15-14 07-16-14 to 12-31-15
President of the Town Council	Dean Domer	01-01-11 to 12-31-15
Superintendent of Water Utility	Randy Miller Johnny Saylor Johnny Huff	01-01-11 to 10-31-12 11-01-12 to 02-22-13 02-23-13 to 12-31-15
Superintendent of Wastewater Utility	Matthew Jordan	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WOLCOTTVILLE, LAGRANGE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Wolcottville (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

November 19, 2015

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TOWN COUNCIL
TOWN OF WOLCOTTVILLE

TOWN COUNCIL
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS

PERSONAL EXPENSES

We noted that the Town paid for employee Christmas dinners from the General fund in 2011, 2012, and 2013 and Park Operating fund in 2014 as follows:

<u>Date</u>	<u>Amount</u>
December 5, 2011	\$ 310
December 16, 2012	420
December 16, 2013	166
December 8, 2014	469

The Town did not present for audit a Home Rule Ordinance specifying these types of expenditures as allowable promotional expenses; therefore, they are considered personal expenses rather than Town related expenses.

IC 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with IC 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March of 2015)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

TOWN COUNCIL
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Year	Excess Amount Expended
Local Road and Street	2014	\$ 2,245
Law Enforcement Continuing Education	2014	180

A similar comment was noted in prior Report B39643.

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."

UTILITY BILLING ADJUSTMENTS

Documentation was not presented for examination to show approval of adjustments to utility customer billings by the Town Council for the examination period. In March 2014, we noted in the Town Council minutes that an Adjustment Application form was presented and approved by the Town Council. However, a policy adopted by the Town Council concerning adjustments to utility billings was not presented for examination. These adjustments could include bill corrections, leak adjustments, and also bad debts or uncollectible accounts.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COUNCIL
TOWN OF WOLCOTTVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2015, with Dean Domer, President of the Town Council; Greg Ringler, Town Council member; June Brown Percy, Clerk-Treasurer; and Dusty Weddelman, Utility Clerk.

CLERK-TREASURER
TOWN OF WOLCOTTVILLE

CLERK-TREASURER
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS

DEPOSITORY ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the depository account balances were not completed on a monthly basis during the examination period.

A comparison of the ledger records to the depository account indicated cash long of \$8,977 at December 31, 2011, December 31, 2012, and December 31, 2013. This was due to numerous posting errors that went undetected and was corrected in July 2015 by receipting the amount long to the General fund. This was the amount of cash long pertaining to the former Clerk-Treasurer.

A comparison of the ledger records to the depository account indicated cash long of \$1,996 at December 31, 2014. This was due to numerous posting errors that went undetected. This was the amount of cash long pertaining to the current Clerk-Treasurer.

A similar comment was noted in the prior Report B39643.

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."

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)

OVERDRAWN CASH BALANCE

The financial statements presented for examination included the following fund with an overdrawn cash balance at December 31, 2014:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll	<u>\$ 3,089</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE AND DISBURSEMENT POSTING ERRORS

The financial records at December 31, 2014, included numerous posting errors (including lack of posting) for receipts and the disbursements.

CLERK-TREASURER
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

The majority of the posting errors noted included the following:

- State and local tax distributions were either not posted to the records at all or were posted for an incorrect amount.
- A gross payroll receipt to the Payroll fund that was not posted to the records.
- Bank interest was not posted to the records.
- Bank debits that were either not posted to the records at all or were posted for an incorrect amount would include: some Payroll tax payments, Sales tax payments and URT tax payments, INPRS payments, debit card usage and various bank charges or NSF activity.

We noted that penalties and interest for late payment of state and local withholdings were paid out of the Payroll fund and not from the General fund. Penalties for late payment are not part of the gross payroll amounts and should be charged against the General fund appropriations.

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest, and other charges to Indiana Department of Revenue - Sales Tax Division in the amount of \$472 and \$345 for 2014 and 2015 respectively, because the Town did not remit payments on a timely basis. Of the amount paid in 2014, \$153 pertained to the former Clerk-Treasurer. The remaining \$319 from 2014 and the \$345 paid in 2015 to date pertained to the current Clerk-Treasurer. .

The Town paid penalties, interest, and other charges to Indiana Department of Revenue - Utility Receipts Tax Division in the amount of \$43 and \$74 for 2012 and 2013, respectively, because the Town did not remit payments on a timely basis. These amounts paid all pertained to the former Clerk-Treasurer.

The Town paid penalties, interest, and other charges to Indiana Department of Revenue - Withholding Tax Division in the amount of \$43, \$283, and \$675 for 2013, 2014, and 2015, respectively, because the Town did not remit payments on a timely basis. The \$43 paid for 2013 was under the former Clerk-Treasurer. The \$283 paid for 2014 and \$675 paid for 2015 was under the current Clerk-Treasurer.

A similar comment was noted in the prior Report B39643.

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.

CLERK-TREASURER
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PERSONAL EXPENSES

We noted that the Town paid for employee Christmas dinners from the General fund in 2011, 2012, and 2013 and Park Operating fund in 2014 as follows:

<u>Date</u>	<u>Amount</u>
December 5, 2011	\$ 310
December 16, 2012	420
December 16, 2013	166
December 8, 2014	469

The Town of Wolcottville did not present for examination a Home Rule Ordinance specifying these types of expenditures as allowable promotional expenses; therefore, they are considered personal expenses rather than Town related expenses.

IC 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with IC 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March of 2015)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

A similar comment was noted in prior Report B39463.

CLERK-TREASURER
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Year	Excess Amount Expended
Local Road and Street	2014	\$ 2,245
Law Enforcement Continuing Education	2014	180

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."

COMPENSATION PER THE SALARY ORDINANCE

The current Utility Clerk was underpaid from September 23, 2013 to June 8, 2014. This was due to probationary wages being paid rather than the Town Council approved salary ordinance hourly wages for the position of Utility Clerk. The salary ordinances approved by the Town Council did not provide for probationary wages; neither did the minutes to the Town Council meetings. No specific authority appeared to exist to pay the Utility Clerk probationary wages at the former Clerk-Treasurer's discretion. The details of the underpayment are summarized as follows:

- The actual wage for September 23, 2013 to December 8, 2013 was \$12.25 per hour, whereas the 2013 Salary Ordinance stated \$12.64 per hour.
- The actual wage for December 9, 2013 to April 8, 2014 was \$12.52 per hour, whereas the 2013 Salary Ordinance stated \$12.64 per hour and the 2014 Salary Ordinance stated \$13.07 per hour.
- The actual wage for April 9, 2014 to June 8, 2014 was \$12.79 per hour, whereas the 2014 Salary Ordinance stated \$13.07 per hour.

The total amount of the underpayment from the period September 23, 2013 to June 8, 2014 was \$596.

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. There is no limitation upon the amount fixed, only to the extent of available appropriations where tax funds are involved. [IC 36-5-3-2] At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSETS

As stated in prior Report B39643, the Town had not properly maintained a complete inventory of capital assets owned. Capital asset amounts presented in the Annual Financial Report did not agree with the actual Capital Asset ledger presented for examination.

CLERK-TREASURER
TOWN OF WOLCOTTVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. 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)

CUSTOMER DEPOSIT REGISTER

As stated in prior Report B39643, the detailed customer deposit register (Meter Deposit Report) did not reconcile with the customer deposit cash balance recorded on the general ledger (Water Meter Deposit fund) during the examination period.

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)

UTILITY BILLING ADJUSTMENTS

We were not presented with evidence to show approval of adjustments to utility customer billings by the Town Council for the examination period. These adjustments to customers' accounts included bill corrections, leak adjustments, and also bad debts or uncollectible accounts.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS - UTILITY BILLINGS

The Town had ordinances concerning water, wastewater, and sanitation rates charged to customers; however, there were discrepancies in the amounts of water, wastewater, and sanitation billings for one Town employee. The Wastewater Utility Superintendent, who was the spouse of the Utility Clerk, was under billed or had unexplained and unapproved billing adjustments on two separate properties totaling \$502.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF WOLCOTTVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2015, with June Brown Percy, Clerk-Treasurer; Dean Domer, President of the Town Council; Greg Ringler, Town Council member; and Dusty Weddelman, Utility Clerk.