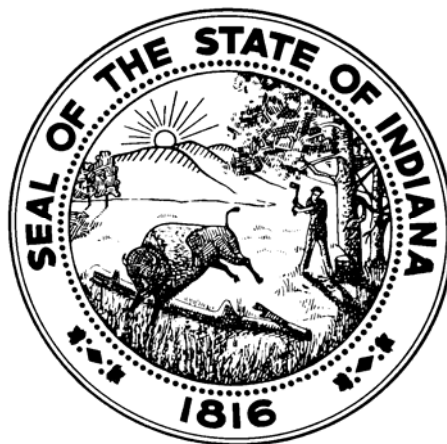


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
EAST CHICAGO PUBLIC LIBRARY  
LAKE COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
11/02/2006



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## OFFICIALS

| <u>Office</u>          | <u>Official</u>                 | <u>Term</u>          |
|------------------------|---------------------------------|----------------------|
| Director               | Dr. James Rajchel               | 01-01-04 to 05-20-06 |
|                        | Pearlie Eatman (Interim Acting) | 05-21-06 to 12-31-06 |
| Treasurer              | Edgar L. Spikes                 | 01-01-04 to 12-31-04 |
|                        | Johnnie Mitchell                | 01-01-05 to 12-31-05 |
|                        | Diana Garcia-Burns              | 01-01-06 to 12-31-06 |
| President of the Board | Diana Lopez-Colon               | 01-01-04 to 12-31-04 |
|                        | Noah Atterson Spann             | 01-01-05 to 12-31-05 |
|                        | Manuel Montalvo                 | 01-01-06 to 12-31-06 |



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EAST CHICAGO PUBLIC LIBRARY, LAKE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of East Chicago Public Library (Library), for the period of January 1, 2004 to December 31, 2005. The Library's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Library for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 20, 2006

EAST CHICAGO PUBLIC LIBRARY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

|                                    | Cash and<br>Investments<br>01-01-04 | Receipts     | Disbursements | Cash and<br>Investments<br>12-31-04 |
|------------------------------------|-------------------------------------|--------------|---------------|-------------------------------------|
| Governmental Funds:                |                                     |              |               |                                     |
| General                            | \$ 683,500                          | \$ 5,199,920 | \$ 5,783,865  | \$ 99,555                           |
| Gift                               | 11,778                              | 10,564       | 9,802         | 12,540                              |
| Born to Read                       | 2,926                               | -            | 2,926         | -                                   |
| Library Entitlement Grant 2003     | 3,834                               | -            | 3,834         | -                                   |
| Prime Time Family Reading Grant    | 208                                 | 2,089        | 2,297         | -                                   |
| Prime Time Family Reading Grant II | -                                   | 9,300        | 5,546         | 3,754                               |
| Met Life (Reading America) Grant   | 153                                 | 2,500        | 2,653         | -                                   |
| Met Life (Reading America 2) Grant | -                                   | 1,000        | 1,000         | -                                   |
| 1999 Bond Issue                    | 104,142                             | 16,109       | 120,251       | -                                   |
| Celebrate Freedom (Target) Grant   | -                                   | 2,000        | -             | 2,000                               |
| Cyberchase Outreach Grant          | -                                   | 2,000        | 2,000         | -                                   |
| Digital Photo Keeper Grant         | -                                   | 5,051        | 5,051         | -                                   |
| EC Reads Fund Phase 2              | -                                   | 60,000       | 60,000        | -                                   |
| EC Student Awareness Grant         | -                                   | 4,705        | 4,705         | -                                   |
| Family Growing Together Grant      | -                                   | 3,500        | 2,605         | 895                                 |
| Library Base Program Fund          | -                                   | 90,000       | 80,413        | 9,587                               |
| Library Cinema Grant III           | -                                   | 8,027        | 6,344         | 1,683                               |
| One Region One Book Grant (04)     | -                                   | 4,280        | 3,656         | 624                                 |
| Security Safety Grant              | -                                   | 56,284       | 56,284        | -                                   |
| Summer Reading Program Grant       | -                                   | 15,500       | 15,475        | 25                                  |
| United We Stand Grant II           | -                                   | 3,257        | 3,257         | -                                   |
| United We Stand Grant III          | -                                   | 17,400       | 13,426        | 3,974                               |
| Library Improvement Reserve        | 239,185                             | -            | 239,185       | -                                   |
| Technology                         | 61,584                              | 30,500       | 92,084        | -                                   |
| Fiduciary Funds:                   |                                     |              |               |                                     |
| Payroll Withholdings               | 7,477                               | 945,475      | 942,575       | 10,377                              |
| PLAC                               | -                                   | 26           | 26            | -                                   |

|        |              |              |              |            |
|--------|--------------|--------------|--------------|------------|
| Totals | \$ 1,114,787 | \$ 6,489,487 | \$ 7,459,260 | \$ 145,014 |
|--------|--------------|--------------|--------------|------------|

|                                      | Cash and<br>Investments<br>01-01-05 | Receipts     | Disbursements | Cash and<br>Investments<br>12-31-05 |
|--------------------------------------|-------------------------------------|--------------|---------------|-------------------------------------|
| Governmental Funds:                  |                                     |              |               |                                     |
| General                              | \$ 99,555                           | \$ 9,875,937 | \$ 8,737,539  | \$ 1,237,953                        |
| Gift                                 | 12,540                              | 8,120        | 10,592        | 10,068                              |
| Prime Time Family Reading Grant II   | 3,754                               | -            | 3,754         | -                                   |
| Prime Time Family Reading Grant (05) | -                                   | 5,400        | 5,329         | 71                                  |
| 1999 Bond Issue                      | -                                   | 155,140      | 124,880       | 30,260                              |
| Celebrate Freedom (Target) Grant     | 2,000                               | -            | 1,465         | 535                                 |
| Celebrate Freedom Through Art Grant  | -                                   | 2,650        | 1,535         | 1,115                               |
| EC Reads Phase 3 Fund                | -                                   | 54,926       | 54,926        | -                                   |
| Family Growing Together Grant        | 895                                 | -            | 895           | -                                   |
| Library Base Program Fund            | 9,587                               | -            | 9,587         | -                                   |
| Library Base Program Fund (05)       | -                                   | 84,919       | 80,057        | 4,862                               |
| Library Cinema Grant III             | 1,683                               | -            | 1,683         | -                                   |
| One Region One Book Grant (04)       | 624                                 | -            | 624           | -                                   |
| One Region One Book Grant (05)       | -                                   | 6,800        | 6,227         | 573                                 |
| Summer Reading Program Grant         | 25                                  | -            | 25            | -                                   |
| Summer Reading Program Grant (05)    | -                                   | 15,000       | 14,898        | 102                                 |
| United We Stand Grant III            | 3,974                               | -            | 3,974         | -                                   |
| United We Stand Grant (05)           | -                                   | 26,655       | 19,821        | 6,834                               |
| ARI Grants (2005)                    | -                                   | 6,982        | 6,982         | -                                   |
| EC Library Cinemas II                | -                                   | 8,100        | 6,964         | 1,136                               |
| Get Real Get Fit Grant               | -                                   | 2,000        | 2,000         | -                                   |
| Reading Counts Grant                 | -                                   | 8,000        | 7,933         | 67                                  |
| Youth Bookmobile Grant               | -                                   | 20,000       | 18,625        | 1,375                               |
| Library Improvement Reserve          | -                                   | 31,530       | -             | 31,530                              |
| Technology                           | -                                   | 31,840       | 31,840        | -                                   |
| Fiduciary Fund:                      |                                     |              |               |                                     |
| Payroll Withholdings                 | 10,377                              | 699,793      | 702,998       | 7,172                               |

|        |            |               |              |              |
|--------|------------|---------------|--------------|--------------|
| Totals | \$ 145,014 | \$ 11,043,792 | \$ 9,855,153 | \$ 1,333,653 |
|--------|------------|---------------|--------------|--------------|

The accompanying notes are an integral part of the schedules.

EAST CHICAGO PUBLIC LIBRARY  
NOTES TO SCHEDULES

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides cultural services.

Note 2. Fund Accounting

The Library uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Library in June and December. State statute (IC 6-1.1-17-16) requires Indiana the Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Library to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Library contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to

EAST CHICAGO PUBLIC LIBRARY  
NOTES TO SCHEDULES  
(Continued)

participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Library authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The Library has entered into a loan for counter-cyclical revenue and economic stabilization. The outstanding principal at December 31, 2005, was \$465,158.

Note 8. Tax Anticipation Warrants

The Library sold tax anticipation warrants. The outstanding principal at December 31, 2005, was \$2,044,554.

Note 9. Subsequent Events

The Library sold tax anticipation warrants on May 16, 2006, in the amount of \$4,895,045 at 4.86% per annum.

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2006, as required by statute, due to the continued delay caused by the reassessment of Lake County. As of June 5, 2006, the 2005 pay 2006 property tax bills have not been mailed out.



## EAST CHICAGO PUBLIC LIBRARY EXAMINATION RESULTS AND COMMENTS

### TRAVEL CLAIMS

A check was written in advance and hand delivered for a hotel stay during travel to an out of town conference. The claim attached to conference acknowledgements indicated that four individuals attended a conference in San Diego, CA. Three individuals stayed for five days but one person stayed for seven days. The Deputy Library Director provided documentation attached to claims reimbursing all four individuals for incidentals (meals, mileage, etc.). On these claims the original hotel invoices were attached for three individuals, but no original hotel invoice was presented for the individual that stayed seven days. There was no documentation supporting the hotel stay for the two extra days.

Reimbursements for meals paid by personal credit cards were not supported by itemized invoices. The payments were based on non itemized credit card receipts.

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 Libraries, Chapter 4)

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 Libraries, Chapter 4)

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

### SALARY RESOLUTION

There was no salary resolution for compensation and benefits paid to the Library Treasurer in 2004. There was no 2005 salary resolution adopted by the Library Board. The Library Director authorized the 2005 compensation and benefits to be paid based on the 2004 salary resolution.

All members of the board serve without compensation and may not serve as paid employees of the public library. [IC 20-14-2.5-15] The only exception is the treasurer, who may receive compensation. [IC 20-14-2-5] This compensation should be set by board policy. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

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 Libraries, Chapter 8)

EAST CHICAGO PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PENALTIES AND INTEREST

Penalties and interest totaling \$599.19 were paid to the Indiana Department of Revenue for the period ending January 31, 2005, due to late reporting.

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 Libraries, Chapter 4)

BOARD MEMBERS HEALTH INSURANCE BENEFITS

The Library Board of Trustees approved payment of a portion of the health insurance premiums for members of the Library Board once they complete a four-year term of office. The payment of the health insurance premium will continue until the time the covered member is Medicare eligible. Once eligible for Medicare, the East Chicago Public Library will pay for the Medicare supplement insurance premium until the covered member reaches the age of seventy.

The health insurance benefit was not included on a W-2 or 1099.

All members of the board serve without compensation and may not serve as paid employees of the public library. [IC 20-14-2.5-15] The only exception is the treasurer, who may receive compensation. [IC 20-14-2-5] This compensation should be set by board policy. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

EAST CHICAGO PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2006, with Diana Garcia-Burns, Treasurer; Pearlie Eatman, Interim Acting Director; Denise Carrasquillo, Deputy Director; and Manuel Montalvo, President of the Board. The official response has been made a part of this report and may be found on page 10.



## East Chicago Public Library

2401 E. Columbus Drive, East Chicago, IN 46312

Voice: 219/397-2453 Fax: 219/397-6715

Internet: [www.ecpl.org](http://www.ecpl.org)

Ms. Pearlie Eatman, Interim Acting Director

September 29, 2006

### Main Library

2401 E. Columbus Drive  
East Chicago, IN 46312  
Voice: 219/397-2453  
Fax: 219/397-6715

### Pastrick Branch Library

1008 W. Chicago Ave.  
East Chicago, IN 46312  
Voice: 219/397-5505  
Fax: 219/398-2827

### St. Catherine Hospital

4321 Fir Street  
East Chicago, IN 46312  
219/392-7183

### Bookmobile Service

219/545-2680

### Reading Room Locations

#### Roberto Clemente Center

3616 Elm St.  
East Chicago, IN 46312  
219/397-4065

#### M.L. King Center

4802 Melville Ave.  
East Chicago, IN 46312  
219/397-4092

#### Heritage Hall

4506 Tod Ave.  
East Chicago, IN 46312  
219/397-5773

#### Bessie Owens Center

4001 Alexander Ave.  
East Chicago, IN 46312  
219/397-4039

#### Penn Center

3550 Pennsylvania Ave.  
East Chicago, IN 46312  
219/397-4014

#### 151<sup>st</sup> Street Center

4925 Gladiola Ave.  
East Chicago, IN 46312  
219/397-3241

### Board of Trustees

Mr. Manuel Montalvo

President

Mr. Clifton E. Johnson

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Member

Mr. Gary McCracken

Member

Mr. Noah Atterson Spann

Member

### Official Response

State Board of Accounts

302 West Washington St. Room E418

Indianapolis, IN 46204-2765

RE: Audit period 1/1/04-12/31/05

### Travel Claims

The Finance Committee will be reviewing Travel Policy and include that an Itinerary be included for days attending a Conference. It will clearly be stated that no credit card receipts will be accepted. Reimbursement will be made only when itemized receipts are received.

### Salary Schedule

The salary of the Library Treasurer has been added to the 2006 Salary Schedule. The Treasurer or Assistant Treasurer will make sure that a yearly salary schedule is approved.

### Penalties & Interest

A system has since been put in place to assure that this does not happen again. It is very clear that no library fund, including unrestricted can be used to pay for penalties and interest.

### Board Member Health Insurance Benefits

Effective immediately all Board Members insurance has been cancelled.

Respectfully submitted,

Diana Garcia-Burns

Treasurer, East Chicago Public Library