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October 7, 2016

TO: THE OFFICIALS OF THE HENRY HENLEY PUBLIC LIBRARY, RUSH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Henry Henley Public Library (Library), for the period of January 1, 2012 to December 31, 2015, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Our procedures were designed solely to satisfy the requirements of Indiana Code 5-11-1. Because our procedures were not designed to opine on the Library's financial statements, we did not follow auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any basic financial statement of the Library.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

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

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Unresolved Comments from Prior Report

- *Depository reconciliations of the fund balances to the bank account balances were conducted; however, the 2015 monthly reconciliations contained errors. Two outstanding checks were omitted from the outstanding checklists. In addition, due to mathematical errors in computing ledger balances during 2015, the reconciliations did not balance to correct ledger balances.*
- *Accounts Payable Vouchers were not always approved by the Library Board.*
- *Receipts were deposited later than the next business day following the receipt of funds. The Library received distributions from the Rush County Auditor. The following schedule details the number of distributions received from the Auditor and the number that were deposited late.*

<u>Years</u>	<u>Total County Distributions</u>	<u>Total Deposited Late</u>
2012	14	11
2013	14	12
2014	14	10
2015	15	8

- Bank overdraft charges in the amount of \$25 were paid due to an overdrawn fund balance in the Library's checking account on March 7, 2014. In addition, penalties and interest were paid to the United States Treasury for quarterly payroll taxes because Internal Revenue Service (IRS) Form 941 filings and payments were not made on a timely basis.

<u>Date Paid</u>	<u>Taxing Period</u>	<u>Penalty Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
04-16-12	4th Quarter 2011	\$ 8.11	\$ 0.29	\$ 8.40
04-16-12	3rd Quarter 2011	18.12	1.01	19.13
05-16-12	2nd Quarter 2011	31.06	2.98	34.04
01-10-13	3rd Quarter 2012	1.13	0.57	1.70
<i>Total</i>		<u>\$ 58.42</u>	<u>\$ 4.85</u>	<u>\$ 63.27</u>

- The Library did not maintain a record of capital assets during the period reviewed.

Current Period Comments

- The Library Board did not adopt a salary schedule establishing the compensation of employees for 2012, 2013, 2014, and 2015.
- The Annual Financial Report (AFR) filed for 2015 contained a number of errors and did not match the Unit's records. Corrections were presented and made by the Library to the AFR filed on Gateway.

<u>Year</u>	<u>Fund</u>	<u>Category</u>	<u>Amount Per AFR</u>	<u>Amount Per Corrected Ledger</u>	<u>Difference</u>
2015	General	Receipts	\$ 16,446.86	\$ 16,098.33	\$ 348.53
2015	General	Disbursements	16,127.79	15,035.03	1,092.76
2015	General	Ending Balance	40,831.97	41,576.20	(744.23)

- The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The back side or endorsement side of the checks was not returned.
- Some employees were paid without payroll taxes being withheld for 2012, 2013, 2014, and 2015.
- IRS forms W-2 were not issued for all employees for 2012, 2013, 2014, and 2015.
- The Library did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the Indiana State Board of Accounts for 2012 or 2015. In addition, the Library did not timely file the AFR on

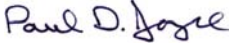
Gateway for 2014 or 2015. The dates the reports were due, filed, and number of days late is scheduled below:

<u>Form</u>	<u>Due Date</u>	<u>Date Filed</u>	<u>Days Late</u>
100-R	01-31-16	03-22-13	50
100-R	01-31-16	03-11-16	40
AFR	03-01-15	05-10-15	70
AFR	02-29-16	03-14-16	14

- *The wages reported on the Form 100R for 2014 for one employee did not agree to wages reported on the employee's IRS Form W-2.*
- *The Library obtained Official Bonds for the Library Treasurer, which insured against losses up to \$1,000 per year for 2012, 2013, 2014, and 2015. Discussions regarding the amount of the bond coverage and the approval of the bond amount were not documented in the Library Board minutes. In addition, the Official Bonds for the Library Treasurer for 2012, 2013, 2014, and 2015 were not recorded in the office of the Rush County Recorder.*
- *Minutes of the Library Board meetings were not approved by the Library Board. Minutes did not always indicate actions taken and approved by the Library Board including the results of votes.*

This letter is intended for the information and use of the governing body and management of the Library. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

The contents of this letter were discussed on August 23, 2016, with Sally Weir, Director; Jessica A. Smith, Treasurer; and James W. Neal, President of the Library Board. Any Official Response attached to this letter was not verified for accuracy.


Paul D. Joyce, CPA
State Examiner