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October 25, 2016

TO: THE OFFICIALS OF THE HAGERSTOWN-JEFFERSON TOWNSHIP
PUBLIC LIBRARY, WAYNE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Hagerstown-Jefferson Township 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.

Current Period Comments

- *The financial institution did not return the actual cancelled checks or copies of cancelled checks with the monthly bank statements.*
- *The Payroll Withholding fund had receipts and disbursements of \$18,153.37, \$17,530.15, and \$22,158.26 for 2013, 2014, and 2015, respectively, but the fund's activity was not included in Annual Financial Reports (AFR) filed by the Library. In addition, the Social Fund had receipts and disbursements of \$148.60 for 2015 but the fund's activity was not included in the AFR filed by the Library. The Library has made corrections to include the activity for these funds in the AFRs for 2013, 2014, and 2015.*
- *Documentation for three disbursements was not sufficiently detailed to determine if the disbursements were allowable. In addition, documentation was not presented to support 113 credit card purchases.*

- *The Library had a policy in place to reimburse employees for miles driven in personal vehicles at the federal mileage rate. All employees, except the Director, received mileage reimbursement in accordance with the policy by filing a Mileage Claim (General Form No. 101).*

During the period of review, the Library credit card was used to purchase gasoline for the Director's personal vehicle. At the time the expenses were incurred, the Director did not maintain a log of the dates, nature of the business, or the miles traveled; therefore, we were unable to determine if the gasoline purchased for her personal vehicle was appropriate or allowable.

In addition to the gasoline, the Library credit card was also used to purchase meals for the Director. The Library does not have a policy addressing reimbursement or payment of meals.

The Library did not include the cost of gasoline and meals purchased on the Director's Internal Revenue Service Wage and Tax Statement, Form W-2, for the period reviewed.

The following schedule summarizes by year the amount of travel expenses paid on behalf of the Director during the period reviewed:

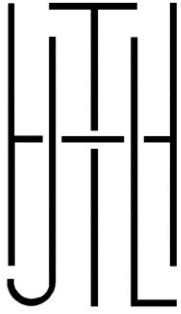
<u>Years</u>	<u>Gasoline Purchased</u>	<u>Meals Purchased</u>
2012	\$ 249.27	\$ 428.92
2013	1,066.04	1,145.61
2014	1,242.31	832.66
2015	<u>416.63</u>	<u>868.79</u>
Totals	<u>\$ 2,974.25</u>	<u>\$ 3,275.98</u>

- *On July 11, 2012, the Library paid a \$39 late fee on the Library's credit card.*

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 June 30, 2016, with Ruth Frasur, Director; Everett Hampton, Treasurer; and David Henley, President of the Library Board. Any Official Response attached to this letter was not verified for accuracy.

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



Hagerstown – Jefferson Township Library

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RESPONSE to COMMENTS for SBOA AUDIT 2012-15

July 6, 2016

To Whom It May Concern:

On June 30, 2016, an exit conference was held between the State Board of Account Field Examiner, Kim Wesley, Hagerstown – Jefferson Township Library Director, Ruth Frasur, and Hagerstown Library Board Treasurer, Everett Hampton. During the exit conference, Ms. Wesley explained her comments with regard to the financial accounting in the library for the years 2012 – 2015. Included in this response are those comments and the actions taken by the Library Director and Library Board to address those identified issues.

Comment #1 – “The financial institution did not return the actual cancelled checks or copies of cancelled checks with the monthly bank statements.”

Response #1 – Contact has been made with the bank, and copies of cancelled checks will now be included with the monthly bank statements.

Comment #2 – “The Payroll Withholding fund had receipts and disbursements of \$18,153.37, \$17,530.15, and \$22,158.26 for 2013, 2014, and 2015, respectively, but the fund’s activity was not included in Gateway Annual Financial Reports filed by the Library. In addition, The Social Fund had receipts and disbursements of \$148.60 for 2015 but the fund’s activity was not included in the Gateway Annual Financial Report filed by the Library. The Library has made corrections to include the activity for these funds in the Gateway Annual Reports for 2013, 2014, and 2015.”

Response #2 – These changes have been made in Gateway, the Annual Reports have been resubmitted, and new attestation forms have been refiled.

Comment #3 – “Documentation for many disbursements was not sufficiently detailed to determine if the disbursements were allowable. In addition, documentation was not presented for review to support some credit card purchases.”

Response #3 – This comment referred to a lack of some ITEMIZED receipts for credit card purchases and exclusion of detailed statements for purchases made from Amazon.com. Changes to the library’s credit card policy will explicitly state that all receipts must give a detailed account of what was purchased. Regarding the detailed statements for purchases made from Amazon.com, these statements were kept in a separate file and have been appended to their respective vouchers. Detailed monthly statements will heretofore be included with accompanying voucher information.

Comment #4 – “The Library had a policy in place, during the period reviewed, to reimburse employees for miles driven in personal vehicles at the federal mileage rate. All employees, except the Director, received mileage reimbursement in accordance with the policy by filing a Mileage Claim (General Form No. 101).

During the period of review, the Library credit card was used to purchase gasoline for the Director’s personal vehicle. The Director did not maintain a log of the dates, nature of the business of the business, or the miles traveled; therefore, we were unable to determine if the gasoline purchased for her personal vehicle was appropriate or allowable.

In addition to the gasoline, the Library credit card was also used to purchase meals for the Director. The Library does not have a policy addressing reimbursement or payment of meals.

The Library did not include the cost of gasoline and meals purchased on the Director’s W-2s for the period reviewed. In accordance with Internal Revenue Service Publication 463, when travel expenses paid on behalf of an employee are not part of a reimbursement, the entire amount paid is to be reported as wages.”

Response #4 – The Library has updated its Credit Card policy to explicitly state that all travel expense incurred while in a personal vehicle must be reimbursed based on the Indiana State Mileage Rate in accordance with the SBOA Uniform Controls. The issues of log keeping have been addressed by the standardized use of the Mileage Claim Form. Also, the purchase of gasoline for personal vehicles in lieu of mileage reimbursement has been halted. Furthermore, and based on feedback from the SBOA Field Examiner, the Library has developed a Meal and Travel policy outlining reimbursement and other payment of meals, lodging, and travel associated with professional meetings, workshops, conferences and library-related business.

Comment #5 – “On July 11, 2012, the Library paid a \$39 late fee on the Library’s credit card.”

Response #5 – The Library has put into place, and continues to improve, procedures to prevent late receipt of payment by all vendors and service providers.

We appreciate the diligence put forth by Field Examiner Wesley and her assistance in developing appropriate corrective actions when necessary.

Sincerely,

Ruth Frasur
Library Director

Credit Card Policy

- The library¹ credit card shall be used for the following:
 - ✓ Expenses related to professional meetings and conferences. These expenses may include registrations, food, travel & accommodations. Any travel expenses charged to the library credit card may not also be turned into the library for reimbursement.
 - ✓ Purchase of items for the library from vendors with whom the library does not have an established account and uses only on an ad hoc, irregular basis. The library shall seek to establish Net 30 accounts or revolving credit accounts with a vendor with whom the library does regular business.
- The librarian shall be responsible for the security and appropriate use of the library credit card.
- Any individual purchases² or grouped expenditures³ exceeding \$1500 shall require board approval granted via email, phone, or in-person interaction with board president, vice president, or treasurer.
- Within a month, when total credit card expenditures exceed \$2000 board approval must be granted via email, phone, or in-person interaction with board president, vice president, or treasurer.
- Any outstanding amount shall be paid completely each month unless the board moves for a partial payment.
- Detailed receipts shall be provided for all credit card purchases. It is the responsibility of the individual using the credit card to make sure that receipts for purchases are sufficiently detailed to provide a “chain of evidence” to justify the purchases as adhering to this policy.

1. In this document, the **“library”** exclusively refers to Hagerstown – Jefferson Township Library in Hagerstown, Indiana.
2. **“Individual purchases”** refers to a single transaction with a vendor. “Individual purchases” does NOT refer to purchases made FOR an individual. All purchases made with library credit card shall relate directly to library operations. All items purchased with the library credit card shall be the sole property of the library.
3. **“Grouped expenditures”** refers to several purchases that may be grouped together. An example would be a conference registration, hotel reservation, and dinner reservations. Another example would be expenditures related to a library initiative such as the summer reading program.

Hagerstown – Jefferson Township Library

Meal and Travel Policy

Since the library does not offer a vehicle for use, the Hagerstown – Jefferson Township Library will reimburse staff and Board Members for approved travel. Approved travel may include workshops, conferences, and other library business pre-approved by the Director or their proxy. Mileage reimbursement may occur when an employee uses their personal vehicle to attend approved workshops, conferences, and other library business and enters travel status. “Travel status” is defined as travel outside of Wayne County, Indiana and/or outside of a 20 mile radius from the Library. At the discretion of the Library Director, travel areas proximal to the residency of an employee may be excluded from reimbursement by the Library. Mileage shall be reimbursed based on distances provided using accurate mapping software and/or state road maps at a rate equal to the Indiana State Mileage Rate set during the winter semi-annual review. Under rare circumstances, odometer readings may be necessary.

Lodging, food, and other required fees (i.e. parking and tolls) associated with approved travel also will be reimbursed. The library credit card may be used to pay for lodging, meals, travel expenses not covered by mileage reimbursement and other required fees. Copies of receipts and mileage claims are required.

The Director is responsible for inquiring if special rates are available for conference attendees or for Public Librarians on business. Meals shall be reimbursed or paid for using the library credit card in amounts not to exceed per diem rates established on the United States General Services Meals & Incidental Expenses chart and tables (<http://www.gsa.gov>). Alcoholic beverages are NOT reimbursable.

Anyone traveling on library business must have a copy of their valid driver’s license on file at the library and maintain their own automobile insurance policy. Employees using their privately owned vehicle for business travel should understand that their personal automobile insurance is the primary insurance carrier and the library, staff, the Board of Trustees, or its insurance assumes no responsibility for any damage incurred.