

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WALTON AND TIPTON TOWNSHIP PUBLIC LIBRARY

CASS COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Karen S. Troutman Kristi Hileman	01-01-19 to 12-31-22 01-01-23 to 12-31-23
Treasurer	Christy M. McCloskey Kay Kunkle	01-01-19 to 07-13-21 07-14-21 to 12-31-23
President of the Library Board	Carol Dutchess	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WALTON AND TIPTON TOWNSHIP
PUBLIC LIBRARY, CASS COUNTY, INDIANA

This report is supplemental to the audit report of the Walton and Tipton Township Public Library (Library), for the period from January 1, 2019 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Library. It should be read in conjunction with the Financial Statements Audit Report of the Library, which provides our opinions on the Library'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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 19, 2023

WALTON AND TIPTON TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Library related to financial transactions and reporting.

The Library had not designed or implemented an effective system of internal controls that ensured amounts reported on the financial statements were accurate. The Treasurer entered financial information into the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report and the financial statements. Although a review and approval process was implemented; it was not effective to ensure amounts reported were accurate. Due to the lack of effective internal controls, the following errors were noted:

1. The Library recorded interbank transfers of \$288,550 in 2019. This resulted in both receipts and disbursements being overstated by this amount.
2. Two investments were not included in the fund balance of Lease Rental Investments fund for the year ended December 31, 2020. This caused the beginning cash and investments balance, on January 1, 2021, to be understated by \$96,939. To correct this, the Treasurer recorded a receipt of \$96,939 in 2021, which resulted in receipts being overstated by that amount.

Adjustments were proposed, accepted by the Library, and made to the financial statements.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

WALTON AND TIPTON TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Library could not provide a detailed listing of all capital assets owned prior to 2021.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, required supplementary information, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Library had not established effective internal controls over the AFR other information entered into Gateway, which resulted in the following errors:

Financial Information

The Library failed to properly review the financial information prepared and submitted into Gateway. Due to the lack of internal controls, the required supplementary information presented for audit included the errors described above in the *Financial Transactions and Reporting* comment.

Adjustments were proposed, accepted by the Library, and made to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in the Financial Statements Audit Report of the Library as Required Supplementary Information.

Capital Assets

The capital asset information reported in Gateway could not be verified for the audit period as the Library did not keep a complete listing of capital assets. The Library approved not reporting the Schedule of Capital Assets in the Financial Statements Audit Report of the Library.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

WALTON AND TIPTON TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Kay Kunkle, Treasurer; Christy M. McCloskey, former Treasurer; Kristi Hileman, Director; Carol Dutchess, President of the Library Board; Jeff Leffert, Library Board member; and Joan Davis, Library Board member.