

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

COMPLIANCE ENGAGEMENT REPORT

OF

GARY PUBLIC LIBRARY

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
06/07/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Diana Morrow	01-01-19 to 12-31-24
Treasurer	Fred McMillon	01-01-19 to 06-30-21
	Angela Lewis	07-01-21 to 12-31-21
	Nathaniel Ridgeway	01-01-22 to 01-30-22
	Mary M. Lewis	02-01-22 to 12-31-24
President of the Library Board	Tyrell Anderson	01-01-19 to 06-30-20
	Robert L. Buggs	07-01-20 to 06-30-22
	Akilia McCain	07-01-22 to 06-30-23
	Dr. Lucille D. Washington	07-01-23 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GARY PUBLIC LIBRARY, LAKE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Gary Public Library (Library), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Library as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Library's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Diana Morrow, Director; Mary M. Lewis, Treasurer; Dr. Lucille D. Washington, President of the Library Board; Sadie P. Sheffield, Library Board member; Jacquese M. White, Library Board member; Linda Collins-Brown, Library Board member; and Curtis Whittaker, Acting Controller, on May 23, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 25, 2024

GARY PUBLIC LIBRARY
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure that the Library complied with laws and regulations. The internal controls deficiencies resulted in noncompliance over the annual financial report, bank reconciliations, and monthly and annual gateway uploads, detailed further in the comments below.

Criteria

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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial 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 procedures over the AFR information entered into Gateway. This resulted in the errors in reporting of financial activity in each year throughout the engagement period and capital assets information for the years 2021-2023.

Financial Activity

The Library invested funds in a local government investment pool. The Library reported a separate fund in the AFR for the investment account, which was an investment of the General Operating Fund. The Library reported receipts and disbursements in the AFR for activity related to the transfer of monies between the investment account and the General Operating Fund bank account. This activity was reported for each year during the engagement period. As this type of activity was just the movement of money between bank accounts, it should not have been reported. Additionally, the investment account was part of the General Operating Fund and should not have been reported as a separate fund.

Additional errors in the amounts reported resulted in over and (under) statements for various funds throughout the engagement period.

- Correcting entries were incorrectly reported for receipts and disbursements in the General Operating Fund for 2021. This resulted in an overstated of receipts and disbursements.
- The Library Payroll Account fund activity in the AFR did not agree with the Library's financial records for 2022. This resulted in the receipts and disbursements of the Library Payroll Account fund being overstated.

GARY PUBLIC LIBRARY
COMMENTS
(Continued)

- The General Operating Fund activity reported in 2023 did not agree with the financial records provided. This resulted in an understatement of the receipts and disbursements in the General Operating Fund.
- The Library Payroll Account fund was not reported in the AFR for 2023, which understated the receipts and disbursements of the Library Payroll Account fund.

See the schedule below for a summary of total over and (under) statements by type, for each year of the receipts and disbursements reported in the AFR, and the effect on the ending cash balance.

Description of Statement Misstatement	Years Affected	Receipts Over (Under) Reported	Disbursements Over (Under) Reported	Effect on Ending Cash Over (Under) Reported
Investment and bank to bank activity reported in error	2019-2023	\$ 22,435,981	\$ 22,844,981	\$ (409,000)
Correcting Entries reported in error	2021	2,542,848	2,542,848	-
Payroll Clearing Fund not reported	2023	(952,211)	(951,648)	(563)
Adjustments needed to agree to records	2022-2023	<u>85,656</u>	<u>(277,106)</u>	<u>362,762</u>
Total before adjustment to statements		<u>\$ 24,112,274</u>	<u>\$ 24,159,075</u>	<u>\$ (46,801)</u>

Adjustments were proposed, approved by the Library, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis that appears in this report following the comments.

Capital Assets

The Library did not provide records to support the capital asset information entered into Gateway for two out of the five years within the engagement period (2021 and 2022).

The information entered into Gateway did not materially agree to the capital asset records provided for 2023, which resulted in an overstatement of capital assets of \$2,329,832.

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](#)."

GARY PUBLIC LIBRARY
 COMMENTS
 (Continued)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Library completed reconcilements monthly. However, for four out of the five years in the engagement period, there were unexplained differences between the reconciled balance and the Library's financial records at year end. Since the differences, although not material, occurred in multiple years, the Library effectively had not reconciled as required. The differences between the Library's financial records and the reconciled balances are as follows:

Years	Reconciled Cash Balance	Record Cash Balance	Unidentified Difference
2020	\$3,208,760	\$ 3,204,249	\$ 4,511
2021	3,618,209	3,619,257	(1,048)
2022	4,058,535	4,057,636	899
2023	3,942,817	3,945,099	(2,282)

Criteria

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."

MONTHLY AND ANNUAL GATEWAY UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, bank statements, outstanding check lists, approved Library Board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end investment statements, detail of receipt activity, detail of disbursement activity, current year salary ordinance and amendments, annual vendor history report, annual funds ledger, and annual payroll history report,.

The Library did not comply with Amended State Examiner Directive 2018-1 and did not upload any of the monthly or annual files on the Indiana Gateway for Government Units financial reporting system beginning in November 2022, through the end of the engagement period (December 2023).

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

GARY PUBLIC LIBRARY
COMMENTS
(Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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GARY PUBLIC LIBRARY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

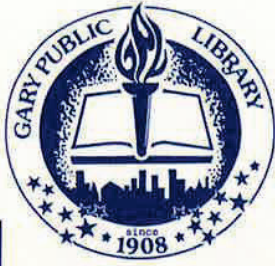
Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General Operating Fund	\$ 1,543,987	\$ 4,810,255	\$ 4,592,040	\$ 1,762,202	\$ 3,344,309	\$ 3,179,702	\$ 1,926,809
Library Reserve Improvement	100,157	350,272	216,589	233,840	100,237	100,000	234,077
Petty Cash - General Fund	477	193	195	475	-	-	475
Library Gift/Trust Fund	36,156	988,110	-	1,024,266	5,239	-	1,029,505
Library Rainy Day Fund	17,865	9	-	17,874	9	-	17,883
Library Payroll Account	-	936,297	938,829	(2,532)	996,831	998,799	(4,500)
Totals	\$ 1,698,642	\$ 7,085,136	\$ 5,747,653	\$ 3,036,125	\$ 4,446,625	\$ 4,278,501	\$ 3,204,249

GARY PUBLIC LIBRARY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General Operating Fund	\$ 1,926,809	\$ 5,048,699	\$ 4,638,957	\$ 2,336,551	\$ 3,357,123	\$ 3,084,040	\$ 2,609,634
Library Reserve Improvement	234,077	71,659	71,530	234,206	150,935	-	385,141
Petty Cash - General Fund	475	587	587	475	-	-	475
Library Gift/Trust Fund	1,029,505	631	-	1,030,136	14,919	-	1,045,055
Library Rainy Day Fund	17,883	6	-	17,889	5	-	17,894
Library Payroll Account	(4,500)	956,227	951,727	-	875,651	876,214	(563)
Totals	\$ 3,204,249	\$ 6,077,809	\$ 5,662,801	\$ 3,619,257	\$ 4,398,633	\$ 3,960,254	\$ 4,057,636

GARY PUBLIC LIBRARY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General Operating Fund	\$ 2,609,634	\$ 4,034,626	\$ 4,205,122	\$ 2,439,138
Library Reserve Improvement	385,141	4,971	269	389,843
Petty Cash - General Fund	475	-	-	475
Library Gift/Trust Fund	1,045,055	52,689	-	1,097,744
Library Rainy Day Fund	17,894	5	-	17,899
Library Payroll Account	<u>(563)</u>	<u>952,211</u>	<u>951,648</u>	<u>-</u>
Totals	<u>\$ 4,057,636</u>	<u>\$ 5,044,502</u>	<u>\$ 5,157,039</u>	<u>\$ 3,945,099</u>



GARY PUBLIC LIBRARY

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DIANA MORROW
Library Director

OFFICIAL RESPONSE

May 28, 2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Dear Sir/Madame:

This is in response to the review results and comments to the financial statements of the Gary Public Library as of December 31, 2023, for five years, 2019 - 2023. The management of the Gary Public Library does agree that our financial statements were openly and completely presented to the Indiana State Board of Accounts, and fairly reviewed in accordance with the regulatory basis of accounting as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Per our exit conference Acknowledgement of Decision for Official Response, we issue this letter as our response and corrective measures for any notes presented.

INTERNAL CONTROLS

Internal controls exist at the Gary Public Library. The Gary Public Library follows all prescribed directions of the Accounting and Uniform Compliance Guidelines Manual for Public Libraries.

However, there are areas where our internal controls can be strengthened. Such areas are as follows: controls over the Annual Financial Report, bank reconciliations, and monthly and annual gateway uploads.

ANNUAL FINANCIAL REPORT

The report states that bank activity between the general fund and the investment fund should not be reported because it overstates revenues and expenses. While we agree with this assumption, we believe that this is how activity should be reported on the regulatory basis (cash and investment) of accounting. However, as requested by the State Board of Accounts, in future reports, we will remove the General Fund investment transfers from the Annual Financial Report. However, because the transfers are actual transactions on the bank and investment statements, they will still be recorded within the Gary Public Library accounting system and continue to be reconciled on a monthly basis.

In addition to the above, we will update the Annual Financial Reports from 2019 – 2023 to remove the above transfer activity from the reports and we will make the listed additional corrections to the Annual Financial Reports to include payroll activity in 2022 and 2023 that was inadvertently omitted from the report. Finally, we will post the adjustments provided by the State Board of Accounts to the Annual

"The People's University"

Financial Report for 2019 – 2023 so that the Annual Financial Reports agree to the Gary Public Library accounting system.

The report also states the Gary Public Library did not provide records to support capital assets reported within Gateway for 2021 and 2022. The Gary Public Library provided an excel spreadsheet to the auditors that included all the assets of the Gary Public Library at their historical costs and the year of purchase, along with the assets' depreciation schedule. The Gary Public Library will continue to maintain this spreadsheet and the support for each asset place in or removed from service and have these records and support available for the auditor.

BANK RECONCILIATIONS


The report states that the Gary Public Library completes the bank reconciliations on a monthly basis. However, as stated in the report, there were immaterial differences in some of the years. The Gary Public Library will ensure that all future reconciliations are reconciled without any immaterial differences.

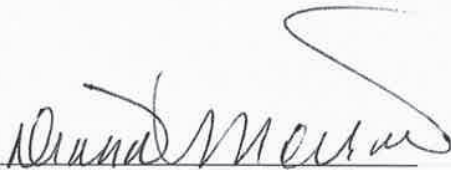
MONTHLY AND ANNUAL GATEWAY UPLOADS

The report states that the Gary Public Library must upload certain financial reports to Gateway on a monthly and annual basis. The report states that this did not occur from November 2022 – December 2023. With the transition in the Controller position this was not completed in a timely manner. However, prior to the start of the audit, all prior required reports were uploaded to Gateway. In addition to this, the Gary Public Library is current with all monthly uploads for 2024 and all required financial reports have been entered into Gateway.

If you have any questions or require further information, please direct them to the attention of the Library Director at (219)886-2484 extension 320 or to the Accounting Supervisor at (219)886-2484 X. 325.

Sincerely;

Signed: 
Title: Accounting Supervisor/Treasurer,
Mary Lewis

Signed: 
Title: Library Director,
Diana Morrow