

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

COMPLIANCE ENGAGEMENT REPORT

OF

HAMMOND PUBLIC LIBRARY

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

06/20/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	René L. Greenleaf Cornell White	01-01-19 to 03-19-23 03-20-23 to 12-31-24
Treasurer	Caryn Janiga	01-01-19 to 12-31-24
President of the Library Board	Paul Taylor Marty Wielgos Carlotta Blake King (acting) Luis Gonzales	01-01-19 to 09-03-21 09-04-21 to 12-04-23 12-05-23 to 12-31-23 01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE HAMMOND 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 Hammond 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 Caryn Janiga, Treasurer; Cornell White, Director; Carlotta Blake King, Library Board member; Albertine Dent, Library Board member; and Thomas Novak, Library Board member, on June 5, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 1, 2024

HAMMOND PUBLIC LIBRARY
COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B54121, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Internal controls were not in place to ensure that the Library complied with laws and regulations. The internal control deficiencies resulted in noncompliance over bank reconciliations, contracts, monthly and annual uploads, and capital assets - inventory, 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. . . ."

BANK RECONCILIATIONS

A similar comment also appeared in prior Report B54121, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The Library completed monthly bank reconciliations for each bank account separately. A combined bank reconciliation to the total ledger fund balance was not completed. For three out of the five years in the engagement period, there were unexplained differences between the reconciled balance and the Library's records. The differences between Library records and the reconciled balances are as follows:

<u>Years</u>	<u>Reconciled Balance</u>	<u>Record Balance</u>	<u>Difference</u>
2021	\$ 4,182,953	\$ 4,183,937	\$ (984)
2022	4,470,923	4,469,708	1,215
2023	5,148,980	5,142,180	6,800

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."

HAMMOND PUBLIC LIBRARY
COMMENTS
(Continued)

CONTRACTS

Condition and Context

In January 2023, the Library Board declared an emergency due to flooding. Payments were made for various repairs related to the flood. The Library made payments totaling \$1,817,571 to a vendor that acted as a general contractor overseeing the flood related repairs. Inquiry of Library personnel and review of the Library Board minutes determined that a contract was not entered into with the vendor or approved by the Library Board in accordance with Indiana statute. The Library did not comply with the statutory requirements for an emergency public works project as the Library Board minutes did not document any companies being invited to bid or quote.

Criteria

Indiana Code 36-1-12-9 states:

"(a) The board, upon a declaration of emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from at least two (2) persons known to deal in the public work required to be done.

(b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

Indiana Code 36-1-12-4 states in part:

". . . (8) Except as provided in subsection (c), the board shall:

(A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

(B) reject all bids submitted.

(9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

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

HAMMOND PUBLIC LIBRARY
COMMENTS
(Continued)

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, annual payroll history report, and court trust fund subsidiary detail.

The Library did not comply with Amended State Examiner Directive 2018-1 and did not upload the monthly or annual files on the Indiana Gateway for Government Units financial reporting system as documented below:

The Library did not upload the following monthly files as required:

- 1 out of the 60 monthly bank reconciliations during the engagement period (2021)
- 17 out of 60 approved Library Board minutes (2019, 2020, 2021, 2023)
- 1 out of the 60 monthly funds ledgers (2019)

The Library did not upload the following annual uploads as required:

- 3 out of 5 of the year-end/investment statements (2019, 2021, 2022)
- 1 out of 5 of the current year salary ordinance and amendments (2019)
- 1 out of 5 of the payroll history reports (2019)
- 1 out of 5 of the annual funds ledgers (2019)

Additionally, 2023 annual uploads were not made until requested; they were not made before the March 1 deadline for annual uploads. The only monthly uploads made timely in 2023 were the March and May 2023 monthly uploads.

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)

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)

CAPITAL ASSETS - INVENTORY

Condition and Context

The Library did not complete an inventory at least every two years as required. The most recent inventory was completed in June 2021.

HAMMOND PUBLIC LIBRARY
COMMENTS
(Continued)

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)

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

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HAMMOND 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
Operating	\$ 2,302,511	\$ 3,892,684	\$ 3,645,162	\$ 2,550,033	\$ 3,462,671	\$ 3,710,157	\$ 2,302,547
Rainy Day	952,395	-	-	952,395	-	29,875	922,520
Legacy Foundation	155,976	52,492	50	208,418	53,351	84,920	176,849
Transfer of Funds	-	1,256,662	1,256,662	-	1,267,388	1,267,388	-
Hammond Public Library Foundation Fund	242	-	-	242	-	-	242
Gift	174,038	15,307	11,787	177,558	9,614	7,828	179,344
Staff Book Fund	403	-	-	403	-	-	403
Host Fund	702	403	300	805	148	400	553
Senior Gift Fund	3,190	-	318	2,872	-	-	2,872
Change Fund	808	-	-	808	-	-	808
Lease Rental Payment	337,601	576,795	856,737	57,659	-	-	57,659
Payroll	7,102	512,081	510,210	8,973	555,260	532,277	31,956
Totals	<u>\$ 3,934,968</u>	<u>\$ 6,306,424</u>	<u>\$ 6,281,226</u>	<u>\$ 3,960,166</u>	<u>\$ 5,348,432</u>	<u>\$ 5,632,845</u>	<u>\$ 3,675,753</u>

HAMMOND 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
Operating	\$ 2,302,548	\$ 3,796,050	\$ 3,284,050	\$ 2,814,548	\$ 3,742,960	\$ 3,493,721	\$ 3,063,787
Rainy Day	922,520	-	-	922,520	-	59,500	863,020
Legacy Foundation	176,849	-	1,000	175,849	57,700	200	233,349
Transfer of Funds	-	1,289,842	1,289,842	-	1,358,510	1,358,510	-
Hammond Public Library Foundation Fund	242	953	925	270	702	-	972
Gift	179,343	2,440	694	181,089	3,229	1,052	183,266
Staff Book Fund	403	-	-	403	-	-	403
Host Fund	553	134	50	637	31	-	668
Senior Gift Fund	2,872	-	-	2,872	-	-	2,872
Change Fund	808	-	-	808	-	-	808
Lease Rental Payment	57,659	-	-	57,659	-	-	57,659
Payroll	31,957	491,557	496,232	27,282	520,004	484,382	62,904
Totals	<u>\$ 3,675,754</u>	<u>\$ 5,580,976</u>	<u>\$ 5,072,793</u>	<u>\$ 4,183,937</u>	<u>\$ 5,683,136</u>	<u>\$ 5,397,365</u>	<u>\$ 4,469,708</u>

HAMMOND 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
Operating	\$ 3,063,787	\$ 4,273,033	\$ 3,955,783	\$ 3,381,037
Rainy Day	863,020	-	59,500	803,520
Legacy Foundation	233,349	-	-	233,349
Transfer of Funds	-	1,556,482	1,556,482	-
Hammond Public Library Foundation Fund	972	482	-	1,454
Emergency Fund	-	2,446,701	2,017,177	429,524
Gift	183,267	1,102	500	183,869
Staff Book Fund	403	-	-	403
Host Fund	668	51	-	719
Senior Gift Fund	2,872	-	-	2,872
Change Fund	808	-	-	808
Lease Rental Payment	57,659	-	-	57,659
Payroll	62,904	484,982	500,920	46,966
Totals	<u>\$ 4,469,709</u>	<u>\$ 8,762,833</u>	<u>\$ 8,090,362</u>	<u>\$ 5,142,180</u>