

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

COMPLIANCE ENGAGEMENT REPORT

OF

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY

MONTGOMERY COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

11/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Rick Payne Christy Roark	01-01-20 to 08-21-21 08-22-21 to 12-31-24
Treasurer	Sarah Phillips	01-01-20 to 12-31-24
President of the Library Board	Donna Sabolick Kim Nixon	01-01-20 to 08-26-20 08-27-20 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE WAVELAND-BROWN TOWNSHIP
PUBLIC LIBRARY, MONTGOMERY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Waveland-Brown Township Public Library (Library), for the period of January 1, 2020 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 Christy Roark, Director; Kim Nixon, President of the Library Board; and Sarah Phillips, Treasurer, on October 9, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 9, 2024

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

A similar comment appeared in a Management Letter addressed to the Library Board for the review period ending December 31, 2019.

Condition and Context

Due to a lack of internal controls, the Library Board Treasurer was paid \$100 monthly each year of the audit period without the position being included in the salary ordinance.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

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. . . ."

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 internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Close and Reporting

- In 2022, the General fund beginning balance was overstated by \$179,679.

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

- Other immaterial errors, including:
 - An overstatement of the beginning balance for the Rainy Day fund in 2022 of \$38,897.
 - An understatement of disbursements of \$11,601 in 2022 for the Payroll Withholdings fund.
 - An overstatement of receipts by \$1,200 in 2023.

The overall net effect of the material and immaterial errors listed above was an overstatement of the cash and investment balance by \$231,378.

Accounts Payable/Accounts Receivable Schedule

- Accounts Payable overstated by \$162,999 in 2022.
- Accounts Receivable overstated by \$142,840 in 2022.

Adjustments were proposed, accepted by the Library, and made to the entries reported in Gateway.

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 as set forth in the uniform compliance guidelines. 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](#)."

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WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Similar comments also appeared in prior Report B55559, entitled *TRAINING ON INTERNAL CONTROL STANDARDS* and *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

Condition and Context

Due to a lack of internal controls, the Library could not provide evidence that the required personnel received training concerning the internal control standards and procedures adopted by the Library. In addition, the certification in the Indiana Gateway for Government Units financial reporting system was made incorrectly stating that all required personnel had received proper training.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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 as set forth in the uniform compliance guidelines. 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](#)."

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

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General	\$ 142,299	\$ 129,886	\$ 98,234	\$ 173,951	\$ 136,796	\$ 131,068	\$ 179,679
Rainy Day	8,616	-	-	8,616	13,325	169	21,772
Library Improvement Reserve	81,881	4,080	-	85,961	41	-	86,002
State Technology Grant	2,386	108	-	2,494	235	-	2,729
Payroll Withholdings	-	12,689	12,689	-	11,601	11,601	-
Gift	8,128	625	1,190	7,563	1,000	-	8,563
Totals	<u>\$ 243,310</u>	<u>\$ 147,388</u>	<u>\$ 112,113</u>	<u>\$ 278,585</u>	<u>\$ 162,998</u>	<u>\$ 142,838</u>	<u>\$ 298,745</u>

WAVELAND-BROWN TOWNSHIP PUBLIC LIBRARY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 179,679	\$ 144,053	\$ 124,109	\$ 199,623	\$ 151,490	\$ 118,225	\$ 232,888
Rainy Day	21,772	-	-	21,772	-	-	21,772
Library Improvement Reserve	86,002	50,067	35,754	100,315	3,037	14,897	88,455
State Technology Grant	2,729	126	-	2,855	217	-	3,072
Payroll Withholdings	-	8,877	8,877	-	9,669	9,669	-
Veterans Memorial	-	1,000	-	1,000	1,050	959	1,091
Gift	8,563	1,200	-	9,763	2,000	-	11,763
Totals	<u>\$ 298,745</u>	<u>\$ 205,323</u>	<u>\$ 168,740</u>	<u>\$ 335,328</u>	<u>\$ 167,463</u>	<u>\$ 143,750</u>	<u>\$ 359,041</u>