

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY

HENDRICKS COUNTY, INDIANA

January 1, 2021 to December 31, 2024



**FILED**

05/15/2025



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Compliance Report .....	3-4
Comments .....	5-8
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	11
Exit Conference.....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Angie Roberts	01-01-21 to 06-30-22
	(Vacant)	07-01-22 to 12-31-22
	Kathryn Crum	01-01-23 to 12-31-25
Treasurer	Judy Gregory	01-01-21 to 08-31-22
	April Breneman	09-01-22 to 12-31-25
President of the Library Board	John McNabb	01-01-21 to 06-30-22
	(Vacant)	07-01-22 to 07-31-22
	Don Kinkle	08-01-22 to 12-31-24
	Preston Mosier	01-01-25 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CLAYTON-LIBERTY TOWNSHIP  
PUBLIC LIBRARY, HENDRICKS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Clayton-Liberty Township Public Library (Library), for the period of January 1, 2021 to December 31, 2024. 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 Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statement) for the years ended December 31, 2023 and 2024, are informational only. The Statement has not been subjected to any procedures designed to express an opinion or provide any assurance on it, and, accordingly, we do not express an opinion or provide any assurance on it.

The Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis for the years ended December 31, 2021 and 2022, has not been included in this report due to the issues detailed in the comments below.

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>.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 28, 2025

CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY  
COMMENTS

**CONDITION OF RECORDS AND ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The Library had not established effective internal controls over its accounting records and the information submitted in the AFR, which resulted in the noncompliance detailed below. The AFR is the source of the Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statement).

*Condition of Records*

Receipts and disbursements could not be verified for 2021 and 2022 because records provided for review did not segregate financial transactions by fund and were incomplete as accounting records for some time periods of 2022 were not provided for review. For these reasons, the Statement for 2021 and 2022 is omitted from this report. The Library did not use the prescribed Library Financial and Appropriation Record Library Form 1 or an approved alternative for its accounting records in 2021 and 2022.

*Annual Financial Report - Schedule of Capital Assets*

- The Schedule of Capital Assets could not be verified for 2021 and 2022 because the Library did not provide a detailed listing of capital assets. Capital assets reported by the Library for 2021 and 2022 were \$1,688,913 and \$1,560,733, respectively.
- In 2023, the Schedule of Capital Assets was understated for amounts reported for Books and Other by \$13,189.

*Annual Financial Report - Schedule of Leases and Debt*

In 2021 and 2022, the ending principal balance of the General Obligation Bonds was overstated in the amount of \$185,000.

*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](#)."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (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:

CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY  
 COMMENTS  
 (Continued)

"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. . . ."

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Effective internal controls were not in place to ensure bank reconciliations were properly performed. There was evidence that a monthly comparison between activity on the bank statements and activity in the accounting records was performed for 2021 and 2022. However, there was no evidence presented showing that the bank balance reconciled to the accounting records. The Library was not able to support the outstanding check amounts used in its bank reconcilements of December 31, 2021 and 2022.

Bank reconcilements as of December 31, 2021 and 2022, were prepared by the Indiana State Board of Accounts (SBOA) for purposes of the engagement. The following differences were identified between the total outstanding checks used by the Library in its bank reconcilements and those identified and used by the SBOA in its bank reconcilements:

Date	Outstanding Checks		Difference
	Per Library	Per SBOA	
12-31-21	\$ 11,475	\$ 281	\$ 11,194
12-31-22	10,504	-	10,504

The following differences in cash and investment balances were identified between the bank reconcilements prepared by the SBOA and the Annual Financial Report:

Date	Cash and Investments Balance		
	SBOA Reconciled Bank Balance	AFR	Difference
12-31-21	\$ 408,391	\$ 399,748	\$ 8,643
12-31-22	268,099	262,509	5,590

Due to the Library's use of unsupported outstanding checks in its December 31, 2021 and 2022 bank reconcilements, it was unable to identify and investigate variances between the reconciled bank balances and its accounting records.

CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY  
COMMENTS  
(Continued)

*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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (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. . . ."

**PUBLIC RECORDS RETENTION**

*Condition and Context*

Internal controls were not in place to ensure the Library complied with laws regarding public records retention. The Library did not retain payroll records for 2021, and, as stated previously in the comment entitled *Condition of Records and Annual Financial Report*, not all accounting records for 2022 were available for review.

*Criteria*

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY  
COMMENTS  
(Continued)

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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. . . ."

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



CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2023 and 2024

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23	Receipts	Disbursements	Cash and Investments 12-31-24
Operating (General)	\$ 146,638	\$ 241,965	\$ 255,376	\$ 133,227	\$ 263,319	\$ 223,883	\$ 172,663
Rainy Day	71,856	-	-	71,856	-	6,272	65,584
Levy Excess	26	-	-	26	-	-	26
Library Improvement Reserve	27,093	-	-	27,093	-	3,437	23,656
Evergreen IN	-	264	208	56	452	372	136
Gift	4,065	3,205	1,822	5,448	2,799	2,808	5,439
Bond And Interest Redemption	17,221	-	17,221	-	-	-	-
Payroll	-	23,738	23,738	-	26,029	26,029	-
Totals	<u>\$ 266,899</u>	<u>\$ 269,172</u>	<u>\$ 298,365</u>	<u>\$ 237,706</u>	<u>\$ 292,599</u>	<u>\$ 262,801</u>	<u>\$ 267,504</u>

CLAYTON-LIBERTY TOWNSHIP PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were communicated to Kathryn Crum, Director; Preston Mosier, President of the Library Board; Kari Durham, Library Board member; and Maria Whicker, Library Board member, on April 28, 2025.