

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELKHART PUBLIC LIBRARY

ELKHART COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
12/17/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Result and Comment: Conflict of Interest.....	4-5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Elizabeth J. Guedea Carreño	01-01-23 to 12-31-24
Treasurer	Jane A. Garoutte	01-01-23 to 12-31-24
President of the Library Board of Trustees	James W. Rieckhoff	01-01-23 to 12-31-24



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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

TO: THE OFFICIALS OF THE ELKHART PUBLIC LIBRARY, ELKHART COUNTY, INDIANA

This report is supplemental to the audit report of the Elkhart Public Library (Library), for the period from January 1, 2023 to December 31, 2023. 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 Statement Audit Report of the Library, which provides our opinions on the Library's financial statement. 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 Result and Comment contained herein describes 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 2, 2024

ELKHART PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

CONFLICT OF INTEREST

Condition and Context

The Library had not designed and implemented effective internal controls over conflicts of interest. The lack of effective internal controls allowed noncompliance to go undetected during the audit period.

It was identified during the audit period that the Library had entered into related-party transactions with one vendor involving Library Board member, Laura Steffen (Steffen). Steffen is considered a "public servant" per Indiana Code 35-31.5-2-261. With respect to Elmer's Body Shop, Inc., Steffen's husband served as the "President" of the entity, per a review of documents on file with the Indiana Secretary of State.

Based upon the circumstances, the Indiana State Board of Accounts would expect a conflict of interest disclosure for the related-party transactions to be filed. Although Steffen presented a conflict of interest disclosure to the Library Board of Trustees, there was no evidence to support the disclosure was filed with the Indiana State Board of Accounts, or the Elkhart County Clerk of the Circuit Court during the audit period that covered these matters. The related-party transactions in 2023 totaled \$12,185 to Elmer's Body Shop, Inc.; however, the Library only paid a \$1,000 deductible. Additionally, subsequent period related-party transactions were identified, totaling \$4,343 to Elmer's Body Shop, Inc.; however, the Library only paid a \$1,000 deductible.

Criteria

Indiana Code 35-44.1-1-4(b) states:

"A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony."

Indiana Code 35-44.1-1-4(a)(1) states that a "dependent" means . . . "the spouse of the public servant."

Further, "Pecuniary interest" is defined at Indiana Code 35-44.1-1-4(a)(3) as:

"'Pecuniary interest' means an interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of:

- (A) the public servant; or
- (B) a dependent of the public servant who:
 - (i) is under the direct or indirect administrative control of the public servant; or
 - (ii) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

ELKHART PUBLIC LIBRARY
AUDIT RESULT AND COMMENT
(Continued)

It is not, however, considered a conflict of interest under Indiana Code 35-44.1-1-4(b) if a public servant makes a disclosure which meets the requirements of Indiana Code 35-44.1-1-4(d) which states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ." [2023]
- (7) contain, if the public servant is appointed, the written approval of the elected public servant (if any) or the board of trustees of a state supported college or university (if any) that appointed the public servant."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

(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. . . ."

ELKHART PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2024, with Jane A. Garoutte, Treasurer; Elizabeth J. Guedea Carreño, Director; James W. Rieckhoff, President of the Library Board of Trustees; Janet Gruwell, Library Board of Trustees member; Yuliana Rivera Arce, Library Board of Trustees member.