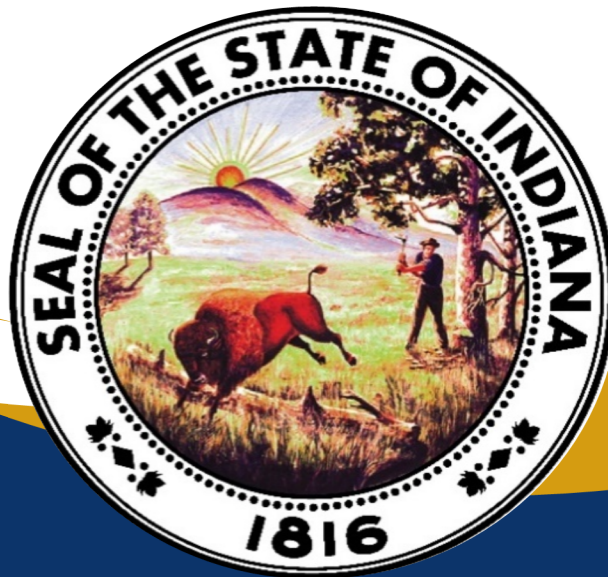


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
TIPPECANOE COUNTY CONTRACTUAL LIBRARY
TIPPECANOE COUNTY, INDIANA
January 1, 2021 to December 31, 2022



FILED
01/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Librarian	Jos N. Holman	01-01-21 to 12-31-25
Treasurer	David Lahr	01-01-21 to 12-31-22
	Kay Walton	01-01-23 to 12-31-24
	Stephen Bultinck	01-01-25 to 12-31-25
President of the Library Board	Gail Summers	01-01-21 to 12-31-21
	Stephen Bultinck	01-01-22 to 12-31-23
	Grant Fischer	01-01-24 to 12-31-25



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State Examiner

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TO: THE OFFICIALS OF THE TIPPECANOE COUNTY CONTRACTUAL
LIBRARY, TIPPECANOE COUNTY, INDIANA

This report is supplemental to the audit report of the Tippecanoe County Contractual Library (Library), for the period from January 1, 2021 to December 31, 2022. 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 Results and Comments contained herein describe 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 Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

January 9, 2025

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Library related to financial transactions and reporting. The Library had not separated incompatible activities related to receipts and financial close and reporting.

Receipts

The Library had not separated incompatible activities related to receipts. The Finance Controller posted receipts, issued receipts, prepared the deposit slip, and remitted the collections to the bank. There was no evidence of an oversight, review, or approval process to ensure accuracy or completeness of daily receipts postings or daily bank deposits.

Financial Close and Reporting

The Finance Controller entered the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statement. There was no evidence of an internal control such as an oversight, review, or approval process.

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.

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 following errors were included in the AFR:

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Statement

Various errors in beginning cash and investments balances, receipts, disbursements, and ending cash and investments balances were made as noted below:

Years	Fund	Beginning Cash and Investments Over (Under) Stated	Receipts Over (Under) Stated	Disbursements Over (Under) Stated	Ending Cash and Investments Over (Under) Stated
2021	Cash-Operating	\$ 1,500,000	\$ (633,932)	\$ 68,063	\$ 798,005
2021	CIGNA (Great West Life)	-	(57,910)	(57,910)	-
2021	PERF	-	(65,473)	(65,473)	-
2021	Federal Tax	-	(137,664)	(137,664)	-
2021	FICA & Medicare	-	(154,973)	(154,973)	-
2021	State Tax	-	(63,494)	(63,494)	-
2021	County Tax	-	(27,317)	(27,317)	-
2021	Dental	-	(19,247)	(17,710)	(1,537)
2021	Garnishment	-	(763)	(509)	(254)
2021	Courtesy Fund	-	(1,175)	(750)	(425)
2021	Prepaid Legal	-	(91)	(91)	-
2021	Empl Flex Health R	-	(1,320)	-	(1,320)
2021	AFLAC	-	(2,600)	(2,292)	(308)
2021	Deferred Comp	-	(22,826)	(22,826)	-
	Total 2021	\$ 1,500,000	\$ (1,188,785)	\$ (482,946)	\$ 794,161
2022	Cash-Operating	\$ 798,005	\$ -	\$ 17	\$ 797,988
2022	CIGNA (Great West Life)	-	(52,424)	(51,005)	(1,419)
2022	PERF	-	(71,563)	(71,579)	16
2022	Federal Tax	-	(131,198)	(131,198)	-
2022	FICA & Medicare	-	(153,376)	(153,376)	-
2022	State Tax	-	(63,830)	(63,830)	-
2022	County Tax	-	(27,229)	(27,229)	-
2022	Dental	(1,537)	(17,100)	(17,134)	(1,503)
2022	Garnishment	(254)	-	-	(254)
2022	Courtesy Fund	(425)	(1,107)	-	(1,532)
2022	Prepaid Legal	-	-	-	-
2022	Empl Flex Health R	(1,320)	(2,107)	(2,047)	(1,380)
2022	AFLAC	(308)	(1,997)	(2,097)	(208)
2022	Deferred Comp	-	(29,419)	(29,404)	(15)
	Total 2022	\$ 794,161	\$ (551,350)	\$ (548,882)	\$ 791,693

Audit adjustments were proposed, approved by the Library, and made to the financial statement presented in the Financial Statement Audit Report of the Library.

Schedule of Capital Assets

The amounts reported in Gateway for the capital assets as of December 31, 2022, could not be verified due to lack of supporting documentation. This information is the basis for the Schedule of Capital Assets which is an optional part of the reporting package. The Library has chosen to omit the Capital Asset Schedule for 2022 from the Financial Statement Audit Report of the Library.

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](#)."

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Internal controls were not in place to ensure that the Library complied with payroll requirements. Payroll withholdings were not timely remitted, and the Library did not file timely the Employer's Quarterly Federal Tax Returns (Form 941) and the Quarterly Federal Excise Tax Returns (Form 720) to the Internal Revenue Service (IRS) during the audit period. The IRS assessed penalties and interest in the amount of \$338 for six different quarters that was subsequently paid in 2021 and 2022.

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.

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. . . ."

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)

MONTHLY AND ANNUAL UPLOADS

A similar comment also appeared in prior Report B60548, entitled *2020-004: MISSING ANNUAL AND MONTHLY UPLOADS*.

Condition and Context

Internal controls were not in place to ensure the Library complied with the Indiana Gateway for Government Units (Gateway) financial reporting system upload requirements. Per the Amended State Examiner Directive 2018-1 dated November 9, 2020, libraries are required to upload information on a monthly and annual basis as described in the criteria.

For the period January 2021 to December 2022, the following information was not uploaded to Gateway:

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

- Bank Statement for the January 2021 Old National Bank Checking Account.
- Bank Statements, Bank Reconciliations, and Outstanding Check Lists for the April and May 2021 and March 2022 Old National Bank Checking Account.
- Bank Statements, Bank Reconciliations, and Outstanding Check Lists for February 2021, January 2022, May 2022, September 2022, October 2022, November 2022, and December 2022 Old National Bank Flexible Benefits Account.
- Year-End Investment Statement, Detail of Receipts Activity for the year, Detail of Disbursements Activity for the year, Current year Salary Ordinance, Annual Vendor History Report, Annual Funds Ledger (summarizing year-to-date total receipts, year-to-date disbursements, beginning and ending balances by fund), and Annual Payroll History Report without social security numbers for 2022.

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:

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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. . . .

The following files and governmental unit information are required to be uploaded monthly . . . :

- Bank Reconcilements, Bank Statements, and Outstanding Check List
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund. . . .

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

The following files and governmental unit information are required to be uploaded annually . . .

- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report without social security numbers
- Annual Funds Ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .

(Amended State Examiner Directive 2018-1, Updated November 5, 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)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure the Library complied with reporting requirements. The Library's Annual Financial Report for 2021 was not filed electronically until April 1, 2022, which was 31 days past the due date.

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:

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TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

CAPITAL ASSETS

A similar comment also appeared in prior Report B60548, entitled *2020-003: CAPITAL ASSETS*.

Condition and Context

Internal controls were not in place to ensure the Library complied with capital asset requirements. The Library did not provide a formal capital asset policy that included a threshold at which an item is considered a capital asset. The Library did not provide a detailed listing of capital assets for any year during the audit period or evidence that a physical inventory had been completed at least every two years.

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:

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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)

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure the Annual Financial Report (AFR) submission was accurate. The Finance Controller certified on the AFR in the Indiana Gateway for Government Units financial reporting system for 2021 and 2022 that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards as required. However, during the engagement, the Library could not provide supporting documentation showing any personnel had received training concerning the internal control standards.

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:

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TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure the Library complied with laws and regulations related to training on internal control standards. The Library was unable to provide documentation that all required personnel had received training concerning the internal control standards that were adopted by the Library.

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

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:

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TIPPECANOE COUNTY CONTRACTUAL LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2025, with Jos N. Holman, County Librarian; Stephen Bultinck, Treasurer; and Kay Walton, Library Board member.