

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

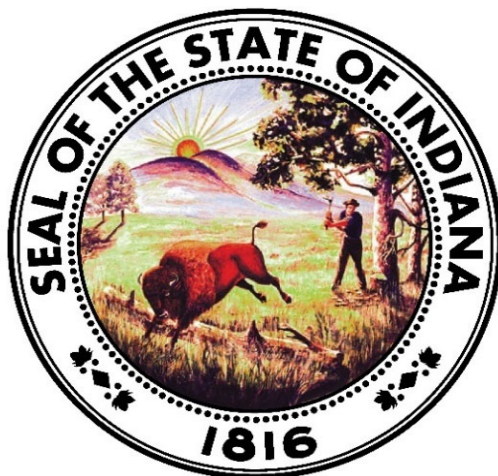
COMPLIANCE REPORT

OF

NAPPANEE PUBLIC LIBRARY

ELKHART COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

05/24/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jason Fields Sarah Marty-Schlipf (interim) Seth James	01-01-22 to 02-11-22 02-12-22 to 06-26-22 06-27-22 to 12-31-24
Treasurer	John Leavitt Sherrie Mullet	01-01-22 to 01-25-23 01-26-23 to 12-31-24
President of the Library Board	Julie Dijkstra	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

The Nappanee Public Library (Library) is considered a component unit of Elkhart County (County) under accounting principles generally accepted in the United States of America. The Library's financial information was audited as part of the County's financial statements for the period from January 1, 2022 to December 31, 2022. The Financial Statements Audit Report of the County, which provides our opinions on the County's financial statements and which includes the Library's financial information, 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 Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures on the Library. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The Library's Annual Financial Report information can be found on the Indiana Gateway for Government Units financial reporting system website: <https://gateway.ifionline.org> and has not been subjected to any audit procedures.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 21, 2024

NAPPANEE PUBLIC LIBRARY
RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Depository reconciliations of the general ledger to the bank account balances were not performed for four of the five months tested during the audit period.

Additionally, as of December 31, 2022, the general ledger balance exceeded the reconciled bank account balances resulting in a cash short of \$14,336.

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)

ANNUAL ENGAGEMENT UPLOADS

Condition and Context

Annual upload requirements include year end investment statements, detail of receipt activity, detail of disbursement activity, current year salary schedule and amendments, annual vendor history report, annual payroll history report, and annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund.

The Library did not comply with the State Examiner Directive and failed to upload six of the seven required annual files for the 2022 calendar year on the Indiana Gateway for Government Units financial reporting system. The Library did upload the current year salary schedule, but it was not uploaded in a timely manner.

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)

NAPPANEE PUBLIC LIBRARY
RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDING

Condition and Context

Four receipts, totaling \$4,437, were not posted to the Library's general ledger in a timely manner; some were recorded as late as two months after the transaction occurred. Also, one commercial vehicle excise tax distribution receipt, totaling \$1,053, could not be identified as recorded as of December 31, 2022.

Additionally, the Library recorded \$336 more in 2022 local income tax distributions than it received.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

INTERNAL CONTROLS

Condition and Context

The Library did not implement proper internal control activities related to receipts, that would include the segregation of incompatible duties. The failure to establish internal controls could enable material misstatements to go undetected.

There was no oversight or monitoring of receipts to ensure the complete deposit, and timely and proper recording of funds received. One employee deposited and posted the receipts to the general ledger with no evidence to support a review by a separate employee.

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. . . ."

NAPPANEE PUBLIC LIBRARY
RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B61659, entitled *CAPITAL ASSETS*.

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The capital assets information entered into Gateway contained the following errors at December 31, 2022:

- The ending balance for Other Non-Depreciable Assets was overstated by \$514,449.
- The ending balance for Books and Other was understated by \$80,261.

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](#)."

NAPPANEE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2024, with Frank Garrett Seney, Business Manager; Seth James, Director; and Sherrie Mullet, Treasurer.