

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

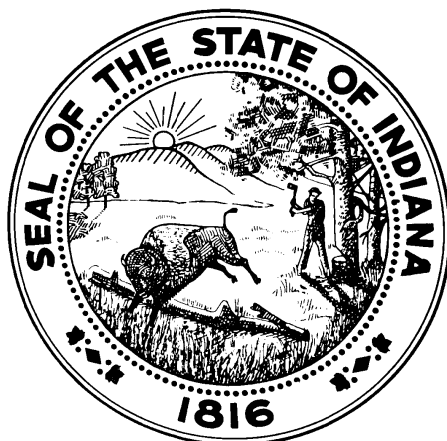
EXAMINATION REPORT

OF

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY

WHITE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
09/03/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Stewart Wells Vacant Bill Caddell	01-01-06 to 10-24-07 10-25-07 to 02-17-08 02-18-08 to 08-18-08
Treasurer	Arthur Morgan	01-01-06 to 12-31-08
President of the Board	Don Hanni	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MONTICELLO-UNION TOWNSHIP
PUBLIC LIBRARY, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the Monticello-Union Township Public Library (Library), for the period of January 1, 2006 to December 31, 2007. The Library's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Library for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 30, 2008

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 321,754	\$ 356,842	\$ 465,547	\$ 213,049
Gift	114,719	3,790	4,692	113,817
Rainy Day	106,293	765	-	107,058
Levy Excess	-	4,898	4,898	-
State Technology Grant Fund	-	2,700	-	2,700
Library Improvement Reserve	109,357	20,245	-	129,602
Library Capital Projects	27,044	59,870	54,361	32,553
Fiduciary Funds:				
Payroll Withholdings	14	54,401	54,415	-
PLAC	(26)	172	146	-
Totals	<u>\$ 679,155</u>	<u>\$ 503,683</u>	<u>\$ 584,059</u>	<u>\$ 598,779</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 213,049	\$ 288,600	\$ 486,004	\$ 15,645
Gift	113,817	3,410	14,483	102,744
Rainy Day	107,058	-	100,000	7,058
State Technology Grant Fund	2,700	2,700	3,600	1,800
Library Improvement Reserve	129,602	-	50,000	79,602
Library Capital Projects	32,553	24,723	57,276	-
Fiduciary Funds:				
Payroll Withholdings	-	64,483	64,483	-
PLAC	-	30	30	-
Totals	<u>\$ 598,779</u>	<u>\$ 383,946</u>	<u>\$ 775,876</u>	<u>\$ 206,849</u>

The accompanying notes are an integral part of the financial information.

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides culture and recreation services.

Note 2. Fund Accounting

The Library uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Library in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Library to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Library contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Library authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE, MISFEASANCE, OR NONFEASANCE

During our examination of the bank reconcilements prepared by Kimberly K. (Wrede) Helms, former Bookkeeper, we noted that a large number of cancelled checks were missing from the bank statements for the period January 1, 2006 to March 31, 2008. We requested, and received from the bank, copies of all missing cancelled checks for this period. Our review of these cancelled check copies revealed the following:

1. Twenty-one of the missing cancelled checks had been issued to and cashed by Kimberly K. (Wrede) Helms, former Bookkeeper, and posted to the Library's records as payments to various vendors. In eleven of these instances, fraudulent vendor claims had been prepared to support the amount of the check. In ten instances, no claim or other supporting documentation could be located. These twenty-one unauthorized payments to Kimberly K. (Wrede) Helms, former Bookkeeper, totaled \$14,490.43.
2. Four of the missing cancelled checks were issued to vendors with whom the Library had never done business. These checks were posted to the Library's records under the names of vendors that had done business with the Library. In two of these instances, fraudulent vendor claims had been prepared to support the entries to the Library records. No claim or other supporting documentation had been presented to the Library Board prior to the payment of the other two amounts. These four improper vendor payments totaled \$3,640.58.
3. One of the missing cancelled checks, in the amount of \$810.28, had been issued to a local construction contractor. No supporting documentation could be located for this check. The contractor was contacted and questioned about this payment. The contractor indicated that he had not completed any work for the Library during this period. He did however indicate he had completed work on Kimberly K. (Wrede) Helms', former Bookkeeper, residence during that time period. The vendor provided us with a copy of an invoice made out to Mark Helms for \$810.28 worth of work he completed on the home of Kimberly K. (Wrede) Helms, former Bookkeeper.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance guidelines Manual for Libraries, Chapter 4)

We requested Kimberly K. (Wrede) Helms, former Bookkeeper, reimburse the Library \$18,941.29 for these unauthorized payments. (See Summary, page 15)

CREDIT CARD PURCHASES

During a meeting with Kimberly K. (Wrede) Helms, former Bookkeeper, and her attorney, Patrick Manahan, on March 27, 2008, Ms. Helms indicated that Library credit cards had been used for her personal expenses during the examination period.

Our review of all corporate credit card claims and all Wal-Mart credit card claims for the period January 1, 2006 to February 29, 2008 revealed the following:

1. The Library has issued five corporate Master Card credit cards and six Wal-Mart credit cards to various employees of the Library. The Library's formal credit card policy states:

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- The Library corporate cards are to be used only by the person to whom the card has been issued.
 - The cards are to be used only as a last means of purchasing materials.
 - Credit cards shall be issued to only the following staff positions:
 - a. Adult Services Librarian;
 - b. Children's Service Librarian;
 - c. Children's Service Staff;
 - d. Bookkeeper;
 - e. Director; and
 - f. Circulation Services Librarian
 - It shall be the responsibility of the bookkeeper to have custody of any and all credit cards and to maintain a register to record the issuance of any credit card to one of the staff persons set forth above. As soon as any staff member has used the credit card, he or she shall return it to the bookkeeper for safe-keeping.
 - The bookkeeper shall keep the credit cards in a locked file cabinet when not in use.
 - Any claims filed in connection with the use of credit cards must be itemized before being approved and paid by the board. All claims not properly itemized or documented shall be returned to the employee user for correction.
 - No personal expenses of any nature shall be charged to any credit cards issued in the name of the Library. Any and all expenses incurred shall be business related.
2. Numerous purchases were made on the credit card issued to Kimberly K. (Wrede) Helms, former Bookkeeper. A large number of these purchases were submitted for payment without the required supporting documentation. Credit card charges paid by the Library without the necessary supporting documentation totaled \$7,148.08.
 3. The credit card issued to Kimberly K. (Wrede) Helms, former Bookkeeper, for Library purposes had been used for documented personal items totaling \$626.44.
 4. Personal items were purchased from credit cards issued to other employees. These items were all shipped to Kimberly K. (Wrede) Helms, former Bookkeeper, at the Library. Items purchased on credit cards issued to other employees but shipped to Kimberly K. (Wrede) Helms, former Bookkeeper, totaled \$432.63.

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

5. The Wal-Mart credit card issued to Kimberly K. (Wrede) Helms, former Bookkeeper, was used for numerous documented purchases including, but not limited to, DVD's television, and a pre-lit Christmas tree. None of the items purchased could be located by the current Library staff. Purchases of missing items from the Wal-Mart credit cards totaled \$3,012.82.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and uniform compliance Guidelines Manual for Libraries, Chapter 4)

Funds misappropriated, diverted or uncounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

We requested Kimberly K. (Wrede) Helms, former Bookkeeper, reimburse the Library \$11,219.97 for items purchased by her which lacked the required documentation or were personal in nature. (See Summary, page 15)

DUPLICATE CHARGE

On October 31, 2006, Kimberly K. (Wrede) Helms, former Bookkeeper, was reimbursed \$11.46 for expenses related to a meal purchased during an out of town meeting. Further investigation revealed that the meal had been charged to the Library's credit card and was subsequently paid for by the Library during the routine claim process.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

We requested Kimberly K. (Wrede) Helms, former Bookkeeper, reimburse the Library for the duplicate charge of \$11.46 related to this meal. (See Summary, page 15)

DESK COLLECTIONS

The Library did not use approved or prescribed receipts for over the counter collections of book fines and other fees collected. Recording and depositing these collections was a part of the responsibility assumed by Kimberly K. (Wrede) Helms, former Bookkeeper, as bookkeeper of the Library. A trend analysis of the over-the-counter collections revealed unexplained reductions for 2006 and 2007 of \$5,621.90. An additional analysis of the over the counter collections for the time period after Kimberly K. (Wrede) Helms, former Bookkeeper, left indicated an annualized increase of \$7,000 to \$9,000.

Controls over receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform compliance Guidelines Manual for Libraries, Chapter 4)

We requested Kimberly K. (Wrede) Helms, former Bookkeeper, reimburse the Library \$5,621.90 for the reduction in desk collections. (See Summary, page 15)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$101.78 were paid to the Indiana Department of Revenue on two separate instances in 2006.

Penalties and interest of \$688.38 were charged by the Internal Revenue Service for failure to deposit payroll taxes timely. The check for this payment was erroneously made out to the Indiana Department of Revenue.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. (Accounting and Uniform compliance Guidelines Manual for Libraries, Chapter 4)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform compliance Guidelines Manual for Libraries, Chapter 4)

TRAVEL POLICY AND CLAIMS

On January 9, 2006, the Library Board approved a travel policy that established a mileage reimbursement rate of 44.5 cents per mile for approved travel.

During 2007, mileage was reimbursed at the rate of 48.5 cents per mile.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PETTY CASH FUND

The Library maintained a petty cash fund of \$100. Petty cash was counted on March 11, 2008, and was short by \$73.39.

There were six reimbursements for petty cash in 2006 and 2007 to Kimberly Wrede/Petty Cash. All six of the reimbursements were missing some receipts for the total amount reimbursed.

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

CAPITAL ASSET RECORDS

The Library does not maintain a capital asset record.

Every governmental unit should have complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

AUDIT COSTS – IMPROPER USE OF FUNDS

The State of Indiana incurred additional audit fees of \$15,244.72 in the investigation of the improper use of funds at the Monticello-Union Township Public Library.

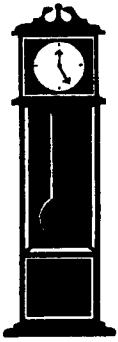
Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

OFFICIAL BOND

Kimberly K. (Wrede) Helms, former Bookkeeper, was covered by an official bond underwritten by Auto-Owners Insurance Company bound unto the State of Indiana in the amount of \$15,000 for the period February 2, 2005 to February 2, 2008.

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2008, with Don Hanni, President of the Board; Bradley Moore, Vice President of the Board; Arthur Morgan, Treasurer; Tawny Howe, Bookkeeper; Mary Jane McClung, Circulation Services Librarian; Kimberly K. (Wrede) Helms, former Bookkeeper,; and Patrick Manahan, Attorney for Kimberly K. Helms. The official response has been made a part of this report and may be found on pages 13 and 14.



Monticello-Union Township Public Library

321 West Broadway Street

Monticello, Indiana 47960-2047

574/583-BOOK

FAX: 574/583-2782

www.monticello.lib.in.us

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July 9, 2008

OFFICIAL RESPONSE

State Board of Accounts

302 W. Washington St., Rm E418

Indianapolis, IN 46204-2765

Indiana State Board of Accounts,

The Board of Trustees of the Monticello-Union Township Public Library would like to thank Jim Reed and Dean Gerlach of the Indiana State Board of Accounts for their thorough work, guidance and information during our recent audit. Throughout the audit and during the exit interview, many issues of our procedures were addressed due to Mr. Reed's findings. We would like to address the findings and our corrective measures.

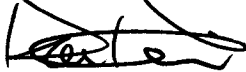
1. Missing cancelled checks ~ We contacted the bank to change the way our bank statements are processed. The bank statement now includes an image of each check that has been processed. The treasurer of the board will review the bank reconciliations for any inconsistencies, and will initial and date to verify review.
2. Claim vouchers not matching up to vendor disbursement and no documentation for claim vouchers ~ Claim vouchers presented at Board Meetings are now reviewed by board members and then they initial once information for claim is verified and check information matches claim.
3. Unauthorized bank card charges ~ Credit card statements must have documented receipts that have been initialed by department head for payment approval, and statements for individually named personnel must be reviewed and initialed for approval by named individual. The cards assigned to individual personnel with their name on it, are responsible for keeping it with them. If no charges appear on a statement two consecutive months, the bookkeeper will ask for verification that the card is still in the individual's possession. We will also be reducing the number of credit cards that are available.
4. Daily cash receipts missing ~ Front desk clerk's count their money each night and each clerk is asked to verify the daily receipts by initialing. A copy of the daily receipts is given to the Head of Circulation and the original is placed with the money to be verified by the bookkeeper.

5. Unauthorized checks ~ Any checks signed by the bookkeeper will have a written explanation on the voucher and will be verified (initialed) by the department head requesting the check. These vouchers will be presented at the board meeting for board members to review and initial.
6. Two-step unauthorized pay raise ~ All monthly board minutes, once approved are initialed by each board member to prevent an opportunity to change approved documents.
7. Capital Assets ~ We will be completing Form 369 by 12/31/2008 and it will be updated on an annual basis, then verified every two years during an inventory of the assets.

Again we would like to thank Jim and Dean for their guidance through this audit and findings process.

If you would like further discussion on any of the above topics, please feel free to contact me.

Best regards,



Don Hanni
President
Board of Trustees

MONTICELLO-UNION TOWNSHIP PUBLIC LIBRARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kimberly K. (Wrede) Helms, former Bookkeeper:			
Malfeasance, Misfeasance, or Nonfeasance, page 7	\$ 18,941.29	\$ -	\$ 18,941.29
Credit Card Purchases, pages 7 through 9	11,219.97	-	11,219.97
Duplicate Charge, page 9	11.46	-	11.46
Desk Collections, pages 9 and 10	<u>5,621.90</u>	<u>-</u>	<u>5,621.90</u>
Totals	<u>\$ 35,794.62</u>	<u>\$ -</u>	<u>\$ 35,794.62</u>

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AFFIDAVIT

STATE OF INDIANA)
)
WABASH COUNTY)

I, James D. Reed, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Monticello-Union Township Public Library, White County, Indiana, for the period from January 1, 2006 to December 31, 2007, is true and correct to the best of my knowledge and belief.

James D. Reed
Field Examiner

Subscribed and sworn to before me this 12th day of August, 2008.

Jamie Shepler
Notary Public

My Commission Expires:

County of Residence:

