

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PENN TOWNSHIP PUBLIC LIBRARY

JAY COUNTY, INDIANA

January 1, 2011 to December 31, 2014



**FILED**  
09/04/2015



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Examination Results and Comments:	
Annual Financial Report .....	4
Condition of Records .....	4
Receipt Issuance .....	4
Daily Collections .....	4-5
Contracts .....	5
Errors on Claims .....	5-6
Board Minutes Missing .....	6-7
Payroll .....	7
Official Bond .....	8
Form 100-R.....	8
Exit Conference .....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Brenda Cash	01-01-11 to 12-31-15
Treasurer	Steven G. Cash	01-01-11 to 12-31-15
President of the Board	Tamara Hanlin Janet Horn	01-01-11 to 09-22-13 09-23-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PENN TOWNSHIP PUBLIC LIBRARY, JAY COUNTY, INDIANA

This report is supplemental to our examination report of the Penn Township Public Library (Library), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Library. It should be read in conjunction with our Financial Statements Examination Report of the Library, which provides our opinion on the Library's financial statements. This report may be found at [www.in.gov/sboa/](http://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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

July 16, 2015

PENN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL FINANCIAL REPORT***

The Annual Financial Reports for 2011, 2012, 2013, and 2014 contained errors. Adjustments were made to the Annual Financial Reports for receipts and disbursements in each year.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

***CONDITION OF RECORDS***

Financial records included the following deficiencies:

1. Receipt and disbursement totals were not always correctly computed in the Library Financial and Appropriation Record.
2. The total individual fund balances did not agree with the balance of the Total All Funds column at December 31, 2012.

Controls over the 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)

***RECEIPT ISSUANCE***

Donations totaling \$2,355 were collected during the examination period. Receipts were not issued for the donations received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

***DAILY COLLECTIONS***

On February 5, 2004, the Library entered into an agreement with the Pennville Library Maintenance Steering Committee (Committee). According to the contract, the Committee has purchased a copy machine and fax machine, and retained full ownership of the equipment. Additionally, the contract provided the Committee would maintain the copier and fax and pay the phone bills while the machines were on loan to the Library. For this service, all monies generated from the use of the copier and fax would be donated to the Committee on a monthly basis.

Daily collections were placed in an unsecure box and were remitted to the Committee with no particular schedule. Prescribed Library Form No. 3, Daily Record of Desk Collections, was not used. This form has been prescribed to provide a method of recording the total daily receipts of a library. These collections were not recorded in the records or deposited to the bank.

PENN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 . . . local boards of finance . . ."

Receipts should be deposited daily pursuant to IC 5-13-6-1. The receipts should be posted to the Financial and Appropriation Record each time a deposit is made; thus, the receipts recorded on Form 3 for the month should equal the receipts entered on the Financial and Appropriation Record. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

### **CONTRACTS**

On February 5, 2004, the Library entered into an agreement with the Pennville Library Maintenance Steering Committee (Committee). According to the contract, the Committee has purchased a copy machine and fax machine, and retained full ownership of the equipment. Additionally, the contract provided the Committee would maintain the copier and fax and pay the phone bills while the machines were on loan to the Library. For this service, all monies generated from the use of the copier and fax would be donated to the Committee on a monthly basis.

However, even though the contract provided the committee would maintain the equipment and pay phone bills, the Library paid \$4,368 for phone and internet expenses during the examination period.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

### **ERRORS ON CLAIMS**

A sample of accounts payable vouchers, or claims, identified the following deficiencies with an error rate greater than 10 percent:

1. Accounts payable vouchers were not prepared for 11 percent of disbursements sampled.
2. Of the accounts payable vouchers sampled, 18 percent did not contain adequate supporting documentation. Invoices were missing from 13 of the 18 percent of the accounts payable vouchers not containing adequate documentation. In place of the actual invoices, we found photocopies of invoices or billing statements.
3. Of the accounts payable vouchers sampled, 84 percent did not have Board approval.
4. The accounts payable vouchers sampled did not have the proper certification that they were true and correct in 51 percent of the time. Such a certification would have been present by the responsible official signing the accounts payable voucher or Accounts Payable Voucher Register, General Form 364. In this sample, 25 percent of the accounts payable vouchers

PENN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

were not certified by the Director. Beginning in May 2012, the Director would use a Purchase Order, General Form No. 98, rather than the accounts payable voucher. However, the Purchase Order, General Form No. 98, does not provide for the required certification. In 26 percent of the accounts payable vouchers sampled, the Treasurer, who is also a Township Trustee, certified the accounts payable voucher. However, the Treasurer signed as the Township Trustee.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

IC 36-12-3-16 provides that "each payment of expenses lawfully incurred for library purposes must be supported by a fully itemized invoice or other documentation. The library director must certify to the library board before payment that each claim for payment is true and correct. The certification must be on a form prescribed by the State Board of Accounts." To satisfy the certification requirements, the library director may either sign each accounts payable voucher individually or sign in the area designated on the Accounts Payable Voucher Register, General Form 364. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

***BOARD MINUTES MISSING***

The minutes of the meetings of the Library Board were not presented for all meetings. Minutes for the period April 5, 2013 to June 4, 2014, were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.

PENN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

**PAYROLL**

The following items were noted during a review of payroll:

1. The Library Board did not adopt a salary schedule establishing compensation of employees for the examination period.
2. Employee's Earnings Record, General Form 99B, was not maintained.
3. No time cards were maintained for 2011.
4. The wages reported on the W-2s issued for 2014 did not agree with the actual amounts paid to employees. The W-2 amounts exceed salaries paid to the Director and the Assistant/Janitor by \$42 and \$109, respectively.

Indiana Code 36-12-2-24 states in part:

"(b) The library board shall employ and discharge librarians and other individuals that are necessary in the administration of the affairs of the library. The board shall:

- (1) fix and pay the compensation,
- (2) classify and adopt schedules of salaries . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PENN TOWNSHIP PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**OFFICIAL BOND**

The Treasurer did not obtain individual Surety Bonds for the examination period.

Indiana Code 36-12-2-22(g) states: "The treasurer shall give a surety bond for the faithful performance of the treasurer's duty and for the accurate accounting of all money coming into the treasurer's custody. The bond must be:

1. written by an insurance company licensed to do business in Indiana;
2. for the term of office of the treasurer;
3. in an amount determined by the library board;
4. paid for with the money from the library fund;
5. payable to the state of Indiana;
6. approved by the library board; and
7. deposited in the office of the recorder of the county in which the library district is located."

**FORM 100-R**

Library officials did not timely file a Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100-R or its equivalent) with the Indiana State Board of Accounts for 2012. The report was filed on July 9, 2013, which is 155 days past the due date.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

PENN TOWNSHIP PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2015, with Brenda Cash, Director; Steven G. Cash, Treasurer; and Janet Horn, President of the Board.