

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

H.F. SCHRICKER-STARKE COUNTY PUBLIC LIBRARY

STARKE COUNTY, INDIANA

January 1, 2012 to December 31, 2014



**FILED**  
03/15/2016



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SCHEDULE OF OFFICIALS

| <u>Office</u>          | <u>Official</u>   | <u>Term</u>  |
|------------------------|---|--|
| Director               | Sheila Urwiler<br>(Vacant)<br>Kellie Marshall (Interim)<br>Rose Frost | 01-01-12 to 08-08-14<br>08-09-14<br>08-10-14 to 03-31-15<br>04-01-15 to 12-31-15 |
| Treasurer              | David A. Bullock  | 01-01-12 to 12-31-15   |
| President of the Board | Elizabeth Lawrence  | 01-01-12 to 12-31-15   |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE H.F. SCHRICKER-STARKE COUNTY  
PUBLIC LIBRARY, STARKE COUNTY, INDIANA

This report is supplemental to our examination report of the H.F. Schricker-Starke County Public Library (Library), for the period from January 1, 2012 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

November 18, 2015

H.F. SCHRICKER-STARKE COUNTY PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS

**CONDITION OF RECORDS**

*Bank Reconcilements*

Bank reconciliations were performed by the Library; however, the reconciled bank balances did not agree to the financial statement cash and investment balances due to the following errors:

1. The outstanding check lists were inaccurate.
2. Interest earned and bank fees were not posted to the records.
3. Posting errors were not corrected timely in the records.

*Ledger Activity, Financial Statements, Bank Accounts, and Recorded Transfers*

The activity per the ledgers did not agree to the activity reported in the financial statements presented for examination for the operating, gift, and payroll funds as follows:

| Fund           | Corrected<br>Receipts | Originally<br>Reported<br>Receipts | Excess<br>(Deficiency) | Corrected<br>Disbursements | Originally<br>Reported<br>Disbursements | Excess<br>(Deficiency) |
|----------------|-----------------------|------------------------------------|------------------------|----------------------------|---|------------------------|
| <u>2012</u>    |                       |                                    |                        |                            |   |                        |
| Gift Fund      | \$ 1,132.20           | \$ 966.09                          | \$ 166.11              | \$ 5,700.00                | \$ 5,533.89                             | \$ 166.11              |
| Payroll fund   | 683,534.71            | -                                  | 683,534.71             | 686,563.01                 | 3,028.27                                | 683,534.74             |
| <u>2013</u>    |                       |                                    |                        |                            |   |                        |
| Operating Fund | 1,065,752.60          | 1,059,544.57                       | 6,208.03               | 1,123,126.56               | 1,116,917.57                            | 6,208.99               |
| Payroll fund   | 707,391.33            | 154,844.17                         | 552,547.16             | 704,595.44                 | 152,048.28                              | 552,547.16             |
| <u>2014</u>    |                       |                                    |                        |                            |   |                        |
| Operating Fund | 1,108,323.60          | 1,144,752.43                       | (36,428.83)            | 1,080,139.25               | 1,146,570.43                            | (66,431.18)            |
| Payroll fund   | 711,341.86            | 143,645.33                         | 567,696.53             | 709,050.68                 | 141,354.15                              | 567,696.53             |

The Library recorded only the employee payroll withholdings as receipts and disbursements of the Payroll fund. The Library excluded reporting the net pay and employer share of fringe benefits as receipts and disbursements of the Payroll fund. Per review of bank transactions, the employee net pay was withdrawn from the payroll bank account, while the employee payroll withholdings and employer share of fringe benefits were withdrawn from the operating bank account. Random dollar amounts on random dates were transferred from the operating bank account to the payroll bank account. The amounts of the transfers were recorded in the ledgers and financial statements as transfers in and out of the Operating Fund.

Furthermore, other transfers made by the Library to move money from one bank account to another bank account or to an investment account were recorded in the ledgers as transfers in and out of the same fund; however, these bank transfers were not reported in the financial statements.

Adjustments to correct the Operating, Gift, and Payroll fund activity and transfers in and out of the operating fund were proposed and accepted by the Library.

H.F. SCHRICKER-STARKE COUNTY PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

*Check Issuance and Recording of Checks*

The check numbers recorded in the ledger were inconsistent with the check numbers that cleared the bank. Additionally, check numbered 24851 thru 24915 could not be located for examination.

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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual, Chapter 4)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual, Chapter 4)

**BOARD MINUTES**

Board minutes excluded significant events that transpired. Excluded events included approval of salary and wage increases and the salary and wage resolution or schedules of wages; awarding of contracts based on bids received approval of change orders to contracts, transfers between funds, consideration, and approval of accounts payable vouchers or claims.

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.
- (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.

**RECEIPTS**

Receipts issued did not designate whether the collections were in cash or check; therefore, we were unable to determine if monies were deposited in the same form in which they were received. Furthermore, for 25 percent of the receipts tested, daily cash collection sheets were not available for verification.

H.F. SCHRICKER-STARKE COUNTY PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(c) states, in part, ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

This form (Daily Record of Desk Collections - Prescribed Library Form No. 3) has been prescribed to provide a method of recording the total daily receipts of a public library and each of its branches, if any. As money is received during a day it should be segregated by notations classifying the receipts into the three categories shown on the prescribed form. At the end of the day the totals should be entered on the form. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 3)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

### **CONTRACTS**

The Library paid for cleaning services, snow removal and mowing, and security services without contracts. Payments for some of the cleaning services were made to employees but were classified as contractors in 2012, 2013, and 2014. Invoices were not provided to substantiate the dates the services were provided, the hours worked, or the rates charged per day or hour. The Library reported the compensation on Internal Revenue Form 1099-Misc (Form 1099) for all of the employees who performed cleaning services except two. In 2013, the former Library Director and the former Business Manager were paid \$42 and \$84, respectively. In 2014, the former Business Manager was paid \$794, which was not reported. Furthermore, the additional compensation was not reported on the Internal Revenue Form 1099-Misc Wage and Tax Statement (Form W-2).

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

### **SUPPORTING DOCUMENTATION**

The Library provided credit cards to the former Business Manager and former Director under each of their names. The former Business Manager did not provide vendor invoices for \$588 in purchases charged to her library credit card. The former Director and other employees did not provide invoices for \$2,341 for hotels and meals charged to Director's library credit card while in travel status. Without vendor invoices, we could not determine the validity of the disbursements.

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)

### **PENALTIES, INTEREST, AND OTHER CHARGES**

The Library paid penalties, interest, and other charges in the amount of \$176 because the Library did not remit payments on a timely basis.

H.F. SCHRICKER-STARKE COUNTY PUBLIC LIBRARY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, 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.

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)

***GIFT CARDS***

The Library purchased gift cards from a discount retailer to distribute as awards to patrons for the Summer Reading Program. The Library did not maintain an inventory of gift cards to document the number purchased, those distributed as awards, and a remaining number on hand to ensure all the cards were used for library purposes.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

***LOCAL INCOME TAXES***

The former Business Manager failed to withhold the correct county tax rate for employees who were Starke County residents. The correct tax rate for Starke County residents was 1.71 percent, but the Library only withheld 1.06 percent.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Starke County Public Library System



152 W. Culver Rd.  
Knox, IN 46534

Phone: (574) 772-7323  
Fax: (574) 772-4207

November 30, 2015

OFFICIAL RESPONSE

Paul D. Joyce, CPA  
State Examiner  
State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

Dear Mr. Joyce:

Please accept this letter as the Official Response to the "Supplemental Compliance Report" (Report) of the H.F. Schricker-Starke County Public Library for January 1, 2012 to December 31, 2014 written on behalf of the Starke County Public Library Board of Trustees.

We are grateful to the auditors, Michelle Janosky, Doug Weise, and Kristin Campbell for their patience, guidance and understanding as our new Director, Rose Frost, and new Business Office Manager, Wendy McIntire asked countless questions about SBOA guidelines and best practices.

There are eight major categories in the Report: 1) condition of records, 2) Board minutes, 3) receipts, 4) contracts, 5) supporting documentation, 6) penalties, interest and other charges, 7) gift cards, and 8) local income taxes. Rose and Wendy have already made many of the proposed adjustments from the auditors in all of these categories to date. They will continue to implement best practices in all of the library's financial operations as a proactive response to the Report.

It is clear that the Library Business Office lacked segregation of duties during the time period of this report especially after the resignation of the previous library director in August 2014. In response to the weaknesses identified in this report, the Library Board approved the purchase and implementation of Key Fund and Payroll from Boyce Systems in June 2015. The software was installed and staff was being trained while the auditors were still doing the audit. Every attempt was made to set our new software up in accordance with SBOA guidelines to reduce the risk of the errors contained in the Report. One of

Henry F. Schricker Main Library  
Branches at Hamlet, Koontz Lake, and San Pierre  
<http://starkecountylibrary.org>

# Starke County Public Library System

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the most important advantages of Key Fund is that multiple staff now have access and specific privileges within Key Fund so that we now have segregation of duties.

Another prominent feature of Key Fund is the reporting capabilities. The Library Board and I will be examining several reports every month such as the depository and cash reconciliation statement, fund report, appropriation report and revenue report for direct oversight of the library's finances and greater accountability from our Library Director and Business Office Manager.

Finally, we developed and approved a new Purchasing Policy (Policy) on July 28, 2015. The Policy was written to govern the purchase of goods, supplies, materials, equipment and services for the library system. The procedures and language included in the Policy were specifically taken from the "Accounting and Uniform Compliance Guidelines Manual for Libraries" issued by the SBOA in 2014.

The Board and staff are all committed to ethical practices and good stewardship of the precious tax dollars and other revenues entrusted to us. We are here to serve all of the residents of Starke County to enrich their lives.

Sincerely,

A handwritten signature in blue ink that reads "David Bullock". The signature is written in a cursive, flowing style.

David Bullock, Treasurer  
Starke County Public Library Board of Trustees

H.F. SCHRICKER-STARKE COUNTY PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2015, with Rose Frost, Director; David A. Bullock, Treasurer; Elizabeth Lawrence, President of the Board; Wendy McIntire, Business Manager; and Lizbeth W. Pease, Attorney.