

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTER COUNTY PUBLIC LIBRARY

PORTER COUNTY, INDIANA

January 1, 2011 to December 31, 2015



FILED
03/14/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	James Cline	01-01-11 to 12-31-16
Treasurer	Sheila Minton	01-01-11 to 06-30-17
President of the Board	Dave White	07-01-10 to 02-15-11
	Jud Hanson	02-16-11 to 06-30-12
	Scott Falk	07-01-12 to 06-30-14
	Paul Knauff	07-01-14 to 06-30-16
	Debora Porter	07-01-16 to 06-30-17



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

TO: THE OFFICIALS OF THE PORTER COUNTY PUBLIC LIBRARY, PORTER COUNTY, INDIANA

This report is supplemental to our examination report of the Porter County Public Library (Library), for the period from January 1, 2011 to December 31, 2015. 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/.

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

September 20, 2016

PORTER COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK RECONCILEMENTS

Bank reconcilements did not include the investments.

The bank reconcilements at year end for 2011 and 2012 were bank short by (\$3,091.81) and (\$1,376.18), respectively. In 2013, the bank reconciliation at year end was bank long by \$2,306.31. These differences were a result of posting a month in arrears instead of posting the activity for the current month for the credit/debit card transactions of patrons. In addition, the library posted the net activity for the month instead of the receipts and disbursements for the credit/debit card transactions of patrons.

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."

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. . . ."

TIMELY DEPOSITS

The collection of fines and fees were deposited up to nine days after the money was received.

Indiana Code 5-13-6-1(c) stated 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 . . ."

CREDIT CARD DOCUMENTATION

We reviewed the credit card statements for seven different billing periods. There for the following exceptions relating to the supporting documentation of expenses:

1. Twenty different charges for meals that ranged from \$4.03 to \$361.78 were not itemized and only included a credit card receipt for the total amount of the charge.
2. There were five invoices that were not paid but were included with the claim and were not listed on the credit card statement.

PORTER COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. There were thirty-one purchases and credits listed on the monthly credit card statements reviewed that did not include an itemized invoice.
4. Local and out-of-town charges at restaurants did not document the nature of the business or who was in attendance.
5. Four invoices attached did not agree to the amount that was charged. The amounts ranged from an additional \$90 to a decrease of \$3.59.

Indiana Code 36-12-3-16(c) provides that "Each payment of expenses lawfully incurred for library purposes must be supported by a fully itemized invoice or other documentation. . . .

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports for 2013, 2014, and 2015 did not match the records of the Library as follows:

Year	Fund	Category	Amount Reported on the Annual Report	Amount Posted to the Ledgers	Difference
2012	Gift and Bequest Fund	Receipts	\$ 474,148	\$ 52,141	\$ 422,007
2012	Gift and Bequest Fund	Ending Balance	468,604	46,597	422,007
2014	Gift and Bequest Fund	Receipts	92,009	46,509	45,500
2014	Gift and Bequest Fund	Disbursements	83,090	37,590	45,500
2014	Rainy Day Fund	Receipts	5,512,762	4,512,762	1,000,000
2014	Rainy Day Fund	Disbursements	2,978,643	3,228,643	(250,000)
2014	Rainy Day Fund	Ending Balance	7,634,043	6,384,043	1,250,000
2014	Library Capital Projects	Disbursements	500	1,000,500	(1,000,000)
2014	Library Capital Projects	Ending Balance	1,501,875	501,875	1,000,000
2015	RAINY DAY FUND	Receipts	3,708,457	4,208,457	(500,000)
2015	RAINY DAY FUND	Ending Balance	6,054,702	6,554,702	500,000

The errors were a result of either including investment activity or only including the receipt side of a transfer and not the disbursement side. In September of 2014 the library did not enter the correct balances during the conversion into the new software program.

Adjustments were made to the financial statements and were approved by management.

PORTER COUNTY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

PAYROLL

The following were discrepancies related to payroll:

1. Attendance timesheets for supervisors and administrative staff were not approved.
2. The salary schedule could not be verified because it was not signed by the board and the salary amounts were not disclosed in the minutes.
3. Payment of the correct salary amounts could not be verified since the salary schedule contained minimum and maximum amounts with differences up to \$47,000.

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. . . ."

OVERDRAWN CASH BALANCES

The financial statements included the following funds with overdrawn cash balances at the end of the examination period:

<u>Year</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2012	Payroll	\$ 1,801
2013	Payroll	3,245

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

September 30, 2016

“Official Response”

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Attn: Lisa Davis

Dear Ms. Davis,

Please accept this letter as the Porter County Public Library’s official response to our audit for 2011 to 2015.

I would like to address the following items in order of our comments.

1. Bank reconciliations – It was noted in our audit that the bank reconciliations did not include the investments. I would like it noted that under our old accounting system with Computrain, it did not take the investments into consideration, but in 2014 we changed accounting systems to Keystone and our investments are part of the reconciliation. The other item that was mentioned was the debit/credit account as far as taking the fees out of the total instead of doing a transaction for the fees. Please note that when we changed to Keystone we were informed that we should be doing a separate transaction for that and starting in 2014 we started doing a separate transaction.
2. Timely deposits – We have done deposits at least twice a week up until July 1st 2015, we started doing deposits as soon as there was \$500.00 in the safe. This works out to doing deposits at least 3 times a week and sometimes 4.
3. Credit Card documentation – We have updated our credit card policy per the recommendation of the auditor and passed that resolution in May 2016. We have also started a new process when handing the card out to employees for use at meetings and conferences so that they turn everything back into the Financial Manager in accordance with the policy.
4. Annual Report – the financial manager will be correcting the report per the state auditor’s recommendations to take into consideration the investments that were omitted.
5. Payroll – we have started emphasizing the importance of signing the forms and in administration the director has started signing the form and the Financial Manager signs off on the director’s time. We also passed the salary schedule in June with the appropriate signatures of the Board as recommended by the state auditor.

6. Overdrawn cash balances – Once again this was a problem under the old accounting system and was corrected when we moved to the Keystone system and a transfer was made in a Board meeting to correct the shortages and to balance everything before going into the new system. Since we have been with Keystone, there have been no overdrawn balances.

We would appreciate if you would include this response with our audit so that it is noted we did take these items seriously and have taken the needed steps to correct them.

Thank you for your consideration.

Sincerely,

James D. Cline
Director
Porter County Public Library System

PORTER COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2016, with Sheila Minton, Treasurer; James Cline, Director; and Debora Porter, President of the Board of Trustees.