

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KEWANNA-UNION TOWNSHIP PUBLIC LIBRARY

FULTON COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
05/23/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Penalties and Interest.....	4
Condition of Records	4
Bank Account Reconciliations	4-5
Annual Financial Report	5
Prescribed Forms	5
Fund Sources and Uses	5
Controls over Approval of Payroll	6
Capital Assets.....	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Charles Rude (interim) Charles Rude	01-01-12 to 02-26-17 02-27-17 to 12-31-17
Treasurer	Richard Hoff Jeffery Grube Joshua Martindale	01-01-12 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the Board	Joshua Martindale Jeffery Grube Maurice Cohagan	01-01-12 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-17



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 KEWANNA-UNION TOWNSHIP
PUBLIC LIBRARY, FULTON COUNTY, INDIANA

This report is supplemental to our examination report of the Kewanna-Union Township Public Library (Library), for the period from January 1, 2012 to December 31, 2016. 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

March 23, 2017

KEWANNA-UNION TOWNSHIP PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

PENALTIES AND INTEREST

Penalties and interest totaling \$789.82 were incurred for tax year 2011 by the Library and paid to the Internal Revenue Service as noted below:

Assessment Period	Type	Description	Amount
June 2011	Federal withholdings	Late Filing	\$ 603
September 2011	Federal withholdings	Late Filing	<u>187</u>
Total			<u>\$ 790</u>

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Library. The Library was unable to provide detail ledgers for receipts, disbursements, and ending balances of the Construction fund and Debt Service fund. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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)

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the ledger balance to the bank checking account balance were conducted for the Library General fund. The reconciliation did not include the Debt Service, Levy Excess, Rainy Day, or Construction funds that were maintained in individual savings accounts.

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

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."

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2012 did not include the activity for the Debt Service and Construction funds. The 2015 AFR was incomplete and did not match the Library's records. The 2015 AFR only showed the funds beginning and ending balances that were the same amount; it did not include receipts or disbursements. Adjustments were proposed, approved by management, and made to the 2012 and 2015 AFRs and related financial statements.

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."

PRESCRIBED FORMS

The Library did not use the following prescribed forms nor did they place into use an approved alternate form in lieu of the prescribed one:

- Financial and Appropriation Record, Library Form No. 1
- Capital Assets Ledgers, Form No. 369
- Receipt, Form No. 352

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

FUND SOURCES AND USES

The Library disbursed \$98,250 from General fund for lease rental payments. These disbursements should have been paid from the Debt Service fund.

Local tax distributions in 2012 and 2013 were incorrectly recorded in the General fund. The tax distributions should have been recorded in the Debt Service fund.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

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

CONTROLS OVER APPROVAL OF PAYROLL

Payroll claims or timesheets were not approved by the department head or Fiscal Officer.

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."

CAPITAL ASSETS

The Library did not properly maintained a complete inventory of capital assets owned.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

KEWANNA-UNION TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2017, with Joshua Martindale, Treasurer, and Charles Rude, Director.

