

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY

POSEY COUNTY, INDIANA

January 1, 2011 to December 31, 2015



FILED
07/18/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sherry Graves	01-01-11 to 08-03-11
	(Vacant)	08-04-11 to 08-11-11
	Steve Cochran	08-12-11 to 01-10-13
	(Vacant)	01-11-13 to 01-20-13
	Michael Ryan Rokicki	01-21-13 to 12-31-17
Treasurer	Gene Culiver (deceased)	01-01-11 to 09-11-13
	(Vacant)	09-12-13 to 10-14-13
	Melissa Peerman	10-15-13 to 05-13-15
	Dan Busler	05-14-15 to 12-31-16
	Kenyon G. Bailey	01-01-17 to 12-31-17
President of the Board	Fred M. Frayser	01-01-11 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NEW HARMONY WORKINGMEN'S
INSTITUTE PUBLIC LIBRARY, POSEY COUNTY, INDIANA

This report is supplemental to our examination report of the New Harmony Workingmen's Institute 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

April 11, 2017

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were not complete and did not agree with the record balances as of December 31 as follows:

December 31, 2011 - fund balances exceeded the bank account balances by \$53,445
December 31, 2012 - fund balances exceeded the bank account balances by \$137,675
December 31, 2013 - fund balances exceeded the bank account balances by \$132,430
December 31, 2014 - fund balances exceeded the bank account balances by \$156,182
December 31, 2015 - fund balances exceeded the bank account balances by \$156,720

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 must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

CONDITION OF RECORDS

The Annual Financial Report (AFR) filed for 2011, 2012, 2013, 2014, and 2015 contained numerous errors and did not match the Library's General Ledger Report (Ledger). The AFRs were used to compile the financial statements.

The financial statements presented for examination were incomplete and not reflective of the activity of the Library. We were unable to determine the correct amounts for beginning investment balances, receipts, disbursements, and ending cash and investment balances because the records presented did not provide sufficient information.

Record deficiencies include:

1. The Gift Fund - Investments activity was not recorded in the ledger throughout 2013, 2014, or 2015 and, therefore, was not reconciled to the investment account statement transactions and balances. Investment interest was not posted for 25 of the 60 months during the examination period.
2. No receipts were posted to the ledger from June 1, 2014 to October 1, 2014.
3. Numerous transactions recorded as "negative" receipts and disbursements each year.
4. Bank charges were incurred and not posted to the ledger.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

OVERDRAWN CASH BALANCES

The financial statements presented for examination included the following funds with overdrawn cash balances at year end as follows:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2011	L.I.R.F.	\$ 18,024
2011	Construction Fund	27,307
2012	L.I.R.F.	18,032
2012	Construction Fund	27,307
2013	Debt Service	2,202

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)

INVESTMENTS NOT AUTHORIZED BY STATUTE

The Library invested in mutual funds with a portfolio of corporate stock in 2011, 2012, 2013, 2014, and 2015.

A similar comment was included in the prior Report B38728.

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.). . . .

(c) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:
 - (A) A federal agency.

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(B) A federal instrumentality.

(C) A federal government sponsored enterprise.

(3) Repurchase agreements fully collateralized by obligations described in subdivision (1) or (2). . . ."

Investments can only be made in accordance with statutory guidelines. Loses and expenses related to any unauthorized investments and unauthorized investment procedures may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

SUPPORTING DOCUMENTATION

The following disbursements did not include supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
04-14-11	\$ 421	VISA	Travel Expense
12-12-12	<u>258</u>	New Harmony Inn	Travel Expense
Total	<u>\$ 679</u>		

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

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)

CREDIT CARDS

The Library Board adopted a credit card policy on September 11, 2003.

The policy states in part:

". . . allow the use of the credit card mentioned below. Integra Bank VISA Corporate Card

A. The director and manager of the Working Men's Institute are authorized to use the above-mentioned credit card for the purchase of supplies, equipment, and services and payment of fees solely for the Working Men's Institute. Under no circumstances should there be any transaction that are of a personal nature. . . .

F. A limit of \$1000 per month can be charges to the card unless otherwise approved by the Board of Trustees."

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Library used credit cards to purchase items that were not in accordance with the credit card policy. There were credits cards used that were not approved in the policy. Also, purchases were made that exceeded \$1,000 per month and proper approval was not obtained by the Library Board as required by the policy. We noted one instance of alcohol purchased using the credit card; the Library's credit card policy did not address alcohol purchases.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

The governing body of a unit must have a written policy concerning the purchase of alcohol using public funds. This policy must address the exact situations in which alcohol can be purchased and outline any liability issues that may arise with using public funds to purchase alcohol. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

DEPOSITS

Of the receipts selected for testing, 20 percent did not have a corresponding deposit slip available to determine classification of monies received.

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

PRESCRIBED FORMS

We conducted a test designed to verify that receipts were issued at the time the transactions occurred. Our test of this procedure found that receipts were not issued after October 1, 2014.

In addition, prescribed form Accounts Payable Voucher (Library Form No. 4) was not prepared after October 1, 2014.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

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

COMPENSATION AND BENEFITS

Compensation and benefits paid to 80 percent of the employees tested was not included on the salary resolution or salary schedule. The compensation and benefits paid to these employees in total was \$128,320 during the examination period.

Time records were not provided for 50 percent of the employees tested. Employee Earnings Records were not provided for 70 percent of the employees tested.

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-12-2-24(b) states:

"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; and
- (3) determine the number and prescribe the duties;

of the librarians and other individuals, with the advice and recommendations of the library director."

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

The Library paid penalties, interest, and other charges to Fifth Third Bank, Card Member Services, New Harmony Utilities, Epson, and the Lang Company totaling \$529 because the Library did not remit payments on a timely basis.

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)

NEW HARMONY WORKINGMEN'S INSTITUTE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2017, with Michael Ryan Rokicki, Director; Kenyon G. Bailey, Treasurer; and Fred M. Frayser, President of the Board.