

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY

ST. JOSEPH COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
10/26/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Scott Klingerman (interim)	01-01-13 to 05-02-13
	(Vacant)	05-03-13 to 08-14-13
	Traci Stewart (interim)	08-15-13 to 06-29-15
	Traci Stewart	06-30-15 to 12-31-18
Treasurer	(Vacant)	01-01-13 to 08-12-13
	Annette Haining	08-13-13 to 12-31-15
	Stephen Mockler	01-01-16 to 12-31-18
President of the Library Board	Karyn Hesters	01-01-13 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WALKERTON-LINCOLN TOWNSHIP  
PUBLIC LIBRARY, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Walkerton-Lincoln Township Public Library (Library), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Library. It should be read in conjunction with our Financial Statements Audit 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 18, 2018

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

There were deficiencies in the internal control system for the Library related to financial transactions and reporting. There was a lack of segregation of duties as officials had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

*Cash and Investments*

The Treasurer completed the monthly bank reconciliations without evidence of a review or oversight process.

*Receipts*

The Director prepared the bank deposits and took the deposits to the bank. The Treasurer created and posted the receipt to the ledger based on what the Director said was deposited, but the Treasurer did not receive the supporting documentation for the receipt until the end of the year. The Library Board received the receipts and ledger at monthly meetings, but there was no documentation of a review of the receipts or ledger.

*Disbursements*

The Treasurer initiated disbursements without receiving or reviewing and approving the supporting documentation. The Director issued the checks and stamped them with the Treasurer's signature stamp. In addition, payroll disbursements were made without an approved salary schedule or resolution.

*Financial Reporting*

The Treasurer completed the Annual Financial Reports, which were the source for the financial statements, without evidence of a review or oversight process.

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.

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 Public Libraries, Chapter 1)

**TRAINING ON INTERNAL CONTROL STANDARDS**

The Library Board was required by statute to ensure that personnel were trained on the internal control standards they adopted. There was no documentation presented to indicate that one employee received the training during the audit period. One employee hired subsequent to the audit period also had not received internal control standards training.

In addition, the Treasurer incorrectly certified on the Annual Financial Report that all employees had received the training.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

WALKERTON-LINCOLN TOWNSHIP PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2018, with Traci Stewart, Director; Stephen Mockler, Treasurer; Karyn Hesters, President of the Library Board; and Elizabeth Drotar, Library Board Secretary.