

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HAMMOND PUBLIC LIBRARY

LAKE COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	René L. Greenleaf	01-01-16 to 12-31-19
Treasurer	Caryn Janiga	01-01-16 to 12-31-19
President of the Library Board	Carol Odom Allan Zlatarich Paul Taylor	01-01-16 to 03-31-17 04-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE HAMMOND PUBLIC LIBRARY, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Hammond Public Library (Library), for the period from January 1, 2016 to December 31, 2018. 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/.

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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 12, 2019

HAMMOND PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Library related to financial transactions and reporting. There was a lack of segregation of duties as the Library had not separated incompatible activities related to cash and investments, receipts, and financial reporting. The lack of internal controls related to cash and investments and receipts enabled noncompliance to occur and remain undetected.

Cash and Investments

Reconciliations of the depository balances to the fund balances were performed by two employees. The two employees did not reconcile the accounts they had control over and were reviewed by the Director; however, there was no evidence that the Director reviewed the reconciliations.

The Library completed monthly bank reconciliations for each bank account separately. A combined bank reconciliation to the ledger fund balance was not completed. The reconciliations reported differences at December 2016 and December 2017 due to incomplete outstanding check lists. The completed outstanding check lists corrected the differences.

Receipts

The Financial Analyst completed the deposit ticket, took the deposits to the bank, and posted all of the receipts to the financial system. There was no oversight or review process by another individual over the receipt information posted to the financial system.

We were unable to determine if the receipts were deposited in the same form in which they were received for 7 of the 27 receipts tested because they did not include the composition (cash, check, money order, etc.) of the payment. The composition of the receipts did not agree with the composition on the deposit ticket for 3 receipts. Additionally, for 2 of the receipts tested, the Library could not locate the corresponding deposit ticket; therefore, we were unable to determine if the receipts were deposited in the same form in which they were received.

Financial Reporting

The Financial Analyst input the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statements. The Director and Administrative Services Manager reviewed the data that was input before the Director submitted the financial information; however, there was no evidence of an oversight or review process. The lack of controls allowed material noncompliance to remain undetected. The Library incorrectly reported bank transfers as receipts and disbursements. Audit adjustments of \$9,149,231 to both receipts and disbursements in 2018 were proposed and approved by the Director.

HAMMOND PUBLIC LIBRARY
AUDIT RESULT AND COMMENT
(Continued)

Criteria

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.

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. . . ."

Indiana Code 5-13-6-1 states in part:

". . . (c) Except as provided in subsections (d) and (g), all local officers, except township trustees, 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 several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received. . . .

(e) 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."

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](#)."



November 21, 2019

Paul Joyce
Indiana State Board of Accounts
302 W Washington St
Indianapolis, IN 46204

RE: Hammond Public Library audit term 2016, 2017, 2018

Pursuant to Audit Results and comments, please find our response to concerns regarding the audit of the Hammond Public Library on November 12, 2019.

Under the concerns relative to *Cash*, the Director maintains a hard copy of all bank reconciliation reports and worksheets which are reviewed before being placed in the appropriate binders. We will now provide a signature and date indicating oversight and approval. Regarding our bank reconciliation to the ledger fund balance, we were reconciling our monthly bank accounts separately as instructed by our previous field examiners. We will now combine bank reconciliations to the ledger fund balance, which will provide a complete record of the outstanding check balances.

Under the concern of *Receipts*, due to limited staffing issues, two separate individuals were verifying deposits. As recommended by the field examiner, we will implement a post deposit verification. In regards to the deposit composition, heretofore, all receipts will include an itemized breakdown of the composition for deposit.

Under the concern of *Financial Reporting*, we were cited as incorrectly reporting bank transfers as receipts and disbursements. There was an audit adjustment to the receipts and disbursement of \$9,149,231 in 2018. In an effort to provide complete transparency, we accounted for all automatic transfers between our general fund account and our sweep account. As indicated by the field examiner, to correct this reporting going forward, we will now omit the automatic transfers to the sweep account and only report payroll transfers.

Respectfully submitted,

René L. Greenleaf
Executive Director
Hammond Public Library

HAMMOND PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2019, with René L. Greenleaf, Director; Caryn Janiga, Treasurer; Paul Taylor, President of the Library Board; Carol Williams, Assistant Director; Cornell White, Financial Analyst; and Whitney Chapman, Administrative Services Manager.