

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

AUDIT REPORT

OF

ALLEN COUNTY PUBLIC LIBRARY

ALLEN COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
07/15/2013

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LIBRARY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jeffrey R. Krull	01-01-12 to 12-31-13
Treasurer	David K. Sedestrom	01-01-12 to 12-31-13
President of the Board of Trustees	Gene G. Hoemig Gloria Shamanoff	01-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ALLEN COUNTY PUBLIC LIBRARY

We have audited the records of the Allen County Public Library for the period from January 1, 2012 to December 31, 2012, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Comprehensive Annual Financial Report of Allen County Public Library for the year 2012.

STATE BOARD OF ACCOUNTS

June 26, 2013

ALLEN COUNTY PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

Deposits are made, receipts are issued and receipts are posted to the ledgers by the same employee that reconciles the monthly bank statement to the ledgers. The bank reconciliation is not reviewed or approved by management.

Inventories are not taken of capital assets to verify that all assets on the asset listing are in use or that all assets are included on the asset listing.

During the processing of payroll the same person reviews the time cards for errors, exports the time cards into the payroll system for processing and reviews the payroll register against the time cards and pay scale of each employee. Once he/she determines everything looks correct, another employee is to do a second review. No verification of a second review could be verified.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

ALLEN COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2013, with Jeffrey R. Krull, Director; and David K. Sedestrom, Treasurer. The Official Response has been made a part of this report and may be found on pages 6 and 7.



ALLEN COUNTY PUBLIC LIBRARY

900 Library Plaza • Fort Wayne, IN • 46802 • Jeffrey R. Krull, Director

July 2, 2013

Mr. Bruce Hartman, C.P.A.
State Examiner
State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

RE: Allen County Public Library Audit Official Response

Dear Mr. Hartman,

This letter is in response to the Audit Results and Comments presented during the exit conference on June 26, 2013 for the recently completed audit of the Allen County Public Library.

Comment One: Deposits are made, receipts issued and posted to the ledgers by the same employee that reconciles the monthly bank statement to the ledgers. The bank reconciliation is not reviewed or approved by management.

Response: Steps will be implemented to separate the person preparing the deposits from the person reconciling the bank statement. In addition, when said reconciling person must prepare deposits, the deposit will be reviewed and initialed by another employee, preferably management staff. Finally, all bank reconciliations will be reviewed and signed off on by a member of management.

Comment Two: Inventories are not taken of capital assets to verify that all assets on the asset listing are in use or that all assets are included on the asset listing.

Response: While inventories of certain assets, such as computer equipment, are performed and reviewed by the Information Technology department as part of their annual equipment replacement program, efforts will be made by the Financial Services department to perform a complete audit of all assets currently on the asset files.

Comment Three: During the processing of payroll the same person reviews the time cards for errors, exports the time cards into the payroll system for processing, reviews

the payroll register against the time cards and pay scale of each employee. Once he/she determines everything looks correct, another employee is to do a second review. No verification of this second review could be verified.

Response: A payroll processing log will now be employed with each payroll which will have individuals' time stamp, and sign/initial each process they are performing or reviewing.

The Library agrees with these audit comments and, as noted above, will make all necessary changes in our procedures to avoid future problems.

Thank you, as always, for your guidance and assistance to our institution and please do not hesitate to contact me at 260-421-1270 with any further questions.

Sincerely,



David K. Sedestrom
Chief Financial Officer/Treasurer