AUDIT EXPECTATIONS

2022
Mike Crowley
Mitch Wilson
State Board of Accounts
TOPICS

• What Does an Audit Consist of
• Types of Engagements
• What to Expect During Audit
• Official Response
• Repeat Findings
• Corrective Action Plan (CAP)
STATE BOARD OF ACCOUNTS
ENGAGEMENT TYPES

AUDITS:
• Financial Statements
• Annual Financial Report in Gateway
• Federal Programs
• Schedule of Federal Expenditures (SEFA)

Reviews
Small Unit Compliance
The engagement period examined is usually 4 years

Report Contains:

• Schedule of Officials
• Independent Accountant’s Review Report
• Financial Statements and Notes
• Review Results and Comments
• Exit Conference
• Official’s Response
Engagement period is usually 4 years

Report

• Letter
• Official’s Response
Engagement period is annual

Report

- Schedule of Officials
- Transmittal Letter
- Audit Results and Comments
- Exit Conference
- Official’s Response
WHAT DOES AN AUDIT CONSIST OF
AUDIT FINDINGS

Deficiency in Internal Controls

Non-Compliance

▪ Statute
▪ Uniform Compliance Guidelines
▪ Local policy
▪ Grant Requirements
REPORT OF AUDIT FINDINGS

Verbal Comments (MFC)

Management Letter

Comments in Audit Report
  • Federal Findings
  • Audit Results and Comments (ARC)
PURPOSE OF FINDINGS

• Need for Resolution
• Understand the problem
• Take corrective action – often requires establishing or modifying internal controls.
WHAT TO EXPECT DURING AUDIT
WHAT TO EXPECT DURING AUDIT

- On-site & Remote Audit Work
- Request of Documentation
- Follow up on prior period comments
OFFICIAL RESPONSE
OFFICIAL RESPONSE

At exit, you will be asked if you would like to provide an official response to the results and comments in the form of a letter to be bound in the report.
REPEAT FINDINGS
REPEAT FINDINGS

IC 5-11-5-1.5
  • Finding in Report – Take corrective action

  • Finding is repeated in subsequent Report:
    • Corrective Action Plan filed with SBOA
    • Follow up by SBOA
CORRECTIVE ACTION PLAN (CAP)
CORRECTIVE ACTION PLAN

Packet will be given at exit conference
  • Templates

10 days to respond
  • Can ask for more time

Six months to implement
  • Can ask for more time
CORRECTIVE ACTION PLAN

SBOA review and approval
Report when implementation is complete.

SBOA follow up
• Send in documents
• On site follow up
IC 5-11-1-2  System of accounting and reporting

Sec. 2. The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

(1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
(2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
(3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
(4) Show all sources of public income and the amounts due and received from each source.
(5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction.

The state board of accounts shall formulate or approve all statements and reports necessary.
<table>
<thead>
<tr>
<th>Indiana Code</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>36-12-3-11(a)(1)</td>
<td>Library Operating</td>
</tr>
<tr>
<td>36-12-3-11(a)(2)</td>
<td>Construction</td>
</tr>
<tr>
<td>36-12-3-11(a)(3)</td>
<td>Bond and Interest Redemption</td>
</tr>
<tr>
<td>36-12-3-11(a)(4)</td>
<td>LIRF - Improvement Reserve</td>
</tr>
<tr>
<td>36-12-3-11(a)(5)</td>
<td>Gift</td>
</tr>
<tr>
<td>36-12-3-11(a)(6)</td>
<td>Contractual Service</td>
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<tr>
<td>4-23-7.1-5.1</td>
<td>Public Library Access Card PLAC</td>
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<tr>
<td>6-1.1-18.5-17</td>
<td>Levy Excess</td>
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<tr>
<td>36-1-8-5.1</td>
<td>Rainy Day</td>
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<tr>
<td>36-1-8-12</td>
<td>Grants</td>
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<td>36-12-12</td>
<td>Capital Projects</td>
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<td></td>
<td>Payroll</td>
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<td></td>
<td>Payroll Withholding</td>
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<td>Fund</td>
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<td>4-23-7.1-5.1</td>
<td>Public Library Access Card (PLAC) Payroll Withholding</td>
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<tr>
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<td>Fund</td>
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<td>Public Library Access Card (PLAC)</td>
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<td></td>
<td>Payroll</td>
</tr>
<tr>
<td></td>
<td>Withholding</td>
</tr>
</tbody>
</table>
PREScribed fund names / numbers

- Discussion on funds will refer to prescribed name and number.
- When reporting on the Annual Financial Report, the prescribed fund name and number will be expected.
- Future revision to Library Manual listing chart of accounts expected in near future.
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FUND TYPES & DEFINITIONS

✓ Why are fund types important?

Starting with financial statements for calendar year 2020, your financial activity will be presented by fund type – each fund type will have its own statement showing financial activity.

✓ What are the different fund types and what do they mean?

Glad you asked – let’s take a look
FUND TYPES & DEFINITIONS

Government Accounting Standards Board (GASB) Statement #54

www.gasb.org/st/summary/gstsm54.html
FUND TYPES

General
Special Revenue
Debt Service
Capital Projects
Permanent

Proprietary
- Enterprise
- Internal Service

Fiduciary
- Trust
- Clearing
LIBRARIES - FUND TYPES

General
Special Revenue
Debt Service
Capital Projects
Permanent

Proprietary
Enterprise
Internal Service

Fiduciary
- Trust
- Clearing
GENERAL FUND TYPE

Defined as:

- Accounts for and reports tax & other receipts not allocated to another fund
- Chief operating fund of the library
- General operating disbursements paid from Operating
## GENERAL FUND

<table>
<thead>
<tr>
<th>Fund Number</th>
<th>Gateway Number</th>
<th>Fund Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>101006</td>
<td>Operating Fund</td>
</tr>
</tbody>
</table>
SPECIAL REVENUE FUND

Defined as:

• Accounts for and reports sources restricted or committed to expenditures for specific purposes

• Most common: Gift funds, Rainy Day, Grants
# SPECIAL REVENUE FUNDS

<table>
<thead>
<tr>
<th>Fund Number</th>
<th>Gateway Number</th>
<th>Fund Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td></td>
<td>Gift (not restricted to capital items)</td>
</tr>
<tr>
<td>201</td>
<td>102194</td>
<td>Rainy Day</td>
</tr>
<tr>
<td>202</td>
<td>110059</td>
<td>Contractual Services</td>
</tr>
<tr>
<td>203</td>
<td>102351</td>
<td>Levy Excess</td>
</tr>
<tr>
<td>204-225</td>
<td></td>
<td>Reserved for future statutory funds</td>
</tr>
<tr>
<td>226-275</td>
<td></td>
<td>Reserved for other special revenue funds (additional gifts, etc.)</td>
</tr>
<tr>
<td>274-299</td>
<td></td>
<td>Grants – federal and/or state special revenue</td>
</tr>
</tbody>
</table>
DEBT SERVICE FUND

Defined as:

- Accounts for and reports resources restricted, committed, or assigned for principal & interest
- Debt service should be used to report resources if legally mandated
- Includes resources accumulated for both current and long-term principal and interest payments
## DEBT SERVICE FUNDS

<table>
<thead>
<tr>
<th>Fund Number</th>
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<th>Fund Name</th>
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</thead>
<tbody>
<tr>
<td>300</td>
<td></td>
<td>Bond &amp; Interest Redemption</td>
</tr>
<tr>
<td>301-399</td>
<td></td>
<td>Reserved for other debt service funds</td>
</tr>
</tbody>
</table>
**CAPITAL PROJECT FUND**

Defined as:

- Accounts for and reports resources restricted, committed, or assigned for capital outlays
- Includes acquisition & construction of capital facilities and capital assets.
<table>
<thead>
<tr>
<th>Fund Number</th>
<th>Gateway Number</th>
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<tbody>
<tr>
<td>400</td>
<td>104056</td>
<td>Library Improvement Reserve (LIRF)</td>
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<tr>
<td>401</td>
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<td>Construction</td>
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<td>402</td>
<td>104055</td>
<td>Capital Projects</td>
</tr>
<tr>
<td>403-410</td>
<td></td>
<td>Reserved for future capital project funds</td>
</tr>
<tr>
<td>411-420</td>
<td></td>
<td>Gift – capital (for capital items only)</td>
</tr>
<tr>
<td>421</td>
<td></td>
<td>Rainy Day (for capital uses only)</td>
</tr>
<tr>
<td>422-450</td>
<td></td>
<td>Grants – federal and/or state – capital items only</td>
</tr>
</tbody>
</table>
PERMANENT FUND

Defined as:

• Accounts for and reports resources restricted to only earnings (not principal) used to support the library’s programs
• “... benefit of the government or its citizenry.”
• Does not include private-purpose trusts
PROPRIETARY FUNDS

Internal Service
PROPRIETARY — INTERNAL SERVICE

Defined as:

- Accounts for and reports for the financing of goods or services provided by one fund, department, or agency, to other funds, departments, or agencies of the library
- Cost reimbursement basis
- Self-insurance; IT services; Central stores
FIDUCIARY FUNDS

Trust

Clearing
FIDUCIARY - TRUST FUND

Defined as:

• Private-purpose trust funds account for and report trust arrangements where principal and income benefit:
  ➢ individuals
  ➢ other governments
FIDUCIARY — CLEARING FUND

Defined as:

- Accounts for assets held by a government in a custodial capacity
- Used to be called “agency funds”
- Includes withholding funds, like
  - Garnishment
  - Withheld taxes
# CLEARING FUNDS

<table>
<thead>
<tr>
<th>Fund Number</th>
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<th>Fund Name</th>
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<td>800</td>
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<td>Public Library Access Card (PLAC)</td>
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<td>801</td>
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<td>Payroll</td>
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<tr>
<td>802-850</td>
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<td>Payroll Withholding (when separate from payroll fund)</td>
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</table>
## SUMMARY

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Fund Number</th>
<th>Fund Name</th>
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<tbody>
<tr>
<td>General</td>
<td>100</td>
<td>Operating</td>
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<tr>
<td>Special Revenue</td>
<td>200</td>
<td>Gift</td>
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<td></td>
<td>201</td>
<td>Rainy Day</td>
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<td></td>
<td>202</td>
<td>Contractual Services</td>
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<td>203</td>
<td>Levy Excess</td>
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<td>204-225</td>
<td>Reserved - future statutory funds</td>
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<td>226-275</td>
<td>Reserved - other special revenue</td>
</tr>
<tr>
<td></td>
<td>276-299</td>
<td>Grants - federal and/or state</td>
</tr>
<tr>
<td>Debt Service</td>
<td>300</td>
<td>Bond &amp; Interest Redemption</td>
</tr>
<tr>
<td></td>
<td>301-399</td>
<td>Reserved - other debt service</td>
</tr>
</tbody>
</table>
### SUMMARY - CONTINUED

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Fund Number</th>
<th>Fund Name</th>
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<tbody>
<tr>
<td>Capital Projects</td>
<td>400</td>
<td>Library Improvement Reserve (LIRF)</td>
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<tr>
<td></td>
<td>401</td>
<td>Construction</td>
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<td>402</td>
<td>Capital Projects</td>
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<td>403-410</td>
<td>Reserved - other capital projects</td>
</tr>
<tr>
<td></td>
<td>411-420</td>
<td>Gift (capital items only)</td>
</tr>
<tr>
<td></td>
<td>421</td>
<td>Rainy Day (capital items only)</td>
</tr>
<tr>
<td></td>
<td>422-425</td>
<td>Grants - federal and/or state (capital)</td>
</tr>
<tr>
<td>Clearing</td>
<td>800</td>
<td>Public Library Access Card (PLAC)</td>
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<tr>
<td></td>
<td>801</td>
<td>Payroll</td>
</tr>
<tr>
<td></td>
<td>802-850</td>
<td>Payroll Withholdings</td>
</tr>
</tbody>
</table>
Fiscal Year End is AWESOME!!!!!!!!!!!!!!!

Said no one in Budget or Accounting EVER.
✓ Salary Schedules
✓ Appropriations
✓ Encumbrances
✓ Payroll
✓ Cancellation of Warrants
✓ Names & Addresses to County Treasurer
✓ Internal Controls
✓ Miscellaneous
IC 36-12-2-22 Board sets compensation of Treasurer

IC 36-12-2-24(a) Board sets compensation of Director

IC 36-12-2-24(b) Board adopts schedules of salaries of Librarians & other employees
Considerations:

- Number of pays in 2022
- Has enough been appropriated
- Bonuses
- Longevity
- Benefits (leave, insurance, HSA’s, deferred comp)
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Check for line items that are overspent

- Transfer from other line items if necessary
- From one major classification to another; board approval by resolution  [IC 6-1.1-18-6]

Need an additional??

- There still may be time
  - [https://gateway.ifionline.org/AdditionalAppropriations/SelectUnit.aspx](https://gateway.ifionline.org/AdditionalAppropriations/SelectUnit.aspx)
- Contact DLGF if you have questions
  - [www.in.gov/dlgf/files/Budget_Field_Reps.pdf](https://www.in.gov/dlgf/files/Budget_Field_Reps.pdf)
Unpaid approved purchase orders & contracts

- Can be encumbered – or carried forward – to 2022
- Show as separate amount on 2022 appropriation ledger
- You’ll have the amount approved for a line item as one amount + the amount encumbered for that line item, which will equal what you can spend in 2022.
By carrying out this procedure, the 2022 budget will not be expected to incur any expense not anticipated in preparing the budget.

We recommend making a list of encumbered appropriations:
- List part of meeting minutes
- Not ‘required’ to be approved by the board, but wouldn’t hurt
- Last meeting of the year
- Have copy ready if DLGF requests it
The appropriations encumbered and carried forward can be used for no other purpose other than the purchase order or contract for which they were appropriated.
Reporting

- W-2s
- 1099s
- Plan ahead

Contact IRS with Questions

- www.irs.gov
Indiana Code 5-11-10.5: Cancellation of Warrants

Old Outstanding Checks
- All checks outstanding and unpaid for a period 2 years as of December 31 of each year shall be declared cancelled.

Example – At December 31, 2021;
- Check #1234 was written on February 27, 2019 and has not cleared the bank and is on the outstanding check list. At 12/31/21, it would be considered “void”.
- Check #9876 was written on November 2, 2020 and has not cleared the bank and is on the outstanding check list. At 12/31/21, this check would not be considered “cancelled” and should remain on the outstanding check list.
Indiana Code 5-11-10.5: Cancellation of Warrants

• March 1 – fiscal officer prepares list of all outstanding checks for 2 years or more
• File list of checks with council
• Fiscal officer keeps a copy

“Old” (or stale) checks are receipted back to your ledger into the fund(s) from which they were originally drawn and removed from the outstanding check list. If fund(s) can’t be determined – put in Operating fund.
IC 6-1.1-22-14

- June 1 & December 1
- Disbursing officer shall certify
  - name
  - address

  of each person who has money due to them from the library.

- County Treasurer shall search their records to ascertain if anyone on the list is delinquent in payment of property taxes
IC 6-1.1-22-15 –

If the county treasurer finds that a person whose name is certified is delinquent in the payment of taxes, the treasurer shall certify the name of that person and the amount of delinquency to the official of the political subdivision who is to make payment to the person.

The disbursing officer shall periodically make deductions from money due the person and shall pay the amount of these deductions to the county treasurer. (our emphasis).
Internal Controls
Indiana Code 5-11-1-27(g)

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

1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision.”
Indiana Code 5-11-1-27(c) defines “personnel“:

“As used in this section, "personnel" means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity.”
Things to remember:

✓ Board should adopt minimum standards - if they haven’t already

✓ Training for any new employees in 2021

✓ Certify on the AFR in Gateway correctly
## AFR Unit Questions

The following must be filed with the Annual Report per IC 5-11.1-27 (h).

I certify that my unit has adopted the minimum internal control standards as required per IC 5-11-1-27(e).

[Yes or No]

If yes, I certify that all personnel defined by IC 5-11-1-27(c) received training concerning the internal control standards adopted by my unit.

[Yes or No]

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**Make sure you answer these questions correctly**
Bank Reconciliations
Monthly / Annual Uploads
Debt Payments
Capital Assets
Accounts Receivable / Payable

https://www.nottinghamcitylibraries.co.uk/fees-and-returns/
SBOA RESOURCES

Visit our website: https://www.in.gov/sboa/political-subdivisions/libraries

- Corrective Action Plan (CAP) – Repeat Findings
- Uniform Compliance Guidelines
  - Internal Control Manual
  - Libraries Manuals
- Resource Library
NEED HELP?
HAVE QUESTIONS?

Call or Email
Mike Crowley and
Mitch Wilson at
(317) 232-2513

Or email at
libraries@sboa.in.gov