

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FREMONT PUBLIC LIBRARY

STEBEN COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
06/16/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Elizabeth Hope Wilson	01-01-13 to 12-31-16
	Gary Green	01-01-17 to 12-31-18
Treasurer	Harold Arndt	01-01-13 to 12-31-18
President of the Library Board	Kate Hastings	01-01-13 to 12-31-13
	Jackie Wooley	01-01-14 to 12-31-14
	Rick Rossi	01-01-15 to 12-31-15
	Robyn Coatney	01-01-16 to 12-31-16
	Brian Kaiser	01-01-17 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE FREMONT PUBLIC LIBRARY, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Fremont 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 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

May 10, 2018

FREMONT PUBLIC LIBRARY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

We identified several deficiencies in the internal control system of the Library related to the financial transactions and reporting.

1. Lack of Segregation of Duties: The Library had not separated incompatible activities related to cash and investments, receipt processing, payroll processing, or the preparation of the Annual Financial Report (AFR).
  - (a) One employee was responsible for performing monthly bank reconciliations. There was no written evidence that a second individual was reviewing the monthly reconciliations.
  - (b) There were multiple employees involved in the receipt and deposit process. However, there was no written evidence that a second individual was performing oversight of the process.
  - (c) One employee was responsible for processing and submitting payroll. There was no evidence that documentation was reviewed and approved prior to submission.
  - (d) One employee was responsible for preparing and submitting financial information into the Indiana Gateway for Governmental Units financial system, the source of the AFR and the financial statements. There was no evidence that supporting documentation was reviewed and approved prior to submission.
2. Monitoring of Controls: The Library had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Library to monitor and assess the quality of the system of internal controls.

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. . . ."

"A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented."

FREMONT PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2018, with Gary Green, Director; Sherrie Ambrose, Assistant Director; Harold Arndt, Treasurer; and Rick Rossi, Library Board member.