

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LACROSSE PUBLIC LIBRARY

LAPORTE COUNTY, INDIANA

January 1, 2014 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	Patricia Spiess Karla Wilson	01-01-14 to 06-06-17 06-07-17 to 12-31-18
Treasurer	Joan Schafer Tracie Vernich	01-01-14 to 12-31-14 01-01-15 to 12-31-18
President of the Library Board	Angela Vernon	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LACROSSE PUBLIC LIBRARY, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the LaCrosse Public Library (Library), for the period from January 1, 2014 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 opinions 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 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

May 14, 2018

LACROSSE PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Deficiencies in the internal control system of the Library were identified as the Library had not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could have enabled material misstatements to be undetected.

Cash and Investments

The Library Director prepared the bank account reconciliations without evidence of an oversight, review, or approval process.

Receipts

The Library Director collected funds, issued receipts, balanced the collections to the receipts, prepared the deposits, took the deposits to the bank, and recorded the receipts in the ledgers. There was not a documented oversight, review, or approval process in place.

Vendor Disbursements

The Library Director prepared and certified the accounts payable vouchers, wrote checks, distributed checks, and recorded the disbursements in the ledgers. There was not a documented oversight, review, or approval process in place.

Payroll Disbursements

The Library Director entered pay rates and hours worked, prepared payroll claims, recorded payroll disbursements in the ledger, wrote payroll checks, and distributed the checks. There was not a documented oversight, review, or approval process in place.

Financial Reporting

The Director entered the annual financial information into the Indiana Gateway for Government Units financial reporting system, which is the source for the Annual Financial Reports (AFR) and the financial statements. The Treasurer submitted the report; however, the process and subsequent review was not documented.

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. . . ."

LACROSSE PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The Library reported the Payroll fund in the financial statements; however, the receipts for the Payroll fund were not recorded in the ledgers maintained by the Library.

The Library reported \$22,000 in investment sales in 2017, which should have been excluded from the financial statements. The inclusion of investment sales as receipts effectively overstated the cash and investments balance at December 31, 2017, by \$22,000.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

COMPENSATION AND BENEFITS

The Library Board did not approve a salary resolution. The minutes of the Library Board meetings for 2016 indicated that the Library Board approved a 3 percent wage increase for all employees for 2017; however, based upon comparisons of wages from year to year, employees received 2 to 3 percent wage increases in each year audited.

Employee earnings records were not presented for audit.

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 Libraries, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

(Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

INTERNAL CONTROL STANDARDS

The Library Board failed to adopt internal control standards as required by Indiana Code 5-11-1-27(g); therefore, the employees were not trained on internal controls. However, the Treasurer certified in the AFR on April 9, 2018, that the minimum internal control standards had been adopted and that personnel had been trained.

LACROSSE PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

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

"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 5-11-1-4(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."

LACROSSE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2018, with Karla Wilson, Director; Peggy Stalbrink, Library Board member; Kathy Fischer, Library Board member; Joan Schafer, former Treasurer; and Tracie Vernich, Treasurer.