

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEWTON COUNTY PUBLIC LIBRARY

NEWTON COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
07/24/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Mary Kay Emmrich	01-01-14 to 12-31-18
Treasurer	Mark Gatewood	01-01-14 to 12-31-18
President of the Library Board	Barbara Koutny Melody Barone	01-01-14 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE NEWTON COUNTY PUBLIC LIBRARY, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the Newton County 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

June 18, 2018

NEWTON COUNTY PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal controls system of the Library related to financial transactions and reporting. The Library had not separated incompatible activities related to cash and investments, receipts, and financial reporting.

Cash and Investments

One employee reconciled the bank account balances with the record balances without an oversight, review, or approval process.

Receipts

The Library Director collected funds, prepared the deposit, and made the deposit. The Treasurer recorded the receipts without documenting a comparison of the receipts to the deposits.

Financial Reporting

The Treasurer entered the information into the Indiana Gateway for Government Units financial reporting system (Gateway), which was the source for the Annual Financial Report (AFR) and financial statements. The Director consulted with the Bookkeeper, but there was no documentation of a review or other oversight to ensure accuracy of the information submitted.

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.

NEWTON COUNTY PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

The Library failed to provide training over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION OF INTERNAL CONTROL STANDARDS

The Treasurer inaccurately certified on the Annual Financial Report for 2017 that the Library had provided employees with internal control training.

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."

NEWTON COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2018, with Mary Kay Emmrich, Director; Mark Gatewood, Treasurer; and Becky Hillis, Library Board member.