

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY PUBLIC LIBRARY

SHELBY COUNTY, INDIANA

January 1, 2016 to December 31, 2017



**FILED**  
02/01/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Janet Wallace	01-01-16 to 12-31-19
Treasurer	Brian Brammer	01-01-16 to 12-31-19
President of the Library Board	Gina Bishop Gayle Wiley	01-01-16 to 12-31-16 01-01-17 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SHELBY COUNTY PUBLIC LIBRARY, SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of the Shelby County Public Library (Library), for the period from January 1, 2016 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 Statement Audit Report of the Library, which provides our opinion on the Library's financial statement. 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 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

January 15, 2019

SHELBY COUNTY PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS***

There were deficiencies in the internal control system for the Library related to financial transactions and reporting. The Library had not separated incompatible activities related to cash and investments, receipts, payroll and vendor disbursements, and financial close and reporting. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

*Bank Reconcilements*

The Library staff prepared bank reconcilements for the main operating account. However, reconcilements were not performed on some of the other bank accounts, nor were outstanding checks documented. A combined reconcilement of all bank accounts, including money market accounts and certificates of deposits, was not performed and reconciled to the ledger balances each month. The controls implemented were that the Library Director was to review the bank reconcilements; however, there was no documentation of that review process.

*Receipts*

Receipts were written and bank deposits were prepared by the business office staff; however, there was no documented evidence of who wrote the receipts, who prepared and made the bank deposits, or whether there was any review performed by another person.

The computerized receipts used by the Library did not contain information concerning the composition of the receipt (i.e., cash, check, . . . ). As a result, we were unable to test receipts to determine whether the deposits were made intact.

*Payroll*

The Library Director did not certify the payroll claim forms. The Library Board did not approve individual employee's gross pay for each pay period. Most of the payroll processing was performed by one person. The controls implemented were for the time sheet information entered into the payroll software was to be verified by a second person; however, there was no documentation of that verification. Not all Accounts Payable Vouchers (APVs) for payroll withholdings and/or employer benefit payments had supporting payroll reports.

*Vendor Disbursements*

The Library Director, or her designee in her absence, did not certify all accounts payable vouchers.

*Financial Close and Reporting*

The monthly and year-end financial closing was completed by the Administrative Assistant. Year-end financial information was entered into the online portal for the Annual Financial Report (AFR). However, there was not any documentation of a review or approval of the AFR by another individual.

*Risk Assessment and Monitoring*

The Library did not have a process in place for risk assessment and monitoring of internal controls.

SHELBY COUNTY PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

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. . . .

Management remediates identified issues. . . ."

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

### **ERRORS ON CLAIMS**

There were issues noted with two accounts payable vouchers:

1. The Library Foundation paid for architectural services on behalf of the Library until the proceeds from a general obligation bond issue were received. Once received, the Library reimbursed the Library Foundation \$46,507. However, the documentation presented for audit did not support the amount of the reimbursement.
2. A payment of \$114,304 was made to the Library's architect; however, of the six invoices being represented by the claim, only two invoices totaling \$21,231 were attached to the APV and presented for audit.

During the audit, the Library contacted the Library Foundation, who was unable to provide copies of the architect invoices, but did provide a copy of the front of their check which was used to pay the architect. The Library contacted the architect and obtained copies of the all the invoices for the project which supported the amount reimbursed to the Foundation as well as the remaining invoices that had been paid by the Library.

SHELBY COUNTY PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-12-3-16(c) states in part: "Each payment of expenses lawfully incurred for library purposes must be supported by a fully itemized invoice or other documentation. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

Inquiry with the Director and Library staff indicated that the statutorily required training on internal control standards was conducted and the Treasurer certified on the AFRs that personnel received training. However, there was not any audit evidence presented supporting that the training took place, such as a log of those receiving the training, etc. Without documentation that the training was provided, we could not verify those personnel statutorily required to receive training on the internal control standards actually were provided training.

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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

SHELBY COUNTY PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2019, with Janet Wallace, Director; Brian Brammer, Treasurer; Valerie Stevens, Administrative Assistant; and Selina Rawlings, Assistant Head of Payroll.