

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DANVILLE-CENTER TOWNSHIP PUBLIC LIBRARY

HENDRICKS COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
06/03/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Loren Malloy	01-01-17 to 12-31-19
Treasurer	Lawrence Nilles David Fisher	01-01-17 to 01-22-18 01-23-18 to 12-31-19
President of the Library Board	AnnaMarie Fallon	01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE DANVILLE-CENTER TOWNSHIP
PUBLIC LIBRARY, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Danville-Center Township Public Library (Library), for the period from January 1, 2017 to December 31, 2018. 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/.

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

April 17, 2019

DANVILLE-CENTER TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The December 2017 and December 2018 bank account reconciliations contained variances of \$1,587.45 and \$2,212.04, respectively. The variances are a result of errors in the outstanding check lists. The lists included outstanding checks entered in a series. The amount shown for the series did not match the sum of the individual checks within the series.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TIMELY RECORDING

The Library did not issue receipts or record automated clearing house receipts at the time of the transaction. Distributions from the Auditor of State were not recorded in the Library's ledgers. The total amount of unrecorded distributions was \$4,718.

Receipts shall be issued and recorded at the time of the transaction. (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)

PRESCRIBED FORMS

The Library did not use Library Form 1, the Library Financial and Appropriation Record, or an approved alternate form. Instead, ledgers were kept on excel spreadsheets and did not contain required information such as transaction dates. This prevented the determination of the timeliness of transactions, the preparation of accurate outstanding check lists, and the reconciliation of the bank account.

The Library did not use Library Form 4, the Accounts Payable Voucher for Debt Payments. Debt payments were not certified by the Library's fiscal officer and were not approved by the governing board prior to payment.

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

DANVILLE-CENTER TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Library certified on the Annual Financial Report (AFR) that it had adopted internal control standards, but the Library had not adopted the minimum internal control standards and procedures as defined by the Indiana State Board of Accounts under Indiana Code 5-11-1-27(e). Therefore, the AFR as submitted was incorrect.

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](#).

ADOPTION OF INTERNAL CONTROL STANDARDS

The Library did not adopt the minimum internal control standards and procedures as defined by the Indiana State Board of Accounts under Indiana Code 5-11-1-27(e).

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

"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; . . .

PENALTIES, INTEREST, AND OTHER CHARGES

In December 2017, the Library was charged \$180 by PNC Bank for overdraft fees and \$252 for returned item fees.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Library related to cash and investments and receipts. The Library had not established an effective internal control system to prevent, or detect and correct, material misstatements related to cash and investments, receipts, and debt payments.

Cash and Investments

The Library had a system of internal controls over the bank reconciliation, which required the bank reconciliation to be presented to and approved by the governing body; however, the bank reconciliation presented to the governing body did not agree to the bank reconciliations

DANVILLE-CENTER TOWNSHIP PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

presented for audit. Outstanding check listings on the bank reconciliation included series of checks grouped together. In several instances, the amounts shown for the series did not agree to the sum of the individual checks included in the series.

Receipts

No system of internal controls was identified to ensure that receipts were properly recorded in the ledger.

Disbursements

The Library processed electronic transactions for debt payments without evidence of an oversight, review, or approval by the management or governing body of the Library.

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. . . ."



DANVILLE-CENTER TOWNSHIP PUBLIC LIBRARY

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April 22, 2019

Indiana State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

To Whom It May Concern:

This letter is our official response to the audit of the Danville-Center Township Public Library for the period beginning January 1, 2017, and ending December 31, 2018.

We would like to note that when an overdraft of our checking account occurred in December 2017, the Library put into place controls to ensure that such overdrafts would not happen again. We subsequently chose to implement the additional safeguard of overdraft protection by moving our checking account to the same bank that holds our money market account so we could receive such protection.

Additional internal controls will be implemented based on the comments in the examination report.

Sincerely,

Handwritten signature of AnnaMarie Fallon in cursive script.

AnnaMarie Fallon, Board President
Danville-Center Township Public Library

Handwritten signature of Loren Malloy in cursive script.

Loren Malloy, Director
Danville-Center Township Public Library

DANVILLE-CENTER TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on April 17, 2019, with Loren Malloy, Director; David Fisher, Treasurer; and AnnaMarie Fallon, President of the Library Board.