

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KENDALLVILLE PUBLIC LIBRARY

NOBLE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
08/27/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--------------------------------|----------------------------|--|
| Director | Katie Mullins | 01-01-17 to 12-31-19 |
| Treasurer | Jo Lynn Drudge | 01-01-17 to 12-31-19 |
| President of the Library Board | Kemuel Prince Ray Scott | 01-01-17 to 05-08-17 05-09-17 to 12-31-19 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE KENDALLVILLE PUBLIC LIBRARY, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the Kendallville 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 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

July 11, 2019

KENDALLVILLE PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control system of the Library related to payroll disbursements and financial close and reporting. The Library had not established an effective internal control system to prevent, or detect and correct, material misstatements related to payroll disbursements and financial close and reporting.

Payroll Disbursements

The Business Manager prepared payroll transactions, recorded the payroll entries to the Library ledger, and issued payroll disbursements. Payroll disbursements were approved by the Library Board after disbursements were made. There was no evidence of a review, oversight, or approval process by a person other than the Business Manager prior to issuance of payroll disbursements throughout the audit period.

Financial Close and Reporting

The Business Manager entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statement, based on an excel spreadsheet. There was no evidence of a review, oversight, or approval process by a person other than the Business Manager prior to financial information submission into Gateway.

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. . . ."

KENDALLVILLE PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2019, with Katie Mullins, Director; Jo Lynn Drudge, Treasurer; Ray Scott, President of the Library Board; Debbie Blaine, Library Board member; Don Ramsey, Library Board member; and Janice DeLong, Business Manager.