

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CARNEGIE PUBLIC LIBRARY OF STEUBEN COUNTY

STEUBEN COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
11/08/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sonya Dintaman	01-01-17 to 12-31-19
Treasurer	Theresa Hornbacher David A. Olson	01-01-17 to 12-31-17 01-01-18 to 12-31-19
President of the Library Board	Jeanine Samuelson Gay Kirkton	01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CARNEGIE PUBLIC LIBRARY OF
STEBEN COUNTY, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Carnegie Public Library of Steuben County (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

October 28, 2019

CARNEGIE PUBLIC LIBRARY OF STEUBEN COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Library related to financial transactions and reporting. The Library had not established an effective internal control system that separated incompatible activities regarding cash and investments, receipts, vendor disbursements, and financial close and reporting.

The Library had not established information and communication processes and monitoring processes over internal controls. Information and communication and monitoring processes should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

The Library had not established a system of internal controls that would have ensured that cash and investment balances agreed to the ledgers and financial statements. The Library Director was solely responsible for performing monthly bank reconciliations without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Receipts

The Library had not established a system of internal controls or separated incompatible activities related to receipts that would have ensured that receipts were recorded timely and accurately. One employee collected, deposited, and recorded the funds in the records without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Vendor Disbursements

The Library had not established a system of internal controls or separated incompatible activities related to vendor disbursements that would have ensured that vendor disbursements were certified by the Director and approved by the Board of Trustees prior to payment. The vendor disbursements were not submitted to the Board of Trustees for approval, nor was there evidence that the Director had certified the vendor disbursements prior to payment.

Financial Close and Reporting

The Director entered and submitted financial information for the Library into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and the financial statement. There was no evidence of a control, such as an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

CARNEGIE PUBLIC LIBRARY OF STEUBEN COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Criteria

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 consist of issues and deficiencies identified in the internal control system. The results or the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communications enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

CARNEGIE PUBLIC LIBRARY OF STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with David A. Olson, Treasurer; Gay Kirkton, President of the Library Board; and Sonya Dintaman, Director.