

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PAOLI PUBLIC LIBRARY

ORANGE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
11/14/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Interim Director	Cynthia Webb	01-01-15 to 07-31-17
	(Vacant)	08-01-17 to 05-31-18
	Karen Stephenson	06-01-18 to 12-31-19
Treasurer	Jon Shellenburger	01-01-15 to 06-30-18
	Lee G. Collins	07-01-18 to 12-31-19
President of the Library Board	Larry Hollan	01-01-15 to 12-31-15
	Scott McGowen	01-01-16 to 12-31-16
	Heather Nichols	01-01-17 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PAOLI PUBLIC LIBRARY, ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Paoli Public Library (Library), for the period from January 1, 2015 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 Statements Audit Report of the Library, which provides our opinion on the Library's financial statements. 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

October 3, 2019

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TREASURER  
PAOLI PUBLIC LIBRARY

TREASURER  
PAOLI PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

The Library had not established an adequate internal control system related to cash and investments and financial close and reporting. A proper internal control system would include adequate control activities to prevent, or detect and correct, errors in the cash and investments and financial close and reporting activities, such as an oversight, review, or approval process.

*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 Bookkeeper was solely responsible for performing monthly bank reconcilements without any documented oversight, review, or approval procedures in place to ensure their accuracy.

*Financial Close and Reporting*

The Bookkeeper entered and submitted financial information for the Library into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. There was no evidence of a control, such as an oversight, review, or approval process, that would have ensured the accuracy of the information entered prior to submission.

*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:

TREASURER  
PAOLI PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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. . . ."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The Treasurer incorrectly certified that Library personnel had received training regarding the internal control standards as part of the AFRs that were filed for 2016, 2017, and 2018.

*Criteria*

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](#)."

TREASURER  
PAOLI PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2019, with Karen Stephenson, Interim Director; Lee G. Collins, Treasurer; Miles Flynn, Vice President of the Library Board; and Scott McGowen, Library Board member.

LIBRARY BOARD  
PAOLI PUBLIC LIBRARY

PAOLI PUBLIC LIBRARY  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Library adopted internal control standards; however, no Library personnel received the required internal control training during the audit period. The Library subsequently provided training for employees on the internal control standards in August 2019.

*Criteria*

Indiana 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."

LIBRARY BOARD  
PAOLI PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2019, with Karen Stephenson, Interim Director; Lee G. Collins, Treasurer; Miles Flynn, Vice President of the Library Board; and Scott McGowen, Library Board member.