

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FRANCESVILLE-SALEM TOWNSHIP PUBLIC LIBRARY

PULASKI COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
07/08/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Result and Comment: Financial Transactions and Reporting	4-5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sally Sharpe Anita Messer	01-01-17 to 11-30-18 12-01-18 to 12-31-20
Treasurer	Laurel Myers	01-01-17 to 12-31-20
President of the Library Board	Delilah Jordan Andy Durham	01-01-17 to 06-08-20 06-09-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE FRANCESVILLE-SALEM TOWNSHIP
PUBLIC LIBRARY, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the Francesville-Salem Township Public Library (Library), for the period from January 1, 2017 to December 31, 2019. 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 opinions 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 Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 30, 2020

FRANCESVILLE-SALEM TOWNSHIP PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in the prior Report B48311, entitled *RECEIPT ISSUANCE*.

Condition and Context

There were deficiencies in the internal control system at the Library related to financial transactions and reporting as the Library had not separated incompatible activities related to receipts and financial close and reporting.

Receipts

The Library did not have effective controls in place to ensure compliance with the laws and regulations related to receipts. There were also no effective controls in place to ensure the accuracy of receipts reported in the financial statement.

The Library did not use the prescribed form for receipts. The Library did not issue receipts when monies were collected; therefore, the customer did not receive a copy of a receipt. Collections were also not deposited timely since deposits were made after receipts were issued.

Starting in 2018, the Library receipted all county tax distributions into the Operating fund and later made adjustments by issuing receipts and checks to record the distributions to the correct funds. The June 2018 Lease Rental Payment fund, Financial Institution Tax, and all of the December county tax distributions were posted to the Operating fund; however, the Lease Rental Payment fund distributions were not transferred into that fund until January 2019. This understated the Lease Rental Payment fund receipts by \$24,796 for 2018, and overstated the Lease Rental Payment fund receipts by \$24,796 for 2019. Total receipts for each year were correct.

Financial Reporting

There were no controls in place at the Library to ensure the accuracy of the financial transactions reported in the financial statements.

The Library submitted their financial information into the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statements. The lack of effective controls allowed errors on the financial statements to remain undetected.

The Library failed to report the Payroll Clearing (W/holding) fund in the financial statements during the audit period which lead to an understatement in both receipts and disbursements of \$23,372, \$21,182, and \$16,165 in 2017, 2018, and 2019, respectively. Adjustments were proposed and approved by management to include these amounts in the financial statements.

The lack of controls occurred throughout the audit period.

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:

FRANCESVILLE-SALEM TOWNSHIP PUBLIC LIBRARY
AUDIT RESULT AND COMMENT
(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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

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

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) . . ."

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](#)."

FRANCESVILLE-SALEM TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2020, with Anita Messer, Director; Laurel Myers, Treasurer; and Andy Durham, President of the Library Board.