

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LEBANON PUBLIC LIBRARY

BOONE COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED

10/13/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Beau Cunnyngnam	01-01-17 to 12-31-20
Treasurer	Aaron Wilhoite	01-01-17 to 12-31-20
President of the Library Board	Richard Milam	01-01-17 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LEBANON PUBLIC LIBRARY, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Lebanon 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 Statements Audit Report of the Library, which provides our opinions on the Library's financial statements. 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

August 26, 2020

LEBANON PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B48952.

Condition and Context

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

Cash and Investments

The Library contracts with an outside accountant to perform the monthly bank reconciliations. However, there was no documentation or other evidence to indicate that the Library had established a formal review or oversight process to ensure the accuracy of the reconciliations.

Receipts

One employee was responsible for preparing deposit slips, depositing funds, and posting transactions to the ledger. There was no documentation or other evidence of a secondary review or oversight process to ensure the accuracy of the receipts.

Financial Close and Reporting

The Director entered and submitted the Annual Financial Report (AFR) into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Library's financial statements. No control procedures were in place to ensure the accuracy of the AFR entered into Gateway.

The lack of controls was a systemic issue, which 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:

"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. . . ."

LEBANON PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Library was unable to provide documentation to verify that employees had completed the required training on internal controls timely. The Director stated that certifications were signed when the requirement was first implemented, but were unable to be located. Employees recertified that training had been completed in July 2020. Since training on the internal control standards was unable to be verified, the certification on the Indiana Gateway for Government Units financial reporting system that training was provided to personnel was determined to be incorrect for all three years of the audit period.

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."

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](#)."

CAPITAL ASSETS

Condition and Context

The Library did not have a capital assets policy, did not complete a physical inventory at least every two years, and did not maintain a complete detail listing of all capital assets during the audit period. The Library is currently in negotiations with Buckland & Associates to create a fixed asset list of items over the threshold of \$2,500, pending approval by the Library Board.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

LEBANON PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2020, with Beau Cunnyngnam, Director; Chrissy Johnson, Business Manager; Richard Milam, President of the Library Board; and Aaron Wilhoite, Treasurer.