

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BREMEN PUBLIC LIBRARY

MARSHALL COUNTY, INDIANA

January 1, 2018 to December 31, 2020



FILED
05/03/2021

TABLE OF CONTENTS

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

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Kyle Burkett	01-01-18 to 06-24-18
	Chris Scandling	06-25-18 to 12-31-21
Treasurer	Joyce Graybill	01-01-18 to 10-20-19
	Cynthia McKenzie	10-21-19 to 12-31-21
President of the Library Board	Trevor Mikel	01-01-18 to 06-30-18
	Don Harrison	07-01-18 to 10-20-18
	Trevor Mikel	10-21-18 to 10-21-19
	Kim Meyer	10-22-19 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BREMEN PUBLIC LIBRARY, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Bremen Public Library (Library), for the period from January 1, 2018 to December 31, 2020. 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 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

April 29, 2021

BREMEN PUBLIC LIBRARY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment also appeared in prior Report B50624, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were several deficiencies in the internal control system of the Library related to financial transactions and reporting.

Cash and Investments

Internal controls over cash and investments were not properly implemented from January 2018 to March 2019. Monthly bank reconciliations were to be prepared by the Bookkeeper and reviewed by the Director; however, no documented evidence was presented to verify the reviews had been performed. Internal controls over cash and investments were properly implemented from April 2019 to December 2020 since evidence of the review process was documented.

Receipts

Employees stated that receipts were prepared by one person and reviewed and approved by someone other than the person counting and preparing the deposit slip. However, evidence of the oversight, review, or approval process was not documented for the daily deposits or receipts postings by someone other than the person who prepared them.

Payroll Disbursements

One employee entered hours into the payroll system to calculate payroll, processed the payroll for payment, transferred the direct deposit information, and recorded the payroll in the records from January 2018 to February 2019 without evidence of an oversight, review, or approval process for payroll disbursements.

BREMEN PUBLIC LIBRARY
AUDIT RESULT AND COMMENT
(Continued)

Financial Reporting

The Library had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. After the year-end reports were prepared and entered into Gateway by the Bookkeeper, the Director would review the information entered; however, evidence was not presented to verify the reviews had been performed for the 2018 and 2019 annual reports.

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. . . ."

BREMEN PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on April 29, 2021, with Chris Scandling, Director; Terrie Bickel, Head of Library Services; and Cynthia McKenzie, Treasurer.