

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OTTERBEIN-BOLIVAR TOWNSHIP PUBLIC LIBRARY

BENTON COUNTY, INDIANA

January 1, 2016 to December 31, 2020



FILED

11/08/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Patti Foster (Vacant) Latisha Provo	01-01-16 to 03-05-17 03-06-17 to 04-02-17 04-03-17 to 12-31-21
Treasurer	Courtney Metzinger Jamie Wilson	01-01-16 to 12-31-17 01-01-18 to 12-31-21
President of the Library Board of Trustees	Michael Humphrey	01-01-16 to 12-31-21



STATE OF INDIANA
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TO: THE OFFICIALS OF THE OTTERBEIN-BOLIVAR TOWNSHIP
PUBLIC LIBRARY, BENTON COUNTY, INDIANA

This report is supplemental to our audit report of the Otterbein-Bolivar Township Public Library (Library), for the period from January 1, 2016 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

August 10, 2021

OTTERBEIN-BOLIVAR TOWNSHIP PUBLIC LIBRARY
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 separated incompatible activities related to cash and investments, receipts, and financial close and reporting. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

One employee prepared the monthly bank reconcilements. There was no evidence of an oversight, review, or approval process over the monthly bank reconcilements.

Receipts

One employee issued and posted receipts into the financial software. There was no evidence of an oversight, review, or approval process over receipt postings.

Financial Close and Reporting

The Director prepared the Annual Financial Report (AFR) in the Indiana Gateway for Government Units financial reporting system. The Treasurer then reviewed and approved the AFR prior to submitting; however, the review process was not documented.

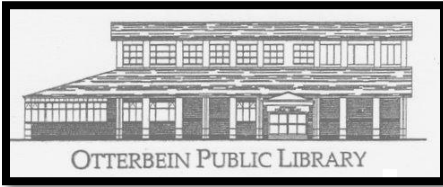
Criteria

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. . . ."



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August 19, 2021

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OFFICIAL RESPONSE

To Whom It May Concern:

The Otterbein Public Library would like to officially respond to the opinion of the State Board of Accounts (SBOA) deficiencies regarding the Internal Control system of the library. We would like it to be noted that this is the first audit since the required implementation of the Internal Controls. With limited guidance and/or training on the expectations within a small library, with limited staff, we feel confident that we sufficiently provided an adequate model. While we understand the areas deemed deficient, we would like it to be known that we felt the controls were being carried out in the best possible way, with the least risk associated. Often the noted deficiencies were done, just not documented or recorded in a way SBOA deemed sufficient. While we take responsibility for and recognize the fact that the failure to execute these internal controls, *could have* enabled material mishandlings, please note that in this 5 year full audit, SBOA *did not* find any such mishandlings. Following are responses relating to each area addressed in the audit.

Cash and Investments: Whereas only one employee has prepared the monthly bank reconciliations, the Otterbein Public Library Board Treasurer reviews the statement and approves the reconciliation as stated in our Internal Controls. The SBOA audit was correct that there has been no evidence of this review or approval process. The Director and the Treasurer will implement a sufficient record keeping system to ensure that this oversight does not continue. Proper documentation of the handlings of the monthly bank reconciliations will be corrected immediately.

Receipts: Whereas only one employee issues and posts receipts into the financial software due to the limitation of staff, the Otterbein Public Library recognizes the importance of immediate remediation of this process. The Internal Controls process will now include an additional staff member and/or Board Treasurer to document the review and approval process of the receipt handlings.

Financial Close and Reporting: The Library Director prepares the Annual Financial Report (AFR) in the Indiana Gateway for Governmental Units. The Library Director does not have the authority or permissions to submit the AFR. The Board Treasurer reviews and approves the AFR prior to submitting. The Board Treasurer has a unique login than that of the Library Director for the Indiana Gateway financial reporting system. Upon sufficient review and approval, the Board Treasurer submits the AFR. The Gateway system recognizes the unique login, recognizes the individual with permission to submit and time/date stamps the report. The Library Director and the Board Treasurer understood this process to be sufficient documentation of the segregation of the duties. The SBOA opinion however was that this review process was not documented. Going forward, the AFR will be printed prior to review, the Board Treasurer will review the report and document the review process on the printed copy prior to submission in the Indiana Gateway system.

In conclusion, the Otterbein Public Library, the Director, the Treasurer and the Library Board appreciate the results and comments of the State Board of Accounts audit process. We recognize the importance of the segregation of duties and will strive to remediate the opinions of the auditors.

Sincerely,

Latisha

Latisha Provo

Director, Otterbein Public Library

OTTERBEIN-BOLIVAR TOWNSHIP PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2021, with Latisha Provo, Director; Jamie Wilson, Treasurer; and Cynthia Honegger, Library Board of Trustees member.