

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEWTON COUNTY PUBLIC LIBRARY

NEWTON COUNTY, INDIANA

January 1, 2018 to December 31, 2020



**FILED**

04/20/2022



TABLE OF CONTENTS

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

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Mary Emmrich Jennifer Arrenholz	01-01-18 to 12-31-21 01-01-22 to 12-31-22
Treasurer	Mark Gatewood	01-01-18 to 12-31-22
President of the Library Board	Melody Barone	01-01-18 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NEWTON COUNTY PUBLIC LIBRARY, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the Newton County 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/](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 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

March 17, 2022

NEWTON COUNTY PUBLIC LIBRARY  
AUDIT RESULTS AND COMMENT

**INTERNAL CONTROLS**

The same comment also appeared in prior Report B50519.

*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 reporting.

*Cash and Investments*

One employee reconciled the bank account balances with the record balances without an oversight, review, or approval process in place to ensure that bank reconciliations were completed accurately and timely.

*Receipts*

The Director collected funds, prepared the deposit, and made the deposit. The Treasurer recorded the receipts to the financial accounting system. An adequate review or oversight process had not been designed or implemented to ensure the accuracy, completeness, and proper classification of receipts received and recorded to the computerized accounting system.

*Financial Reporting*

The Treasurer prepared and entered the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements.

The AFR was submitted by the Library without evidence of a review or oversight process to ensure the accuracy and completeness of the financial information submitted. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected.

*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. . . ."

NEWTON COUNTY PUBLIC LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2022, with Jennifer Arrenholz, Director; Mark Gatewood, Treasurer; and Melody Barone, President of the Library Board.