

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

UNION COUNTY PUBLIC LIBRARY

UNION COUNTY, INDIANA

January 1, 2018 to December 31, 2021



FILED
08/29/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Karen Kahl Julie Jolliff	01-01-18 to 12-31-19 01-01-20 to 12-31-22
President of the Library Board	Marie Bunch (Vacant) Mary Shepard	01-01-18 to 06-14-21 06-15-21 to 07-11-21 07-12-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Union County Public Library (Library), for the period from January 1, 2018 to December 31, 2021. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 4, 2022

UNION COUNTY PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system related to financial transactions. The Library had not separated incompatible activities related to the financial close and reporting and bank reconciliation processes.

Financial Close and Reporting

The Director was primarily responsible for inputting information and submitting the Annual Financial Report to the Indiana Gateway for Government Units financial reporting system, which was the source of the Library's financial statements. There was no documented oversight, review, or approval process to ensure the accuracy of the financial information prior to submission.

Bank Reconciliation

The Business Manager completed the monthly bank reconciliations; however, there was no documented oversight, review, or approval process to ensure their accuracy.

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. . . ."

UNION COUNTY PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Library did not have a capital asset policy that detailed the threshold at which items are considered a capital asset. The Library completed a detailed listing of all capital assets owned that reflected its acquisition value.

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)

ANNUAL FINANCIAL REPORT

Condition and Context

The Director prepared and submitted the Annual Financial Report (AFR), which included the Schedule of Leases and Debt, through the Indiana Gateway for Government Units financial reporting system. The AFR submitted for 2021 contained material errors within the debt schedule and did not match the records of the Library. These errors resulted in an understatement of \$138,000 for the annual lease payment.

Audit adjustments were proposed, accepted by the Library, and made to the Schedule of Leases and Debt.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

UNION COUNTY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2022, with Julie Jolliff, Director; Mary Shepard, President of the Library Board; and Clara Sizemore, Business Director.