

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HUSSEY-MAYFIELD MEMORIAL PUBLIC LIBRARY

BOONE COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED

11/15/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls	4
Bank Account Reconciliations	5
Errors on Claims.....	5-6
Annual Financial Report	6-7
Official Response	8-9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sarah Moore	01-01-20 to 12-31-22
Treasurer	Ed Cambra	01-01-20 to 12-31-22
Finance Manager	Phyllis Robinson (Vacant)	01-01-20 to 10-20-21 10-21-21 to 11-03-21
Chief Financial Officer	Jean Patterson	11-04-21 to 12-31-22
President of the Library Board	Sandra Sifferlen Monty Korte	01-01-20 to 12-31-20 01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE HUSSEY-MAYFIELD MEMORIAL
PUBLIC LIBRARY, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Hussey-Mayfield Memorial Public Library (Library), for the period from January 1, 2020 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 Statement Audit Report of the Library, which provides our opinions on the Library's financial statement. 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

October 25, 2022

HUSSEY-MAYFIELD MEMORIAL PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Library related to cash and investments, disbursements, and financial transactions and reporting.

Cash and Investments

The Library had designed a system of internal control over cash and investments; however, the internal control was not properly implemented and did not ensure that bank reconciliations were accurately completed and reviewed monthly. As a result, the Library was unable to provide original bank reconciliations for some or all of the bank accounts for 19 months of the audit period.

Disbursements (Vendor)

The Library had designed a system of internal control over vendor disbursements; however, the internal control did not ensure that there was documented evidence that vendor disbursements were being reviewed and approved by appropriate personnel. The Assistant Director had the responsibility of approving invoices in the accounting software system. However, there was no audit evidence provided that any invoices were approved by the Assistant Director.

Financial Transactions and Reporting

The internal controls established by the Library over the submission of the Annual Financial Report (AFR) did not operate effectively. The AFR, which was the source of the financial statement, contained material misstatements. For several funds, the beginning balance, receipts, disbursements, and ending balances did not agree with the Library's Activity by Fund 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. . . ."

HUSSEY-MAYFIELD MEMORIAL PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The December 31, 2020 and 2021 combined bank reconcilements had unidentified variances of \$7,190 and \$7,593, respectively.

The Library also was not able to provide bank reconciliations for all bank accounts during the audit period. Bank reconciliations were not provided for the following bank accounts: BMO Operating account for 13 months, BMO Money Market account for 18 months, BMO Construction account for 3 months, and Trust Indiana accounts for 11 months.

Additionally, some bank reconciliations were not performed in a timely manner. The bank reconciliation for the BMO Operating account for February 2020 was not completed until June 24, 2020, and the May 2020 bank reconciliation was not completed until August 18, 2020. The bank reconciliation for the Trust Indiana accounts for January through May 2020 were not completed until August 14, 2020.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

The Library was not able to provide adequate documentation that all disbursements during the audit period were properly approved. According to the Library's procedures, the Assistant Director had the responsibility of approving invoices in the accounting software system. However, there was no audit evidence provided that any invoices were approved by the Assistant Director. The following errors were identified:

1. For all 10 payroll disbursements and all 21 vendor disbursements tested during the audit period, there was no audit evidence provided to indicate approval by the Assistant Director.

HUSSEY-MAYFIELD MEMORIAL PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

2. The total amount of vendor claims and the total amount of payroll claims to be approved by the Library Board (Board) each month were documented on the Allowance of Claims docket. There was a Cash Disbursements report attached that detailed each vendor claim. However, the 10 vendor claims and the five payroll claims tested for 2020 were not approved by the Board on the Allowance of Claims docket. There was documented approval for claims in the Board meeting minutes each month, but there was not a listing or total amount of claims indicated in the minutes for approval.
3. Two of the four lease payments tested during the audit period were not approved by the Board in the board meeting minutes or on the Allowance of Claims docket.
4. Four of the five transactions tested for transfers had no audit evidence provided to indicate approval by the Assistant Director. There was a resolution established and approved by the Board for the transfers.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) and financial statement contained material errors. The 2021 receipts were understated by \$920,000; the disbursements were understated by \$1,380,055; and the ending cash and investments balance was overstated by \$460,055. Adjustments were proposed, accepted by management, and made to the financial statement.

Additionally, the supplemental information in the AFR, as reported on the Indiana Gateway for Government Units financial reporting system, contained errors as well:

The Library did not accurately report Annual Lease Payments on the Schedule of Leases and Debt. The total amount of \$269,000 was over reported for the one lease during the audit period. Adjustments were proposed, approved by management, and made to the Schedule.

HUSSEY-MAYFIELD MEMORIAL PUBLIC LIBRARY
AUDIT RESULTS AND COMMENTS
(Continued)

The Library did not accurately report capital assets on the Schedule of Capital Assets. Capital assets were under reported by \$2,314,428 as of December 31, 2021. Adjustments were proposed, approved by management, and made to the Schedule.

The Library also did not properly report all federal grant information in their AFR submission for 2020 and 2021, these errors were not considered material.

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](#)."

DISCOVERIES AWAIT

OFFICIAL RESPONSE

Date: 11/10/2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: 2020-2021 Audit

(Official response)

Sarah Moore
Executive Director

Response to Internal Controls comments:

Certain established internal controls were not followed throughout the two-year audit period. Implementation of new accounting software as of 1/1/20 proved to be more challenging and time consuming than anticipated. Covid-19 restrictions added additional obstacles to timely reporting. All internal control processes have been reviewed and documented. Process supports are currently in place to prevent this from happening in the future.

250 N. Fifth St.,
Zionsville, IN • 46077

HMMPL.ORG

Response to Bank Account Reconciliations comments:

This delay was caused, in part, by the software changes and delays in all processes caused by multiple mandatory library closures during Covid-19.

All bank reconciliations are now current, completed without exception, and the prior review procedures are being examined in connection with the current software.

Response to Errors on Claims:

Because of a software feature, invoice approval by the assistant director did not flow through to the final disbursement report. This gave the appearance that invoices were not approved internally prior to payment. Alternative reporting steps are being reviewed to ensure that documentation of approval of disbursements are properly supported.

Response to Annual Financial Report (AFR):

Certain errors were made in the 2021 AFR due to the lack of understanding pertaining to those requirements by a temporary employee. A new bookkeeper was hired in January of 2022 to prevent any error in the future.

HUSSEY-MAYFIELD MEMORIAL PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2022, with Jean Patterson, Chief Financial Officer; Sarah Moore, Director; Kimberly Lane, Assistant Director of Operations; Ed Cambra, Treasurer; and Amany Michael, Bookkeeper.