

AUDIT EXPECTATIONS



2022

Mike Crowley

Mitch Wilson

State Board of Accounts

TOPICS

- What Does an Audit Consist of
- Types of Engagements
- What to Expect During Audit
- Official Response
- Repeat Findings
- Corrective Action Plan (CAP)



STATE BOARD OF ACCOUNTS



ENGAGEMENT TYPES

AUDITS:

- Financial Statements
 - Annual Financial Report in Gateway
- Federal Programs
 - Schedule of Federal Expenditures(SEFA)

Reviews

Small Unit Compliance



REVIEWS

The engagement period examined is usually 4 years

Report Contains:

- Schedule of Officials
- Independent Accountant's Review Report
- Financial Statements and Notes
- Review Results and Comments
- Exit Conference
- Official's Response

COMPLIANCE ENGAGEMENTS

SMALL UNITS

Engagement period
is usually 4 years

Report

- Letter
- Official's Response



COMPLIANCE ENGAGEMENTS

GAAP COMPONENT UNITS

Engagement period is annual

Report

- Schedule of Officials
- Transmittal Letter
- Audit Results and Comments
- Exit Conference
- Official's Response



WHAT DOES AN AUDIT CONSIST OF



AUDIT FINDINGS

Deficiency in Internal Controls

Non-Compliance

- Statute
- Uniform Compliance Guidelines
- Local policy
- Grant Requirements



REPORT OF AUDIT FINDINGS

Verbal Comments (MFC)

Management Letter

Comments in Audit Report

- Federal Findings
- Audit Results and Comments (ARC)



PURPOSE OF FINDINGS

- Need for Resolution
- Understand the problem
- Take corrective action – often requires establishing or modifying internal controls.



WHAT TO EXPECT DURING AUDIT





On-site & Remote Audit Work



Request of Documentation



Follow up on prior period comments

WHAT TO EXPECT DURING AUDIT

OFFICIAL RESPONSE



OFFICIAL RESPONSE

At exit, you will be asked if you would like to provide an official response to the results and comments in the form of a letter to be bound in the report.



REPEAT FINDINGS



REPEAT FINDINGS

IC 5-11-5-1.5

- Finding in Report – Take corrective action
- Finding is repeated in subsequent Report:
 - Corrective Action Plan filed with SBOA
 - Follow up by SBOA



CORRECTIVE ACTION PLAN (CAP)



CORRECTIVE ACTION PLAN

Packet will be given at exit conference

- Templates

10 days to respond

- Can ask for more time

Six months to implement

- Can ask for more time



CORRECTIVE ACTION PLAN

SBOA review and approval

Report when implementation is complete.

SBOA follow up

- Send in documents
- On site follow up



IC 5-11-1-2 System of accounting and reporting

Sec. 2. The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction.

The state board of accounts shall formulate or approve all statements and reports necessary

PRESCRIBED SYSTEM OF ACCOUNTING

<u>Indiana Code</u>	<u>Fund</u>
36-12-3-11(a)(1)	Library Operating
36-12-3-11(a)(2)	Construction
36-12-3-11(a)(3)	Bond and Interest Redemption
36-12-3-11(a)(4)	LIRF - Improvement Reserve
36-12-3-11(a)(5)	Gift
36-12-3-11(a)(6)	Contractual Service
4-23-7.1-5.1	Public Library Access Card PLAC
6-1.1-18.5-17	Levy Excess
36-1-8-5.1	Rainy Day
36-1-8-12	Grants
36-12-12	Capital Projects
	Payroll
	Payroll Withholding

FUNDS — IND. CODE & NAMES

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36-12-3-11(a)(2)	Construction
36-12-12	Capital Projects
4-23-7.1-5.1	Public Library Access Card (PLAC)
	Payroll
	Withholding

<u>Indiana Code</u>	<u>Fund</u>	<u>Fund No.</u>
36-12-3-11(a)(1)	Library Operating	100
36-12-3-11(a)(5)	Gift	200
36-1-8-5.1	Rainy Day	201
36-12-3-11(a)(6)	Contractual Service	202
6-1.1-18.5-17	Levy Excess	203
36-1-8-12	Grants	250-299
36-12-3-11(a)(3)	Bond and Interest Redemption	300
36-12-3-11(a)(4)	LIRF - Improvement Reserve	400
36-12-3-11(a)(2)	Construction	401
36-12-12	Capital Projects	402
4-23-7.1-5.1	Public Library Access Card (PLAC)	800
	Payroll	801
	Withholding	802-850

FUNDS — IND. CODE, NAMES, & PRESCRIBED NUMBERS

PRESCRIBED FUND NAMES / NUMBERS



- Discussion on funds will refer to prescribed name and number.
- When reporting on the Annual Financial Report, the prescribed fund name and number will be expected.
- Future revision to *Library Manual* listing chart of accounts expected in near future.



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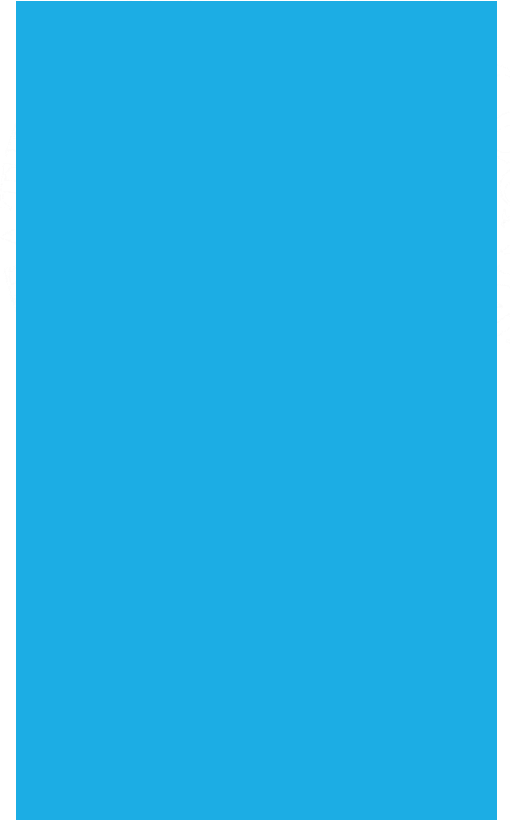
FUND TYPES & DEFINITIONS

- ✓ Why are fund types important?

Starting with financial statements for calendar year 2020, your financial activity will be presented by fund type – each fund type will have its own statement showing financial activity.

- ✓ What are the different fund types and what do they mean?

Glad you asked – let's take a look

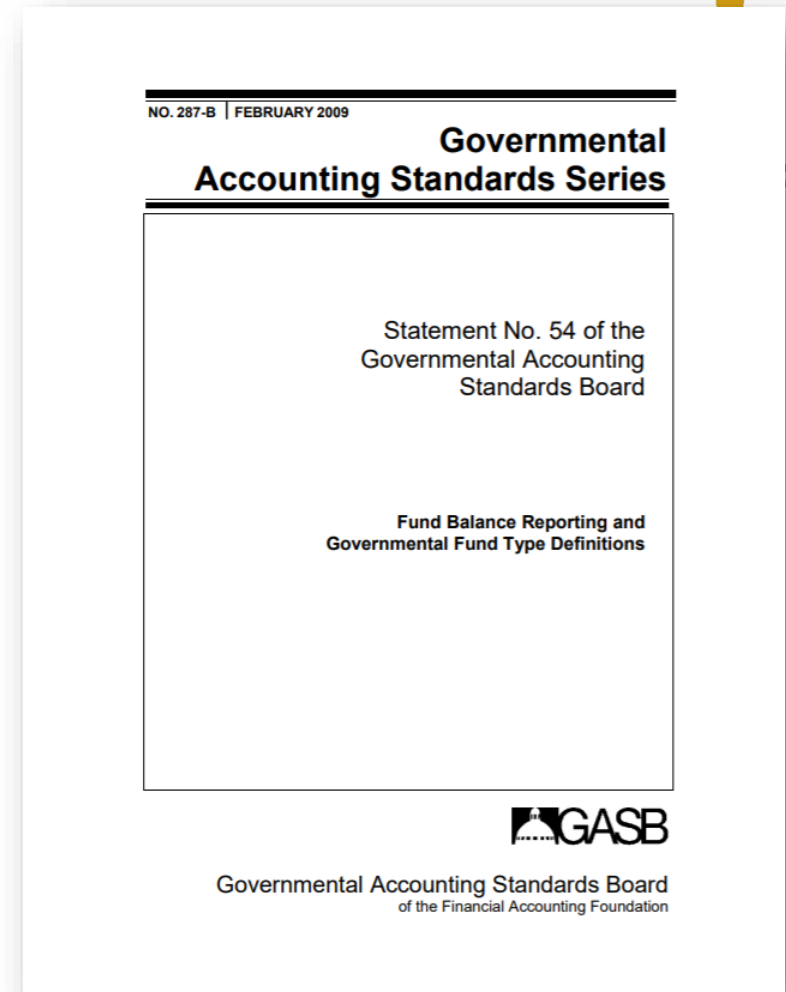




FUND TYPES & DEFINITIONS

Government Accounting Standards Board (GASB) Statement #54

www.gasb.org/st/summary/gstsm54.html



FUND TYPES

General

Special Revenue

Debt Service

Capital Projects

Permanent

Proprietary

- Enterprise
- Internal Service

Fiduciary

- Trust
- Clearing



LIBRARIES - FUND TYPES

General

Special Revenue

Debt Service

Capital Projects

Permanent

Proprietary

Enterprise

Internal Service

Fiduciary

- Trust
- Clearing



GENERAL FUND TYPE

Defined as:

- Accounts for and reports tax & other receipts not allocated to another fund
- Chief operating fund of the library
- General operating disbursements paid from Operating



GENERAL FUND



Fund Number	Gateway Number	Fund Name
100	101006	Operating Fund

SPECIAL REVENUE FUND



Defined as:

- Accounts for and reports sources restricted or committed to expenditures for specific purposes
- Most common: Gift funds, Rainy Day, Grants



SPECIAL REVENUE FUNDS

Fund Number	Gateway Number	Fund Name
200		Gift (not restricted to capital items)
201	102194	Rainy Day
202	110059	Contractual Services
203	102351	Levy Excess
204-225		Reserved for future statutory funds
226-275		Reserved for other special revenue funds (additional gifts, etc.)
274-299		Grants – federal and/or state special revenue

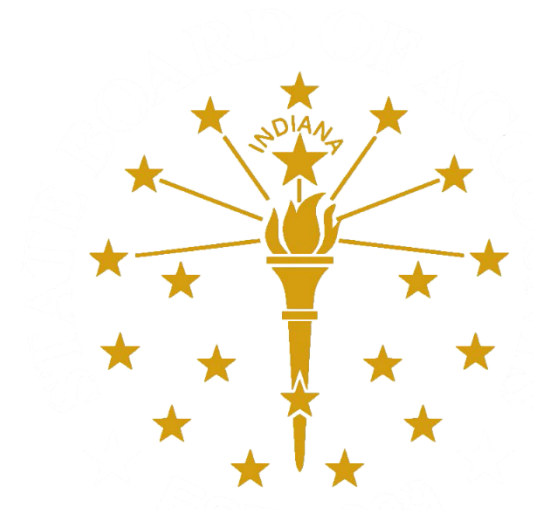
DEBT SERVICE FUND



Defined as:

- Accounts for and reports resources restricted, committed, or assigned for principal & interest
- Debt service should be used to report resources if legally mandated
- Includes resources accumulated for both current and long-term principal and interest payments

DEBT SERVICE FUNDS



Fund Number	Gateway Number	Fund Name
300		Bond & Interest Redemption
301-399		Reserved for other debt service funds

CAPITAL PROJECT FUND

Defined as:

- Accounts for and reports resources restricted, committed, or assigned for capital outlays
- Includes acquisition & construction of capital facilities and capital assets.



CAPITAL PROJECTS FUNDS



Fund Number	Gateway Number	Fund Name
400	104056	Library Improvement Reserve (LIRF)
401		Construction
402	104055	Capital Projects
403-410		Reserved for future capital project funds
411-420		Gift – capital (for capital items only)
421		Rainy Day (for capital uses only)
422-450		Grants – federal and/or state – capital items only

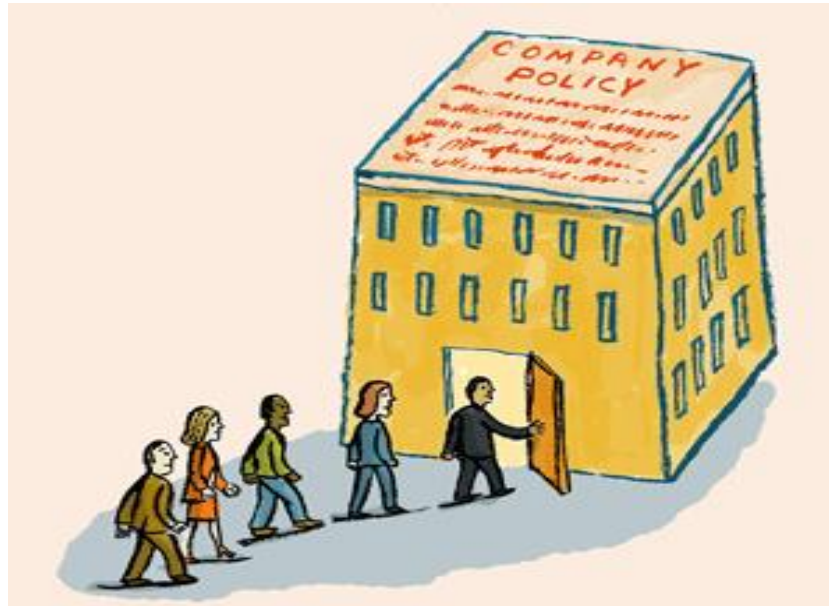
PERMANENT FUND



Defined as:

- Accounts for and reports resources restricted to only earnings (not principal) used to support the library's programs
- "... benefit of the government or its citizenry."
- Does not include private-purpose trusts

PROPRIETARY FUNDS



Internal Service



PROPRIETARY — INTERNAL SERVICE



Defined as:

- Accounts for and reports for the financing of goods or services provided by one fund, department, or agency, to other funds, departments, or agencies of the library
- Cost reimbursement basis
- Self-insurance; IT services; Central stores

FIDUCIARY FUNDS



Trust



Clearing



FIDUCIARY - TRUST FUND

Defined as:

- Private-purpose trust funds account for and report trust arrangements where principal and income benefit:
 - individuals
 - other governments



FIDUCIARY — CLEARING FUND



Defined as:

- Accounts for assets held by a government in a custodial capacity
- Used to be called “agency funds”
- Includes withholding funds, like
 - Garnishment
 - Withheld taxes



CLEARING FUNDS



Fund Number	Gateway Number	Fund Name
800	110058	Public Library Access Card (PLAC)
801		Payroll
802-850		Payroll Withholding (when separate from payroll fund)

SUMMARY



<u>Fund Type</u>	<u>Fund Number</u>	<u>Fund Name</u>
General	100	Operating
Special Revenue	200	Gift
	201	Rainy Day
	202	Contractual Services
	203	Levy Excess
	204-225	Reserved - future statutory funds
	226-275	Reserved - other special revenue
	276-299	Grants - federal and/or state
Debt Service	300	Bond & Interest Redemption
	301-399	Reserved - other debt service

SUMMARY - CONTINUED



<u>Fund Type</u>	<u>Fund Number</u>	<u>Fund Name</u>
Capital Projects	400	Library Improvement Reserve (LIRF)
	401	Construction
	402	Capital Projects
	403-410	Reserved - other capital projects
	411-420	Gift (capital items only)
	421	Rainy Day (capital items only)
	422-425	Grants - federal and/or state (capital)
Clearing	800	Public Library Access Card (PLAC)
	801	Payroll
	802-850	Payroll Withholdings

Fiscal Year End is
AWESOME!!!!!!!!!!!!!!!!!!!!

Said no one in Budget or
Accounting EVER.



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YEAR-END CONSIDERATIONS

Annual Report & Bookkeeping
Workshop

Indiana State Library

November 10, 2022

- ✓ **Salary Schedules**
- ✓ **Appropriations**
- ✓ **Encumbrances**
- ✓ **Payroll**
- ✓ **Cancellation of Warrants**
- ✓ **Names & Addresses to County Treasurer**
- ✓ **Internal Controls**
- ✓ **Miscellaneous**





IC 36-12-2-22

Board sets compensation of Treasurer

IC 36-12-2-24(a)

Board sets compensation of Director

IC 36-12-2-24(b)

Board adopts schedules of salaries of Librarians & other employees





Considerations:

- Number of pays in 2022
- Has enough been appropriated
- Bonuses
- Longevity
- Benefits (leave, insurance, HSA's, deferred comp)





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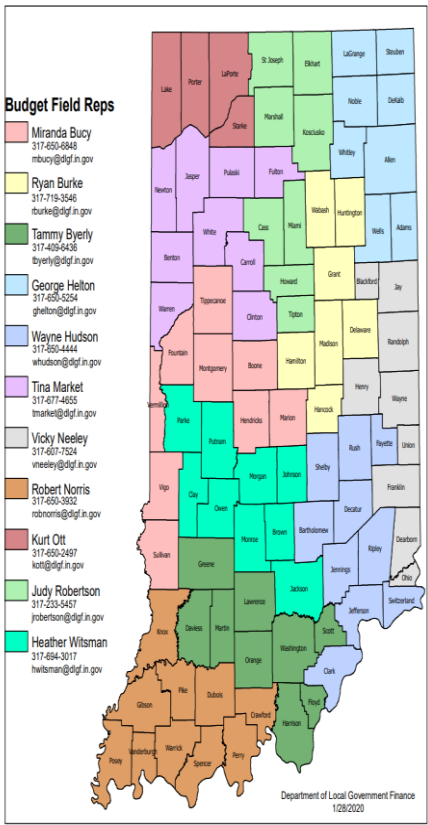
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Budget Field Representative County Assignments



Check for line items that are overspent

- Transfer from other line items if necessary
- From one major classification to another; board approval by resolution [IC 6-1.1-18-6]

Need an additional??

- There still may be time
 - <https://gateway.ifionline.org/AdditionalAppropriations/SelectUnit.aspx>
- Contact DLGF if you have questions
 - www.in.gov/dlgf/files/Budget_Field_Reps.pdf





Unpaid approved purchase orders & contracts

- Can be encumbered – or carried forward – to 2022
- Show as separate amount on 2022 appropriation ledger
- You'll have the amount approved for a line item as one amount + the amount encumbered for that line item, which will equal what you can spend in 2022.

	Encumbered	2023 Approved Budget	New Total
General Fund			
Other Services and Charges			
Legal Services	12,500.00	20,000.00	32,500.00





By carrying out this procedure, the 2022 budget will not be expected to incur any expense not anticipated in preparing the budget

We recommend making a list of encumbered appropriations

- List part of meeting minutes
- Not 'required' to be approved by the board, but wouldn't hurt
- Last meeting of the year
- Have copy ready if DLGF requests it





The appropriations encumbered and carried forward can be used for no other purpose other than the purchase order or contract for which they were appropriated.





Reporting

- W-2s
- 1099s
- Plan ahead

Contact IRS with Questions

- www.irs.gov





Indiana Code 5-11-10.5: Cancellation of Warrants

Old Outstanding Checks

- All checks outstanding and unpaid for a period 2 years as of December 31 of each year shall be declared cancelled.

Example – At December 31, 2021;

- Check #1234 was written on February 27, 2019 and has not cleared the bank and is on the outstanding check list. At 12/31/21, it would be considered “void”.
- Check #9876 was written on November 2, 2020 and has not cleared the bank and is on the outstanding check list. At 12/31/21, this check would *not* be considered “cancelled” and should remain on the outstanding check list.





Indiana Code 5-11-10.5: Cancellation of Warrants

- March 1 – fiscal officer prepares list of all outstanding checks for 2 years or more
- File list of checks with council
- Fiscal officer keeps a copy

“Old” (or stale) checks are receipted back to your ledger into the fund(s) from which they were originally drawn and removed from the outstanding check list. If fund(s) can't be determined – put in Operating fund.





IC 6-1.1-22-14

- June 1 & December 1
- Disbursing officer shall certify
 - ✓ name
 - ✓ address

of each person who has money due to them from the library.

- County Treasurer shall search their records to ascertain if anyone on the list is delinquent in payment of property taxes





IC 6-1.1-22-15 –

If the county treasurer finds that a person whose name is certified is delinquent in the payment of taxes, the treasurer shall certify the name of that person and the amount of delinquency to the official of the political subdivision who is to make payment to the person.

The disbursing officer shall periodically make deductions from money due the person and shall pay the amount of these deductions to the county treasurer. (*our emphasis*).





Internal Controls



docplayer.net/7494109-Internal-controls-a-short-presentation-from-your-internal-audit-department.html





Indiana Code 5-11-1-27(g)

“After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- 1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- 2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision.”



Indiana Code 5-11-1-27(c) defines "personnel":

"As used in this section, "personnel" means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity."





Things to remember:

- ✓ Board should adopt minimum standards - if they haven't already
- ✓ Training for any new employees in 2021
- ✓ Certify on the AFR in Gateway correctly



www.amreading.com/2016/09/18/video-how-to-remember-what-you-read/



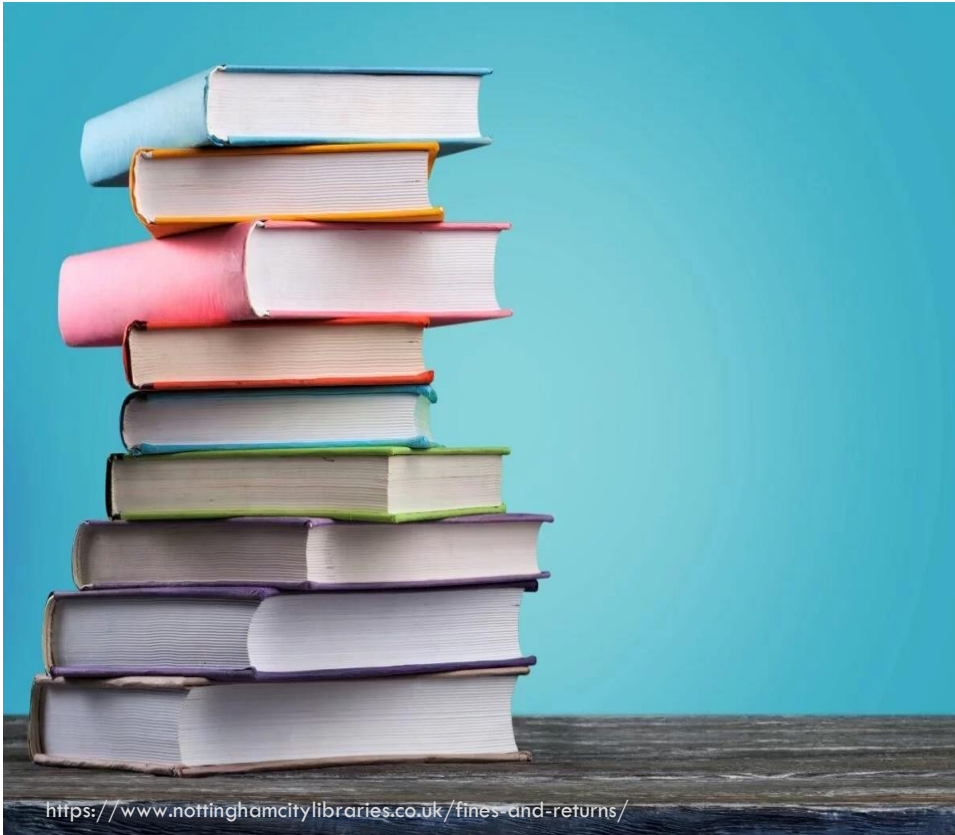
AFR Unit Questions ?



The following must be filed with the Annual Report per IC 5-11-1-27 (h).	
I certify that my unit has adopted the minimum internal control standards as required per IC 5-11-1-27(e).	<input checked="" type="radio"/> Yes <input type="radio"/> No
If yes, I certify that all personnel defined by IC 5-11-1-27(c) received training concerning the internal control standards adopted by my unit.	<input checked="" type="radio"/> Yes <input type="radio"/> No

Make sure you answer these questions correctly





<https://www.nottinghamcitylibraries.co.uk/fines-and-returns/>

Bank Reconciliations
Monthly / Annual Uploads
Debt Payments
Capital Assets
Accounts Receivable / Payable



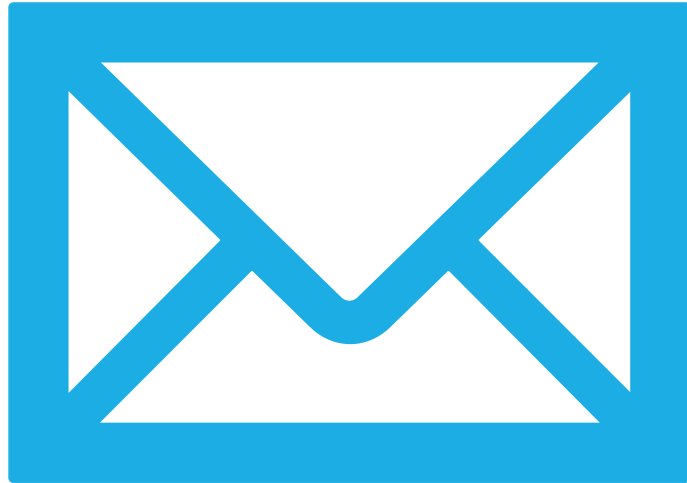
SBOA RESOURCES

Visit our website: <https://www.in.gov/sboa/political-subdivisions/libraries>

- Corrective Action Plan (CAP) – Repeat Findings
- Uniform Compliance Guidelines
 - Internal Control Manual
 - Libraries Manuals
- Resource Library



NEED HELP?
HAVE QUESTIONS?



Call or Email

Mike Crowley and
Mitch Wilson at
(317) 232-2513

Or email at
libraries@sboa.in.gov

