



IDA PUBLIC LIBRARY

MANAGEMENT LETTER

April 30, 2022

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The Honorable President
Members of the Library Board of Trustees
Ida Public Library
Belvidere, Illinois

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Ida Public Library, City of Belvidere, Illinois (the Library) as of and for the year ended April 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, material weaknesses may exist that were not identified. However, as described on the following page, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented or detected and corrected on a timely basis.

We reviewed the status of the recommendations for the period ended April 30, 2021. The status of these recommendations is included in Appendix A.

This report is intended solely for the information and use of the Board President, the Board of Trustees, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
October 10, 2022

**APPENDIX A
STATUS OF COMMENTS FROM APRIL 30, 2021
IDA PUBLIC LIBRARY**

MATERIAL WEAKNESSES

We consider the following deficiencies to be a material weaknesses in internal control for the Ida Public Library:

1. Segregation of Duties

Criteria: Strong internal controls require the separation of custody, authorization, and recording of transactions.

Condition/Context: With a limited number of staff at the Library, proper segregation of duties is difficult to accomplish. A fundamental element of internal control is the segregation of certain key duties. In general, the principal incompatible duties to be segregated include:

- Custody of assets, in particular cash
- Authorization or approval of related transaction affecting those assets
- Recording or reporting of related transactions
- Execution of the transaction of transaction or transaction activity

An essential feature of segregation of duties within an organization is that no one employee or group of employees has exclusive control over any transaction or group of transactions.

We noted specific lack of segregation of duties listed below. This list would not be considered to be all inclusive as we did not perform a review of all control structures throughout the Library.

We consider the following deficiencies to be a material weakness in internal control for Ida Public Library:

Accounts Payable

During the cash disbursement process, it was noted the Board approves the checks after they are mailed. The Board should approve checks prior to mailing.

Cash Receipting

During the cash receipts process, it was noted the reconciliation of the cash drawer to the ledger is performed by the Bookkeeper and it does not always match the amount deposited and it is not reviewed.

Recommendation: With limited staff, it is important that department heads, the Library Board, City Council, and the Library Director remain diligent in their monitoring of financial transactions. A detailed review of financial reports, budget vs. actual results, bank reconciliations, and expense reports greatly enhances internal controls. These reviews should be performed by someone other than the employee responsible for executing and recording the transactions.

Status - This comment is considered implemented as of April 30, 2022.

MATERIAL WEAKNESSES (Continued)

2. Year End Close Process and Material Audit Adjustments

During our audit, we identified material financial statement adjustments which affected the current year financial statements. These entries included recording prior year audit entries not yet recorded, recording debt activity during the fiscal year, and recording current year capital asset activity.

The Library's general ledger should support all information in the annual financial statements. Internal controls should be in place to record all material transactions in the general ledger of the Library. If audit adjustments are proposed and recorded (since external auditors cannot be considered a part of internal controls) by definition, a material weakness has occurred. It is the responsibility of management to record all transactions necessary to generate financial statements and disclosures in accordance with generally accepted accounting principles

We recommend the Library develop procedures to identify and record transactions in the proper period and to the proper fund to ensure that all transactions are accounted for in accordance with the modified cash basis of accounting and that all necessary financial presentations and note disclosures are included as required by the modified cash basis of accounting.

Status - This comment is substantially implemented as of April 30, 2022, as audit adjustments were posted to only correct grant receivable and fund balance.

3. Reconciliation of Cash Accounts

During our testing of library cash, Sikich noted various bank accounts that were not properly reconciled. Certain cash balances had not been properly updated to reflect the balance as of April 30, 2020. This required adjusting journal entries in order to properly reflect the year-end balances. Sikich recommends that all cash accounts are reconciled on a monthly basis to ensure accurate balances at month-end and year-end. This includes retaining statements for all cash and investment accounts on a monthly basis, where applicable.

Status - This comment is applicable as of April 30, 2022 as one audit adjustment was required for a Library investment account.

4. Restricted Donations

During our walkthrough of restricted donations, we noted lack of controls over documentation on amounts restricted, donations, trusts, endowments as well as lack of review and approval on disbursement process. We recommend that the Library establish a separate account and record activity on a monthly basis. We also recommend that the Library establish controls that monitor the use and tracking of restricted donations.

Status - This comment is still applicable as of April 30, 2022.