

Board of Trustees and Management  
Fondulac Public Library District  
East Peoria, Illinois

In planning and performing our audit of the financial statements of the business-type activities of Fondulac Public Library District (the District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

### **Material weaknesses**

The following material weaknesses were identified and communicated in a prior period; remedial action has not yet been taken:

#### Segregation of Duties

During our review of the internal controls over the areas related to cash, we noted that the Business Manager receives cash, makes deposits, records cash activity, and reconciles bank accounts. A lack of segregation of duties increases the risk that errors or misappropriations could occur and would not be detected. Based on discussions with management, they had implemented the following compensating controls or procedural changes in a prior year:

- The Business Manager is not a check signer on the imprest account.
- The Director reviews and approves all deposits.
- Board officers sign the monthly bills at board meetings.
- One Board officer's signature is required on all checks. This requirement does not include the imprest account.
- In relation to payroll, the Director approves all payroll before it is processed and the Board Treasurer reviews and initials all employee register reports for each payroll.

Additionally, we noted that manual journal entries made by the Business Manager are not being reviewed and approved. We recommend the Director or Board perform a review of all manual journal entries to ensure their accuracy.

Given the size of the District, it is difficult to completely segregate all accounting duties. When an adequate segregation of duties does not exist, controls are diminished. These controls typically provide additional assurance that errors or irregularities are found in the normal course of daily activity. When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

#### Preparation of Financial Statements

The Board of Trustees and management share ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The District engages CliftonLarsonAllen (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations. Without the staffing by the District as part of the internal control process over the financial statement preparation process, the risk that errors or omissions will go undetected leading to inaccurate or incomplete financial reporting is increased. In an ideal control setting, the District would have personnel possessing a thorough understanding of applicable generally accepted accounting principles staying abreast of recent accounting developments. The District does not currently have staff which would possess this level of expertise and, under the auditing standards, we are required to inform you. We recommend the District consider providing opportunities for additional training of existing personnel. Attending various seminars or industry special events would increase management's awareness of financial and accounting issues that Illinois library districts face.

#### Audit Adjustments

During the course of our audit, we discovered and requested management to make adjustments, including prior period adjustments, that had a material effect on the District's financial statements. These adjustments related to the accrual of receivables, payables, and correcting the beginning net pension liability and related deferred outflows of resources at year-end. Without the staffing by the District as part of the internal control process over the financial statement preparation process, the risk that errors or omissions will go undetected leading to inaccurate or incomplete financial reporting is increased. We recommend that management establish procedures to incorporate review of accruals by accounting personnel on a periodic basis.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Peoria, Illinois  
September 27, 2017