

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

SIBLEY COUNTY LIBRARY SYSTEM
(A COMPONENT UNIT OF SIBLEY COUNTY)

YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

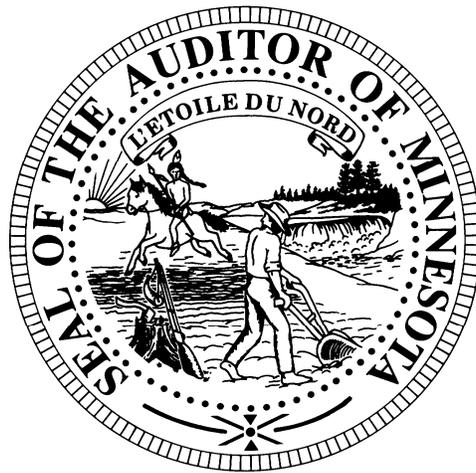
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**SIBLEY COUNTY LIBRARY SYSTEM
(A COMPONENT UNIT OF SIBLEY COUNTY)**

Year Ended December 31, 2011



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**SIBLEY COUNTY LIBRARY SYSTEM
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY LIBRARY SYSTEM
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

INTERNAL CONTROL

ITEM ARISING THIS YEAR

11-1 Financial Statements

Criteria: The Sibley County Library System (SCLS) is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the Sibley County Library System Board's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Condition: The information that was summarized in the accounting data required numerous revisions. Due to the timing of the auditors receiving the accounting data from management and at the decision of management, the auditors provided assistance in creating the financial statements used in the Sibley County report.

Context: Preparation of information is provided to management for the individual libraries, who each receive audits from other external auditors not associated with the Office of the State Auditor (OSA). The information is then summarized by the SCLS management. There was a delay in the recording, processing, and summarizing of the accounting data for the libraries which did not allow staff to sufficiently review the information before it was submitted for audit. This led to numerous adjustments to be made to the accounting data. Management felt that it would be a time-saving measure to have the OSA complete the government-wide and fund financial statements for the SCLS in order to meet the September 30 deadline for their report.

Effect: Additional audit hours resulted from the adjustments and preparation of the financial statements, which results in higher costs for the County.

Cause: Tasks and information necessary for the SCLS were not completed in the time, form, and manner to allow staff to sufficiently review the information before it was submitted for the audit. Management felt in this isolated instance, it would be a time-saving measure to have the auditors assist in the financial statements in order for the County report to be issued by the September 30 deadline.

Recommendation: The SCLS should review internal controls currently in place over the preparation of the financial statements, especially related to having the necessary financial information prepared in a manner which allows staff an adequate amount of time to review information being submitted for audit.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Sibley County Library System Board

We have audited the financial statements of the governmental activities of the Sibley County Library System, a component unit of Sibley County, as part of our audit of Sibley County, as of and for the year ended December 31, 2011, and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Sibley County Library System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sibley County Library System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sibley County Library System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sibley County Library System's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the Sibley County Library System's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over financial reporting, described in the Schedule of Findings and Recommendations as item 11-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sibley County Library System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in deposits and investments, claims and disbursements, and miscellaneous provisions because they were tested in conjunction with the audit of the financial statements of Sibley County. We also did not test for contracting and bidding or public indebtedness because the Sibley County Library System did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes or issue any bonds. We did not test the legal compliance requirements where the activities took place in the various cities included in the Sibley County Library System because we relied upon the city audits completed by other auditors.

The results of our tests indicate that, for the items tested, the Sibley County Library System complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Sibley County Library System Board and management of the Sibley County Library System and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR