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August 9, 2013

Ms. Kerri Rosalia, Library Director
Members of the Board of the Mastics-Moriches-Shirley Community Library
407 William Floyd Parkway
Shirley, NY 11967-3492

Report Number: 2013M-166

Dear Ms. Rosalia and Members of the Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery, and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Mastics-Moriches-Shirley Community Library (Library) which addressed the following question:

- Are claims audited in a timely manner and properly supported?

The results of our audit have been discussed with Library officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Background and Methodology

The Library is located in the Town of Brookhaven in Suffolk County. The Library was founded in 1974 and provides services to several communities, including the hamlets of Mastic, Moriches, and Shirley. These services include the lending of books and various other community services such as children's programs and adult education programs. The Library reported operating expenditures of approximately \$8.1 million for the fiscal year

ended June 30, 2012. Library revenues are primarily generated through real property taxes and fees collected from Library patrons.

The Library is governed by a five-member Board of Trustees (Board), which is responsible for the Library's overall management. The day-to-day administration of the Library is the responsibility of the Library Director (Director). The Business Manager is responsible for the receipt and custody of Library funds, disbursing and accounting for those funds, preparing monthly accounting reports, and meeting any other reporting requirements.

We examined the internal controls over the Library's financial operations for the period July 1, 2011 to March 31, 2013. We interviewed Library officials, Board members, and other key employees, and we reviewed financial records and Board minutes. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Audit Results

The audit and approval of claims is one of the most critical elements of the Library's internal control system. To ensure that disbursements are for valid Library expenditures and that goods or services have actually been received, claims must be audited and approved prior to payment.¹ An effective claims processing system ensures that every claim against the Library is subjected to an independent, thorough, and deliberate review; contains enough supporting documentation to determine whether it complies with statutory requirements and Library policies; and represents actual and necessary Library expenditures. An effective audit of claims is often the last line of defense for preventing unauthorized, improper, or fraudulent claims from being paid.

Library officials have established adequate controls over the claims processing function that allow claims to be audited in a timely manner and ensure the claims are properly supported. The account clerk and/or Director reviews invoices for department head approvals before printing checks and a schedule of claims to present to the Board, which then audits the claims before signing the checks. Finally, the claims auditor performs a post-audit of the claims paid.

Even though Library officials appeared to have adequate controls over claims processing, there is a certain level of inherent risk that exists with the audit and payment of claims. Due to this risk, we selected September 2012 as a month representative of the audit period and reviewed 45 claims² totaling \$47,756 of 106 claims totaling \$127,016 that were paid that month. Generally, we found that claims included adequate approvals and

¹ The Board may, by resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer, and telephone), postage, freight, and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

² We reviewed the first 45 claims for the month.

were properly recorded and supported with appropriate documentation. Our examination revealed only minor deficiencies, which we discussed with Library officials.

Sincerely,

Andrew A. SanFilippo
Executive Deputy Comptroller
Office of State and Local Government
Accountability

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

The Library officials' response to this audit can be found on the following page.

July 29, 2013

Mr. Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

RE: Response to Claims Processing, Report of Examination 2013M-166

Dear Mr. McCracken:

On behalf of the Mastics-Moriches-Shirley Community Library, I would like to respond with regard to the report of examination from the audit of our internal controls conducted from July 1, 2011 through March 31, 2013. I would like to commend both [REDACTED] and [REDACTED] for the highly professional and nonintrusive manner in which they conducted their important work.

We are in receipt of the Report of Examination for the period covered: July 1, 2011 – March 31, 2013. The Mastics-Moriches-Shirley Community Library welcomes this feedback to ensure proper controls are firmly established.

Once again, we thank you for your professionalism and assistance in ensuring the fiscal integrity of our Library.

Sincerely,

James Mazarella
President, Board of Trustees