



# Bethlehem Public Library

## Selected Cash Receipts

### Report of Examination

Period Covered:

July 1, 2012 — May 31, 2014

2014M-254



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Library Officials	2
<b>OVER-THE-COUNTER CASH RECEIPTS</b>	3
<b>APPENDIX A</b> Response From Library Officials	5
<b>APPENDIX B</b> Audit Methodology and Standards	7
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	8
<b>APPENDIX D</b> Local Regional Office Listing	9

# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

November 2014

Dear Library Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Library Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Bethlehem Public Library, entitled Selected Cash Receipts. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Bethlehem Public Library (Library) is located in the Town of Bethlehem, Albany County. The Library's original charter was granted by the Regents of the University of the State of New York on September 10, 1931. The charter was amended by the Board of Regents on December 16, 1994 to increase the maximum authorized number of trustees from five to seven, and to note in the charter that the library's service area is conterminous with the Bethlehem School District (District). Trustees are elected by the voters of the District. The Library's Director is appointed by the Board of Trustees (Board) and is responsible for day-to-day operations of the Library with assistance from the Business Manager with the collection, recording and depositing of cash receipts.

The Library serves the residents of the District and the surrounding Capital Region of New York. For the Library's fiscal year ended June 30, 2013,<sup>1</sup> there were approximately 21,000 members and the Library's operating expenditures totaled approximately \$3.6 million. The Library's operations were funded primarily with real property taxes, State aid, fines and fees. The real property taxes are collected by the District and remitted to the Library. Fines and fees are collected by Library staff.

## Objective

The objective of our audit was to examine the Library's internal controls in place for over-the-counter cash receipts. Our audit addressed the following related question:

- Are the Library's over-the-counter cash receipts properly accounted for and deposited timely?

## Scope and Methodology

We examined the Library's internal controls for over-the-counter cash receipts for the period July 1, 2012 through May 31, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

## Comments of Library Officials

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.

<sup>1</sup> The Library's fiscal year runs from July 1 through June 30.

## Over-the-Counter Cash Receipts

The Board is responsible for establishing adequate internal controls to properly safeguard the Library's cash assets. Effective controls over the collection of over-the-counter cash receipts, such as patron fines and fees, ensures that all money the Library receives is properly deposited and accounted for. Safeguarding measures include procedures to ensure individual accountability over cash receipts and depositing the receipts intact<sup>2</sup> and in a timely manner. This includes an adequate segregation of duties to ensure that no one individual controls all phases of a transaction.

The Board has established adequate internal controls for processing over-the-counter cash receipts to ensure that all cash collections are properly accounted for and deposited timely and intact. These controls include policies and procedures that provide guidance to the Library staff involved in the cash collection process, from the initial receipt of cash, accounting for cash receipts, preparing deposit slips to the timely deposit of collections. The procedures also adequately segregate duties within the cash collection process to ensure that no one individual controls all phases of a transactions. Specifically, the duties of receiving, recording, maintaining custody, preparing deposit slips and depositing collections are segregated.

The Library staff collected cash from patrons for fines, fees and book sales totaling approximately \$148,000 during our audit period. To ensure the collections are properly accounted for and deposited timely the Board has established procedures to guide Library staff and to adequately segregate the duties related to the processing of cash collections. The Library receives cash from patrons primarily at the circulation and adult service desks. The circulation desk is where the vast majority of cash collections are received, which are entered into a cash register. The collections received at the adult service desk are placed in designated bags to identify the type of the collection. At the close of business each night, an employee assigned to the circulation desk places the cash receipts from circulation desk and the adult service desk in a physically secured locker. The Business Manager retrieves the cash from the physically secured locker three times per week, counts the cash and prepares a daily cash sheet each time to record the revenue in the accounting system.

The collections made during the week are secured in a safe until deposit. Once a week, an account clerk retrieves the money from

<sup>2</sup> Intact means the deposits are for the same amount and form (i.e., cash and checks) as the collections.

the safe, counts the cash receipts for verification with the Business Manager's cash sheets and then prepares the deposit slip. The bank deposits are made by an employee of the maintenance department each week and the validated deposit slip is returned to the Business Manager who compares it with the original cash count sheet and then posts an entry to the cash receipts journal.

We observed the Library staff conducting various aspects of the cash receipt process, reviewed accounting records and interviewed Library staff to confirm they followed the Board's established cash receipts procedures. We reviewed 10 weeks<sup>3</sup> of cash collections from the circulation and adult service desks totaling \$12,732. We traced the amounts recorded on the original cash register receipts from the circulation desk, to the cash sheet prepared by the Business Manager,<sup>4</sup> to deposits listed on the bank statement and finally to the accounting records to ensure that over-the-counter cash receipts were properly accounted for and deposited timely and intact. We found that over-the-counter cash receipts were properly accounted for and deposited intact and in a timely manner and that the system of controls was properly designed and implemented.

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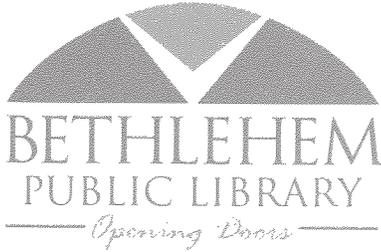
<sup>3</sup> Using computerized random sampling, we based our selection on the total population of weeks during the scope period. We randomly selected 10 weeks of cash collection—five weeks of cash collections from the fiscal year ending June 30, 2013 and five weeks from the period July 1, 2013 through May 31, 2014.

<sup>4</sup> The Business Manager also includes the receipts collected at the adult service desk on the cash sheet.

## **APPENDIX A**

### **RESPONSE FROM LIBRARY OFFICIALS**

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



451 Delaware Avenue \* Delmar NY 12054 \* 518-439-9314 \* [www.bethlehempubliclibrary.org](http://www.bethlehempubliclibrary.org)

October 14, 2014

[REDACTED]  
[REDACTED]  
NYS Office of the State Comptroller  
Division of Local Government and School Accountability  
One Broad Street Plaza  
Glens Falls, NY 12801

Dear [REDACTED]:

On behalf of Bethlehem Public Library, thank you for the opportunity to respond to the Report of Examination. I would like to commend the staff of the State Comptroller's Office for the professional and courteous way they conducted the audit.

We appreciate the openness of the audit process and the auditor's willingness to discuss fiscal processes with the library staff. We agree with the findings in the report and are grateful for the offer for future consultation.

Thank you for your assistance in ensuring the fiscal integrity of our library.

Sincerely,

Jeremy Martelle  
President, Board of Trustees

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by the Board to safeguard Library assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition and control environment, budgeting, cash receipts and disbursements, cash management, purchasing, claims processing, computerized accounting records, payroll, personal services, real property taxes and information technology.

During the initial assessment, we interviewed appropriate Library officials, performed limited tests of transactions and reviewed pertinent documents, such as Board policies and procedures manuals, Board meeting minutes and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected internal controls over the over-the-counter cash receipts for the period July 1, 2012 through May 31, 2014 for further testing. To accomplish our audit objective and obtain valid evidence, our procedures included the following:

- We interviewed Library officials to determine the procedures that were established and implemented over the cash receipts process.
- We reviewed the procedures in place to determine if cash collections were properly recorded and accurately accounted for.
- We reviewed Board minutes.
- We observed the cash receipt process to determine if Library staff followed the Board-established procedures.
- We randomly selected 10 weeks of over-the-counter cash register receipts during the period July 1, 2012 through May 31, 2014, totaling \$12,732, to determine if the receipts were properly accounted for and deposited in a timely manner. We traced the amounts recorded on the original cash register receipts to the cash sheet created by the Business Manager, to the deposit slip, to the bank statement and to the accounting records to determine if they were properly recorded and deposited in a timely manner.

We conducted this performance audit in accordance with GAGAS. 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 based on our audit objective.

## APPENDIX C

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**AND SCHOOL ACCOUNTABILITY**

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