



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

October 3, 2014

Nancy Benchimol, President
Members of the Board of Trustees
Gold Coast Public Library District
50 Railroad Avenue
Glen Head, NY 11454

Report Number: 2014M-237

Dear Ms. Benchimol and Members of the Board of Trustees:

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 Gold Coast Public Library District (District) for the period January 1, 2013 through April 30, 2014, which addressed the following question:

- Does the Board audit all claims before they are paid, as required?

Background and Methodology

The Gold Coast Public Library District (District) is located in the Towns of Oyster Bay and North Hempstead in Nassau County. The District was created in August 2000 by special act of the New York State Legislature (Act) to provide library services to residents of the North Shore School District, exclusive of the Village of Seacliff. The District is chartered by the New York State Board of Regents and overseen by the State Education Department.

The District is governed by a nine-member Board of Trustees (Board), each of whom is elected by the District's voters. District officers, who are also Board members, include the President, the Treasurer and the Secretary. The Treasurer is the custodian of all District funds and is responsible for signing all District checks. The Library Director (Director) is appointed by the Board and is

responsible for the District's day-to-day administration. The District operates in two buildings¹ and employs approximately nine full-time and 25 part-time employees. The District's 2013 expenditures totaled \$1.45 million, funded primarily with real property taxes.

We examined internal controls over the District's claims audit process for the period January 1, 2013 through April 30, 2014. We interviewed District officials, Board members and other key employees. We also reviewed Board minutes, warrants and claims. 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 Act requires the Board to audit all District claims before ordering the Treasurer to pay them and precludes the Treasurer from disbursing any money except after audit by the Board. The Board, as a whole,² must perform a thorough and deliberate audit and approve or disallow each claim. Therefore, the Board may not delegate the audit function to individual members. The Act further provides that claims shall not be audited or ordered paid by the Board unless an itemized voucher is presented. Generally, after the Board audits and approves the claims, it adopts a resolution approving the abstract³ of audited claims and confirms the number of claims approved and the total dollar amount by fund. The abstract is then signed by the Secretary or President, as determined by the Board, and includes a statement indicating that the claims had been audited and orders the Treasurer to pay each claimant listed.

We found that the Board does not audit the District's claims as required by the Act. Instead two Board members audit all claims; the President and the Treasurer. The Director reviews the claims and initials each invoice before the senior account clerk prints the checks and the abstract of claims. The President and the Treasurer audit the claims, sign the checks⁴ and sign the abstract that authorizes the Treasurer to pay the claims. The abstract is presented to the Board and the remaining Board members sign the abstract without performing a thorough and deliberate audit of each claim.⁵ The Board minutes include a resolution indicating the total number and dollar amount of the claims listed in the abstract. However, neither the resolution nor the abstract states that the Board had audited the claims as required by the Act.

The District processed and paid 981 claims totaling \$833,802 during the audit period. We reviewed a random sample of 25 claims totaling \$22,046 and found that the claims were properly supported by itemized invoices and included evidence that the goods and services were received and were

¹ The Library owns the main building and leases additional space in a nearby building.

² A majority of the Board is required to approve any action. Therefore, at least five of the nine Board members must audit all claims before unanimously ordering the Treasurer to pay them.

³ An abstract, also known as a warrant, is a list containing the names of claimants, the amounts claimed and the account numbers to be charged for the goods and services provided to the District.

⁴ The signatures of the President and Treasurer are required on all District checks. However, the Vice President and Secretary can also sign checks.

⁵ Library officials told us that Board members occasionally request the physical claim for review, but only when they have a question regarding a particular item listed on the abstract.

for legitimate District purposes. However, the 25 claims were not audited by the Board and the Treasurer paid them without the required prior Board audit. We also reviewed the abstracts and minutes of the 16 Board meetings held during the audit period and found no references to show that the Board had audited the claims. By only approving the abstract or selectively auditing certain claims, the Board cannot be assured that all claims are for legitimate District purposes properly itemized and supported, and that each transaction is executed in accordance with statutory requirements and District policies.

Recommendations

The Board should:

1. Audit all claims prior to payment.
2. Document in the minutes of their proceedings that the abstract of audited claims has been approved.
3. Ensure that the abstract includes a statement indicating that the claims had been audited by the Board and that the Treasurer is ordered to pay them.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Secretary's office.

We thank the officials and staff of the Gold Coast Public Library District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

September 22, 2014

Mr. Gabriel F. Deyo
Deputy Comptroller
Office of the State Comptroller
Local Government and School Accountability
110 State Street, 12th Floor
Albany, NY 12236

Dear Mr. Deyo,

On behalf of the Gold Coast Public Library Board of Trustees and Staff, I would like to thank the New York State Comptroller's Office for their thorough, professional review of our Library, and the feedback provided both in your report, and throughout the process which we have found valuable. We would especially like to thank [REDACTED] and [REDACTED] who made what could have been a stressful experience for the staff, a pleasant, educational one, even during the Library's busy summer season.

Since the creation of the Gold Coast Public Library District in 2001, the trustees of the Gold Coast Public Library have worked diligently to ensure the fiscal health of the Library. In particular, the Board has taken pride in what they believe to be a strong claims auditing process that ensures the proper and accurate payment of the Library's bills. This process includes:

- Daily preparation of claims, including a complete set of backup information, by the Library's Senior Account Clerk in preparation for our monthly Board Meeting
- A review of each claim, and its backup information, for sign off by the Library Director in the days leading up to our monthly Board Meeting.
- A second review of each claim and its backup information by the Library's Senior Account Clerk at the time checks are created for payment.
- An abstract warrant of all the claims is provided in advance of the Monthly Board Meeting, so that Trustees can prepare questions in advance of said meeting.
- A review of each claim and its backup information, for sign off by two of the Library's Trustees in full view of the public during the Library's Monthly Board Meeting.
- All claims and backup information are available at the Board Meeting for the remaining trustees to review, or ask questions about during the Meeting in full view of the public.

This said, we understand the recommendations you have provided in your report, and we will take steps to improve our process as suggested. As stated above, an abstract warrant is provided to each Trustee on the Friday preceding each Board Meeting. Going forward, we will make the claims available to the Trustees of the Library, in the Director's Office, during the weekend preceding the Board Meeting, so that they might stop by and review each of the claims. In this way, when the Trustees sign off on the warrant during the Board Meeting, they will be able to attest that they've each reviewed and approved the claims for payment.

Thank you again for the opportunity this process has provided for our Library to review our financial controls. We have found this to be a valuable experience in helping us continue our mission to provide the Community with excellent Library Service at a responsible price.

Respectfully,

Michael Morea
Library Director
Gold Coast Public Library