



# Ballston Spa Public Library

## Donations and Circulation Desk Cash Receipts

### Report of Examination

Period Covered:

June 1, 2013 – October 31, 2014

2015M-101



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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

August 2015

Dear Library Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage library resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support library operations. The Comptroller oversees the fiscal affairs of libraries 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 of Trustee governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard library assets.

Following is a report of our audit of the Ballston Spa Public Library, entitled Donations and Circulation Desk 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 Ballston Spa Public Library (Library) is located in the Village (Village) of Ballston Spa in Saratoga County. The Library is a municipal public library that received its charter from the New York State Board of Regents of the State Education Department in 1893.

The Library is governed by a five-member Board of Trustees (Board), each of whom is appointed by the Village Mayor. According to the Library's bylaws, the Board is responsible for establishing Library policies and for the general management of the Library's operations. The Librarian is responsible for the day-to-day operations, including management of the Library staff and accounting for donations. The Board Treasurer (Treasurer) is the custodian of the Library's donated money. The Village Treasurer is responsible for all other money collected by the Library and disbursing such funds upon receiving claims approved by the Board and submitting an annual financial report to the Board.

The Library's budgeted appropriations for the fiscal year ended May 31, 2015 were approximately \$214,000. The Library's operations were funded primarily by real property taxes, service contracts, donations, grants and fines and fees collected from Library patrons. For the fiscal year ended May 31, 2014, the fines and fees collected totaled approximately \$12,000, which were remitted to the Village Clerk (Clerk).

The Library is part of the Southern Adirondack Library System (SALS). SALS administers and operates the circulation system for member libraries, which records the issue and return of Library materials and miscellaneous fees.

## Objective

The objective of our audit was to examine the Library's internal controls over donations and circulation desk cash receipts. Our audit addressed the following related question:

- Are internal controls over the collection and disbursement of donated funds and the collection of cash receipts at the circulation desk adequately designed and operating effectively?

## Scope and Methodology

We examined the Library's internal controls over donations and circulation desk cash receipts for the period June 1, 2013 through October 31, 2014. We extended our scope through December 31, 2014 to review cash on hand.

**Comments of  
Library Officials and  
Corrective Action**

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.

The results of our audit and recommendations have been discussed with Library officials and their comments, which appear in Appendix A, have been considered in preparing this report. Library officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

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 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 Librarian's office.

## Donations and Cash Receipts

The Board is responsible for establishing an effective system of internal controls over the cash receipts collected at the Library, including gifts and donations. Appropriate Board oversight of the cash receipt process is necessary to safeguard Library funds. Cash records should contain sufficient detail to identify each transaction. All money received should be recorded properly and deposited timely and intact or remitted to the Village Treasurer to prevent errors or misuse of cash. All disbursements made from donated funds should be supported by an itemized receipt or invoice and approved by the Board prior to payment.

The Board has not established procedures for the Library's collection and disbursement of donated funds, or for cash receipts collected at the circulation desk. The Treasurer has not maintained adequate records for the money received from donations and fundraising activities. In addition, the Treasurer wrote checks disbursing these funds without Board approval or sufficient documentation to demonstrate it was used for Library purposes. We also found that the Librarian did not properly account for fines and fees collected at the circulations desk and did not remit them timely to the Village.

Accountability Over Donations – According to the Library's by-laws, the Treasurer is responsible for "the funds of the Board," which is money received from private donations, including fundraising. The Treasurer has sole custody of the Library's two bank accounts and is responsible for paying Board-approved bills from those funds. The by-laws also require the Librarian to keep a list of monetary donations to the Library, including the names of the donors and the dates the donations were received.

There are internal control weaknesses over the collection and use of donated funds. The Treasurer is responsible for receiving, recording, depositing and disbursing donated funds, with no other individual involved in the transaction cycle. Although he makes verbal reports to the Board, the Board does not request or review any financial documentation or bank statements. The Board also has not established procedures to provide oversight of the Treasurer's handling and accounting of donated funds. We found the Treasurer has not maintained adequate records of the "funds of the Board" that include a detailed accounting of the cash received from donations and fundraising activities. He maintains a checkbook, but does not maintain supporting information of when donations were received or from whom the money was collected. Furthermore, the Librarian

does not prepare and submit a list of monetary donations as required in the by-laws. The lack of detailed information related to donations prevents the Board from verifying that all money collected has been accounted for and deposited.

During the 2013-14 fiscal year, there were two deposits made for donations received by the Library, one in August for \$1,089 and another in October for \$5,481. The Treasurer was not able to provide specific written documentation to identify the source of funds for these deposits. However, he indicated that the deposits were generated from donations collected from two sources, a jar maintained at the front desk and a fundraising event, which consisted of raffles, silent auctions and donations for items that were donated by local merchants. Furthermore, although the Librarian and staff maintained a handwritten record that listed approximately \$3,600 in donations received in the jar, there was no documentation available that accurately recorded the time periods of when donations were received and the dates the donations were removed from the jar. Also, there was no documentation of the cash receipts related to the fundraising activity.

Because the Treasurer handles both the receipt and disbursement of donated funds without Board oversight, we reviewed the Treasurer's records maintained from June 1, 2013 through October 31, 2014 and the financial activity of the two bank accounts. We also reviewed an additional 10 deposits totaling \$2,225 to determine the source of the cash receipts that were deposited. However, there was no supporting documentation available to identify the source of the collections. We also reviewed all 27 disbursements totaling \$3,240. There were 20 disbursements totaling \$1,980 that did not have sufficient supporting documentation. For instance, there was a payment totaling \$350 to a vendor for entertainment services.<sup>1</sup> However, there was no documentation to support this disbursement.

The lack of accountability over money received and spent from donations and fundraising events increases the risk that errors or irregularities could occur with the handling of these collections and not be detected.

Circulation Desk Receipts – The Library staff at the circulation desk collect various fines and fees for overdue or lost materials. In addition the library staff collects fees for photocopying and other miscellaneous services. During the period June 1, 2013 through October 31, 2014, the Librarian remitted fees totaling more than \$14,000 to the Clerk.

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<sup>1</sup> The entertainment services provided to the children were identified as an "Improv. Camp" in the Treasurer's checkbook memo.



The Library has no formal procedures for handling cash receipts at the circulation desk. Staff members record the receipts manually in notebooks and tally sheets while recording the receipts concurrently in the computerized system administered by SALS.<sup>2</sup>

We found that Library staff do not enter all transactions on the computer system. Generally, they record fees for overdue and lost books in both the manual records and the computer system. Because staff post the overdue fees to both the computer and the manual records, we compared the overdue fees posted to both systems for the audit scope period to determine if they agreed. There was \$2,655 recorded in the notebooks and \$2,502 posted to the computer system for a net difference of about \$154. When we brought this to the Librarian's attention, she said that staff may be interrupted while they are in the process of recording transactions and fail to record them in the computer system. We also compared the fees for lost item transactions posted to the computer to the manual records. We found that, out of 44 records in the computer system, 34 records totaling about \$315 were not manually recorded; and of 18 transactions that were manually recorded, nine totaling about \$124 were not posted to the computer.

The Librarian manually calculated the daily total receipts recorded in the notebooks and recorded those figures to a computerized spreadsheet. She then summarized the receipts to be turned over to the Clerk on transmittal sheets<sup>3</sup> which were submitted to the Clerk to support the remittance. However she did not remit all the cash on hand to the clerk, only the amounts included on the manual records. The Librarian did not reconcile the manual records to SALS' system and continued using the manual records because she was not trained to generate the cash receipt reports from SALS' system. As a result, money collected that was posted to SALS' system and not recorded in the manual records would not be remitted to the clerk.

Upon receipt of the remittance, the Clerk completes a cash count to confirm agreement with the transmittal sheets. The transmittal sheet is stamped, a copy is made for the Village record, and the original form is returned to the Librarian. The Clerk makes an entry to the Village's accounting records to record the receipt of the remittance. The transmittal sheets are the only record that the Village receives of the Library's collections and there is no reconciliation between the manually recorded cash receipts and the receipts recorded in the computerized circulation system.

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<sup>2</sup> SALS administers and operates the circulation system for the Library which records the issue and return of Library materials and miscellaneous fees.

<sup>3</sup> The transmittal sheets summarize the totals of fees by type (e.g., fines, fees and book sales) collected over a period of time, generally one week to one month.



We compared the transmittal sheets to the transaction detail recorded in the notebooks to confirm agreement between the original cash receipts documents and the cash remitted to the Clerk.<sup>4</sup> We randomly selected<sup>5</sup> 121 transmittal sheets totaling \$5,828 and compared them to the manually recorded cash receipts records, and we found that the cash receipt transactions recorded in the notebooks totaled \$5,763, a variance of \$65. We determined that the difference was due to recordkeeping errors.

We also found the Librarian did not always remit fees timely. For example, we noted a remittance to the Clerk on July 2, 2013 totaling approximately \$1,300 that comprised fees collected during the month of March 2013. We reviewed the remaining remittances from fees collected during the 2013-14 fiscal year and found that the Librarian made 46 remittances to the Clerk, 17 of which were 10 days or more after collection, with the longest being 31 days. The Librarian also maintained manual records for photocopy fees for the period January 2014 through December 2014 totaling about \$700. We found the money was retained at the Library rather than being remitted to the Village. The Librarian was unable to provide a valid explanation for retaining the fees at the Library.

When sufficient accounting records are not maintained and cash receipts are not remitted in a timely manner, there is an increased risk that loss or theft could occur.

## **Recommendations**

The Board should:

1. Establish procedures to provide internal controls over the collection and use of donated funds.
2. Ensure that receipts of donations are recorded with sufficient documentation that provides adequate accountability of those collections.
3. Require library staff to maintain an exact and detailed record of all moneys received at the circulation desk and submit detailed reports of these receipts to the Board.

The Treasurer should:

4. Provide the Board with detailed records of donations collected to support bank deposits and with receipts or invoices for their review and approval of payments from these funds.

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<sup>4</sup> The manual records in the notebooks include the dates of the collections, the types and amounts of the fees and the signatures of the patrons if paying a fine.

<sup>5</sup> See Appendix B for sampling methodology.

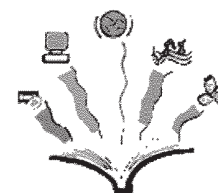
The Librarian should:

5. Maintain a list of monetary donations to the Library, stating the name of the donor and the date the donation was received, and provide that information to the Treasurer and Board.
6. Remit the cash collections from the circulation desk to the Clerk on a timely basis.

## **APPENDIX A**

### **RESPONSE FROM LIBRARY OFFICIALS**

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



Ballston Spa  
Public Library

August 13, 2015

[REDACTED]  
New York State Office of the State Comptroller  
Division of Local Government & School Accountability  
1 Broad Street Plaza  
Glens Falls, NY, 12801

Dear [REDACTED],

This letter is in response to the Audit Report performed by auditors, [REDACTED] in the Fall of 2014. Furthermore, the intention of the letter is to serve as a corrective action plan (CAP) to rectify the financial weakness at the Ballston Spa Public Library. Please find the enclosed letter written by the library board treasurer, David Beals. His letter will serve as the corrective action plan for his duties and procedures.

My CAP will follow the recommendations listed in the Audit Report Draft.

**1. What:** Establish procedures to provide internal controls over the collection and use of donated funds.

**Plan:** The director and the library board will examine the current procedure of collecting, recording and depositing all donations. The director and the library board will come up with a transparent and efficient plan to collect, record and deposit donations. If need be, the director and library board will consult with other financial professionals in order to establish new procedures.

**Implementation:** The library board meetings will resume in September 2015 and efforts to begin this process will start at the September meeting.

**2. What:** Ensure the receipt of donations are recorded with sufficient documentation that provides adequate accountability of those collections.

**Plan:** The current receipt book for personal donations lists the donors name, amount and reason. This information is recorded on an Excel Spreadsheet. The director will itemize the donations received with all the pertinent information in her monthly audit reports handed out to the library board each month. These itemized reports will include the date, donors name, amount, reason for donating and if the donor wishes the money to go toward a certain area in the library (i.e. – to buy children's books or to beautify the grounds etc.).

**Implementation:** This itemized report will be implemented with the director's September 2015 monthly audit report.

**3. What:** Required library staff to maintain an exact and detailed record of all moneys received at the circulation desk and submit detailed reports of the receipts to the Board.

**Plan:** The director turned on the fine receipts tool on the Polaris circulating software. Once a staff member clears a fine on Polaris, a receipt automatically prints indicating the fine was paid. The library still maintains a steno book listing all fines. These fines list overdues, prints-outs from the computers, replacement or damaged item costs and donations. The director will look into buying a cash register. She will look for a machine that itemizes the types of monies taken in by a staff member. Reconciliation at the end of the day will help account for money taken in throughout the day. In addition, the director will utilize the Polaris financial tools to compare money taken in with fines cleared through the computerized circulation system with the amount of money in the cash register.

**Implementation:** The director turned on the fine receipt tool in December 2014. A search for a cash register will start immediately. The director will consult with the staff at Southern Adirondack Library System to learn how to use the financial tools offered through Polaris. The director will teach other staff members how to use the software in case she is on vacation.

4. Please consult with the enclosed letter written by David Beals

5. **What:** Maintain a list of monetary donations to the Library, stating the name of the donor and the date the donation was received, and provide that information to the Treasurer and Board.

**Plan & Implementation:** See Number 1 on page one.

6. **What:** Remit the cash collection from the circulation desk to the Clerk on a timely basis.

**Plan:** The director will prepare a Transmittal Sheet recording all monies taken in throughout the week. This itemized sheet records fines, compensation for losses (i.e.— fines associated with damaged and/or lost materials), donations and copier money. The sheet records the receipt numbers associated with donations and compensation for losses fines. The director will prepare this Transmittal Sheet weekly and turn the money and sheet in to the Clerk on a weekly basis.

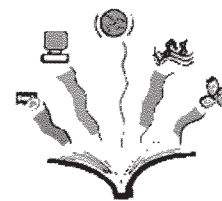
**Implementation:** The director has been preparing the Transmittal Sheets and handing in money to the Clerk every week since December 2014.

Please let me know if this CAP is adequate. Feel free to contact me with any questions or comments at (518)885-5022 or at [asimmons@sals.edu](mailto:asimmons@sals.edu).

Respectfully Submitted,

Andrea H. Simmons

Library Director



Ballston Spa  
Public Library

August 12, 2015

To whom it may concern,

After a rather extensive audit conducted by the N.Y. Comptrollers Office, I, David J. Beals (treasurer for Ballston Spa, N.Y. public library) have instituted the following changes in my accounting procedures for the (2) accounts I am responsible for:

(1) monies from the general fund will not be allocated unless (a) a descriptive invoice, one copy to be kept in my records, is presented by the head librarian, pertaining to what services, duties, or function is indicated and will not be written until a paper trail is established

(2) a "double entry system" has been started by me--i.e. a full and complete ledger ( available to board members, comptrollers office, and internal auditors within the Village of Ballston Spa), along with the proper documentation ( i.e. invoices as described above), and will be available at any given moment

(3) any monies from the build/ donation fund, will also be only paid via the same accounting practice as described above, the only difference being the full board must be involved in the requesting of said services to be rendered. These services will be along the lines of formally requesting painting, draperies, flooring,i.e. any beautification/ maintenance procedures.

I feel these methods will bring a more transparent accounting process to the library, per the recommendations of the comptrollers, and they will be readily accessible to the proper eyes upon request

Very truly yours,

David J Beals---Ballston Spa Village treasurer of the Library

[jake41ny1@aol.com](mailto:jake41ny1@aol.com)<<mailto:jake41ny1@aol.com>>

(518) 885-4539

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our objective was to determine if the Library staff and the Treasurer provided adequate accountability for cash receipts and disbursements. To accomplish our objective, we performed steps to determine if the Board adopted policies and procedures and a system of internal controls that provided guidance and oversight of the financial transactions. We also reviewed documentation and interviewed officials to determine if the practices for collecting, recording, depositing, disbursing and remitting cash receipts and disbursements provided an adequate accountability for them.

Our audit procedures included the following.

- We reviewed the Board's bylaws to determine the duties and responsibilities that the Board assigned to the Treasurer and Librarian concerning cash receipts and disbursements. We inquired if there were any written policies and procedures.
- We interviewed Library and Village officials to gain an understanding of the practices for collecting, recording, depositing, disbursing and remitting cash receipts and disbursements.
- We reviewed documentation related to these practices to gain an understanding of how the practices fit in with the procedures as described.
- We reviewed the Treasurer's checkbook and bank statements to identify mathematical and entry errors.
- We reviewed documentation of the Treasurer's disbursements. We inquired about documentation of the deposits.
- We reviewed documentation related to donations placed in a jar at the Library.
- We selected a judgmental sample of the transactions recorded during the first month of the scope period (June 2013) and every following third month for a total of six months.
- We reviewed the Librarian's hand-written records of cash collections and compared them to the computer system data for accuracy. We performed a more detailed review of the overdue fees and fees for the compensation for lost items that were recorded in both the computer system and the manual records.
- We reviewed the transmittal sheets that the Librarian submitted to the Clerk and compared them to the manually prepared source documents for accuracy.
- We reviewed documentation of photocopy fees recorded between January 2014 and December 2014.
- We reviewed the transmittal sheets to determine the time periods they covered and the timeliness of remittances to the Clerk.



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.

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