



Chili Public Library

Board Oversight

Report of Examination

Period Covered:

January 1, 2014 – May 15, 2015

2015M-130



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

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 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 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 Chili Public Library, titled Board Oversight. 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 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 Chili Public Library (Library) is a municipal library located in the Town of Chili (Town) in Monroe County. The Library operates out of a building that is part of the Town Hall and provides services to approximately 28,600 residents. The Library received its provisional charter from the Board of Regents of the New York State Education Department in 1961. The Library is part of the Monroe County Library System (MCLS).¹ The MCLS administers a computerized integrated library system and supports its member libraries by providing services such as maintaining computer databases of the libraries' inventory of materials on hand for loan, library patron borrowing histories, fines and fees paid, and outstanding account balances. The Library lends books, magazines, movies and compact discs (CDs) to those who have a library card. It also provides child, teen and adult learning classes, as well as free Wi-Fi service for patrons. In addition, the Library maintains a small inventory of flash drives and CDs for sale at the circulation desk.

The Library is governed by a seven-member Board of Trustees (Board) that is appointed by the Town Board. The Board is primarily responsible for the general oversight of the Library's financial affairs and safeguarding Library resources. The Board-appointed Library Director (Director) is responsible for the Library's day-to-day management, including managing staff. The Director receives assistance with Library finances from a Principal Library Clerk (Clerk), a Librarian Assistant (Assistant) and a part-time bookkeeper.

The Library's budgeted appropriations for 2015 are approximately \$1.2 million, funded primarily with real property taxes and revenues from fees and fines collected on overdue materials. The Library also conducts an annual book sale and receives donations from residents. Revenues from the book sale and donations totaled approximately \$17,800 in 2014.

Objective

The objective of our audit was to review the Board's oversight of Library operations. Our audit addressed the following related question:

- Has the Board provided adequate oversight of the Library's finances?

¹ MCLS is a federation of 20 independent public libraries located in Monroe County and is chartered by the New York State Board of Regents to provide services to public libraries and to provide library services to those with special needs within the County.

**Scope and
Methodology**

We examined the Library’s control environment and the Board’s oversight activities related to financial operations for the period January 1, 2014 through May 15, 2015.

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 and
Corrective Action**

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 findings and indicated they plan 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 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 Library to make this plan available for public review in the Executive Director’s office.

Board Oversight

The Board is responsible for the general management and control of the Library's finances and ensuring that adequate internal controls are in place to safeguard its resources. It is important that the Board establish policies and procedures which ensure that financial transactions are properly authorized and approved prior to paying vendors, and which provide reasonable assurance that cash and other resources are properly safeguarded. The Board is also responsible for the review of key monthly financial reports including bank statements, bank reconciliations and the Director's report.

The Director receives assistance with Library finances from a Clerk, Assistant and part-time bookkeeper. The Clerk is responsible for recording disbursements of public funds (money received from taxes and other public sources) in the Town's financial software and depositing both public and private funds (received from gifts or donations). The Assistant is responsible for entering the timesheet information into a spreadsheet that is remitted to the Town for payment. The bookkeeper is responsible for recording all private fund transactions in a spreadsheet, completing bank reconciliations for all accounts, and preparing monthly budgetary reports for both private and public funds. The Town Director of Finance and his assistant prepare checks for disbursement of public funds and record receipts of public funds in the financial software. In addition, the Town Director of Finance annually reports the combined results of operations for both public and private funds on the Library's annual update document and financial statements.

Generally, we found the Board provided adequate oversight of Library finances. However, the Board did not audit and approve claims from the private funds account prior to their payment. This increases the risk that errors or irregularities would not be detected and corrected.

New York State Education Law requires the Board to audit and approve all Library claims² prior to authorizing payment. This requirement applies to all claims, whether the Library pays them directly from private funds or the Town pays them on the Library's behalf using public funds. Utilizing properly authenticated vouchers and conducting a claims audit helps to ensure that all claims are sufficiently itemized, comply with procurement policies and applicable laws and contracts, contain evidence that the goods or

² Claims are bills or invoices submitted by vendors requesting payment for goods or services.

services were actually received and the amounts claimed represent actual and necessary expenditures. Each claim should be assigned a sequential number and be included on an abstract³ presented to the Board for audit.

Sufficient information concerning claims approved for payment should be entered in the Board minutes to minimize the possibility of expenditures being made for unauthorized purposes and to permit subsequent verification of Board audit. This could be achieved by listing the starting and ending claim numbers and total amount approved for payment. As an additional control, Board members may sign or initial the claims to further indicate approval. Also, the Board may authorize the payment of recurring expenses in advance of its audit and approval, such as utility bills and postage, but must formally approve such claims at the next Board meeting.

The Board did not complete a proper audit of claims from the private fund accounts prior to their payment. Instead, the bookkeeper prepared and mailed checks upon receipt of the invoices for goods and services that the Director previously verbally approved for purchase. The Board did review and approve a listing of disbursements that the bookkeeper prepared each month after making payments, but the Board did not audit the actual claims and the supporting documentation.⁴

Due to this deficiency, we reviewed all 77 claims paid from the private fund account totaling approximately \$24,000 during the audit period to determine whether the claims were sufficiently itemized or contained adequate supporting documentation, and were appropriate Library expenses. We found nine claims totaling \$835 did not contain sufficient supporting documentation, including three claims for the staff retreat totaling \$550 and a \$200 claim for painting services. Although our testing did not disclose significant deficiencies or evidence of fraudulent transactions, the Board's failure to conduct a proper and thorough audit of claims increases the risk that fraud or abuse could occur and not be detected and corrected in a timely manner.

We also reviewed the Library's financial records and reports to determine whether they were prepared accurately and in a timely manner. We found minor deficiencies, which we discussed with Library officials.

³ An abstract is a list of claims including claim numbers, vendor name and billed amounts.

⁴ The Board did, however, properly audit claims from public funds prior to the Town issuing payment. Board minutes properly documented abstracts for both the public and private funds.

Recommendation

1. The Board should audit and approve all claims prior to payment and document the approval in its minutes.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

The Library officials' response to this audit can be found on the following page. Library officials refer to attachments they included with their response letter. We did not include these attachments in the final report, as Library officials' response contained sufficient information to indicate their intentions.



August 5, 2015

Chili Public Library
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OSC Audit Response Letter and CAP

The following is the response letter to the OSC draft audit report from the Chili Public Library Board of Trustees. It also serves as the Library's Corrective Action Plan (CAP).

OSC Audit Recommendation:

The Library Board should audit and approve all claims prior to payment and document the approval in its minutes.

Library Board Response:

This recommendation from the OSC audit refers to the library's private fund account. It was noted in the audit that the Board generally provided adequate oversight of Library finances. At each monthly meeting the Library Board reviews a list of disbursements from the Library's private fund account that the bookkeeper prepares for the meetings. Though these claims are reviewed, the Library Board actively identifies opportunities for improving Board oversight. To that end, the Library Board approved the following Corrective Action Plan at its July 2015 meeting.

Implementation Plan of Action:

Prior to payment of invoices, vouchers stating total amounts for payment from the private fund account along with accompanying documentation will be presented to the Library Board at the monthly meetings for approval, which will be recorded in the minutes. The Library Board president will sign these claims to further indicate approval. (see attachments)

Implementation Date:

August 25, 2015

Person Responsible for Implementation:

Library Director Jeff Baker

Sincerely,

Jill Wynn
Chili Public Library Board President

August 7, 2015

Date

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine if the Board provided adequate oversight of Library operations from January 1, 2014 through May 15, 2015. To accomplish the objective of this audit and obtain valid audit evidence, our audit procedures included the following steps:

- We interviewed appropriate Library officials and employees to gain an understanding of Library operations and determine internal controls in place.
- We reviewed Board minutes and pertinent policies.
- We reviewed bank and investment statements and financial records from January 2014 through April 2015 to determine if Library moneys were properly invested and that there were no unauthorized transfers out of the accounts.
- We conducted a cash count of all available money on April 17, 2015.
- We reviewed all 77 claims from the private fund account totaling approximately \$24,000 to determine whether they were properly itemized or contained adequate supporting documentation and represented appropriate Library expenses.
- We reviewed the Library's accounting records and annual reports to determine whether they were prepared accurately and 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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