



# Roosevelt Public Library Board Oversight of Library Operations

## Report of Examination

Period Covered:

January 1, 2013 — December 31, 2013

2014M-297



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**

February 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 of Trustee 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 Roosevelt Public Library, entitled Board Oversight of Library Operations. 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*



## State of New York Office of the State Comptroller

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### EXECUTIVE SUMMARY

The Roosevelt Public Library District (Library) is located in the Town of Hempstead in Nassau County and was created by a special act of the State Legislature in July 1970. The Library provides services to approximately 16,000 community members. The Board of Trustees (Board) is primarily responsible for the general oversight of the Library's financial affairs, while the Library Director is responsible for the Library's day-to-day administration.

The former Director resigned in July 2013 and at the time of our fieldwork the Board had not hired a replacement. The Library Treasurer (Treasurer), appointed annually by the Board, is the Library's chief financial officer and is the official custodian of all funds. The Treasurer is authorized to sign all checks on the Board's behalf. Operating expenditures for the year ending December 31, 2013 totaled \$2.9 million.

#### **Scope and Objective**

The objective of our audit was to review the Board's oversight of Library operations for the period January 1 through December 31, 2013. Our audit addressed the following related questions:

- Has the Board provided adequate oversight of Library operations?
- Did the Board properly designate individuals providing consulting services as independent contractors?
- Did the Board adequately audit and approve claims and have proper controls over the disbursement process?

#### **Audit Results**

The Board has not provided adequate oversight of Library operations. It has not established appropriate controls over the authorization and payment of overtime. We found that part-time employees worked 830 hours of overtime without necessary management approval. Part-time employees received over \$21,000 of overtime payments for overtime work that was not properly approved by management.

Furthermore, we found that the Board did not provide prior approval for eight of 12 programs held at the Library in 2013. In addition, the Board did not ensure that all program performers/presenters signed contracts with the Library and submitted the required applications for use of the Library facility

as required by Board policy. We also found that the Board spent \$8,500 for four Board members<sup>1</sup> and a Board member's relative to travel to an event in Birmingham, Alabama that may not have been for official Library business. The Library also does not have an accurate and complete inventory record that is periodically reconciled. As a result, the Board was unaware that laptops valued at \$1,699 each and assigned to two Board members had been stolen, one within days of the Board member receiving it and the other from the Board member's relative in North Carolina. Due to the lack of Board oversight, the Library's resources are at an increased risk for loss, waste and abuse.

We also found that the Board did not implement policies or procedures to help properly classify individuals as independent contractors or employees. For example, a senior account clerk was classified as an independent contractor, when this individual likely should have been treated and compensated as an employee. If the Library incorrectly classifies an employee as an independent contractor, it can be held liable for employment taxes for that individual and possibly be assessed a penalty.

Finally, the Board did not have adequate controls over the disbursement process and did not audit and approve claims before payment. The Library routinely processes claims outside of the normal payment cycle and relies on its consulting clerk to approve these claims, thereby increasing the risk of improper payments. Because the Board did not audit and approve claims before they were paid, 52 of 55 checks that we reviewed cleared the bank before the Board approved the warrants containing those claims. Of the 55 claims, 29 were paid without an invoice attached. Furthermore, Board members inappropriately signed checks as the primary signatory in place of the Treasurer, instead of providing countersignatures. This does not comply with the Special Act or New York State Education Law. By usurping the Treasurer's disbursement functions, the Board has diminished important segregation of functions designed to help ensure that Library funds are properly expended.

### **Comments of Library Officials**

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 indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the Library's response letter.

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<sup>1</sup> One of these four individuals is no longer on the Board.

# Introduction

## Background

The Roosevelt Public Library District (Library), created by a special act of the State Legislature in July 1970 (Special Act), is located in the Town of Hempstead in Nassau County. It comprises all of the Roosevelt Union Free School District and serves more than 16,000 community members.

An elected five-member Board of Trustees (Board), primarily responsible for the general oversight of the Library's financial affairs and the safeguarding of Library resources, governs the Library. The Board appoints a Library Director (Director), who is the Library's executive and administrative officer and is responsible for day-to-day management. The former Director resigned in July 2013, and at the time of our fieldwork the Board had not hired a replacement. In place of a Director, the Board contracted with a consultant to supervise Library staff and to prepare and monitor the Library's budget. The Library Treasurer (Treasurer), appointed annually by the Board, is the Library's chief financial officer and is the official custodian of all funds. The Treasurer is authorized to sign all checks on the Library's behalf.

The Library has one building and employs six full-time and 18 part-time employees. The Library lends books to its patrons and provides children's and adult education programs. The Library reported operating expenditures of \$2.9 million for the fiscal year ending December 31, 2013. These expenditures were funded primarily by real property taxes. The Library also receives grants and collects fines, fees and miscellaneous charges from Library patrons.

## Objective

The objective of our audit was to review the Board's oversight of Library operations for the period January 1 through December 31, 2013. Our audit addressed the following related questions:

- Has the Board provided adequate oversight of Library operations?
- Has the Board properly designated individuals providing consulting services as independent contractors?
- Did the Board adequately audit and approve claims and have proper controls over the disbursement process?

**Scope and  
Methodology**

We examined the Board’s oversight over Library operations for the period January 1 through December 31, 2013.

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 is included in Appendix C 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 recommendations and indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the Library’s response letter.

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 New York State 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 Clerk’s office.

## Board Oversight

The Library is a public entity and is subject to many of the same laws and regulations as other local governments. Appropriate Board oversight of the Library's financial operations is necessary to safeguard Library funds and ensure that funds are spent in a manner that will accomplish the Board's goals in accordance with the Library's by-laws, policies, applicable laws and regulations. Establishing an effective system of internal controls over the Library's operations is an essential part of safeguarding the Library's resources. The Director, who is responsible for overseeing the Library's day-to-day management, is responsible for implementing internal controls and supervising Library staff. The former Director resigned in July 2013. The Board has not yet filled this position, as required by the Library's bylaws and the New York State Codes, Rules and Regulations.

The Board has not provided adequate oversight of Library operations. Library procedures for authorizing overtime are not sufficient. We found that part-time employees worked 830 hours of overtime, at a cost of \$21,270, without necessary management approval. The Board also did not approve eight of 12 programs offered by the Library nor did it ensure that all program performers/presenters signed contracts with the Library and submitted the required applications for use of the Library facility. We also found that the Board spent \$8,500 for its members to travel to an event in Alabama that did not have a clear Library purpose. Finally, the Library does not have an accurate and complete inventory record that is periodically reconciled. As a result, the Board was unaware that laptops valued at \$1,699 each and assigned to two Board members had been stolen, one within days of the Board member receiving it and the other from a Board member's relative in North Carolina. Due to the lack of Board oversight, the Library's resources are at an increased risk for loss, waste and abuse.

### Overtime

While overtime pay can be an expected cost of doing business, it is a cost that must be carefully monitored and controlled. Although some overtime hours may be unavoidable, overtime costs can often be managed through adequate staffing levels. Overtime should be incurred when unplanned or unforeseen circumstances arise and should not be incurred when these circumstances can be avoided. In general, overtime must be paid to employees who work more than 40 hours per week. However, the Board may, at its discretion, opt to pay overtime to employees who work fewer than 40 hours in a single week. Policies and procedures that detail when overtime can be incurred and that require prior written approval and justification of overtime can help minimize overtime costs.



The Library's collective bargaining agreement (contract) with its employees states that the normal work week is 40 hours, comprising five eight-hour days. According to the contract, overtime is defined as any work in excess of the normal work week and will be paid at the rate of time and one-half. The contract specifically states that overtime applies to full-time employees. However, it has been the Library's practice to pay its part-time employees overtime at the rate of time and one-half for work in excess of 20 hours in a work week. In 2013, the Library incurred \$63,091 in overtime paid to 19 employees.<sup>2</sup> Of this amount, \$25,133 was paid to 12 part-time employees, despite there being no contractual authorization for part-time employees to work overtime.

Before working overtime, employees are supposed to obtain approval from either the Director or their supervisor using the Library's "Change of Schedule" request form. We reviewed the overtime records for all part-time employees and found that employees did not submit the required Change of Schedule request form for \$8,048 of the \$25,133 in overtime paid (353 of 1,041 overtime hours worked) and that, while employees did submit the required forms for another \$13,222 (477 hours) of paid overtime, these forms were not approved by the Director or a supervisor. Librarians told us that they did not know who should approve their overtime after the Director left in July 2013 because the Board did not designate an alternate approver. Without the Board implementing and enforcing proper overtime control procedures, including pre-approval and justification for overtime, there is an increased risk that the Library will incur unnecessary costs.

## **Library Programs**

The Board adopted a policy that requires it to approve any program that costs over \$100. Each program should have a connection to the materials and services that the Library provides. The Director is responsible for signing contracts, on the Library's behalf, with each Board-approved paid performer/presenter providing a program. All performers/presenters must submit a "Meeting Room Application" at least one week before they plan to use the Library facility. Programs presented at the Library may not serve as a forum for private profit or commercial gain because the Board does not want to give the appearance of endorsing any presenter's business or enterprises. To that end, if the Library chooses to provide gifts or prizes to program participants, these items should not give the appearance of endorsing any business. Instead, the gifts or prizes should be related to promoting the use of Library materials and services.

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<sup>2</sup> The 19 employees comprise eight part-time pages, six librarians (four full-time and two part-time), three library clerks (one full-time and two part-time), a principal clerk and the Clerk-Treasurer.

In 2013, the Library presented various programs at a cost of \$82,002. We found that the Board did not approve several 2013 programs and did not approve all programs costing over \$100. We reviewed expenditures totaling \$15,638 related to 12 programs held in 2013<sup>3</sup> and determined that the Board had not approved eight of the programs representing \$12,118 of the program expenditures. When the Library presents a program without Board approval, this increases the Library's risk of incurring inappropriate or excessive expenditures. Furthermore, while the Director or another Library official signed contracts with each of the 29 performers/presenters involved in these programs, 12 of the performers/presenters, who received \$6,900, did not sign their respective contracts. By not ensuring that the performers/presenters sign their contracts, there is a risk that the Library may not receive the services desired at the agreed-upon price.

In addition to the Board not approving all programs, one of the eight programs presented without Board approval, a girls' empowerment program costing \$1,387, included a competition in which the girls (ages 12 to 16) who participated received \$50 gift cards to stores including Victoria's Secret, Pink by Victoria's Secret, Foot Locker and Adidas. Although Board members stated that the purpose of distributing gifts to patrons is to promote Library services, these gift cards could give the appearance that the Library is endorsing these businesses, which conflicts with Library policy.

Finally, we found that a former Board member inappropriately used the Library as a temporary location for a summer camp operated by the youth foundation for which this individual is the chief executive officer. Library records show that the foundation listed the Library as the location for registration, at a cost of \$350 per student, for a summer camp to be held at another location. Subsequently, when the original camp location was not available, this former Board member moved the camp to the Library for five calendar days of the six week program. Although this former Board member claims that each of the other Board members was called individually to obtain their approval to hold this program at the Library, there is no documentation to support this. This individual also did not submit the required Meeting Room Application to gain approval for use of the Library. By circumventing Library procedures for program approval and use of Library facilities, this former Board member violated the Library's policy which precludes using the Library facility for private profit or commercial gain, in addition to giving the appearance of the Library endorsing this foundation. By using the Library without completing the required application, there was also risk that the summer camp used the Library when it was needed for an approved program that

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<sup>3</sup> See Appendix C for more detail on our sample selection

had permission to use that same space. Furthermore, the Library's insurance may not have provided coverage for the participants of the summer camp.

By not enforcing the Library's program policy and allowing programs to use the Library facility without Board approval, the Library could give the appearance of endorsing businesses or other enterprises. In addition, there is an increased risk that the Library could incur excessive and unnecessary costs.

## **Travel and Conferences**

New York State General Municipal Law allows libraries to pay for actual and necessary expenditures for travel, meals, lodging and registration fees incurred by authorized library officials or employees attending conferences or conventions. As a rule, conference travel must be for official business, and, for conference expenditures to be considered actual and necessary, an expenditure must have been made and incurred out of necessity, and the amount of the expenditure must be no greater than reasonably possible. To ensure travel-related expenditures are legitimate Library costs, the Board should establish a travel and conference policy and monitor compliance with it. It is important that the policy give clear and specific guidelines with respect to attendance and associated costs for conferences in order to minimize the risk of excessive expenditures of public funds.

During our audit period, the Library spent \$14,318 for the Board to attend four conferences or conventions in Washington, DC; Chicago, Illinois; Buffalo, New York; and Birmingham, Alabama. The Board did ensure that it incurred only actual, necessary and reasonable expenditures at three of the four conventions attended. However, we question whether expenditures of \$8,500 for the trip to Birmingham by five individuals in September 2013 were valid expenditures of taxpayer dollars.

Four Board members<sup>4</sup> and one Board member's relative traveled to Birmingham on September 12, 2013 and returned to New York on September 16, at a cost of \$8,500, at the request of a pastor who had spoken at a Library program. These expenditures included \$4,222 for hotel rooms for the four Board members and a Board member's relative,<sup>5</sup> plus additional expenditures for the four Board members of \$2,972 for air fare, \$1,125 for meal allowances and \$181 for tickets to a museum. The Board told us that the pastor had required their attendance at a particular service in 2013 as a condition of his agreeing to be the keynote speaker at a Library program in January 2011. However, this quid pro quo agreement is not included in the

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<sup>4</sup> One of these four individuals is no longer on the Board.

<sup>5</sup> The Library paid \$324 toward a hotel room for the Board member's relative.

contract for the pastor’s speaking engagement, nor is there any documentation other than a 2013 letter from the pastor indicating his church “would be honored” if the Board members would attend this particular service.

Subsequent to our field work, the Board President<sup>6</sup> provided us with additional documentation<sup>7</sup> implying that, instead of a quid pro quo agreement, this travel to Birmingham was related to preparing for a Library program planned for March 2014. This documentation included a first-person account from a former Board member’s experience at conference events that was written only upon our request for documentation and was dated September 20, 2014. The Board could not provide the official minutes documenting when this was presented to the Board. Therefore, we question whether this documentation provides clear evidence that the Board’s travel was for a legitimate Library purpose.

Although Library officials requested the Board member reimburse the Library for the cost of the relative’s hotel room, the Board member did not comply with this request. We question the necessity and reasonableness of sending four Board members to Birmingham at a cost of \$8,176 when there is no clear indication that this was legitimately related to official Library business.

The Board’s failure to ensure that travel by its members was for legitimate business purposes, actually and necessarily incurred, resulted in the Library paying \$8,500 in questionable travel costs.

## Inventory

Good financial practices require that management maintain proper records of their assets and equipment and perform a periodic physical inventory. Accurate and complete inventory lists help to ensure that inventories are accounted for properly. A detailed inventory record should include a description of each item, including make, model and serial number; the name of the employee to whom the equipment is assigned, if applicable; the physical location of the asset; and relevant purchase or lease information, including the acquisition date. The items should be periodically examined to verify their condition and ensure they have not been stolen or misappropriated. Library officials cannot properly track and protect assets and equipment if they do not know what assets and equipment the Library has and where each item resides.

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<sup>6</sup> This Board President served in that position from August through December 2014.

<sup>7</sup> The additional documentation, received in October 2014, included a calendar of events for February through May 2013, a list of events scheduled for the week that the Board was in attendance, a Birmingham press release on these events, a first-person account of a former board member’s attendance and a flyer for the Library’s March 8, 2014 event.

We found the Library does not have an accurate and complete inventory record. Further, Library officials informed us that they suspect equipment purchased for Library purposes is missing. As a result, we obtained a list of claims for the most recent purchases of highly moveable equipment. From these claims we selected five laptop computers, valued at a total of \$8,495 that were purchased in 2011 and assigned to the Board.

- Three of the five Board members<sup>8</sup> were able to produce their assigned laptops.
- The laptop assigned to one Board member was not in the Board member's possession. The laptop had been reported stolen from a relative of the Board member in Charlotte, North Carolina. The Board member provided the police report for this event. The three Board members in possession of their laptops told us that they were unaware of this theft.
- The other Board member<sup>9</sup> alleged that the laptop had been stolen from this Board member's home within days of the laptop being assigned to the Board member. However, this Board member did not report this to the police. The three Board members in possession of their laptops told us that they were unaware of this theft.

Without a complete and accurate list of equipment and other assets, and without a periodic reconciliation to ensure that items are available at the Library, Library officials cannot be assured that these assets are adequately accounted for and protected from loss, theft, misuse and obsolescence.

## Recommendations

The Board should:

1. Adopt and enforce formal overtime policies and procedures that include defining overtime eligibility for full-time and part-time employees, providing justification and obtaining pre-approval for all overtime and clearly indicating the officials who should be approving overtime and in what form.
2. Enforce its program policy, including Board approval of all programs costing more than \$100, obtaining contractual agreements with performers/presenters and requiring the submission of applications to use the Library facility.

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<sup>8</sup> One of these three individuals is no longer on the Board.

<sup>9</sup> This individual is no longer on the Board.

3. Ensure that an authorized Library official and all performers/presenters providing programs at the Library sign their respective contracts.
4. Ensure that any gifts provided to Library patrons and program participants promote the use of the Library's materials and services.
5. Review the questionable travel payments identified in this report and consider seeking reimbursement for any costs that were not actual and necessary expenditures for legitimate Library business.
6. Approve travel to attend conferences or conventions for official Library business.
7. Establish a comprehensive inventory policy that clearly defines its objectives concerning the duties, records and procedures required for protecting the Library's inventory of equipment and other assets. The policy should:
  - Establish guidelines for maintaining records, physically securing assets and restricting access to and use of Library equipment.
  - Document procedures governing acquiring, transferring and disposing of Library equipment and other assets.
  - Include a requirement for the periodic reconciliation of inventory lists to establish the condition of assets and ensure that items have not been lost or stolen.
  - Investigate the circumstances surrounding the missing laptop computers and seek reimbursement, if appropriate.

## Consulting Services

When a Library hires independent contractors to provide services, it should do so based on contractual agreements that clearly indicate the contract period, the services to be provided and the basis for compensation for those services. Furthermore, Library officials should examine the business relationship between the Library and the contractor when entering into such contracts to ensure that the Library correctly establishes that the individual is an independent contractor and not an employee. This is important because, among other things, the Library must generally withhold and report appropriate federal and State taxes for its employees, but not for independent contractors. Also, employees would be eligible for participation in the New York State and Local Retirement System (NYSLRS). In determining whether an individual providing a service is an employee or independent contractor, Library officials must consider all information that provides evidence of the degree of control and independence. The United States Internal Revenue Service (IRS) and NYSLRS provide guidance in correctly classifying workers as employees or independent contractors.

The Library engaged a senior account clerk as an independent contractor while it appears that this individual was actually an employee. As senior account clerk, this individual's responsibilities included monitoring staff attendance, preparing bank reconciliations and processing cash disbursements and payroll. When the Nassau County Civil Service Commission did not schedule the examination the senior account clerk needed to take, the Board took action in January 2009 to have the Library's accounting consultant hire this individual so that this individual could continue to work at the Library in the same role the individual had been performing as a Library employee.

The Board also installed computer equipment at this individual's home so that this individual could remotely access the Library's computer system to perform assigned functions. The contract detailing this individual's duties and responsibilities includes the stipulation that the individual perform all work at the Library, where the individual used Library materials and equipment, except for Fridays, when the individual worked from home on Library-provided equipment. As a consultant, this individual also had the discretion to approve or deny a Board member's request that this individual prepare a check for a particular purpose, based on the sufficiency of support received for the request and whether it was a Board-authorized expenditure. In more than six years, the Library did not fill the position of senior account clerk. Instead, the Library used this consultant in that capacity.

This individual did not meet the majority of the IRS or NYSLRS criteria, including independence and degree of control, for classification as an independent contractor. Therefore, this individual should likely have been treated as an employee. For example:

- This individual performed routine and essential functions for the Library.
- This individual used office space, materials and equipment provided by the Library.
- This individual did not normally provide the same or similar services to the public or to other employers. (Since being hired by the accounting consultant, the Library had been this individual's sole assignment.)
- This individual's assignment appeared to continue indefinitely. The arrangement had already been in place for six years, with no expectation that it would end.

If the Library incorrectly classifies an employee as an independent contractor, it can be held liable for employment taxes for that worker and possibly be assessed a penalty. It could also complicate issues such as liability for workers' compensation.

## **Recommendation**

8. The Board should carefully review, with consultation from the Library's counsel, the employment status of any individual considered an independent contractor to determine if they should more properly be designated as an employee.



## Claims Processing

The audit and approval of claims is one of the most critical elements of a governing board's duties and responsibilities. New York State Education Law (Education Law) requires the Board to audit all claims against the Library to ensure that they represent actual and necessary Library expenditures. The authority to approve vouchers submitted for payment may not be delegated to a single Board member. The Board must adopt a resolution approving the audited claims that documents the range or number of claims audited and the total dollar amount approved. The Board must also sign and transmit to the Treasurer an order directing the Treasurer to pay the claims specified in a warrant<sup>10</sup> that have been audited and ordered paid by the Board. The Treasurer should not pay claims prior to the Board's approval except for those claims that are exempt from this requirement and which the Board has authorized the Treasurer to pay.<sup>11</sup>

As custodian of all Library moneys, the Treasurer is also responsible for disbursing all moneys and is authorized to sign all checks issued on the Library's behalf. Education Law and the Special Act creating the Library prohibit Board members from holding the office of Treasurer. The Board, at its discretion, may require that checks be countersigned by another Library officer, including a Board member. Each year at its organizational meeting, the Board authorizes the Treasurer to sign checks on the Library's behalf, with any Board member providing a countersignature.<sup>12</sup>

The Board did not have adequate controls over the disbursement process and did not audit and approve claims before payment. The Library routinely pays claims outside of the normal disbursement process and relies on its consulting clerk to approve these claims, thereby increasing the risk of improper payments. Furthermore, Board members inappropriately signed checks as the primary signatory in place of the Treasurer, instead of providing countersignatures as provided in the Law. By usurping the Treasurer's disbursement functions, the Board has diminished an important segregation of functions designed to help ensure that Library funds are properly expended. Finally, the Board did not audit and approve claims before they were paid. As a result, 52 of 55 checks cleared the bank before the

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<sup>10</sup> A warrant is a listing of all claims against the Library, which is provided to the Board for approval.

<sup>11</sup> The Board may, by resolution, authorize the payment of public utility services, postage, freight and express charges prior to audit and approval. However, these claims must be subsequently audited by the Board.

<sup>12</sup> A countersignature is a second, or additional, signature on a document that has already been signed.

Board approved the warrants containing those claims. In addition, 29 of the 55 claims we reviewed were paid without an invoice attached.

Authorized Signatures – In 2013, the Library paid claims totaling \$1,719,290. Although the Treasurer is responsible for disbursing all Library moneys, the accounting consultant actually processes all claims against the Library and approves them for payment. Twice per month, after the accounting consultant has processed and approved the claims, the consultant acting as senior account clerk<sup>13</sup> (consulting clerk) prepares a warrant and prints the checks. A Board member then reviews the vouchers and signs the checks before finally presenting checks to the Treasurer for her signature. The consulting clerk informed us that she also routinely processes checks to pay claims outside of the normal semi-monthly cycle, at the instruction of individual Board members. These checks are most often for Board travel and expenditures related to programs sponsored by the Board member requesting payment.

We reviewed 55 claims totaling \$312,325 and found that the checks for 29 of these claims, totaling \$48,581, were processed outside of the normal semi-monthly cycle. Furthermore, checks for program expenditures were generally signed by the Board members sponsoring the respective programs. For example, four checks totaling \$2,070 paid various performers/presenters for services related to a dance program. These checks were processed outside of the normal cycle at the instruction of the sponsoring Board member, who then signed the checks despite there being no supporting invoices or other documentation to show that the Library actually received these services. The Treasurer later countersigned these checks.

In addition, we found that six of the 55 claims, totaling \$16,744, contained checks signed by two Board members with no Treasurer's signature. These included two claims for Board member travel expenditures and claims for building maintenance, the Library's attorney, security services and food for a Library program.

Routinely processing checks outside of the normal process greatly increases the risk of the Library making payments that are not for actual and necessary expenditures. Moreover, by allowing its members to sign checks as the primary, or sole, signatory, the Board allowed Board members to, in effect, also act as Treasurer for the purpose of disbursing Library funds, which is prohibited by law. By usurping the Treasurer's disbursement functions, the Board has diminished an important segregation of functions and compromised

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<sup>13</sup> See the report section entitled "Consulting Services"

an internal control that is designed to help ensure that Library moneys are properly expended.

Audit of Claims – The Board does not audit claims against the Library before being paid to ensure that the claims are properly supported and represent actual and necessary Library expenditures. Library officials explained that a single Board member will review a particular claim before signing it.<sup>14</sup> This review occurs after the accounting consultant has already reviewed the claims. In addition, because the Board has not appointed the accounting consultant as claims auditor, which would delegate this authority to the accounting consultant, the Board is still responsible for conducting a thorough audit of each claim prior to approving it for payment. The Board may not delegate its authority to approve vouchers submitted for payment to any one of its members.

Our review of the 55 claims showed that the Library paid 52 of the claims,<sup>15</sup> totaling \$311,725, that cleared the bank before the Board approved the respective warrants. For example, a check for \$22,215 payable to a furniture company cleared the bank on March 1, 2013. However, the Board did not approve the warrant containing this claim until March 5, four days later. Another check for \$8,250 payable to the accounting consultant cleared the bank on July 1, 2013. The Board did not approve the warrant containing this claim until September 3, more than 60 days later. In addition, we found that 29 of the 55 claims did not have invoices or other documentation attached to support that these represented services that the Library had actually received. The Board's failure to adequately audit claims and approve the warrants prior to the Treasurer making payments on the claims creates a significant deficiency in the Library's claims processing procedures. The lack of adequate controls results in an increased risk that improper payments could be made or that errors or irregularities could occur and remain undetected and uncorrected.

## Recommendations

The Board should:

9. Discontinue allowing its members to sign Library checks as the primary and sole signatory.
10. Ensure that the Treasurer signs all Library checks as the primary (i.e., first) signatory, after audit and Board approval of the claims.
11. Discontinue the practice of requesting payments be made outside of the normal check cycle.

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<sup>14</sup> A board member reviews the claim for which he or she is signing the check.

<sup>15</sup> Although there was indication that the accounting consultant had reviewed 33 of the 55 claims, he did not date his reviews, so we could not verify that these reviews took place before the claims were paid.

12. Ensure that it audits and approves all claims, other than those exceptions allowed by Education Law, before the Treasurer pays the claims.

## **APPENDIX A**

### **RESPONSE FROM LIBRARY OFFICIALS**

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

We received a number of attachments from Library trustees which we did not include with the Library's response. It is the Office of the State Comptroller's policy to request a single response and to include this response in our final report. Therefore, we have included only the letter we received from the Board President, the Library's chief executive officer, as the Library's response. This response adequately addresses the Library's concerns related to this audit.



**Board of Trustees**

Lauren R. Taylor, President  
Bola Majekodunmi, Ph.D, Vice President  
Wilton Robinson, Jr.  
Francis S. Abel, Jr.  
Reverend Doctor Jerome Taylor

**ROOSEVELT PUBLIC LIBRARY**

27 West Fulton Avenue, Roosevelt, New York 11575

Telephone: (516) 378-0222

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VIA FAX AND REGULAR MAIL

January 12, 2015

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

Dear Mr. McCracken:

This letter and accompanying documents shall constitute the written response of the Roosevelt Public Library (the “Library”) to the draft findings of the recent audit conducted by your office of the Library, entitled “*Board Oversight of Library Operations, Report of Examination 2014M-297*” (the “Audit”).

The Library appreciated the efforts of the team members from your office assigned to perform the field work for the Audit and we were pleased to cooperate with them during this process. We also appreciated the opportunity to participate in an exit conference with you and your staff on December 16, 2014 at your office.

As you are aware, the Audit is focused on the broad areas of board oversight, consulting services and claims processing. In addition to the following that addresses these areas, we request that the document be reviewed for both gender-neutrality and identity-neutrality.

**The category of board oversight was divided into four sub-categories for purposes of your analysis: overtime, library programs, travel and conferences, and inventory.**

Overtime

1. All compensation paid for overtime during 2013 represented hours actually worked by our staff (both full-time and part-time employees).

2. The total overtime paid to staff in 2013 amounted to less than 10% of the overall wages paid to our employees, which percentage we believe to be well in line with appropriate management and fiscal practices for a public library.
3. The observation was made that 12 part-time Library staff members worked overtime hours, in addition to their regular schedules. It is important to note that most of these employees are Pages and, as such, are not covered by the existing collective bargaining agreement with CSEA and thus are not subject to the full-time/part-time distinction set forth in such agreement (see attachment "A").
4. In connection with approval of overtime, the Library acknowledges that use of the "Change of Schedule" form for the purpose of authorizing overtime should apply in all cases. The proper procedure should be supervisor's approval/signature, counter-signed by the Director or equivalent.

See  
Note 1  
Page 24

Library Programs

1. In general, Board oversight of programs has improved significantly in 2014, as compared to the audit period of 2013. Today, each proposed program is referred by a professional staff member to the Board, with written details as to content, purpose, presenter, budget, etc. and then voted on publicly by the Board in either a regular or special meeting (as an example, see attachment "B"). The Library is confident that significant strides have been made over the past year to tighten up this area and is committed to continuing these improvements.
2. The Library agrees that modest gifts or prizes given to participants as part of certain Library programs should promote the Library and its services. Please note that in connection with the "Girls Empowerment Program", all educational, informational and reading materials given out (e.g., anti-bullying, anti-child abuse, mentoring, etc.) were placed in a Roosevelt Public Library tote bag.
3. Further with respect to the "Girls Empowerment Program", the Library wishes to clarify that certain gift cards provided to participants were absolutely intended to be used for the purchase of pajamas, sleepwear and related items appropriate for girls.
4. With respect to the summer camp, please note our due diligence indicates that the temporary use of the Library totaled five calendar days of the six-week program, not two weeks. The Library is sensitive to avoiding the appearance of any on-premises activity being used for private profit or commercial gain, as well avoiding the appearance of endorsing participation in any such activity.

See  
Note 2  
Page 24

See  
Note 3  
Page 24

Travel and Conferences

1. With respect to the Birmingham, AL conference, the Library strongly and respectfully disputes the conclusion of the audit. It is clear that the presence and participation of Library Trustees at this important commemorative and educational event was in

furtherance of planning the Library's program "50 Years Forward at Roosevelt Public Library", which was modeled on the Birmingham experience. This Library program was held, the trip and the program were discussed in detail at meetings of the Board for the benefit of the public, they were publicized in the Library newsletter, and the Library benefitted from both the continuing relationship with the Birmingham Pastor, as well as the relationship that this experience helped build between our two communities.

See  
Note 4  
Page 24

2. The Library is seeking and anticipates recovering the \$324 unintentionally paid for a hotel room for a relative of a Trustee who attended the Birmingham conference.

### Inventory

1. The Library maintains two sub-inventories (technology and furniture/fixtures/equipment for the recent capital project), but agrees that a master inventory is necessary and represents best practice. By recent Resolution, the Board has authorized and directed the issuance of a request for proposals (RFP) for an inventory consultant to undertake this task. Accordingly, we anticipate a contractor to perform this work will be put into place during the first quarter of 2015.
2. With respect to laptops issued to Trustees for Library business, each Trustee executed a form acknowledging receipt of the equipment and, thereby, responsibility for such equipment (see attachment "C").

See  
Note 5  
Page 24

See  
Note 6  
Page 24

### Recommendations of OSC

The Board is in agreement with recommendation #s 1 through 7, subject to the foregoing additional information, comments and clarifications.

**The category of consulting services was presented in the audit as a single category.**

### Consulting Services

1. Largely in response to the audit, but also in furtherance of Board discussions over the past several years, the arrangement under which an outside firm provided internal bookkeeping and payroll services to the Library, on an independent contractor basis, was terminated by Resolution of the Board, approved in a regular public meeting, on December 9, 2014.
2. With respect to the past arrangement, now ended, we offer the following clarifications and information:
  - The correct start date of the on-site person was January, 2009 (six years).
  - The on-site person supervised no Library staff (clerical or otherwise), but did occasionally work with a Library Page.
  - All work was supervised by the CPA who is the principal of the firm that employed the on-site person.

See  
Note 7  
Page 24



- The on-site person was not a Library employee and did not report to supervisors or managers of the Library.
- The Library did not control the work location of the on-site person. In point of fact, we are advised that the individual also worked from a home office and performed work for other clients of the firm, from time-to-time.
- The computer equipment referred to was solely for the purpose of enabling access to the Library's "secure line" and was second-hand ("used") equipment that permitted such access.

Recommendation of OSC

The Board accepts the basic premise of recommendation #8, subject to the foregoing additional information, comments and clarifications, and with the understanding that the issue has been resolved by the termination of the subject services.

**The category of claims processing was presented in the audit as a single category.**

Claims Processing

1. A new process was established during 2014 which sets forth in detail the procedure for claims processing and payment. The process was established by formal Resolution of the Board (see attachment "D"). The Library has adhered carefully and closely to this new process since it was enacted and is confident it provides the necessary controls and addresses the concerns articulated by your office. This updated process specifically takes into account the audit of claims by Trustees.
2. The Library agrees that the Treasurer should function as the primary (i.e., "first") signatory on all Library checks.

Recommendations of OSC

The Board is in agreement with recommendation #s 9 through 12, subject to the foregoing additional information, comments and clarifications.

In conclusion, once again, we appreciate the efforts and cooperation of your office.

Very truly yours,

BOARD OF TRUSTEES  
ROOSEVELT PUBLIC LIBRARY

By: \_\_\_\_\_

Lauren Taylor, President

## APPENDIX B

### OSC COMMENTS ON THE LIBRARY'S RESPONSE

#### Note 1

The Library did not have an agreement in place with the Pages that authorized Pages to work or be paid overtime.

#### Note 2

Although this may have been the Library's intention, the Library has no control over what is purchased with the gift cards.

#### Note 3

We have amended our report to reflect that the camp operated in the Library for five calendar days.

#### Note 4

After requesting this documentation on multiple occasions, the Library was unable to provide us with any such newsletters or minutes of Board meetings.

#### Note 5

During our audit, we found no evidence that the Library maintained any inventory records.

#### Note 6

These acknowledgement forms did not identify the assigned laptops by serial number or any other method, nor did they notify the Board members of accountability for loss or misuse of the laptops.

#### Note 7

We amended our report to reflect January 2009 as the start date.

#### Note 8

As stated in our report, the on-site person did not normally provide the same or similar services to other clients. Furthermore, this individual's employment contract with the accounting consultant, dated January 1, 2012, states that all work will be performed at the Library four days per week, Monday through Thursday, and at home on Friday, "handling work related to the Roosevelt Public Library only."

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

We interviewed appropriate Library officials to obtain an understanding of the organization and the accounting system and reviewed pertinent documents, such as Library policies and procedure manuals, Board minutes and financial records and reports. Further, we reviewed the Library's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we evaluated the Library's internal controls for the risk of potential fraud, theft or professional misconduct. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected Board oversight, consulting services and claims processing for further audit testing. To accomplish the objectives of this audit and obtain valid audit evidence, our procedures included the following:

- We reviewed Library policies regarding overtime, Board travel, inventory, Library programs and claims processing.
- We obtained an understanding of the Library's control environment and specific controls that are relevant to overtime, Board travel, Library programs, inventory, consulting services and claims processing.
- We interviewed Library officials and employees.
- We reviewed the 2013 Board minutes for resolutions relating to check-signing authority, approval of programs, Board travel and the audit and approval of claims.
- We reviewed overtime summary sheets, payroll records and payroll change sheets for all part-time employees who worked overtime to determine if overtime was approved in advance.
- We reviewed all vouchers and claims related to Board travel for 2013.
- We obtained a list of claims for the most recent purchases of highly moveable equipment. From these claims, we selected five laptops that were assigned to the Board, purchased in 2011 and valued at a total of \$8,495. We verified their existence through observation and other pertinent documents, including police reports.
- We reviewed the Library's contracts for consulting services and interviewed the accounting consultant individual providing consulting services on-site and Library officials and employees to determine whether the individual in question was properly classified as an independent contractor instead of an employee.
- We judgmentally selected 55 claims totaling \$312,325, including 40 claims totaling \$15,638 for program related expenditures, to determine if:

- o Claims were audited and approved before the Treasurer paid them.
- o Claims contained sufficient supporting documentation, including invoices.
- o Claims represented actual and necessary Library expenditures.
- o The Treasurer signed all checks as the primary signatory and if appropriate countersignatures were present.
- o Claims for program-related expenditures contained the appropriate approvals, Meeting Room Applications and contracts for service signed by both a Library official and the performer/presenter.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX D

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**OFFICE OF THE STATE COMPTROLLER**  
**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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