



Walworth-Seely Public Library Board Oversight

Report of Examination

Period Covered:

January 1, 2012 — January 14, 2015

2014M-260



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Trustees 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 Walworth-Seely Public Library, entitled 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 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 Walworth-Seely Public Library (Library) is located in the Town of Walworth (Town) in Wayne County and operates out of a portion of the Town Hall. The Library's services include the lending of books, DVDs and audio CDs and various other community services such as children's programs and adult education programs, available to residents of the Town.

A seven-member Board of Trustees (Board) governs the Library and is primarily responsible for the general oversight of the Library's financial affairs and the safeguarding of Library resources. Trustees are appointed by the Town Board.¹ The Board-appointed Library Director (Director) is the executive and administrative officer of the Library and is responsible for the day-to-day management of the Library, including the management of staff and initiating most library purchases. As of August 29, 2014 the Library Director resigned and the Board appointed the Assistant Library Director as acting Director on August 30, 2014. The Board-appointed Treasurer is custodian of all Library funds.

The Library's expenditures for the 2014 fiscal year were \$229,392, which were funded primarily with Town and County grants, tax levies from two school districts and fines and fees collected from Library patrons. The Library is part of the Pioneer Library System (PLS).² PLS administers a computerized integrated library system and supports its member libraries by providing services such as maintaining computer databases of the Library's inventory of materials on hand for loan, patron borrowing histories, fines and fees paid and outstanding account balances.

Objective

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

- Did the Board exercise sufficient oversight to ensure that Library resources were adequately safeguarded?

¹ However, in the event of a Board member vacancy, the remaining Board members may appoint a replacement to fill the remaining five-year term.

² PLS is a New York State chartered cooperative library system, serving the 42 public libraries in Ontario, Wayne, Wyoming and Livingston Counties, created to enhance the service of and promote cooperation among its member libraries.

**Scope and
Methodology**

We examined the Library’s financial operations from January 1, 2012 to January 14, 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 is included in Appendix B of this report.

**Comments of
Local 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 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 Board to make this plan available for public review in the 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. The Board fulfills this responsibility, in part, by establishing 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. As custodian of all Library funds, the Treasurer is required to sign all disbursement checks. Allowing more than one person access to Library funds diminishes accountability and security. Additionally, no one employee should be able to conduct a transaction from start to finish.

The Board did not provide adequate oversight of the Library's financial operations. The Board gave the Director check signing authority up to \$999 per check. The Board adopted a credit card policy authorizing the Director to have custody, control and use of the Library credit card but did not effectively monitor the usage of the credit card and compliance with the credit card and procurement policies.

Check Signing Authority

The Treasurer alone is responsible for signing all disbursement checks after Board audit. The Library's bylaws require the finance committee³ to audit and approve the bills prior to directing the Treasurer to pay them. The proper audit of claims by the Board helps to ensure that each claim is itemized to indicate the nature of the purchase, that the purchase is for a valid and legal purpose and was properly authorized and approved, that the goods or services were in fact received and that the claim amount does not exceed available appropriations.

Contrary to the bylaws, which state the Treasurer is in charge of all moneys, the Board gave the Director check-signing authority and possession of a Library checkbook. The Director was authorized to sign checks for up to \$999 per check without prior Board approval. The finance committee only reviews the bills after payment is made. Because the Director is also able to initiate purchases,⁴ we reviewed all checks signed by the Director from August 2012 through December 2014. We found that purchases totaling \$8,108⁵ were reasonable and

³ The finance committee consists of a minimum of two Board-appointed trustees.

⁴ The Director's responsibilities include the care of the buildings and equipment, staffing and initiating the majority of Library purchases.

⁵ This includes 34 checks totaling \$7,615 signed by the previous Director and five checks totaling \$493 signed by the acting Director. Three of the 34 checks totaling \$190 were not on vouchers or included on the reviewed abstracts.

appropriate Library expenditures. Nonetheless, the Director's ability to sign checks while in the position to make purchasing decisions for the Library represents a lack of segregation of duties that places the Library at an increased risk of errors or irregularities occurring and not being prevented or detected in a timely manner. Furthermore, allowing more than one person access to Library funds diminishes accountability and security.

Credit Card

The Board may authorize Library officials to use credit cards for approved, actual and necessary Library expenditures. Effective internal controls over credit card use require the Board to establish a policy that describes the appropriate use of credit cards and the procedures for monitoring card use. It is important that the policy identify the individuals who are authorized to use the credit cards, describe the types of purchases allowed and stipulate the documentation required to support the purchases.

The Board approved the use of a single credit card and authorized the Director⁶ to have custody, control and use of the card. The Library adopted a policy governing the use of the credit card, which limits purchases to \$1,500 per billing cycle. The policy also states that the card's use must conform to the Library's procurement policy and procedures and generally requires the Director's (or designee) approval prior to any purchase being made.

Since credit cards can be used almost as easily as cash, their use has a high level of inherent risk. As the Director had control of the credit card, he could make purchases without prior approval from someone other than himself. This practice increases the risk that improper purchases could be made, because purchases may be made without pre-approvals. Therefore, we reviewed 24 monthly credit card payments totaling \$29,160 to determine if the purchases were made in compliance with the credit card and procurement policies. We found that credit card claims were generally itemized and supported with receipts or invoices. However, we identified eight instances totaling \$15,534 where the Director exceeded the \$1,500 purchasing limit. For example, the Director purchased a 3-D printer and accessories totaling \$1,731. The procurement policy requires that purchases between \$1,000 and \$2,000 be made after the Director receives and documents three oral bids. If other than the lowest bid is accepted, the Director must state in writing to the Board the reasons why the lowest bid was not selected. There was no evidence to show that three oral bids were obtained prior to making this purchase.

Although we found that the credit card purchases were for proper Library purposes, by not pre-approving the Director's credit card

⁶ The Director is the only approved user of the credit card.

purchases and ensuring compliance with the procurement policy, the risk remains that the Library may pay for inappropriate purchases or more than necessary.

Recommendations

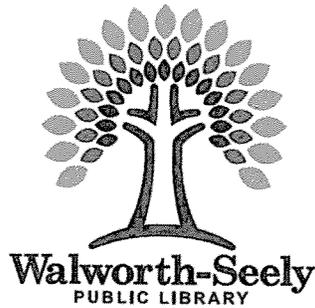
The Board should:

1. Rescind the Director's check signing authority.
2. Ensure that all credit card transactions are subject to the same purchasing policies and procedures and controls as all other Library purchases.
3. Require an independent review and preapproval of the Director's purchases.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



February 26, 2015

Edward V. Grant Jr., Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608

Dear Chief Examiner Grant,

I would like to thank you and your staff for the careful consideration taken in the Board Oversight Examination for the period of January 1, 2013 through January 14, 2015 performed for the Walworth-Seely Public Library. The Walworth-Seely Public Library Board of Trustees truly care about the library and the services it provides for the community. The board recognizes this examination as an asset that will assist us in continuing to provide these services to meet our community's needs and expectations.

The Walworth-Seely Public Library Board Oversight Examination Report contains accurate information during the time of review and comprehensible recommendations. Over the last two years the OSC has performed their review, the library board and staff have noted any issues brought up by our auditors and then reviewed the financial operations which are addressed in the report. By the end date of this review some policy alterations have already taken place, and procedures have been implemented to provide more accountability and financial security for the library.

As our exit interview occurred between library board meetings we will be reviewing and addressing any further policy changes at our upcoming meeting on March 12, 2015. We will state the changes we have made in our Corrective Action Plan (CAP) to follow this letter next month.

Sincerely,

Tammie J Corso
President, Walworth-Seely Public Library Board of Trustees

Walworth-Seely Public Library
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<http://www.walworthlibrary.org>

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by the Board to safeguard Library assets. To accomplish this, we performed an initial assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: payroll, purchasing, claims processing, cash management, performed cash counts and information technology.

During the initial assessment, we interviewed appropriate Library officials, performed limited tests of transactions and reviewed pertinent documents such as Board minutes and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected controls over financial operations for the period January 1, 2012 through January 14, 2015. To accomplish the objective of this audit and obtain relevant audit evidence, our procedures included the following:

- We interviewed Library officials, trustees and staff involved in financial transactions.
- We reviewed the Library's bylaws, Board meeting minutes and policies.
- We selected all cash disbursements from the Director's assigned checkbook during our audit period to determine if they were for legitimate Library purposes. We also tested a sample of cash disbursements for supporting documentation to determine if purchases were reasonable.
- We reviewed all credit card statements from January 2012 through December 2014 to determine if the purchases were legitimate Library expenditures.
- We reviewed all payments made to the Director to determine if they were properly documented and were reasonable.
- We traced a sample of 20 claims from voucher to abstract to canceled checks to determine if there were any inconsistencies.
- We tested and reviewed 24 payments for the credit card during our audit period to determine if there was proper documentation and if purchases were reasonable and made in accordance with Board policy.

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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