



# Clarence Public Library

## Audit of Claims

### Report of Examination

Period Covered:

January 1, 2015 – September 20, 2016

2016M-355



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**

December 2016

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 Clarence Public Library, entitled Audit of Claims. 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 Clarence Public Library (Library) is located in the Town of Clarence (Town) in Erie County. The Library received its charter from the Board of Regents of the New York State Education Department in October 1969. The Library is governed by a seven-member Board of Trustees (Board), which is appointed by the Town Board. The Board is responsible for managing the Library's financial affairs and safeguarding its resources. The Library Director (Director) is appointed by the Board and is responsible for the Library's day-to-day management. The Board appoints a Treasurer and Secretary annually.

The Library is a member of the Buffalo and Erie County Library System (System) according to a written contract, which also contains the Library's annual budget. The System allocates a portion of its real property tax revenue to fund most of the Library's expenditures, including personal service costs, books, equipment and various utilities. According to the contract, Library revenue from fines and fees that exceed expenditures paid directly by the Library must be remitted to the System on an annual basis. Other revenues, as specified in the contract, are retained by the Library and used for miscellaneous expenditures, such as additional programs and presentations.

The Library directly paid expenditures totaling \$40,400 for the 2015 fiscal year and \$19,567 for the 2016 fiscal year through August. These expenditures were funded through revenues from fines, fees and donations. The Library also remitted \$22,398 of fine and fee revenue to the System in 2015.

## Objective

The objective of our audit was to review the Library's claims auditing process. Our audit addressed the following related question:

- Did the Board conduct an effective audit of claims?

## Scope and Methodology

We examined the claims audit process for the period January 1, 2015 through September 20, 2016.

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 agreed with our findings and recommendations and indicated they plan to take 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 Director's office.

## Audit of Claims

The Board should conduct a deliberate and thorough audit of claims prior to payment. Accordingly, the Board should ensure that each claim contains sufficient supporting documentation to determine whether they comply with Board-approved policies and are proper Library expenditures. Also, the Board should ensure that the Secretary documents its approval of claims in the Board minutes. Furthermore, the Board should designate an individual who is not involved in preparing or auditing claims, such as the Treasurer, to sign checks to pay claims. The Board also should adopt a comprehensive written claims audit policy that documents its claims auditing process and provides procedures for Library officials when processing claims.

The Board did not audit and approve claims prior to payment. The Library's bylaws do not address the requirement for an audit of claims and the Board did not adopt a written claims audit policy. The Director reviews and approves invoices and provides them to the Library's senior clerk, who then prepares checks. Checks require two signatures prior to payment, from the Director and the Board President. However, the Board President pre-signs blank checks and does not review the claims for which checks are written. In addition, the Board minutes did not indicate that the Board conducted an audit of claims. Internal controls are compromised when the same individual who reviews and approves claims for payment also signs the checks to pay those claims and when checks are pre-signed.

We reviewed 171 claims totaling \$59,967 to determine whether they were itemized, contained adequate supporting documentation and were proper Library expenditures. Other than a few minor exceptions that we discussed with Library officials, claims were generally properly itemized, had adequate supporting documentation and appeared to be for proper Library expenditures. The information on each claim agreed with the corresponding canceled check and was properly recorded in the Library's accounting records.

When the Board does not audit and approve claims prior to payment and allows the same individual who signs checks to approve the claims for payment, the Library has an increased risk that it could pay for goods and services that are not proper Library expenditures.

### Recommendations

The Board should:

1. Conduct a deliberate and thorough audit of claims prior to payment and ensure that the Secretary documents its approval of claims in the Board minutes.

2. Adopt a comprehensive, written claims audit policy.
3. Ensure that checks are signed only after the Board's audit and approval of claims for payment.

The Board President should:

4. Discontinue signing blank checks.

**APPENDIX A**

**RESPONSE FROM LIBRARY OFFICIALS**

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





December 7, 2016

Clarence Public Library  
Audit of Claims  
2016M-355

**This letter is in response to the recent audit at the Clarence Public Library. It also contains our Corrective Action Plan.**

The Board of Trustees of the Clarence Public Library has reviewed and agreed to the recommendations of the auditor.

As a result of the audit, which was performed at the Clarence Public Library for the period January 1, 2015 – September 20, 2016, several changes have been made.

**RECOMMENDATION: THE BOARD SHOULD CONDUCT A DELIBERATE AND THOROUGH AUDIT OF CLAIMS PRIOR TO PAYMENT AND ENSURE THAT THE SECRETARY DOCUMENTS ITS APPROVAL OF CLAIMS IN THE BOARD MINUTES.**

CAP: The Board will review invoices at Board meetings and approve payment. The Secretary of the Board will then enter this action into the minutes. Invoices will be numbered for the year.

**RECOMMENDATION: THE BOARD SHOULD ADOPT A COMPREHENSIVE WRITTEN CLAIMS AUDIT POLICY.**

CAP: The Board did accept a comprehensive written claims audit policy at the November 28, 2016 meeting. This policy will allow the claims auditor, the Board Treasurer, to examine and approve invoices, which will then be examined and approved by the Board at a later meeting. In this way, invoices will be paid in a timely manner. This is especially important when the Board does not meet for an extended period, specifically December, July and August.



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RECOMMENDATION: THE BOARD SHOULD ENSURE THAT CHECKS ARE SIGNED ONLY AFTER THE BOARD'S AUDIT AND APPROVAL OF CLAIMS FOR PAYMENT.

CAP: The Treasurer of the Board, as the claims auditor, will examine all invoices and mark each with her initials. These bills will then be paid in a timely fashion, with both Library Director and Board President signing each check as needed.

RECOMMENDATION: THE BOARD PRESIDENT SHOULD DISCONTINUE SIGNING BLANK CHECKS.

CAP: The Board President will not sign blank checks.

The Board did review and approve a draft of this letter at the November 28, 2016 meeting.

All recommendations have been reviewed and implemented by the Board of Trustees, as of our November 28, 2016 meeting, at the suggestion of the President of the Board, Judith Hilburger.

Signed:

Date:

12/07/16

Judith Hilburger  
President, Clarence Public Library Board of Trustees

cc: Jeffrey D. Mazula, Chief Examiner – Buffalo Regional Office



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## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Library officials to gain an understanding of the claims audit and approval process.
- We reviewed the Board's policies and minutes and the Library's bylaws.
- We reviewed all claims paid from January 1, 2015 through August 31, 2016 totaling \$59,967 to determine whether they were properly itemized, had sufficient supporting documentation and were proper Library expenditures.
- We reviewed canceled check images, accounting records and bank statements to determine whether those records were consistent with the claims.

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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