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February 2016

Gail Lynch-Bailey, President
Members of the Board of Trustees
Longwood Public Library
800 Middle Country Road
Middle Island, NY 11953

Report Number: 2015M-309

Dear President Lynch-Bailey and Members of the Board of Trustees:

A top priority of the Office of the State Comptroller is to help library officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support library operations. The Comptroller oversees the fiscal affairs of 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 assets.

In accordance with these goals, we conducted an audit of the Longwood Public Library (Library), which addressed the following question:

- Have Library officials managed bank accounts to safeguard assets and achieve optimal return?

The results of our audit have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Library officials generally agreed with our report. Appendix B includes our comment on an issue raised in the Library's response letter.

Background and Methodology

The Library is located in the Town of Brookhaven in Suffolk County. The Library is a school district public library that received a provisional charter from the New York State Board of Regents in 1953 and serves the Longwood Central School District's (District) residents. The Library is governed by a five-member Board of Trustees (Board) each of whom is elected by District voters. The Board is responsible for the general oversight of the Library's financial affairs and safeguarding its resources, which also includes overseeing Library bank accounts. A Board-appointed Library Director is responsible for day-to-day Library operations.

The Library's budgeted appropriations for the 2015-16 fiscal year totaled \$7.5 million, funded primarily with real property taxes. As of June 30, 2015 the Library had 15 bank accounts at two banks with deposits totaling approximately \$14.3 million.¹

We examined the Library's management of bank accounts for the period July 1, 2014 through June 30, 2015. We interviewed Library officials and reviewed Board minutes, Board policies, bank statements and other supporting documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix C of this report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit Results

The Board is responsible for managing and overseeing the Library's fiscal affairs to ensure that cash is properly safeguarded and invested. A sound program for protecting Library funds requires the Board to establish policies and procedures to maximize earnings on any money that is not required for operations. The investment of idle cash is an opportunity for Library officials to generate additional revenue. An effective and comprehensive investment policy requires officials to seek competition when acquiring banking services. Because banks continually refine their products and offerings, the Board should seek competition, such as issuing a request for proposals for banking services every three to five years to identify the most cost effective banking services to deposit funds and maximize interest. It is also important that the Board maintain the minimum number of bank accounts necessary for operations and consolidate accounts when feasible to minimize fees consistent with accounting and legal requirements.

We reviewed the Library's policies and procedures over the investment of cash. We also reviewed all the bank statements during our audit period to determine the amount of interest earned and the service fees charged. Except for minor discrepancies which we discussed with Library officials, officials generally managed cash effectively, monitored the interest earned and service fees charged to achieve optimal return, maintained a minimum number accounts required for operations and periodically sought competition for banking services.

We thank Library officials and staff for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

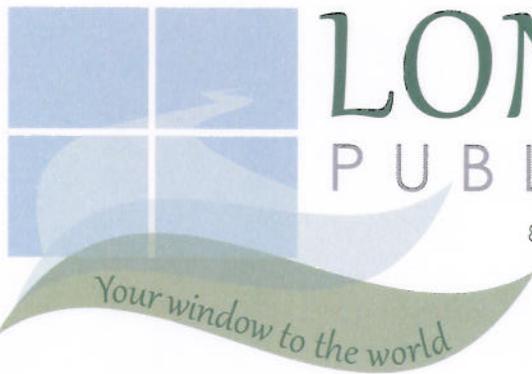
Gabriel F. Deyo
Deputy Comptroller

¹ Deposited funds included \$6.3 million in the building fund, \$5.2 million in the bond fund, \$2.8 million in the general fund and \$14,674 in the development fund.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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



LONGWOOD PUBLIC LIBRARY

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January 22, 2016

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

Re: Longwood Public Library

Report of Examination 2015M-309 for the period July 1,2014 through June 30, 2015

Dear Sir:

I am writing today in response to the Draft Report of Examination which the Longwood Public Library Board of Trustees received last week via email. This Draft Report was discussed with library administration and me at the exit conference with the comptroller's representatives, [REDACTED] on January 15.

The Board of Trustees wishes to express our appreciation for the time spent conducting this important audit of library financial functions. The library administration found the input of the Comptroller's representatives to be very helpful on the matter of the review of library practices and procedures.

The Board of Trustees agrees with the recommendation to seek competition for banking services in order to achieve optimal return on library assets and to issue an RFP for banking services in the future. In addition, the recommendation of consolidating bank accounts has already been implemented. To date, the number of accounts has been reduced to nine, and the Development Fund has been closed now that it has a zero balance.

See
Note 1
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The Board of Trustees expresses our appreciation to the Comptroller for these helpful recommendations. The Board views this process as an excellent opportunity to further the Library's commitment to its taxpayers to be fiscally responsible.

Sincerely,

Gail Lynch-Bailey, President

Suzanne M. Johnson, **Library Director**

Lisa H. Jacobs, **Assistant Director**

APPENDIX B

OSC COMMENT ON THE LIBRARY OFFICIALS' RESPONSE

Note 1

There are no written recommendations. The audit team communicated oral findings and recommendations to Library officials at the exit discussion.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Library officials, Board members and employees to obtain an understanding of the Library's banking practices and the necessity of each bank account.
- We obtained and reviewed the Library's investment policy to determine compliance with legal requirements and good business practices.
- We reviewed Board minutes to determine the designated depositories and other Board actions related to banking activities.
- We reviewed all bank statements issued during the audit period, including 150 monthly statements (three bank accounts were opened in November 2014 and two were opened in January 2015) and four quarterly statements to determine the amount of interest earned and service fees paid.

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.