



Hillside Public Library of New Hyde Park Claims Processing

Report of Examination

Period Covered:

July 1, 2015 – October 31, 2016

2017M-175



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2017

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 district 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 Hillside Public Library of New Hyde Park, entitled Claims Processing. 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 Hillside Public Library of New Hyde Park (Library) is a school district public library, which was created by a special act of the State Legislature in 1961 and is located in Nassau County. A five-member Board of Trustees (Board) governs the Library and is primarily responsible for overseeing the Library's financial affairs, including auditing all claims before approving them for payment. The Director, appointed by the Board, is the chief executive officer responsible for the Library's day-to-day administration. The Treasurer is the custodian of all Library funds.

The Library operates one building with 17 full-time and 22 part-time employees. Expenditures for 2013-14 and 2014-15 totaled \$3 million which were funded primarily with real property taxes, State aid and fines collected on overdue materials. Budgeted expenditures for 2015-16 were \$3.1 million. Each year, the Library submits a budget to the Town of Hempstead, which includes an appropriation for Library operations in its annual budget.

Objective

The objective of our audit was to examine the Library's claims process for the period July 1, 2015 through October 31, 2016. Our audit addressed the following related question:

- Did the Board develop an adequate process to ensure that claims were accurate, properly supported and for legitimate purposes to adequately safeguard assets?

Scope and Methodology

We examined the Library's claims process for the period July 1, 2015 through October 31, 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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

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 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 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.

Claims Processing

An effective claims processing system ensures that every claim¹ against the Library is subjected to an independent, thorough and deliberate review to determine if proposed payments are proper and valid charges. An effective claims process also ensures that claims contain enough supporting documentation to determine whether purchases made represent actual and necessary expenditures. New York State Education Law requires the Board to audit and approve all Library claims before directing the Treasurer to pay them.

A thorough claims audit also helps ensure that each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies. Each claim should be assigned a sequential claim number and included on an abstract (list) of claims presented to the Board for audit. The Board's approval of each abstract and the claims to be paid should be documented in the Board minutes. It is also important for the Board to determine whether the claims are properly itemized and supported and whether the goods and services described in each claim are actually received. The Board may not delegate the claims audit function to a Trustee.

The Board needs to improve its oversight of the claims process to make sure that transactions are accurate, properly supported and for legitimate purposes. During the audit period, the entire Board did not audit claims. Instead, the Director reviewed and initialed the claims then forwarded them to a Board-designated Trustee who audited all claims. The entire Board subsequently reviewed and approved the abstracts, which included a list and description of claims, the amounts claimed, the check date and number and vendor name. Any Trustee (other than the Trustee auditing the claims) could request to review individual claims, if there were questions about unfamiliar vendors or unusual claim amounts on the abstracts. After the Board approved the abstracts, the Treasurer signed the checks and paid the claims.

We reviewed 20 claims totaling \$36,496 paid during our audit period to determine whether the claims were properly approved for payment, supported by adequate documentation, such as itemized invoices and receipts, and if the claims were accurate and for valid purposes. These claims included purchases of audit services (\$8,500), adult programs (\$4,109), flag pole and lighting installation (\$3,604), library materials and service agreements (\$3,343), professional services (\$3,200),

¹ Claims are bills or invoices submitted by vendors requesting payment for goods or services.

maintenance and supplies (\$2,420), postage and printing (\$2,149), heating ventilation and air conditioner maintenance agreement (\$1,983), building supplies and material (\$1,876), accounting services (\$1,530), telephone equipment service contract (\$1,205), cleaning supplies (\$798), reimbursement to petty cash (\$659),² elevator maintenance (\$620) and a children's program (\$500). While our review did not disclose any inappropriate purchases, we identified the following deficiencies.

- Quotes or purchase orders were not attached to 17 claims totaling \$31,628 as required by the Board-adopted purchasing policy.
- Invoices were not attached to three claims totaling \$6,429.
- The Director did not approve 13 claims totaling \$27,143.
- A receiving report or evidence that the goods or services were received was not attached to 13 claims totaling \$23,259.

When the entire Board does not audit and approve all claims, there is an increased risk that the Library could pay for goods and services that are unauthorized, excessive or unnecessary. Additionally, when approved claims lack adequate detail or supporting documentation, there is an increased risk that payments may not be for legitimate purposes or the goods or services may not have been received.

Recommendations

The Board should:

1. Ensure that the entire Board conducts a thorough and deliberate audit of claims, ensuring that each claim contains sufficient supporting documentation before authorizing them for payment.

The Director should:

2. Approve all claims before submitting them to the Board for audit and ensure that quotes, purchase orders, detailed invoices and receiving reports are attached to each claim.

² The petty cash reimbursement claim included itemized expenditures that totaled \$659 for postage (\$63), maintenance (\$5) and purchases for children and adult programs (\$312 and \$279).

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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

HILLSIDE PUBLIC LIBRARY
of New Hyde Park

155 Lakeville Road
New Hyde Park, NY 11040
Charlene Noll – Director



Phone: 516-355-7850
FAX: 355-7855
<http://hillsidelibrary.info>

November 15, 2017

Office of the State Comptroller
State of New York – Hauppauge Regional Office
Division of Local Government & School Accountability

Hauppauge, New York 11788-5533

Attn: Ira McCracken, Chief Examiner

Re: Hillside Public Library
Response to Preliminary Audit Report:
Claims Processing, Draft Report of Exam. No. 2017M-175

Dear Mr. McCracken:

The Hillside Public Library Board of Trustees and Administration are in receipt of the above-referenced Draft Report of Examination.

First and foremost, we wish to express our appreciation for your efforts, and for the efforts of your auditing team, in conducting a comprehensive review of the Library's financial records, purchasing and bill paying procedures, and fiscal Policies. Your comments and findings were both insightful and instructive, and as a result, the Board of Trustees and Library Administrative will be immediately updating Library policies and procedures for the processing of purchases of goods and services.

The findings set forth in the Draft Report of Examination are acknowledged. The Library will be strictly adhering to statutory and policy mandated procedures for the approval of purchases in (1) processing purchase orders and invoices and in (2) obtaining Board of Trustees' approval of the purchases and payments therefor, and (3) will improve its process for confirming the Library's receipt of purchased goods and services.

We again wish to thank you and your auditing team for your time, attention and courtesies throughout this Auditing process.

Respectfully,

Charlene Noll
Director

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Library officials, reviewed Board minutes and policies to gain an understanding of the claims audit and approval process.
- From the 2014-16 cash disbursement journal, we selected 20 claims paid during our audit period, with a minimum balance of \$500, from a population of 276 vendors with a total combine purchase of \$3,668,034. We reviewed our sample of claims to determine whether they were supported by itemized invoices or receipts, complied with Board-adopted policies, contained appropriate evidence of audit and approval for payment, contained evidence of receipt of goods or services and represented proper expenditures.
- We also reviewed the selected claims to determine whether required signatures were obtained and quotes and purchase orders were attached.
- We reviewed Board minutes for evidence of Board audit and approval of claims before payment.
- We reviewed the Board-adopted purchasing policy to determine the dollar limits for purchases subject to verbal or written quotes and the specific information required for purchase orders or other forms.

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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