

East Meadow Public Library

Claims Auditing

MARCH 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Audit Objective

Determine whether the Board conducted an effective audit of claims prior to payment.

Key Findings

- The Board did not audit individual claims prior to payment.
- Library officials did not obtain the required number of quotations or proposals for five purchases totaling \$27,129.

Key Recommendations

- Conduct a deliberate and thorough audit of each individual claim and ensure that each claim is sufficiently supported.
- Ensure compliance with the adopted procurement and purchasing policy before approving claims for payment.

Library officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The East Meadow Public Library (Library) is located in the Town of Hempstead in Nassau County. The Library is a school district public library that received its charter from the New York State (NYS) Board of Regents in 1954 and is overseen by the NYS Education Department.

The Library is governed by a five-member Board of Trustees (Board) who are elected by the East Meadow Union Free School District residents. The Board is responsible for the general management and control of Library financial affairs. The Library Director is responsible for overseeing the Library's day-to-day administration. The Treasurer, who is appointed by the Board, is the custodian of all Library funds and is responsible for signing checks and disbursing funds under the Board's direction.

Quick Facts

Employees	100
2016-17 Budgeted Appropriations	\$7.4 million

Audit Period

July 1, 2016 – June 30, 2017

Claims Audit

What is an Effective Claims Audit Process?

NYS Education Law requires the Board to audit all claims prior to approving them for payment. The Board should conduct a deliberate and thorough audit of claims before it disburses Library funds. To properly approve claims for payment, the Board must ensure that each claim contains sufficient supporting documentation to determine if the amounts claimed represent legitimate Library expenditures and comply with Board-adopted policies. The Board's approval of all claims for payment should be documented in the Board minutes. An effective claims audit can help ensure that public funds are being spent and handled properly, identify conditions in need of improvement and provide oversight and review of the Library's disbursement process.

The Board Did Not Conduct an Effective Audit of Claims

The Library clerk assembles the claim packets and prepares the warrant.¹ The Treasurer attends the Board meetings with the original checks and supporting documentation for the claims. However, Library officials told us that the Board does not review the claims, except in rare cases when a claim listed on the warrant appears unreasonable. The Board reviews and approves the warrants without auditing each individual claim to ensure that the claims represent legitimate Library expenditures and that Library officials have complied with Board-adopted policies when procuring goods and services. Without a thorough and deliberate examination of each individual claim, the Board does not have enough information to determine whether or not the claims it approves are appropriate and legitimate. As a result, there is an increased risk that improper claims could be paid.

During our audit period, the Library paid \$652,880 to 130 vendors, whose claims totaled at least \$1,000.² We judgmentally selected claims³ from 19 vendors totaling \$92,600 to determine whether they were for proper Library expenditures and contained adequate supporting documentation, such as original invoices with adequate descriptions to determine the nature of the purchases. All claims appeared to be for proper Library expenditures and were generally supported. Our testing disclosed only minor deficiencies which we discussed with Library officials.

1 A warrant is a list of unpaid claims.

2 We excluded payments related to payroll, professional associations and library books.

3 See Appendix B for information regarding our sample selection.

We also verified that the information on each claim agreed with the corresponding warrant and canceled check and that warrants were approved before the checks cleared the bank. We found no inconsistencies among vendor names and amounts and the warrants were generally approved before the checks cleared the bank.

In addition, we determined if any of the claims reviewed were subject to the Library's purchasing policy provisions. Eight of the 19 claims reviewed totaling \$75,163 required soliciting competitive pricing.⁴ Library officials did not have documentation available to show that they obtained the required number of quotations or proposals for five purchases totaling \$27,129. For example, the Board approved a warrant with a payment of \$6,400 to a vendor for the purchase and installation of an adjustable mobile cart and equipment, without evidence that Library officials solicited competitive pricing. A Library official told us they did not obtain quotes because the official knew the vendor to be competent. In another instance, a vendor was paid \$3,200 for landscaping services. Library officials told us that verbal quotes were obtained for the services and the lowest quote was selected but the quotations were not documented. Because claims were not effectively audited by the Board, it would not be able to determine if officials complied with the Library's purchasing and procurement policy.

When the Board does not effectively audit claims before payment, there is an increased risk that the Library could pay for goods and services that are not legitimate Library purchases. Furthermore, there is no assurance that purchases complied with the Board-adopted purchasing and procurement policy which could result in the Library paying more than necessary for goods and services.

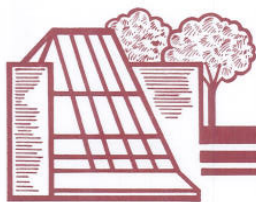
What Do We Recommend?

The Board should:

1. Conduct a deliberate and thorough audit of each claim and ensure that each individual claim is sufficiently supported.
2. Ensure compliance with Board-adopted policies, including the purchasing and procurement policy, prior to approving claims for payment.

⁴ The Library's purchasing and procurement policy states that "purchases in excess of \$2,500 shall be subject to competitive quotations. These competitive quotations must be in written proposals, written quotations or verbal quotations. All quotations shall be recorded."

Appendix A: Response From Library Officials



East Meadow Public Library

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(516) 794-2570

February 20, 2018

Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
State of New York
Office of the State Comptroller
110 State Street
Albany, New York 12236

RE: Claims Auditing Report of Examination 2017M-275

Dear Chief Examiner McCracken,

This letter is in response to the Draft Claims Auditing Report of Examination for the period July 1, 2016 to June 30, 2017. I would like to thank you and your staff for their professionalism and dedication in your efforts to protect assets and improve fiscal responsibility throughout New York State. We note that your audit found no instances of improprieties and no misuse of the Library's or public assets.

We are pleased that your audit found that all claims examined were for proper Library expenditures and contained adequate supporting documentation. We are further pleased that all warrants were found to have been approved timely and there were no inconsistencies among vendor names, warrants and subsequent cancelled checks.

This audit response also includes the following Corrective Action Plan based on recommendations contained in the audit report:

Audit Recommendation:

The Board should conduct a deliberate and thorough audit of each claim and insure that each individual claim is sufficiently supported.

Implementation Plan of Action:

The Board as a whole on an ongoing basis will conduct a thorough review of all claims to insure that each individual claim is sufficiently supported prior to these claims being approved and presented to the treasurer for payment. The Treasurer, a former Board Member and C.P.A. will continue to independently conduct a thorough review of all claims to make certain that each individual claim is sufficiently supported with proper documentation and in compliance with Board policy prior to countersigning the checks.

Person Responsible for and date of Implementation:

President of Board of Trustees
February 2018

Audit Recommendation:

Board should ensure compliance with Board adopted policies including the purchasing and procurement policy, prior to approving claims for payment.

Implementation Plan of Action:

The Board will review the documentation for claims to be paid to ensure that the claim is in compliance with the Board's purchasing and procurement policy. To the extent that a claim for payment is to a vendor who is a sole provider of goods or services that will be indicated on the documentation for that claim.

Person Responsible for and date of Implementation:

President of the Board of Trustees
February 2018

Sincerely,

Audrey Fixell
President

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AND SCHOOL ACCOUNTABILITY

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the NYS General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Library officials to gain an understanding of the Library's claims audit process.
- We judgmentally selected 19 vendors who were paid at least \$1,000 during the audit period. The Library paid these vendors a total of \$183,613. For vendors with more than one payment, we selected the highest payment.
- We reviewed 19 claims to determine if they represented proper Library expenditures, contained sufficient supporting documentation, complied with Board-adopted policies and were approved by the Board before payment. We also examined the related warrants and canceled checks to ensure consistency with the claims.
- We also reviewed the 19 claims to determine if Library officials complied with the Board's purchasing policy by obtaining required competitive quotes.
- We followed up with Library officials to obtain more information on certain expenditures and claims that were missing supporting documentation.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 the CAP available for public review in the Library Director's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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