

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Wyandanch Public Library

Oversight of Library Resources

Report of Examination

Period Covered:

July 1, 2011 — September 30, 2012

2013M-399



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State of New York

Office of the State Comptroller

Division of Local Government and School Accountability

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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 Wyandanch Public Library, entitled *Oversight of Library Resources*. 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 Library 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*



State of New York
Office of the State Comptroller
EXECUTIVE SUMMARY

The Wyandanch Public Library (Library) is located in the Town of Babylon in Suffolk County. The Library is a School District Public Library that received its charter from the New York State (NYS) Board of Regents and is overseen by the NYS Education Department.

The Library is governed by a five-member Board of Trustees (Board), each of whom is elected by the Wyandanch School District voters. The Library Director (Director) is appointed by the Board and is responsible for the Library's day-to-day administration.¹ The Treasurer, who is appointed by the Board, is responsible for the receipt, custody and disbursement of Library funds.

The Library's expenditures for the fiscal year ended June 30, 2012 were \$1.3 million. These were funded primarily with property taxes, State aid and fines collected on overdue materials.

Scope and Objective

The objective of our audit was to assess internal controls over the management of Library resources for the period July 1, 2011 through September 30, 2012. We also reviewed selected activities related to our audit objectives prior to and subsequent to our audit period which we considered relevant to our audit. Our audit addressed the following related questions:

- Did the Treasurer record and deposit cash receipts in a timely manner and provide the Board with accurate and timely financial reports?
- Did the Board provide effective oversight of the Treasurer to protect taxpayer moneys?
- Did the Board ensure that employees received only the compensation and leave accruals that they were entitled to?
- Did the Board properly and effectively exercise its fiscal oversight of the cash disbursements process?

Audit Results

We found that the Board needs to improve its oversight of Library operations to protect taxpayer dollars from fraud, waste and abuse. The Board entered into an agreement with an independent contractor to perform the duties of the Treasurer but failed to provide adequate oversight of the

¹ The Library had two Directors during our audit period, one from February 19, 2011 through September 1, 2012 and the other from September 1, 2012 through November 2012.

Treasurer's work. The Treasurer did not deposit \$4,638 in cash receipts that was turned over to her during our audit period and did not maintain accurate and complete financial records. Also, receipts totaling \$4,807 were not deposited in a timely manner. The Board did not notice or question the fact that no cash deposits were listed on the Treasurer's report for the five-month period from January 2012 through May 2012. The Treasurer also received payments totaling \$6,875 that were not included in her contractual agreement. This matter has been referred to the Suffolk County District Attorney's office.

While the Board has adopted policies and procedures related to the time and attendance system, it did not enforce compliance with the timekeeping requirements, implement procedures for payroll processing, require justification and pre-approval of overtime or adhere to the leave accrual stipulations and limits outlined in the employee handbook. Further, the former Board President (President)² obtained unlimited access to the payroll system and used this access to routinely change the Library custodian's time records. The custodian, who is the President's nephew, was paid \$32,438 for the six month period January through June 2012. Changes were made to the custodian's time entries on 89 of the 177 days (50 percent), indicating that he worked during this period. The custodian's time-clock record for this six month period contained 129³ changes. Of the 129 changes, 116 were not supported by any documentation that justified the change. The President made 109 of the 129 changes (84 percent). Therefore, we question whether he was entitled to the \$19,534 that he was paid where his time entries were changed. This matter has also been referred to the Suffolk County District Attorney's office.

In addition, we found errors and irregularities in the processing of payroll. We determined that five full-time employees reviewed were overpaid \$4,885. We also found that nine of 12 employees reviewed worked a total of 730 hours of overtime totaling \$20,841 without pre-approval or documentation authorizing the overtime.

Furthermore, although the employee manual clearly states that the maximum number of vacation days that may be accrued without Board approval is 15 days, the custodian was permitted to carry forward 19 vacation days into 2011 and 28 vacation days into 2012 without Board approval. In addition, a part-time employee was paid for seven days of sick leave and one day of personal leave despite a Library policy that indicated part-time employees are ineligible for sick and personal leave. Finally, a third employee took 19 sick days during calendar year 2012, yet Library personnel accounted for only 10 of those 19 sick days. Because the Library allowed the employee to use more sick leave than she was entitled to, this employee incurred a negative sick leave balance at the end of calendar year 2012. The Board's failure to provide proper oversight of the payroll process and one Board member's use of her position of authority to change time records has resulted in certain employees receiving more in pay and benefits than they should have.

The Board also needs to improve controls over the petty cash system. Our review of petty cash fund disbursements between January 2012 and June 2012 showed that the fund was reimbursed for \$938 more than was disbursed for the period. There were no reports to the Board to account for how this \$938 was spent or if it was for legitimate Library expenses. In addition, we identified questionable payments from petty cash that included \$538 for gasoline, \$427 for food and groceries⁴ and \$204 in

² Who is currently a Board member

³ Some days contained multiple changes

restaurant meal purchases.

We also reviewed travel expenditures totaling \$14,406 for two American Library Association conferences in June 2011 and in June 2012. Two travelers stayed one extra night at the Library's expense for the June 2011 conference. Two travelers never remitted unspent travel advances received from the Library totaling \$340. An additional \$1,077 in unspent advances was returned to the Library six to 18 months after the conferences. One traveler's reimbursement (\$366) was dated as being repaid near the time we requested to review the expense reports, which was approximately 18 months after the conference ended.

The Library does not have a policy that describes when it is appropriate to provide meals or refreshments at Library meetings or function. We found that the Board used Library funds to pay for 13 meals totaling \$954 for Board meeting refreshments. Because these are scheduled monthly Board meetings, we question whether these meals were necessary Library expenses.

Lastly, the Library did not seek competition when procuring \$170,648 in professional services from seven of eight vendors we reviewed. The Library did not enter into written agreements with three of these vendors, and it employed the services of an Information Technology (IT) consultant who did not appear to have any formal education in computer sciences or possess any IT certification.

Comments of Local Officials

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. Except as specified in Appendix A, Library officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on the issues raised in the Library's response.

⁴ While some of the food purchases may be for legitimate library programs, because the purpose is not stated on the receipts, it cannot be determined which library programs they are used for, if any.

Introduction

Background

The Wyandanch Public Library (Library) is located in the Town of Babylon in Suffolk County. The Library is a School District Public Library that received its charter from the New York State (NYS) Board of Regents, and is overseen by the NYS Education Department. The Library is part of the Suffolk Cooperative Library System (SCLS). SCLS administers a computerized integrated library system and supports its member libraries by providing services such as maintaining computer databases of library patron borrowing histories, fines, fees paid and outstanding account balances.

The Library is governed by a five-member Board of Trustees (Board), each of whom is elected by the Wyandanch School District voters. The Library Director (Director) is appointed by the Board and is responsible for the Library's day-to-day administration.⁵ The Board appointed a Treasurer who is responsible for the receipt, custody and disbursement of Library funds.

The Library's expenditures for the fiscal year ended June 30, 2012 were \$1.3 million. These were funded primarily with property taxes, State aid and fines collected on overdue materials. The Library has about 30 employees, including professionals, clericals, custodians and pages.

Objective

The objective of our audit was to assess internal controls over the management of Library resources. Our audit addressed the following related questions:

- Did the Treasurer record and deposit cash receipts in a timely manner and provide the Board with accurate and timely financial reports?
- Did the Board provide effective oversight of the Treasurer to protect taxpayer moneys?
- Did the Board ensure that employees received only the compensation and leave accruals that they were entitled to?
- Did the Board properly and effectively exercise its fiscal oversight of the cash disbursements process?

⁵ The Library had two Directors during our audit period, one from February 19, 2011 through September 1, 2012 and the other from September 1, 2012 through November 2012

Scope and Methodology

We examined internal controls over the management of Library resources for the period July 1, 2011 through September 30, 2012. We also reviewed selected activities related to our audit objectives prior to and subsequent to our audit period because we considered it relevant to our audit.

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 C 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. Except as specified in Appendix A, Library officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on the issues raised in the Library's response.

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 New York State General Municipal Law (GML). 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 Library clerk's office.

Treasurer

The Treasurer is entrusted with the holding and safekeeping of Library funds. The Treasurer's duties and responsibilities carry a high degree of public trust and may not be delegated to an independent contractor. The Board is responsible for properly appointing the Treasurer and establishing adequate internal controls to provide reasonable assurance that cash and other resources are safeguarded and properly accounted for. All moneys received from taxes or other public sources for Library purposes should be turned over to the Treasurer and expended under the Board's direction.

The Board adopted a Financial Management Policy (policy) that requires cash receipts to be deposited within five days after receipt. This policy also requires the Treasurer to provide the Board with monthly reports showing the following financial information for all bank accounts: cash balance on hand at the beginning of the month, itemized list of receipts during the month, withdrawals made from the bank account during the month, cash balance on hand at the end of the month and reconciliation with the bank statement.

The Board entered into an agreement with an independent contractor to perform the Treasurer's duties and did not provide adequate oversight of the work performed by this individual. The Treasurer did not deposit \$4,638 in cash receipts that was turned over to her during our audit period and did not maintain accurate and complete financial records. In addition, she received payments that were not authorized in her contractual agreement totaling \$6,875. We met with the Treasurer on these issues and she subsequently submitted a bill to the Library for her time in the meeting. Although such meetings should have been included in her monthly stipend, and the meetings would not have been necessary had the Treasurer properly performed her duties, the Board approved these invoices for payment. The Board also failed to notice that there were no cash deposits listed on the Treasurer's report for the five-month period from January 2012 through May 2012.

Because the Board did not provide adequate oversight and the Treasurer did not properly perform her duties, Library moneys are unaccounted for and the Treasurer received payments that were in excess of amounts authorized by her contract.

Missing Cash Receipts

The Library collects cash for fines and fees for faxing and printing. Additionally, the Library maintains coin operated photocopy machines. The Treasurer is responsible for depositing all Library

moneys in the bank timely and intact.⁶ Library policy requires that the Treasurer deposit all moneys within five days of receipt. The Treasurer must also prepare a monthly report which lists all deposits for the month and must present this report to the Board at each monthly meeting.

The Library procedure has been for a clerk to collect the money and for the Treasurer to pick up the money for deposit subsequent to month-end. The clerk and the Treasurer prepare and sign a receipt attesting to the dollar amount. The clerk maintains a receipt book with copies of these receipts.

We determined that \$4,638 in Library funds was missing. The Treasurer did not deposit all cash receipts collected and did not account for the cash in her monthly reports. In addition, the Treasurer did not deposit money timely. We reviewed 49 individual cash receipts collected for fine, fax and copy machine revenues totaling \$9,445 for the period July 2011 through October 2012. Of the 49 cash receipts we reviewed, 23 receipts totaling \$4,538 were neither deposited in the bank nor recorded on the Treasurer's monthly report. The deposit of one receipt was short by \$100⁷ and the remaining 25 receipts totaling \$4,807 were not deposited timely.

Of the 26 receipts that were deposited (or partially deposited), the Treasurer did not deposit any within five days of the moneys being turned over to her. These deposits were made an average of 24 days and as much as 42 days after the Treasurer picked up the money. For example, money collected during April 2012 was not picked up by the Treasurer until May 31. Fine and printing moneys were not deposited until June 29, 2012 (two months after collection by the clerk). Daily fax money totaling \$171 was never deposited and is included in our undeposited cash total.

We met with the Treasurer on February 13, 2013 to inquire about receipts for August and October 2012 totaling \$1,265 which were part of the receipts that we identified as missing. She stated that she may have been lax and that the paperwork (cash) may be sitting in boxes in her garage. The Treasurer informed us that she keeps the paperwork at her home until the end of the month, when she goes to the bank to make the deposit.

⁶ Intact means in the same amount and form received, so that receipts can be easily traced to deposits.

⁷ Records show that one of the receipts was for \$173, however deposit records shows that \$73 was deposited, resulting in a deposit shortage of \$100. This deposit was not deposited timely.

On February 21, 2013, the Treasurer returned with six receipts, totaling \$1,265 in cash, stating that she found the receipts in her garage. The money consisted of crisp, newer bills⁸ and none of the envelopes contained coins. Clearly, it was not the same fines and late fees money she collected from the clerk. A total of \$3,373 remains unaccounted for.

We also noted that the un-deposited receipts were never reported on the monthly Treasurer's report submitted to the Board. Although the Board accepts the Treasurer's report at every Board meeting, the Board apparently did not notice months in which the monthly fines and fees revenues were missing from the Treasurer's reports. For example, the Board should have noticed that there were no cash deposits listed on any of the Treasurer's reports for fines for the five month period from January 2012 through May 2012. We question whether the Board was properly performing its oversight responsibilities of the Treasurer.

Additionally, the Library maintains coin operated copy machines in the lobby. A total of \$2,948 from these copy machines was deposited in the bank from July 2011 through November 30, 2012. We were told that these coin machines are emptied approximately every two months and uncounted proceeds are given to the Treasurer for deposit. We were informed by the Treasurer that the Library's bank does not accept coins for deposit; therefore, she takes the coins to her bank for conversion to dollars. The Treasurer stated that she then takes the cash proceeds and deposits it in the Library's bank account. Because the coins are given to the Treasurer uncounted, and she is solely responsible for taking the money to the bank, Library officials have no way of confirming the amount that should be deposited. In addition, similar to the fines and fees money, there were no deposits of copy machine revenue from January 2012 through May 2012. Based on deposits that were actually made, deposits average about \$345 per month from these two photocopy machines combined. With the absence of proper controls, the Library has no assurance that the money from the coin machines is deposited in its entirety.

When the Board fails to ensure that cash receipts are properly accounted for and deposited timely and intact, the risk of theft or misappropriation is significantly increased. As a result, Library moneys are unaccounted for, and officials have no assurance that cash is properly safeguarded or that all cash receipts have been deposited. This matter has been referred to the Suffolk County District Attorney's office.

⁸ The money consisted of exactly \$600 in twenty dollar bills, \$400 in tens, \$200 in fives and \$65 in singles.

Unauthorized Payments

Written agreements or contracts with service providers are essential for establishing the services to be provided, the contract period and the basis for compensation. All payments made to vendors must be in agreement with the respective contract or Board resolution. In addition, vendor claims should provide adequate details to determine what services were performed.

The Library's contracts with the Treasurer for fiscal years 2011 and 2012 both state that the Library will pay the Treasurer \$950 per month for consultancy. Each agreement contains the provision that the Treasurer shall cooperate with the Board and be subject to any on-site or off-site meetings with appropriate government officials.

For 14 of the 15 months in our audit period, the Treasurer received more than the monthly fee of \$950 authorized in her contract. Each month, she was paid an additional \$450 by submitting an invoice through the claims process, with the exception of September 2011, when she was paid an additional \$400. These payments were neither approved by a Board resolution nor part of her contract with the Library. The total of these unauthorized payments was \$6,250. A sample invoice submitted by the Treasurer contained the description "Services: Cash Disbursement – July 2012" with no mention of what extra service was provided, or documentation of actual time spent performing these services. We were informed by the former Board President (President)⁹ that the \$450 payments were for training the account clerk to print checks and prepare a manual schedule of bills. However, the account clerk has been a Library employee for more than two years. Therefore, we question the need to train him to print checks for this extended period of time, and the amount of time the Treasurer actually spent performing this service. On May 23, 2012, the Board rescinded the stipend, effective May 30, 2012, but the Treasurer continued to receive the extra payment each month, through August, 2012.

We reviewed bank statements from October 2012 through February 2013 and identified two additional payments to the Treasurer during this period totaling \$625. One claim for \$350 dated October 24, 2012 contained billings of \$50 per hour with a description of "Preparation for State Audit." There is no indication on the invoice as to what work was performed. The other claim for \$275 dated February 28, 2013 indicated that the Treasurer billed the Library \$50 per hour for "Meeting with State Auditors." There is no provision in the Treasurer's contract for billing at \$50 per hour. The Treasurer's contract states that the Treasurer is subject to any onsite or offsite meetings with

⁹ Who is currently a Board member

appropriate government officials. Therefore, such meetings should be included in her \$950 monthly stipend.

The failure of the Treasurer to submit claims in accordance with her contract and the failure of the Board to provide adequate oversight to ensure that the Treasurer received only the payments to which she was entitled has resulted in the Library paying the Treasurer \$6,875 more than she was entitled to receive.

Bank Reconciliations and Treasurer's Reports

The reconciliation of bank account balances with accounting records is a necessary element of an effective internal control system. This reconciliation, along with an independent Board review should be a routine procedure. Monthly bank reconciliations lead to a quicker detection of errors in account balances, thus making them a vital part of the internal control process. In addition, any outstanding checks or questionable items that have been carried on the reconciliation for an unreasonable period of time should be investigated and resolved in a prompt and timely fashion. A proper Treasurer's report would reconcile the ledger balances in the accounting records with the balances on the bank statement.

The Treasurer manually prepares a monthly report to the Board which includes a bank reconciliation that shows a list of outstanding checks and a list of receipts for the month. We compared the Treasurer's report with the bank statements and the ledgers in the accounting system for October 2011 through September 2012. None of the book balances and outstanding checks on the Treasurer's report matched those in the accounting system. A review of the reconciliations revealed that there were outstanding checks on the Treasurer's reports that were not truly outstanding. In addition, there were receipts that were not recorded on the Treasurer's report.¹⁰

We chose two of the Treasurer's bank reconciliations (one from December 2011 and one from July 2012) and compared them with the accounting ledger balances. Book balances as well as the outstanding checks, did not match. The Treasurer's total for outstanding checks on the December 2011 reconciliation was \$7,883 less than the total recorded in the Library's accounting records. The ending book balance was \$7,626 more than the book balance reflected in the accounting records. Likewise, the Treasurer's total for outstanding checks on the July 2012 reconciliation was \$1,261 more than the total recorded in the Library's accounting records and the reported ending book balance was \$1,261 less than the book balance reflected in the accounting records.

¹⁰ See Missing Cash Receipts

Treasurer as Independent Contractor

The failure to correctly reconcile bank accounts and accurately report financial activity and cash balances to the Board inhibits the Board's ability to make sound financial decisions and increases the risk that discrepancies will not be detected or resolved in a timely manner.

The Treasurer's duties and responsibilities, including the receipt, custody, disbursement and - if delegated by the Board - investment of Library funds, require a high degree of public trust and may involve the exercise of judgment or discretion. As such, in the absence of express statutory authority, these functions may not be delegated to an independent contractor.

Each year at its annual reorganizational meeting, the Board appoints an individual as Treasurer, and this individual takes an oath of office. While this appointment would indicate that the Board intended to have this individual act as an officer, this individual was engaged to perform the duties of the Treasurer as an independent contractor.

The Library entered into a contractual agreement with the Treasurer in 2011 and 2012. The agreements each state that the Treasurer is an independent contractor and is not an employee. The Library paid this individual \$19,550 during the audit period, through its claims disbursement process, including \$6,250 of unauthorized payments.¹¹ The Library reported this compensation to the IRS on form 1099, which is also indicative of an independent contractor relationship.

In light of these factors, which indicate an independent contractor relationship with the individual performing the Treasurer function, the Board cannot be certain that it has complied with all statutory requirements relating to the appointment of the Treasurer.

Recommendations

The Board should:

1. Seek to recover from the Treasurer all moneys that she failed to deposit in the Library's bank account and unauthorized payments made to her.
2. Provide adequate oversight of the Treasurer function, including:
 - Reconciling the clerk's receipt book with deposited cash receipts,
 - Thoroughly reviewing the Treasurer's reports and following up on any inconsistencies,

¹¹ See Unauthorized Payment finding

- Ensuring that all payments to the Treasurer are in accordance with the terms of the contractual agreement and
 - Reviewing monthly bank reconciliations. Outstanding and/or questionable items on the bank reconciliations should be expediently investigated and resolved.
3. Consult with its legal counsel about the Library's relationship with the individual performing the Treasurer functions. The Board should ensure that the individual it appoints as Treasurer meets all the requirements for the appointment, including being compensated through payroll with appropriate deductions and having no indication of being an independent contractor.

Payroll

The Board is responsible for establishing sound internal controls over payroll to ensure that employees are only paid amounts they are actually entitled to. Properly designed and maintained time and attendance records are an important component of good internal controls over payroll. These records should contain the information necessary to account for an employee's entire workday, including starting and ending times, leave charges and meal periods. The ability to create or change these records must be controlled and monitored because these records are used to determine employees' regular and overtime pay and accumulated leave balances. No Board member should have the ability to change employee time records.

The Library has about 30 employees. Salaries and employee benefits are the Library's most significant operating cost and represented approximately 57 percent of the 2012 total expenditures. The Library uses a third-party vendor to process its biweekly payroll. An electronic timekeeping system (time clock) tracks employee time and attendance. The Library has also established a policy requiring every employee to clock in or out at the time they begin and end work, including lunch breaks. Additionally, while the employee manual addresses the number of days earned each year for paid time off for full-time and part-time employees, there are no written policies or procedures that address overtime.

While the Board has adopted policies and procedures related to the time and attendance system, the Board did not enforce compliance with the timekeeping requirements stipulated in the policy manual, implement procedures for payroll processing, require documented justification and pre-approval of overtime and adhere to the leave accrual limits outlined in the employee handbook. Further, we found that the President had unlimited access to the payroll system and used this access to routinely change an employee's time records and grant full pay and overtime without support that the employee actually worked the hours paid.

The Board's failure to provide proper oversight of the payroll process and one Board member's use of her position of authority to manipulate time records has resulted in certain employees receiving more in pay and benefits than they should have.

Time Clock Overrides

An important component of payroll is a timekeeping system that ensures employees are accurately paid for time worked. The automated payroll system has a time and attendance module which

collects all employee time entries as part of the payroll process. All Library employees are issued a time card which they are required to swipe into a clocking device to record time in and out during the work day. If an employee forgets to swipe in or out, he or she needs to fill out a manual timesheet with hours worked for the day and submit it to the Director. It is the Director's responsibility to approve the manual timesheet and enter the employee's time in the payroll system. The timekeeping system maintains a log of any changes to employee time records, including which user accessed the system. Internal controls should include restricting each user's access to the financial software based on job description and official job duties.

The Board did not limit access to the payroll system to individuals processing the payroll. The President has full administrative access to the Library's payroll system,¹² including the ability to add, change, delete and print payroll transactions.

We obtained a change report from the payroll system that shows all changes made to original time entries for all employees for the month of January 2012. We reviewed time entries for nine full-time and part-time employees¹³ for January 2012. The Library custodian had 24 changes to his time records in January 2012. The President, the custodian's aunt, made 19 of the 24 changes. The other eight employees had an average of five time changes that were made by the Director and an average of one time change made by the President for the same period. Based on the results of this test, we expanded our test to include February 2012 to June 2012 for the custodian.

The custodian's time clock record for the six-month period from January 2012 through June 2012 contained 129 time changes.¹⁴ Of these, 116 did not have any supporting documentation to justify the change. The remaining 13 time changes were for leave time or supported by manual timesheets.

The President made 109 of the 129 changes (84 percent) to the custodian's time entries. We found that 46 of these changes made by the President (42 percent) were manual creation of new time entries. This means that the custodian did not clock in or out on those days. Instead, the President went into the system and created the entries. For example, during the period January 3-8, 2012, the custodian did not swipe in or out of work all week. There were no manual timesheets

¹² The Treasurer also has full user access to the Library's payroll; however, we did not find any payroll transactions performed by the Treasurer for any of the employees selected for review.

¹³ We selected all five full-time employees excluding the Director and the four part-time employees with the highest regular earnings for calendar year 2012.

¹⁴ Some days contained multiple changes.

and no leave was charged. On January 17, prior to the payroll being processed, the President manually created a new time entry for each of these six days and recorded 54.25 hours¹⁵ of work for her nephew. He was paid \$939 for this time.

We also noted other occasions with multiple changes made on the same date. For example, for June 21, 2012, the President made seven different time changes for the custodian. The former Director made the remaining 20 of the total 129 changes made for the custodian. Of these, three were manual creation of new time entries.

The custodian was paid \$32,438 for the six-month period from January 2012 through June 2012. Of the 177 days he was paid for working, he clocked in and out without change on 88 days, or 50 percent of the time. Six¹⁶ of the 177 days paid were for leave time and holidays. For the remaining 83 days, for which he was paid \$19,534, the time record was either changed or created. Because the custodian did not clock in and out of work and his time records were changed, taxpayers have no assurance that he actually worked any of the hours for which he was paid. In addition, we noted that this employee generally did not clock in and out for lunch, as required by Library policy. As a result, his pay included payment for his lunch hour, and this time was also counted towards his overtime payments.

Furthermore, the custodian's leave accrual record indicates that he had taken one day off during 2012.¹⁷ As of December 31, 2012, Library records showed he had accumulated 28 vacation days and 24 days of sick leave. These days were worth a total of \$8,320 as of December 31, 2012. He did not submit leave requests, and no time was charged for the days he did not punch in and out at work. In addition, during August 2012, he was allowed to cash in 10 vacation days,¹⁸ and received \$1,600. However, we question whether he actually earned or is entitled to any of this \$9,920 in leave.

We also question whether anyone reviewed the time records for errors prior to processing the payroll. For example, on May 8, 2012, a day that was not changed, the time records show the custodian worked from 7:32 a.m. to 12:15 p.m. (4.75 hours) in the morning and then from 1:58 p.m. to 6:38 a.m. (16.75 hours) the next morning. He was paid a total of 21.5 hours for the day. We questioned whether there was any effective supervisory review of payroll transactions. This

¹⁵ Consisted of 40 hours at regular pay and 14.25 hours of overtime

¹⁶ Consisted of five holidays and one vacation day

¹⁷ A total of 11 days was subtracted from his leave accrual record during 2012; one vacation day was taken and 10 vacation days were cashed in.

¹⁸ Due to a payroll error, he received an extra \$1,600 in the August 1, 2012 payroll. Rather than pay back the money, he was allowed to cash in vacation days.

matter has been referred to the Suffolk County District Attorney's office.

Payroll Processing

It is imperative that the Board establish internal controls to ensure that Board-approved wages and benefits are processed and paid correctly. The employee manual specifies which holidays that part-time employees are entitled to but makes no provision for payment of sick leave for part-time employees. Full-time salaried employees are paid the same amount each pay period and any leave time used is charged against leave accruals.

The Library does not have any written policies or procedures governing payroll processing. We found that Library personnel did not properly process and review related payroll documentation for approvals and accuracy. In addition, Library personnel did not perform complete and accurate reviews of payroll records after processing payroll.

We reviewed six full-time and six part-time employees' payroll records and compared hours paid against the employees' timesheets for each pay period from January 1, 2012 through June 30, 2012. Five¹⁹ full-time employees were overpaid a total of \$4,885, including \$1,071 in regular pay, \$623 for vacation time, \$2,971 for sick time and \$220 for holiday leave. For example, in one pay period, an employee received \$3,066, including her regular salary of \$1,452 as well as amounts recorded as \$1,071 in regular pay, \$298 for vacation, \$140 for holiday leave, and \$105 for overtime. Because she is a full-time employee, her regular salary included payment for her time off. These additional payments totaling \$1,509 were not warranted. Payments to the other four employees involved similar errors.

We reviewed the available support for payments to a Program Coordinator (Coordinator) who is a part-time employee who earned \$5,104 for the six-month period reviewed. The Coordinator does not swipe a time card, as required by the employee manual. Instead, she submits a manual timesheet which is supposed to be signed by the Director. There was not adequate support for any of the \$5,104 in pay the Coordinator received. There were no timesheets available to support seven of the 13 pay periods we reviewed. In addition, the timesheets for the remaining six pay periods totaling 91 hours had no supervisory approval and were only signed by the employee. Three of the six timesheets included a total of 15.5 hours which stated "emergency work at home." A fourth timesheet listed 5.5 hours as "Emergency," but it is not clear if this means she was at home or at the Library. There is no indication of what actual work was done, or by whose authorization she was working at home.

¹⁹ Findings concerning one of the six full-time employees, the custodian, are discussed in a separate section.

Payroll errors for the other two part-time employees involved leave time. The employee manual does not provide for the payment of sick leave to part-time employees. Furthermore, the employee manual clearly states which holidays part-time employees will be paid for. One part-time employee inappropriately received \$316 for sick leave and \$175 in unauthorized holiday pay, while the other employee was overpaid \$153 in regular pay and received \$122 for unauthorized holiday pay.

Overtime

The Board is responsible for establishing overtime policies and procedures to ensure that the Library incurs only necessary overtime costs. Overtime controls should include written pre-approval of overtime, subsequent supervisory approval of the overtime worked, and documentation relating to the date, time and purpose of the overtime. These control measures can help ensure that overtime is properly authorized, actually worked and clearly documented. Because the Board has not established a formal overtime policy and officials failed to implement procedures to monitor overtime costs, the Library may have paid for overtime that might have not been necessary or even worked.

We reviewed the payroll records for 12 full-time and part-time employees from January 1, 2012 through June 30, 2012. Nine of the 12 employees were paid a total of 730 hours of overtime totaling \$20,841 without any pre-approval or documentation authorizing the overtime. The other three employees were not paid overtime. The custodian, was paid for 454 hours of overtime (62 percent of total overtime hours reviewed), and received \$12,766 in overtime pay.²⁰ The custodian was paid an average of 35 hours of overtime for each biweekly pay period. The other eight employees' overtime hours for the period ranged up to seven hours per pay period.

Leave Accruals

A good system of internal controls ensures that employee leave accruals are granted in accordance with established policies, the employee handbook or applicable employment contract provisions to ensure that employees only accrue leave time to which they are entitled. Paid leave time is granted pursuant to formally established Library policies. Employees earn a fixed number of days each year for vacation, illness or other purposes. Accurate records are essential to ensure that employees earn the leave time to which they are entitled.

The employee manual states that full-time employees are entitled to 10 vacation days per year and an additional 10 vacation days or cash payout of 10 unused vacation days after five years of service. Full-time employees cannot accrue more than 15 vacation days without

²⁰ As previously discussed, much of this time was unsupported and changed by the former President.

Board approval. Part-time employees are entitled to two vacation days per year after one year of service, and four vacation days per year after three years of service. Full-time employees earn one sick day per month starting from the date of employment, up to 12 sick days per calendar year. Full-time employees earn two personal days each year. Part-time employees are not eligible for sick or personal days.

Library officials did not implement procedures to ensure that employee leave accruals were granted in accordance with provisions of the employee manual. In addition, officials do not maintain accurate employee leave records.

We also identified discrepancies for 10 of the 12 employees' accrual records that we reviewed. For example, the custodian, a full-time employee, was permitted to carry forward his December 31, 2011 balance of 19 vacation days into his 2012 vacation balance without Board approval. Furthermore, during 2012, officials did not subtract 2.5 days from his leave balance for which he was paid resulting in his December 31, 2012 balance being overstated by 6.5 days. Therefore, Library records indicate an incorrect balance of 28 days at December 31, 2012, instead of 21.5 days. The custodian's starting balance for the new fiscal year should have been reduced to 15 days to bring his balance to the 15-day permitted limit.²¹

Another employee took 19 sick days during calendar year 2012, yet only 10 days were subtracted from her leave accrual record. Library records indicated that she had a balance of six sick days at the end of calendar year 2012 when actually she had taken three more days than she was entitled to, a nine day difference worth a total of \$1,440. Another part-time employee was paid \$658 for seven days of sick leave and one day of personal leave, despite not being eligible for any sick or personal leave.

The Board's failure to establish and monitor comprehensive policies and procedures over payroll allowed Library officials to override the system and initiate and conceal inappropriate and potentially fraudulent payroll payments. As a result, incorrect and unsupported payroll payments were made, potentially unnecessary overtime was paid and employees received benefits for which they were not entitled.

²¹ This calculation is based on existing payroll and accrual records and does not take into account the manipulation of time clock records.

Recommendations

The Board should:

4. Establish a comprehensive policy along with written procedures governing the Library's payroll function, including:

- The preauthorization, documentation and subsequent approval of overtime,
- Requiring the granting and using of leave in accordance with the employee manual and
- The accurate and complete maintenance of leave time records for all employees entitled to leave benefits.

The Board and officials should:

5. Monitor payroll by ensuring that:

- All employees swipe into the clocking device to record time in and out during the work day, in accordance with Library policy,
- Changed time records in the payroll system are authorized in writing from the Director and
- Related payroll documentation is reviewed for proper approval, completeness and accuracy.

The Board should:

6. Review the incorrect payments identified in this report and pursue recovery.

The Board and officials should:

7. Review leave accrual balances and adjust them appropriately to correct errors.
8. Review user access rights to the payroll system and restrict access to only those employees authorized to process payroll.

Cash Disbursements

The Board and Library officials are responsible for establishing effective cash disbursement policies and procedures to ensure that disbursements are properly documented, audited and approved. In addition, adequate controls over the petty cash system are required to prevent unnecessary and improper payments. The Board is responsible for approving all Library disbursements, including, but not limited to, payments to professional service providers, payments for meals and payments for business related travel.

We identified weaknesses in cash disbursement controls which led to questionable transactions. From January through June 2012, the Library petty cash fund was reimbursed for \$938 more than the expenses incurred. We also found that two travelers received reimbursement for staying one extra night at a conference at the Library's expense. In addition, unspent travel advances were not repaid timely and Library funds were used to pay for meals at Board meetings. Finally, the Library did not seek competition when procuring professional services and did not enter into written agreements with all vendors.

Because of this lack of oversight, Library funds are unaccounted for and moneys have been used for inappropriate and undocumented expenditures. Further, professional service providers may not have been of the best quality and price.

Petty Cash

The Library's policy and procedures manual states that the Board shall designate the Director or the Treasurer to administer and be responsible for the petty cash fund, which is not supposed to exceed \$375. The policy requires that the person in charge of petty cash keeps records for the accurate accounting of all transactions and makes reports to the Board as required. Checks drawn to reimburse petty cash shall not exceed payments made in cash as indicated by receipts, receipted bills or other evidence. The former Director administered petty cash. Under the current Director, the account clerk administers the fund.

We found that, contrary to Library policy, the former Director regularly prepared vouchers requesting that the petty cash be replenished by \$375. All checks to reimburse petty cash were written for \$375, rather than an amount necessary to replenish the fund to \$375. In addition to violating policy, this practice results in the increase of the petty cash fund without Board approval and payments to petty cash without adequate supporting documentation.

We conducted a petty cash count in November 2012 and identified a total of \$212.27 in cash and \$194.19 in receipts. Therefore, the fund was actually \$406.46, which exceeded the \$375.00 Board limit.

We reviewed all petty cash receipts and checks made payable to petty cash from January 2012 through June 2012. Officials did not use pre-numbered petty cash receipts or vouchers to document who was being reimbursed and the business purpose of the expenditure; instead, they just kept receipts. For the six months reviewed, a total of \$2,625 was paid to petty cash, while receipts submitted for the period totaled \$1,687, a difference of \$938. There were no reports to the Board to account for how this \$938 was spent or if it was for legitimate Library expenses and no indication that the Board audited the claims.

Our review of petty cash disbursements showed that \$538 was for gasoline purchases, \$427 was for food and groceries and \$204 was for restaurant meal purchases. We found no indication or documentation of the business purpose for these moneys being reimbursed from petty cash funds. Additionally, the Library paid a total of \$27 in sales tax for which the Library is exempt.

For example, there was no indication of who purchased the gasoline or why it should be considered a necessary Library expenditure. Expenditures for fuel should generally be submitted on an employee expense report showing the business purpose of the travel and the number of miles driven. The employee should be reimbursed only for actual and necessary mileage, based on established rates. Similarly, the receipts for food did not contain sufficient documentation or even identify the Library program which required serving a meal or refreshments. Without written justification for purchases, the Board is unable to discern whether the purchases made with the petty cash fund were for legitimate Library purposes.

The failure to comply with petty cash policies and procedures has resulted in moneys being unaccounted for and may have resulted in reimbursement of expenses that are not for legitimate Library purposes. In addition, the potential for fraud increases greatly when controls are lax or nonexistent and the Board fails to audit these claims.

Travel

Public libraries may expend funds for actual and necessary costs associated with travel to events and training for library purposes, including such items as registration fees, transportation and meals and lodging. To ensure travel related expenditures are legitimate Library costs, the Board must establish and monitor compliance with travel policy to define which travel related costs the Library will pay for.

The Library's employee handbook addresses business travel expenses. The Library's policy states that, when approved, the actual cost of meals, lodging and other expenses directly related to accomplishing business travel objectives will be reimbursed. Employees are expected to limit expenses to allowable amounts. The policy requires that employees submit completed travel expense reports within 14 days of completing travel. Allowable reimbursement amounts are not defined in the policy.

We reviewed travel expenditures totaling \$14,406 for two American Library Association (ALA) conferences, one in 2011 and another in 2012. The Library spent \$9,723 to send five individuals to attend the June 2011 ALA conference in New Orleans, LA. In June of 2012, the Library sent two individuals to attend the ALA conference in Anaheim, CA. for a total cost of \$4,683.

We found the following exceptions for the five individuals that attended the June 2011 ALA conference in New Orleans:

- Two travelers stayed an extra night at the hotel after the date that the conference ended. This resulted in an additional cost of \$249.
- The five travelers received travel advances totaling \$2,775 prior to the trip, submitted a travel voucher with expenditures totaling \$1,675, but did not return unspent funds, totaling \$1,100, within a reasonable time period. One of the travelers never returned the moneys remaining from their advance, totaling \$193, while three others did not remit their moneys (\$541) until nearly a year and a half later. The fourth traveler remitted their excess (\$366) after we requested documentation during our audit, over 18 months later. This reimbursement was dated December 27, 2012, for a trip that took place in June 2011.
- One traveler submitted a hand-written receipt with the description "House Keeping Tips - \$60" on a piece of notepad paper, along with a separate blank taxi receipt for \$60. The taxi receipt gave no indication of date traveled, pick-up location or departure location. This same traveler submitted a receipt totaling \$15.34 that contained a purchase of an alcoholic beverage, costing \$3.99.
- Two of the travelers did not submit their expense reports within the 14-day period required by Library policy (one submitted 74 days late and the other 51 days late). None of the travelers had their expense reports signed as approved.

- None of the travelers had any training certificates attached to their expense reports/claims. The only proof of events attended are those that included a charge to attend; for example, \$300 for all to attend a breakfast, one instance where a traveler took a cooking class for \$60, and another instance where all five travelers went on a dinner/jazz cruise for a combined cost of \$320.

Upon reviewing the June 2012 ALA conference, we noted the following for the two individuals that attended the conference:

- Travel advances totaling \$1,000 were given to these two travelers. Total expenditures were \$683. One of the travelers never remitted the moneys remaining from their advance to the Library totaling \$147, while the other traveler did not remit their excess (\$170) until more than six months later.
- Neither of the two travelers had their expense reports signed as approved or dated.
- Neither of the two travelers had any training certificates attached to their expense reports/claims. The only proof of events attended is those that included meals.

Because the Board has not taken the proper steps to ensure that individuals traveling to conferences adhere to the Library's policy, the likelihood exists that travel expenses could be incurred that are not authorized or appropriate and unused travel advances may not be returned to the Library.

Meals

To properly limit and account for money spent on meals and refreshments, it is important that the Board establish a written policy that defines when the Library will pay for meals and refreshments at meetings and functions. A reasonable policy would allow for meals and refreshments at meetings involving Library business which do not allow participants to take time off to eat. The policy should require that officials formally document who attends each meeting or event and why incurring the cost of the meals or refreshments was necessary to conduct Library business.

The Library does not have a policy that describes when it is appropriate to provide meals or refreshments at Library meetings or functions. We reviewed 38 meal claims for the audit period, which had a total of 49 individual meal purchases totaling \$6,993. We found that the Board used Library funds to pay for 13 meals totaling \$954 for Board meeting refreshments. Because these are scheduled monthly Board meetings, and the Board is performing their usual duties, we question

Professional Service Providers

whether these meals were necessary Library expenses. The remaining meals were for Library programs and two staff appreciation days.

Since there is no policy or procedures governing meals, there is an increased risk that the Library could incur unnecessary meal costs.

GML requires that goods and services that are not required to be bid must be procured in a prudent and economical manner. The Board must adopt policies and procedures that indicate when Library officials need to seek competition for professional services through methods such as issuing requests for proposals (RFP). An RFP is a structured document that specifies minimally acceptable functional, technical and contractual requirements, and the evaluation criteria that will govern the contract award. While the Library is not legally required to issue an RFP when soliciting professional services, doing so would help ensure that the Library obtains needed services at a reasonable price, from qualified professionals, in the taxpayers' best interests and without partiality. A written agreement or contract is also essential for establishing the services to be provided, the time frames for those services and the basis for compensation.

The Library's purchasing policy did not include policies and procedures for procurement of professional services. Therefore, Library personnel do not have any written guidance to follow regarding the solicitation of professional service providers. We selected eight vendors who were paid a total of \$170,648 during our audit period. The Library did not seek competition when procuring services from seven²² of the eight vendors we reviewed, which were paid a total of \$159,016. Additionally, the Library did not enter into written agreements with three vendors and did not pass a Board resolution approving one of the vendor's contracts.

The Library hired an Information Technology (IT) consultant for a guaranteed 10 hours per week at the rate of \$35.00 an hour. The IT consultant was paid \$21,350 during our audit period. Library officials did not verify that the IT consultant had any formal education in computers or possessed any IT certifications or experience prior to entering into the contract. An RFP process would have helped to ensure that the most qualified vendor was hired. In addition, the consultant submitted invoices which listed the dates and number of hours worked, but no indication of what actual work was performed. Since the Library contracts with the SCLS to provide network support, and the consultant was not involved with the accounting software used by the Library, it is not clear what services the Library

²² The seven services included information technology, legal services, architecture, business consulting, advertising, bookkeeping and engineering.

was obtaining from this consultant or if 10 hours of IT service per week was actually necessary.

The Library also hired a law firm that was paid \$35,948 during our audit period without entering into a written agreement. While the hiring of the firm was approved in the Board minutes, payments to the firm were not in accordance with Board authorization. The Board resolution indicated a rate of \$270.00 an hour, but the firm billed and was paid \$275.00 an hour.

The failure to adopt a comprehensive purchasing policy that addresses professional services may result in the Library obtaining services that are not of the best quality or are economically priced. Additionally, without written contracts or Board approval of contracts, officials do not have adequate assurance that fees charged were correct and were for properly authorized services.

Recommendations

The custodian of petty cash should:

9. Adhere to the Board-adopted policies governing maintenance of the petty cash, including submitting claims, with receipts attached, in amounts necessary to replenish the fund to the Board-approved total.

The Board should:

10. Require employees to submit expense reports for mileage reimbursement rather than paying for fuel out of petty cash.
11. Provide proper oversight of petty cash, including an audit of claims to replenish the fund to ensure that all receipts are attached to petty cash vouchers, that the receipts indicate the individuals making the purchases and that the purchases are for legitimate Library purposes.
12. Ensure that individuals traveling on Library business adhere to the Library's travel policy, including submitting travel vouchers with appropriate supporting documentation in a timely manner.
13. Take steps to recover any remaining outstanding travel advance moneys and take steps to ensure that future overpayments of travel advances are remitted in a timely fashion.
14. Develop a policy outlining when it is appropriate to provide meals and refreshments at Library meetings. The policy should require employees and Board members to identify those in attendance,

the business purpose of the meeting and the business reason why meals and refreshments were needed.

15. Consider revising its purchasing policy to require competition prior to awarding professional services contracts. Any proposal should include documentation of the professional's experience and qualifications to perform the service. Contracts should only be awarded after officials have verified the vendor's qualifications.
16. Enter into written agreements with all individuals and firms that provide professional services to the Library. The Board should also ensure that these agreements clearly stipulate the services to be provided and the basis for compensation. The Board's approval of these agreements should be documented by resolution in the Board minutes.
17. Ensure that the vendors are paid based on Board-approved rates.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

WYANDANCH PUBLIC LIBRARY

14 South 20th Street • Wyandanch, NY 11798
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Board of Trustees

Erskine Trotman, President

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Stephanie Williams, Trustee

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September 10, 2014

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
NYS Office Building, Room 3A10
250 Veteran's Memorial Highway
Hauppauge, New York 11788-5533

Re: Wyandanch Public Library
Draft Oversight of Library Resources Report of Examination
Period Covered: July 1, 2011 – September 30, 2012
Audit Report number: 2013M-399

Dear Mr. McCracken:

The following is Wyandanch Public Library 's response to the findings and recommendations pursuant to the Comptroller's Audit Report 2013M-399. Additionally, the Library has set forth its corrective action plan which, although certain key points are highlighted herein, will be forthcoming.

TREASURER

1. Comptroller's Recommendation Number 1: "The Board should seek to recover from the Treasurer all moneys that she failed to deposit in the Library's bank account and unauthorized payments to her."

Response:

In order to make sure that the Library is handling the taxpayers' funds in the most prudent manner possible, the Board is in the process of conducting an independent investigation into the issues discussed in the Draft Audit Report 2013M-399. The Board has retained the services

of an outside law firm to lead this investigation. Their primary focus is to look into the areas of improvement identified by the report and evaluate and improve upon the systems and procedures that the Board has in place.

To that end, the Board is relying on the opinion of counsel as to the most prudent manner in which to recover funds from the Treasurer.

2. Comptroller's Recommendation Number 2: "The Board should provide adequate oversight of the Treasurer function, including: ..."

Response:

It is the Board's position that it did exercise prudent judgment in the oversight of the taxpayer's money and how it was disbursed. As elected officials we are the guardians of the public's trust and take any matter that could possibly undermine that trust very seriously. This issue regarding the Treasurer's activities has been addressed and the Treasurer has been replaced. However, the amount of money purportedly unaccounted for is \$3,373.00, which represents approximately one quarter of one percent (0.259%) of the Library's annual budget. A more detailed investigation to truly determine whether the anomaly was merely a keystroke error or an item that was not entered into the ledger would necessitate the expenditure of funds that far exceeds \$3,373.00.

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Note 2
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With regard to the monthly bank reconciliations, the Board acted in accordance to its fiduciary duty to the Library and the taxpayers by engaging the services of a certified public accountant to work in conjunction with the Treasurer to produce financial reports based on the bank reconciliations. It is our position that the Board acted prudently in deferring to a highly qualified financial professional and this action speaks volumes to its commitment to ensure the integrity and proper accounting of taxpayer funds. However, the Board was never notified by any of its financial professionals that there existed any financial anomalies or that there was any non-compliance with municipal law that was taking place. If our financial professionals had informed us of these anomalies, then the Board would have been in a better position to swiftly investigate and resolve this matter. The controls that the Board had in place did work and prevented a large loss to the taxpayers. However, the controls that the Board had in place are only as effective as the personnel charged with their execution. Accordingly, the Board has made changes to the personnel handling those financial duties.

See
Note 3
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3. Comptroller's Recommendation Number 3: "The Board should consult with its legal counsel about the Library's relationship with the individual performing the Treasurer's functions. The Board should ensure that the individual it appoints as Treasurer meet all the requirements for holding the office, including being compensated through payroll with appropriate deductions and having no indication of being an independent contractor."

Response:

The Board has looked into this matter and, although the Treasurer did take the Oath of Office and substantially complied with the duties as set out in the Library Handbook, going forward the Treasurer will also be paid through the Library's payroll system.

Corrective action: Treasurer and Cash Receipts:

Below are some of the actions taken in response our former Treasurer's actions and the processing of cash receipts:

- In addition to removing our Treasurer, our corrective action plan also includes sending out an RFP for financial professionals. This audit has forced the Board to reexamine its vendors, therefore we are in the process of reevaluating all of the services provided by all of our outside financial professionals.
- Further, our new Treasurer will provide the Board with increased reporting regarding outstanding deposits and a monthly cash receipts report.
- With regard to cash receipts, the Library is now doing a twice daily accounting of all cash receipts. This twice-daily capture will further increase the accuracy of the cash receipts.

PAYROLL

4. Comptroller's Recommendation Number 4: "The Board should establish a comprehensive policy along with written procedures governing the Library's payroll function, including:...."

Response:

The Board's policies and procedures regarding payroll are currently being rewritten to comply with the ever-changing regulatory environment of municipalities and we think that this will resolve any areas of concern regarding our payroll. We have also engaged the services of employment counsel to change our overtime policy specifically and revise our entire employee manual to conform with industry best practices.

5. Comptroller's Recommendation Number 5: "The Board and officials should monitor payroll by ensuring that:..."

Response:

While the Board does concede that there were some errors in the payroll, the Board actively took a role in trying to address those issues with the third-party vendor contracted to handle payroll and benefits even prior to the date that this audit commenced. The audit period took place at a time where the Library was transitioning between Directors. As it is extremely difficult to find a well-qualified and capable Director, as we have now, it is especially hard for our Library to attract and retain one due to our size and lack of opportunities for growth. Further, the regulatory restrictions on the requisite qualifications for a Director further hamper recruitment efforts.

See
Note 4
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Each Director, as is true with every employee, has their own unique skillset. Where there are areas of weakness or instances of inability, the Board tries to assist and support the Director as much as it can so that the Library continues to operate without interruption. This included taking on tasks and duties that are normally carried out by the Director. Our Library does not have an Assistant Director position, as we have not been approved for that position by Civil Service. Further, Civil Service restricted the Library's use of employees working outside of their assigned civil service title. Accordingly, there were no employees who could assume the payroll duties of the Director at that time. Therefore, in the absence or due to the inability of a Director, the Board is the only entity in place to execute the Director's critical and sensitive duties.

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Note 5
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See
Note 6
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6. Comptroller's Recommendation Number 6: "The Board should review the incorrect payments identified in this report and pursue recovery."

Response:

The Board is in the process of reviewing these payments and will seek out the opinion of counsel for the purposes of recovering incorrect payments, if applicable.

7. Comptroller's Recommendation Number 7: "The Board and officials should review leave and accrual balances and adjust them appropriately to correct errors."

Response:

Our Director, at the Board's direction, is in the process of taking an accounting of all employee time including accruals and bringing it into compliance with the guidelines as defined in the employee manual including, but not limited to, making the necessary adjustments to correct errors.

8. Comptroller's Recommendation Number 8: "The Board and Officials should review user access rights to the payroll system and restrict access to only those employees authorized to process payroll."

Response:

The Board's policies and procedures regarding payroll are currently being rewritten to comply with the ever-changing regulatory environment of municipalities and we think that this will resolve any areas of concern regarding our payroll. We have also engaged the services of employment counsel to change our overtime policy specifically and revise our entire employee manual. Regarding access to the payroll system, as stated earlier in this response, the Board stepped into a position to assist a prior Director through a transitional period. Now that the Library is adequately staffed, the Board is no longer in a position where this will be an ongoing area of concern. Board member access to the payroll system will be restricted going forward.

Corrective Action with respect to Payroll:

Below is a partial list of some of the actions we have adopted to supplement the policies and procedures that we have in place with regard to payroll:

- All leave time shall be requested in writing and approved by the Director.

- All overtime should be preapproved by the Director, and the Director shall memorialize this approval in writing before the payroll is processed.
- An accounting of all employee accrued time will be completed and, after said accounting, every employee's time will be brought into compliance with the Employee Manual.
- Absent a specific resolution from the Board of Trustees, no Trustee will be involved with the processing of payroll going forward.
- The Board will review and approve a quarterly Overtime Report.

CASH DISBURSEMENTS

9. Comptroller's Recommendations numbered 9-14 regarding petty cash, mileage, travel and meal reimbursement:

Response:

The Board has reviewed the OSC's recommendations with respect to the above the topics and is in the process of drafting and adopting procedures which adequately address the OSC's concerns.

10. Comptroller's Recommendation Number 15: "The Board should consider revising its purchasing policy to require competition prior to awarding professional services contracts. Any proposals should include documentation of the professional's experience and qualifications to perform the service. Contracts should only be awarded after officials have verified the vendor's qualifications."

Response:

The Board is in the process of establishing new procedures for vetting the awarding of professional services contracts. That is not to say that the prior process of retaining professional services has been called into question, only that the Board is undertaking a new process to conform with "best practices" in the industry.

11. Comptroller's Recommendation Number 16: "The Board should enter into written agreements with all individuals and firms that provide professional services to the Library. The Board should also ensure that these agreements clearly stipulate the services to be provided and the basis for compensation. The Board's approval of these agreements should be documented by resolution in the Board minutes."

Response:

The Board is adopting the recommendation of the OSC with respect to recommendation 16.

12. Comptroller's Recommendation Number 17: "The Board should ensure that the vendors are paid based on Board-approved rates."

Response:

It is our assumption that this recommendation is with respect to the Board's payment of a law firm bill where the Library was billed \$275.00 per hour as opposed to the \$270.00 listed in the Board minutes. We can only assume that there was a keystroke error in transcribing the Board

See
Note 7
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minutes as no Board member present at said meeting recalls any discrepancy. Additionally, a rate of \$275.00 per hour is in line with rates charged by similar firms performing similar work in a municipal environment.

Corrective Action: Cash Disbursements

In conjunction with taking steps to retrain its staff regarding cash disbursements, these are a few of the adjustments to policy and procedures that the Library is undertaking. All staff is required to provide written receipts in order to receive reimbursement. These transactions, including reimbursement of petty cash, will be recorded into the general ledger. In addition, a Petty Cash Report will be submitted monthly to the Board.

CONCLUSION

The Library maintains that the audit period examined looked at a distinct period of time when it was in a state of flux due to the loss of a longtime Director. While this audit has brought out some areas of opportunity for the Library to improve, the corrective action needed to make these improvements is minimal and is already underway. Evidence of such improvements will be available upon the Comptroller's request. We would like to thank the Office of the Comptroller for their cooperation and attentiveness during this audit process.

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Sincerely,

Erskine Trotman, President
Wyandanch Public Library Board of Trustees

APPENDIX B

OSC COMMENTS ON THE LIBRARY'S RESPONSE

Note 1

We are concerned that the Board seems to be minimizing this matter. We reviewed cash receipts from July 2011 through October 2012 and determined that \$4,638 was missing, which represents almost 50 percent of the cash collected during our audit period.

Note 2

We are concerned that the Board considers this shortage to be an anomaly or keystroke error. Any loss of money, no matter how small, is a loss of taxpayer funds which should not have taken place.

Note 3

The Treasurer's reports, which were presented to the Board on a monthly basis, indicated that the Library did not deposit any money for fines or fees for faxes and printing for five months in our audit period. The Board has an obligation to review the information presented in reports to the Board and to be cognizant of such obvious abnormalities.

Note 4

While we found payroll errors, this recommendation addressed a finding that concerned the actions of an individual Board member. The payroll issues that we identified were not errors attributable to the payroll vendor or a Director as indicated in the Board's response. The substance of our finding is that a Board member used her position and authority to override internal controls and usurp the Director's duties in order to adjust time records for a family member.

Note 5

The Board is responsible for governing Library operations and providing oversight while the Library Director is responsible for day-to-day Library management. As such, no Board member has the authority to take on the Director's tasks and duties. The Board's role is to support the Director in holding all employees accountable to Board-approved policies and procedures.

Note 6

During our audit period, the Board appointed a Library page as operations manager. Suffolk County Civil Service acted appropriately and prohibited the employee from working outside her civil service title. Therefore, we had no findings concerning this matter. In addition, we saw no indication that the Library needed additional staff, only a need for the Board to allow the Director and staff to perform the duties they are appropriately appointed to perform.

Note 7

A written agreement between the Library and the law firm would have provided necessary documentation to the appropriate rate. If it had such an agreement, the Board would not have had to rely on their recollection of what was approved at the meeting.

Note 8

While the Board maintains that the audit looked at a period of time when the Library was in a state of “flux” due to the loss of a longtime Director, most of our findings related to the Board’s actions or inactions. Board members used their position to override controls and did not provide the proper oversight.

APPENDIX C

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 risk assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included an evaluation of the following areas: Board governance, cash management, purchasing, claims processing, payroll and IT.

During the risk assessment, we interviewed officials, performed limited tests of transactions and reviewed pertinent documents such as Board meeting minutes, financial records and payroll records. After reviewing the information gathered during the risk assessment, we determined where weaknesses existed and decided upon the reported objective and scope by selecting for audit the duties of the Treasurer, cash disbursements and payroll. We selected the scope period of July 1, 2011 through September 30, 2012. Due to the nature of certain findings, we examined documents outside of the audit period to meet our objectives. To accomplish the objective of this audit and obtain relevant audit evidence, our procedures included the following:

- We reviewed the minutes of the Board meetings and the Board's policies, as well as the Library's employee manual.
- We interviewed officials to gain an understanding of the processes and procedures relating to the Treasurer's duties, payroll and cash disbursements.
- We reviewed dealings with the Library's professional service providers to determine if contracts exist with the professional service providers and if vendors were paid according to contract.
- We examined petty cash claims and accompanying receipts for the audit period to determine if all receipts were for legitimate Library purposes and if all petty cash funds were accounted for.
- We examined all claims, travel advances and expense reports for travel to ALA conferences in 2011 and 2012 to determine if travel was properly authorized and if travelers adhered to the Library's travel policy.
- We examined claims for meals for the audit period and selected the top three vendors that the Library paid meal claims to for the audit period July 1, 2012 through September 30, 2012. We obtained all vendor claims for each of these three vendors to determine if the purchases of meals were for legitimate Library purposes.
- We traced cash receipts collected for fines at the front desk from the original receipts, to the Treasurer's reports, deposit tickets and finally to the bank statements for assurance that moneys were deposited timely and in accordance with the Library's policies and procedures manual.

- We examined bank reconciliations to determine if the reconciliations completed by the Treasurer were timely and if the ending ledger balances, as well as the amount of checks outstanding reported by the Treasurer, matched the Library's accounting records.
- We compared employee timesheets for a selection of employees against the payroll registers for the period January 1, 2012 through June 30, 2012 to determine if the employees were paid according to Board-approved salaries. We also calculated overtime payments for these employees to determine if overtime payments were properly pre-authorized, documented and subsequently approved.
- We recalculated the leave accrual balances for six full-time and six part-time employees for the calendar year 2012.
- We reviewed time clock changes for a selection of employees from January 2012 through June 2012. We documented who made time changes and vouched time changes back to supporting documentation. Subsequent to our field work, we reviewed time changes from July through December 2012.

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 D

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