



Dansville Public Library Procurement

Report of Examination

Period Covered:

July 1, 2013 — August 19, 2015

2015M-225



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2015

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 the Dansville Public Library, entitled Procurement. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Dansville Public Library (Library) is a school district public library organized to serve the residents of the Dansville Central School District (District), which encompasses portions of the Towns of North Dansville, Conesus, Groveland, Ossian, Sparta, Springwater and West Sparta in Livingston County and the Towns of Dansville and Wayland in Steuben County. The District is responsible for collecting real property taxes on the Library's behalf.

The Library is governed by an elected five-member Board of Trustees (Board) responsible for the general management of the Library's financial affairs. The Board-appointed Library Director (Director) is responsible for managing the day-to-day operations. The Board-appointed Treasurer is the chief financial officer and custodian of all library funds.

The Library operates one building with four full-time and five part-time employees. The Library's general fund expenditures for the 2014-15 fiscal year totaled \$552,161, which were funded primarily with real property taxes.

Objective

The objective of our audit was to examine the Library's procurement process. Our audit addressed the following related question:

- Did the Board properly oversee the procurement process?

Scope and Methodology

We examined the Library's procurement practices for the period July 1, 2013 through August 19, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of Library Officials and Corrective Action

The results of our audit and recommendations have been discussed with Library officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Library officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Director's office.

Procurement

An effective procurement process can help the Library obtain services, supplies and equipment of the right quality and quantity from the best qualified and lowest-priced sources, in compliance with legal requirements. This can help the Library expend taxpayer dollars efficiently and help guard against favoritism, extravagance and fraud.

The Board, as required by General Municipal Law (GML), must adopt a procurement policy. GML also stipulates that goods and services that are not required by law to be procured pursuant to competitive bidding must be procured in a manner to assure the prudent and economical use of public money, in the best interest of the taxpayers to facilitate the acquisition of good and services of maximum quality at the lowest possible cost under the circumstances and to guard against favoritism, extravagance, fraud and abuse. To accomplish this, it is important that Library officials seek competition, solicit requests for proposals or use State and county contracts (when available).

The Board needs to improve the Library's procurement process. The Board did not adopt a procurement policy as required by GML and no written procedures were in place to provide guidance to Library staff when procuring goods and services. As a result, Library officials and staff developed informal practices to seek competition when procuring goods and services. However, these practices were not consistently applied for all Library purchases. Further, the purchasing approval process was ineffective because most claims were paid before the Board's review and approval.

Library purchases were decentralized and the Director and five designated staff members¹ were allowed to make purchases on the Library's behalf within specific assigned areas (e.g., audiovisual equipment). Once an area's budget was exhausted, staff members could request permission from the Director to make additional purchases. In addition to making the purchases, staff members were responsible for receiving and checking orders when they arrived. However, without an adequate segregation of duties between purchasing and receiving, Library purchases could be retained for personal use without detection.

To determine if Library staff used a competitive procurement process when purchasing goods and services, we reviewed all 135 abstracts²

¹ Each staff member has a particular area for which they usually make purchases as informally assigned by the Director.

² An abstract is a list of claims, including claim numbers, vendor names and billed amounts.

from July 1, 2013 through June 30, 2015 totaling \$813,898. We identified 804 non-payroll disbursements³ listed on these abstracts totaling \$386,303. Our review of these disbursements disclosed that none were required to be competitively bid. While the Board minutes indicated that competition was sought for select larger purchases and the Director told us that they often seek competition for other purchases, supporting documentation generally was not maintained to determine whether competition was sought for these purchases. Therefore, the Board and the public had little assurance that goods and services were acquired in the most prudent and economical manner without favoritism.

Library officials told us that the Board approves most purchases through the claims auditing process.⁴ However, we found that the purchasing approval process was ineffective because most claims were paid before the Board's review and approval. In addition, New York State Education Law requires the Board to audit and approve all Library claims before authorizing payment. Specifically, we found 69 abstracts with 405 non-payroll disbursements totaling \$249,526 (65 percent) were paid before Board approval. As a result, the Board's procurement oversight is severely limited and questionable purchases could be made.

We also found that Library officials did not maintain an inventory of all Library assets. Library staff used the Library's online catalog system to inventory items that are circulated (e.g., books, periodicals, newspapers, etc.). However, for purchases such as audiovisual and computer equipment, there were no inventory records. As a result, Library staff may be unable to determine if an item is missing.

As a result of the lack of Board procurement guidance and an ineffective procurement process, Library staff and taxpayers have limited assurance that goods and services were obtained in the most prudent and economical manner.

Recommendations

The Board should:

1. Adopt a procurement policy, in accordance with GML, that gives Library staff guidance when purchasing goods and services.
2. Audit and approve all claims, other than those exceptions authorized by resolution and allowed by law, before paying the

³ There were 130 abstracts that included non-payroll disbursements.

⁴ The Board may, by resolution, authorize payment in advance of audit of claims for public utility services (electric, gas, water, sewer and telephone), postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

claims and ensure each claim contains sufficient supporting documentation.

3. Ensure that purchases are received by an individual other than the purchaser.
4. Maintain a comprehensive inventory including valuation for all Library assets, which should be periodically reconciled with a physical inventory.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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



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December 7, 2015

Edward V. Grant, Jr.
Chief Examiner
Office of the State Comptroller
Rochester Regional Office
16 West Main St Suite 522
Rochester NY 14614-1608

RE: Response to Draft Report of Examination (2015M-225)

Dear Mr. Grant:

Please accept this letter as receipt of the OSC's Draft Report of Examination of Dansville Public Library for the audit period July 1, 2013-August 19, 2015.

We are very appreciative of the time and effort expended by OSC Staff during this review held during the 12 weeks between June 22, 2015 and September 16, 2015. OSC Staff members were polite and helpful. The Dansville Public Library Board of Trustees and the Staff are committed to improving practices and procedures to provide efficient and responsible financial management of our Library, and we welcome this audit as an avenue to better our processes.

Sincerely,

William Forsythe
President, Dansville Public Library Board of Trustees

This institution is an equal opportunity provider and employer.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Library officials and employees to determine if the Board adopted a procurement policy and gain an understanding of the procurement process.
- We reviewed Board minutes for the period July 1, 2013 through July 31, 2015.
- We reviewed all 135 abstracts for the general fund from July 1, 2013 to June 30, 2015. Because the abstracts included payroll disbursements, we identified and excluded \$427,594 payroll disbursements to determine the non-payroll items. We reviewed non-payroll disbursements to determine if purchases, including aggregate purchases, were subject to bidding requirements and appropriately bid. We also reviewed abstracts to determine those paid before proper Board audit.
- We inquired about inventory lists. We randomly selected a month from July 1, 2013 through June 30, 2015. For the randomly selected month (June 2014) we reviewed all abstracts and claims to identify purchased media (books, magazines, CDs and DVDs). We searched for these purchases in the Library's online catalog, which is the inventory list for such items. We documented the reasons why any items were not listed and determined if the explanation was reasonable (e.g., an item was loaned, lost or returned damaged and not in circulation).
- We solicited information on outside employment and business interests of Board members and employees directly involved in the purchasing process and compared interests to vendors listed on the abstracts to determine if there were any conflicts of interest.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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