



# Lockport Public Library Claims Processing

## Report of Examination

Period Covered:

July 1, 2013 — June 24, 2015

2015M-192



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

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

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

Respectfully submitted,

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

# Introduction

## Background

The Lockport Public Library (Library) is located in the City of Lockport, Niagara County. The Library is a school district public library and received its charter from the Board of Regents of the New York State Education Department in February 1893.

The Library is governed by a three-member Board of Trustees (Board), each of whom is appointed by the Lockport City School District Board of Education. The Board is responsible for the general management of the Library's financial affairs and the safeguarding of Library resources. The Library Director (Director) is appointed by the Board and is responsible for the day-to-day management of the Library. The Board also appoints the Treasurer, who maintains the accounting records, and a Secretary, who maintains the minutes. Library appropriations for the 2014-15 fiscal year totaled \$1.6 million, which were funded primarily from real property taxes.

## Objective

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

- Did the Board conduct an effective audit of claims?

## Scope and Methodology

We examined the claims auditing process for the period July 1, 2013 through June 24, 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.

## 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 the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Director's office.

## Claims Processing

The Board should audit claims prior to payment.<sup>1</sup> An effective claims audit should be deliberate and thorough. The Board should ensure that each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies and that the amounts claimed represent proper Library expenditures. The Secretary should ensure that the Board's approval of claims is documented in the Board minutes. Furthermore, an official not involved in preparing or auditing claims, such as the Treasurer,<sup>2</sup> should sign the checks to pay the claims.

The Board did not routinely audit and approve claims prior to payment.<sup>3</sup> Instead, claims were audited and approved for payment by the Director, who also signed the disbursement checks to pay the claims. The Board subsequently reviewed a check register that showed the check dates, check numbers, payee names, brief payment descriptions and the payment amounts. However, this review was after the claims had been paid and was incomplete. The Board did not review each claim to determine if all were properly itemized and included appropriate supporting documentation. The Secretary ensured that the Board's review was documented in the minutes. Internal controls are compromised when the same person who audits and approves the claims for payment also signs the checks to pay those claims.

We judgmentally selected a sample of 30 claims totaling \$168,454 to determine if they contained adequate supporting documentation and were for proper Library purposes. The claims we tested were properly itemized and included adequate supporting documentation. We also verified that the payees and the amounts of the canceled checks agreed with the claims and were properly recorded in the general ledger. During our review we noted that the Director signed checks for 29 out of the 30 claims we reviewed; the Treasurer signed one check.

When the Board does not audit and approve claims prior to payment and has the same person sign checks that audits the claims, there is an increased risk that the Library could pay for goods and services that are not proper Library expenditures.

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<sup>1</sup> See New York State Education Law.

<sup>2</sup> The Treasurer does not have custody of the checks and only receives preprinted checks from the administrative assistant.

<sup>3</sup> 430 claims totaling \$1,341,480 were paid during our audit period.

## **Recommendations**

The Board should:

1. Conduct a thorough audit of claims prior to payment.
2. Ensure that the Treasurer is primarily responsible for signing checks.

## **APPENDIX A**

### **RESPONSE FROM LIBRARY OFFICIALS**

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



# Lockport Public Library

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*Your Library...an Open Door*

October 16, 2015

Jeffery D. Mazula, Chief Examiner  
Buffalo Regional Office  
Division of Local Government and School Accountability  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Re: Response and Corrective Action Plan: 2015-192

Dear Mr. Mazula:

The Lockport Public Library has received and reviewed the Office of the State Comptroller's Report of Examination (draft). We appreciate the guidance of the Office of the State Comptroller regarding the library's claims auditing process and agree to the corrective action.

Upon completion of the physical audit in June, the OSC auditor gave verbal recommendations for improvement. Based on this information, the Lockport Public Library Board of Trustees took immediate corrective actions at their next meeting in July 2015:

1. Audit of claims (invoices and supporting documents) is now done prior to payment. The unpaid claims are available at Library Board meetings so any questions or concerns may be discussed prior to payment. The audit of claims and approval is reflected in the minutes.
2. The library director no longer signs checks. The Treasurer now has primary responsibility for signing checks.

The OSC auditor assigned to our library was very informative about the process and outcome. The audit process was a valuable experience and it assures that the Lockport Public Library Board of Trustees and the Staff will continue to be good stewards of public funds entrusted to them by the Lockport Community.

Sincerely,

Beverly J. Federspiel  
Library Director

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

The objective of our audit was to review the Library's claims audit process for the period July 1, 2013 through June 24, 2015. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Library officials to gain an understanding of the claims audit and approval process and reviewed Board meeting minutes and related policies.
- We reviewed a sample of 30 claims paid during 2013-14 and 2014-15 to date for itemization and sufficient supporting documentation and to determine whether they represented proper Library expenditures and were Board-approved before payment. Our sample was judgmentally selected based upon what we determined were high risk transactions.
- We examined the sample's related canceled checks and the general ledger to determine consistency with the claims.

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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**AND SCHOOL ACCOUNTABILITY**

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