



Ravena-Coeymans- Selkirk Community Library

Claims Processing

Report of Examination

Period Covered:

July 1, 2013 — September 30, 2014

2015M-28



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 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 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 Ravena-Coeymans-Selkirk Community 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 Ravena-Coeymans-Selkirk Community Library (Library) is located in the Village of Ravena, in the Town of Coeymans in Albany County. The Library is a public school library that serves the approximately 14,000 residents of the Ravena-Coeymans-Selkirk Central School District (District). The Library is part of the Upper Hudson Library System and is governed by a seven-member Board of Trustees (Board) elected by District residents.

The Board is responsible for the general management and control of the Library's financial affairs. The Board-appointed Library Director (Director) is responsible for the Library's day-to-day administration. The Director is assisted by a bookkeeper who is responsible for maintaining the accounting records, reconciling the bank statements and processing the bills.

The Library's budgeted appropriations are approximately \$559,000 for the fiscal year ending June 30, 2015. The Library's operations are funded primarily from real property taxes, State aid, fines and fees. The real property taxes are collected by the District and remitted to the Library.

Objective

The objective of our audit was to evaluate the adequacy of the Library's internal controls over claims processing. Our audit addressed the following related question:

- Are internal controls over claims processing adequately designed and operating effectively?

Scope and Methodology

We examined the Library's internal controls over claims processing for the period July 1, 2013 through September 30, 2014.

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 B of this report.

Comments of Local 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 Library Board to make this plan available for public review in the Director's office.

Claims Processing

The Board is responsible for establishing an adequate system of internal controls over processing claims.¹ To meet this responsibility, the Board must establish policies and procedures that ensure that each claim contains sufficient supporting documentation to determine compliance with Library policies, the goods or services have been received and the amounts claimed represent actual and necessary expenditures. In addition, the Board is responsible for thoroughly and deliberately auditing all claims prior to approving them for payment. Each claim should be assigned a sequential number and be presented to the Board for audit. Approval of the claims should be documented in the Board minutes. The Board members can also sign or initial the claims to further indicate approval.

Internal controls over the claims audit process were not appropriately designed. The Director and staff are responsible for signing and dating claims to indicate that the goods or services being billed for have been received, which is a good internal control. However, the Board assigned² the responsibility to audit and approve claims for payment to the Board President (President), which is not a good practice because it does not provide for an audit of claims by the entire Board. Furthermore, the Board policy was not followed because claims were reviewed and approved for payment by a Trustee serving as Board Treasurer (Treasurer) instead of the President.

The Treasurer stated that she assumed the task of reviewing and approving claims from the prior Treasurer approximately four years ago. However, Library officials could not provide a Board resolution assigning her this role. Allowing the Treasurer to review claims and sign the checks for payment reduces the Board's ability to properly oversee financial activity and increases the risk of inappropriate transactions. Claims were approved on a weekly basis by the Director and the Treasurer. After approving the claims, the Director and the Treasurer signed the checks to pay claims.

We reviewed 55 claims³ totaling \$60,162 and found that all of the claims appeared to be for appropriate Library purposes and had evidence of approval by the Director and Treasurer. However, none of the claims were audited and approved by the Board. When claims

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

² Per the Board-adopted financial policies and procedures

³ See Appendix B for details on the sampling methodologies for the claims selection

are not audited by the full Board prior to payment, it increases the risk of inappropriate and incorrect payments.

Recommendations

1. Library officials should ensure that all claims are presented to and approved by the Board prior to payment.
2. The Board's approval of the claims should be documented in the minutes of the Boards' meetings and noted on the individual claims.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

Office of the State Comptroller
Division of Local Government
& School Accountability
110 State St. 15th Floor
Albany, NY 12236

April 28, 2015

To Whom It May Concern:

The RCS Community Library has received the letter from your recent audit and plans to take the following steps to implement your recommendations:

1. The Library Board has begun the process of reviewing claims before payment and reviews the abstract for all checks at its monthly board meeting.
2. The Library Board's approval of claims is noted in the Board's minutes and on the abstract of claims.

We appreciate the efforts of OSC to help the Library improve all aspects of its financial operations.

Sincerely,

Josephine Bruno
Board Treasurer

www.rcscommunitylibrary.org
95 Main Street, Ravena, NY 12143-1702
Phone (518) 756-2053 Fax (518) 756-8595

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the Library's internal controls put in place by officials to safeguard Library assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. During our initial assessment, we interviewed Library officials, performed limited tests of transactions and reviewed pertinent documents, such as Library policies and procedures, Board minutes and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those areas most at risk. We determined that risk existed within claims processing. Therefore, we examined the internal controls over claims processing for the period July 1, 2013 through September 30, 2014.

To accomplish the objective of this audit and obtain valid and relevant audit evidence, our procedures included the following:

- We assessed relevant policies and procedures to determine whether they were adequate. We made inquiry of Library officials whose duties related to our audit objective.
- We reviewed Board minutes during our scope period for evidence of Board audit and approval of claims prior to payment.
- From the cash disbursements ledger, we randomly selected 40 disbursements and reviewed them to determine whether they were supported by an itemized invoice or receipt, contained evidence of receipt of goods and contained evidence of audit and approval.
- Because of the inherent risk, we selected the five highest dollar amount employee reimbursements and the five highest dollar amount credit card purchases and reviewed them to determine whether they were supported by an itemized invoice or receipt, contained evidence of receipt of goods and contained evidence of audit and approval.

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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