



# Cohoes Public Library Governance and Operations

## Report of Examination

Period Covered:

January 1, 2014 — December 31, 2014

2015M-259



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**

April 2016

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 Cohoes Public Library entitled Governance and Operations. 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 Cohoes Public Library (Library) is part of the Upper Hudson Library System, is located in the City of Cohoes (City) and serves approximately 16,000 residents in the City and surrounding Albany County area. The Library is a municipal public library<sup>1</sup> that was formed by the City's Common Council in 1969 and is governed by a nine-member Board of Trustees (Board) who are appointed by the City Mayor.

Although the Library is an independent corporate entity, it acts as a City agency and is subject to all the laws applicable to public institutions. 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 Board-appointed Treasurer is a member of the Board and, according to the Library's bylaws, is the disbursing officer of the Board and must sign all Library claim vouchers. The Treasurer also is responsible for presenting reports to the Board indicating income and disbursements for all accounts. The City maintains the Library's accounting records, makes deposits, processes Library disbursements, adopts the Library's budget and levies taxes to support Library operations.

The Library operates one building with four employees. Its 2014 budgeted appropriations were approximately \$242,000, which were funded primarily with a transfer from the City, State and federal grants and fees collected from Library patrons.

## Objective

The objective of our audit was to determine whether the Board provided adequate oversight of the Library's operations. Our audit addressed the following related question:

- Is the Library governed and operated in accordance with its charter and bylaws and the City code?

## Scope and Methodology

We examined the Board's oversight and governance of the Library for the period January 1 through December 31, 2014.

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<sup>1</sup> A municipal public library is formed either by a vote of the governing body of a municipality or by a public referendum to serve the residents of the municipality.

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 have initiated, or 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.

## Board Oversight

The Board is responsible for the adequate oversight and governance of the Library. It is the Board's responsibility to understand the legal foundation of the Library and its authority. Also, it must be familiar with the City code pertaining to the Library and with the Library's charter and bylaws. An annual review of the Library's bylaws helps the Board ensure they are up-to-date and consistent with current practices. The Board also is responsible for ensuring that adequate funding is secured from the City for the Library, monitoring the Library's finances and operating budgets and auditing and approving claims prior to payment.

The Board has not governed and operated the Library in accordance with its charter, its bylaws and the City code. The Board is unfamiliar with the Library's charter and bylaws and the City code pertaining to the Library. As a result, the Board and Director have not assumed all duties required by the Library's governing documents, leaving City officials with primary control over the Library's operations and finances. In addition, because the Treasurer does not submit complete and adequate monthly financial reports to the Board, it does not have a complete understanding of the Library's financial position and cannot effectively monitor the budget and actual results of operations. Furthermore, the Board has not undertaken its obligations related to determining the Library's budget. For example, the Library did not receive \$107,539 in funding from the City during 2012 and 2013 in accordance with the Library's budgets, as adopted by the Common Council, which could have been used for Library activities. Also, the Board does not audit and approve claims prior to them being processed for payment by the City.

### Governance

In 1969, the City's Common Council adopted a City ordinance (code) establishing the Library and a separate Board to manage and control the Library. According to the code, it appears it was the intent of the Common Council for the Board to manage the Library's financial operations, including monitoring and modifying the Library budget, approving disbursements and making financial decisions in the interest of the Library.

In 1978, the Library was granted an absolute charter by the New York State Board of Regents and adopted its bylaws. The Library should have a copy of its charter and all subsequent amendments. According to the bylaws, the Board is responsible for the Library's business affairs and is required to appoint a Director as the Library's chief executive officer. The bylaws grant the Director with the day-

to-day responsibility for managing the Library and with authority for preparing the annual budget request to the City and operating the Library within its budgeted appropriations.

The Board does not provide adequate oversight of the Library's operations and has not properly governed and operated the Library in accordance with the code and bylaws. The Director and three Board members told us they were unaware of the code's existence and its provisions that established the powers and duties of Library officers. As a result, the Board and Director have not assumed all duties entitled to these positions. Consequently, City officials have primary control over the Library's operations and finances. For example, City officials treat the Library as a City department by approving Library claims prior to payment and making budgetary transfers between Library accounts.

The Board does not annually review its charter and bylaws to ensure they are complete and up-to-date and to ensure that Board members are familiar with the content of both documents. Although the November 2012 Board minutes indicated that the Secretary and Board President intended to review the bylaws, Library officials could not provide us with any evidence that this review occurred. The most recent copy of the bylaws is dated December 1, 2003.

The City Comptroller (Comptroller) told us that City officials were aware that the Library was not functioning as established. However, City and Library officials have not taken any action to remedy the situation.

Because the Board has not ensured that the Library is operating in accordance with the code and its charter and bylaws, the Board has given the City more control over the Library's financial operations than was intended by the Common Council when it established the Library. As a result, the Board is not monitoring and controlling its own finances and has allowed City officials to make financial decisions on its behalf.

## **Monthly Reports**

The Board should receive complete and accurate monthly reports that provide detailed financial information that it can use to develop the Library's budget and monitor its financial operations. Monthly reports should include budget-to-actual comparisons of all Library revenues and expenditures.

The Comptroller's office maintains the Library's accounting records in a separate Library fund and records and processes all disbursements including payroll, records all revenues, makes all budget transfers and deposits all Library receipts into the City's operating account.

Separate from the City's accounting records, the Director maintains a record of cash receipts and purchases made by the Library, including materials such as books, DVDs, magazines and small office supplies.

From this information, the Director prepares a budget-to-actual report that the Treasurer submits to the Board each month. However, the reports are incomplete and inadequate because the Director did not include all budget lines, revenues and expenditures in the reports. For example, the Director did not include the City's interfund transfers and payroll expenditures in the reports. Consequently, although the Library's 2014 budget totaled \$241,970, the Director included only \$34,630 of these appropriations, or 14 percent of the total budget, in the Treasurer's monthly budget-to-actual reports.

Because the Director does not include all budget lines, revenues and expenditures in the monthly reports, the Board does not have a complete understanding of the Library's financial position, which makes it difficult for the Board to effectively monitor budget-to-actual results and restrict expenditures, or amend the budget, when warranted.

## **Budgeting**

It is the Board's responsibility to monitor and control its own finances, in part, by being involved in the process of preparing its own budget. By collaborating with the City in determining the Library's budget, the Board contributes to making decisions that affect Library services, the public's free access to information and real property taxes.

Although the City's Common Council has the authority to adopt the Library's budget, the Board should be involved in developing the budget. In 2013, the Comptroller provided all City departments and the Library with a budget worksheet to complete for the 2014 budget. While the Board and Director did not complete this form, they prepared a written proposal asking that the 2014 budget stay the same as the 2013 budget and requested an additional \$25,000 for a children's librarian. In the adopted 2014 budget, the City maintained the Library's budget at nearly the same level as the previous year's budget<sup>2</sup> but rejected the Library's request to fund an additional position.

In 2014, the Comptroller did not provide budget worksheets to City departments and the Library for their input into the 2015 budget. Instead, the Comptroller notified them that there would not be any increases in the 2015 budget. As a result, the Board did not have the opportunity to provide input into preparing the Library's 2015 budget.

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<sup>2</sup> The Library's budgeted appropriations were \$241,360 in 2013 and \$241,970 in 2014.

In addition, we found that the Library did not receive the total amounts budgeted for its operations in 2012 and 2013. The Library's annual budget includes a transfer from the City to fund its operations. General fund monies are transferred to the Library fund as needed to fund Library operations. The general fund budgets included \$241,617 to be transferred to the Library fund in 2012 and \$225,989 to be transferred in 2013. However, we found that the general fund transfers in 2012 and 2013 were \$107,539 less<sup>3</sup> (combined for both years) than the total amount budgeted.

The Comptroller told us that the City did not transfer the Library's full budgeted amounts on the recommendation of its independent auditor to avoid keeping the Library's fund balance from becoming excessive. The Library ended 2013 with a \$39,360 fund balance, or 16.3 percent of the ensuing year's appropriations.

Because the Board was unaware of the code's existence and its provisions that established the powers and duties of Library officers, it has not undertaken its obligations related to determining the Library's budget.

## Claims Audit

The Board is responsible for auditing all claims against the Library prior to payment to ensure that disbursements are for valid expenditures and goods or services have been received. It is important for the entire Board to audit and approve all claims against the Library and sign the claim voucher sheets and/or abstracts to verify that payments may be made for approved amounts.

The Comptroller and City Treasurer approve payments for Library claims before the Board audits the claims. On a weekly basis, the Director and Library Treasurer initial original invoices and remit them to the City for payment. This occurs before the Board reviews the Library's claims.

The Library maintains a copy of the invoices, and a part-time Library aide prepares a claim package including a voucher sheet and abstract that the Treasurer provides to the Board at the monthly meetings for audit and approval. However, the Library does not send

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<sup>3</sup> The 2012 budgeted transfer amount was \$241,617, and the actual amount transferred was \$186,078, a difference of \$55,539. The 2013 the budgeted transfer amount was \$225,989, and the actual amount transferred was \$173,989, a difference of \$52,000. We did not comment on the 2014 budget-to-actual transfer amounts because the City's financial statements had not been closed out as of the end of our fieldwork.

a Board-approved claim packet or abstract<sup>4</sup> to the City to indicate the Board's authorization for payment of claims, and the City does not request this information before approving the Library's claims for payment. In addition, only the Director and Treasurer sign the claim voucher sheets, not the other Board members. While the Board passes a monthly motion to approve the claims for payment, the claim numbers and amounts are not documented in the motion.

By submitting claims to the Comptroller and City Treasurer for payment prior to Board audit and approval, the Board is not functioning as intended according to its bylaws and City code.

## Recommendations

The Board should:

1. Ensure the Library is operating in accordance with its bylaws, its charter and City code.
2. Periodically review and update the bylaws and charter.
3. Ensure that the Treasurer submits adequate monthly financial reports that include complete budget-to-actual information, cash balances and all budget lines, revenues and expenditures.
4. Review and approve all budget amendments and transfers.
5. Audit and approve all claims before they are paid and ensure that Library staff provides the City with the Board-approved claim packets or abstract signed by all Board members.
6. Ensure that Library staff includes claim numbers and amounts in the Board's monthly motion that documents the Board's approval of claims for payment.

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<sup>4</sup> A claim packet should include an original invoice. A voucher sheet attached to the invoice provides details of the vendor, a description of the purchase, the account code charged, the amount of the claim, documentation of original approval of purchase and a receipt of goods. An abstract accompanies the claims. It is a comprehensive list of all claims, including the name of all claimants, claim amounts and accounts charged. All members of the Board can sign either the abstract or each voucher to document their approval for payment.

## **APPENDIX A**

### **RESPONSE FROM LIBRARY OFFICIALS**

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



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PUBLIC LIBRARY**  
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Office of the State Comptroller  
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110 State St. 12<sup>th</sup> Fl.  
Albany, NY 12236

### **Response:**

The Cohoes Library finds the OSC's recommendations and findings in the Library's audit for the 2014 to be fair. The library has had significant staff and trustee turnover in the past six years; this resulted in some difficulties in tracking some documentation. The May 2015 minutes note the bylaws were in fact modified and that modification was approved by the Board. Trustees are now working to better document all official activities and further improve document organization.

The relationship between the City and the Library has evolved in the 47 years since the library was established. It is clear that further discussion with the City is needed. The audit will assist us in better understanding and clarifying this relationship.

Unit Name: Cohoes Public Library

Audit Report Title: Cohoes Public Library Governance and Operations

Audit Report Number: 2015M-259

### **Corrective Action Plan**

- 1. Ensure the Library is operating in accordance with its bylaws, charter, and City code.**
  - a. The Library Board reviewed its bylaws in April 2015 and amended the bylaws at its May 2015 meeting.
  - b. These key documents will be redistributed to current trustees at the April 2016 board meeting. Copies will be distributed to new trustees as they are appointed to the board, effective immediately. The Library Director is responsible for this distribution.
  - c. The Board will schedule a meeting with appropriate City officials to discuss and clarify library operations and board responsibilities (April 2016).
- 2. Periodically review and update the bylaws and charter.**

- a. The Library Board will schedule a yearly review of the bylaws beginning Summer 2016. The board minutes will reflect when such review occurs and minutes will reflect any amendments approved by the board. The board will apply for charter revisions as deemed necessary.
3. **Ensure that the Treasurer submits adequate monthly financial reports that include complete budget-to-actual information, cash balances and all budget lines, revenues and expenditures.**
  - a. Library Director has spoken with the City Comptroller regarding sending the library monthly financial reports (2015). A followup discussion is planned for Spring 2016 to ascertain all information recommended in the audit report is forwarded.
4. **Review and approve all budget amendments and transfers.**
  - a. The Library Board will approve all budget amendments and transfers requested by the Library.
  - b. Library Director and appropriate board members will schedule a meeting as soon as possible with the City Comptroller to discuss transfers requested by the City to enhance communication and permit the board to exercise its responsibilities regarding the Library budget.
5. **Audit and approve all claims before they are paid and ensure the library staff provides the City with the Board-approved claim packets or abstract signed by all Board members.**
  - a. The Library Director and Treasurer will meet with the City Comptroller to develop a procedure to insure all claims are approved before they are paid. This will be scheduled as soon as possible.
  - b. Beginning at the April 2016 Board meeting, claim packets for payment approval will be presented, reviewed and acted upon at the monthly board meeting.
  - c. Board members will indicate approval of the claims by motion and this will be noted in the official minutes of the board.
  - d. Board members present at each meeting will sign the abstract upon approval of claims effective April 2016.
6. **Ensure that Library staff includes claim numbers and amounts in the Board's monthly motion that documents its approval of claims for payment.**
  - a. The Library Director will communicate the information needed for the Board's monthly motion to the staff person preparing the claims packet and abstract, effective April 2016.

Sincerely,

Matthew Gráff  
Director, Cohoes Public Library

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We reviewed the Library's bylaws and the City code to gain an understanding of the organizational structure, powers and duties of Library officials, as intended by the bylaws and the code.
- We met with Library officials and reviewed the minutes of the Board's proceedings to determine whether the Library is governed and operated as intended by the bylaws and the code.
- We met with City officials to determine the City's role with regard to the Library.
- We reviewed the Director's reports provided to the Board.
- We reviewed the budget-to-actual report that the Comptroller provides to the Library.

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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