



Orchard Park Public Library

Audit of Claims

Report of Examination

Period Covered:

January 1, 2015 – May 6, 2016

2016M-191



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 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 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 Orchard Park Public Library, entitled Audit of Claims. 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 Orchard Park Public Library (Library) is located in the Town of Orchard Park (Town) in Erie County. The Library received its charter from the Board of Regents of the New York State Education Department in September 1969. The Library is governed by the five-member Board of Trustees (Board), which is appointed by the Town Board. The Board is responsible for managing the Library's financial affairs and safeguarding its resources. The Library Director (Director) is responsible for the day-to-day management of the Library. The Board appoints a Treasurer and Secretary annually.

The Library is a member of the Buffalo and Erie County Library System (System) according to a written contract, which also contains the Library's annual budget. The System allocates a portion of its real property tax revenue to fund most of the Library's expenditures, including personal service costs, books, equipment and various utilities. According to the contract, Library revenues from fines and fees that exceed expenditures paid directly by the Library must be remitted to the System on an annual basis. Other revenues, as specified in the contract, are retained by the Library and used for miscellaneous expenditures, such as additional programs and presentations.

The Library directly paid expenditures totaling \$18,463 for the 2015 fiscal year and \$3,160 from January 1 through May 6, 2016. These expenditures were funded with revenues from fines, fees and donations. The Library also remitted \$29,927 of fine and fee revenue to the System in 2015.

Objective

The objective of our audit was to review 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 January 1, 2015 through May 6, 2016.

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

agreed with our findings and indicated they plan to take 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.

Audit of Claims

The Board should conduct a deliberate and thorough audit of claims prior to payment. Accordingly, the Board should ensure that each claim contains sufficient supporting documentation to determine whether they comply with Board-approved policies and are proper Library expenditures. Also, the Board should ensure that the Secretary documents its approval of claims in the Board minutes. Furthermore, the Board should designate an individual who is not involved in preparing or auditing claims, such as the Treasurer, to sign checks to pay the claims. The Board also should adopt a comprehensive claims audit policy that documents its claims auditing process and provides procedures for Library officials when processing claims.

The Board did not audit and approve claims prior to payment or adopt a claims audit policy. The Library's senior clerk reviewed claims and prepared checks, which the Director and Treasurer reviewed, approved for payment and signed.¹ The Board minutes did not indicate whether the Board reviewed or approved the claims.

While the Director provides a financial report to the Board, which is documented in the minutes, the report does not provide sufficient detail of disbursements for the Board to adequately monitor financial activity. Internal controls are compromised when the same individuals who review and approve claims for payment also sign the checks to pay those same claims. This control weakness could be corrected if the Board audited the claims prior to payment.

We reviewed 102 claims totaling \$21,623 to determine whether they contained adequate supporting documentation and were proper Library expenditures. All claims were properly itemized and included adequate supporting documentation. We also determined whether the information on each claim agreed with the corresponding canceled check and was properly recorded in the Library's accounting records. We found that all claims appeared to be proper Library expenditures.

When the Board does not audit and approve claims prior to payment, allows the same individuals who sign checks to review the claims and does not adopt a claims audit policy, the Library has an increased risk that it could pay for goods and services that are not proper Library expenditures.

¹ The Library's financial procedures require both the Director and Treasurer to sign checks.

Recommendations

The Board should:

1. Conduct a deliberate and thorough audit of claims prior to payment and ensure that the Secretary documents its approval of claims in the Board minutes.
2. Develop and adopt a comprehensive claims audit policy.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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



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PHONE: (716) 662-9851 FAX: (716) 667-3098 EMAIL: opk@buffalolib.org

August 4, 2016

*Jeffrey 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*

Dear Mr. Mazula:

The Orchard Park Public Library Board of Trustees has received and reviewed the Office of the State Comptroller's draft Report of Examination – Audit of Claims, covering the period January 1, 2015 through May 6, 2016. We appreciate the professionalism exhibited by your staff in conducting the audit as well as the recommendations offered to improve the internal controls associated with the process of reviewing and approving library claims.

We will work to timely implement the recommendations, including developing and submitting a Corrective Action Plan (CAP) within the requested timeline.

Thank you for your consideration in this matter.

Sincerely,

*Douglas McFarland
President, Board of Trustees
Orchard Park Public Library*

*cc: Orchard Park Public Library Board of Trustees
Peggy Errington, Director, Orchard Park Public Library
Mary Jean Jakubowski, Director, Buffalo & Erie County Public Library*

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Library officials to gain an understanding of the claims audit and approval process, reviewed Board policies related to the audit and payment of claims and reviewed Board minutes for evidence of the performance of a claims audit.
- We reviewed all claims paid from January 1, 2015 through April 30, 2016, totaling \$21,623, to determine whether they were properly itemized, had sufficient supporting documentation and were proper Library expenditures.
- We reviewed canceled check images, accounting records and bank statements to determine whether those records were consistent 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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