



# Sachem Public Library Claims Processing

## Report of Examination

Period Covered:

July 1, 2015 — June 30, 2016

2016M-327



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Library Officials and Corrective Action	2
<b>CLAIMS PROCESSING</b>	4
Recommendation	4
<b>APPENDIX A</b> Response From Library Officials	5
<b>APPENDIX B</b> Audit Methodology and Standards	7
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	8
<b>APPENDIX D</b> Local Regional Office Listing	9

# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

December 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 Library 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 Sachem 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 recommendation 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 Sachem Public Library (Library) is located in the Towns of Brookhaven, Islip and Smithtown in Suffolk County. The Library is a school district public library that serves over 83,000 residents. The Library received its charter from the New York State Board of Regents in September 1966.

An elected five-member Board of Trustees (Board) governs the Library and is primarily responsible for the general management of the Library's financial affairs and the safeguarding of the Library's resources. The Board-appointed Library Director is the Library's chief executive officer and is responsible for the Library's day-to-day management. The Board-appointed Treasurer is the Library's chief fiscal officer and is responsible for the receipt, custody and disbursement of all Library funds. The Library reported operating expenditures of approximately \$9 million for the fiscal year ended June 30, 2016. Library revenues are primarily generated through real property taxes and fees collected from Library patrons.

## 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 develop an adequate process to ensure that claims were accurate, valid, properly supported and for legitimate Library purposes to adequately safeguard Library assets?

## Scope and Methodology

We examined the Library's claims auditing process for the period July 1, 2015 through June 30, 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. 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 recommendation 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 recommendation and indicated they initiated corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendation 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.

## Claims Processing

New York State Education Law requires the Board to audit and approve all claims against the Library prior to directing the Treasurer to pay them. The Board may not delegate the claims audit function to a single trustee. An effective claims audit should be deliberate and thorough. Such an audit helps ensure that each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies and that the amounts claimed represent proper Library expenditures. Each claim should be assigned a sequential claim number and included on an abstract<sup>1</sup> of claims presented to the Board for audit. Each abstract's approval should be documented in the Board minutes.

The Board, as a whole, did not audit any claims during the audit period. Instead, each quarter, it designated a single trustee to audit all claims, after which the Board, as a whole, reviewed and approved the abstracts by resolution. Any Board member other than the trustee designated as claims auditor could request to review individual claims if there were questions about unfamiliar vendors or unusual claim amounts on the abstracts; however, this did not often occur.

Our review of 30 claims totaling \$147,624 disclosed that the designated trustee did not perform a thorough audit of claims. As a result, eight claims totaling \$1,791 did not contain sufficient supporting documentation. Although all eight claims were for Library programs, none of them had any support to show that the programs actually took place. For example, the Library paid \$430 for a teen program in July 2015; however, the only support included was the initial program confirmation sheet showing the initial program fees approved for payment. There was no documentation showing that the program ever took place.

While our review did not disclose any inappropriate purchases, when the Board, as a whole, does not audit and approve all claims, there is an increased risk that the Library could pay for goods and services that are unauthorized, excessive or unnecessary.

### Recommendation

The Board should ensure that:

1. As a whole, it conducts thorough and deliberate audits of claims for payment, ensuring that each claim contains sufficient supporting documentation.

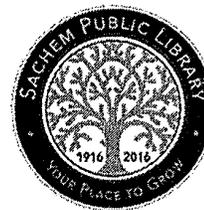
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<sup>1</sup> An abstract is a list of claims.

## **APPENDIX A**

### **RESPONSE FROM LIBRARY OFFICIALS**

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



November 22, 2016

Ira McCracken, Chief Examiner  
Hauppauge Regional Office  
Division of Local Government and School Accountability  
Office of the State Comptroller  
NYS Office Building Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

The Sachem 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 of July 1, 2015 through June 30, 2016. We appreciate the professionalism demonstrated 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. The intent of this letter is to serve as both our response to the findings and our Corrective Action Plan.

Your Office made two recommendations in order to ensure our Library's claims process is thorough and to adequately safeguard Library assets. The Sachem Public Library's Trustees and Administration met to discuss and decide upon our corrective actions. The following was decided upon and has been implemented as of the October 17 Trustee Meeting.

1. In response to the Trustee review and approval of the Sachem Public Library's monthly claims, the Board of Trustees designates a different Trustee each month to come in before the board meeting to thoroughly review the claims packet. At the board meeting, each Trustee reviews and signs off on the packet of claims. Any claims not supported by sufficient documentation shall remain unpaid until such documentation is received and reviewed.
2. In order to illustrate more sufficient supporting documentation for Library programs the following procedure has been employed:  
A Library staff member will attend each program, stamp and initial either the registration list or print out from the scheduling software as verification the program took place.

The Library is in the process of updating our procedures to reflect these changes.

We thank you for your Agency's valuable suggestions and have added these actions into our operating procedures.

Respectfully,

Marguerite Barone  
President, Board of Trustees  
Sachem Public Library

Cc: Sachem Public Library Board of Trustees  
Neely McCahey, Director, Sachem Public Library  
Kevin Verbese, Director, Suffolk Cooperative Library System

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## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We interviewed Library officials, reviewed Board meeting minutes and reviewed related policies to gain an understanding of the claims audit and approval process.
- From the 2015-16 cash disbursement journal, we selected 30 claims. We randomly selected 29 claims and judgmentally selected one credit card claim to ensure there was at least one credit card claim. We determined if the claims contained sufficient supporting documentation, complied with Board-adopted policies, contained appropriate approvals and represented proper Library expenditures.

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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