

East Islip Public Library

Cash Receipts

DECEMBER 2017



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

East Islip Public Library

Audit Objective

Determine whether Library staff properly collected, recorded and deposited cash receipts.

Key Findings

- Library staff did not issue adequate receipts for all collections.
- Library staff did not properly account for attraction tickets purchased and sold.
- The account clerk performed incompatible financial duties.

Key Recommendations

- Ensure adequate receipt records such as duplicate press-numbered receipts, cash register receipts or a cash log that indicates when and from whom payment was received, and the form (i.e., cash or check) in which it was received are maintained.
- Ensure reconciliations are prepared for attraction ticket purchases, sales and inventory on hand.
- Separate financial duties so that no one individual controls several key phases of a transaction.

Library officials generally agreed with our recommendations and indicated they plan to initiate corrective action. Appendix B includes our comments on certain issues Library officials included in their response.

Background

The East Islip Public Library (Library) is located in the Town of Islip in Suffolk County.

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 safeguarding the Library's resources. The Board-appointed Library Director (Director) is the Library's chief executive officer and is responsible for the Library's day-to-day administration.

Librarians and clerks are authorized to collect cash at five locations: circulation desk, children's room, copy/fax machine, vending machine and by mail. Cash collections include real property taxes, program fees, late and lost book fines, rent income, donations, attraction ticket sales, vending commissions and a coin-operated copy/fax machine. The Library accepts both cash and checks.

Quick Facts

Active Cardholders	19,700
Area	12.5 square miles
2017 - 18 Budget	\$4,080,000
Cash Collected During Audit Period	\$10,443,460

Audit Period

July 1, 2015 – June 30, 2017

Cash Receipts

How Should Library Staff Handle Cash Receipts?

The Board should establish policies that address the duties, procedures and oversight required to provide assurance that Library funds are properly collected, recorded and deposited timely and intact.¹

The Director is responsible for establishing procedures to ensure that all cash collections are properly documented, recorded and reconciled. When amounts collected cannot be confirmed by other records, duplicate press-numbered receipts should be issued, indicating when and from whom payment was received and the form (i.e., cash or check) in which it was received. Money should be deposited as soon as possible after collection to reduce the risk of loss or theft.

Staff must safeguard assets that are converted to cash – such as attraction tickets² – and properly account for the related collections from sales of those tickets. Inventory control procedures to account for total tickets purchased, sold and on hand at any point in time are particularly important since tickets have a cash value and, therefore, a high risk of theft. Periodically, ticket inventory records should be reconciled to deposits and unsold tickets, and any differences promptly investigated and resolved.

Separation of duties is the division of responsibilities among various employees. By separating key tasks, such as receiving cash, preparing deposits, recordkeeping and preparing bank reconciliations, management can reduce the risk of errors or wrongful acts. In cases where tasks cannot be effectively separated because of limited resources, management can substitute increased supervision as an alternative control activity, such as routinely reviewing and monitoring employees' work, which can help prevent or reduce these risks.

Duplicate Receipts Were Not Issued

We reviewed 126 days of collections totaling \$85,969. Except for one minor exception discussed with Library officials, all collections were properly input into the financial system and deposited intact. The Director has not established written procedures and, therefore, collection procedures differed at each collection point. As a result, cash was not always properly collected or deposited in a timely manner. For example:

- Vending commissions, rent income and non-recurring collections totaling \$64,538 were either hand delivered or received by mail. Library staff did not issue a receipt, enter the cash into the cash register or maintain supporting documentation for when the cash was collected. However, \$64,148 was paid

¹ Intact refers to deposits being made in the same amount and form as originally collected.

² A voucher that entitles an individual admission to an establishment such as an amusement park, aquarium or zoo.

by check, and Library staff kept copies of the individual checks. One check totaling \$3,126 was deposited nine days after it was dated.

- Staff at the circulation desk enter collections into a cash register. We reviewed collections totaling \$16,989. Except for minor exceptions discussed with Library officials, all were properly collected, recorded and deposited.
- Copy/fax machine collections are inserted directly into the machine. Therefore, it is not feasible to issue receipts for these sales. Library staff do not enter collections into the cash register, but instead maintain a computerized spreadsheet. Management does not review the spreadsheet, and no one reconciles the spreadsheet to copier statistics data extracted from the copy/fax machine. We reviewed five collections totaling \$1,919 and found that two collections totaling \$787 took nine and 13 days to be deposited.

The Board has not adopted sufficient policies and the Director has not established adequate procedures to address cash collections. As a result, the Library has an increased risk that cash collections could be lost, stolen or misappropriated without detection.

Attraction Tickets Were Not Properly Accounted for or Reconciled

The Director did not establish adequate procedures to accurately account for the inventory, sale and reconciliation of attraction tickets. The Library purchases attraction tickets in bulk at a discount and makes them available for sale to cardholders. Children's room staff collect cash when they sell the tickets. They used a handwritten list to keep track of ticket sales totaling \$2,523 during our audit period. The list included the cardholder's name, number of tickets sold and amount of cash collected but did not include a date or indicate the staff member who collected the money. Library staff did not issue a receipt, enter the cash into the cash register or maintain supporting documentation for when the cash was collected. Therefore, we were unable to ascertain the date of collection for any of these funds. However, staff kept a copy of two checks totaling \$99, which were deposited within five days of receipt.

Ticket inventory is not properly accounted for because no one reconciles the list to the number of tickets purchased by the Library or to the amount of money deposited. Library staff told us they requisition additional tickets when the inventory is getting low, but no one confirms the number of tickets remaining in stock.

We reviewed ticket sales totaling \$2,523 and determined deposits were consistent with the number of tickets the Library purchased and requisitions appeared to occur at a time the inventory would have been getting low.

While the staff generally accounted for ticket money, when reconciliations are not prepared, the Library has an increased risk that cash collections or tickets could be lost, stolen or misappropriated without detection.

The Director Has Not Adequately Separated Financial Duties

The account clerk is responsible for most aspects of Library cash transactions including:

- Receiving money;
- Preparing deposit slips;
- Maintaining the accounting records; and
- Preparing bank reconciliations.

While Library officials said the account clerk is assigned these duties to ensure accuracy, allowing the account clerk to perform several key tasks increases the risk of errors or irregularities occurring. Further, the Director did not provide additional oversight of the account clerk's work. Because the duties are incompatible, it is imperative that Library officials regularly monitor transactions the account clerk processes. Without proper oversight or compensating controls, there is an increased risk of errors or irregularities occurring and not being detected and corrected.

What Do We Recommend?

The Director should:

1. Develop procedures that ensure all amounts collected are supported by adequate receipt records such as duplicate press-numbered receipts, cash register receipts or a cash log that indicates when and from whom payment was received and the form (i.e., cash or check) in which it was received.
2. Develop procedures that require deposits be made in a timely manner.
3. Require reconciliations for attraction ticket purchases, sales and inventory.
4. Separate financial duties so that no one individual controls more than one key phase of a transaction. If not feasible, implement adequate compensating controls, such as increased management oversight.

Appendix A: Response From Library Officials

BOARD OF TRUSTEES

WILLIAM R. CARPLUK
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EAST ISLIP PUBLIC LIBRARY

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GUY EDWARDS, LIBRARY DIRECTOR

December 15, 2017

Division of Local Government & School Accountability
Office of the State Comptroller
NYS Office Building 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Sir or Madam:

The East Islip Public Library Board of Trustees and administration have received and reviewed the Office of the State Comptroller's draft findings entitled *Cash Receipts, Report of Examination 2017M-223* covering the period July 1, 2015 through June 30, 2017. We appreciate the professionalism demonstrate by your staff and the recommendations offered to improve our internal financial controls. We also note that your audit disclosed no material weaknesses, no improprieties, and no waste of public resources.

While we have considered the findings of this report, and implemented additional procedures within the areas referenced, we felt it would be valuable to further clarify certain controls and procedures. All cash and check receipts were in fact logged by an independent staff member and that this log was reviewed by the Library's Treasurer on a periodic basis. Inadvertently, this log was never presented to the auditors for their review and reconciliation. Also, all bank reconciliations were reviewed and checked for accuracy by the Library's Treasurer. We believe the knowledge of this log and the review of these bank reconciliations would have changed some of the findings and recommendations contained in this report as it relates to ensuring proper records and the separation of financial duties.

See
Note 1
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See
Note 2
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It is one of our highest priorities to safeguard the Library's resources for all, whether financial or otherwise. During the audit process, procedures were put in place to address outstanding issues. These procedures will be outlined in a *Corrective Action Plan* that will follow shortly.

Again, the Library expresses its appreciation to the Comptroller's Office for providing for what has been a helpful process in reviewing the Library's financial operations.

Sincerely,

Guy Edwards
Library Director

cc: East Islip Public Library Board of Trustees
Stewart Gellman, Library Treasurer

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Appendix B: OSC Comments on the Library's Response

Note 1

The Treasurer did not compare bank statements to supporting documentation for cash receipts. Library officials presented us with a cash log at the exit conference. However, the cash log shows the last entry was January 30, 2017, and the Treasurer indicated he did not compare any cash log or source documents to the bank statements after January 2017.

Note 2

A letter confirming the Treasurer's reappointment states the responsibilities include reconciling bank statements – not reviewing bank reconciliations.

Appendix C: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Library staff and officials and reviewed financial records, Board minutes and policies and procedures to obtain an understanding of the internal controls over cash collections.
- We traced bank statement activity and general journal reports to the cash receipts journal to confirm reliability of the financial documents.
- We judgmentally selected four months (July 2015, September 2015, April 2016 and December 2016) and, using bank statements and deposit slips, identified and traced all collections to the accounting records. We chose these four months because they included the two largest and two smallest dollar amounts collected during the audit period.
- We observed operations and obtained cash records for each of the five collection areas to gain an understanding of procedures and to verify how receipts are collected and recorded by authorized staff.
- We verified the control number sequence on cash register tapes for the test months.
- We traced cash register tape dollar amounts to deposit slips for the test months.
- We confirmed vending commissions were collected, posted and deposited in the test months and for the remainder of the months in the audit period.
- We confirmed rental income was received by mail for each month of the audit period.
- We verified that daily cash receipts and attraction tickets are physically secured at each of the five locations where cash is received (circulation desk, children's room, copy/fax machine, vending commissions and mail).
- We interviewed staff to determine whether cash was collected/deposited by someone other than those with access to the cash receipts journal entries.
- We interviewed staff to determine whether bank reconciliations were performed by someone other than those with access to the cash journals.
- We obtained vendor invoices and calculated the total attraction tickets purchased during the audit period. We obtained the handwritten lists for the audit period and quantified the number of tickets sold. We reconciled the attraction tickets purchased to the lists and to deposit documentation.

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- We obtained copier statistic data and, using prices charged, calculated the total amount that should have been collected and compared that to the actual collected amounts.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 the CAP available for public review in the Director's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

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