



Seymour Public Library District

Over-the-Counter Cash Receipts

Report of Examination

Period Covered:

January 1, 2014 – April 27, 2015

2015M-102



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 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 Seymour Public Library District, entitled Over-the-Counter Cash Receipts. 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 Seymour Public Library (Library) is a public library district located in the City of Auburn, Cayuga County. The Library operates in a building owned by the Seymour Library Foundation (Foundation). The Library received its charter from the Board of Regents of the New York State Education Department in November 2011.¹ The Library's service area includes the City of Auburn, Town of Owasco, and the portions of the Towns of Sennett and Fleming that are within the Auburn Enlarged City School District.

A Board of Trustees (Board), which comprises nine elected members,² governs the Library³ and is responsible for the general management of the Library's financial affairs. The Library Director (Director) is appointed by the Board and is responsible for the day-to-day management of the Library with a bookkeeper's assistance for the recording and depositing of cash receipts. Additionally, six librarians assist the Director with daily operations including oversight of the circulation desks and waiving fines and fees.

The Library's budgeted appropriations for 2014 and 2015 were approximately \$890,000 and \$900,000, respectively, which were funded primarily with real property taxes, Foundation donations, grants, public donations, and fines and fees collected on overdue, lost or damaged materials.

The Library is part of the Finger Lakes Library System (FLLS).⁴ The FLLS administers a computerized integrated library system (System) and supports member libraries by providing services such as maintaining computer databases of the Library's inventory of materials on hand for loan, Library patron borrowing histories, tracking of fines and fees paid and outstanding account balances.

¹ The Library was previously under a provisional charter that was granted in March 1993.

² Two Board members from each municipality within the tax district (City of Auburn, Town of Fleming, Town of Owasco and Town of Sennett) and one Foundation representative.

³ Under a general set of bylaws

⁴ The FLLS is a State-chartered cooperative library system, serving the 33 member libraries in Cayuga, Cortland, Seneca, Tioga and Tompkins counties, and was created to help local libraries better serve communities through cooperation, sharing resources and offering cost effective services.

Objective

The objective of our audit was to examine and evaluate the Library's processes for recording, securing and depositing over-the-counter cash receipts. Our audit addressed the following related question:

- Are the Library's over-the-counter cash receipts properly accounted for and deposited intact to ensure that Library assets are adequately safeguarded?

Scope and Methodology

We examined the Library's processes over the recording, securing and depositing of over-the-counter cash receipts for the period January 1, 2014 through April 27, 2015.

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 recommendations and indicated they have begun 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 Clerk's office.

Over-the-Counter Cash Receipts

The Board is responsible for establishing adequate internal controls to properly safeguard the Library's cash assets. Effective controls over the collection of over-the-counter cash receipts, such as patron fines and fees, ensures that all money the Library receives is properly deposited and accounted for. Safeguarding measures include procedures to ensure individual accountability over cash receipts and depositing the receipts intact⁵ and in a timely manner. This includes an adequate segregation of duties to ensure that no one individual controls all phases of a transaction.

During our audit period, the Library collected approximately \$49,000 in over-the-counter cash receipts from fines, fees and donations. We were unable to determine if all collections were recorded and deposited in a timely manner and intact. This was because the Board has not established policies and Library officials have not documented procedures for handling and recording over-the-counter cash receipts and waiving fines and fees. As a result, the Library did not always ensure that adequate documentation was maintained to verify that all collections were recorded and deposits were made timely and intact.

Cash Receipts – Cash receipts are collected at the Library's circulation desks⁶ or from the donation box. The Library uses a System that is administered by the FLLS, which tracks patron late fees, lost item fees, damaged item fees and waived fines and fees. Each Library staff member is assigned a unique user ID and password for the System. Therefore, the System can identify which employee entered which transactions. When patrons are in the Library to check out items, Library staff will collect fees from the patrons, if owed, and enter the amount of money collected in the System or simply mark the item as paid, then place the money in a cash drawer.

While Library officials record cash collections for printing and donations⁷ on the deposit slips and in the accounting records, they do not record them in the System. In addition, the moneys from printing

⁵ Intact means the deposits are for the same amount and form (i.e., cash and checks) as the collections.

⁶ The Library has three circulation desks, including a front desk, children's room desk and history room desk. Money not received in the mail is collected at the Library's circulation desks where all Library transactions occur, including material check-out, fine and fee payments, and donation collections. Large donations and checks received in the mail are opened by the Director and are not handled by the Library's circulation desk employees.

⁷ A patron will receive a confirmation letter or donation form if the money is mailed to the Library or given to an employee. If the money is placed in the donation box, no confirmation is provided.

are placed in the same cash drawer as fines and fees. Comingling these receipts without properly recording them does not provide proper accountability. Donation moneys are taken from the donation box and added directly to the weekly deposit. Library staff do not use a cash register or issue duplicate receipts to document these other sources of cash collections. Library staff utilize a manual cash receipts log for recording daily receipts, but we found that the log does not provide adequate accountability. After employees count their own cash drawers, they only record an even dollar amount on the daily cash log and do not include coins on the log. They then leave any excess cash/coins in the drawer to be used as opening cash the following day. Therefore, the cash log does not accurately account for all moneys being collected on a daily basis. Further, the Director does not generate a daily cash report from the System to assist in reconciling daily fine and fee collections or to review the waived transactions. Thus, there was inadequate accountability for all over-the-counter moneys received.

At the end of the day, Library staff remove the cash drawers from each circulation desk and place them into the safe. According to the Director, access to the safe is not strictly limited because the librarians, opening staff, closing staff and management all have access to the safe.⁸ Thus, the collections are not adequately secured and are at an increased risk of theft. In addition, collections are not regularly counted by a staff member other than the one closing the drawer. An independent count is only done when the weekly deposit is prepared. Therefore, day after day, the same cash drawers are removed from the safe and reused, which increases the risk that errors and irregularities would not be detected. Further, the deposit process is not adequately segregated. The bookkeeper counts the moneys from the safe and donation box, prepares the deposit, makes the deposit and records the deposit in the accounting software without verification by any other Library staff. These incompatible duties give her the ability to misappropriate Library funds without detection.

We reviewed 17 deposits made between January 1, 2014 and March 31, 2015, which totaled \$47,173.⁹ Of this total, \$8,321 was for the payment of fines and fees,¹⁰ or approximately 31 percent of all fines and fees recorded in the System for that period.¹¹ We compared the fines and fees per the System report to the fines and fees deposited. We found that five deposits, or 29 percent, included fines and fees that

⁸ Approximately 10 people

⁹ The deposits included both over-the-counter cash receipts and checks that had been mailed to the Library.

¹⁰ Per the manual cash receipts logs and deposit tickets. Amount includes both cash and checks.

¹¹ Total fines and fees recorded in the FLLS from January 1, 2014 through March 31, 2015 are \$27,155.

were less than those recorded in the System. The deposit differences amounted to \$330, or 4 percent of the fines and fees tested.

To determine if other over-the-counter receipts were properly accounted for and deposited, we compared the manual cash receipts log for each deposit to the respective deposit slips and found that the logs generally did not agree with the deposit tickets. Variances ranged from the deposit being \$98 more than the log to \$23 less than the log. Additionally, coins were not accounted for on the logs until we discussed this with Library officials. Beginning in April 2015, coins were added to the report. Due to the lack of adequate accountability, we could not determine if these discrepancies were due to the poor records or inappropriate activity. In addition, we could not determine if any of the deposits tested were intact.

Waivers – Only librarians are granted user permissions to waive fines and fees. Librarians are supposed to enter the reason for each waiver in the System. However, a detailed history report for waivers is not routinely reviewed. Therefore, we reviewed 35¹² manual waivers¹³ of fines and fees during the period January 1, 2014 through March 31, 2015, which totaled \$622 or 11 percent of total manual waivers performed during our audit period.¹⁴ We found that 22 manual waivers totaling \$348, or 63 percent of our sample, did not have a detailed and adequate explanation documented in the System. Therefore, we could not determine if appropriate discretion was used to waive these fines and fees.

Two Board members told us that they were not aware of the policies and procedures for handling and recording cash receipts or waiving fines and fees. The Director told us that she implemented the manual cash receipts log when she took over. She also said that she is working toward implementing a system that will allow for better accountability over handling receipts, but it is a slow process.

Recommendations

The Board should:

1. Ensure that comprehensive written policies and procedures are established that provide adequate guidance and internal controls over collecting, remitting and depositing over-the-counter cash receipts, and waiving fines and fees.
2. Require that the Director generate a daily cash report from the System and reconcile collections daily.

¹² See the Methodology section for the sample selection

¹³ The Library has two types of waived fees that may be performed within the System: manual and automatic. All manual waivers must be performed by an employee, while automatic waivers are initiated based on programmed computer criteria.

¹⁴ Total manual waivers recorded in the FLLS from January 1, 2014 through March 31, 2015 were \$5,517.

The Director should:

3. Establish controls at cash collection points for greater accountability, such as requiring the use of duplicate receipts or complete and accurate cash receipts logs to document all collections. Such controls should also include requiring that all cash receipts be recorded in the System.
4. Restrict access to the Library safe to management or a limited number of authorized employees.
5. Routinely compare the amounts collected as recorded in the System and manual log with the amounts deposited, and investigate and resolve any discrepancies.
6. Regularly review the waived fines and fees report for adequate notes and appropriate reasons for the waivers.
7. Ensure that the deposits are made intact.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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



July 14, 2015

Office of the State Comptroller
The Powers Building
16 W. Main Street, Suite 522
Rochester, NY 14614

Seymour Public Library District, Over-the-Counter Cash Receipts --2015M-102

Dear Sir/Madam:

Please accept this letter as our response to the findings and recommendations of the draft Report of Examination concerning over-the-counter cash receipts for the period of January 1, 2014 through April 27, 2015. The Board would like to thank the audit team for their help and professionalism during the audit.

The Board agrees with the recommendations and as of the date of this report, we have already made the following changes:

1. The Director and bookkeeper have established greater controls over petty cash by removing it from the circulation desk safe and placing the cash box and receipt notebook in a locked filing cabinet in the Director's office (which is also locked).
2. The Director has worked with staff to record cash payments using the current library software. This will allow more accurate reports, to be used to reconcile cash deposits.
3. The Director is routinely reviewing a Fines & Fees report for adequate notes.
4. The Director has instituted a new procedure for accounting for cash payments not previously entered in our library software. Clerks now record miscellaneous charges in the software and then pay it, making the software reports more accurate.

Additionally, the Policy Committee will review policy recommendations for waiving fines/fees at their August 3, 2015 meeting and present those recommendations to the Board at the next scheduled Board meeting.

We are working on procedures to address the recommendation of daily cash report and reconciling of cash receipts and will address this in our Corrective Action Plan.

Again, the Library expresses its appreciation to the Comptroller for the recommendations that will further the Library's commitment to its taxpayers to be as accountable and transparent as possible.

Sincerely,

Patricia Messina
President, Board of Trustees

lac/PM

cc: SPLD Board of Trustees

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if over-the-counter cash receipts were properly accounted for and adequately safeguarded. To accomplish the objective of this audit and obtain valid audit evidence:

- We interviewed appropriate Library officials and employees to gain an understanding of the Library operations and the procedures that were established and implemented over cash receipts.
- We reviewed Board minutes, financial policies, documented procedures and the employee handbook.
- We evaluated the adequacy of supporting documentation for deposits to determine if deposits were made intact.
- We observed locations where checks and cash were kept until deposit to determine if the locations were secure.
- We randomly selected one month using Excel. We reviewed that month and the subsequent three months of deposits. In total, we reviewed 17 deposits of fines and fees during the period January 1, 2014 through March 31, 2015, totaling \$8,321, to determine if the receipts were properly deposited and intact. We traced the amounts recorded on the deposit slips to the FLLS cash receipts report and to the bank statement to determine if they were properly deposited and intact. In addition, we compared the internal cash receipts log for each deposit to the deposit slip to determine if the cash collected was deposited.
- We reviewed 35 waivers of fines and fees during the period January 1, 2014 through March 31, 2015 to determine if there was adequate documentation about why the waiver was performed. Ten of the waivers were randomly selected by Excel and 25 were judgmentally selected. The judgmental sample was based on the patron's account and the value of the waived transactions.

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.

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