

Franklin Square Public Library

Claims Audit

AUGUST 2018



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

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Report Highlights

Franklin Square Public Library

Audit Objective

Determine if the Board of Trustees (Board) conducted a proper audit of claims.

Key Finding

- The Board does not audit claims. Instead, two of the Board members audit the claims prior to the monthly Board meetings.

Key Recommendation

- The Board as a whole should audit each individual claim before directing the Treasurer to pay them.

Library officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

Background

The Franklin Square Public Library (Library) is located in the Town of Hempstead in Nassau County. The Library is a school district public library that received its charter from the New York State Board of Regents in 1944 and is overseen by the New York State Education Department.

The Library is governed by a five-member Board which is elected by the Library voters. The Board is responsible for the general management and control of the Library's financial affairs. The Library Director is responsible for overseeing the Library's day-to-day administration. The Treasurer, who is appointed by the Board, is the custodian of all Library funds, and is responsible for signing checks and disbursing funds under the Board's direction.

Quick Facts

2016-17 Actual Expenditures	\$2.2 million
2017-18 Budget	\$2.3 million

Audit Period

July 1, 2016 – November 30, 2017

Claims Audit

What is a Proper Claims Audit Process?

A proper claims process ensures that every claim¹ against the Library is subjected to an independent, thorough and deliberate review to determine whether proposed payments are proper and valid charges. New York State Education Law² (Law) requires the Board to audit and approve all Library claims before directing the Treasurer to pay them. The Board's approval should be documented in the Board minutes. It is important for the Board to determine whether the claims are for legitimate Library expenditures, and are supported by itemized invoices or receipts, comply with Board-adopted policies, and contain evidence of receipt of goods or services, required signatures, quotes and purchase orders. An adequate claims audit can help ensure that public money is spent and handled properly, identify conditions that need improvement and provide oversight, and review of the Library's disbursement process.

The Board Did Not Conduct a Proper Claims Audit

The Board does not audit Library claims prior to payment. Instead, the Board designates two members to audit Library claims prior to the monthly meeting of the Board as a whole. A warrant,³ which is prepared by the account clerk, is then approved by the Board during its monthly meeting. As a result, all available Board members at the monthly meetings do not audit and approve or disallow each individual claim to ensure they are for legitimate Library expenditures, properly supported and comply with Board-adopted policies.

From a population of 103 vendors that received payments in excess of \$500, we selected 17 vendors for review. We also selected two payments to individuals and one petty cash replenishment payment because of the inherent risk in these types of payments. This gave us a total of 20 vouchers for our test. We reviewed these claims to verify they were supported by itemized documentation, in compliance with Board policies, and had evidence of receipt of the goods or service, price quotes and purchase orders. Our review disclosed that, other than minor exceptions, the claims selected were properly supported and purchases were made in accordance with Board policy.

Although the audit by the two Board members appeared thorough and resulted in vouchers that were itemized, supported and in compliance with Board policy, procedures could be enhanced if all Board members reviewed proposed payments. Without a thorough and deliberate examination of each individual

1 Claims are bills or invoices submitted by vendors requesting payment for goods or services.

2 Section 259

3 A warrant is a list of claims that includes the vendor name, amount paid, check number and date.

claim and supporting documentation by the Board as a whole, the Library is not in compliance with the Law. Additionally, there is an increased risk that claims listed on the warrants will be approved that are not appropriate, legitimate or in compliance with Board-adopted policies.

What Do We Recommend?

1. The Board as a whole should conduct a deliberate and thorough audit of each individual claim before directing the Treasurer to pay them.

Appendix A: Response From Library Officials

FRANKLIN SQUARE PUBLIC LIBRARY

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August 6, 2018

Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
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RE: Claims Audit, Report of Examination 2018M-48

Dear Chief Examiner McCracken,

On behalf of the Franklin Square Public Library Board of Trustees and Staff, I would like to thank the New York State Comptroller's Office for their thorough, professional review of our Library, and their feedback provided in your report as well as throughout the process of the audit.

The finding set forth in the Draft Report of Examination 2018M-48 is acknowledged. The Franklin Square Public Library will strictly adhere to the recommendation that the Board as a whole should conduct a deliberate and thorough audit of each individual claim before directing the Treasurer to pay them.

We wish to thank you and your auditing team for your attention, time and courtesies throughout this Auditing process.

Respectfully,

MaryAnn Tweedy,
Library Director

Appendix B: 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, our audit procedures included the following:

- We interviewed Library officials and reviewed Board minutes and policies to gain an understanding of the claims audit and approval process.
- We reviewed the Law to obtain criteria for the area reviewed.
- We reviewed the Board-adopted purchasing policy to determine the dollar limits for purchases subject to verbal or written quotes and the information required for purchase orders and other forms.
- We observed the claims auditing process used by a member of the audit committee to determine the Library's procedures.
- From the cash disbursement journal for our audit period, we judgmentally selected 20 vendors from a population of 234 vendors with combined purchases of \$1,267,540. In total, there were 834 claims. From a population of 103 vendors (225 claims) with payments of \$500 or more totaling \$1,149,139, we selected 17 vendors based on our past experience with public libraries. We reviewed one claim for each of the vendors we selected, for a total of 17 claims. We also selected one claim paid to two separate individuals and one for petty cash because of the inherent risk, for a total of 20 claims.
- We reviewed Board minutes for evidence of Board audit and approval of claims before payment.
- We reviewed claims to determine whether they represented legitimate Library expenditures and were supported by itemized invoices or receipts, complied with Board-adopted policies, contained evidence of audit and approval for payment and contained evidence of receipt of goods or services. We determined whether required signatures were obtained and quotes and purchase orders were attached.

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 C: Resources and Services

Regional Office Directory

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

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

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

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

<http://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

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm>

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

<http://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

<http://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

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

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

<http://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

<http://www.osc.state.ny.us/localgov/training/index.htm>

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