

OSC Audits of NYS Public Libraries

This handout provides a listing of the different kinds of audits conducted on NYS public libraries by the Comptroller's Office over the past 5 years. Recommendations for sound practices and policies, based on OSC reports, are included.

Bank Account Management: to examine library officials' management of bank accounts

- Board establishes policies and procedures to maximize earnings on any money that is not required for operations. Investments are an opportunity to generate additional revenue.
- An effective and comprehensive investment policy requires officials to seek competition when acquiring bank services, preferably every 3-5 years.
- Maintain the minimum number of bank accounts necessary for operations and consolidate accounts when feasible to minimize fees and maximize interest.

Bank Reconciliations: to examine whether library officials ensure that bank reconciliations are accurately performed and reviewed in a timely manner.

- Bank reconciliations are performed by someone independent of the accounting functions and designate a board member or library official who is independent of the accounting functions to review the reconciliations.
- Require the treasurer to provide bank reconciliations and supporting documentation to the board.

Board Oversight/Financial Management/Governance and Operations: to determine whether the board provides adequate oversight of financial operations, including internal controls over the management of library resources, and to evaluate the library's financial condition.

- Ensure the library is operating in accordance with its bylaws, its charter and, if applicable, municipal codes.
- Adopt and review financial and IT policies and, if necessary, revise bylaws and policies. Provide staff with cyber security training and training on the library's policies. Develop a comprehensive written investment policy in accordance with General Municipal Law.
- Adopt a procurement policy in accordance with GML that gives staff guidance when purchasing goods and services. Closely monitor the purchasing process to ensure that purchases not required to be bid are made by using competitive methods.
- Ensure the board receives sufficient financial information, including complete budget-to-actual information, cash balances and all budget lines, revenues and expenditures, fund balance projection, and details of private funds activities. Review bank and investment statements and their corresponding reconciliations monthly.
- Audit all claims, including private funds claims, before payment, and document the approval in the minutes.
- Ensure that the treasurer meets all the requirements of a library officer, including filing an oath of office, being compensated through payroll, and having appropriate payroll deductions withheld.

- Establish a comprehensive policy and written procedures governing payroll, including overtime use, granting and use of paid leave, maintenance of leave time records, and use of time clocks and/or timesheets. Restrict access to the payroll system to only those employees authorized to process payroll. Authorize salaries and pay rates and ensure the approvals are documented in the board minutes.
- Develop a policy that addresses the maintenance and expected use of fund balance. The board should provide transparency with public disclosure of the total fund balance during the budget process, including listing the fund balance on budget mailings sent to taxpayers.
- A capital fund should not be maintained unless there is a specific planned use for the funds; otherwise, they should be returned to the general fund.
- If the library receives the majority of its funding from a county or municipality, library officials should work with their county and/or municipal counterparts to develop a plan for sufficient funding and periodic funding increases.
- Provide proper oversight of the petty cash system and travel expenditures. Develop a policy regarding meal reimbursements, as well as providing refreshments during meetings or programs including the reason why refreshments are needed.
- Review the annual SED report for accuracy before submission and ensure it includes all revenue and expenditures.
- Issue 1099-MISCs for service providers paid \$600 or more in a year.
- Solicit feedback from patrons to make informed decisions on programs and services provided and increase circulation.

Budgeting Practices: to determine whether the library's revenue and expenditure projections are reasonable.

- Develop and adopt budgets that include realistic estimates for revenues and expenditures based on all information available at the time.
- Use surplus funds as a financing source for funding one-time expenditures, funding needed reserves or reducing property taxes.

Cash Receipts and/or Disbursements/Expenditures: to determine whether the board and library officials developed and implemented adequate internal controls over cash receipts and/or disbursements, including processes for recording, securing and depositing cash receipts.

- Establish policies and procedures for cash receipt collections, remittance, recording, and deposits, and for waiving fines and fees. Establish procedures for resolving any discrepancies between records. Review reports of waived fines and fees for reasonableness.
- Separate financial duties so that no one individual controls several key phases of a transaction.
- The director should establish controls at cash collection points, such as use of individually assigned cash boxes or drawers, and use of duplicate receipts, cash register receipts, or cash receipt logs to document all collections including when and from whom payment was received and in what form (i.e. cash or check). Ensure that receipts of donations are recorded with sufficient documentation.

- Ensure cash receipts are adequately secured prior to deposit, and that the treasurer makes deposits in a timely manner.
- Generate a cash report daily from the ILS and reconcile with other records, such as duplicate receipts or receipt logs.
- Do not provide payroll vendors with access to the library's bank account.
- Audit and approve claims prior to payment. Ensure that POs are prepared and approved in advance of any purchase and limit the use of confirming POs to emergency situations.
- Ensure the treasurer maintains custodial control over the library's bank accounts, and limit signatory rights on the bank accounts.
- Restrict access to the library safe to management or a limited number of authorized employees.
- Establish a petty cash policy that limits the types and amounts of expenditures that can be made with petty cash and reduce the petty cash account to the lowest practical amount.
- Implement revenue enhancements and cost-saving measures, such as obtaining grants and reducing operating expenditures; for example, obtaining competitive pricing on goods and services, and/or making use of NYS Construction Aid for energy efficiency projects that result in utility savings.

Claims Auditing and/or Processing: to determine whether the board conducts an effective audit of claims prior to payment, including ensuring that claims are accurate, properly supported and for legitimate purposes.

- Approve all claims before submitting them to the board for audit and ensure that quotes, purchase orders, detailed invoices and receiving reports are attached to them.
- Ensure that the entire board conducts a deliberate and thorough audit of each individual claim and ensure that each claim is sufficiently supported. Ensure that the secretary documents the approval of claims in the board minutes.
- Adopt a comprehensive written claims policy. Ensure compliance with the adopted procurement and purchasing policy before approving claims for payment.
- Ensure that checks are signed only after the board's audit and approval of claims for payment.

Donations: to examine the library's internal controls over donations.

- Establish procedures to provide internal controls over the collection and use of donated funds.
- Ensure that receipts of donations are recorded with sufficient documentation.
- Establish policies and procedures to ensure that private funds are reported to NYSED and to the Office of the State Comptroller, and that all claims paid from private funds are audited and approved prior to payment.

Fund Balance: to determine if the library board effectively manages the fund balance.

- Adopt a policy to address the maintenance of surplus funds, how they will be used and the timeframe for doing so.

- Develop a plan to use unexpended surplus funds in a manner that benefits the library's taxpayers.

Information Technology: to evaluate the library's information technology (IT) controls

- Adopt comprehensive IT policies that include acceptable use, password management, user accounts, access rights, backups, breach notification, hardware and software inventories, restricting personal use and connecting personally owned devices to library computers and the sanitation and disposal of hardware and electronic media.
- Adopt a comprehensive disaster recovery plan and ensure that the plan is distributed to all essential personnel
- Maintain complete, comprehensive hardware inventory records that detail the locations, assigned users and acquisition dates.

Leave Accruals: to review the library's internal controls over employee leave accruals and to determine whether leave accrual records are accurate.

- Develop and implement written procedures to provide details for the maintenance of leave accrual records and ensure leave accrual information is maintained and monitored.
- Institute procedures for verification of employees' leave accrual records with accrual terms and maximum leave balances listed in Collective Bargaining Agreements, personnel policies, or individual contracts. Periodically review records and correct any discrepancies found.
- Develop and implement a uniform set of procedures for requesting and monitoring leave time requests, including the type of leave being requested and the appropriate means of having requests approved.
- Require that all employees complete and sign time records.

Payroll: to determine if the library has effective controls over payroll.

- Establish internal controls including written board authorization for salaries, wages and fringe benefits.
- Library-wide policies, collective bargaining agreements and/or individual employee contracts should stipulate each employee's entitlement to the accrual and use of leave time. Policies should also ensure that use of leave time is appropriately recorded and authorized by management.
- Where practicable, duties should be separated so that one employee does not control all phases of the payroll process; where complete segregation of duties is not possible, active supervision and oversight are essential.

Procurement: to determine whether library officials procure goods and services economically.

- The board should adopt a procurement policy to provide guidance for officials and employees for the procurement of goods and services not subject to competitive bidding. Consider soliciting competition before awarding contracts for professional services.
- Establish a procurement procedure to verify State contract pricing when purchases are made using the State contract.

Professional Services: to determine if the Board provides adequate oversight of the Library's financial operations including requiring solicitation of competition when procuring professional services.

- The library's procurement policy should require library officials to periodically procure professional services through a competitive process.

Treasurer's Reports: to determine whether the treasurer provides the board with timely and relevant financial reports to enable the board to monitor revenues and expenditures.

- Ensure that the bylaws outline the treasurer's duties.
- Prepare monthly financial reports consisting of actual revenues and expenditures compared to budgeted amounts and distribute this to the board.

Tuition Reimbursement: to assess the board's control over tuition reimbursements.

- Ensure that all tuition reimbursements are clearly authorized in employment agreements or board minutes. The board should ensure that the minutes it approves are accurate and complete so that its intent is transparent.

For more information on OSC audits of NYS libraries, see:
<https://www.osc.state.ny.us/localgov/audits/libraries/index.htm>