



Center Moriches Free Public Library

Budgeting and Cash Receipts

Report of Examination

Period Covered:

July 1, 2012 — July 31, 2013

2013M-378



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
EXECUTIVE SUMMARY	3
INTRODUCTION	5
Background	5
Objectives	5
Scope and Methodology	5
Comments of Library Officials and Corrective Action	6
BUDGETING	7
Budgeting Practices	7
Fund Balance	10
Recommendations	11
CASH RECEIPTS	12
Recommendations	13
APPENDIX A Response From Library Officials	14
APPENDIX B OSC Comments on the Library's Response	17
APPENDIX C Audit Methodology and Standards	18
APPENDIX D How to Obtain Additional Copies of the Report	19
APPENDIX E Local Regional Office Listing	20

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2014

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 Center Moriches Free Public Library, entitled Budgeting and 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 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Center Moriches Free Public Library (Library) is a school district library¹ located in the Town of Brookhaven in Suffolk County, and provides library services to approximately 7,500 resident and 6,700 nonresident patrons. These services include book lending, children's and adult education programs. The Board of Trustees (Board) is primarily responsible for the general oversight of the Library's financial affairs, while the Library Director (Director) is responsible for the day-to-day Library administration. Operating expenditures for the year ending June 30, 2013 totaled \$2.3 million.

Scope and Objectives

The objectives of our audit were to examine the Library's budgeting practices and cash receipts procedures for the period July 1, 2012 through July 31, 2013. We extended our scope back to the 2010-11 fiscal year to analyze budgeting practices and trends related to revenues and expenditures. Our audit addressed the following related questions:

- Did the Board adopt budgets that reflected the Library's operating needs?
- Were cash receipts recorded and deposited in a timely and accurate way to ensure Library assets were adequately safeguarded?

Audit Results

The Board has not adopted budgets that reflect the Library's operating needs. The Board has consistently underestimated revenues and overestimated expenditures over the past three years, which resulted in operating surpluses totaling nearly \$1.6 million. This has also contributed to the accumulation of an unexpended surplus fund balance equivalent to an entire year's budget. For the same period, the Library also increased the real property tax levy by nearly \$71,000. As a result, the Library levied and collected more taxes than necessary in each of these years. The Board should develop a plan to use this unexpended surplus fund balance in a manner that benefits Library taxpayers.

The Board needs to improve controls over cash receipts to help ensure that they are recorded and deposited in a timely and accurate way so that Library assets were safeguarded. The Library does not have formal policies or procedures to ensure accountability for the cash receipts process. As a result,

¹ A school district public library is an autonomous entity (separate from the school district) and is established by the school district voters, who vote on the Library's budget. The school district levies, collects taxes for and remits those taxes to the Library.

Library staff members do not always ensure that the cash counted agrees with the register tapes each night. In addition, although all 28 deposits made from February 2013 through July 2013, totaling \$18,052, were made intact and recorded accurately, they were made between 10 and 66 days after the cash was collected, increasing the risk of loss or misuse of cash.

Comments of Library Officials

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. Except as specified in Appendix A, Library officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on the issues raised in the Library's response letter.

Introduction

Background

The Center Moriches Free Public Library (Library) is a school district library located in the Town of Brookhaven, Suffolk County. The Library was first created in 1921, and chartered in 1950 by the New York State Department of Education. The Library is governed by an elected five member Board of Trustees (Board), which is primarily responsible for the general oversight of the Library's financial affairs, adoption of the annual budget and the safeguarding of Library resources. Day-to-day Library administration is carried out by the Library Director (Director), who is appointed by the Board and serves as the chief executive officer. The Director's responsibilities include the receipt and timely deposit of Library funds and assisting the Board in preparing the budget.

The Library operates one building, employs 52 employees, and serves approximately 7,500 residents and 6,700 nonresident patrons. It provides services to several communities, primarily the Center Moriches Union Free School District (District). These services include book lending, children's and adult education programs. Additionally, through contracts administered by the Suffolk Cooperative Library Service (SCLS), the Library provides services to the residents of school districts outside the District's boundaries (nonresidents), including the Eastport-South Manor Central School District, East Moriches Union Free School District and Remsenburg-Speonk Union Free School District. The Library reported operating expenditures of \$2.3 million for the fiscal year ended June 30, 2013. SCLS nonresident income totaled approximately \$2 million and funded 89 percent of these expenditures. The remaining expenditures were funded primarily through real property taxes and fees collected from Library patrons.

Objectives

The objectives of our audit were to examine the Library's budgeting practices and cash receipts procedures. Our audit addressed the following related questions:

- Did the Board adopt budgets that reflected the Library's operating needs?
- Were cash receipts recorded and deposited in a timely and accurate way to ensure Library assets were adequately safeguarded?

Scope and Methodology

We examined the Library's budgeting practices and cash receipts procedures for the period July 1, 2012 through July 31, 2013. We

extended our scope back to the 2010-11 fiscal year to analyze budgeting practices and trends related to revenues and expenditures.

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 C 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. Except as specified in Appendix A, Library officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on the issues raised in the Library's response letter.

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 the 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.

Budgeting

The Board is responsible for making sound financial decisions that are in the best interests of the Library, the citizens that it serves and the taxpayers who fund the Library's programs and operations. Sound budgeting practices based on accurate estimates coupled with prudent fund balance management help ensure funding will be available to sustain operations, address unexpected occurrences, and satisfy long-term obligations or future expenditures. Accurate budget estimates also help ensure that the real property tax levy is not greater than necessary.

The Board has consistently underestimated revenues and overestimated expenditures in its budgets over the past three years, which resulted in operating surpluses totaling nearly \$1.6 million. This contributed to the accumulation of an unexpended surplus fund balance equivalent to an entire year's budget. For the same time period, the Library also increased the real property tax levy by nearly \$71,000. As a result, the Library levied and collected more taxes than necessary.

Budgeting Practices

In preparing the budget, the Board is responsible for estimating revenues, expenditures, available unexpended surplus funds,² and for determining the expected tax levy amount. Accurate estimates help ensure that real property taxes levied are not greater than necessary. Revenue and expenditure estimates should be developed based on prior years' operating results, past expenditure trends, anticipated future needs, and available information related to projected changes in significant revenues or expenditures. Unrealistic budget estimates misinform taxpayers about the Library's operating needs and can significantly impact the Library's year-end unexpended surplus funds and financial condition.

The Board has a practice of developing budgets based on the prior year's budget, rather than on operating results or expenditure trends. As a result, the Board has consistently adopted budgets that

² The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted and unrestricted (comprising committed, assigned and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011, and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54), and is now classified as unrestricted, minus appropriated fund balance, amounts reserved for insurance recovery and tax reduction, and encumbrances included in committed and assigned fund balance (post-Statement 54).

underestimated revenues and overestimated appropriations over a three-year period. As shown in Table 1, the Board underestimated revenues by as much as \$415,000 and overestimated expenditures by as much as \$540,000 each year from 2010-11 through 2012-13. As a result, over three years, these budgetary surpluses totaled nearly \$1.6 million.

Table 1: Budget vs. Actual Revenues and Expenditures				
Fiscal Year	2010-11	2011-12	2012-13	Three-Year Totals
Budgeted Revenues	\$2,541,295	\$2,755,908	\$2,607,337	\$7,904,540
Actual Revenues	\$2,573,682	\$2,700,988	\$3,022,126	\$8,296,796
Revenue Variance	\$32,387	(\$54,920)	\$414,789	\$392,256
Appropriations	\$2,541,295	\$2,755,908	\$2,607,337	\$7,904,540
Actual Expenditures	\$2,224,941	\$2,215,611	\$2,293,477	\$6,734,029
Expenditure Variance	\$316,354	\$540,297	\$313,860	\$1,170,511
Operating Surplus	\$348,741	\$485,377	\$728,649	\$1,562,767

The underestimated revenues were related primarily to SCLS nonresident fees, while the overestimated expenditures were related primarily to Library materials, capital outlay, publishing/printing and postage/shipping, and building repairs.

Revenues — In addition to real estate taxes, the Library receives nonresident fees through agreements with the SCLS to provide services to the residents of the Eastport-South Manor Central School District, East Moriches Union Free School District and Remsenburg-Speonk Union Free School District, which are outside the District's boundaries. Because these school districts do not have their own libraries, their residents vote to approve paying a fee to neighboring libraries, for library services. SCLS collects nonresident fees from each school district and proportionate shares are allocated to each library providing services to these communities. The fees are sent to the libraries in July of each year for payment of the prior fiscal year's services.

From 2010-11 through 2012-13, the Library underestimated the receipt of SCLS nonresident fees, which comprises approximately 89 percent of its budget. The Director stated that the Library had concerns over the timing of the receipt of the SCLS nonresident fees, as well as whether the Library would continue to receive these fees since the amounts are contingent on the number of nonresidents registering with the Library. For this reason, the Board decided to maintain a high level of unrestricted fund balance to have enough funding to cover the Library's expenses should the SCLS nonresident fees not arrive in a timely manner or should the amount be greatly

reduced. However, the Library has received the SCLS nonresident fees in July for each of the last three years, as required by the SCLS library service contracts. Furthermore, the amount received over the last three years has been steadily increasing, generating a positive revenue variance of \$810,475, as shown in Table 2, below.

Table 2: SCLS Nonresident Fees Received			
Fiscal Year	Budgeted SCLS Nonresident Fees	Actual SCLS Nonresident Fees	Variance
2010-11	\$1,420,000	\$1,647,722	\$227,722
2011-12	\$1,620,000	\$1,777,571	\$157,571
2012-13	\$1,620,000	\$2,045,182	\$425,182
Total	\$4,660,000	\$5,470,475	\$810,475

Expenditures – The Library has overestimated expenditures primarily in four areas: Library materials, capital outlay, publishing/printing and postage/shipping, and building repairs. Over the last three years, the Library has overestimated these four areas by a total of more than \$1 million, representing approximately 87 percent of total overestimated expenditures. The surpluses in each of these areas were a result of Library officials’ not basing budget estimates on all pertinent information available.

- **Library Materials** – While there was an extensive renovation capital project in progress, from 2010-11 through 2012-13, the Board did not reduce the \$376,200 it budgeted annually for items it decided not to purchase while the renovation was in process. Moreover, the Board adopted the same budget estimate for 2013-14.
- **Capital Outlay** – The Board budgeted \$180,000 for capital outlay in 2010-11 and 2011-12; however, it did not expend any of this amount, despite the ongoing capital project. In 2012-13, the Library had capital outlay expenditures of \$16,634; the Board did not budget for capital outlay in that year.
- **Publishing/Printing and Postage/Shipping** – In 2010-11, the Library engaged a new vendor that incorporated all of these items in its charges to the Library, resulting in reduced costs. However, the Board has not adjusted the amount budgeted for these items each year to reflect the cost savings achieved, again including the same \$75,700 in the 2013-14 budget.
- **Building Repairs** – The Library budgeted \$50,900 for building repairs in each of the last three fiscal years, a total of \$152,700. However, it expended only \$72,013 of this amount, despite

completing a capital project that accomplished the repairs. The Board has again included \$50,900 for building repairs in the 2013-14 budget, rather than establishing a repair reserve to accumulate moneys to fund future repairs.

The Board's failure to consider past operating results, expenditure trends, and other available pertinent information, such as the effects of an ongoing or upcoming capital project, resulted in the development and adoption of overly conservative budgets that produced surpluses and caused the Library's unexpended surplus fund balance to increase significantly. As a result, Library taxpayers paid more property taxes than necessary to fund Library operations.

Fund Balance

The estimation of fund balance is an integral part of the Library's budget process. Fund balance represents resources remaining from prior fiscal years that can be assigned as a funding source in the budget or retained as unassigned. Fund balance levels should be closely monitored by the Board to ensure that the Library maintains a reasonable level of unassigned fund balance, but does not accumulate more than necessary. Any fund balance in excess of what the Board considers reasonable may be used to lower property taxes, pay down debt, pay for one-time expenses, or be transferred to reserve funds that are reasonable and in compliance with statutory directives.

Because the Board has continually underestimated revenues and overestimated expenditures, the Library has experienced operating surpluses resulting in the accumulation of an excessive amount of unrestricted fund balance. As shown in Table 3, the percentage of unexpended surplus funds to the budgeted appropriations has increased from 70 to 102 percent over the last three completed fiscal years.

Table 3: Percentages of Unexpended Surplus Funds to Ensuing Year's Budget			
Year Ended June 30	2010-11	2011-12	2012-13
Unexpended Surplus Funds	\$1,933,956	\$2,624,337	\$2,878,616
Ensuing Year's Budgeted Appropriations	\$2,755,908	\$2,607,337	\$2,832,423
Unexpended Surplus Funds as a Percentage of the Ensuing Year's Budgeted Appropriations	70%	101%	102%

At the same time that the general fund's balance was increasing, the Library was also increasing the real property tax levy. The real property tax levy increased each year over the period by \$70,834, from \$855,332 in fiscal year 2010-11 to \$926,166, in fiscal year 2012-13. As a result, the Library levied and collected more taxes than necessary in each of these years. The Board could have used the unexpended surplus funds to reduce taxes.

In addition to accumulating excessive fund balance, the Library has not communicated this information to its taxpayers. The Library makes a budget document available to its patrons at the Library a week prior to the District residents voting on the budget. Information pertaining to the unexpended fund balance is not presented as part of this budget document. Therefore, the Library's financial condition and its ability to fund the ensuing year's budget with available resource are not being effectively communicated to taxpayers.

Recommendations

The Board should:

1. Develop and adopt budgets that include realistic estimates for revenues and expenditures based on all information available at the time the budgets are developed.
2. Monitor fund balance to ensure that it remains within a reasonable level.
3. Develop a plan to use the unexpended surplus funds in a manner that benefits the Library's taxpayers. Such uses could include, but are not limited to:
 - Increasing necessary reserves,
 - Paying off outstanding debt,
 - Financing one-time expenditures and
 - Reducing property taxes.
4. Include all relevant financial information in the budget document presented to the public prior to the vote, such as unexpended fund balance, so that the Library's financial position is effectively communicated.

Cash Receipts

Cash, above all other Library assets, has the greatest potential for theft if a system of internal controls is not in place and functioning effectively. Therefore, the Board and Library officials are responsible for establishing effective policies and procedures to ensure that all moneys are properly collected, safeguarded and accounted for. Cash records should provide sufficient detail to identify each transaction. Employees should prepare and maintain detailed deposit slips that identify the composition between cash and individual checks deposited; thereby helping to identify potential cash receipt errors or irregularities. All receipts must be deposited in a timely manner and intact³ to prevent errors or misuse of cash.

The Library does not have formal policies or procedures for handling cash receipts. As a result, the staff does not always ensure the cash counted agrees with the register tapes each night. Although 28 deposits totaling \$18,052, were made intact and recorded accurately, they were made between 10 and 66 days after the cash was collected, increasing the risk of loss or misuse of the cash.

During our audit period, the Library collected and deposited cash totaling \$39,385, comprising donations, fines and program fees. Although the Library has no formal written policies or procedures for handling cash receipts, Library officials indicated the Library's circulation desk staff members collect most of the cash. The circulation desk staff members share a single cash register when collecting moneys and provide receipts to patrons only upon request. At the end of each night, two staff members perform a cash count, print the register tape, count the cash and checks, then place everything in an envelope on which they write the amount received, and print and sign their names. They place this envelope in the Director's mailbox in the locked staff room. The Director moves the cash to the business office the next morning; only the Director and the Library accountant have access to this office. The cash remains in the business office until the night before the part-time clerk responsible for preparing deposits is scheduled to work, at which time the Library accountant moves the cash to a locked cabinet in the Library's reference area, only accessible by staff. The part-time clerk prepares the deposit slips, makes copies of the checks and reports the character of the moneys in detail; she also notes any differences between the actual cash and what is reported on the register tape. Once the deposits are prepared,

³ Intact means in the same amount and form (cash or check) as received.

the cash is returned to the locked cabinet until the accountant makes and records the deposit.

We reviewed the 28 deposits made between February and July 2013,⁴ which totaled \$18,052, or approximately 46 percent of all deposits made during the audit period. We examined register tapes and other cash count documentation and traced them to the deposit slips, bank statements and the general ledger. Library staff did not always follow procedure by writing the dollar amount on the envelope, or ensuring the amount written on the envelope agreed with the register tape and, in some cases, the amount indicated on the envelope did not match the amount ultimately deposited. For example, the staff conducting the cash count on March 27, 2013 did not investigate or report an error on the register tape that eventually led to the next day's cash count being incorrect. The staff conducting the count on March 28, 2013 just noted that the count was off and indicated they believed this was due to an error that occurred on the previous day. Although all of the deposits were made intact and accurately recorded, all 28 deposits were made between 10 and 66 days after the cash was received; 20 of the deposits, totaling \$13,059, were made between 14 and 42 days after the part-time clerk prepared the deposit.

By not depositing moneys until more than two months after received, cash collected remains unavailable to fund Library operations, and there is an increased risk that loss or theft could occur. Furthermore, because the Library's procedures were not enforced, errors in the cash collection process were not detected or corrected in a timely manner.

Recommendations

5. The Board should establish and enforce formal policies and procedures to ensure the cash counted agrees with the register tapes each night, the dollar amounts are written on the cash envelopes and that all moneys collected are deposited as quickly as possible.
6. The Director should provide additional training to staff regarding the collection of cash to help reduce the occurrence of errors and/or irregularities.

⁴ We selected the deposits for the last six months of the audit period.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

The library officials' response to this audit can be found on the following pages.

Center Moriches Free Public Library

235 Main Street

Center Moriches, NY 11934

Telephone: (631) 878-0940

www.suffolk.lib.ny.us/libraries/cmor

March 31, 2014

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

Re: Center Moriches Free Public Library
Report of Examination 2013M-378

Dear Sir:

Please consider this to be the consolidated "Reply" and "Corrective Action Plan" submitted by the Center Moriches Free Public Library in response to the "Report of Examination" forwarded to the Library from the Comptroller's Local Regional Office.

Initially, the Library expresses its appreciation for the contributions of the representatives of the Office of the State Comptroller in their efforts to enhance the financial condition of the Library. The Library's Board and Administrators found the input of the Comptroller's representatives to be of assistance on the matter of the review of Library practices, protocols, and procedures.

In conjunction with the Comptroller's reviews and recommendations set forth within its "Report of Examination" it is helpful to also consider the Library's unconventional funding sources. During the examination period, roughly 67% or \$2,045,182 of the Library revenues came from non-resident fees and only 31% or \$926,223 came in the form of tax revenues from the residents of Center Moriches. The non-resident fees represent residents from neighboring unserved library districts that choose to contract for library services from the Center Moriches Free Public Library through the Suffolk Cooperative Library System. These residents have the choice, annually, to select another neighboring library instead of the Center Moriches Free Public Library or to form a coalition and establish their own library district. If a new district was created, the Library could, with little warning, lose a portion or all of this funding. The effects could be financially devastating.

With those facts in mind, the Comptroller's report recommends that the Library prepare a budget that does not underestimate the non-resident fee income or overestimate its expenditures. The report correctly points out that these conservative budgets have produced unexpended surpluses in the Library's fund balance. The Library acknowledges and intends to implement the recommendation to prepare a budget based more on operating results or expenditure trends and with less reliance on the prior year's budget. However, the Library Board does not believe its fund balance is excessive. Especially when considered in light of the potential risks associated with its non-resident fee income and the Library's liability for other post-employment benefits (OPEB).

See
Note 1
Page 17

In fact, regarding post-employment benefits, in the State Comptroller's memorandum "GASB 45: Reporting the True Cost of Other Post-Employment Benefits" it says that "Governments should develop plans to address these costs, which can be managed through a combination of cost containment, cost sharing and *funding set-asides*" (emphasis supplied). It continues to say that "a government which puts aside OPEB funds can substantially cut its long-term costs".

See
Note 2
Page 17

Although the Board of the Center Moriches Free Public Library has always understood why it had its surplus, the Comptroller's examination correctly points out that this is not being effectively communicated to the taxpayers. Accordingly, to rectify this miscommunication, the Board will resolve to:

1. Commit fund balance for "budget stabilization" in the amount of \$1,200,000 in order to mitigate the risk of losing a contract district and to provide the Library time to cut potential services or to hold a budget vote to increase its tax revenues.
2. Reserve or commit fund balance for New York State retirement in the amount of \$300,000.
3. Commit fund balance for a portion of its "other post-employment benefits" in the amount of \$900,000.
4. Include all relevant financial information in its budget document presented to the public prior to the vote, including its unexpended fund balance.

In the matter of the recommendations regarding the cash receipts process, the examination states that all of the tested cash receipts were deposited intact and recorded accurately. However, it continues to state that if formal policies were documented and if deposits were made on a timely basis, that it would reduce the risk of loss or misuse. The Library concurs with the recommendation and has already instituted the following:

1. A formal cash receipt policy has been established and documented. It requires that circulation cash receipts (primarily fines) are counted by two staff members and reconciled with the cash register tapes daily.
2. The policy requires all other cash receipts such as checks received in the mail for example, to be recorded in a cash receipt log.
3. Deposits will be made no less frequently than weekly.
4. The Director will train staff as necessary regarding the collection of cash to reduce the occurrence of errors.

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

Respectfully submitted,

Virginia Tyson, President
Board of Trustees
Center Moriches Free Public Library

cc: Board of Trustees
Nan Peel, Director

APPENDIX B

OSC COMMENTS ON LIBRARY'S RESPONSE

Note 1

The Library's unexpended surplus funds at the end of 2013 were \$2.9 million or 102 percent of the 2013-14 adopted budget and amounted to 300 percent of the 2013-14 tax levy. The Library's tax levy increased by \$105,000 from 2010-11 through 2013-14.

Note 2

GASB 45 does not require that liabilities for a government's future other post-employment benefits (OPEB) be funded on a current basis. According to GASB, the most common misconception about Statement 45 is that it requires the funding of future OPEB liabilities. Instead, it establishes standards for accounting and reporting to more accurately reflect the financial effects of OPEB; how the benefits are funded is a management decision that must comply with statutory authority. There is currently no State statute that expressly authorizes a local government in New York to create a trust for OPEB purposes.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

We interviewed appropriate Library officials to obtain an understanding of the organization and the accounting system and reviewed pertinent documents, such as Library policies and procedure manuals, Board minutes, and financial records and reports. Further, we reviewed the District's internal controls and procedures over computerized financial databases to help ensure that the information provided by such systems was reliable.

After reviewing the information gathered during our initial assessment, we evaluated the Library's internal controls for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objectives and scope by selecting for audit the areas most at risk. We selected budgeting and cash receipts. To accomplish the objectives of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed Library officials and reviewed the Board meeting minutes and resolutions to gain an understanding of the Library's cash receipt procedures and also its budget development, monitoring procedures and control processes.
- We compared the budgeted revenues and appropriations to the actual revenues and expenditures for the fiscal years 2010-11 through 2012-13.
- We analyzed revenue and expenditure trends and budget-to-actual comparisons for the operating fund for fiscal years 2010-11 through 2012-13 and calculated the percentage of unrestricted funds compared with ensuing years' budget appropriations.
- We examined the form and content of the Library's budget documents presented to the public prior to the budget vote.
- We reviewed the deposits made for the last six months of our audit period (February 2013 through July 2013). We examined the deposit packets, including cash count documentation, daily register tapes and daily cash receipt summaries, and traced them to the deposit slips and bank statements to verify the Library's stated procedures, and determine whether deposits were made timely and intact. We also traced the deposits to the general ledger to determine whether the cash receipts were recorded accurately and in a timely manner.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

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