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December 2015

Thomas G. Jordan, President
Members of the Board of Trustees
Shelter Rock Public Library District
165 Searingtown Road
Albertson, NY 11507

Report Number: 2015M-249

Dear Mr. Jordan and Members of the Board of Trustees:

A top priority of the Office of the State Comptroller is to help library officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support library 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 governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of the Shelter Rock Public Library District (Library) for the period January 1, 2014 through June 30, 2015, which addressed the following question:

- Have Library officials ensured that bank reconciliations are accurately performed and reviewed in a timely manner to safeguard Library assets?

The results of our audit have been discussed with Library officials, and their comments, which appear in Appendix A, have been considered in preparing this report.

Background and Methodology

The Library is located in the Town of North Hempstead in Nassau County. It was established by a special act of the State Legislature in April 1962 and serves a community of about 27,000

residents from areas that overlap parts of three school districts.¹ The Library is a Special District Public Library chartered by the New York State Board of Regents and is overseen by the New York State Education Department.

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 and the safeguarding of Library resources. The Board appoints a Library Director (Director) who is the Library's executive and administrative officer and is responsible for the Library's day-to-day management. Additionally, the Library employs a senior account clerk in the business office who is responsible for, among other duties, performing monthly bank reconciliations.

The Library operates in one building with approximately 23 full-time and 30 part-time employees. The Library's 2015 budgeted expenditures totaled \$4.15 million and were funded primarily with real property taxes.

We examined the Library's bank reconciliation process for the period January 1, 2014 through June 30, 2015. We interviewed Library officials, Board members and other key employees and reviewed a sample of bank reconciliations, including supporting documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgement, as it was not the intent to project the results to the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the same selected for examination.

Audit Results

Bank reconciliations provide Library officials with essential information needed to effectively manage and safeguard cash, properly monitor the Library's fiscal affairs and provide officials with the opportunity to verify cash receipt and disbursement transactions. Bank reconciliations should be prepared monthly and any differences between net bank balances² and general ledger cash accounts should be researched and explained.

Bank reconciliations should be prepared by an employee or official who is independent³ of the Library's accounting functions and does not have access to cash. Where it is not possible to segregate these duties, a supervisor, or a designated Board member, should review accounting entries and bank reconciliations on a monthly basis.

Library officials have not adequately segregated duties related to the preparation and review of bank reconciliations. The Board has not designated a Board member or Library official who is independent of the accounting functions to review bank reconciliations. In addition, although the

¹ The Herricks Union Free School District, Mineola Union Free School District and East Williston Union Free School District

² A net bank balance is determined by adding deposits in transit and subtracting outstanding checks (and other pending charges) from the gross bank balance as of a certain date.

³ An employee or official who is independent of the Library's accounting functions does not have the ability to record receipts, disbursements or journal entries in the financial system.

Treasurer provides the book balance for each bank account to the Board as part of the Treasurer's monthly report, the Treasurer does not provide the bank reconciliations and supporting documentation, including the bank statements, to the Board for review.

During our audit period, the Library maintained 13 bank accounts. A senior account clerk in the business office, who is not independent of the accounting functions, prepares or reviews bank reconciliations. The senior account clerk also receives and maintains custody of the bank statements. She reconciles eight of these accounts and is responsible for recording disbursements, receipts and journal entries in the financial system. No one reviews the senior account clerk's activities within these eight accounts.

A part-time clerk within the business office is responsible for reconciling another four accounts, and the senior account clerk reviews the reconciliations prepared by this clerk. The Director reconciles the remaining bank account, a checking account, and no one reviews her reconciliations.

We reviewed the bank reconciliations for the 13 accounts during a six-month period,⁴ which included 73 separate bank statements, to determine whether they were performed accurately and in a timely manner. Except for minor discrepancies which we discussed with Library officials, we found that all reconciliations reviewed were accurate and performed in a timely manner. However, without supervisory or Board review of bank statements and reconciliations, the Library has an increased risk that errors or unauthorized banking activities may go undetected.

Recommendations

The Board should:

1. Ensure that bank reconciliations are performed by someone who is independent of the accounting functions.
2. Designate a Board member or Library official who is independent of the accounting function to review bank reconciliations.
3. Require the Treasurer to provide bank reconciliations and supporting documentation with the Treasurer's monthly report to the Board.

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 in the Board Secretary's office.

⁴ Please refer to Appendix B for further information on our sample selection.

We thank Library officials and staff for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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



Andrea Meluskey
Library Director

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December 9, 2015

Ira McCracken
Chief Examiner
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Division of Local Government and School Accountability
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250 Veteran's Memorial Highway
Hauppauge, New York 11788-5533

Re: Shelter Rock Public Library
Report of Examination 2015M-249 for the period January 1, 2014 through June 30, 2015

Dear Sir:

Please consider this to be the consolidated "Reply" and "Corrective Action Plan" submitted by the Shelter Rock Public Library in response to the Draft Report of Examination forwarded to the Library by your office.

The Library expresses its appreciation to the Office of the State Comptroller for the time spent at the Library and the professional manner in which the audit was conducted. The Library's administrators found the input of the Comptroller's representatives to be extremely helpful on the matter of the review of the Library practices and procedures.

The Board agrees with the following recommendations and as of this date has implemented changes.

Audit Recommendations:

1. Ensure that bank reconciliations are performed by someone who is independent of the accounting functions.
2. Designate a Board member or Library official who is independent of the accounting function to review bank reconciliations.
3. Require the Treasurer to provide bank reconciliations and supporting documentation with the Treasurer's monthly report to the Board.

Corrective Actions:

1. At the November 10, 2015 Board Meeting, the Trustees voted unanimously to approve a contract with the firm of Rynkar, Vail and Barrett, LLP for accounting services. Beginning in January 2016, an accountant from this firm will prepare the bank reconciliations.
2. **And 3.** As of the October 14th Meeting of the Board of Trustees, the bank reconciliations and supporting documentation have been presented to the Board with the monthly Financial Report. The Trustees in attendance reviewed the documents, signed the report and moved approval/acceptance of the bank reconciliations and Financial Report in the Minutes.
Going forward, the Treasurer will review the bank reconciliations and provide the bank reconciliations and supporting documentation with the monthly Financial Report to the Board of Trustees.

Once again, the Library expresses its appreciation to the Comptroller for these recommendations. The Board views this process as an opportunity to further the Library's commitment to its taxpayers to be fiscally responsible.

Respectfully submitted,

Andrea Meluskey
Library Director

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine whether Library officials ensured that bank reconciliations were accurately performed and reviewed in a timely manner for the period January 1, 2014 through June 30, 2015.

To achieve our audit objective and obtain valid evidence, we performed the following audit procedures:

- We interviewed Library officials, Board members and key employees to obtain an understanding of the bank reconciliation process.
- We reviewed the reconciliations for 12 bank accounts over the last six months of the audit period and the reconciliation for one bank account that was opened in the last month of the audit period. This gave us a test sample of 73 separate bank statements. We judgmentally selected the last six months as the best representation of timeliness and consecutive months so that we could compare ending balances to the subsequent beginning balances. The bank reconciliations over the six-month period represents one third of the 18-month population, which is significant enough to reflect the Library's general practices.

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.