

Office of the State Comptroller (OSC) Audits of Public Libraries: Common Findings

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OSC is stepping up efforts to audit public libraries in New York State. Audits can happen at any time to three of the four types of libraries: **Special District public libraries, School District public libraries and Municipal public libraries**. Association libraries may only be audited by OSC related to the Tax Cap, not for the internal fiscal control reasons you see below.

The following are my findings on those items ***most frequently*** cited in the audits of public libraries that you could ***work to improve immediately*** if applicable. This list was derived from reviewing the OSC audit reports of over a dozen public libraries:

- **Lack of an audit claims process:** The full board is responsible for the “audit and approval” of each claim (a.k.a. bill) prior to payment. Every claim needs to be adequately documented and supported by a voucher, purchase order (where applicable) and an itemized receipt or invoice. The board, by resolution, may authorize payment in advance of their audit for claims for public utility services (electric gas, water, sewer and telephone) and postage – however, the claims for such pre-payments must be presented at the next regular board meeting or audit.
 - Check out the publication ***“Improving the Effectiveness of Your Claims Auditing Process”*** from OSC at <http://www.osc.state.ny.us/localgov/pubs/lmgm/claimsauditing.pdf>

- **Lack of adequate cash handling procedures:**
 1. **Receipts** should be issued for all payments received, the receipt should include the date, payee, reason and amount. If a check is received the receipt should include the check number.
 2. Libraries that did not adequately **segregate the duties** surrounding the receipt of cash – no single individual should handle all or most aspect of the cash process.
 3. Each employee that places cash in the cash register (**yes, they expect you to have a cash register**) should have their own assigned cash drawer or enter a unique register code.
 4. On a **daily** basis, **two employees** should **count the cash collected and compare the total to the cash register tapes**. When cash is transferred from one employee to another the receiving employee should count the cash in front of the employee handing it over and both should get a copy of a duplicate receipt. Cash should be secured in a safe (that is kept locked) prior to deposit.
 5. **Daily bank deposits were recommended** but weekly deposits were acceptable.
 6. **Director** should routinely **compare fines recorded as received by the staff with cash register tape totals and bank deposits** to determine if the amounts recorded and deposited are reasonable and consistent

- **Lack of a purchasing (a.k.a procurement) policy – or – a library has a procurement policy but is not following it:** Your library must have a policy and it must define how purchasing at your library is done **below** the thresholds set by General Municipal Law (GML) which states that purchase contracts involving expenditures over \$20,000* and contracts for public work involving expenditures over \$35,000 are (generally) subject to competitive bidding. (*This is cumulative, so if you were purchasing \$20,000 worth of computer equipment within one fiscal year you would have to put it out to bid or use an Office of General Service (OGS) contract.)
 - **Check out the publication “Seeking Competition in Procurement” from OSC at <http://www.osc.state.ny.us/localgov/pubs/lmg/seekingcompetition.pdf>**

- **Lack of a credit card policy.** This board approved policy must define:
 - i. Who is authorized to use the credit card
 - ii. Dollar limits for purchases
 - iii. Description of the types of purchases that are allowed
 - iv. Describe the documentation requirements

- The following also appeared in at least one audit reviewed:
 - Public libraries should be using **modified accrual basis of accounting** (not cash based).
 - All libraries need to have a **petty cash fund policy**.
 - All libraries need to have an **investment policy**.
 - All libraries should have a **disaster recovery plan*** (a.k.a. business continuity plan, a.k.a. business process contingency plan). This policy needs to include the back up of accounting data offsite (not at your home).
 - All libraries should adopt a **code of ethics and conflict of interest policy (a Col policy is also required by the Nonprofit Revitalization Act)**.
 - **Board secretary and board treasurer need to fulfill their duties** (not the director in lieu of the secretary or treasurer).
 - If your library charges fines the library director is responsible to periodically **review outstanding fine balances** and develop **procedures to enforce their collection**.
 - **If you have board approved policies you need to follow them. Trustees must show up for meetings and you must have at least the number of board meetings as your bylaws say you will have.**
 - **Personnel leave (personal/sick/vacation time) needs to be tracked in a spreadsheet.**
 - **Libraries should have a computer use policy for staff** (not just patrons). This should include **separate log-ins for staff** on computers and shared software and a remote access policy.