



Pember Library and Museum

Board Oversight of Financial Activities

Report of Examination

Period Covered:

June 1, 2011 — April 26, 2013

2013M-285



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

Januray 2014

Dear Library/Museum 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 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 Pember Library and Museum, entitled Board Oversight of Financial Activities. 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*

Introduction

Background

The Pember Library and Museum (Library/Museum), located in the Village of Granville, is a 104 year-old Victorian library and museum housing over 10,000 specimens of birds, mammals, eggs, rocks, reptiles, insects, sea creatures, historic artifacts, photographs and art collections, along with a full service library. The Library/Museum's mission is to provide programming in an area that defines the union of art, natural history and environmental education.

The Library/Museum is governed by a nine-member Board, which includes the Board President. Board members are appointed by both the Library/Museum Board and the Village Board, according to the by-laws. The Board is responsible for the general oversight of Library/Museum operations, finances and compliance with local laws and the Pember Library and Museum Foundation Agreement. The Board has appointed an Executive Director to provide general oversight of the Library/Museum and nature preserve, and appointed a Library Director to provide oversight of the Library. The Board has contracted with a certified public accounting firm (accounting firm) to process all accounting records, including recording receipts, processing disbursements and payroll and reconciling the bank statements. The accounting firm provides the Executive Director with a copy of the accounting software that the Executive Director uses to print financial reports for the Board.

The Library/Museum's funding for the 2011-12 fiscal year totaled \$165,950, which consisted primarily of withdrawals from the Foundation investment account in the amount of \$38,632, donations and other grants of \$70,700, a New York State Parks grant of \$15,000, the Village of Granville's contribution of \$16,000 and the Town of Granville's contribution of \$8,250. The remainder of the funding comes from fines/fees, program fees, memberships and miscellaneous Museum sales.

Objective

The objective of our audit was to determine if Library/Museum officials provided adequate oversight of the Library/Museum's financial activities. Our audit addressed the following related question:

- Has the Board established adequate internal controls and exercised sufficient oversight to ensure that Library/Museum moneys are safeguarded?

**Scope and
Methodology**

We examined the Library/Museum's records and reports for the period June 1, 2011 through April 26, 2013. During our test for the timely payment of invoices, we extended our audit period to May 31, 2013.

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 is included in Appendix B of this report.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Library/Museum officials and their comments, which appear in Appendix A, have been considered in preparing this report. Library/Museum officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

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 Village Clerk's office.

Board Oversight of Financial Activities

Appropriate Board oversight of financial operations can help safeguard Library/Museum moneys and ensure that money is spent in the manner that will accomplish the Board's goals. The Board's directives are outlined in the by-laws, policies, the Pember Library and Museum Foundation Agreement (Agreement)¹ and adopted budgets.

The Board has taken steps to provide oversight of the Library/Museum's financial activities. An accounting firm prepares the accounting records, and the Executive Director provides the Board with financial reports. However, the Board did not adopt a budget for the fiscal years 2011-12 and 2012-13, as required by the by-laws, and did not monitor and comply with the stipulations in the Foundation Agreement regarding the maintenance of Foundation funds. In fact, although the Agreement stipulates that the Library/Museum can only spend interest earned on Foundation funds, the Library/Museum violated this stipulation by spending \$66,862 of principal. While the Board reviewed bills prior to payment, it allowed them to be paid late due to the lack of available cash. We also found weak controls over cash receipts. The Board contracted with an accounting firm to provide accounting services but did not review any bank statements, reconciliations or canceled checks to ensure that payments were only for authorized purposes. As a result, the risk is increased that Library/Museum funds could be used for unauthorized purposes.

Financial Oversight – The Board is responsible for the Library/Museum's overall financial management, including monitoring and evaluating financial condition. As such, the Board is responsible for reviewing the financial records prepared by the accounting firm and monitoring revenues, expenditures and overall cash flow. Furthermore, the Board is responsible for complying with various laws, by-laws and the Foundation Agreement, and adopting an annual operating budget. Preparing a budget is important because it establishes the Board's annual financial plan for how it will allocate resources to finance operations and identifies the sources of revenues it will receive to pay for such operations. By comparing the budget

¹ The Pember Library and Museum Foundation Agreement was an agreement between the Pember Library Museum Foundation, Inc. (Foundation) and the Pember Library and Museum. The trustees of the Foundation determined, due to the small amount of assets owned by the Foundation, it would be in the best interest of the Foundation to transfer the assets to the Pember Library and Museum. This Agreement was dated April 8, 1999.

estimates to actual results of operations throughout the year, the Board can determine how well the Library/Museum is meeting its desired goals and make budgetary modifications as warranted.

The Board did not formally adopt a budget for fiscal years 2011-12 and 2012-13. Both the Executive Director and Board President indicated that they were unaware a budget needed to be adopted if it remained the same during these two years. Even if the spending plan remained the same, there was no indication that the Board monitored the actual results of operations to any budget estimates during those years. The Board also did not annually review the by-laws and policies, did not adopt a formal investment policy and was unaware of the Agreement requirement regarding the maintenance of Foundation funds. The Executive Director did provide the Board with financial statements as prepared by the accounting firm, however, no one at the Library/Museum reviewed bank statements, bank reconciliations performed by the accounting firm, or canceled check images to ensure that all transactions were as recorded in the financial statements and were for appropriate transactions as approved by the Board. Had the Board provided more oversight of Library/Museum operations, it may have detected and corrected the deficiencies found in our audit.

Pember Library and Museum Foundation (Foundation) – The Agreement, dated April 4, 1999, states that Foundation assets must be maintained in a separate account and not be comingled with other accounts or assets owned by the Library/Museum. In addition, only the interest earned on Foundation assets may be used for operating expenses; the principal must be used for investment purposes only. As of the date of the Agreement, the Foundation’s assets were valued at \$210,398. However, as of April 30, 2013, the investment statement for the Foundation valued the assets at \$71,940, indicating that \$138,458 in principal may have been improperly used by the Library/Museum.

To determine what the funds had been used for, we examined transfers made from two investment accounts – the capital campaign² and Foundation accounts – for the period June 1, 2011 through April 26, 2013. We tested all of the withdrawals from these two investment accounts in the amount of \$144,027 and found that all were either transferred to another Library/Museum bank account or used to reimburse the Village of Granville for legitimate expenses related to the Library/Museum. However, we found that \$66,862 of the \$144,027

² The capital campaign was a fundraiser done by the Board and other concerned area citizens to expand, enhance, and provide future financial stability for the facility.

of investment withdrawals were made from the principal balance of the Foundation account, which is in violation of the Agreement.³

The Board had not reviewed the Agreement to determine if it was in compliance with the Agreement's terms pertaining to maintaining the principal balance of the Foundation's assets. Both the Board President and the Executive Director were not aware that the Agreement did not allow the Library/Museum to withdraw principal amounts from the investment accounts. The Board President told us that the Board stopped making all withdrawals from the Foundation investment account upon learning of the Agreement's requirements.

Cash Disbursements – The Board has assigned the duties of maintaining the accounting records to an accounting firm. The accounting firm processes and records receipts and disbursements, records journal entries and reconciles bank statements. Either the Executive Director or Board President sign the checks that are prepared by the accounting firm. The Executive Director signs checks for the bill paying checking account and the Board President signs checks for the capital campaign account. However, neither the Executive Director nor Board members reviewed bank statements or canceled checks to determine that all checks were accounted for and withdrawals from the bank accounts were as authorized by the Board.

We tested 50 randomly selected disbursements totaling \$11,286 to determine whether they were authorized by the Board, recorded correctly in the accounting records and had sufficient support to verify that they were for a valid Library/Museum purpose.⁴ With the exception of four minor data entry errors that we discussed with Library officials, all disbursements were properly recorded, supported by invoices and for Library/Museum purposes. Also, while it appears that the Board reviews and approves all the bills, it was difficult to verify because, although the Board approves claims for payment in the minutes, the payments were often held until sufficient funds were available. As a result, we found that bills often were approved many months before payment was actually made (as discussed in more detail in the "Payment Timeliness" section), making it difficult to trace paid bills to the related Board approvals in the minutes.

In addition, we tested all of the disbursements from the capital campaign bank account during our audit period, totaling \$89,115, and

³ The remaining balance of withdrawals was from the capital campaign account that did not have any written restrictions.

⁴ We used a random number generator to select 50 disbursements in the amount of \$11,286 from the Library/Museum's operating account. The random sample was drawn from a total population of 542 non-payroll disbursements totaling \$131,200 for the period June 1, 2011 through April 26, 2013.

found all were properly supported and for valid capital costs related to the Library/Museum. We also determined that all checks from the capital campaign account were appropriately signed by the Board President.

Payment Timeliness – An essential component for the payment of claims is ensuring that sufficient cash resources are available to pay vendors in a timely manner. At a minimum, the Library/Museum should have enough residual cash on hand at any one time to pay its bills over a 30- to 60- day period. Preparing a cash flow forecast to project expected cash on hand through the year can help identify low points so that purchases can be timed to coincide with available cash flow.

The Board approves claims for payment at its monthly meetings; however, the Library/Museum did not pay the claims in a timely manner. The Board President told us that the Board has instructed the Executive Director to pay all payroll, payroll taxes and utilities in a timely manner and hold all other bills until sufficient funds are available. We judgmentally selected 42⁵ invoices in the amount of \$7,096 listed as approved for payment by the Board in the minutes for the months of August 2011, February 2012, August 2012 and February 2013 to determine if the invoices were paid in a timely manner and were for legitimate business purposes. We found that all of these claims were for valid Library/Museum purposes. However, \$5,479, or 77 percent of invoices tested, were not paid in a timely manner.⁶ These payments were made, on average, 54 days late.

The Executive Director and Board President told us that the Board was aware that the Library/Museum could not pay bills in a timely manner because of the lack of adequate cash flow. However, they did not prepare a cash flow statement to assess when cash would be available and when they would need to defer purchases. As a result, payments for payroll, payroll taxes and utilities were paid in a timely manner, and all other bills were paid when funds became available.

Cash Receipts – The Board should establish procedures to ensure that all moneys received are properly accounted for and deposited in a timely manner. Cash reports and duplicate receipts should be maintained for all cash receipts collected.

⁵ We judgmentally selected higher risk payments for testing such as those to retail stores, for employee reimbursements, and to unfamiliar vendors.

⁶ We determined the number of days late by using the number of days the invoice was paid past the payment terms listed on the vendor invoice. In instances where the invoice did not state vendor payment terms, we used the best business practice of payment being made within 30 days of the invoice date.

The Board has not established adequate internal controls over the collection of cash receipts. Without supporting documentation, Library/Museum officials could not determine if transactions were entered correctly and completely into the accounting records. In addition, Library officials could not ensure that cash receipts⁷ were properly safeguarded and deposited in their entirety. These control weaknesses increase the risk that errors and/or irregularities could occur and not be detected and corrected in a timely manner.

Library/Museum officials did not maintain adequate documentation for cash receipts. For example, press-numbered duplicate receipts are not used unless a receipt is requested; no mail logs are maintained to determine the date and amount of checks received in the mail; no logs are used to determine the amount of money collected from the cash donation box in the Museum; and the annual fundraising dinner tickets are not pre-numbered, and the listing of attendees does not note the date of payment.

We reviewed the receipts for the annual dinner held in June 2012 and determined that \$7,231 was deposited, which appears reasonable based on the number of attendees. We also judgmentally selected the months of June 2012, December 2012 and March 2013⁸ to determine if the cash receipts information provided by the Executive Director to the accounting firm for recording in the accounting records reflected deposits for the correct amount and time period and that were correctly recorded in the accounting records. We tested \$32,030 out of the total of \$147,625 in receipts for the time period June 1, 2011 through March 31, 2013 and found that the deposit information agreed to the bank statements for the correct amount and time period. We also found that the accounting firm correctly recorded these receipts in the accounting records.

Bank Reconciliations – Timely performance of bank reconciliations enables the Board to determine the accuracy of the cash balances recorded in the accounting software, as well as the cash balances reported by the bank, and to make adjustments as necessary to correct any identified errors.

The Board contracted with the accounting firm to perform bank reconciliations but did not review the bank reconciliations to ensure that they were accurate. We judgmentally selected the operating bank account reconciliations performed for the months of November 2011,

⁷ The Library/Museum collected cash receipts from its annual dinner, gift shop purchases and donations.

⁸ We judgmentally selected the first, middle and last months of the audit period.

May 2012, November 2012 and March 2013.⁹ We found that these bank reconciliations were performed in a timely manner, but they were not accurate. These bank reconciliations included 53 outstanding checks totaling \$21,769 that had already cleared the bank. For example, the November 30, 2012 bank reconciliation included 29 outstanding checks totaling \$12,786 that had already cleared the bank. Because of these discrepancies, we reviewed all of the outstanding checks to ensure they were for appropriate Library/Museum expenditures, and properly signed by the Executive Director or the Board President. We found no exceptions. Furthermore, because the accounting firm does not sign checks or handle any moneys for the Library/Museum, we concluded these were simply reconciliation error and nothing more significant.

The internal controls currently in place and corresponding oversight by the Board could be improved. The lack of annual budgets to measure operating results against makes it difficult for the Board to determine how the Library/Museum's finances are performing from year to year. Also, not having sufficient controls over cash receipts increases the risk that Library/Museum funds could be lost or misappropriated. Further, without reviewing the bank statements and corresponding reconciliations, the Board has no means to determine the accuracy of cash balances reported or to ensure all banking activity was approved by the Board.

Recommendations

1. The Board should require a monthly cash flow statement to assess the amount of cash available to pay Library/Museum expenditures.
2. The Board should provide adequate oversight of the Library/Museum financial activities, including adopting and monitoring budgets, reviewing bank statements and reconciliations, and evaluating financial statements and cash flow forecasts.
3. The Board should comply with the Agreement and not use the principal of the Foundation investment account. Furthermore, the Board should establish a plan for replenishing the principal balance of Foundation funds it inappropriately spent.
4. The Board should require that all receipts be supported with a manual press-numbered receipt.

⁹ Our judgmental selection was based on six-month intervals beginning in November 2011. The final month selected was based on the last month of the audit period.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

The Pember

Library and Museum of Natural History
33 West Main Street Granville NY 12832
518.642.1515

December 20, 2013

Via E-mail (.pdf) only to muni-glensfalls@osc.state.ny.us

[REDACTED]
Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens falls, New York 12801

Re: **Response to Report of Examination / Corrective Action Plan**
July 1, 2011 – April 26, 2013

Dear [REDACTED]

On behalf of the Pember Library and Museum (the "Library"), please accept this letter as the Board of Trustee's formal response to, and corrective action plan for, the findings and recommendations contained in your draft Report of Examination, conveyed to us by e-mail dated November 13, 2013.

First and foremost, we wanted to take this opportunity to thank you and your staff for the diligence and professionalism exhibited during the course of the examination. Specifically, we extend our gratitude to your on-site examiners who approached the process with thoroughness and tenacity, but were willing to work cooperatively with our employees to minimize disruptions to our day-to-day operations. We also appreciate your office's willingness to discuss the details of the draft findings during the Exit Interview held on November 20, 2013. As a result of that meeting, we were able to better understand our obligations under this process and focus ourselves on providing you relevant information in this response.

As we discussed at the Exit Interview, the Board of Trustees and the Library's Executive Director are in complete agreement that financial controls, fiscal responsibility, and accounting accuracy are central goals for the Library which help us assure that the Library's limited resources are protected and preserved. Moreover, the Board of Trustees, the Executive Director, and the Library's accountants have thoroughly reviewed the draft report and we agree with and accept the findings and recommendations contained therein. As such, we do not intend to dispute or challenge any of the factual findings or recommendations set forth in the report. Indeed, our primary goal for this correspondence is to offer additional information about the corrective steps the Library has already undertaken based on recommendations made informally by the auditors during the course of the audit. Accordingly, we address our comments to the draft report on a section-by-section basis.

*The Pember Library and Museum is a 501© 3 non-profit organization
Fed ID # 14-6000797 Charities Reg. # 1611641*

INTRODUCTION

We have no substantive comments on the Introduction except to note that we believe that the description of the audit and its scope and objectives, contained in the Appendix on “Audit Methodology and Standards” (Appendix B in the Draft) is a more detailed and fully-informative statement of the objectives of the audit and the scope of examination. We believe the language in Appendix B conveys a fuller sense of the thoroughness and expansiveness with which your staff approached the examination.

We acknowledge the Board of Trustee’s obligation to draft and implement a corrective action plan in accordance with your final report and we hope that our efforts, as itemized in this response, will be deemed to meet this obligation. We intend that this response will be treated as our Corrective Action Plan and if further action is needed, please let us know.

BOARD OVERSIGHT OF FINANCIAL ACTIVITIES

Financial Oversight

Your report notes that the Board did not adopt a budget for fiscal years 2011-12 or 2012-13. We agree that the minutes of the meetings of the Board do not reflect such action, but the Board did receive a budget from staff in each year – without increase from the adopted 2010-2011 budget – and did “adopt” that budget, although without a formal vote reflected in the minutes. Those budgets were then submitted to the Village as backup for the annual appropriation request.

That said, we have modified our procedures in this regard and will now formally adopt a budget for each fiscal year by Board action. In addition, that Budget will be placed into our accounting software so that the Library’s accountants will be able to generate monthly “budget vs. actual” and cash-flow reports for the Library Board’s review. This monthly reporting will further facilitate the Board’s oversight of the Library’s cash flow in connection with the revised payment approval process discussed below. We agree that this modified procedure will enhance the Board’s ability to determine how well the Library is meeting its goals and financial obligations.

The Board has also appointed a volunteer financial review officer to receive, with the Executive Director, the monthly financial reporting and reconciliations from the Library’s accountants. That person will review the financial statements with the Executive Director and provide commentary and reports to the Board on issues that are found to be notable or material entries/events.

In addition, with the assistance of counsel, the Board will develop a revised set of purchasing and investment policies to further enhance its financial oversight role.

Pember Library and Museum Foundation

During the course of the examination, OSC staff located and brought to the Library's attention a certain "Foundation Agreement" dated April 4, 1999 which, among other things, restricted the use of the assets of the Pember Foundation which were transferred to the Library at that time. The restrictions state that only the income earned on the principal can be expended by the Library on its operations. Although you found that none of the tested transactions were made for illegal purposes, the expenditures made from the Foundation assets exceeded the amount allowed by the "income only" restriction and, as such, the principal of the Foundation accounts was significantly reduced.

It is critical to note, as you did, that the current trustees and staff were unaware of the existence of the Foundation Agreement (or the restrictions contained therein) until the document was located by OSC staff during the audit. Thus, although the expenditures from the Foundation Accounts were authorized by the Board, the Agreement was not intentionally violated by the current Board (or, any previous board which authorized such expenditures inappropriately without knowledge of the Agreement). Nevertheless, it is now clear that principal assets in the Foundation Account were utilized to pay operational expenses in contravention of the restriction, and that practice has now been terminated. Since May 2013, no additional money from the Foundation Account has been spent, and the Library Board has adopted a plan to reinvest surplus moneys that become available to it in the Foundation Account to "pay back" the incorrectly expended amounts. To date, \$10,000 has been deposited back into the Foundation Account. Other future deposits will be made as surplus funds become available, and the Board has earmarked all future interest earnings in the Foundation Account for reinvestment until the amounts are repaid.

Cash Disbursements

We have reviewed your findings regarding our book-keeping process with staff and our accountants. We are in the process of revising our procedures to ensure that monthly financial statements and reports are provided to the Board, that they are developed from accurate data, and that they are reviewed in advance of the Board meeting by the Executive Director and volunteer financial review officer.

We are pleased, but not at all surprised, to learn that you did not find any material deficiencies in the payments you examined. As you know, we have implemented a procedure through which no payments are made without prior Board review and approval. We are, however, changing our process to not approve payment of any amount that will not be paid within the next seven (7) days. This is to address your concern that certain payments have been authorized, but then not paid for "many" months due to cash shortages. In the future, if the cash is not available to issue a payment, the Board will table approval of that bill until cash is available to pay it.

Payment Timeliness

As you know, the Library has been under tremendous financial pressure due to declining and unpredictable revenues. This has resulted in a decrease in the speed in which we have been able to pay bills. Although no approved payments have been missed, many bills have not been paid in a timely manner. Indeed, in many months, the Executive Director identified bills that she was not able to pay on a timely basis due to cash shortfalls. Those bills were prioritized and queued for payment as cash became available. Although this was not done according to a formal cash-flow report, the analysis of the availability of cash was precisely the basis on which these payments were delayed.

As noted above, the Library will now alter its policy such that the Board will not approve a bill for payment until sufficient cash is available to cover the check. In addition, a new, formal cash flow report will be provided to the Board by the accountants (after staff review) on a monthly basis, so that the Board can be more actively involved in the process of prioritizing bills.

In addition, and perhaps most importantly, the Library Board has voted to pursue rechartering of the Library as a school district public library during 2014. This new form of organization will allow for direct taxpayer funding of the Library by the residents of the school district. If successful, it is expected that the resources available to fund the Library will be significantly increased and that funding will become significantly more stable.

Cash Receipts

We are exploring revision of our cash handling/deposit procedures with our accountants. In addition to continuing the current use of press-printed, numbered receipts, we have also identified mechanisms for cash receipt generation through our [REDACTED] (provided through [REDACTED]) and the purchase and use of a cash register for all other sales and transactions. In addition, we will implement the two-person cash-counting process recommended at the Exit Interview.

Bank Reconciliation

As noted, the Library's accounting firm prepares bank reconciliations on behalf of the Library. We are exploring changes to the procedures used to provide data to the accountants to enhance their ability to complete timely and accurate reconciliations. In addition, to enhance the value of those reconciliation reports, the volunteer financial review officer and the Executive Director will review the reconciliation reports prepared by the accountants on a monthly basis.

RECOMMENDATIONS

1. *The Board should require a monthly cash flow statement to assess the amount of cash available to pay Library expenditures.*

The Board agrees with and has implemented this recommendation. The report will be prepared by the Library's accountants and presented to the Board every month.

2. *The Board should provide adequate oversight of the Library's financial activities, including adopting and monitoring budgets, reviewing bank statements and reconciliations, and evaluating financial statements and cash flow forecasts.*

The Board agrees with and has implemented this recommendation. A budget for each year will be adopted and entered into [REDACTED] to allow for "budget-to-actual" analysis. The financial reporting package from the accountants will be enhanced and provided to the Board monthly, after preliminary review by the volunteer financial review officer and the Executive Director, who will be directed to report any notable issues or material entries to the Board.

3. *The Board should comply with the Foundation Agreement and not use the principal of the Foundation investment account. Furthermore the Board should establish a plan for replenishing the principal balance of the Foundation funds it inappropriately spent.*

The Board agrees with and has implemented this recommendation. No additional expenditures from the Foundation Account's principal will be authorized. All interest income is being reinvested until the principal balance is restored, and the Library has committed to replace principal through the deposit of surplus operating funds whenever they become available. To date, \$10,000 has already been reinvested.

4. *The Board should require that all receipts be supported with a manual press-numbered receipt.*

The Board agrees with and has implemented this recommendation. The Board is further exploring the generation of fine/lost material payment receipts through the ILS, and the use of a cash register for all other cash receipts.

Once again, thank you for your assistance through this process. If we can answer any further questions or provide additional information, please do not hesitate to contact us. In the meantime, the Board intends to continue to focus its efforts to implement your recommendations.

FOR THE BOARD OF TRUSTEES:



Marcia Klam
President

cc: Members of the Board of Trustees
Patricia Wesner, Executive Director
Jenkins, Beecher & Bethel LLP, CPAs
Robert Schofield, Esq., Counsel

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if Library/Museum officials provided adequate oversight of the Library/Museum's financial activities. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Library/Museum officials and reviewed Board minutes and policies to gain an understanding of internal controls over Library/Museum operations and the Board's oversight.
- We obtained and reviewed all bank statements for the period June 1, 2011 through March 31, 2013. We also reviewed bank reconciliations that were prepared by an outside accounting firm.
- We obtained all computerized accounting records, receipts and claims abstracts with supporting documentation.
- We obtained computerized disbursements records and randomly selected 50 disbursements to determine that the expenditures were authorized, supported and recorded in the accounting records.
- We tested all disbursements from the capital campaign bank account for the period June 1, 2011 through April 20, 2013.
- We obtained the investment account information for the capital campaign and Foundation for the period June 1, 2011 through March 31, 2013 to determine that withdrawals were transferred to another Library/Museum account or were for a valid Library/Museum purpose.
- We reviewed the Foundation agreement and determined the amount of withdrawals that were made from the Foundation investment account for the period June 1, 2011 through March 31, 2013.
- We tested receipts from the credit card reader and verified that the email from the vendor and the bank statements agreed.
- For the annual dinner held in June 2012, we recalculated the expected revenue using a listing of people that attended the dinner, taking into consideration the attendees (employees) that attended the dinner for free because they helped with this fundraising activity. We analyzed the number of tickets sold against the amount of revenues deposited in the bank to determine that the revenues were reasonable.
- We judgmentally selected the months of June 2012, December 2012 and March 2013 (first month and middle month of the most recently completed fiscal year, and the last month of the audit period), to determine if the deposit information provided by the Executive Director to the CPA was deposited in the right amount and right time period.

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.

APPENDIX C

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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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