

Mid-Hudson Library System

January 1, 2005 – December 31, 2005

January 1, 2006 – December 31, 2006

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Comptroller's Summary

Background & Organization

The Mid-Hudson Library System (MHLS) is a non-profit education institution sanctioned by the Commissioner of Education of the State of New York. In operation since 1959, the MHLS acts to ensure the public's right to free access, facilitate economical resource sharing, and promote professional library services while working in partnerships with the independent public and free association libraries of five Mid-Hudson Counties which include Columbia, Dutchess, Putnam, Greene and Ulster. The MHLS services 66 libraries, which include 22 libraries within Dutchess County. MHLS employed 38 part time and full time employees in 2006 and 36 in 2005.

Audit Scope, Objective and Methodology

The following contracts were reviewed for compliance with terms and funding:

<u>Contract No.</u>	<u>Description of Services (DC Dept Monitor)</u>	<u>Terms</u>	<u>Total \$ Amount</u>
2005 Contracts:			
02-0199-12/02-MH A4	Health Information Project (DC Mental Hygiene)	Jan-Dec.05	\$ 81,992
05-0282-12/05-PL	Subsidize Operations of Library System (DC Planning)	Jan-Dec.05	\$249,893
Total 2005 Contracts			<u>\$331,885</u>
2006 Contracts:			
02-0199-12/02-MH 6	Health Information Project (DC Mental Hygiene)	Jan-Dec.06	\$ 81,992
05-0282-12/05-PL A1	Subsidize Operations of Library System (DC Planning)	Jan-Dec. 06	\$249,893
Total 2006 Contracts			<u>\$331,885</u>

The Department of Planning contracts provided County funds for MHLS and 22 Dutchess County member libraries. The Poughkeepsie Public Library District (PPLD) is the designated Central Library for Dutchess County, aiding the MHLS in providing the centralized mechanism for library sharing of resources.

Funds provided for the DC Dept. of Mental Hygiene contracts were 100% funded by the NYS Office of Alcoholism and Substance Abuse Services (OASAS). NYS funding

letters indicated that funding up to \$ 81,992 and \$82,566 in 2005 and 2006 respectively would be available.

The contract review included:

- A review of MHLS and PPLD general ledgers, claims, invoices and fiscal reports.
- A review of MHLS and PPLD bank accounts.
- MHLS and PPLD payroll records including W-2s.
- Receipt and disbursement of funds to member libraries and the PPLD.
- Allocations of expenses

Summary of Findings

- In both 2005 and 2006, MHLS gave PPLD funds provided by the Dept. of Planning contract. MHLS did not monitor the distribution and expenditure of these funds by PPLD. However, we reviewed PPLD records and found payroll and bank records were in good order.
- The methodology for distributing summer reading funds to the 22 DC member libraries was changed from 2005 to 2006: however, the contract wording was not revised. In addition, there was no documented allocation process and no board approval.
- MHLS made claims prior to the actual payment for databases purchased.

Contract Review

Contract No. 05-0282-12/05-PL (2005) and A1 (2006)

This contract provided funding to the DC member libraries to purchase shared databases, fund the Summer Reading Programs for the 22 DC member libraries, provide accessibility to the internet, i.e. the Library Static IP charges, and the utilization of Poughkeepsie Public Library District (PPLD) employees to help administer the work of the MHLS.

A recap of the expenditures for the contracts follows:

<u>Description</u>	<u>2005</u>	<u>2006</u>
Database Support	\$71,220.00	\$71,221.00
Allocation to DC Member Libraries	109,203.00	109,202.00
County Reference Center		
Personnel Services	64,267.00	58,246.00
Library Static IP Chgs.	5,203.00	11,224.00
Total Claimed & Paid	<u>\$249,893.00</u>	<u>\$249,893.00</u>

During both years the entire amounts of the contracts were claimed and paid. In 2005 and 2006, the MHLS reimbursed the PPLD for database support purchases, personnel services and the Library Static IP Charges.

In 2005 the MHLS disbursed the allocations to the DC Member Libraries. The allocations were based on the chartered population as reported to the MHLS on their NYS Annual

Report. In 2006 the entire amount of the contract, \$249,893.00, was paid to the PPLD. PPLD in turn paid the 22 DC member libraries the allocation amount of \$109,202.00. In 2006 the methodology used to determine the individual libraries' allocations was changed from prior years; with 50% of the total allocation being equally distributed or \$2,481.87 allocated to each of the 22 DC members. The remainder of the allocation (\$54,601) was distributed to the 22 DC member libraries based on the 2005 book circulations for each library. The actual allocation was incorporated into the contract.

The review of this contract included the following:

- Invoices for payment of database support were reviewed. The payments were traced from the invoices of the vendors to the PPLD's checking account.
- Payments made to the 22 member libraries were reviewed for timeliness and accuracy. In 2005, with payments made by MHLS, payments were traced to the MHLS general ledger and bank account. In 2006, with payments made by the PPLD, PPLD checks were reviewed.
- For 2005, personnel allocations for services provided to the MHLS from the PPLD were reviewed and these PPLD employees' W-2s were reviewed.
- For both 2005 and 2006 invoices for internet access fees were reviewed and PPLD checks were reviewed.

Findings

- In reimbursing the Poughkeepsie Public Library District (PPLD), the MHLS did not have invoices to support expenditures. PPLD records contained invoices to support the expenditures.
- Both 2005 and 2006 allocations to the 22 member libraries were to be done on a per capita basis, based on the chartered populations of the individual 22 members. While the exact amount to be paid member libraries was documented in both the 2005 and 2006 contract, the change in the methodology was not changed within the 2006 contract. Payments made to the Libraries were based on the chart attached to each contract year as shown in Exhibit I of this report. MHLS did not have any written document stating the need or approval of the methodology change.
- Inconsistencies existed in the claiming and/or payments for databases during both contract years. Specifically:
 1. In each year, 2005 and 2006, an \$18,000 claim for the purchase of the NetLibrary Audio Books database was made. During that time period only one payment for this database was made and that was in 2006 for \$18,000. The licensing terms for this purchase was 8/11/05 – 9/10/06. This appeared to be an over claim. However, contract documentation listed database purchases as “likely” or “representative” of possible purchases. Other databases in both years were purchased and could have been utilized to make 2005 and 2006 claims.
 2. In 2005, MHLS requested a payment of \$ 2,287.00 for a purchase of Book Source: Non-Fiction database. The term of the database support services was 01/01/06-12/31/06. The payment for the database was

made December 26, 2005 and was claimed under the 2005 contract period. This resulted in a claim for a prepayment.

3. In 2006, MHLS claimed \$3,085.11 for the NetLibrary Audio Books database for the licensing period 10/01/06-12/31/06. The payment by PPLD was made in March 2007.

Recommendations

- When authorizing PPLD to distribute funds, MHLS should maintain proper oversight of the distribution of funds. This should include requesting and maintaining for audit supporting documentation for all payments made on their behalf. Documentation should include check numbers, date paid, vendor and purpose.
- Allocation methodology for the summer reading program funds should be approved by all member libraries and any change in methodology should be clearly stated in the DC contracts. Written procedures and approval of distribution methodologies should be available for audit review. Contract language should be reviewed for inconsistencies and corrected.
- Claims should correctly identify the databases purchased on the DC claiming forms. The contract should specify whether payment is required prior to claiming and MHLS should be consistent in their claiming methods.

Contract No. 02-0199-12/02-MH A4 (2005) and A6 (2006)

This project involves the review of current books, videos and DVDs on teen health and substance abuse prevention; the collection of informational materials into the library system; and the dissemination and/or reporting accessibility of the material to groups and teens in need of the materials.

The NYS Consolidated Financial Reports (CFR) for 2005 and 2006 are recapped below. Included is the claim made and paid to the MHLS for its services under the contracts and the estimated close-out funds due to MHLS. The close-out amounts due MHLS are based on the lower of the NYS initial funding letters or the actual expenses claimed on the CFR less the actual expenditures claimed and paid. The 2005 contract was closed-out and is reflected in the recap.

Expenditures	2005	2006
Personal Services	\$ 38,020	\$ 38,917
Fringe Benefits	6,375	6,564
Other than Personal Svcs.	36,162	35,655
Equipment	1,153	1,157
Total Expenditures	\$ 81,710	\$ 82,293
Initial NYS Funding	\$ 81,992	\$ 82,566
Claim and Paid to MHLS	\$ 81,710	\$ 77,012
Estimated Close-Out Due MHLS	\$ 0	\$ 5,281

The audit included a review of the general ledger substantiating the CFR reports. The cost of personal services included the full-time services of the Program Coordinator and an assistant. Other than personal expenses included the following:

<u>Other than Personal Expenses:</u>	<u>2005</u>	<u>2006</u>
Videos and Books	\$ 11,184	\$ 9,777
Cash Grants- Member Library	12,282	13,578
Supplies/Materials	1,107	672
Travel/Conference	229	
Travel- Mileage	1,100	1,944
Consultant	<u>10,260</u>	<u>9,684</u>
Total OTPS	<u>\$ 36,162</u>	<u>\$ 35,655</u>

Note: Cash Grant represents payments to member libraries for the hiring of teens to view or read materials to be incorporated into the library system. The teens hired were the employees of the individual libraries.

Payroll charged to this contract, i.e. for the Program Coordinator and her assistant, were verified to W-2's. The contract for the consultant was reviewed and a 1099 was issued.

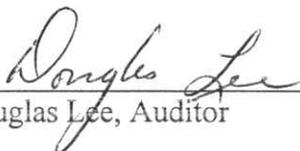
The purchase of equipment and the inventorying of equipment were reviewed. A review of the MHLS inventory listing indicated seven pieces of video and computer equipment were purchased in 2005 and 2006, totaling \$2,310. No exceptions were noted in the recording of inventory.

Findings

- The 2006 contract amount, \$81,992 is lower than the CFR expenses of \$82,293, which in turn is lower than the NYS approved funding amount, \$82,566. In order to be reimbursed the funds expended for this program the contract amount must be increased to the actual expenditures realized.

Recommendations

- The MHLS should request an increase in the contractual amount to \$82,293. This would result in a payment of \$5,281 to MHLS from the DC Dept. of Mental Hygiene.


 Douglas Lee, Auditor

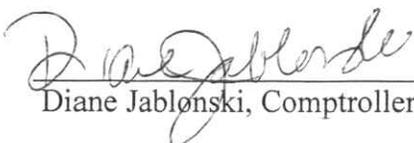

 Diane Jablonski, Comptroller

Exhibit 1**Allocations to 22 DC Member Libraries**

Library	2005 Allocation	2006 Allocation
Amenia Library	\$ 1,646.00	\$ 2,672.00
Beekman Library	\$ 5,552.00	\$ 3,764.00
Blodgett Library, Fishkill	\$ 4,245.00	\$ 5,613.00
Clinton Library Association	\$ 1,630.00	\$ 2,684.00
Dover Plains	\$ 3,482.00	\$ 3,951.00
E. Fishkill Community Library	\$ 10,404.00	\$ 9,537.00
Grinnell, Wappingers Falls	\$ 10,682.00	\$ 5,996.00
Howland Library, Beacon	\$ 10,546.00	\$ 5,293.00
Hyde Park Free Library	\$ 6,907.00	\$ 4,644.00
LaGrange Association Library	\$ 6,069.00	\$ 8,514.00
Millbrook Free Library	\$ 1,928.00	\$ 4,463.00
Northeast Millerton Library	\$ 1,221.00	\$ 3,149.00
Pawling Library	\$ 3,058.00	\$ 3,947.00
Pine Plains Library	\$ 1,044.00	\$ 2,939.00
Pleasant Valley Free Library	\$ 3,686.00	\$ 6,324.00
Poughkeepsie Public Library District	\$ 29,537.00	\$ 15,592.00
Red Hook Public Library	\$ 734.00	\$ 3,722.00
Rhinebeck Library	\$ 3,156.00	\$ 4,530.00
Rhinecliff Library	\$ 279.00	\$ 2,592.00
Staatsburg Library Association	\$ 1,483.00	\$ 3,002.00
Stanford Free Library	\$ 1,441.00	\$ 3,088.00
Tivoli Library	\$ 473.00	\$ 3,186.00
TOTAL	\$109,203.00	\$109,202.00



Mid-Hudson Library System

103 Market Street, Poughkeepsie, New York 12601 tel 845.471.6060 fax 845.454.5940 <http://midhudson.org>

Joshua Cohen, *Executive Director*

July 13, 2007

Ms. Diane Jablonski
Dutchess County Comptroller
22 Market Street
Poughkeepsie, NY 12601

Dear Ms. Jablonski,

This is in response to the January 1, 2005 through December 21, 2006 audit and recommendations, which we have reviewed.

Contract No. 05-282-12/05-PL (2005) and A1 (2006):

We are drafting an agreement between MHLS and PPLD as to the supporting documentation needed for the distribution of future DC funds. This documentation will also be used to verify database purchases on quarterly claim forms.

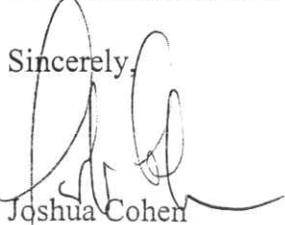
An agreement between MHLS and member libraries has been drafted for the summer reading funds. Terms include the allocation methodology, which will be consistent with the DC contract.

Contract No. 02-0199-12/02-MH A4 (2005) and A6 (2006):

A letter has been sent to the DC Dept. of Mental Hygiene requesting an increase in the contractual amount to \$82,293.

MHLS understands its responsibility of these pass-through funds, and will monitor their distribution more closely.

Sincerely,



Joshua Cohen
Executive Director

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