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STATE COMPTROLLER



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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

October 18, 2000

Honorable Carl T. Hayden  
Chancellor  
The University of the State of New York  
Education Building  
Albany, NY 12234

Re: Report 2000-F-29

Dear Mr. Hayden:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution, and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the New York State Education Department (Department) as of September 25, 2000, to implement the three recommendations contained in each of two prior audit reports, *The Queens Borough Public Library Delivery of Services and Selected Financial Management Practices*, (Report 97-N-11), and *The Brooklyn Public Library Delivery of Services and Selected Financial Management Practices*, (Report 97-N-12). Our reports, which were issued on April 28 and May 10, 1999 respectively, examined whether the Libraries were delivering services according to guidelines established by the Department.

**Background**

State Education Law authorizes the Department to incorporate any library whose purposes are of educational or cultural value, and authorizes the Department to visit, examine or inspect any institution under its educational supervision. The Department's Division of Library Development is responsible for administering State programs for the public libraries. The Queens and Brooklyn Public Libraries are registered with the Department as not-for-profit organizations and must abide by the Department's rules, regulations, and fiscal guidelines. Each of our prior audit reports contained the same three recommendations made to the Department and other recommendations made to each of the public libraries. This report addresses the status of the three recommendations made to the Department. The status of the recommendation made to the Queens Public Library and the Brooklyn Public Library re addressed in separate reports for each of these libraries.

## **Summary Conclusions**

Both of our prior audits found that while the Department was authorized to oversee the funds it provides to the Libraries and to ensure that they are used for their intended purposes, it had never reviewed either the Queens or Brooklyn Public libraries expenditure of these funds. The audits found that the Department relied on unverified information and documentation submitted by the Libraries to determine if program objectives were met, activities were carried out, and funds were used as intended. We also found that no formal assessments of the Libraries general operations had been conducted. Our follow-up review found that the Department has taken steps to implement the three recommendations addressed to it from the two prior audit reports.

## **Summary of Status of Prior Audit Recommendations**

Of the three prior audit recommendations, Department officials have implemented one recommendation, and partially implemented two recommendations. The recommendations are shown in the order that each appeared in the prior audit reports. The recommendations have been renumbered from one to three for this report.

## **Follow-up Observations**

### **Recommendation 1**

*Develop a plan to verify key program accomplishments included on the Queens and Brooklyn Public Libraries summary reports.*

Status - Partially Implemented

Agency Action - The Department receives and reviews program accomplishment reports as well as many other types of fiscal related reports from the Queens and Brooklyn Borough Public Libraries. These reports are reviewed and authenticated by the Library Board and are subsequently reviewed and approved by Department staff. While no formal plan has been established to verify the information in these reports, the Department indicated that these reports are closely reviewed and questioned by Department staff. The Department believes that this is an acceptable level of validation of program accomplishments.

### **Recommendation 2**

*Periodically do a risk assessment of significant operations of the Queens and Brooklyn Borough public Libraries to focus, from a risk perspective, on the verifications of the supporting documentation maintained by the libraries for their operations.*

Status - Partially Implemented

Agency Action - While the Department does not perform periodic risk assessments, it does perform field visits to the Queens and Brooklyn Public Libraries during which risks are assessed and addressed. Issues that are identified during these visits are conveyed to the Libraries, and kept in mind for future visits. Based on the results of the visits, risks are identified, and future visits to the locations are planned accordingly. In addition, a staff reporting process is being developed to capture the results of these visits. Implementation is scheduled by the end of the year. There is also a web-based system being planned to allow the libraries and the Department to share information and issues.

### **Recommendation 3**

*Determine SED's legal authority to audit the Queens and Brooklyn Borough Public Libraries expenditures of funds from nongovernmental sources. If it is determined that they have such authority, they should develop a plan for reviewing such funds.*

Status - Implemented

Agency Action – The Department has determined that they do not have the legal authority to audit the expenditure of non-governmental funds received by the Library's Foundation. If nongovernmental funds are received directly by the library as part of their operational or capital funds, they are reported to the Department. The Department believes the level of information it receives about nongovernmental funds has been adequate. In addition, the Department carefully reviews the financial statements received from the Queens and Brooklyn Libraries looking for deviations and anomalies. The Department makes inquiries when these are noted regardless of whether governmental or nongovernmental funds are involved.

The major contributor to this report was Michael Solomon.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address the unresolved matters. We also thank Department management and staff for the courtesies they extended to us during this review.

Very truly yours,

Jerry Barber  
Audit Director

cc: Richard Mills, State Education Department  
Thomas Sheldon, State Education Department  
Charles Conaway, Division of Budget