

Draft for Review
6/15/2022

THE MID-HUDSON LIBRARY SYSTEM

MANAGEMENT LETTER

DECEMBER 31, 2021

Date

To the Board of Trustees
The Mid-Hudson Library System
Poughkeepsie, New York 12601

In planning and performing our audit of the basic financial statements of the Mid-Hudson Library System (the "Library System") for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Library System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mid-Hudson Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library System's internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on the Library System's internal control in our report dated XXXX. This letter does not affect our report dated XXXX on the basic financial statements of The Mid-Hudson Library System.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Library System personnel, and we will be pleased to discuss in further detail at your convenience, to perform any additional studies of this matter, or to assist you in implementing the recommendation.

Hudson, New York

MEMORANDUM

PRIOR YEAR MEMORANDUM ITEMS

NONE NOTED

CURRENT YEAR MEMORANDUM ITEMS

1. Budget Adjustments Out of Balance-

At the commencement of the audit process the Budget Adjustments made to the revenue side of the operating budget did not agree to the expenditure side of the budget.

Per the Office of the State Comptroller, Budget modification must be authorized by a governing board resolution, and the resolution must stipulate both the appropriation account(s) to be increased and financing source(s) to support the modification. All budgetary amendments, after approval by the governing board, are journalized and posted to the appropriate general ledger and subsidiary accounts.

Based on the above it is contemplated that all budget modifications will balance on the revenue and expenditure side of the budget, even if the source of funds is reserved or unreserved fund balance.

2. Deferred Revenues-

Certain revenue sources from New York State and other sources received in advance need to be considered deferred revenues until the specific purpose or use of the funds has been met.

This is true of the funding received for Coordinated Outreach. The monies received in advance are not available to fund normal operations of the library.

For the 2021 year an audit adjustment was proposed to reflect unspent outreach funding as a deferred revenue.

A process should be put in place to review the revenues this treatment is applicable to at the end of each year.

3. Dual Signature on Checks greater than \$25,000-

During our disbursements testing we observed one check that cleared the bank in the amount of \$25,000 that only contained a single authorization signature. This particular check was to a member library.

The Library System's purchase/expenditure process indicates that each check for \$25,000 or more needs to have two check signer.

The Library System should consider a method to ensure that any check requiring two signatures is properly signed.

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4. Health Insurance Expenditures-

During our disbursements testing we observed numerous insurance payments for employee coverages that did not contain initialing to authorize payments.

Due to changes in employees covered on a month to month bases we recommend an authorization process prior to payment to ensure the coverage changes are reviewed and compared to appropriate employee records.

5. Other Post-Employment Benefits (OPEB~GASB #75)-

The initial valuation report received during the audit process was not reconciled to the prior year comparable report.

As a result, the opening balance on this year's report did not agree to last years ending balance.

Due to the actuarial concept used based on a current employee census the ending value did not change. However, a significant difference occurred in the details from opening balance to the reported changes in the current year resulting in material variance in initial Entity-Wide Financial Statement amounts to the final amounts.

A process should be implemented to ensure this calculation is reconciled annually to the prior year report.